

CHABOT-LAS POSITAS 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, 2001,
and July 1, 2003, through June 30, 2007*



JOHN CHIANG
California State Controller

April 2014



JOHN CHIANG
California State Controller

April 17, 2014

Hal G. Gin, Ed.D., President
Board of Trustees
Chabot-Las Positas Community College District
7600 Dublin Boulevard, 3rd Floor
Dublin, CA 94568

Dear Dr. Gin:

The State Controller's Office audited the costs claimed by the Chabot-Las Positas 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, 2001, and July 1, 2003, through June 30, 2007. We did not audit the costs claimed for the period of July 1, 2001, through June 30, 2003, because the statute of limitations to initiate the audit had expired by the time we began the audit.

The district claimed \$735,652 for the mandated program. Our audit found that \$277,130 is allowable and \$458,522 is unallowable. The costs are unallowable because the district overstated salaries and benefits, contract services, and indirect costs; and understated offsetting revenues and offsetting savings. The State paid the district \$238,298. Allowable costs claimed exceed the amount paid by \$38,832.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Jannett N. Jackson, Ed.D., Chancellor
Chabot-Las Positas Community College District
Lorenzo Legaspi, Vice Chancellor of Business Services
Chabot-Las Positas Community College District
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Chabot-Las Positas Community College District
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the Chabot-Las Positas 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, 2001, through June 30, 2003, and July 1, 2003, through June 30, 2007. We did not audit the costs claimed for the period of July 1, 2001, through June 30, 2003, because the statute of limitations to initiate the audit had expired by the time we began the audit.

The district claimed \$735,652 for the mandated program. Our audit found that \$277,130 is allowable and \$458,522 is unallowable. The costs are unallowable because the district overstated salaries and benefits, contract services, and indirect costs; and understated offsetting revenues and offsetting savings. The State paid the district \$238,298. Allowable costs claimed exceed the amount paid by \$38,832.

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, and 42920-42928; Public Contract Code section 12167 and 12167.1; and the State Agency Model Integrated Waste Management (IWM) 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));
- Diverting solid waste (Public Resources Code sections 42921 and 42922(i));
- Reporting to the IWM Board (Public Resources Code sections 42926(a) and 42922(i)); and
- Submitting recycled materials 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, 2001, and July 1, 2003, through June 30, 2007.

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, the Chabot-Las Positas Community College District claimed \$735,652 for costs of the Integrated Waste Management Program. Our audit found that \$277,130 is allowable and \$458,522 is unallowable.

For the fiscal year (FY) 1999-00 through FY 2000-01 and FY 2005-06 through FY 2006-07 claims, the State made no payment to the district. Our audit found that \$193,551 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04 through FY 2004-05 claims, the State paid the district \$238,298 from funds appropriated under Chapter 724, Statutes of 2010. Our audit found that \$83,579 is allowable. The State will apply \$154,719 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

**Views of
Responsible
Official**

We discussed our audit results with the district's representative during an exit conference on August 21, 2013. On April 9, 2014, Judy Hutchinson, District Budget Officer, responded by email that the district completed the claim, with the assistance of outside knowledgeable consultants, according to both the district's and consultant's understanding of the parameters and guidelines of the program at the time. The district acknowledges the recommendations listed in the report. Ms. Hutchinson declined a draft audit report and agreed that we could issue the report as final.

Restricted Use

This report is solely for the information and use of the Chabot-Las Positas 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 17, 2014

