



JOHN CHIANG
California State Controller

April 2, 2010

Vinod K. Sharma
Controller-Treasurer
Santa Clara County
County Government Center, East Wing
70 West Hedding Street, 2nd Floor
San Jose, CA 95110

Dear Mr. Sharma:

The State Controller's Office (SCO) reviewed the costs claimed by Santa Clara County for the legislatively mandated Domestic Violence Treatment Services – Authorization and Case Management Program (Chapters 183 and 184, Statutes of 1992; Chapter 28, Statutes of 1994; and Chapter 641, Statutes of 1995) for the period of July 1, 2003, through June 30, 2004, and July 1, 2005, through June 30, 2007. Our review was limited to validating employees' productive hourly rates.

The county claimed \$1,034,379 for the mandated program. Our review disclosed that \$957,087 is allowable and \$77,292 is unallowable. The costs are unallowable because the county overstated employees' productive hourly rates, as described in the attached Summary of Program Costs, and Finding and Recommendation.

For the fiscal year (FY) 2003-04 claim, the State made no payment to the county. Our review disclosed that \$397,359 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2005-06 claim, the State paid the county \$315,352. Our review disclosed that \$292,745 is allowable. The State will offset \$22,607 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2006-07 claim, the State paid the county \$288,842. Our review disclosed that \$266,983 is allowable. The State will offset \$21,859 from other mandated program payments due to the county. Alternatively, the county may remit this amount to the State.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

Attachments

RE: S10-MCC-910

cc: Ram Venkatesan, SB-90 Coordinator
Controller-Treasurer Department
Santa Clara County
Jeff Carosone, Principal Program Budget Analyst
Cor-Gen Unit, Department of Finance
Ginny Brummels, Manager
Division of Accounting and Reporting
State Controller's Office

**Attachment 1—
Summary of Program Costs
July 1, 2003, through June 30, 2004
And July 1, 2005, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries	\$ 192,514	\$ 177,113	\$ (15,401)
Benefits	62,455	57,459	(4,996)
Services and supplies	22,607	22,607	—
Total direct costs	277,576	257,179	(20,397)
Indirect costs	155,359	142,930	(12,429)
Total direct and indirect costs	432,935	400,109	(32,826)
Less offsetting savings/reimbursements	(2,750)	(2,750)	—
Total program costs	<u>\$ 430,185</u>	397,359	<u>\$ (32,826)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 397,359</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries	\$ 122,313	\$ 112,601	\$ (9,712)
Benefits	41,645	38,338	(3,307)
Services and supplies	31,889	31,889	—
Total direct costs	195,847	182,828	(13,019)
Indirect costs	120,755	111,167	(9,588)
Total direct and indirect costs	316,602	293,995	(22,607)
Less offsetting savings/reimbursements	(1,250)	(1,250)	—
Total program costs	<u>\$ 315,352</u>	292,745	<u>\$ (22,607)</u>
Less amount paid by the State		(315,352)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (22,607)</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries	\$ 118,412	\$ 108,773	\$ (9,639)
Benefits	40,584	37,280	(3,304)
Services and supplies	22,814	22,814	—
Total direct costs	181,810	168,867	(12,943)
Indirect costs	109,532	100,616	(8,916)
Total direct and indirect costs	291,342	269,483	(21,859)
Less offsetting savings/reimbursements	(2,500)	(2,500)	—
Total program costs	<u>\$ 288,842</u>	266,983	<u>\$ (21,859)</u>
Less amount paid by the State		(288,842)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (21,859)</u>	

Attachment 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>Summary: July 1, 2003, through June 30, 2004, and July 1, 2005, through June 30, 2007</u>			
Direct costs:			
Salaries	\$ 433,239	\$ 398,487	\$ (34,752)
Benefits	144,684	133,077	(11,607)
Services and supplies	77,310	77,310	—
Total direct costs	655,233	608,874	(46,359)
Indirect costs	385,646	354,713	(30,933)
Total direct and indirect costs	1,040,879	963,587	(77,292)
Less offsetting savings/reimbursements	(6,500)	(6,500)	—
Total program costs	<u>\$ 1,034,379</u>	957,087	<u>\$ (77,292)</u>
Less amount paid by the State		(604,194)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 352,893</u>	

¹ See Attachment 2, Finding and Recommendation.

**Attachment 2—
Finding and Recommendation
July 1, 2003, through June 30, 2004,
and July 1, 2005, through June 30, 2007**

**FINDING—
Overstated productive
hourly rates**

The county claimed unallowable costs totaling \$77,292. The costs are unallowable because the county overstated employees' productive hourly rates. The county included unallowable deductions for training time and break time in its calculation of countywide average annual productive hours.

