



JOHN CHIANG
California State Controller

September 11, 2013

Carol R. Horton, Vice President of Finance and Administrative Services
Citrus Community College District
1000 West Foothill Boulevard
Glendora, CA 91741-1899

Dear Ms. Horton:

The State Controller's Office reviewed the costs claimed by Citrus 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, 2011. We did not include the costs claimed for the period of July 1, 2001, through June 30, 2003, in the review period because the statute of limitations to initiate the review had expired before we began the review. Our review was limited to ensuring that offsetting savings were properly reported in accordance with program requirements.

The district claimed \$378,779 for the mandated program. Our review found that \$7,659 is allowable and \$371,120 is unallowable. The costs are unallowable because the district understated offsetting savings realized as a result of implementing its integrated waste management plan, as described in the attached Summary of Program Costs, Summary of Offsetting Savings Calculations, and the Finding and Recommendation. The State made no payment to the district. The State will pay the district \$7,659, contingent upon available appropriations.

We informed Rosalinda Buchwald, Fiscal Services Director, of the review results via email on August 7, 2013. On August 27, 2013, Ms. Buchwald replied that the district has a general understanding of the issues involved in the adjustment, but that the district does not agree with the review methodology.

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

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

Attachments

RE: S14-MCC-901

cc: Rosalinda Buchwald, Fiscal Services Director
Citrus Community College District
Christine Atalig, Specialist, College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Mollie Quasebarth, Principal Program Budget Analyst
Education Systems Unit, California Department of Finance
Mario Rodriguez, Finance Budget Analyst
Education Systems Unit, California Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 1999, through June 30, 2001;
and July 1, 2003, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits	\$ 8,712	\$ 8,712	\$ —
Travel and training	462	462	—
Total direct costs	9,174	9,174	—
Indirect costs	3,908	3,908	—
Total direct and indirect costs	13,082	13,082	—
Less offsetting savings ²	(290)	(5,423)	(5,133)
Total program costs	<u>\$ 12,792</u>	7,659	<u>\$ (5,133)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,659</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Direct costs:			
Salaries and benefits	\$ 12,413	\$ 12,413	\$ —
Travel and training	1,070	1,070	—
Total direct costs	13,483	13,483	—
Indirect costs	5,549	5,549	—
Total direct and indirect costs	19,032	19,032	—
Less offsetting savings ²	(18)	(26,091)	(26,073)
Subtotal	19,014	(7,059)	(26,073)
Adjustment to eliminate negative balance	—	7,059	7,059
Total program costs	<u>\$ 19,014</u>	—	<u>\$ (19,014)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits	\$ 13,196	\$ 13,196	\$ —
Indirect costs	6,008	6,008	—
Total direct and indirect costs	19,204	19,204	—
Less offsetting savings ²	—	(21,358)	(21,358)
Subtotal	19,204	(2,154)	(21,358)
Adjustment to eliminate negative balance	—	2,154	2,154
Total program costs	<u>\$ 19,204</u>	—	<u>\$ (19,204)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits	\$ 11,115	\$ 11,115	\$ —
Indirect costs	4,510	4,510	—
Total direct and indirect costs	15,625	15,625	—
Less offsetting savings ²	(263)	(18,006)	(17,743)
Subtotal	15,362	(2,381)	(17,743)
Adjustment to eliminate negative balance	—	2,381	2,381
