



Transmitted via e-mail

September 14, 2011

Mr. Mark E. Leary, Acting Director
Department of Resources Recycling and Recovery
801 K Street, MS 25A
Sacramento, CA 95814

Dear Mr. Leary:

Final Report—Agreed-Upon Procedures, City of El Centro Waste Tire Cleanup and Amnesty Event Grant

The Department of Finance, Office of State Audits and Evaluations, has completed its agreed-upon procedures review of the City of El Centro's (City) Waste Tire Cleanup and Amnesty Event grant agreement TCA3-07-36 for the period June 30, 2008 through June 30, 2009.

The enclosed report is for your information and use. The City's response to the report observations and our evaluation of the response are incorporated into this final report.

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 Rick Sierra for:

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

Enclosure

cc: On following page

cc: Mr. Tom Estes, Deputy Director, Administration, Finance and Information Technology
Division, Department of Resources Recycling and Recovery
Mr. Howard Levenson, Deputy Director, Materials Management and Local Assistance
Division, Department of Resources Recycling and Recovery
Ms. Susan Villa, Chief, Fiscal Services Branch, Department of Resources Recycling and
Recovery
Ms. Shirley Willd-Wagner, Chief, Financial Resources Management Branch, Department of
Resources Recycling and Recovery
Ms. Corky Mau, Section Manager, Financial Resources Management Branch, Department
of Resources Recycling and Recovery
Ms. Audrey Traina, Acting Manager, Audits Branch, Department of Resources Recycling
and Recovery
Mr. Brian Kono, Audit Manager, Statewide Disbursements Section, Audits Branch,
Department of Resources Recycling and Recovery
Mr. Ruben Duran, City Manager, City of El Centro
Ms. Leticia Salcido, Finance Director, Finance Department, City of El Centro
Mr. Richard Romero, Finance Manager, Finance Department, City of El Centro
Mr. Bob Douthitt, Manager, Imperial Valley Resource Management Agency

AGREED-UPON PROCEDURES

City of El Centro
Grant Agreement
TCA3-07-36

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Alma Ramirez, CPA
Supervisor

Staff
Weiping Kruschke

This report is also 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

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Mark E. Leary, Acting Director
Department of Resources Recycling and Recovery
801 K Street, MS 25A
Sacramento, CA 95814

The Department of Finance, Office of State Audits and Evaluations (Finance), performed the procedures enumerated below, which were agreed to by the California Integrated Waste Management Board. On January 1, 2010, the Board was abolished and its duties were transferred 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 El Centro's (City) compliance with the Waste Tire Cleanup and Amnesty Event grant. We applied the agreed-upon procedures to the following grant agreement:

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
TCA3-07-36	June 30, 2008 through June 30, 2009	\$231,027

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 to materiality guidelines of five percent or \$1,000 of grant funds claimed, whichever is less, for reporting findings with questioned costs, errors, or omissions. 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.¹ Under the regional program, the City received grant funding on behalf of the Imperial Valley Resource Management Agency (IVRMA) to implement a local waste tire cleanup and amnesty event program. IVRMA is comprised of the County of Imperial and the cities of Brawley, Calexico, Calipatria, El Centro, Holtville, Imperial, and Westmorland.²

¹ Source: www.CalRecycle.ca.gov

² Source: Grant application and grant agreement TCA3-07-36

PROCEDURES AND RESULTS

The agreed-upon procedures pertained to the City's compliance with the Waste Tire Cleanup and Amnesty Event Grant. The results of the procedures are presented below:

Procedure 1:

Prepare a Schedule of Claimed, Audited, and Questioned costs.

Results:

The Schedule of Claimed, Audited, and Questioned Costs for the grant is presented below:

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

Grant Agreement TCA3-07-36 June 30, 2008 through June 30, 2009			
Expenditure Category	Claimed Expenditures³	Audited Expenditures	Questioned Costs
Waste Tire Cleanup:			
Tire Collection	\$ 73,772	\$ 72,707	\$1,065
Tire Hauling and Recycling	51,612	51,612	0
Materials and Supplies	1,360	1,360	0
Gasoline and Oil	10,630	10,630	0
Vehicle Maintenance	6,727	6,727	0
Waste Tire Amnesty:			
Project Oversight	6,649	6,534	115
Tire Hauling and Recycling	15,141	15,141	0
Education and Advertising	3,887	3,887	0
Total Expenditures	\$169,778	\$168,598	\$1,180

Procedure 2:

Obtain and review grantee's independent audit report for the grant period, assess the audit risk, and adjust the sample sizes selected for procedures 3 and 4 accordingly. If the report includes findings that are also present in the current grants, include the findings in this report.

Results:

Based on a review of the City's fiscal year 2008-09 single audit report, the audit risk was assessed and the sample sizes selected for procedures 3 and 4 were adjusted accordingly.

The City's fiscal year 2008-09 single audit reported that the Accounts Payable Clerk was responsible for preparing disbursements, printing checks, and distributing checks. The report stated that the lack of segregation of duties may potentially increase the risk of misappropriation of assets. The agreed upon procedures did not include procedures to review internal controls. However, we considered this issue when assessing the audit risk and verifying that the costs claimed were allowable and traced to source documentation.

³ For grant agreement TCA3-07-36, the City claimed \$169,778 of the \$231,027 awarded.

Procedure 3:

To verify that costs claimed were allowable, perform 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. Trace a sample of expenditure transactions reported on the Grant Payment Requests to source documentation. Determine whether the costs are allowable.

