

SANTA CRUZ COUNTY

Audit Report

DOMESTIC VIOLENCE TREATMENT SERVICES— AUTHORIZATION AND CASE MANAGEMENT PROGRAM

Chapter 183, Statutes of 1992; Chapter 184,
Statutes of 1992; Chapter 28, Statutes of 1994; and
Chapter 641, Statutes of 1995

July 1, 1999, through June 30, 2003



STEVE WESTLY
California State Controller

December 2005



STEVE WESTLY
California State Controller

December 23, 2005

The Honorable Gary A. Knutson
Auditor-Controller
Santa Cruz County
701 Ocean Avenue, Suite 100
Santa Cruz, CA 95060-4073

Dear Mr. Knutson:

The State Controller's Office audited the costs claimed by Santa Cruz County for the legislatively mandated Domestic Violence Treatment Services—Authorization and Case Management Program (Chapter 183, Statutes of 1992; Chapter 184, Statutes of 1992; Chapter 28, Statutes of 1994; and Chapter 641, Statutes of 1995) for the period of July 1, 1999, through June 30, 2003.

The county claimed \$454,239 for the mandated program. Our audit disclosed that \$118,119 is allowable and \$336,120 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported costs. The State paid the county \$348,488. The amount paid exceeds allowable costs claimed by \$230,369.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). 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 COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

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

Sincerely,

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/jj:wq

cc: Mary Jo Walker
Chief Deputy Auditor-Controller
Santa Cruz County
Judith A. Cox
Chief Probation Officer
Santa Cruz County
James Tilton
Program Budget Manager
Corrections and General Government
Department of Finance
Richard Winner
Administrative Services Manager
Probation Department
Santa Cruz County

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Santa Cruz County for the legislatively mandated Domestic Violence Treatment Services—Authorization and Case Management Program (Chapter 183, Statutes of 1992; Chapter 184, Statutes of 1992; Chapter 28, Statutes of 1994; and Chapter 641, Statutes of 1995) for the period of July 1, 1999, through June 30, 2003. The last day of fieldwork was February 9, 2005.

The county claimed \$454,239 for the mandated program. Our audit disclosed that \$118,119 is allowable and \$336,120 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported costs. The State paid the county \$348,488. The amount paid exceeds allowable costs claimed by \$230,369.

Background

Penal Code Sections 273.5, 1000.93-95, and 1203.097 (repealed, added, and amended by Chapters 183 and 184, Statutes of 1992; Chapter 28, Statutes of 1994; and Chapter 641, Statutes of 1995) provide that if an accused is convicted of a domestic violence crime and granted probation as part of sentencing, the defendant is required to successfully complete a batterer's treatment program as a condition of probation.

The Commission on State Mandates (COSM) determined that probation is a penalty for conviction of a crime. The successful completion of probation is required before the unconditional release of the defendant. If the defendant fails to successfully complete a batterer's treatment program, the legislation subjects the defendant to further sentencing and incarceration.

Since the Legislature changed the penalty for domestic violence crimes by changing the requirements for probation, COSM determined that the "crimes and infractions" disclaimer in *Government Code* Section 17556, subdivision (g), applies. COSM concluded that subdivision (g) applies to those activities required by the legislation that are directly related to the enforcement of the statute, which changed the penalty for a crime.

On April 23, 1998, COSM determined that Chapters 183 and 184, Statutes of 1992; Chapter 28, Statutes of 1994; and Chapter 641, Statutes of 1995; imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on November 30, 1998. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Domestic Violence Treatment Services—Authorization and Case Management Program for the period of July 1, 1999, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Santa Cruz County claimed \$454,239 for costs of the Domestic Violence Treatment Services—Authorization and Case Management Program. Our audit disclosed that \$118,119 is allowable and \$336,120 is unallowable.

For fiscal year (FY) 1999-2000, the State paid the county \$139,325. Our audit disclosed that \$30,299 is allowable. The county should return \$109,026 to the State.

