



May 22, 2009

Mr. Mark Leary, Executive Director  
California Integrated Waste Management Board  
1001 I Street, MS 25A  
P.O. Box 4025  
Sacramento, CA 95812-4025

Dear Mr. Leary:

**Final Report—City of Sacramento, California Integrated Waste Management Board Used Oil Block Grant Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the City of Sacramento's (City) Used Oil Block Grant agreements as follows:

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG10-04-148	July 1, 2004 through June 30, 2007	\$150,193
UBG11-05-119	July 1, 2005 through June 30, 2008	\$116,928

The enclosed report is for your information and use. The City's response to the report findings are incorporated into this final report. The City agreed with our findings and we appreciate its willingness to implement corrective actions. The findings 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, the final report will be placed on our website. We appreciate the assistance and cooperation of the City's staff. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Zachary Stacy, 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. Marty Strauss, Planning Superintendent, Solid Waste Division, City of Sacramento  
Mr. Edison Hicks, Division Manager, Solid Waste Division, City of Sacramento  
Ms. Shirley Willd-Wagner, Manager, Financial Assistance Division, California Integrated  
Waste Management Board  
Ms. Susan Villa, Branch Manager, Administration and Finance Division, California  
Integrated Waste Management Board  
Ms. Corky Mau, Branch Manager, Financial Assistance Division, California Integrated  
Waste Management Board  
Ms. Sybil Britton, Grant Manager, Financial Assistance Division, California Integrated  
Waste Management Board  
Mr. George Mendoza, Audit Manager, Audit and Evaluation Unit, California Integrated  
Waste Management Board

A GRANT AUDIT

---

City of Sacramento  
Grant Agreements  
UBG10-04-148  
and UBG11-05-119

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

**MEMBERS OF THE TEAM**

Kimberly A. Tarvin, CPA  
Manager

Zachary Stacy  
Supervisor

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

---

A Grant Audit .....	1
Results.....	3
Response .....	5

## BACKGROUND

As the state's recycling and waste reduction authority, the California Integrated Waste Management Board (Board) implements programs to reduce waste generation, divert materials from landfills, recover resources, remediate illegal sites, and ensure compliance with applicable state standards. The Board's used oil recycling grant program provides funding for efforts to reduce the amount of illegally disposed used oil and establish sustainable used oil recycling programs.

The City of Sacramento (City) was incorporated in 1849 and is located within the County of Sacramento. The City's Utilities Department, Solid Waste Division, has general responsibility for the Used Oil Recycling Block Grants. The Solid Waste Division provides residents with a full range of solid waste management including collection, recycling, planning, and education.

## SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a compliance audit of the City's Used Oil Block Grants listed below.

<u>Grant Agreements</u>	<u>Audit Period</u>	<u>Awarded</u>
UBG10-04-148	July 1, 2004 through June 30, 2007	\$150,193
UBG11-05-119	July 1, 2005 through June 30, 2008	\$116,928

The audit objective was to determine whether the City's grant revenues and expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the internal controls. We did not assess the efficiency or effectiveness of program operations.

The City is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations and grant requirements. The Board is responsible for evaluating the efficiency and effectiveness of the program operations.

## METHODOLOGY

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

- Interviewed key personnel.
- Obtained an understanding of the grant related internal controls.
- Examined the grant files.
- Reviewed the City's accounting records.
- Determined whether a sample of expenditures were:
  - Allowable
  - Grant related
  - Incurred within the grant period
  - Supported by accounting records
  - Properly recorded
  - Were not also billed to other Board grants
- Determine whether interest earned on grant funds was reported and expended on eligible grant activities.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with City staff. The audit was conducted from November 2008 through April 2009.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and recommendations.

Except as noted below, the City's expenditures were expended in compliance with applicable laws, regulations, and the grant requirements. Revenues earned on advanced funds for UBG10-04-148 were expended for eligible grant activities. The City did not receive advanced funds for UBG11-05-119. The claimed, audited, and questioned amounts for each grant are presented in Table 1. Additionally, three findings were identified as reported below.