Results:

- A. The grant expenditures recorded in the City's general ledger agreed to the Grant Payment Requests paid by CalRecycle.
- B. Based on the procedures performed, operational and administrative costs claimed were supported by invoices and allowable, except for \$1,180 of ineligible subcontractor costs. Additionally, the City did not have a written contract with one of the subcontractors. Refer to the Findings and Recommendations section for details.

Procedure 4:

Determine whether progress reports were filed timely.

Results:

This grant only required a Final Report which was filed 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 these specified parties. However, this report is a matter of public record and its distribution is not limited.

Original signed by Rick Sierra for:

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

July 15, 2011

FINDINGS AND RECOMMENDATIONS

The agreed-upon procedures performed identified the following findings and recommendations. The recommendations, if implemented, will improve the City's grant management and reduce the risk of claiming ineligible costs for future grants.

FINDING 1: The City Claimed \$1,180 in Ineligible Subcontractor Costs

The City claimed 1,035 subcontractor labor hours at a rate of \$24.47, which exceeded the approved budgeted rate of \$23.33. Grant Agreement TCA3-07-36, Exhibit A, Terms and Conditions, provides a Budget that states the maximum amount of allowable costs for each task. Further, Exhibit B, Procedures and Requirements, defines eligible costs as those services specified in the approved Work Statement at only those amounts specified in the approved Budget, and states any deviations must be approved in writing by the Grant Manager before the expenditure is made.

Recommendations:

- A. The City should remit \$1,180 to CalRecycle. CalRecycle will make the final determination regarding disposition of the questioned costs.
- B. For future grants, the City should ensure all expenditures claimed are in accordance with the grant agreement.

FINDING 2: The City's Contracting Controls Need Improvement

The City did not have a written contract with one of the subcontractors providing labor for the grant project. Exhibit A, Terms and Conditions, states the same terms, conditions, procedures, and requirements of the grant agreement shall be incorporated into any and all contracts and subcontracts entered into to fulfill the tasks associated with the grant agreement. Also, effective management controls include written agreements between contractual parties delineating roles and responsibilities, including the services to be provided and at which rates.

Recommendation:

For future grants, the City should execute written agreements with subcontractors to establish the roles and responsibilities of both parties, services the subcontractor will provide, and specific billing rates. Such agreements should be consistent with the primary grant agreement.

IMPERIAL VALLEY RESOURCE MANAGEMENT AGENCY

SERVING THE CITIES OF BRAWLEY, CALEXICO, CALIPATRIA, EL CENTRO,
HOLTVILLE, IMPERIAL, WESTMORLAND AND IMPERIAL COUNTY



July 29, 2011

IVRMA
BOARD MEMBERS

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City of Brawley

John Moreno
City of Calexico

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City of Calipatria

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City of El Centro
Administrator

Liz Zarate
Staff Assistant

David Botelho, CPA
Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, Ca. 95814

RE: Draft Report – Agreed-Upon Procedures City of El Centro Waste
Tire Cleanup and Amnesty Event Grant. TCA3-07-36

Dear Mr. Botelho:

In response to your TCA3-07-36 finding, I can understand questioning the labor per hour cost as it exceeded the Exhibit "A" Work Statement hourly cost by \$1.14 per hour.

However the Task 1 Projected Personnel Budget of \$77,642 was not exceeded as the labor Personnel Expenditure was \$74,445. Total of \$3,197 was under the approved Projected Budget.

Amnesty Events, Exhibit" B" Projected Personnel Expenditure of \$8,000 was also under budget with expenditures of \$6,649.20. Total of \$1,351 under approved budget.

Our intent was to follow the grant procedures and not exceed the approved budgeted amounts; I didn't realize there was an error until Mrs.Kruschke questioned the hourly rate.

I feel the Grant was managed properly and Imperial Valley Resource Management Agency (IVRMA) stayed within agreed- upon procedures. As the Task did not exceed the line item budget. I hope you will reconsider the \$1,108.00 questioned cost.

We have had a Staffing Service Agreement with Manpower Inc. since November 2005. Attached is a copy of agreement, as well as a letter confirming our agreement beginning November 2005.

Respectfully,

Original signed by:

Bob Douthitt
Manager, IVRMA

Enclosures

cc: Ruben Duran, City of El Centro City Manager

EVALUATION OF RESPONSE

The Department of Finance, Office of State Audits and Evaluations, reviewed the July 29, 2011 response from the Imperial Valley Resource Management Agency (IVRMA). IVRMA was authorized by the City of El Centro (City) to respond to the draft report on the City's behalf. Our evaluation of the response is as follows:

FINDING 1: The City Claimed \$1,180 in Ineligible Subcontractor Costs

IVRMA agrees that the claimed hourly labor rate exceeded the grant budget by \$1.14 per hour. However, IVRMA asserts the costs should be allowable because the total contractor expenditures stayed within the grant budget. Because IVRMA did not provide evidence of CalRecycle's approval of a rate change amendment to the grant agreement budget, the finding remains as originally stated in the audit report. CalRecycle will make the final determination regarding disposition of the questioned costs.

FINDING 2: The City's Contracting Controls Need Improvement

IVRMA states an agreement with the contractor was executed and provided a copy of a staffing services agreement. However, the City is not a party to the agreement and the agreement lacks: a) scope of work in relation to grant activities, b) date of execution, and c) signatures. Therefore, the finding remains as originally stated in the audit report.