For FY 2000-01, the State paid the county \$152,693. Our audit disclosed that \$32,039 is allowable. The county should return \$120,654 to the State.

For FY 2001-02, the State paid the county \$56,414. Our audit disclosed that \$28,483 is allowable. The county should return \$27,931 to the State.

For FY 2002-03, the State paid the county \$56. Our audit disclosed that \$27,298 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$27,242, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on July 13, 2005. Gary A. Knutson, Auditor-Controller, responded by letter dated September 8, 2005 (Attachment), agreeing with the audit results, except for Finding 1. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Santa Cruz County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Salaries and benefits	\$ 128,550	\$ 21,101	\$(107,449)	Finding 1
Indirect costs	10,775	9,198	(1,577)	Findings 1, 2
Total direct and indirect costs	<u>\$ 139,325</u>	30,299	<u>\$(109,026)</u>	
Less amount paid by the State		<u>(139,325)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(109,026)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 140,884	\$ 22,569	\$(118,315)	Finding 1
Indirect costs	11,809	9,470	(2,339)	Findings 1, 2
Total direct and indirect costs	<u>\$ 152,693</u>	32,039	<u>\$(120,654)</u>	
Less amount paid by the State		<u>(152,693)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(120,654)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits	\$ 124,869	\$ 20,053	\$(104,816)	Finding 1
Indirect costs	10,054	8,430	(1,624)	Findings 1, 2
Total direct and indirect costs	<u>\$ 134,923</u>	28,483	<u>\$(106,440)</u>	
Less amount paid by the State		<u>(56,414)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (27,931)</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits	\$ 20,162	\$ 19,668	\$ (494)	Finding 1
Indirect costs	7,136	8,569	1,433	Findings 1, 2
Total direct and indirect costs	27,298	28,237	939	
Adjustment to reduce the allowable costs to claimed costs	—	(939)	(939)	
Subtotal	<u>\$ 27,298</u>	27,298	<u>\$ —</u>	
Less amount paid by the State		<u>(56)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 27,242</u>		
<u>Summary: July 1, 1999, through June 30, 2003</u>				
Salaries and benefits	\$ 414,465	\$ 83,391	\$(331,074)	
Indirect costs	39,774	35,667	(4,107)	
Total direct and indirect costs	454,239	119,058	(335,181)	
Adjustment to reduce the allowable costs to claimed costs	—	(939)	(939)	
Subtotal	<u>\$ 454,239</u>	118,119	<u>\$(336,120)</u>	
Less amount paid by the State		<u>(348,488)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$(230,369)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unsupported salaries, benefits, and related indirect costs

The county overstated salaries and benefits by \$331,074 during the audit period. The related indirect costs, based on the claimed indirect cost rate for each fiscal year, totaled \$27,538.

The county claimed salaries and benefits for the following components.

- Component 1—Administration and regulation: The development of an approval and annual renewal process for a batterer’s program and processing of initial and annual renewal approvals for vendors.
- Component 2—Victim notification: The probation department’s attempt to notify victims regarding available resources.
- Component 3—Murder assessment: Assessing the future probability of a defendant committing murder.

The county did not support \$59,165 in claimed salaries and benefits for Component 1 during the audit period. These claims were based on estimates of probation officers’ time spent administering the county’s batterer programs; the county failed to maintain actual time records. The county did maintain actual time logs for FY 2003-04, the fiscal year following the audit period. We verified that the time logs were for allowable mandated costs. We determined the cost per vendor and applied the results to the audit period, resulting in \$7,855 of allowable costs.

The claimed, allowable, and unallowable costs for Component 1 are as follows.

