

SACRAMENTO COUNTY

Audit Report

MENTALLY DISORDERED OFFENDERS' EXTENDED COMMITMENT PROCEEDINGS PROGRAM

Chapter 1418, Statutes of 1985; Chapter 858, Statutes of 1986;
Chapter 687, Statutes of 1987; Chapter 657, Statutes of 1988;
Chapter 658, Statutes of 1988; Chapter 228, Statutes of 1989;
Chapter 435, Statutes of 1991; and Chapter 324, Statutes of 2000

July 1, 2002, through June 30, 2007



JOHN CHIANG
California State Controller

October 2009



JOHN CHIANG
California State Controller

October 7, 2009

The Honorable Susan Peters
Chairman of the Board of Supervisors
County of Sacramento
700 H Street, Room 2450
Sacramento, CA 95814

Dear Ms. Peters:

The State Controller's Office audited the costs claimed by Sacramento County for the legislatively mandated Mentally Disordered Offenders' Extended Commitment Proceedings Program (Chapter 1418, Statutes of 1985; Chapter 858, Statutes of 1986; Chapter 687, Statutes of 1987; Chapter 657, Statutes of 1988; Chapter 658, Statutes of 1988; Chapter 228, Statutes of 1989; Chapter 435, Statutes of 1991; and Chapter 324, Statutes of 2000) for the period of July 1, 2002, through June 30, 2007.

The county claimed \$1,011,052 (\$1,011,866 less a \$814 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$974,528 is allowable and \$36,524 is unallowable. The costs are unallowable primarily because the county claimed unallowable costs, overstated allowable costs, and underclaimed allowable costs. The State paid the county \$596,874. Allowable costs claimed exceed the amount paid by \$377,654.

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/sk:vb

cc: Dave Irish, Director of Finance
County of Sacramento
Todd Jerue, Program Budget Manager
Corrections and General Government
Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Sacramento County for the legislatively mandated Mentally Disordered Offenders' Extended Commitment Proceedings Program (Chapter 1418, Statutes of 1985; Chapter 858, Statutes of 1986; Chapter 687, Statutes of 1987; Chapter 657, Statutes of 1988; Chapter 658, Statutes of 1988; Chapter 228, Statutes of 1989; Chapter 435, Statutes of 1991; Chapter 324, Statutes of 2000) for the period of July 1, 2002, through June 30, 2007.

The county claimed \$1,011,052 (\$1,011,866 less a \$814 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$974,528 is allowable and \$36,524 is unallowable. The costs are unallowable primarily because the county claimed unallowable costs, overstated allowable costs, and under-claimed allowable costs. The State paid the county \$596,874. Allowable costs claimed exceed the amount paid by \$377,654.

Background

Penal Code sections 2970, 2972, and 2972.1 (added and amended by Chapter 1418, Statutes of 1985; Chapter 858, Statutes of 1986; Chapter 687, Statutes of 1987; Chapter 657, Statutes of 1988; Chapter 658, Statutes of 1988; Chapter 228, Statutes of 1989; Chapter 435, Statutes of 1991; and Chapter 324, Statutes of 2000) establish civil commitment procedures for the continued involuntary treatment of persons with severe mental disorders for one year following their parole termination date. These commitment procedures generally require the following:

- A civil hearing on the petition for continued involuntary treatment;
- The right to a jury trial, with a unanimous verdict by the jury before the offender can be committed;
- The appointment of defense counsel for indigent offenders; and
- Subsequent petitions and hearings regarding the recommitment of the offender for another year of involuntary treatment.

On January 25, 2001, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on May 24, 2001. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Mentally Disordered Offenders' Extended Commitment Proceedings Program for the period of July 1, 2002, through June 30, 2007.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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, Sacramento County claimed \$1,011,052 (\$1,011,866 less a \$814 penalty for filing a late claim) for costs of the Mentally Disordered Offenders' Extended Commitment Proceedings Program. Our audit disclosed that \$974,528 is allowable and \$36,524 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$227,436 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$227,436, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$143,864 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$143,864, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$145,974. Our audit disclosed that \$145,004 is allowable. The State will offset \$970 from other mandated program payments due to the county. Alternatively, the county may remit this amount to the State.

