



April 27, 2010

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

Dear Ms. Brown:

Final Report—City of Glendale, California Integrated Waste Management Board Used Oil Block Grant Audits

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audits of the following City of Glendale's (City) Used Oil Block Grant agreements:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG9-03-122	July 1, 2003 to June 30, 2006	\$61,171
UBG10-04-53	July 1, 2004 to June 30, 2007	\$54,151

The enclosed report is for your information and use. The City's response to the report findings and our evaluation of the response are incorporated into this final report. The draft report was issued February 19, 2010 and the City's response to the draft report required further analysis. As a result of our analysis, changes were made to the audited and questioned amounts.

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's staff. 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. Harold Scoggins, Fire Chief, City of Glendale
Mr. Vasken Demirjian, Environmental Management Coordinator, Environmental Management Center, City of Glendale
Mr. Tom Estes, Deputy Director, Administration and Finance Division, Department of Resources Recycling and Recovery
Ms. Shirley Willd-Wagner, Division Chief, Financial Assistance Division, Department of Resources Recycling and Recovery
Ms. Susan Villa, Branch Chief, 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, Audits and Evaluations Unit, Department of Resources Recycling and Recovery
Mr. Biljot Biring, Grant Manager, Financial Assistance Division, Department of Resources Recycling and Recovery

GRANT AUDITS

City of Glendale
Used Oil Recycling Program
Grant Agreements UBG9-03-122
and UBG10-04-53

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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Office of State Audits and Evaluations
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BACKGROUND

As the state’s recycling and waste reduction authority, the California Integrated Waste Management Board (Board) implemented programs to reduce waste generation, divert materials from landfills, recover resources, remediate illegal sites, and ensure compliance with applicable state standards. The Board’s used oil recycling grant program provided funding for efforts to reduce the amount of illegally disposed used oil and establish sustainable used oil recycling programs. On January 1, 2010, the Board was abolished and its duties were transferred to the new Department of Resources Recycling and Recovery (CalRecycle).

The City of Glendale (City) received two Used Oil Block Grants to fund programs that keep used motor oil out of the waste stream, storm drains, and groundwater by raising awareness and making legal disposal of used oil convenient. The City’s Fire Department is responsible for the administration of the grants.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted compliance audits of the City’s Used Oil Block Grants listed below.

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG9-03-122	July 1, 2003 to June 30, 2006	\$61,711
UBG10-04-53	July 1, 2004 to June 30, 2007	\$54,151

The audit objective was to determine whether the City’s grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. As requested by CalRecycle for this audit, we did not determine whether grant expenditures were double billed under other CalRecycle grants. We did not assess the efficiency or effectiveness of program operations.

The City is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. CalRecycle is responsible for evaluating the efficiency and effectiveness of program operations.

METHODOLOGY

To determine whether grant revenues and expenditures were in compliance with applicable laws, regulations and the grant requirements, we performed the following procedures:

- Interviewed key personnel.
- Obtained an understanding of the relevant grant related internal controls.
- Examined the grant files.
- Reviewed the City's accounting records.
- Determined whether a sample of expenditures were:
 - Allowable
 - Grant related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded
- Determine whether interest earned on grant funds was reported and expended on eligible grant activities.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with City staff. The audit was conducted from April 2009 through February 2010.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and recommendations.

Some of the City's expenditures were not in compliance with applicable laws, regulations, and the grant requirements. The claimed, audited, and questioned amounts are presented in Table 1. Two findings were identified as reported below.