	Fiscal Year				Total
	1999-2000	2000-01	2001-02	2002-03	
Administration and regulation:					
Allowable costs	\$ 1,779	\$ 1,923	\$ 2,086	\$ 2,067	\$ 7,855
Less claimed costs	(14,373)	(18,641)	(23,590)	(2,561)	(59,165)
Audit adjustment	<u>\$ (12,594)</u>	<u>\$ (16,718)</u>	<u>\$ (21,504)</u>	<u>\$ (494)</u>	<u>\$ (51,310)</u>

For Components 2 and 3, the county’s claim was based on estimated time spent by probation officers for victim notification and murder assessment. The county did not maintain source documentation to substantiate time spent for these activities. Because the activities under these components are task-specific and repetitive in nature, the county conducted a time study for the period June 5 through July 2, 2004, to establish reasonable amounts of time spent performing reimbursable activities. The four-week time study results revealed that the county spent an average of 19.2 minutes for activities related to victim notification and 36 minutes for activities related to murder assessment. Based on the time study results, the county recomputed salary and benefit costs by multiplying the average time spent for each component by employee productive hourly rates and benefit rates.

The claimed, allowable, and adjusted costs for Components 2 and 3 are as follows.

	Fiscal Year				Total
	1999-2000	2000-01	2001-02	2002-03	
Victim notification:					
Allowable costs	\$ 6,721	\$ 7,181	\$ 6,249	\$ 6,122	\$ 26,273
Less claimed costs	<u>(106,566)</u>	<u>(113,633)</u>	<u>(68,984)</u>	<u>(6,122)</u>	<u>(295,305)</u>
Audit adjustment	<u>\$ (99,845)</u>	<u>\$ (106,452)</u>	<u>\$ (62,735)</u>	<u>\$ —</u>	<u>\$ (269,032)</u>
Murder assessment:					
Allowable costs	\$ 12,601	\$ 13,465	\$ 11,718	\$ 11,479	\$ 49,263
Less claimed costs	<u>(7,611)</u>	<u>(8,610)</u>	<u>(32,295)</u>	<u>(11,479)</u>	<u>(59,995)</u>
Audit adjustment	<u>\$ 4,990</u>	<u>\$ 4,855</u>	<u>\$ (20,577)</u>	<u>\$ —</u>	<u>\$ (10,732)</u>

Total unallowable costs are summarized as follows.

	Fiscal Year				Total
	1999-2000	2000-01	2001-02	2002-03	
Component 1	\$ (12,594)	\$ (16,718)	\$ (21,504)	\$ (494)	\$ (51,310)
Component 2	(99,845)	(106,452)	(62,735)	—	(269,032)
Component 3	<u>4,990</u>	<u>4,855</u>	<u>(20,577)</u>	<u>—</u>	<u>(10,732)</u>
Subtotal	(107,449)	(118,315)	(104,816)	(494)	(331,074)
Related indirect costs	<u>(9,007)</u>	<u>(9,917)</u>	<u>(8,439)</u>	<u>(175)</u>	<u>(27,538)</u>
Total audit adjustment	<u>\$(116,456)</u>	<u>\$(128,232)</u>	<u>\$(113,255)</u>	<u>\$ (669)</u>	<u>\$(358,612)</u>

Parameters and Guidelines states that all costs claimed should be traceable to source documents that show evidence of the validity of such costs and their relationship to the state-mandated program.

Recommendation

We recommend that the county establish and implement procedures to ensure that all hours claimed are traceable to source documents.

County's Response

The County only partially agrees with this finding and adjustments made to the claimed amounts. However, while it was helpful to utilize the time study to support claimed costs, the time study did not accurately reflect the County's actual DVTS costs for fiscal years' 1999-2000 and 2000-01.

Component 1

SCO's field audit staff would not approve time study of actual time spent on the "Administration and Regulation of Batterers' Treatment Programs" (Component 1) and then disallowed related salary & benefits costs of \$51,310 for all four audit years. While the department's Domestic Violence staff may not have coded time cards for actual time spent on this component, there was evidence that the mandated services of this component were provided during all four audit years. Specifically, significant time and effort was spent planning, developing, approving and administering Domestic Violence Treatment Programs in Santa Cruz County, especially during fiscal years'

1999-2000 and 2000-01. Given these facts, the County feels that the SCO should reverse the disallowed amounts for salary and benefit costs for this component during the first two fiscal years of the audit prior to issuing the final report.