For the FY 2006-07 claim, the State paid the county \$277,389. Our audit disclosed that \$284,713 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$7,324, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on July 27, 2009. Dave Irish, Director of Finance, responded by letter dated September 11, 2009 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Sacramento 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

October 7, 2009

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries	\$ 78,085	\$ 66,647	\$ (11,438)	Findings 1, 2
Benefits	25,122	19,506	(5,616)	Findings 1, 2
Services and supplies	104,478	116,041	11,563	Findings 1, 3
Travel and training	6,604	—	(6,604)	
Total direct costs	214,289	202,194	(12,095)	
Indirect costs	44,633	25,242	(19,391)	Findings 1, 2, 4
Total program costs	<u>\$ 258,922</u>	<u>227,436</u>	<u>\$ (31,486)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 227,436</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries	\$ 48,695	\$ 47,289	\$ (1,406)	Findings 1, 2
Benefits	15,649	14,746	(903)	Findings 1, 2
Services and supplies	67,001	67,001	—	
Travel and training	1,229	251	(978)	Finding 1
Total direct costs	132,574	129,287	(3,287)	
Indirect costs	15,358	14,577	(781)	Findings 1, 2
Total program costs	<u>\$ 147,932</u>	<u>143,864</u>	<u>\$ (4,068)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 143,864</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 49,524	\$ 49,524	\$ —	
Benefits	14,297	14,297	—	
Services and supplies	66,728	65,758	(970)	Findings 2, 3
Total direct costs	130,549	129,579	(970)	
Indirect costs	15,425	15,425	—	
Total program costs	<u>\$ 145,974</u>	<u>145,004</u>	<u>\$ (970)</u>	
Less amount paid by the State		(145,974)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (970)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 53,936	\$ 55,281	\$ 1,345	Finding 2
Benefits	18,062	19,028	966	Finding 2
Services and supplies	84,890	84,890	—	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006 (continued)</u>				
Total direct costs	156,888	159,199	2,311	
Indirect costs	16,623	17,349	726	Finding 2
Subtotal	173,511	176,548	3,037	
Less allowable costs that exceed costs claimed ²	—	(3,037)	(3,037)	
Total program costs	<u>\$ 173,511</u>	173,511	<u>\$ —</u>	
Less amount paid by the State		(173,511)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries	\$ 64,891	\$ 64,891	\$ —	
Benefits	26,104	26,104	—	
Services and supplies	171,282	171,282	—	
Total direct costs	262,277	262,277	—	
Indirect costs	23,250	23,250	—	
Subtotal	285,527	285,527	—	
Less allowable costs that exceed costs claimed ²	(814)	(814)	—	
Total program costs	<u>\$ 284,713</u>	284,713	<u>\$ —</u>	
Less amount paid by the State		(277,389)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 7,324</u>		
<u>Summary: July 1, 2002, through June 30, 2007</u>				
Direct costs:				
Salaries	\$ 295,131	\$ 283,632	\$ (11,499)	
Benefits	99,234	93,681	(5,553)	
Services and supplies	494,379	504,972	10,593	
Travel and training	7,833	251	(7,582)	
Total direct costs	896,577	882,536	(14,041)	
Indirect costs	115,289	95,843	(19,446)	
Subtotal	1,011,866	978,379	(33,487)	
Less allowable costs that exceed costs claimed ²	—	(3,037)	(3,037)	
Less late penalty for amended claim FY 2006-07	(814)	(814)	—	
Total program costs	<u>\$ 1,011,052</u>	974,528	<u>\$ (36,524)</u>	
Less amount paid by the State		(596,874)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 377,654</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions.

