



May 20, 2010

Ms. Margo Reid Brown, Director
Department of Resources Recycling and Recovery
801 K Street, MS 1901
Sacramento, CA 95814

Dear Ms. Reid Brown:

Final Report—City of Bakersfield, Waste Tire Cleanup and Tire Derived Product Grants

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its agreed-upon procedures review of the City of Bakersfield's (City) Waste Tire Cleanup and Tire Derived Product Grant agreements noted below:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Amount Awarded</u>
TCA1-05-29	June 30, 2006 through June 30, 2007	\$76,416
TDP2-05-34	June 1, 2006 through March 31, 2008	\$91,330

The enclosed report is for your information and use. The City's response to the report finding is incorporated into this final report. The City agreed with our observations and we appreciate its willingness to implement corrective actions. The observations in our report are intended to assist management in improving the effectiveness and efficiency of its operations.

In accordance with Finance's policy of increased transparency, this report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov/> within five working days of this transmittal.

We appreciate the assistance and cooperation of the City. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Alan Tandy, City Manager, City of Bakersfield
Mr. Raul Rojas, Director of Public Works, City of Bakersfield
Ms. Melanie Dunwoody, Business Manager, City of Bakersfield
Ms. Sharon Traynor, Accountant, City of Bakersfield
Ms. Luda Fishman, Business Manager, City of Bakersfield
Mr. Tom Estes, Deputy Director, Department of Resources Recycling and Recovery
Ms. Shirley Willd-Wagner, Manager, Financial Assistance Division, Department of Resources Recycling and Recovery
Ms. Susan Villa, Branch Manager, Administration and Finance Division, Department of Resources Recycling and Recovery
Ms. Corky Mau, Branch Manager, Financial Assistance Division, Department of Resources Recycling and Recovery
Mr. Brian Kono, Audit Manager, Audit and Evaluation Unit, Department of Resources Recycling and Recovery
Mr. Wes Mindermann, Supervisor, Cleanup, Closure, and Financial Assurance Division, Department of Resources Recycling and Recovery

AGREED-UPON PROCEDURES

City of Bakersfield
Grant Agreements TCA1-05-29
and TDP2-05-34

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Alma Ramirez, CPA
Supervisor

Staff
Steve Backlund

Final Reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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Office of State Audits and Evaluations
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(916) 322-2985

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Ms. Margo Reid Brown, Director
Department of Resources Recycling and Recovery
801 K Street, MS 1901
Sacramento, CA 95814

The Department of Finance, Office of State Audits and Evaluations, performed the procedures enumerated below, which were agreed to by the California Integrated Waste Management Board (Board). On January 1, 2010, the Board was abolished and transferred its duties to the new Department of Resources Recycling and Recovery (CalRecycle).

The objective of the agreed-upon procedures is to assist CalRecycle in evaluating the City of Bakersfield's (City) compliance with the provisions of the Waste Tire Clean-Up and Amnesty Event and Tire Derived Product grants. We applied the agreed-upon procedures to the following grant agreements:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Amount Awarded</u>
TCA1-05-29	June 30, 2006 through June 30, 2007	\$76,416
TDP2-05-34	June 1, 2006 through March 31, 2008	\$91,330

This agreed-upon procedures engagement was conducted in accordance with the *Statements on Standards for Attestation Engagements* published by the American Institute of Certified Public Accountants. These standards require that we report all findings identified during the application of the agreed-upon procedures, unless the specified users agree to the definition of materiality. Finance and CalRecycle agreed for findings that include questioned costs, errors or omissions that in the aggregate exceed 5 percent or \$1,000 of grant funds claimed, whichever is less, are considered material. When it is not efficient to quantify the questioned costs, issues will be reported as compliance findings. The sufficiency of these procedures is solely the responsibility of CalRecycle. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

BACKGROUND

As the state's recycling and waste reduction authority, CalRecycle implements programs to reduce waste generation, divert materials from landfills, recover resources, remediate illegal sites, and ensure compliance with applicable state standards. In 1989, the Legislature enacted the California Tire Recycling Act (Act). The Act created the tire recycling program for the promotion and development of alternatives to the landfill disposal of tires. The City received grant funding to remove illegally dumped tires and replace sidewalks with rubberized concrete material.

PROCEDURES AND RESULTS

The agreed-upon procedures performed related to the City's compliance with the Waste Tire Clean-Up and Amnesty Event and Tire Derived Product grants. The results of the procedures are presented below.

Procedure 1:

Prepare schedules of claimed, audited, and questioned costs.

Results:

A schedule of claimed, audited, and questioned costs for each grant is presented below:

Table 1: Schedules of Claimed, Audited, and Questioned Costs

Grant Agreement TCA1-05-29 June 30, 2006 through June 30, 2007			
Category	Claimed	Audited	Questioned
Equipment/Other	\$17,200	\$17,200	\$ 0
Personnel	17,695	17,695	0
Total	\$34,895	\$34,895	\$ 0

Grant Agreement TDP2-05-34 June 1, 2006 through March 31, 2008			
Category	Claimed	Audited	Questioned
Materials	\$91,330	\$91,330	\$ 0
Total	\$91,330	\$91,330	\$ 0

Procedure 2:

Based on a review of the City's Independent Auditor's Reports for the grant audit periods, assess the audit risk and adjust the sample sizes selected for procedures 3 and 4 accordingly. If the reports include findings that are also present in the current grants, include the findings in this report.