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

Grant Agreement UBG9-03-122			
For the Period July 1, 2003 to June 30, 2006			
Categories	Claimed¹	Audited	Questioned
Permanent Collection	\$ 11,464	\$ 8,714	\$ 2,750
Residential Collection	4,725	4,725	0
Publicity/Education	24,484	21,844	2,640
Personnel/Other	24,460	20,060	4,400
Indirect Costs	0	5,534	(5,534)
Total	\$ 65,133	\$ 60,877	\$ 4,256

Grant Agreement UBG10-04-53			
For the Period July 1, 2004 to June 30, 2007			
Categories	Claimed²	Audited	Questioned
Permanent Collection	\$ 11,160	\$ 8,410	\$ 2,750
Residential Collection	6,925	6,925	0
Publicity/Education	17,754	15,354	2,400
Personnel/Other	23,487	18,647	4,840
Indirect Costs	0	4,934	(4,934)
Total	\$ 59,326	\$ 54,270	\$ 5,056

FINDING 1: Personnel Costs of \$9,312 Were Not Supported

The personnel costs claimed for the Storm Water Mitigation Inspector, Household Hazardous Coordinator, and Environmental Management Coordinator were not supported by adequate timekeeping records. After adjusting for allowable indirect costs that were not claimed, \$4,256 and \$5,056 is questioned for UBG9-03-122 and UBG10-04-53, respectively.

¹ The \$3,422 difference between the awarded and claimed amounts represents interest earned on advanced funds, which is available for grant expenditures.

² The \$ 5,175 difference between the awarded and claimed amounts represents interest earned on advanced funds, which is available for grant expenditures.

For the Environmental Services Representative position, the actual hours were documented on a daily basis. As a result, we did not question any expenditures related to this position. However, the supporting documentation did not include the specific employee's name and was not certified by the supervisor.

The grant agreement, Exhibit B, Procedures and Requirements, states that documentation and a clear audit trail are essential to grant management. Further, personnel expenditures must be directly applicable to the grant, itemized to reflect hourly charges and tasks, and supported by timesheets or the Personnel Expenditure Summary Form. The Personnel Expenditure Summary Form requires the following information:

- Grant Number
- Reporting and Expenditure Category
- Grant Task Number
- Employee Name/Classification
- Date Worked
- Hours Worked
- Hourly Rate
- Total Cost
- Explanation of Activity
- Supervisor Signature

Recommendation: Develop procedures to ensure personnel expenditures are supported by timesheets or the Personnel Expenditure Summary Form, and include the required information and certifications. CalRecycle will make the final determination regarding disposition of the questioned costs.

FINDING 2: The City Did Not Maintain a Separate Account for Each Grant

The City did not establish separate accounts in its accounting system to track each grant's revenues and expenditures. Separate grant accounts provide a clear audit trail, facilitate reconciliations, and enhance the accuracy of financial reporting. The grants' Terms and Conditions state that each grant must be tracked and accounted for separately.

Recommendation: Establish project numbers or accounts in the accounting system to separately track the grant revenues and expenditures for each grant.



CITY OF GLENDALE, CALIFORNIA
Fire Division
FIRE PREVENTION BUREAU
Environmental Management Center - EMC

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Glendale, California 91201
(818) 548-4030
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March 18, 2010

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

Re: Response to Draft Report – City of Glendale, California Integrated Waste Management Board
Used Oil Block Grant Audits

Dear Mr. Botelho,

The City of Glendale received and reviewed the above mentioned draft audit report conducted and completed by your staff. The audit included both UBG9-03-122 and UBG10-04-53 used oil block grants.

The "Intent to Audit" letter came in early April 2009. Since then, there were couple personnel changes in your department. We spent extended time on responding to similar questions and requests more than once. Finally, Steve Backlund took control and guided the audit to the end. During this eleven (11) months period we never complained and always cooperated with the auditors by complying and providing all the requested information.

Comments on Finding #1:

The audit concludes that the personnel costs claimed for three (3) staff members were not supported by adequate timekeeping records.

The personnel costs and the weekly/monthly hours claimed for the Storm Water Mitigation Inspector and Household Hazardous Coordinator are identical each month not by chance but due to pre-set hours assigned to the daily tasks. For example; each week we collect used Motor Oil from Glendale residents on Wednesdays and Saturdays, during a total of 8 hour time interval. However, 25% of the waste collected is motor oil. Therefore, we only claim 25% of her time which comes up to be 10 hours a month.

