DEPARTMENT OF FINANCE
ARNOLD SCHWARZENEGGER, GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

July 13, 2007

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95812-4025

Dear Mr. Leary:

Final Audit Report: Environmental Services Joint Powers Authority, Grant Agreements HD9-01-4835 and HD12-03-30

Enclosed is the audit report of the Environmental Services Joint Power Authority's (ESJPA) Household Hazardous Waste Grant agreements HD9-01-4835 and HD12-03-30 for the reporting periods June 30, 2001 through March 31, 2003 and October 1, 2003 through March 31, 2006, respectively. The Department of Finance, Office of State Audits and Evaluations (Finance), performed these audits under an interagency agreement with the California Integrated Waste Management Board (Board). The audits included a review of revenue, expenditures, internal control, and compliance with certain grant agreement provisions.

The ESJPA complied with the fiscal requirements of its grant agreements, and its revenue and expenditures were fairly stated. Because there were no audit findings or issues requiring a response, we are issuing the report as final. The enclosed report is for your information and use. We have also sent a copy to the ESJPA. In accordance with Finance's policy of increased transparency, the final report will be placed on the Finance website.

If you have any questions regarding this report, please contact Frances Parmelee, Manager, or Jennifer Whitaker, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Diana L. Ducay, Chief
Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Tom Estes, Deputy Director, Administration and Finance, California Integrated Waste Management Board
Mr. Roger Ikemoto, Grants and Audits Manager, Administration and Finance Division, California Integrated Waste Management Board
Ms. Bonnie Cornwall, Supervisor, Used Oil and Household Hazardous Waste Unit, California Integrated Waste Management Board
Mr. Jeffrey Lin, Grant Manager, Used Oil and Household Hazardous Waste Unit, California Integrated Waste Management Board
Mr. Glenn Gallagher, Grant Manager, Used Oil and Household Hazardous Waste Unit, California Integrated Waste Management Board
Mr. Greg Norton, Executive Director, Environmental Services Joint Powers Authority
Ms. Mary Pitto, Regulatory Program Director, Environmental Services Joint Powers Authority
Ms. Stacey Miner, Program Administrator, Environmental Services Joint Powers Authority

GRANT AUDITS

Environmental Services Joint Powers Authority Household Hazardous Waste Discretionary Grants HD9-01-4835 and HD12-03-30

For the Period June 30, 2001 through March 31, 2003 and October 1, 2003 through March 31, 2006

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

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May 2007

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PREFACE

The Department of Finance, Office of State Audits and Evaluations, performed these audits under an interagency agreement with the California Integrated Waste Management Board (Board).

The Board awarded a $300,000 grant agreement (HD9-01-4835) and a $282,174 grant agreement (HD12-03-30) to the Environmental Service Joint Powers Authority (ESJPA) to participate in the Household Hazardous Waste Discretionary Grant Program. The grants were funded by the Integrated Waste Management Account and cover the reporting periods June 30, 2001 through March 31, 2003 and October 1, 2003 through March 31, 2006, respectively.

The objective of these audits was to determine the ESJPA's fiscal compliance with the aforementioned grants. These audits also assessed the ESJPA's compliance with applicable laws, regulations, and grant agreement requirements as well as a review of internal control. We did not assess the efficiency or effectiveness of program operations; this responsibility lies with the Board. The responsibility for financial reporting and compliance rests with the ESJPA.

This report is intended for the information and use of the Board and the ESJPA management. However, the report is a matter of public record and its distribution is not limited.

STAFF:

Frances Parmelee, CPA
Manager

Jennifer Whitaker
Supervisor

Billy Struble
Alex Watt

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INDEPENDENT AUDITOR'S REPORT

Mr. Mark Leary, Executive Director
California Integrated Waste Management Board
1001 I Street, MS-1
P.O. Box 4025
Sacramento, CA 95812-4025

We have audited the accompanying Environmental Services Joint Powers Authority's (ESJPA) *Statements of Revenue and Expenditures* (Statements) for grant agreements HD9-01-4835 and HD12-03-30, covering the periods June 30, 2001 through March 31, 2003 and October 1, 2003 through March 31, 2006, respectively. The grant agreements were executed between the ESJPA and the California Integrated Waste Management Board (Board). These Statements were prepared from the ESJPA's records and are the responsibility of ESJPA management. Our responsibility is to express an opinion on the Statements based on our audits.

