



DATE: October 13, 2022

TO: Planning Committee/Recycling Board

FROM: Meri Soll, Senior Program Manager
Jennifer West, Program Manager

SUBJECT: Five-Year Financial & Compliance and Programmatic Assessment

SUMMARY

Subsection 64.040 (C) of the Alameda County Waste Reduction and Recycling Initiative Charter Amendment (Measure D) requires a comprehensive financial, statistical, and programmatic assessment and analysis to be performed every five years. The programmatic element is conducted every five years while the financial assessment is conducted in two phases of three years and two years. At the October 13, 2022, Board meeting, StopWaste staff and representatives from the firm of Crowe LLP, which was awarded the contract to conduct the assessment(s), will present the comprehensive Five Year Financial & Compliance and Programmatic Assessment for the period of FY 2016-17 through FY 2020-21. Staff will outline their recommendation to the Board to accept the assessment. Staff is pleased to report that Crowe LLP found no significant Measure D compliance issues.

BACKGROUND

Per Measure D, the audit shall consist of:

- A narrative containing information and an analytical evaluation of all recycling programs within Alameda County, whether funded through Measure D or not, both Alameda County-wide and within each municipality.
- A statistical measure of the progress toward the recycling policy goal then in effect.
- An evaluation of the Recycling Board activities, including but not limited to, an accounting of the monies spent by the Recycling Board.
- Recommendations to the Recycling Board, the Board of Supervisors, the Authority and the municipal governing bodies for the maintenance and expansion of recycling programs and any necessary resulting amendment to the Recycling Plan based on these recommendations.

The Five-Year Financial & Compliance and Programmatic Assessment encompasses both the financial assessments (Phase I: FY 16-17 to 18-19, which was accepted by the Recycling Board in January 2020, and Phase II: FY 19-20 and 20-21), as well as the programmatic element, which covers the five-year period of FY 16-17 though FY 20-21. Staff is pleased with Crowe LLP’s findings that no

significant Measure D compliance issues were found after examining the finances and programs of the Recycling Board, member agencies, and grant recipients.

To reach these findings, Crowe LLP conducted a range of assessment activities to ensure accounting of the funds spent by the Recycling Board met Measure D requirements. Auditors conducted in-depth reviews of the Recycling Board's audited financials, accounting, tonnage, and landfill operator reports related to Measure D. In addition, reviews of member agency annual Measure D and accounting reports as well as transaction testing were conducted to ensure funds were used appropriately. Interviews with both member agency and StopWaste staff were conducted to clarify and correct any inconsistencies with submitted reports and compliance requirements. Over 50 grant recipients' funding agreements were reviewed to ensure deliverables and payments were made in accordance with the agreement's scope of services and payment plan. A comprehensive analytical review of StopWaste and member agency programmatic efforts in place during the audit years was conducted to assess progress toward waste diversion goals for the county.

This Five Year Financial & Compliance and Programmatic Assessment contains recommendations regarding development of Board fiscal policies, procedures, and programmatic content aimed at easier and smoother future audit reviews as well as including ways to potentially improve program impacts.

A synopsis of the findings and recommendations can be found in the attached Executive Summary. The full report is available on the StopWaste website here:

<https://www.stopwaste.org/resource/measure-d-five-year-financial-compliance-report-2022>

RECOMMENDATION

That the Recycling Board accept the Five Year Financial & Compliance and Programmatic Assessment (FY 16-17 to FY 20-21) by Crowe LLP.

Attachment A: The Five-Year Financial & Compliance and Programmatic Assessment Executive Summary

Executive Summary

Crowe LLP (Crowe) conducted this Five Year Financial and Compliance Assessment and Five-Year Programmatic Assessment¹ of funds raised through the Alameda County Waste Reduction and Recycling Initiative Charter Amendment (“Measure D”). This work was conducted in two (2) phases for the financial and compliance assessment. The Phase I portion covered the three (3) fiscal years of 2016/17, 2017/18, 2018/19. The Phase II portion covered the two (2) fiscal years of 2019/20 and 2020/21. The programmatic assessment was conducted in a single phase that covered all five (5) fiscal years of 2016/17, 2017/18, 2018/19, 2020/19, and 2020/21.

