



Transmitted via e-mail

September 8, 2014

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

Dear Ms. Mortensen:

Final Report—Sacramento County, Waste Tire Enforcement Grant Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of Sacramento County's (County) Tire Enforcement grant TEA17-09-20.

The enclosed report is for your information and use. The County's response to the report observation is incorporated into this final report. The County agreed with our observations and we appreciate its willingness to implement corrective actions. 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 Kimberly Tarvin, Manager, or Jennifer Arbis, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

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

Enclosure

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
Ms. Jessica Encarnacion, Acting Chief, Office of Audits, Department of Resources Recycling and Recovery
Mr. Kevin Campbell, Senior Management Auditor, Office of Audits, Department of Resources Recycling and Recovery
Ms. Eloisa Hernandez, Section Manager, Beverage Container and Tire Recycling Grants Section, Department of Resources Recycling and Recovery
Mr. Val F. Siebal, Director, Environmental Management Department, Sacramento County
Mr. John Rogers, Division Chief, Environmental Management Department, Sacramento County
Mr. Wageeh Elgammal, Accounting Manager, Environmental Management Department, Sacramento County
Mr. Andy Yu, Audit Manager, Auditor-Controller Division, Sacramento County

AUDIT REPORT

Sacramento County Tire Enforcement Grant Program Grant Agreement TEA17-09-20



Source: www.emd.saccounty.net

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Jennifer Arbis
Supervisor

Staff
Jason Craft

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
915 L Street, 6th Floor
Sacramento, CA 95814
(916) 322-2985

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 and investigate sites that pose a threat to public health, safety, or the environment.

The Sacramento County Environmental Management Department's (County) mission is to protect public health and the environment by ensuring compliance with environmental regulations. In order to achieve compliance, County businesses and residents are provided with education, training, inspection and enforcement.² The County received \$415,137 in grant funding to inspect tire operations for compliance with laws and regulations over tire permitting, hauling, storage, and disposal.

SCOPE

In accordance with an interagency agreement, the Department Finance, Office of State Audits and Evaluations (Finance), audited grant agreement TEA17-09-20 for the period June 30, 2010 through September 30, 2011.

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

County 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 and reviewed supporting documentation to assess the grant-related internal controls.
- Examined the grant files, the grant agreement, and applicable policies and procedures.

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

² Source: Excerpts from www.emd.saccounty.net

- Reviewed the County's accounting records, including the general ledger, labor activity reports, rate worksheets, payroll register, and timesheets.
- Selected a sample of the revised salary expenditures provided by Sacramento County and determined whether the revised expenditures are allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.

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

The grant expenditures claimed did not comply with the grant agreement requirements. The Schedule of Claimed and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed and Questioned Amounts

Grant Agreement TEA 17-09-20		
Task	Claimed	Questioned
Inspections	\$ 339,692	
Surveillance Enforcement	10,011	
Outreach	5,751	
Training	21,939	
Grant Management	36,636	
Small Tire-Cleanup	1,108	
Total Salary Costs	\$ 415,137	\$ 199,775

Finding 1: Salary Costs Over Claimed by \$199,775

The County notified CalRecycle that the County’s claim for reimbursement for the period June 30, 2010 through September 30, 2011 exceeded actual costs incurred. The audit confirmed the costs claimed exceeded actual costs incurred by \$199,775, or 92 percent. Excess funds paid to the County could be considered a gift of state funds, which is prohibited by the California State Constitution, Article XVI, section 6.

The majority of costs claimed by the County were based on the personnel hours multiplied by the Sacramento County Board of Supervisors (Board) approved billing rate. However, the Board approved billing rate methodology did not reasonably reflect the actual costs paid by the County for grant activities.

The TEA 17 Waste Tire Enforcement Grant Program Procedures and Requirements (Procedures and Requirements) state that all payments for this grant are made on a reimbursement basis. The grantee must pay out the funds before submitting a Payment Request for reimbursement of actual expenditures, and proof of payment must be submitted with the Payment Request. The Procedures and Requirements allow the use of a board-approved rate to calculate the value of the employee time spent on eligible grant activities. Based on these requirements, the board-approved rate should generally reflect actual costs incurred for salaries, fringe benefits, and indirect, administrative, and overhead costs, and other eligible components.

Recommendations:

The County should perform the following:

- A. Remit \$199,775 to CalRecycle. CalRecycle will make the final determination regarding disposition of the questioned costs.
- B. If a board-approved rate is used to prepare claims for future grants, ensure the rate methodology reflects actual costs incurred.

Countywide Services Agency

Environmental Management
Department
Val F. Siebal, Director



**County of
Sacramento**

Bradley J. Hudson
County Executive

Paul G. Lake
Chief Deputy County Executive
Countywide Services

Transmitted via email

July 17, 2014

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations
California Department of Finance
915 L Street
Sacramento, California 95814-3706

Re: Tire Enforcement Grant TEA 17-09-20 Audit

Dear Mr. Sierra,

Thank you for your staff's review of our Tire Enforcement Grant Program and for the recommendations to the Department of Resources, Recycling and Recovery (CalRecycle). In addition, we appreciate the acknowledgment that Sacramento County Environmental Management Department (EMD) notified CalRecycle that our claim for reimbursement resulted in a reserve of funds.

EMD staff has reviewed the audit report and we concur with the finding and recommendations as contained in the draft report sent to EMD on July 11, 2014.

EMD will remit the recommended payment to CalRecycle upon receipt of their instructions. In addition, EMD will ensure that the rate methodology reflects actual costs incurred.

Thank you for timely review.

Sincerely,

original signed by

Val F. Siebal
Director, Environmental Management Department