



Transmitted via e-mail

January 27, 2014

Ms. Carol Mortensen, Director
Department of Resources Recycling and Recovery
1001 I Street, MS 25A
Sacramento, CA 95814

Dear Ms. Mortensen:

Final Report—County of Riverside, Tire Enforcement Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of the County of Riverside's (County) Tire Enforcement grant TEA 18-10-14 for the period June 30, 2011 through September 28, 2012.

The enclosed report is for your information and use. The County'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.

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

Sincerely,

Original signed by:

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Ken DaRosa, Chief Deputy Director, Department of Resources Recycling and Recovery
Mr. Tom Estes, Deputy Director, Administration, Finance and Information Technology Services 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. Audrey Traina, Chief, Office of Audits, Department of Resources Recycling and Recovery
Ms. Eloisa Hernandez, Section Manager, Financial Resources Management Branch, Department of Resources Recycling and Recovery
Mr. Kevin Campbell, Senior Management Auditor, Office of Audits, Department of Resources Recycling and Recovery
Mr. Juan Perez, Agency Director, Transportation and Land Management Agency, County of Riverside
Mr. Ed Cooper, Deputy Director, Transportation and Land Management Agency, County of Riverside
Mr. Greg Flannery, Interim Code Enforcement Official, Department of Code Enforcement, County of Riverside
Ms. Tracey Towner, Division Manager, Department of Code Enforcement, County of Riverside

AUDIT REPORT

Riverside County Tire Enforcement Grant Program Grant Agreement TEA18-10-14



Riverside County

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

MEMBERS OF THE TEAM

Cheryl L. McCormick, CPA
Manager

Alma Ramirez, CPA
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Staff
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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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BACKGROUND, SCOPE AND METHODOLOGY

BACKGROUND

As the state's recycling and waste reduction authority, the Department of Resources Recycling and Recovery (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 In 1994, CalRecycle initiated an inspection program to permit waste tire generating facilities (WTF) and investigate sites that pose a threat to public health, safety, or the environment. The County of Riverside (County) received \$540,000 in grant funding to investigate illegal tire disposal activities and perform waste tire inspections.²

SCOPE

In accordance with an interagency agreement, the Department Finance, Office of State Audits and Evaluations (Finance), audited grant agreement TEA18-10-14 for the period June 30, 2011 through September 28, 2012.

The audit objectives were to determine whether the County's grant expenditures claimed were in compliance with applicable laws, regulations, and grant requirements. We did not assess the efficiency or effectiveness of program operations.

The County's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. CalRecycle is responsible for the state-level administration of the grant program.

METHODOLOGY

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

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined the grant files, the grant agreement, and applicable policies and procedures.
- Reviewed the County's accounting records, including the general ledger, vendor invoices, labor activity reports and rate worksheets, payroll register, and timesheets.
- Selected a sample of claimed expenditures and determined whether they were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.

¹ Source: Excerpts from www.CalRecycle.ca.gov

² Source: Excerpts from grant agreement TEA18-10-14

- Reviewed the per inspection time rate for reasonableness.
- Reviewed the hourly labor rate for reasonableness.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with staff directly responsible for administering grant funds.

Except as noted below, the grant expenditures claimed were in compliance with the grant agreement requirements. The Schedule of Claimed Amounts is presented in Table 1.

Table 1: Schedule of Claimed Amounts

Grant Agreement TEA18-10-14	
Category	Claimed
Inspections	\$ 447,212
Enforcement	40,711
Outreach	0
Training/Travel	22,014
Grant Management	25,353
Materials, Equipment, & Supplies	4,710
Total Expenditures	\$ 540,000

Observation 1: Personnel Costs Reporting and Recordkeeping was not in Compliance with Grant Agreement Requirements

The County of Riverside (County) did not comply with the personnel costs reporting and recordkeeping requirements of the grant agreement for timekeeping and labor rate computation. Specifically,

- Inspection time billed to the grant and the related supporting timesheets were based on a rate of 3.5 hours per tire inspection conducted. However, the methodology used to determine the 3.5 hour rate was not supported by appropriate documentation including timekeeping records based on actual time spent performing inspections, whether tracked individually or in a pool.
- The labor rate billed to the grant was based on an outdated computation dating back to fiscal year 2006-07, and lacked adequate support and a written methodology for the computation.

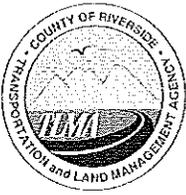
Estimated and/or outdated computations may result in inaccurate billings to the grant, and subsequent disallowance of grant funds, or under recovery of costs by the County, which could ultimately impact its ability to effectively conduct future grant activities.

Due to the inadequate recordkeeping, alternative audit procedures were performed to determine the reasonableness of the hours and labor rate billed to the grant. As a result, we did not question any costs claimed.

