



February 25, 2010

Mr. Tom Estes, Deputy Director
Department of Resources Recycling and Recovery
Administration and Finance Division
1001 I Street, MS 19A
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Estes:

Final Report—City of Santa Clarita Rubberized Asphalt Concrete Grants

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its agreed-upon procedures review of the City of Santa Clarita's (City) Rubberized Asphalt Concrete grant agreements noted below:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
RAC3-04-73	April 1, 2005 to April 1, 2007	\$50,000
RAC5-05-9	May 1, 2006 to April 1, 2008	\$50,000

The enclosed report is for your information and use. We did not require a response from the City as the issue reported was resolved during the grant period. The finding in our report is intended to assist management in improving the effectiveness and efficiency of its operations.

In accordance with Finance's policy of increased transparency, the final 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. Robert Newman, Director, Department of Public Works, City of Santa Clarita
Mr. Curtis Nay, Assistant City Engineer, City of Santa Clarita
Mr. Kris Markarian, Senior Engineer, City of Santa Clarita
Ms. Mary Navarro, Project Technician, City of Santa Clarita
Mr. Bill Whitlatch, Administrative Analyst, City of Santa Clarita
Ms. Teresa Walls, Executive Secretary, City of Santa Clarita
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

AGREED-UPON PROCEDURES

City of Santa Clarita
Grant Agreements
RAC3-04-73
and RAC5-05-9

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

This report is also available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Tom Estes, Deputy Director
Department of Resources Recycling and Recovery
Administration and Finance Division
1001 I Street, MS 19A
P.O. Box 4025
Sacramento, CA 95812-4025

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 Santa Clarita's (City) compliance with the Rubberized Asphalt Concrete grant agreement provisions. The City is responsible for compliance with those provisions. We applied the agreed-upon procedures to the following grant agreements:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
RAC3-04-73	April 1, 2005 to April 1, 2007	\$50,000
RAC5-05-9	May 1, 2006 to April 1, 2008	\$50,000

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. For findings that include questioned costs, materiality was defined as errors or omissions, that in the aggregate, exceed 5 percent or \$1,000 of grant funds claimed, whichever is less. 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 (program) for the promotion and development of alternatives to the landfill disposal of tires. The program provides grants to local government agencies to fund public work projects that use Rubberized Asphalt Concrete (RAC), a recycled tire building material. The City of Santa Clarita received grant funding for the paving of streets using the RAC material.

PROCEDURES AND RESULTS

The agreed-upon procedures performed related to the City's compliance with the rubberized concrete asphalt 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 Amounts

Grant Agreement RAC3-04-73 For the Period April 1, 2005 to April 1, 2007			
Category	Claimed	Audited	Questioned
Subcontractor	\$34,048	\$34,048	\$ 0

Grant Agreement RAC5-05-9 For the Period May 1, 2006 to April 1, 2008			
Category	Claimed	Audited	Questioned
Subcontractor	\$50,000	\$50,000	\$ 0

Procedure 2:

Based on a review of the City's Independent Auditor's Reports for the grant audit period, 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 2005-06, 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 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 reviewed were supported by contractor invoices, a physical observation of the completed work, and were not double billed to the two grants under review. Based on the procedures performed, the costs claimed were allowable.

Procedure 4:

Determine whether progress reports were filed timely.

Results:

Except for the first annual report for each of the grants, all other reports were filed timely for both grants. See the Finding and Recommendation section of this report for details.

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 these specified parties. 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

February 10, 2010

FINDING AND RECOMMENDATION

FINDING 1: The City of Santa Clarita Did Not Submit the First Required Annual Progress Reports

The City did not file the first annual progress reports for either grant. However, the other annual progress reports and final reports were filed timely. The Procedures and Requirements section, Exhibit B, in each grant agreement specifies the annual progress report due dates.

The lack of timely progress reports impairs CalRecycle's ability to adequately monitor grant activities. Failure to comply with the terms and conditions of the grant agreement 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 all annual progress reports are prepared and filed timely as prescribed in the grant agreement.