



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—County of San Mateo Used Oil Block Grants

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its agreed-upon procedures review of the County of San Mateo (County) Used Oil Block grant agreements noted below:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG11-05-237	July 1, 2005 through June 30, 2008	\$204,770
UBG12-06-257	July 1, 2006 through June 30, 2009	\$213,177

The enclosed report is for your information and use. The County's response to the report finding is incorporated into this final report. The County 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 County. 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. Dean Peterson, Director, Environmental Health Services Division, County of San Mateo
Ms. Lorraine Lew-White, Health Services Manager, Environmental Health Services Division, County of San Mateo
Mr. Waymond Wong, Supervisor, Environmental Health Services Division, County of San Mateo
Ms. Ana Clayton, Business Manager, Environmental Health Services Division, County of San Mateo
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

AGREED-UPON PROCEDURES

County of San Mateo Used Oil Grant Agreements UBG11-05-237 and UBG12-06-257

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Alma Ramirez, CPA
Rick Cervantes, CPA
Supervisors

Staff
Steve Backlund

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

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

TABLE OF CONTENTS

Independent Accountant’s Report on Applying Agreed-Upon Procedures..... 1

Finding and Recommendation 4

Response..... 5



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 County of San Mateo's (County) compliance with the Used Oil Block grant agreement provisions. The County 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>
UBG11-05-237	July 1, 2005 through June 30, 2008	\$204,770
UBG12-06-257	July 1, 2006 through June 30, 2009	\$213,177

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. The Legislature enacted the California Oil Recycling Enhancement Act (Act) to reduce the illegal disposal of used oil, recycle and reclaim used oil, recover valuable natural resources, and avoid damage to the environment and threats to public health. The Act created the used oil recycling program for the promotion and development of alternatives to the illegal disposal of used oil. The program provides grants to local agencies, nonprofits, and private entities for used oil collection programs, education, and research to divert used oil from landfills and promote recycling. The County received grant funding for used oil collection programs.

PROCEDURES AND RESULTS

The agreed-upon procedures performed related to the County's compliance with the used oil 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 UBG11-05-237 For the Period July 1, 2005 through June 30, 2008			
Category	Claimed	Audited	Questioned
Personnel	\$129,890	\$108,770	\$ 21,120
Education/Publicity	74,680	74,680	0
Collections Facilities	200	200	0
Indirect Costs	0	20,477	(20,477)
Total	\$204,770	\$204,127	\$ 643

Grant Agreement UBG12-06-257 For the Period July 1, 2006 through June 30, 2009			
Category	Claimed	Audited	Questioned
Personnel	\$134,030	\$105,036	\$ 28,994
Education/Publicity	68,308	68,308	0
Collections Facilities	10,839	10,839	0
Indirect Costs	0	21,318	(21,318)
Total	\$213,177	\$205,501	\$ 7,676

Procedure 2:

Based on a review of the County'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:

There were no findings related to the used oil grants reported in the County's single audit reports for fiscal years 2005-06, 2006-07 and 2007-08. However, the Department of Finance, Office of State Audits and Evaluations' audit report for the County's Waste Tire Enforcement grants for the periods June 30, 2006 through June 30, 2008 states the County claimed estimated hours instead of actual hours resulting in questioned costs totaling \$56,924.

Therefore, a medium 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 County's Grant Transaction Detail Report or similar document agrees with the County'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 County's General Ledger agreed with its Grant Payment Requests submitted for reimbursement.
- B. Based on the procedures performed, the education/publicity and collection facilities costs claimed were allowable, supported by invoices, and not double billed between the two grants reviewed. However, the County claimed ineligible sick leave and vacation costs totaling \$50,114. Because the County did not claim \$41,795 in eligible indirect costs, the net questioned costs are \$8,319. See Table 1 for the breakdown between each grant. Additionally, see the Finding and Recommendation section of the report.

Procedure 4:

Determine whether progress reports were filed timely.

Results:

Progress reports were filed timely for both grants.

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

April 20, 2010

FINDING AND RECOMMENDATION

FINDING 1: Ineligible Personnel Costs Claimed

The County claimed \$50,114 in ineligible sick leave and vacation costs. However, the County did not claim \$41,795 in eligible indirect costs. As a result, the net questioned costs after the adjustment is \$8,319. See Table 1 in the Procedures and Results section for a breakdown of the questioned costs and indirect cost adjustments for each grant.

The grant agreement, Exhibit B, Procedures and Requirements, states ineligible expenses include personnel costs incurred as a result of time not worked on the grant project including sick leave and vacations. In addition, grantees are required to maintain supporting documentation for a minimum of three years after close of the grant term for audit purposes.

Recommendation: Ensure costs are claimed in accordance with the grant agreement. CalRecycle will make the final determination regarding disposition of the questioned costs.



SAN MATEO COUNTY
HEALTH SYSTEM

April 30, 2010

State of California, Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

RE: County of San Mateo Response to Draft Report for UBG11-05-237 and
UBG12-06-257 Used Oil Block Grant Audit

Dear Mr. Botelho:

The County of San Mateo has received and reviewed the draft report for the 11th and 12th Cycle Used Oil Block Grant Audit. The County concurs with the findings along with the recommendation of the draft report. For the past few years, the County has implemented procedures to ensure sick leave and vacation time are excluded from any future claims for reimbursement of personnel cost. This should prevent any future erroneous reimbursement claims.

Thank you for your consideration on this matter.

Sincerely,

Original signed by:

Dean D. Peterson, PE, REHS
Director, Environmental Health

COMMUNITY HEALTH • ENVIRONMENTAL HEALTH

Board of Supervisors: Mark Church • Rose Jacobs Gibson • Richard S. Gordon • Carole Groom
Health System Chief: Jean S. Fraser

6

2000 Alameda de las Pulgas, Suite 100 • San Mateo, CA 94403 • PHONE 650.372.6200 • CA RELAY 711 • FAX 650.627.8244
www.smhealth.org