The grant agreement's Exhibit A-Terms and Conditions states that any personnel expenditures to be reimbursed with grant funds must be computed based on actual time spent on grant-related activities. Further, Exhibit B states that grantees must maintain detailed timekeeping records of personnel hours worked. Exhibit B also requires the grantee to maintain documentation to support rates used, the components thereof, and demonstrate how it was calculated. The documentation must provide a clear trail from the actual and projected costs and components, through the rate determination process and methodology, to the rate used.

Recommendations:

- A. Institute timekeeping procedures that track actual time worked on grant activities to support the billing rate methodology used.
- B. Update the labor rate computation and retain related supporting worksheets and accounting records, as well as a written methodology.



COUNTY OF RIVERSIDE
TRANSPORTATION AND LAND MANAGEMENT AGENCY

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Interim Code Enforcement Official
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November 7, 2013

Mr. Richard R. Sierra, CPA
Department of Finance
Office of State Audits & Evaluations
915 L Street, 6th Floor
Sacramento, CA 95814

Dear Mr. Sierra,

Response to County of Riverside, Tire Enforcement Grant Audit

Please see the following response to your observation and recommendation on the Tire Grant Audit.

Observation 1: Personnel Costs Reporting and Recordkeeping were not in Compliance with Grant Agreement Requirements.

- Inspection time billed to the grant and the related supporting timesheets were based on an estimated rate of 3.5 hours per tire inspection conducted, rather than on actual time spent performing the inspection.

Response: The County of Riverside noted that the Grantee is not required to specifically track the actual hours of each inspection. Page 12 of the Procedures & Requirements for TEA 18, indicates that "when Grantees prepare and submit their Payment Request for reimbursement of inspection costs, the maximum hours allowed per inspection depends on the Grantee's record keeping system." Additionally, "the Grantee *may* claim the actual number of hours spent on inspections, as long as the average actual hours per inspection is 4 hours or less". The Procedures and Requirements do not specifically state "must claim."

The County uses the rate of 3.5 hours per inspection as the average rate for all inspections. Eligible activities and costs, as stated by CalRecycle, are not limited to the time the Officer spends performing the actual inspection. As stated on page 13 of TEA 18 Procedures & Requirements, "[t]ime in and out on the Inspection report does not limit reimbursable hours to the period of time." For the grant cycle following TEA 18 (TEA 19), CalRecycle was specific when listing eligible activities and costs and included, "all activities related to *planning* and performing inspections of active businesses with TPID numbers, preparing and submitting CalRecycle Inspection Forms, and tracking inspection results." Specific activities and costs are listed on pages 7-9 of the grant Procedures & Requirements document for TEA 19.

For the TEA 18, the County claimed 4,165 hours for Inspections and completed 1,197 inspections, registered with the State. This is an average of 3.5 hours per inspection, which meets the State's 4-hours-or-less requirement.

Furthermore, the County has implemented an additional time tracking system that details specific activities for each reimbursable task under the current grant cycle (TEA 20). This will allow the County to account for actual hours spent on the different eligible activities and costs, such as inspection research, report writing, and actual time spent inspecting TPIDs.

- **The labor rate billed to the grant was based on an outdated computation dating back to fiscal year 2006-07, and lacked adequate support and a written methodology for the computation.**

Response: The County of Riverside entered a period of sustained economic downturn beginning in FY2007-08. As such there was no political support to increase rates, however little, year to year, and further burden taxpayers during this period.

We were able to in fact provide all the requested documentations to CalRecycle auditors.

As recommended in the audit, we have submitted FY14 rates to our Auditor Controller's office for review and approval. Once approved by the ACO, it will go before the Board for their approval and adoption.

Sincerely,

Ed Cooper
Deputy Director
Transportation and Land Management Agency (TLMA)
(951) 955-2032

Original signed by

EVALUATION OF RESPONSE

The County's response to the draft audit report has been reviewed and incorporated into the final report. We acknowledge the County's willingness to implement our recommendations. In evaluating the County's response, we provide the following comments:

Observation 1: Personnel Costs Reporting and Recordkeeping was not in Compliance with Grant Agreement Requirements

The County disagrees with our observation, although it states corrective actions were taken by implementing a time tracking system to account for actual hours spent on grant activities and updating its labor billing rate computation.

The County disagrees with the grant agreement criteria cited in our observation related to the billing rate used for inspections. We believe the County has misinterpreted the nature of our observation, and therefore, we have revised Observation 1 (first bullet) and Recommendation A. Specifically, we clarified that the methodology used by the County to calculate the billing rate of 3.5 hours per inspection is required to be supported by timekeeping records based on actual time per inspection or average time per inspection (based on a pooled concept). The County did not provide any additional documentation supporting the billing rate used in its response.

The County also disagrees that it did not provide adequate support for the labor rate billed. Because the County did not provide any other documentation (i.e. updated labor rate computation with supporting schedules, and accounting reports such as general ledgers, etc.) this portion of the observation and recommendation will remain unchanged.