Similarly, the Storm Water Inspector conducts 20 inspections monthly at major auto dealers and auto repair shops. However only 50% of his inspections are related to storm water. Therefore, we only claim for 10 hours a month.

Finally, when it comes to my hours, I supervise all the staff and various activities that fall under (2) major programs Hazardous Materials Enforcement and Used Motor Oil. Some of my Used oil Program responsibilities include but not limited to:

Supervise nine (9) staff members. Secure Purchase Orders, contracts, vendors, and resources to accomplish the goals and tasks. Approve payments and process for payment. Develop and

implement public education programs and develop a pre-expenditure plan and track the program cost to stay within the budgeted amount.

During any given day, it is extremely difficult to keep a log of activities and try to delineate between the two programs. Since Used Motor Oil program has about 15% of my total staff, I only claim 30 minutes per day or 10 hours per month.

Comments on Finding #2:

Last year, we established separate accounts in the accounting system to track the Used Motor Oil Block Grant 14th Cycle.

Additional Cost Incurred but not Claimed:

The EMC financially operates under an Enterprise Account called “Hazardous Disposal Account #510). One of the costs that we never added or claimed within the Used Motor Oil Block Grant is the cost directly related to the City Services and Building/Asset Depreciation cost we pay to the General fund.

According to Steve Backlund of your staff, certain indirect cost incurred by the City is an eligible cost for future claims. Customarily, the City’s “indirect cost allocation plan” indicates a rate up to 10% of the total cost incurred for City Services and Building related cost. The table below indicates and outlines this additional cost that could be considered as an eligible expense for Block Grant 9th. and 10th. Cycles:

	City Services For Admn. Serv.	Depreciation For Buildg & Assets	Indirect cost allocation rate: (10 % of Total)
Actual Expenditure 2004-2005 (Block Grant 9th. Cycle)	\$77,209.77 (see attached report)	\$84,230.20	\$16,144
Actual Expenditure 2004-2005 (Block Grant 10th. Cycle)	\$73,570.46 (see attached report)	\$37,160.34	\$11,073

Conclusion:

City of Glendale is a very proactive city when it comes to environmental and resource management programs. We are one of the pioneers when it comes to establishing a one-stop permanent Household Hazardous Waste Management Facility, known as Environmental Management Center (EMC) In the last 20 years or so, we kept adding different waste streams to our waste collection services; including but not limited to Used Motor oil, E-waste, Universal-waste, Medical-waste, Lighting-waste, etc.

We probably did not follow the exact word-by-word Block Grant recordkeeping guidelines, however, the intent of the state grant was fully implemented and the goals were accomplished. Should you have any question or comment regarding our response, please feel free to call me at (818)548-3898.

Thank you for your anticipated cooperation and understanding.

Very truly,

Original signed by:

Vasken Demirjian, Environmental Management Coordinator
City of Glendale, Fire department

EVALUATION OF RESPONSE

The Department of Finance, Office of State Audits and Evaluations, reviewed the City of Glendale, Environmental Management Center's (City) response to the draft report. Our evaluation of the response follows:

FINDING 1: Personnel Costs of \$19,780 Were Not Supported

The City asserts the Storm Water Mitigation Inspector, Household Hazardous Coordinator, and Environmental Management Coordinator performed the tasks to meet the goals of the grant. However, the City concurs that the grants' record-keeping guidelines were not followed.

To mitigate the questioned amounts, the City provided documentation supporting eligible indirect costs that were not claimed. The grant agreements allow indirect costs up to 10 percent of eligible grant expenditures. Therefore, we reduced the questioned amount by \$5,534 and \$4,934 for UBG9-03-122 and UBG10-04-53, respectively.

FINDING 2: The City Did Not Maintain a Separate Account for Each Grant

The City concurs with this finding and established separate accounts in its accounting system to track Used Oil Block Grants. We appreciate the City's willingness to implement corrective actions.