Findings and Recommendations

FINDING 1— Unallowable transportation costs— Sheriff's Department

The county claimed \$51,843 for the audit period for costs incurred by the Sheriff's Department to transport mentally disordered offenders. We determined that costs totaling \$48,148 were unallowable for reimbursement because they did not represent increased costs incurred by the county to comply with the mandated program. The unallowable costs included salaries and benefits totaling \$27,406, related indirect costs totaling \$12,311, services and supplies totaling \$849, and travel and training totaling \$7,582.

The county claimed costs for transporting mentally disordered offenders (MDO) between state correctional facilities and the county jail (long-haul trips) as well as between the county jail and the county courthouse (short-haul trips). In both cases, the Sheriff's Department incurred no increased costs because these prisoners were transported in the same vehicles and at the same time as other non-MDO prisoners. Therefore, the county did not incur additional labor or vehicle costs in order to comply with the mandate. The costs claimed included salaries, benefits, and travel costs for Court Security Deputies and Corporals as well as daily vehicle costs for short-haul and long-haul trips.

In addition, the county claimed 4.29 hours for a Records Officer II in FY 2003-04 for duplicated clerical costs related to transportation.

The following table summarizes the audit adjustment by fiscal year:

	Fiscal Year		Total
	2002-03	2003-04	
Salaries	\$ (15,845)	\$ (2,295)	\$ (18,140)
Benefits	(7,780)	(1,486)	(9,266)
Services and supplies	(849)	—	(849)
Travel and training	(6,604)	(978)	(7,582)
Subtotal	(31,078)	(4,759)	(35,837)
Indirect costs	(11,033)	(1,278)	(12,311)
Audit adjustment	<u>\$ (42,111)</u>	<u>\$ (6,037)</u>	<u>\$ (48,148)</u>

The program's parameters and guidelines for Mentally Disordered Offenders' Extended Commitment Proceedings define the criteria for civil commitment procedures for the continued involuntary treatment of prisoners with severe mental disorders.

The parameters and guidelines (section II, Eligible Claimants) state that any county or city which incurs increased costs as a result of this reimbursable state mandated program is eligible to claim reimbursement of those costs.

Recommendation

We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

County's Response

The county agreed with the finding.

**FINDING 2—
Understated custody
costs-Sheriff's
Department**

The county understated custody costs incurred by the Sheriff's Department by \$21,176. The understatement consists of salaries, benefits, and related costs totaling \$14,646 and services and supplies totaling \$6,530.

The county claimed \$1,352 in salaries and benefits for the audit period for costs incurred by the Sheriff's Department for the escort of prisoners for court proceedings. The related indirect costs totaled \$365. We determined that the county understated costs by \$14,646 salary and benefit costs and related indirect costs.

The county mistakenly omitted time spent by Court Security Deputies and Corporals to escort prisoners for court proceedings in all fiscal years of the audit period except FY 2004-05. We reviewed the documentation provided by the county supporting their analysis of 2.10 average hours to escort the prisoners for court proceedings. As a result, we added 197.4 allowable hours to the county's claims, as shown in the table below:

	Fiscal Year			Total
	2002-03	2003-04	2005-06	
Court appearances	63.0	13.0	18.0	94.0
Average hours	× 2.1	× 2.1	× 2.1	× 2.1
Audit adjustment	<u>132.3</u>	<u>27.3</u>	<u>37.8</u>	<u>197.4</u>

In addition, the county claimed \$249,549 in services and supplies costs for the audit period for housing prisoners in the county jail during court appearances. We determined that the Sheriff's Department understated custody costs by \$6,530 for FY 2004-05. The department inadvertently understated the number of housing days by 90 days. We calculated the additional amount for reimbursable housing costs by multiplying the number of housing days by the department's daily jail rate of \$72.55.

The following table summarizes the audit adjustments by cost category for each fiscal year.