During our assessment, we found no significant Measure D compliance issues after examining the finances of the Recycling Board, member agencies, and grant recipients. Our work included assessments of the Recycling Board, each of the sixteen (16) member agencies, and a total of fifty-two (52) grants. We conducted our Phase I work between March 2020 and October 2020. We conducted our Phase II financial and compliance assessment and the five-year programmatic assessment work between December 2021 and August 2022.

In Section 1 of this report, we provide an introduction and background. In Section 2 of this report, we identify the flow of Measure D monies, from collection by the Recycling Board from landfill operators, to distribution of Measure D monies for programs managed by the Recycling Board, and to the member agencies.

In Section 3 of this report, we provide our financial and compliance, and programmatic assessment results. For each financial and compliance, and programmatic provision of Measure D, we identify whether the applicable entity met the requirement and, if so, how the entity met the requirement (Exhibits 3-1 and 3-2). We found Alameda County and the Recycling Board in full compliance with nine (9) Measure D compliance areas. These nine (9) compliance areas cover the financial and compliance, and programmatic elements.

We found the member agencies in compliance with seven (7) Measure D compliance areas, with some minor exceptions. We found some minor variations between expenditure amounts reported by member agencies on their Annual Measure D Programs report and expenditure amounts we identified through our assessment. These differences were not considered material. **Exhibit ES-1**, following this page, summarizes our financial and compliance, and programmatic assessment findings.

In Section 4 of this report, we provide our evaluation of Recycling Board waste diversion results for the five-year period. We observed that the Recycling Board is using a range of methods to track changes in waste diversion levels, and while the Recycling Board’s use of the percentage of divertible materials within the refuse container concluded in 2017, the multi-year effort represented a progressive and focused approach for measuring and targeting reductions in curbside disposal volumes. The five-year period encompassed significant macroeconomic volatility resulting from the pandemic, which complicates waste trends for at least the next few years.

We found that it is likely that recent reductions in per capita disposal rates are related to economic factors (not program enhancements or increasing curbside recycling or organics participation levels). We found the Recycling Board in full compliance with AB 939 goals, and at 69 percent diversion Countywide in 2020 (on a weighted average basis across the sixteen member agencies), about six (6) percent short of the aggressive 75 percent diversion goal set for 2010. The Recycling Board fully recognizes that diversion rates have leveled out over the past decade and approved a revised plan in December 2020 titled *Beyond 75% Diversion: A Plan for Landfill Obsolescence*, which sets a goal for landfill obsolescence by 2045. This new strategy shifts focus away from calculated diversion rates towards systematic improvements involving production, consumption, and disposal. By making fundamental enhancements such as targeted efforts on organics, Alameda County aspires to offset recycling market pressures and alleviate other related challenges, paving way for a natural decline in disposal tonnage over time.

¹ The Five Year Financial and Compliance Assessment, which was conducted in two Phases (I and II), incorporates partial programmatic elements. The Five Year Programmatic Assessment incorporates additional programmatic elements. In total, these two assessments address all Measure D programmatic compliance areas.

In Section 5 of this report, we provide our recommendations. **Exhibit ES-2** summarizes our 13 recommendations that link to findings, which is organized in the following five (5) categories: (1) Measure D Tonnage Revenue Validation, (2) Expenditure and Reporting Guidance for Member Agencies, (3) Performance Measurement, (4) Member Agency Expenditures, and (5) Grant Management. We provide these recommendations in the spirit of simplifying the Measure D reporting process, clarifying Measure D expense applicability, mitigating risks, continuing to improve overall use of Measure D funds towards goals, and meeting overall Recycling Board objectives.

There are seven (7) appendices to this report. Appendices A to G provide such information as the Measure D text; related Recycling Board resolutions and memoranda; member agency background; supporting details for our compliance testing; a summary of grant recipients evaluated; and a summary of member agency expenditures.