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2001,
and July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs:				
Salaries and benefits	\$ 29,854	\$ 8,117	\$ (21,737)	Finding 1
Fixed assets	54,371	54,371	—	
Total direct costs	84,225	62,488	(21,737)	
Indirect costs	11,751	11,023	(728)	Finding 3
Total direct and indirect costs	95,976	73,511	(22,465)	
Less offsetting revenues and reimbursements	—	(1,389)	(1,389)	Finding 4
Less offsetting savings ²	(1,389)	(3,799)	(2,410)	Finding 5
Total costs	<u>\$ 94,587</u>	68,323	<u>\$ (26,264)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 68,323</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs:				
Salaries and benefits	\$ 69,624	\$ 18,341	\$ (51,283)	Finding 1
Contract services	11,874	10,221	(1,653)	Finding 2
Total direct costs	81,498	28,562	(52,936)	
Indirect costs	27,404	5,502	(21,902)	Finding 3
Total direct and indirect costs	108,902	34,064	(74,838)	
Less offsetting revenues and reimbursements	—	(971)	(971)	Finding 4
Less offsetting savings ²	(971)	(7,992)	(7,021)	Finding 5
Total program costs	<u>\$ 107,931</u>	25,101	<u>\$ (82,830)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 25,101</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 105,984	\$ 45,424	\$ (60,560)	Finding 1
Contract services	8,102	2,500	(5,602)	Finding 2
Total direct costs	114,086	47,924	(66,162)	
Indirect costs	38,017	8,670	(29,347)	Finding 3
Total direct and indirect costs	152,103	56,594	(95,509)	
Less offsetting revenues and reimbursements	—	(6,440)	(6,440)	Finding 4
Less offsetting savings ²	(6,440)	(18,988)	(12,548)	Finding 5
Total program costs	<u>\$ 145,663</u>	31,166	<u>\$ (114,497)</u>	
Less amount paid by the State ³		(53,359)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (22,193)</u>		

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable Per Audit</u>	<u>Audit Adjustments</u>	<u>Reference¹</u>
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 135,097	\$ 49,330	\$ (85,767)	Finding 1
Contract services	1,405	1,359	(46)	Finding 2
Fixed assets	2,706	2,706	—	
Total direct costs	139,208	53,395	(85,813)	
Indirect costs	47,136	18,999	(28,137)	Finding 3
Total direct and indirect costs	186,344	72,394	(113,950)	
Less offsetting revenues and reimbursements	—	(1,405)	(1,405)	Finding 4
Less offsetting savings ²	(1,405)	(18,576)	(17,171)	Finding 5
Total program costs	<u>\$ 184,939</u>	52,413	<u>\$ (132,526)</u>	
Less amount paid by the State ³		(184,939)		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (132,526)</u>	
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 65,040	\$ 55,572	\$ (9,468)	Finding 1
Materials and supplies	2,354	2,354	—	
Total direct costs	67,394	57,926	(9,468)	
Indirect costs	22,562	20,406	(2,156)	Finding 3
Total direct and indirect costs	89,956	78,332	(11,624)	
Less offsetting revenues and reimbursements	(2,354)	(2,354)	—	
Less offsetting savings ²	—	(22,193)	(22,193)	Finding 5
Total program costs	<u>\$ 87,602</u>	53,785	<u>\$ (33,817)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ 53,785</u>	
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 88,693	\$ 56,709	\$ (31,984)	Finding 1
Contract services	11,682	10,491	(1,191)	Finding 2
Total direct costs	100,375	67,200	(33,175)	
Indirect costs	26,768	24,272	(2,496)	Finding 3
Total direct and indirect costs	127,143	91,472	(35,671)	
Less offsetting revenues and reimbursements	(12,213)	(12,213)	—	
Less offsetting savings ²	—	(32,917)	(32,917)	Finding 5
Total program costs	<u>\$ 114,930</u>	46,342	<u>\$ (68,588)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ 46,342</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 1999, through June 2001; and July 1, 2003, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 494,292	\$ 233,493	\$ (260,799)	
Materials and supplies	2,354	2,354	—	
Contract services	33,063	24,571	(8,492)	
Fixed assets	<u>57,077</u>	<u>57,077</u>	<u>—</u>	
Total direct costs	586,786	317,495	(269,291)	
Indirect costs	<u>173,638</u>	<u>88,872</u>	<u>(84,766)</u>	
Total direct and indirect costs	760,424	406,367	(354,057)	
Less offsetting revenues and reimbursements	(14,567)	(24,772)	(10,205)	
Less offsetting savings ²	<u>(10,205)</u>	<u>(104,465)</u>	<u>(94,260)</u>	
Total program costs	<u>\$ 735,652</u>	277,130	<u>\$ (458,522)</u>	
Less amount paid by the State ³		<u>(238,298)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,832</u>		

¹ See the Findings and Recommendations section.

² See Schedule 2, Summary of Offsetting Savings Calculations.