Components 2 and 3

The County's costs supported by the approved time study for "Victim Notification" and "Murder Assessment" (Components 2 and 3) were developed in fiscal year 2003-2004. Notwithstanding, staff performing reimbursable activities were much more efficient and familiar with the requirements of the SB 90 mandate in fiscal year 2003-2004 than they were in the first two fiscal years of the audit period. Additionally, the DVTS Parameters and Guidelines, adopted by the Commission on State Mandates November 30, 1998, do not adequately describe methodologies to calculate or determine actual time spent and related salary & benefits costs for the three mandated components; e.g., time studies or user codes on employee time sheets. Furthermore, until early 2004 there was an absence of any State-approved training on SB 90 mandates; e.g., to inform and instruct Probation Departments on the most appropriate and acceptable methodologies to calculate direct and indirect costs and to prepare reimbursement claims.

Another factor the approved time study did not accurately reflect was the costs to plan and develop the infrastructure necessary to comply with the State's mandates under SB 90. For example during fiscal years' 1999-2000 and 2000-2001 Probation's Domestic Violence staff spent significant time and incurred related costs to develop and implement the DVTS mandated services. However, there was minimal recognition by SCO's field audit staff of these time and cost factors, only a verbal recognition that Probation's staff performed this work; and there was corroborating evidence that staff developed and implemented the infrastructure to provide mandated DVTS services to these vulnerable clients and their families during these audit years. Therefore, the County requests that the SCO also remove its findings for Component 2 and 3 activities for fiscal years' 1999-2000 and 2000-2001 claims.

Recommendation

The County's Probation staff has already implemented changes to its time tracking for these reimbursable components to ensure that costs claimed for the DVTS program are eligible costs as a result of the mandate and that those costs are supported by appropriate documentation.

SCO's Comment

The finding and recommendation remain unchanged. As noted in the finding, the county claimed estimated costs without documentation to validate the estimates.

- Component 1

The activities for Component 1 involve multiple variables and are not tasks of a repetitive nature. Consequently, a current time study for the purpose of projecting to the audit period would not be appropriate. Activities for this component consist of (1) meeting and conferring

with and soliciting input from criminal justice agencies and domestic violence victim advocacy programs; (2) staff training regarding the administration and regulation of batterers' treatment programs; (3) application reviews; (4) on-site evaluations; and (5) notification of application approval, denial, suspension, or revocation.

As stated in the finding, the county maintained time logs for actual costs incurred in FY 2003-04. The county stated that since the number of vendors that provided services in FY 2003-04 and the audit period remained unchanged, the time spent in FY 2003-04 would be representative of time spent in the audit period. We concurred with the county's contention and applied the time spent in FY 2003-04 to approximate actual costs incurred for the audit period.

The county filed the Domestic Violence Treatment Program's initial claim for FY 1998-99. Without documentation, we are unable to determine the increased level of costs the county incurred to plan, develop, approve, and administer the mandated program during the second and third year of the program's implementation (FY 1999-2000 and FY 2000-01).

- Components 2 and 3

The activities for Components 2 and 3 are tasks of a repetitive nature. Consequently, the county performed a current time study to approximate actual costs incurred for the audit period. We reviewed and accepted the time study results.

Parameters and Guidelines for this mandate was adopted on November 30, 1998. Section VI of this document states that all costs claimed be traceable to source documents (e.g., time records) that show evidence of the validity of such costs.

The county did not substantiate the existence of the infrastructure necessary to comply with the mandate. The county provided no records to substantiate the costs incurred for these activities. Furthermore, these activities appear to require variable levels of effort, making the use of a time study inappropriate.

As noted above, the county filed the Domestic Violence Treatment Program initial claim for FY 1997-98. Without documentation, we are unable to determine the increased level of costs the county incurred in developing and implementing the mandated program during the second and third year of the program's implementation (FY 1998-99 and FY 1999-2000).

**FINDING 2—
Understated indirect costs**

The county understated indirect costs by \$23,431 during the audit period.