Total program costs	<u>\$ 15,362</u>	—	<u>\$ (15,362)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits	\$ 31,896	\$ 31,896	\$ —
Travel and training	13,446	13,446	—
Total direct costs	45,342	45,342	—
Indirect costs	12,951	12,951	—
Total direct and indirect costs	58,293	58,293	—
Less offsetting revenues and reimbursements	(1,479)	(1,479)	—
Less offsetting savings ²	—	(65,978)	(65,978)
Subtotal	56,814	(9,164)	(65,978)
Adjustment to eliminate negative balance	—	9,164	9,164
Total program costs	<u>\$ 56,814</u>	—	<u>\$ (56,814)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits	\$ 61,228	\$ 61,228	\$ —
Contract services	525	525	—
Total direct costs	61,753	61,753	—
Indirect costs	25,685	25,685	—
Total direct and indirect costs	87,438	87,438	—
Less offsetting revenues and reimbursements	(3,201)	(3,201)	—
Less offsetting savings ²	—	(102,859)	(102,859)
Subtotal	84,237	(18,622)	(102,859)
Adjustment to eliminate negative balance	—	18,622	18,622
Total program costs	<u>\$ 84,237</u>	—	<u>\$ (84,237)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits	\$ 40,973	\$ 40,973	\$ —
Indirect costs	21,494	21,494	—
Total direct and indirect costs	62,467	62,467	—
Less offsetting revenues and reimbursements	(1,894)	(1,894)	—
Less offsetting savings ²	—	(96,572)	(96,572)
Subtotal	60,573	(35,999)	(96,572)
Adjustment to eliminate negative balance	—	35,999	35,999
Total program costs	<u>\$ 60,573</u>	—	<u>\$ (60,573)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits	\$ 40,630	\$ 40,630	\$ —
Materials and supplies	983	983	—
Total direct costs	41,613	41,613	—
Indirect costs	19,312	19,312	—
Total direct and indirect costs	60,925	60,925	—
Less offsetting revenues and reimbursements	(3,308)	(3,308)	—
Less offsetting savings ²	—	(103,400)	(103,400)
Subtotal	57,617	(45,783)	(103,400)
Adjustment to eliminate negative balance	—	45,783	45,783
Total program costs	<u>\$ 57,617</u>	—	<u>\$ (57,617)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits	\$ 29,825	\$ 29,825	\$ —
Materials and supplies	1,086	1,086	—
Total direct costs	30,911	30,911	—
Indirect costs	13,206	13,206	—
Total direct and indirect costs	44,117	44,117	—
Less offsetting revenues and reimbursements	(5,105)	(5,105)	—
Less offsetting savings ²	—	(108,277)	(108,277)
Subtotal	39,012	(69,265)	(108,277)
Adjustment to eliminate negative balance	—	69,265	69,265
Total program costs	<u>\$ 39,012</u>	—	<u>\$ (39,012)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 10,673	\$ 10,673	\$ —
Indirect costs	4,998	4,998	—
Total direct and indirect costs	15,671	15,671	—
Less offsetting revenues and reimbursements	(1,517)	(1,517)	—
Less offsetting savings ²	—	(27,313)	(27,313)
Subtotal	14,154	(13,159)	(27,313)
Adjustment to eliminate negative balance	—	13,159	13,159
Total program costs	<u>\$ 14,154</u>	—	<u>\$ (14,154)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>	
<u>Summary: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits	\$ 260,661	\$ 260,661	\$ —
Materials and supplies	2,069	2,069	—
Contract services	525	525	—
Travel and training	14,978	14,978	—
Total direct costs	278,233	278,233	—
Indirect costs	117,621	117,621	—
Total direct and indirect costs	395,854	395,854	—
Less offsetting revenues and reimbursements	(16,504)	(16,504)	—
Less offsetting savings	(571)	(575,277)	(574,706)
Subtotal	378,779	(195,927)	(574,706)
Adjustment to eliminate negative balance	—	203,586	203,586
Total program costs	<u>\$ 378,779</u>	7,659	<u>\$ (371,120)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,659</u>	

¹ See Attachment 3, Finding and Recommendation.

² See Attachment 2, Summary of Offsetting Savings Calculations.

**Attachment 2—
Summary of Offsetting Savings Calculations
July 1, 1999, through June 30, 2001;
and July 1, 2003, through June 30, 2011**