Exhibit ES-1
Five Year Financial & Compliance and Programmatic Assessment
Summary of Findings

Entity	Findings
Recycling Board	<ul style="list-style-type: none"> • RB-1 – Alameda County and the Recycling Board Met Measure D Financial and Compliance, and Programmatic Compliance Requirements • RB-2 – The Recycling Board Collected Measure D Monies from Landfill Operators in Accordance with Measure D Requirements • RB-3 – The Recycling Board Allocated Measure D Monies to Member Agencies, and Required Programs, Consistent with Measure D Requirements
Member Agencies	<ul style="list-style-type: none"> • MA-1 – Member Agencies Met the Financial and Compliance, and Programmatic Requirements of Measure D • MA-2 – Member Agencies Spent Measure D Funds on Legitimate Measure D Expenses • MA-3 – Member Agencies Correctly Reported Interest on Measure D Fund Balances
Grant Recipients	<ul style="list-style-type: none"> • G-1 – Grant Recipients Complied with Terms and Conditions of the Grants and With Measure D Requirements

Exhibit ES-2
Five Year Financial & Compliance and Programmatic Assessment
Summary of Recommendations

Category	Recommendation	Financial/ Programmatic	Summary of Recommendation	Recommendation Status
1. Measure D Tonnage Revenue Validation	<p>Recommendation 1a – Automatically Link and Transfer Measure D Tonnage Data Captured in Disposal Reporting System to Measure D Revenues in MUNIS System</p> <p><i>Linked to: Finding RB-2</i></p>	Financial	<ul style="list-style-type: none"> Add the capability within the Disposal Reporting System (potentially as a separate module) to automate the linkage and transfer of Measure D tonnage data from the Disposal Reporting System to the revenues that the Board receives from landfill companies. 	<ul style="list-style-type: none"> The original recommendation was first developed during the prior five-year assessment covering fiscal years 2006/07 to 2010/11, then refined in the fiscal year 2011/12 to 2015/16 assessment, and then again during Phase I and Phase II. The Board is conducting a system enhancement that is scheduled to be completed in 2023. This recommendation to add the automatic linkage has been considered in the list of enhancements.
	<p>Recommendation 1b – Perform More Frequent and Regular Audits of Measure D Tonnage Reports to Test Validity of Transactions to Company Weight Tickets</p> <p><i>Linked to: Finding RB-2</i></p>	Financial	<ul style="list-style-type: none"> Given the direct and significant impact Measure D tonnage has on the Board’s revenue, perform regular audits of landfill tonnage reports submitted by landfill operators on a quarterly or monthly basis. Select a sample of annual tonnage data provided in the Measure D monthly reports and request landfill operators to provide weight ticket documentation in support of the tonnage data. 	<ul style="list-style-type: none"> The original recommendation was first developed during the prior five year assessment covering fiscal years 2006/07 to 2010/11, then refined in the fiscal year 2011/12 to 2015/16 assessment, and then again during Phase I and Phase II. Due to data accessibility enabled by electronic weight ticket data availability upon request, we revised the recommendation to conduct these audits more often – to quarterly or monthly (from annually or quarterly). In 2019, the Board implemented the following process: ensuring at least two signatures are provided on disposal invoices from landfill operators to verify quality assurance/control efforts consistently occur with data entered into the Disposal Report System. In 2020 and 2021, the Board began to conduct more frequent testing. Between Phase I and Phase II, Board staff has performed two audits. During these two audits, Board staff determined immaterial variances between amounts reported and amounts on weight tickets (which we verified). Due to current staffing allocations, the Board is working on conducting audits bi-annually, or twice a year, and will consider increasing the frequency of audits to the full recommendation in the future.

Exhibit ES-2
Five Year Financial & Compliance and Programmatic Assessment
Summary of Recommendations *(continued)*