For FY 1999-2000 through FY 2001-02, the county claimed indirect costs by applying the standard 10% indirect cost rate allowed by *Parameters and Guidelines* to its salary costs. For FY 2002-03, the county claimed indirect costs based on the rate developed by its indirect cost rate proposal (ICRP).

During the audit, the county recalculated its FY 1999-2000 through FY 2001-02 indirect costs using an ICRP based on salaries and benefits. The actual indirect costs incurred for FY 1999-2000 and FY 2001-02 were significantly higher than claimed costs using the standard 10% rate. For FY 2002-03, the county inappropriately applied the indirect cost rate to salaries rather than salaries and benefits.

We recalculated indirect costs based on the ICRP, compared the costs to claimed costs, and determined that indirect costs were understated by \$23,431.

The understated indirect costs are summarized as follows.

	Fiscal Year				Total
	1999-2000	2000-01	2001-02	2002-03	
Total allowable salaries costs	\$ 17,687	\$ 18,918	\$ 16,146	\$ —	
Understated indirect cost rate	× 33.59%	× 31.96%	× 32.04%	—	
Subtotal	5,941	6,046	5,173	—	\$ 17,160
Total allowable benefit costs	3,414	3,651	3,907	3,690	
Indirect cost rate	× 43.59%	× 41.96%	× 42.04%	× 43.57%	
Subtotal	1,489	1,532	1,642	1,608	6,271
Total audit adjustment	\$ 7,430	\$ 7,578	\$ 6,815	\$ 1,608	\$ 23,431

For FY 1999-2000, the revised indirect cost rate of 43.59% was applied to allowable direct salaries, rather than the default rate of 10%, a difference of 33.59%. For FY 2000-01, the revised indirect cost rate of 41.96% was applied to allowable direct salaries, rather than the default rate of 10.00%, a difference of 31.96%. For FY 2001-02, the revised indirect cost rate of 42.04% was applied to allowable direct salaries, rather than the default rate of 10.00%, a difference of 32.04%. In addition, the revised rate was applied to allowable employee benefits. This resulted in understated indirect costs totaling \$7,430 for FY 1999-2000, \$7,578 for FY 2000-01, and \$6,815 for FY 2001-02.

For FY 2002-03, the claimed indirect cost rate of 43.57% was not applied to allowable employee benefits. This resulted in understated indirect costs totaling \$1,608.

Parameters and Guidelines state that compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in Office of Management and Budget Circular A-87. Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) for the department if the indirect cost rate exceeds 10%.

Recommendation

We recommend that the county establish and implement procedures to ensure that indirect costs claimed are accurately calculated and supported.

County's Response

The County agrees with the adjustments made to claimed amounts based on Finding 2, which pertain to indirect costs. The County now has a process in place to ensure that indirect costs are calculated using the Indirect Cost Rate Proposal methodology, instead of simply using the default rate of 10% as per the claiming instructions.

The County of Santa Cruz will carefully consider the items discussed in your findings and has already incorporated the information and recommendations provided by your report into its ongoing claiming process. If these concerns are not addressed prior to your issuance of the final audit report, the County plans to pursue an informal appeal with your office and file an Incorrect Reduction Claim with the Commission on State Mandates.

SCO's Comment

The county agrees with the finding and recommendation.

**Attachment—
County’s Response to
Draft Audit Report**



County of Santa Cruz

COPY

AUDITOR - CONTROLLER'S OFFICE
GARY A. KNUTSON, AUDITOR - CONTROLLER

September 8, 2005

Mr. Vincent P. Brown
Chief Operating Officer
State Controller's Office
300 Capitol Mall, Suite 518
Sacramento, CA 95814

Dear Mr. Brown:

Thank you for providing the County of Santa Cruz with the opportunity to comment on the draft findings in your audit report on the Domestic Violence Treatment Services (DVTS) state mandated program. This letter provides you with a response to each of the draft audit findings outlined in the report received by the County with your letter dated July 13, 2005.