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized		Total	Review Adjustment ¹
		July-December	January-June		
<u>July 1, 1999, through June 30, 2000</u>					
Maximum allowable diversion percentage		—	25.00%		
Actual diversion percentage	÷	—	÷	55.46%	
Allocated diversion percentage		—	45.08%		
Tonnage diverted	x	—	x	(330.60)	
Statewide average landfill fee per ton	x	—	x	\$36.39	
Offsetting savings, FY 1999-2000	\$ (290)	—	\$ (5,423)	\$ (5,423)	\$ (5,133)
<u>July 1, 2000, through June 30, 2001</u>					
Maximum allowable diversion percentage		25.00%	25.00%		
Actual diversion percentage	÷	55.46%	÷	47.19%	
Allocated diversion percentage		45.08%	52.98%		
Tonnage diverted	x	(330.60)	x	(1,072.00)	
Statewide average landfill fee per ton	x	\$36.39	x	\$36.39	
Offsetting savings, FY 2000-01	\$ (18)	\$ (5,423)	\$ (20,668)	\$ (26,091)	\$ (26,073)
<u>July 1, 2003, through June 30, 2004</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	72.05%	÷	54.66%	
Allocated diversion percentage		69.40%	91.47%		
Tonnage diverted	x	(520.10)	x	(229.45)	
Statewide average landfill fee per ton	x	\$36.83	x	\$38.42	
Offsetting savings, FY 2003-04	\$ —	\$ (13,294)	\$ (8,064)	\$ (21,358)	\$ (21,358)
<u>July 1, 2004, through June 30, 2005</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	54.66%	÷	59.90%	
Allocated diversion percentage		91.47%	83.47%		
Tonnage diverted	x	(229.45)	x	(305.40)	
Statewide average landfill fee per ton	x	\$38.42	x	\$39.00	
Offsetting savings, FY 2004-05	\$ (263)	\$ (8,064)	\$ (9,942)	\$ (18,006)	\$ (17,743)
<u>July 1, 2005, through June 30, 2006</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	59.90%	÷	78.51%	
Allocated diversion percentage		83.47%	63.69%		
Tonnage diverted	x	(305.40)	x	(1,912.65)	
Statewide average landfill fee per ton	x	\$39.00	x	\$46.00	
Offsetting savings, FY 2005-06	\$ —	\$ (9,942)	\$ (56,036)	\$ (65,978)	\$ (65,978)

Attachment 2 (continued)

Cost Elements	Offsetting Savings Reported	Offsetting Savings Realized			Review Adjustment ¹
		July-December	January-June	Total	
<u>July 1, 2006, through June 30, 2007</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	78.51%	79.43%		
Allocated diversion percentage		63.69%	62.95%		
Tonnage diverted	x	(1,912.65)	(1,549.60)		
Statewide average landfill fee per ton	x	\$46.00	\$48.00		
Offsetting savings, FY 2006-07	\$ —	\$ (56,036)	\$ (46,823)	\$ (102,859)	\$ (102,859)
<u>July 1, 2007, through June 30, 2008</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	79.43%	79.43%		
Allocated diversion percentage		62.95%	62.95%		
Tonnage diverted	x	(1,549.60)	(1,549.60)		
Statewide average landfill fee per ton	x	\$48.00	\$51.00		
Offsetting savings, FY 2007-08	\$ —	\$ (46,823)	\$ (49,749)	\$ (96,572)	\$ (96,572)
<u>July 1, 2008, through June 30, 2009</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	79.43%	79.43%		
Allocated diversion percentage		62.95%	62.95%		
Tonnage diverted	x	(1,549.60)	(1,549.60)		
Statewide average landfill fee per ton	x	\$51.00	\$55.00		
Offsetting savings, FY 2008-09	\$ —	\$ (49,749)	\$ (53,651)	\$ (103,400)	\$ (103,400)
<u>July 1, 2009, through June 30, 2010</u>					
Maximum allowable diversion percentage		50.00%	50.00%		
Actual diversion percentage	÷	79.43%	79.43%		
Allocated diversion percentage		62.95%	62.95%		
Tonnage diverted	x	(1,549.60)	(1,549.60)		
Statewide average landfill fee per ton	x	\$55.00	\$56.00		
Offsetting savings, FY 2009-10	\$ —	\$ (53,651)	\$ (54,626)	\$ (108,277)	\$ (108,277)
<u>July 1, 2010, through June 30, 2011</u>					
Maximum allowable diversion percentage		50.00%	—		
Actual diversion percentage	÷	79.43%	—		
Allocated diversion percentage		62.95%	—		
Tonnage diverted	x	(774.80)	—		
Statewide average landfill fee per ton	x	\$56.00	—		
Offsetting savings, FY 2010-11	\$ —	\$ (27,313)	\$ —	\$ (27,313)	\$ (27,313)
<u>Total offsetting savings: July 1, 1999, through June 30, 2001; and July 1, 2003, through June 30, 2011</u>					
	\$ (571)	\$ (270,295)	\$ (304,982)	\$ (575,277)	\$ (574,706)

¹ See Attachment 3, Finding and Recommendation.