Category	Recommendation	Financial/ Programmatic	Summary of Recommendation	Recommendation Status
2. Expenditure and Reporting Guidance for Member Agencies	<p>Recommendation 2a – Further Refine and Maintain Written Guidance on Measure D Expense Applicability</p> <p><i>Linked to: Finding MA-2</i></p>	Financial/ Programmatic	<ul style="list-style-type: none"> Implement version control for the guidance document(s). Include a start or end date for expense categorization, especially for those that move to the non-allowable list. Continue refining the list of allowable expenses, as necessary. The wide variety of potential Measure D related expenses, and the constantly evolving nature of recycling programs and other related conservation programs (e.g., water conservation) necessitates an evolving list. 	<ul style="list-style-type: none"> The original recommendation was first developed during the prior five-year assessment covering fiscal years 2011/12 to 2015/16, then refined during Phase I and Phase II. The Board started to implement this full recommendation for the upcoming reporting cycle such as guidance document versioning and updating the drop-down list of cost categories in the Measure D financial report to match guidance documentation provided to member agencies.
	<p>Recommendation 2b – Develop a Comprehensive Measure D Guidance Document and Submission Checklist for Member Agencies</p> <p><i>Linked to: Finding MA-1 Finding MA-2 Finding MA-3</i></p>	Financial/ Programmatic	<ul style="list-style-type: none"> Develop and maintain a comprehensive Measure D guidance document for member agencies. Current Measure D guidance can be consolidated and expanded to cover all aspects of the mandatory Measure D tracking and reporting for member agencies. We envision a thorough guidance document, or handbook, that member agencies can easily reference as their “source of truth” for Measure D guidance and compliance. Develop a one-page summary of the Five-Year assessment requirements, associated activities, and generally what to expect. Develop and maintain a Measure D compliance traceability matrix, where it matches compliance areas to specific documents. Develop and maintain a Measure D reporting submission checklist to include everything required for a proper Measure D report submission, tying directly to the online portal. Establish a packet update and version control methodology. This process would include establishing the frequency of document component reviews and a communication/distribution strategy. Send member agencies notifications of updated versions and list of changes. 	<ul style="list-style-type: none"> This recommendation was developed during Phase I and refined in Phase II. The Board started to implement portions of this recommendation for the upcoming reporting cycle such as including a pre-submission checklist within the report (related to Recommendation 2c). The Board could consider the other portions of this recommendation such as developing a comprehensive guidance document the next time guidance documentation is updated.

Exhibit ES-2
Five Year Financial & Compliance and Programmatic Assessment
Summary of Recommendations *(continued)*

Category	Recommendation	Financial/ Programmatic	Summary of Recommendation	Recommendation Status
2. Expenditure and Reporting Guidance for Member Agencies <i>(continued)</i>	Recommendation 2c – Refine Measure D Electronic Reporting Process to Reduce Inconsistencies and Missing Information <i>Linked to:</i> <i>Finding MA-1</i> <i>Finding MA-2</i> <i>Finding MA-3</i>	Financial/ Programmatic	<ul style="list-style-type: none"> Refine the electronic submission process for Measure D financial reports to reduce common errors. We recommend making a few modifications, such as: auto- or pre-populating the beginning fund balance using the prior year’s ending fund balance, automatic mathematical summations, link staff expenses in staff report to total expenses in the financial report, adding pre-submission checklist. Add prompts when the member agency needs to report interest or provide an expenditure plan if member agency Measure D balances exceed the appropriate thresholds. 	<ul style="list-style-type: none"> This recommendation was developed during Phase I and refined in Phase II. During Phase II, the Board implemented pre-populating the adjusted beginning balance prior to allowing portal submissions. The Board started to implement several key elements of this recommendation such as revised input field labels to be clearer, whether a field is mandatory or optional, automatic mathematical summations, pre-submission checklist in the upcoming reporting cycle. The Board could consider the remaining elements of this recommendation such as linking staff expenses in the staff report to the total expenses field in the financial report.
	Recommendation 2d – Add Prompts to Measure D Electronic Reporting Process for Invoices of Expenses Over \$5,000 and Require Revenue and Expenditure Accounting Reports <i>Linked to:</i> <i>Finding MA-1</i> <i>Finding MA-2</i>	Financial	<ul style="list-style-type: none"> Add prompts to the Measure D portal when inputted expenses are over \$5,000, asking the member agency to upload the supporting invoices or provide an explanation if individual expenses are less than \$5,000. Add dedicated field/elements to the Measure D portal to require member agencies to upload their Measure D revenue and expenditure accounting reports (or an equivalent spreadsheet) to support all reported payments and expenses. 	<ul style="list-style-type: none"> This recommendation was developed during Phase I and refined in Phase II. The Phase I recommendation was updated from invoices over \$2,000 to invoices over \$5,000 during Phase II since the Board updated the threshold during fiscal year 2020/21. The Board started to implement this full recommendation for the upcoming reporting cycle.