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

**Schedule 2—
Summary of Offsetting Savings Calculations
July 1, 1999, through June 30, 2001,
and July 1, 2003, through June 30, 2007**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July - December	January - June	Total	
<u>July 1, 1999, through June 30, 2000</u>					
Chabot College and District Office:					
Maximum allowable diversion percentage		—	25.00%		
Actual diversion percentage	÷	—	÷	47.32%	
Allocated diversion percentage		—	52.83%		
Tonnage diverted	×	—	×	(154.60)	
Statewide average landfill fee per ton	×	—	×	\$36.39	
Offsetting savings, Chabot College and District Office		—	(2,972)	(2,972)	
Las Positas College:					
Maximum allowable diversion percentage		—	25.00%		
Actual diversion percentage	÷	—	÷	57.62%	
Allocated diversion percentage		—	43.39%		
Tonnage diverted	×	—	×	(52.35)	
Statewide average landfill fee per ton	×	—	×	\$36.39	
Offsetting savings, Las Positas College		—	(827)	(827)	
Total offsetting savings, FY 1999-2000	\$ (1,389)	\$ —	\$ (3,799)	\$ (3,799)	\$ (2,410)
<u>July 1, 2000, through June 30, 2001</u>					
Chabot College and District Office:					
Maximum allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage	÷	47.32%	÷	61.06%	
Allocated diversion percentage		52.83%	40.94%		
Tonnage diverted	×	(154.60)	×	(219.10)	
Statewide average landfill fee per ton	×	\$36.39	×	\$36.39	
Offsetting savings, Chabot College and District Office		(2,972)	(3,264)	(6,236)	
Las Positas College:					
Maximum allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage	÷	57.62%	÷	61.48%	
Allocated diversion percentage		43.39%	40.66%		
Tonnage diverted	×	(52.35)	×	(62.80)	
Statewide average landfill fee per ton	×	\$36.39	×	\$36.39	
Offsetting savings, Las Positas College		(827)	(929)	(1,756)	
Total offsetting savings, FY 2000-01	\$ (971)	\$ (3,799)	\$ (4,193)	\$ (7,992)	\$ (7,021)

Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July-December	January-June	Total	
<u>July 1, 2003, through June 30, 2004</u>					
Chabot College and District Office:					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	62.79%	÷	56.14%	
Allocated diversion percentage		79.63%	89.06%		
Tonnage diverted	×	(221.30)	×	(212.90)	
Statewide average landfill fee per ton	×	\$36.83	×	\$38.42	
Offsetting savings, Chabot College and District Office		(6,490)	(7,285)	(13,775)	
Las Positas College:					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	70.44%	÷	60.47%	
Allocated diversion percentage		70.98%	82.69%		
Tonnage diverted	×	(82.70)	×	(96.05)	
Statewide average landfill fee per ton	×	\$36.83	×	\$38.42	
Offsetting savings, Las Positas College		(2,162)	(3,051)	(5,213)	
Total offsetting savings, FY 2003-04	\$ (6,440)	\$ (8,652)	\$ (10,336)	\$ (18,988)	\$ (12,548)
<u>July 1, 2004, through June 30, 2005</u>					
Chabot College and District Office:					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	56.14%	÷	57.94%	
Allocated diversion percentage		89.06%	86.30%		
Tonnage diverted	×	(212.90)	×	(187.70)	
Statewide average landfill fee per ton	×	\$38.42	×	\$39.00	
Offsetting savings, Chabot College and District Office		(7,285)	(6,317)	(13,602)	
Las Positas College:					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	60.47%	÷	66.53%	
Allocated diversion percentage		82.69%	75.15%		
Tonnage diverted	×	(96.05)	×	(65.60)	
Statewide average landfill fee per ton	×	\$38.42	×	\$39.00	
Offsetting savings, Las Positas College		(3,051)	(1,923)	(4,974)	
Total offsetting savings, FY 2004-05	\$ (1,405)	\$ (10,336)	\$ (8,240)	\$ (18,576)	\$ (17,171)
<u>July 1, 2005, through June 30, 2006</u>					
Chabot College and District Office:					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	57.94%	÷	70.11%	
Allocated diversion percentage		86.30%	71.32%		
Tonnage diverted	×	(187.70)	×	(263.55)	
Statewide average landfill fee per ton	×	\$39.00	×	\$46.00	
Offsetting savings, Chabot College and District Office		(6,317)	(8,646)	(14,963)	