**Table 1: Schedules of Claimed, Audited, and Questioned Amounts**

Grant Agreement UBG10-04-148 For the Period July 1, 2004 through June 30, 2007			
Categories	Claimed <sup>1</sup>	Audited	Questioned
Mobile Collection	\$ 405	\$ 405	\$ 0
Residential Collection	9,052	9,052	0
Publicity/Education	101,387	101,387	0
Personnel/Other	46,703	45,283	1,420
Total	\$ 157,547	\$ 156,127	\$ 1,420

Grant Agreement UBG11-05-119 For the Period July 1, 2005 through June 30, 2008			
Categories	Claimed <sup>2</sup>	Audited	Questioned
Mobile Collection	\$ 438	\$ 438	\$ 0
Residential Collection	8,838	8,838	0
Publicity/Education	49,356	49,356	0
Personnel/Other	38,785	38,785	0
Total	\$ 97,417	\$ 97,417	\$ 0

**FINDING 1 The City's Grant Expenditures Are Not Recorded in a Separate General Ledger Account**

The City's reported expenditures are not recorded in a separate general ledger account within the City's centralized accounting system. The grant agreement, Exhibit B, Procedures and Requirements, states that documentation and a clear audit trail are essential to grant management. Each Used Oil Block Grant must be tracked and accounted for separately in order to produce a clear audit trail.

While the City established separate job numbers in the centralized accounting system for each grant, the job numbers were not consistently utilized to provide a

<sup>1</sup> The \$7,354 difference between the awarded and claimed amounts represents interest revenue earned on advanced funds, which is available for other grant expenditures.

<sup>2</sup> The \$19,511 difference between the awarded and claimed amounts represents funds that were awarded for the used oil recycling program but not used.

reliable audit trail of expenditures and revenues. As a result, the City cannot reconcile expenditures that were reported to the Board to the City's general ledger. These practices increase the risk of inaccurate and duplicate billing. To verify expenditures, we relied on invoice files maintained by the Solid Waste Division.

This issue was also a finding in prior audit reports covering the sixth through ninth grant cycles, and remains unresolved. Refer to our July 2004 and March 2008 audit reports.

*Recommendation:* The City should record grant expenditures in a unique general ledger account for each grant. Additionally, to ensure the accuracy of expenditures claimed for reimbursement, reconcile the general ledger to the itemized grant expenditures prior to submitting the claims to the Board.

**FINDING 2     The City Claimed \$1,420 in Unsupported Personnel Costs for Grant Agreement UBG10-04-148**

The City's Grant Manager claimed 282 hours for grant related planning, management, data gathering, and Certified Collection Center visits. However, only 245 hours were supported with documentation. As a result, \$1,420 in personnel costs is ineligible for reimbursement. The grant agreement, Exhibit B, Procedures and Requirements, requires grantees to maintain all documentation for all expenditures claimed.

*Recommendation:* The City should remit \$1,420 to the Board and ensure all future claimed expenditures are properly supported. Additionally, the City should establish procedures to accurately record staff time spent on grant related work.

**FINDING 3     The City's Department of Utilities, Waste Management Division, does not have an Approved Cost Allocation Plan**

The City claimed indirect costs totaling \$15,019 and \$11,993 on grant agreements UBG10-04-148 and UBG11-05-119, respectively, without an approved cost allocation plan. The grant agreement Exhibit B, Procedures and Requirements, states that the Grantee must have on file an internally approved Cost Allocation Plan which specifically documents and supports how the cost amount was established.

Because the city subsequently provided alternative documentation for these costs which appeared reasonable, the indirect costs claimed were not questioned. However, without an internally approved Cost Allocation Plan, City management cannot ensure and document that the indirect costs claimed are appropriate. As a result, the Board could determine that these costs are unsupported and require the City to remit the indirect costs claimed.

*Recommendation:* The City's Department of Utilities should establish an approved Cost Allocation Plan for its operations to support the amount claimed.





DEPARTMENT OF  
UTILITIES

SOLID WASTE DIVISION

CITY OF SACRAMENTO  
CALIFORNIA

2812 Meadowview Road  
Sacramento, CA 95832

Phone: 916-808-4900  
Fax: 916-808-4999

May 13, 2009

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

RE: Response to Draft Report for Used Oil Block Grant Audit

Dear David Botelho:

I received the draft copy of the Used Oil Block Grant Audit Report with the letter you sent on May 5, 2009. The City agrees with the three recommendations your office made in regards to the audit findings:

1. The City will record grant expenditures in a unique general ledger account for each used oil cycle.
2. The City will remit \$1,420 to the Board. Also, City staff will ensure that all future claimed expenditures are properly supported. This will be done through using the unique general ledger account fund line (mentioned above) on all expenditures, received grant payments, and staff timesheets.
3. The City's will document future overhead costs by recording grant-related activities, such as processing invoices, on support staff timesheets.

The Department of Utilities staff is currently working to implement the proposed changes, so as to better manage all grants in the future, as well as to improve the used oil programs the City provides to its residents and businesses.

Sincerely,

**Original signed by:**

Edison Hicks  
Integrated Waste General Manager