Exhibit ES-2
Five Year Financial & Compliance and Programmatic Assessment
Summary of Recommendations *(continued)*

Entity	Recommendation	Financial/ Programmatic	Summary of Recommendation	Recommendation Status
3. Performance Measurement	<p>Recommendation 3a – Add Clarification to Specify Prior Year Accomplishments Are Projections Rather than Actuals</p> <p><i>Linked to: Finding RB-1</i></p>	Programmatic	<ul style="list-style-type: none"> During the annual budget development process, add clarification to specify that the accomplishments listed are projections rather than actuals. The added clarification should be clear and consistently communicated. The Board may include additional clarification (e.g., activities not yet started or contingent upon other factors). 	<ul style="list-style-type: none"> This recommendation was developed as part of the current five-year programmatic assessment covering fiscal years of 2016/17 to 2020/21. The Board could consider this recommendation during the next annual budget document development cycle.
	<p>Recommendation 3b – Develop Key Performance Measures Related to Existing and Emerging Core Funded Activities</p> <p><i>Linked to: Finding RB-1</i></p>	Financial/ Programmatic	<ul style="list-style-type: none"> Develop performance measures based on existing and emerging core funded activities. Track and monitor performance measures over time to inform decision-making and priorities. 	<ul style="list-style-type: none"> This recommendation was developed as part of the current five-year programmatic assessment covering fiscal years of 2016/17 to 2020/21. We provide this recommendation to build on the Board’s active efforts in improving its data collection and analysis methods. As part of a data enhancement effort, the Board is actively centralizing various programmatic data in electronic formats to streamline data visualization and analysis. This recommendation could be considered as part of ongoing data enhancement efforts.
	<p>Recommendation 3c – Conduct Focused Waste Assessments</p> <p><i>Linked to: Finding RB-1</i></p>	Programmatic	<ul style="list-style-type: none"> Conduct waste assessments with a focused scope. This assessment would require substantially less resources than a waste characterization study and occurs more often such as every year or every other year. One idea for an assessment is to track select large quantity generators of organics over time, with data collection facilitated by franchised haulers. 	<ul style="list-style-type: none"> This recommendation was developed as part of the current five-year programmatic assessment covering fiscal years of 2016/17 to 2020/21. This recommendation is separate from the waste characterization study conducted every five to ten years. The focused assessment is meant to be a substantially less resource intense and provide more focused and timely data so that the Board can be more responsive to shifting trends.

Exhibit ES-2
Five Year Financial & Compliance and Programmatic Assessment
Summary of Recommendations *(continued)*

Entity	Recommendation	Financial/ Programmatic	Summary of Recommendation	Recommendation Status
4. Member Agency Expenditures	<p>Recommendation 4a – Further Track Labor Costs Based on Actual Time Reporting Where Possible, or Provide Current Data Supporting Labor Allocations to Measure D Activities</p> <p><i>Linked to: Finding MA-1 Finding MA-2</i></p>	Financial/ Programmatic	<ul style="list-style-type: none"> • Reinforce guidance for member agencies to capture the actual time that employees spend on Measure D related activities in time reporting systems. • Continue to discourage member agencies from budgeting a percentage of each staff member’s time and then “plugging” that budgeted percentage amount into the staff member’s timesheet. • Reinforce that if a member agency does not have the capability to record employee time by project/task, that member agency should provide evidence supporting current Measure D labor costs and/or cost allocations. Types of documentation supporting labor allocations could include: <ol style="list-style-type: none"> (1) supporting documentation for cost allocation methods used to allocate shared labor costs to the Measure D program for a recent representative period (2) records of time worked on Measure D activities captured by employees, outside of time reporting systems, for a recent representative period. • Encourage more member agencies, for employees less than 100 percent dedicated to Measure D activities in particular, to work towards providing actual records of time worked on Measure D (described as number two above). 	<ul style="list-style-type: none"> • The original recommendation was first developed during the prior five-year assessment covering fiscal years 2006/07 to 2010/11, then refined during Phase I and Phase II. • Member agencies have made some improvements, some to a greater extent than others. Member agencies use various methods to track Measure D staff time, some of which are more defensible than others. • We would opt to retain this recommendation until all member agencies have clear, complete, and consistent tracking of actual time.