Schedule 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Audit Adjustment ¹
		July-December	January-June	Total	
<u>July 1, 2005, through June 30, 2006 continued</u>					
Las Positas College:					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	66.53%	85.27%		
Allocated diversion percentage		75.15%	58.64%		
Tonnage diverted	×	(65.60)	(196.75)		
Statewide average landfill fee per ton	×	\$39.00	\$46.00		
Offsetting savings, Las Positas College		(1,923)	(5,307)	(7,230)	
Total offsetting savings, FY 2005-06	\$ —	\$ (8,240)	\$ (13,953)	\$ (22,193)	\$ (22,193)
<u>July 1, 2006, through June 30, 2007</u>					
Chabot College and District Office:					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	70.11%	83.86%		
Allocated diversion percentage		71.32%	59.62%		
Tonnage diverted	×	(263.55)	(576.04)		
Statewide average landfill fee per ton	×	\$46.00	\$48.00		
Offsetting savings, Chabot College and District Office		(8,646)	(16,486)	(25,132)	
Las Positas College:					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	85.27%	75.40%		
Allocated diversion percentage		58.64%	66.31%		
Tonnage diverted	×	(196.75)	(77.85)		
Statewide average landfill fee per ton	×	\$46.00	\$48.00		
Offsetting savings, Las Positas College		(5,307)	(2,478)	(7,785)	
Total offsetting savings, FY 2006-07	\$ —	\$ (13,953)	\$ (18,964)	\$ (32,917)	\$ (32,917)
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2007</u>					
	\$ (10,205)	\$ (44,980)	\$ (59,485)	\$ (104,465)	\$ (94,260)

¹ See Finding 5, Understated Offsetting Savings.

Findings and Recommendations

**FINDING 1—
Unallowable salaries
and benefits**

The district claimed \$494,292 in salaries and benefits during the audit period. We found that \$233,493 is allowable and \$260,799 is unallowable. The costs are unallowable because the district claimed costs that were based on estimates and were not supported with source documentation.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits 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	\$ 29,854	\$ 8,117	\$ (21,737)
2000-01	69,624	18,341	(51,283)
2003-04	105,984	45,424	(60,560)
2004-05	135,097	49,330	(85,767)
2005-06	65,040	55,572	(9,468)
2006-07	88,693	56,709	(31,984)
Total	\$ 494,292	\$ 233,493	\$ (260,799)

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

<u>Reimbursable Component</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Diversion & Maintenance of Approved Level of Reduction	\$ 449,035	\$ 188,236	\$ (260,799)
Designating a Recycling Coordinator	36,035	36,035	—
Annual Report	5,905	5,905	—
Accounting System	3,317	3,317	—
Total	\$ 494,292	\$ 233,493	\$ (260,799)

Diversion and Maintenance of Approved Level of Reduction

The district claimed \$449,035 in salaries and benefits for the Diversion and Maintenance of Approved Level of Reduction cost component. We found that \$188,236 is allowable and \$260,799 is unallowable. The costs are unallowable because the district claimed reimbursement for costs that were based on estimates and were not supported with source documentation.

The parameters and guidelines (section IV. Reimbursable Activities) state:

. . . to be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that 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 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.

Fiscal Year 2005-06 Actual Cost Documentation

With the exception of fiscal year (FY) 2005-06, the district did not provide any documentation to support the salaries and benefits claimed. For FY 2005-06, the district kept a contemporaneous log of the time spent on diversion activities at Chabot College, Los Positas College, and the District Office. The time logs kept track of the time devoted to the activities of recycling, composting, special waste, and source reduction by 17 district employees.

As the district did not provide any documentation to support the costs claimed for the other fiscal years in the audit period, we applied the time supported by the FY 2005-06 activity logs to the other fiscal years in the audit period. For each classification, we divided the total hours worked by the number of employees to determine the total time devoted to recycling, composting, special waste, and source reduction activities.

Allocated Diversion Percentage

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

For FY 2005-06, the district diverted a larger percentage of tonnage than the maximum required. Therefore, we allocated the salaries and benefits to be consistent with the requirements of the mandated program.

Allowable Salaries and Benefits

To compute the allowable salaries and benefits, we multiplied the FY 2005-06 actual costs per classification by the average productive hourly rates (PHR) per classification, and then multiplied the total by the allocated diversion percentage, as follows:

$$\begin{array}{rcccl}
 \text{Allowable} & & & & \text{Allocated Diversion \%} \\
 \text{Salaries and} & = & \text{FY 2005-06} & \times & \text{Required} \\
 \text{Benefits} & & \text{Actual Costs} & \times & \text{Diversion \%} \\
 & & \text{per classification} & & \text{2005-06} \\
 & & & & \text{Diversion \%}
 \end{array}$$

This calculation determines the cost the district incurred to achieve the required level of diversion as a result of implementing its Integrated Waste Management (IWM) plan.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the IWM 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 supported by source documentation.