Finding 1 - Unsupported Salaries, Benefits and Related Indirect Costs

The County only partially agrees with this finding and adjustments made to the claimed amounts. However, while it was helpful to utilize the time study to support claimed costs, the time study did not accurately reflect the County's actual DVTS costs for fiscal years' 1999-2000 and 2000-2001.

Component 1

SCO's field audit staff would not approve time study of actual time spent on the "Administration and Regulation of Batterers' Treatment Programs" (Component 1) and then disallowed related salary & benefits costs of \$51,310 for all four audit years. While the department's Domestic Violence staff may not have coded time cards for actual time spent on this component, there was evidence that the mandated services of this component were provided during all four audit years. Specifically, significant time and effort was spent planning, developing, approving and administering Domestic Violence Treatment Programs in Santa Cruz County, especially during fiscal years' 1999-2000 and 2000-2001. Given these facts, the County feels that the SCO should reverse the disallowed amounts for salary and benefit costs for this component during the first two fiscal years of the audit prior to issuing the final report.

Components 2 and 3

The County's costs supported by the approved time study for "Victim Notification" and "Murder Assessment" (Components 2 and 3) were developed in fiscal year 2003-2004. Notwithstanding, staff performing reimbursable activities were much more efficient and familiar with the requirements of the SB 90 mandate in fiscal year 2003-2004 than they were in the first two fiscal years of the audit period. Additionally, the DVTS Parameters and Guidelines, adopted by the Commission on State Mandates November 30, 1998, do not adequately describe methodologies to calculate or determine actual time spent and related salary & benefits costs for the three mandated components; e.g., time studies or user codes on employee time sheets. Furthermore, until early 2004 there was an absence of any State-approved training on SB 90 mandates; e.g., to inform and instruct Probation Departments on the most appropriate and acceptable methodologies to calculate direct and indirect costs and to prepare reimbursement claims.

Another factor the approved time study did not accurately reflect was the costs to plan and develop the infrastructure necessary to comply with the State's mandates under SB 90. For example during fiscal years' 1999-2000 and 2000-2001 Probation's Domestic Violence staff spent significant time and incurred related costs to develop and implement the DVTS mandated services. However, there was minimal recognition by SCO's field audit staff of these time and cost factors, only a verbal recognition that Probation's staff performed this work; and there was corroborating evidence that staff developed and implemented the infrastructure to provide mandated DVTS services to these vulnerable clients and their families during these audit years. Therefore, the County requests that the SCO also remove its findings for Component 2 and 3 activities for fiscal years' 1999-2000 and 2000-2001 claims.

Recommendation

The County's Probation staff has already implemented changes to its time tracking for these reimbursable components to ensure that costs claimed for the DVTS program are eligible costs as a result of the mandate and that those costs are supported by appropriate documentation.

Finding 2 - Indirect Costs

The County agrees with the adjustments made to claimed amounts based on Finding 2, which pertain to indirect costs. The County now has a process in place to ensure that indirect costs are calculated using the Indirect Cost Rate Proposal methodology, instead of simply using the default rate of 10% as per the claiming instructions.

The County of Santa Cruz will carefully consider the items discussed in your findings and has already incorporated the information and recommendations provided by your report into its ongoing claiming process. If these concerns are not addressed prior to your issuance of the final audit report, the County plans to pursue an informal appeal with your office and file an Incorrect Reduction Claim with the Commission on State Mandates.

Again, thank you for this opportunity to submit written comments on the draft audit report. If you have any questions about this response, please do not hesitate to contact me at (831) 454-2500, or Chief Deputy Auditor-Controller Mary Jo Walker at (831) 454-2733.

Sincerely,



Gary A. Knutson
Auditor-Controller
County of Santa Cruz

Cc: Jeffrey Brownfield, SCO Division of Audits Chief
Jim Spano, SCO Compliance Audit Chief
Chris Prasad, SCO Audit Manager
Richard Winner, Probation Department
Judith Cox, Probation Department
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