Results:

No findings were reported in the City's single audit reports for fiscal years 2006-07 and 2007-08. Therefore, a low audit risk was assessed and the sample sizes selected for procedures 3 and 4 were adjusted in accordance with this risk.

Procedure 3:

To verify that costs claimed were allowable, we performed the following procedures:

- A. Verify that the City's Grant Transaction Detail Report or similar document agrees with the City's Grant Payment Requests for claims submitted for reimbursement.
- B. For a sample of expenditure transactions, trace operational and administrative costs reported on the Grant Payment Requests to source documentation. Determine whether the costs are allowable and verify that the costs were not double billed to the two grants under review.

Results:

- A. The City's General Ledger agreed with its Grant Payment Requests submitted for reimbursement.
- B. The expenditures for each grant were supported by the accounting records, vendor's certification of the required rubber content, physical observation of the sidewalk replacement, and were not double billed to the two grants under review. Based on the procedures performed, the costs claimed were allowable. However, the City used inaccurate salary and benefit rates to prepare the claim for grant number TCA1-05-29. Because it was not efficient to quantify these costs, the issue is reported as a compliance finding. See the Finding and Recommendation section of the report.

Procedure 4:

Determine whether progress reports were filed timely.

Results:

Progress reports were submitted timely.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on compliance with CalRecycle's grant provisions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of CalRecycle and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited.

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

March 20, 2010

FINDING AND RECOMMENDATION

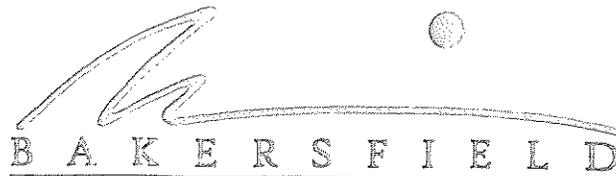
FINDING 1: Inaccurate Salary and Benefit Rates Claimed

For the TCA1-05-29 grant, the City of Bakersfield (City) used inaccurate salary and benefit rates to prepare the claim as follows:

- The City calculated the claimed amount using 2007 salary rates for the period June 30, 2006 through December 31, 2006. The 2007 salary rates include salary increases from 4 percent to 9.2 percent.
- The City used a 57 percent benefit rate for all labor hours claimed when the actual benefit rate for temporary workers is approximately 9 percent. This represents 20 percent of the total staff hours claimed.

The Grant Agreement, Exhibit B indicates only costs incurred during the term of the grant are eligible for reimbursement. Failure to comply with the terms and conditions of the grant provisions may result in withholding or disallowance of grant reimbursements, the reduction or termination of grant funding, and/or denial of future grant funding.

Recommendation: For future grants, ensure the appropriate salary and benefit rates are used to prepare the claims.



Alan Tandy • City Manager

April 28, 2010

David Botelho, CPA
Chief, Office of State Audits and Evaluations
915 L Street
Sacramento, California 95814-3706

Subject: City of Bakersfield Waste Tire Clean-Up Grant TCA 1-05-29
Audit Response – Inaccurate Salary and Benefit Rates Claimed

Dear Mr. Botelho:

This is in response to the concerns raised in your correspondence dated April 21, 2010.

Finding:

The City calculated the claimed amount using 2007 salary rates for the period of June 30, 2006 through December 31, 2006. The 2007 salary rates include salary increases from 4 to 9.2 percent.

Response:

When the claim was prepared in 2007, staff used the most recent salary schedule, which was effective in January of 2007 and reflected increases due to negotiated salary settlements. While it would be appropriate to use that schedule for the time period of January through July 2007, the salary schedule for the prior year, 2006, should have been used for the June 30, 2006 through December 31, 2006 time frame. Greater attention to the effective dates for salary schedules will be made when preparing future claims.

Finding:

The City used a 57 percent benefit rate for all labor hours claimed, when the actual benefit rate for temporary workers is approximately 9 percent. This represents 20 percent of the total staff hours claimed.

Response:

The benefit rate for full-time employees was applied globally to the spreadsheet used to calculate staff costs, even though some of the staff that worked on the grant were temporary employees hired through a temporary service agency. In the future, the spreadsheet used to calculate staff costs will be constructed in such a manner that the benefit rate for full-time employees will not be applied to temporary employees, if temporary employees are utilized.

Thank you for bringing these matters to our attention.

Respectfully,

Original signed by:

Alan Tandy
City Manager

cc: City of Bakersfield

Nelson Smith, Finance Director

Phil Burns, Building Director

Melanie Dunwoody, Business Manager - Development Services Department

Raul Rojas, Public Works Director

Luda Fishman, Business Manager - Public Works Department

Sharon Traylor, Accountant - Public Works Department

Department of Resources Recycling and Recovery

Shirley Willd-Wagner, Manager - Financial Assistance Division

Susan Villa, Branch Manager - Administration and Finance Division

Corky Mau, Branch Manager - Financial Assistance Division

Brian Kono, Audit Manager - Audit and Evaluation Unit

Wes Mindermann, Supervisor - Cleanup, Closure and Financial Assurance Division