We conducted our audits in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to provide reasonable assurance as to whether the Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Statements. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Statements were prepared, as described in Note 4, for the purpose of determining the ESJPA's fiscal compliance with the aforementioned grant agreements. The Statements are not intended to be a presentation of the ESJPA's total revenue and expenditures.

In our opinion, the Statements referred to above present fairly, in all material respects, the claimed and audited revenue and expenditures for grant agreements HD9-01-4835 and HD12-03-30, for the periods stated above in conformity with accounting principles generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Statements are free of material misstatements, we performed tests of the ESJPA's compliance with certain provisions of laws, regulations, and the grant agreements, noncompliance with which could have a direct and material effect on the determination of Statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not

express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Generally Accepted Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the ESJPA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board and the ESJPA management, 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:

Janet I. Rosman, CPA
Assistant Chief, Office of State Audits and Evaluations
(916) 322-2985

May 10, 2007

Statement of Revenue and Expenditures

Environmental Services Joint Powers Authority
Household Hazardous Waste Grant Agreement HD9-01-4835
For the Period June 30, 2001 through March 31, 2003

Revenue:	**Claimed**	**Audited**	**Questioned**
State Grant	$298,933	$298,933	$ 0
Expenditures:			
Permanent Collection Facility	208,677	208,677	0
Publicity and Education	4,224	4,224	0
Personnel/Other	86,032	86,032	0
Total Expenditures	298,933	298,933	0
Excess of Revenue over Expenditures	$ 0	$ 0	$ 0

The accompanying notes are an integral part of this statement.

Statement of Revenue and Expenditures

Environmental Services Joint Powers Authority
Household Hazardous Waste Grant Agreement HD12-03-30
For the Period October 1, 2003 through March 31, 2006

Revenue:	**Claimed**	**Audited**	**Questioned**
State Grant	$278,713	$278,713	$ 0
Expenditures:			
Permanent Collection Facility	94,762	94,762	0
Temporary/Mobile Collection	112,738	112,738	0
Publicity and Education	7,255	7,255	0
Personnel/Other	63,958	63,958	0
Total Expenditures	278,713	278,713	0
Excess of Revenue over Expenditures	$ 0	$ 0	$ 0

The accompanying notes are an integral part of this statement.

Environmental Services Joint Powers Authority
Household Hazardous Waste Grant Agreements HD9-01-4835 and HD12-03-30

NOTE 1 Description of the Reporting Entity

The Environmental Services Joint Powers Authority (ESJPA) was formed in 1993 to assist its rural county members to comply with regulatory requirements and waste diversion goals. It is comprised of 22 rural member counties and provides regulatory advocacy and technical assistance, supports local public education campaigns, and administers grants for recycling and hazardous waste management programs.

NOTE 2 Program Information

The Legislature created the Integrated Waste Management Account (Public Resources Code Section 48001) to support the reduction, recycling, and reuse of solid waste and the protection of public health and safety through regulation of solid waste handling. The California Integrated Waste Management Board (Board) administers the Integrated Waste Management Account, which includes the Hazardous Household Waste (HHW) Discretionary Grant Program.

The HHW grants are competitive grants available to help local governments establish or expand HHW collection programs. Each fiscal year, the Board allows California cities, counties, and local agencies, including Indian reservations and rancherias, with direct responsibility for HHW management to apply.

NOTE 3 Description of Household Hazardous Waste Grants

The following grants were awarded to the ESJPA:

- Contract HD9-01-4835 in the amount of $300,000 for the period of June 30, 2001 through March 31, 2003.
- Contract HD12-03-30 in the amount of $282,174 for the period of October 1, 2003 through March 31, 2006.

These grant agreements provide funding to: (1) increase public awareness regarding the need for diversion of electronic waste and the toxic effects of illegal dumping and/or landfill disposal, (2) initiate electronic waste collection opportunities for various rural counties, (3) increase the collection of cathode ray tubes (CRTs), and (4) decrease illegal dumping and landfill disposal.

NOTE 4 Summary of Significant Accounting Policies

A. Basis of Presentation

The Statements presented in this report were prepared from the ESJPA's accounts and financial transactions. The Statements summarize revenue and expenditures recorded by the ESJPA during the grants' reporting periods.

The Statements summarize the ESJPA's transactions pertaining to grant agreements HD9-01-4835 and HD12-03-30 only, and are not intended to represent all of the ESJPA's financial activities.

B. Basis of Accounting

The ESJPA's accounts are maintained on the modified accrual basis and in accordance with the principles of fund accounting. Under the modified accrual basis, revenue is recognized as it becomes measurable and available, and expenditures are recorded at the time the liabilities are incurred.