Unallowable Training Hour Deduction

The county deducted training hours from regular hours worked to calculate countywide average annual productive hours. The deduction is unallowable because the county did not provide documentation substantiating the training hours that it deducted. In addition, the deducted training hours include training that benefits specific programs or employee classifications.

The county's payroll system includes a training code to track employees' training hours. The county stated that employees charged time to the training code when they attended non-program-related training. It stated that employees charge time to this code for the following training:

1. Training required by employees' bargaining unit agreements, training for licensure/certification requirements, and continuing education for specific job classifications such as attorneys, probation officers, real estate property appraisers, physicians, and nurses
2. California Commission on Peace Officer Standards and Training (POST) training for law enforcement personnel
3. County-required training such as new employee orientation, supervisory training, safety seminars, and software classes

The county did not provide documentation substantiating the training hours that it deducted. Items 1 and 2 above identify training hours that pertain to specific programs or employee classifications. As such, it is inappropriate to deduct these hours when calculating countywide average annual productive hours.

While it might be appropriate to deduct some training hours identified in item 3 above, the county did not:

- Separately identify and provide supporting documentation for these training hours.
- Provide documentation showing that it required the training for all county employees.
- Provide documentation showing that employees did not otherwise charge the training time to specific programs.

Unallowable Break Time Deduction

The county also deducted employee break time from regular hours worked to calculate countywide average annual productive hours. The deduction is unallowable because the county deducted “authorized” break time rather than actual break time taken. The county’s accounting system did not consistently limit daily hours reported to 7.5 hours worked or otherwise reflect actual break time taken. In addition, actual mandated program employee timesheets show that employees did *not* exclude “authorized” break time when reporting hours worked. Furthermore, when calculating the break time deduction for average annual productive hours, the county did not address employees who work alternate work schedules. Duplicate reimbursed hours result when employees charge their full workday to program activities, yet the county identifies 0.5 hours daily as nonproductive time in its calculation of countywide average annual productive hours.

The following table summarizes claimed and allowable productive hours for each fiscal year:

	Fiscal Year		
	2003-04	2005-06	2006-07
Claimed productive hours (A)	1,560.65	1,544.00	1,537.00
Break time	111.35	110.19	110.58
Training time	24.35	23.03	25.66
Allowable productive hours (B)	<u>1,696.35</u>	<u>1,677.22</u>	<u>1,673.24</u>
Review adjustment to productive hours ([(A) – (B)] ÷ (B))	<u>(8.00)%</u>	<u>(7.94)%</u>	<u>(8.14)%</u>

Attachment 3 provides detailed calculations of the review adjustment, which the table below summarizes:

Cost Element	Fiscal Year			Total
	2003-04	2005-06	2006-07	
Salaries	\$ (15,401)	\$ (9,712)	\$ (9,639)	\$ (34,752)
Benefits	(4,996)	(3,307)	(3,304)	(11,607)
Total direct costs	(20,397)	(13,019)	(12,943)	(46,359)
Indirect costs	(12,429)	(9,588)	(8,916)	(30,933)
Audit adjustment	<u>\$ (32,826)</u>	<u>\$ (22,607)</u>	<u>\$ (21,859)</u>	<u>\$ (77,292)</u>

The program’s parameters and guidelines state, “All costs claimed must be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.”

Recommendation

We recommend that the county:

- Modify its payroll system to accumulate only those training hours applicable to county-required training attended by all county employees.
- Deduct only actual break time taken by all county employees. If the county does not wish to track actual break time taken, it is permissible to absorb break time into the activity that the employee performs immediately before or after the break.
- Maintain documentation that supports both training time and break time that it deducts from regular hours worked to calculate countywide average annual productive hours.

Attachment 3— Calculation of Review Adjustment

Fiscal Year	(1) (2) (3) Actual Costs Claimed			(4) Indirect Costs	(5) Adjustment to Productive Hours	(6) (7) (8) Review Adjustment			(9) Total
	Salaries	Benefits	Indirect Cost Rate			Salaries (Cols. (1) × (5))	Benefits (Cols. (2) × (5))	Indirect Costs (Cols. (4) × (5))	
2003-04	\$ 192,514	\$ 62,455	80.70% ¹	\$ 155,359	(8.00)%	\$ (15,401)	\$ (4,996)	\$ (12,429)	\$ (32,826)
2005-06	122,313	41,645	73.65% ²	120,755	(7.94)%	(9,712)	(3,307)	(9,588)	(22,607)
2006-07	118,412	40,584	68.89% ²	109,532	(8.14)%	(9,639)	(3,304)	(8,916)	(21,859)
Review adjustment						<u>\$ (34,752)</u>	<u>\$ (11,607)</u>	<u>\$ (30,933)</u>	<u>\$ (77,292)</u>

¹ Indirect cost rate applied to salaries.

² Indirect cost rate applied to salaries and benefits.