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Salaries	\$ 4,407	\$ 889	\$ —	\$ 1,345	\$ 6,641
Benefits	2,164	583	—	966	3,713
Services and supplies	—	—	6,530	—	6,530
Subtotal	<u>6,571</u>	<u>1,472</u>	<u>6,530</u>	<u>2,311</u>	<u>16,884</u>
Indirect costs	<u>3,069</u>	<u>497</u>	<u>—</u>	<u>726</u>	<u>4,292</u>
Total	<u>\$ 9,640</u>	<u>\$ 1,969</u>	<u>\$ 6,530</u>	<u>\$ 3,037</u>	<u>\$ 21,176</u>

The parameters and guidelines (section IV.B.6., Reimbursable Activities) allow costs to provide transportation and custody of each potential mentally disordered offender before, during, and after the civil proceedings by the County's Sheriff's Department.

The parameters and guidelines (section V.A.1., Claim Preparation and Submission—Salaries and Benefits) require the claimant to identify the employee(s), and/or show the classification of the employee(s) involved. Describe the reimbursable activities performed and specify the actual time devoted to each reimbursable activity by each employee.

The parameters and guidelines (section V.A.3., Claim Preparation and Submission–Contract Services) require the claimant to describe the reimbursable activity(ies) performed by each named contractor and give the number of actual hours spent on the activities, if applicable, and to show the inclusive dates when services were performed and itemize all costs for those services.

Recommendation

We recommend that the county establish and implement procedures to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county agreed with the finding.

**FINDING 3—
Misstated services
and supplies-District
Attorney's Office**

The county claimed \$47,807 for the audit period for departmental services and supplies costs incurred by the District Attorney's Office that are directly related to the mandate. We determined that the county understated services and supplies costs by \$4,912 for the audit period (understated by \$12,412 for FY 2002-03 and overstated by \$7,500 for FY 2004-05). The misstatements occurred because errors were made during the claim preparation process.

The department developed a methodology for FY 2003-04 to allocate a percentage of services and supplies costs incurred by the State Target Offenders Unit (Fund Center [FC] 580512) as direct costs applicable to the mandated program. For each fiscal year except FY 2002-03, the department calculated a ratio of salaries and benefits claimed by Fund Center 580512 as direct costs for the mandate to total salaries and benefits incurred by the Fund Center as a whole. The applicable percentage was then applied to the services and supplies costs incurred by the Fund Center as a whole to determine the costs applicable to the mandated program. This methodology was developed as the result of a previous SCO audit of another mandated program.

Since the methodology described above was developed for FY 2003-04, the department did not claim any costs for services and supplies for FY 2002-03. The county subsequently provided additional documentation during the course of the audit supporting services and supplies costs totaling \$12,412 for FY 2002-03. The following table illustrates FY 2002-03 audit adjustment:

	FY 2002-03		
	Claimed	Allowable	Adjustment
Total FC 5805812 non-salary and benefits costs	\$ —	\$ 581,337	\$ 581,337
Less: travel and training in FC 5805812	—	(64,127)	(64,127)
Non-travel/training FC 5805812 costs	—	517,210	517,210
Percent of salaries and benefits related to MDO	—	× 2.3557%	× 2.3557%
Non-travel and training FC 5805812 costs reported as direct MDO services and supplies	—	12,184	12,184
FC 5805812 indirect travel/training	—	228	228
Total costs	\$ —	\$ 12,412	\$ 12,412

For FY 2004-05, the department claimed \$18,627 for services and supplies. We determined that \$7,500 was unallowable because the department mistakenly added reimbursements of \$331,082 to expenditures in their calculations to arrive at total costs for Fund Center 5805812. The following table illustrates FY 2004-05 audit adjustment:

	FY 2004-05		
	Claimed	Allowable	Adjustment
Total FC 5805812 non-salary and benefits costs	\$ 838,077	\$ 506,995	\$ (331,082)
Less: travel and training in FC 5805812	(19,590)	(19,590)	—
Non-travel/training FC 5805812 costs	818,487	487,405	(331,082)
Percent of salaries and benefits related to MDO	× 2.2654%	× 2.2654%	× 2.2654%
Non-travel and training FC 5805812 costs reported as direct MDO services and supplies	18,542	11,042	(7,500)
FC 5805812 indirect travel/training	85	85	—
Total costs	\$ 18,627	\$ 11,127	\$ (7,500)

The parameters and guidelines (section VI, Supporting Data), require that all costs be traceable to source documents showing 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 claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county agreed with the finding.