**FINDING 2—
Unallowable contract
services**

The district claimed \$33,063 in contract services costs for the audit period. We found that \$24,571 is allowable and \$8,492 is unallowable. The costs are unallowable because the district claimed reimbursement for unsupported and ineligible costs.

The following table summarizes the claimed, allowable, and unallowable 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	\$ 11,874	\$ 10,221	\$ (1,653)
2003-04	8,102	2,500	(5,602)
2004-05	1,405	1,359	(46)
2006-07	<u>11,682</u>	<u>10,491</u>	<u>(1,191)</u>
Total	<u>\$ 33,063</u>	<u>\$ 24,571</u>	<u>\$ (8,492)</u>

The parameters and guidelines (section V. Claim Preparation and Submission, subsection (A)(3)) state:

Report the name of the contractor and services performed to implement the reimbursable activities. Attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services.

Unsupported Costs

The district claimed \$7,301 (\$1,653 for FY 2000-01, \$5,602 for FY 2003-04, and \$46 for FY 2004-05) for Waste Management to haul recyclables. The costs are unallowable because the district did not provide any documentation to support the costs claimed.

The parameters and guidelines (section IV. Reimbursable Activities) state:

. . . 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 cost was incurred for the event or activity in question

Ineligible Costs

For FY 2006-07, the district claimed \$1,191 paid to West Light Supply to properly dispose of fluorescent and ballast lights. The costs claimed are unallowable because hazardous waste materials, which include fluorescent and ballast lighting, cannot be disposed of as ordinary trash. Furthermore, Public Resource Code section 40191, subsection (b), states that “solid waste” does not include hazardous waste, as defined in Section 40141.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district ensure that claimed costs include only eligible costs, are based on actual costs, and are supported by source documentation.

FINDING 3— Misstated indirect costs

The district claimed \$173,638 in indirect costs for the audit period. We found that \$88,872 is allowable and \$84,766 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 rate for FY 2003-04 and FY 2004-05; did not support the indirect cost rates claimed for FY 1999-2000, FY 2000-01, FY 2005-06, and FY 2006-07; and did not apply the indirect cost rates to the proper direct cost base for FY 2003-04 and FY 2004-05.

For FY 2003-04 and FY 2004-05, the district claimed indirect costs using the FAM-29C methodology outlined in the SCO’s claiming instructions. The FAM-29C is calculated using information contained in the California Community College Annual Financial and Budget Report by activity (CCFS-311). We found that the district used the expenditures reported in the prior year CCFS-311 to calculate the current year FAM-29C rate. For example, the district used the expenditures reported in the FY 2003-04 CCFS-311 to calculate the FY 2004-05 FAM-29C. The district should use the expenditures reported in the current year CCFS-311 to calculate the current year FAM-29C rate. In addition, the FAM-29C rate for both FY 2003-04 and FY 2004-05 is applied to a direct cost base; however, the district applied the indirect cost rate claimed only to salaries and benefits.

The district did not provide any documentation to support the indirect cost rates claimed for FY 1999-2000, FY 2000-01, FY 2005-06, or FY 2006-07. Therefore, we calculated the FAM-29C rate for all fiscal years in the audit period.

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

<u>Fiscal Year</u>	<u>Claimed Indirect Cost Rate</u>	<u>Allowable FAM-29C Rate</u>	<u>Difference</u>
1999-2000	39.36%	17.64%	-21.72%
2000-01	39.36%	19.26%	-20.10%
2003-04	35.87%	18.09%	-17.78%
2004-05	34.89%	35.58%	0.69%
2005-06	34.69%	35.23%	0.54%
2006-07	30.18%	36.12%	5.94%