**Attachment 3—
Finding and Recommendation
July 1, 1999, through June 30, 2001;
and July 1, 2003, through June 30, 2011**

**FINDING—
Understated offsetting
savings**

The district understated offsetting savings by \$574,706 for the review period. The following table summarizes the understated offsetting savings by fiscal year:

Fiscal Year	Offsetting Savings Reported	Offsetting Savings Realized	Review Adjustment
1999-2000	\$ (290)	\$ (5,423)	\$ (5,133)
2000-01	(18)	(26,091)	(26,073)
2003-04	-	(21,358)	(21,358)
2004-05	(263)	(18,006)	(17,743)
2005-06	-	(65,978)	(65,978)
2006-07	-	(102,859)	(102,859)
2007-08	-	(96,572)	(96,572)
2008-09	-	(103,400)	(103,400)
2009-10	-	(108,277)	(108,277)
2010-11	-	(27,313)	(27,313)
Total	\$ (571)	\$ (575,277)	\$ (574,706)

On March 25, 2004, the Commission on State Mandates (CSM) adopted the statement of decision for the Integrated Waste Management (IWM) Program. The CSM determined that Chapter 1116, Statutes of 1992; and Chapter 764, Statutes of 1999, imposed upon community college districts a state mandate reimbursable under Government Code section 17561, commencing July 1, 1999.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on March 30, 2005.

In March 2007, the Department of Finance and the IWM Board filed a petition for writ of mandate requesting the CSM to issue new parameters and guidelines that give full consideration to the community colleges' cost savings (e.g. avoided landfill disposal fees) and revenues (from recyclables) by complying with the test claim statutes. The Judgment and a Writ of Mandate were issued on June 30, 2008, ordering the CSM to amend the parameters and guidelines to require community college districts to identify and offset from their claims, cost savings realized as a result of implementing their plans.

On September 26, 2008, the CSM amended the parameters and guidelines to the original period of reimbursement because the court's decision interprets the test claim statutes as a question of law.

In compliance with Government Code section 17558, the State Controller's Office issues claiming instructions to assist community college districts in claiming mandated-program reimbursable costs.

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

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

Public Contract Code sections 12167 and 12167.1 require agencies in state-owned and state-leased buildings to deposit all revenues from the sale of recyclables into the IWM Account in the IWM Fund. The revenues are to be continuously appropriated to the Board for the purposes of offsetting recycling program costs. For the review period, the district did not deposit any revenue into the IWM Account in the IWM Fund. We have determined that the district had reduced or avoided costs realized from implementation of its IWM plan that it did not identify and offset from its claims as cost savings.

Offsetting Savings Calculation

The CSM's Final Staff Analysis of the proposed amendments to the parameters and guidelines (Item #8–CSM hearing of September 26, 2008) state:

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

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

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

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

Allocated Diversion Percentage

Public Resource Code 42921 requires 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 state that districts will be reimbursed for all mandated costs incurred to achieve these levels, without reduction when they fall short of stated goals, but not for amounts used to exceed these state-mandated levels. Therefore, we allocated the offsetting savings to be consistent with the requirements of the mandated program.

For calendar years 2000 through 2007, we used the actual diversion percentage reported by the district to CalRecycle (formerly the IWM Board) pursuant to Public Resources Code section 42926, subdivision (b)(1).

In 2008, CalRecycle began focusing on “per-capita disposal” instead of a “diversion percentage.” As a result, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Consequently, the annual reports no longer identify a “diversion percentage.” Therefore, we used the 2007 diversion percentage to calculate the offsetting savings for fiscal year (FY) 2007-08, FY 2008-09, FY 2009-10, and FY 2010-11. The district did not provide documentation supporting a different diversion percentage.

Tonnage Diverted

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

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

As previously noted, in 2008, CalRecycle stopped requiring community college districts to report the actual amount of tonnage diverted. Therefore, we used the tonnage diverted in 2007 to calculate the offsetting savings for FY 2007-08, FY 2008-09, FY 2009-10, and FY 2010-11. The district did not provide documentation supporting a different amount of tonnage diverted.

Avoided Landfill Disposal Fee (per Ton)

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

Recommendation

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