Exhibit ES-2
Five Year Financial & Compliance and Programmatic Assessment
Summary of Recommendations *(continued)*

Entity	Recommendation	Financial/ Programmatic	Summary of Recommendation	Recommendation Status
4. Member Agency Expenditures <i>(continued)</i>	<p>Recommendation 4b – Withhold Funds and Increase Monitoring and Tracking Once a Member Agency’s Second Expenditure Plan Extension has been Approved</p> <p><i>Linked to: Finding MA-1</i></p>	Financial/ Programmatic	<ul style="list-style-type: none"> • Revise Resolution 2006-12, which is the policy for accumulated Measure D fund balances, to add additional controls to help ensure member agencies follow through with their expenditure plans. • Allow no more than two (2) annual extensions to a member agency’s expenditure plan. After two extensions, future quarterly disbursements for the member agency should be held within a Board maintained interest bearing account. • Conduct quarterly check-ins with member agencies. • Specify at what point, and how, the member agency would receive withheld funds. For example, the Board may consider a minimum percentage reduction (e.g., 25 percent under threshold) of the member agency’s fund balance before releasing funds up to the member agency’s threshold. 	<ul style="list-style-type: none"> • This recommendation was developed during Phase I and refined in Phase II. • Between Phase I and Phase II, the Board implemented policy changes as part of Resolution 2021-02 (6/10/2021) and started conducting quarterly check-ins. • The policy changes are reflective of this recommendation.

Exhibit ES-2
Five Year Financial & Compliance and Programmatic Assessment
Summary of Recommendations *(continued)*

Category	Recommendation	Financial/ Programmatic	Summary of Recommendation	Recommendation Status
5. Grant Management	<p>Recommendation 5a – Standardize Use of a Centralized Electronic Grant Storage and Filing System</p> <p><i>Linked to: Finding G-1</i></p>	Financial/ Programmatic	<ul style="list-style-type: none"> Standardize the process to use an electronic storage and filing system to store and organize grant documentation such as the grant application, executed contract and amendments, invoices, allowances/waivers, and supporting documentation for all grant deliverables. Develop, or refine, procedures that include centralized document storage tasks, including which documents to store (examples above), standard file and document naming practices, and checklist sign-off of file completion upon closure of a contract. Add a practice (e.g., checklist) to periodically verify that the grantee has submitted all grant files (at least during contract closure). 	<ul style="list-style-type: none"> This recommendation was developed during Phase I and refined in Phase II. By Phase II, the Board made improvements by electronically storing grant documentation. Electronic document storage significantly improved the document retrieval process. A future refinement would be to centralize storage of grant contracts, invoices, and deliverables.
	<p>Recommendation 5b – Utilize a Grant Management Tracking Tool</p> <p><i>Linked to: Finding G-1</i></p>	Financial/ Programmatic	<ul style="list-style-type: none"> Utilize a grant management tracking tool/process to centralize and track grants, that could include the following elements: <ul style="list-style-type: none"> A repository that centralizes and tracks key grant information such as start and end dates, deliverable due dates, grant activity schedules, deliverables, exceptions made, amendments, specific grantee requirements (licenses, certifications, insurance, etc.), and contract expiration dates. Provide monitoring triggers based on key dates such as end dates, deliverable due dates, or follow up by dates. Track the status of deliverables to include deliverable submissions, the number of days until due/past due, and review and acceptance statuses. Lastly, this tool could be integrated with, or be provided within, the grant storage and filing system. 	<ul style="list-style-type: none"> This recommendation was developed during Phase I and refined in Phase II. This recommendation adds on to Recommendation 5a. Due to technological constraints, implementation is not currently possible. We believe this is an ideal state that the Board could aspire to achieve. Looking forward, this will be possible with technology enhancements.