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

<u>Fiscal Year</u>	<u>Allowable Direct Costs</u>	<u>Allowable Indirect Cost Rate</u>	<u>Allowable Indirect Costs</u>	<u>Claimed Indirect Costs</u>	<u>Audit Adjustment</u>
1999-2000	\$ 62,488	17.64%	\$ 11,023	\$ 11,751	\$ (728)
2000-01	28,562	19.26%	5,502	27,404	(21,902)
2003-04	47,924	18.09%	8,670	38,017	(29,347)
2004-05	53,395	35.58%	18,999	47,136	(28,137)
2005-06	57,926	35.23%	20,406	22,562	(2,156)
2006-07	67,200	36.12%	24,272	26,768	(2,496)
Total	<u>\$ 317,495</u>		<u>\$ 88,872</u>	<u>\$ 173,638</u>	<u>\$ (84,766)</u>

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 Educational Institutions"; (2) the rate calculated on State Controller's Form FAM- 29C; or (3) a 7% indirect cost rate.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district calculate indirect costs in the manner prescribed in the claiming instructions and apply the indirect cost rates to allowable direct costs.

**FINDING 4—
Understated offsetting
revenues**

The district reported \$14,567 in offsetting revenue for the audit period. We found that the district generated revenue of \$24,772 from implementation of its IWM plan. The district understated offsetting revenue by \$10,205.

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

<u>Fiscal Year</u>	<u>Offsetting Revenue Reported</u>	<u>Offsetting Revenue Generated</u>	<u>Audit Adjustment</u>
1999-2000	\$ —	\$ (1,389)	\$ (1,389)
2000-01	—	(971)	(971)
2003-04	—	(6,440)	(6,440)
2004-05	—	(1,405)	(1,405)
2005-06	(2,354)	(2,354)	—
2006-07	(12,213)	(12,213)	—
Total	<u>\$ (14,567)</u>	<u>\$ (24,772)</u>	<u>\$ (10,205)</u>

The parameters and guidelines (section VII. Offsetting Revenues and Reimbursements) state:

Reimbursement for this mandated from any source, including but not limited to, service fees collected, federal funds, and other state funds allocated to any service provided under this program, shall be identified and offset from this claim. Offsetting revenue shall include all revenues generated from implementing the Integrated Waste Management Plan.

The district receives revenue for recycling paper and other commodities. The district provided documentation supporting that it generated \$24,772 from the sale of recyclable materials. Revenues generated from the sale of recyclable materials resulting from solid waste diversion activities should be identified and offset from the district's mandated cost claims.

Recommendation

The IWM Program was suspended in the FY 2011-12 through FY 2013-14 Budget Acts. Further, commencing in FY 2012-13, the district elected to participate in a block grant program, pursuant to Government Code section 17581.7, in lieu of filing annual mandated cost claims. If the program becomes active and if the district chooses to opt out of the block grant program, we recommend that the district offset all revenue generated from implementation of its IWM plan.

**FINDING 5—
Understated offsetting
savings**

The district reported \$10,205 in offsetting savings for the audit period. We found that the district realized savings of \$104,465 from implementation of its IWM plan. The district understated offsetting savings by \$94,260 for the audit period.

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

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Audit Adjustment
1999-2000	\$ (1,389)	\$ (3,799)	\$ (2,410)
2000-01	(971)	(7,992)	(7,021)
2003-04	(6,440)	(18,988)	(12,548)
2004-05	(1,405)	(18,576)	(17,171)
2005-06	—	(22,193)	(22,193)
2006-07	—	(32,917)	(32,917)
Total	<u>\$ (10,205)</u>	<u>\$ (104,465)</u>	<u>\$ (94,260)</u>

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

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

Public Contract Code section 12167 and 12167.1 requires 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 IWM Board for the purpose of offsetting recycling program costs. For the audit period, the district did not deposit any revenue into the IWM account in the IWM Fund. As the district had reduced or avoided costs realized from implementation of its IWM plan that it did not remit to the State, the district should have identified and offset this savings from its claims.

Offsetting Savings Calculation

The 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 multiplied the total by the avoided landfill disposal fee, as follows:

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

The 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 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).

Tonnage Diverted

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

For calendar years 2000 through 2007, we used the tonnage diverted reported by the district to CalRecycle pursuant to Public Resources Code section 42926, subdivision (b)(1).

Avoided Landfill Disposal Fee (per ton)

The avoided landfill disposal fee is used to calculate realized savings because the district no longer incurs a cost to dispose of the diverted tonnage at a landfill. For each fiscal year in the audit period, we used the statewide average disposal fee provided by CalRecycle. The district did not provide any documentation supporting a different disposal fee.

Recommendation

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