**FINDING 4—
Overstated indirect costs-District Attorney's Office**

The county claimed \$32,615 for indirect costs incurred by the District Attorney's Office for FY 2002-03. We determined that indirect costs were overstated by \$11,427. The county's methodology to calculate indirect costs for FY 2002-03 was inconsistent with the revised methodology that was implemented for FY 2003-04 and used for all subsequent years of the audit period.

While the department claimed an indirect cost rate of 42.10% for FY 2002-03, we used the revised methodology to calculate an allowable indirect cost rate of 27.35%.

The following table illustrates FY 2002-03 audit adjustment.

Allowable indirect cost rate	FY 2002-03 27.35%
Less claimed rate	(42.10)%
Misstated indirect cost rate	(14.75)%
Allowable salaries and benefits	× \$77,472
Audit adjustment	\$ 11,427

We also noted that the Sheriff's Department indirect cost rate for FY 2002-03 was inconsistent with the county's new methodology. However, we did not revise the claimed rate because the difference was immaterial.

The parameters and guidelines (section V.B., Indirect Costs) state that "indirect costs are those that have been incurred for common or joint purpose. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the result achieved." Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the OMB A-87, Cost Principles for State, Local, and Indian Tribal Governments (now codified as Title 2, Code of Federal Regulations, Part 225).

Recommendation

We recommend that the county prepare its Indirect Cost Rate Proposals in a manner that is consistent with the methodology outlined in the parameters and guidelines and in OMB Circular A-87 (now codified as 2 CFR 225).

County's Response

The county agreed with the finding.

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

Internal Services Agency

Department of Finance

Auditor-Controller Division

Julie Valverde,
Assistant Auditor-Controller



County of Sacramento

Terry Schutten, County Executive
Mark Norris, Agency Administrator
Dave Irish, CPA, Department Director

September 11, 2009

Jim L. Spano, Chief
Mandated Cost Audits Bureau
Division of Audits
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Mentally Disordered Offenders' Extended Commitment Proceedings Program
July 1, 2002 through June 30, 2007

This letter is in response to your correspondence dated July 27, 2009, requesting the County's response to the audit findings and recommendations for the audit of the Mentally Disordered Offender's Extended Commitment Proceedings Program. Attached is the response to the findings and recommendations related to the District Attorney's Office. The Sheriff has not prepared a formal response but has indicated to my office via e-mail that they accept the findings and recommendations.

In addition, I am also enclosing the Management Representation Letter as requested by your staff. Should you have any questions, please do not hesitate to contact Julie Valverde, Assistant Auditor-Controller at 874-7248.

Sincerely,

A handwritten signature in blue ink that reads "Dave Irish".

Dave Irish
Director of Finance

cc: Julie Valverde
Kathy Lee, District Attorney
Nancy Gust, Sheriff

attachments

MDO Audit - July 2009
Sacramento County Management Response

Finding 3 - Misstated services and supplies - District Attorney's Office

Management's Response:

We agree to the audit adjustment in finding 3.

The District Attorney developed the methodology for services and supply claimed in FY 2003/2004 as a result of a previous SCO audit of another state mandated program and we will continue to use that methodology in all future claims on state mandated programs. We agree it wasn't used in FY 2002/2003. Additionally, the District Attorney will work with the accountants in the Sacramento County Auditor-Controller's Office to ensure that claimed costs include only eligible costs, are based on actual cost, and are properly supported.

Finding 4 - Overstated indirect costs - District Attorney's Office

Management's Response:

We agree to the audit adjustment in Finding 4.

The District Attorney agrees that the methodology revised in FY 2003/2004 is correct and should be applied to calculate indirect costs for FY 2002/2003. The District Attorney will prepare all future Indirect Cost Rate Proposals in a manner that is consistent with the methodology outlined in the parameters and guidelines in the OMB Circular A-87.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>