

CITY AND COUNTY OF SAN FRANCISCO

Audit Report

NOT GUILTY BY REASON OF INSANITY PROGRAM

Chapter 1114, Statutes of 1979,
and Chapter 650, Statutes of 1982

*July 1, 2001, through June 30, 2008
(excluding July 1, 2004, through June 30, 2005)*



JOHN CHIANG
California State Controller

March 2010



JOHN CHIANG
California State Controller

March 26, 2010

The Honorable Gavin Newsom
Mayor of the City and County of San Francisco
City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

The Honorable David Chiu
President of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Rm. 224
San Francisco, CA 94102

Dear Mayor Newsom and Mr. Chiu:

The State Controller's Office audited the costs claimed by the City and County of San Francisco for the legislatively mandated Not Guilty by Reason of Insanity Program (Chapter 1114, Statutes of 1979, and Chapter 650 Statutes of 1982) for the period of July 1, 2001, through June 30, 2008 (excluding July 1, 2004, through June 30, 2005).

The city and county claimed \$1,296,853 for the mandated program. Our audit disclosed that \$1,286,995 is allowable and \$9,858 is unallowable. The costs are unallowable primarily because the city and county misstated salaries and benefits, services and supplies, and contract services. The State paid the city and county \$605,097. The State will pay allowable costs claimed that exceed the amount paid, totaling \$681,898, contingent upon available appropriations.

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

cc: Benjamin Rosenfield, Controller
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City and County of San Francisco for the legislatively mandated Not Guilty by Reason of Insanity Program (Chapter 1114, Statutes of 1979, and Chapter 650, Statutes of 1982) for the period of July 1, 2001, through June 30, 2008 (excluding July 1, 2004, through June 30, 2005).

The city and county claimed \$1,296,853 for the mandated program. Our audit disclosed that \$1,286,995 is allowable and \$9,858 is unallowable. The costs are unallowable primarily because the city and county misstated salaries and benefits, services and supplies, and contract services. The State paid the city and county \$605,097. The State will pay allowable costs claimed that exceed the amount paid, totaling \$681,898, contingent upon available appropriations.

Background

Penal Code sections 1026 and 1026.5 (added and amended by Chapter 1114, Statutes of 1979) require the district attorney to bring petitions, in a court of competent jurisdiction on behalf of the State of California, to effect extensions of commitments in state hospitals for individuals who have been found not guilty by reason of insanity (NGI) and committed to state institutions. It also requires the district attorney to review all NGI cases, prior to the expiration of the defendant's maximum term of commitment, for a determination as to whether or not the petition for extended commitment should be filed.

On July 16, 1980 the Board of Control (now the Commission on State Mandates [CSM]) determined that Chapter 1114, Statutes of 1979, and Chapter 650, Statutes of 1982, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on March 17, 1983, and last amended them on July 27, 2000. 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 Not Guilty by Reason of Insanity Program for the period of July 1, 2001, through June 30, 2008 (excluding July 1, 2004, through June 30, 2005).

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 city and 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 city and 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, the city and county claimed \$1,296,853 for costs of the Not Guilty by Reason of Insanity Program. Our audit disclosed that \$1,286,995 is allowable and \$9,858 is unallowable.

For the fiscal year (FY) 2001-02 claim, the State made no payment to the city and county. Our audit disclosed that \$63,174 is allowable. The State will pay allowable costs claimed, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the city and county. Our audit disclosed that \$95,861 is allowable. The State will pay allowable costs claimed, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the city and county. Our audit disclosed that \$130,854 is allowable. The State will pay allowable costs claimed, contingent upon available appropriations.

For FY 2005-06 claim, the State paid the city and county \$377,149. Our audit disclosed that \$377,149 is allowable.

For FY 2006-07 claim, the State paid the city and county \$227,948. Our audit disclosed that \$227,948 is allowable.

For FY 2007-08 claim, the State made no payment to the city and county. Our audit disclosed that \$392,009 is allowable. The State will pay allowable cost claimed, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on February 5, 2010. Benjamin Rosenfield, Controller, responded by letter dated February 25, 2010 (Attachment), agreeing with the audit results. This final audit report includes the city and county's response.

Restricted Use

This report is solely for the information and use of the City and County of San Francisco, 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

March 26, 2010

**Schedule 1—
Summary of Program Costs
July 1, 2001, through June 30, 2008
(excluding July 1, 2004, through June 30, 2005)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits	\$ 11,263	\$ 15,372	\$ 4,109	Finding 1
Services and supplies	49,938	47,468	(2,470)	Finding 2
Total direct costs	61,201	62,840	1,639	
Indirect costs	1,749	2,763	1,014	Finding 1
Total direct and indirect costs	62,950	65,603	2,653	
Less calculation/rounding adjustments	224	—	(224)	
Subtotal	63,174	65,603	2,429	
Less allowable costs that exceed costs claimed ²	—	(2,429)	(2,429)	
Total program costs	<u>\$ 63,174</u>	63,174	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 63,174</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 11,432	\$ 17,390	\$ 5,958	Finding 1
Services and supplies	82,670	82,670	—	
Total direct costs	94,102	100,060	5,958	
Indirect costs	1,759	3,340	1,581	Finding 1
Total direct and indirect costs	95,861	103,400	7,539	
Less allowable costs that exceed costs claimed ²	—	(7,539)	(7,539)	
Total program costs	<u>\$ 95,861</u>	95,861	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 95,861</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 18,081	\$ 18,173	\$ 92	Finding 1
Services and supplies	118,113	107,885	(10,228)	Finding 2
Total direct costs	136,194	126,058	(10,136)	
Indirect costs	4,518	4,796	278	Finding 1
Total program costs	<u>\$ 140,712</u>	130,854	<u>\$ (9,858)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 130,854</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 14,722	\$ 12,127	\$ (2,595)	Finding 1
Services and supplies	358,138	409,122	50,984	Finding 2
Travel and training	1,715	1,715	—	
Total direct costs	374,575	422,964	48,389	
Indirect costs	2,574	2,071	(503)	Finding 1
Total direct and indirect costs	377,149	425,035	47,886	
Less allowable costs that exceed costs claimed ²	—	(47,886)	(47,886)	
Total program costs	<u>\$ 377,149</u>	<u>377,149</u>	<u>\$ —</u>	
Less amount paid by the State		(377,149)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 45,323	\$ 46,983	\$ 1,660	Finding 1
Services and supplies	176,954	185,454	8,500	Finding 2
Travel and training	1,046	1,046	—	
Total direct costs	223,323	233,483	10,160	
Indirect costs	4,625	4,476	(149)	Finding 1
Total direct and indirect costs	227,948	237,959	10,011	
Less allowable costs that exceed costs claimed ²	—	(10,011)	(10,011)	
Total program costs	<u>\$ 227,948</u>	<u>227,948</u>	<u>\$ —</u>	
Less amount paid by the State		(227,948)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Salaries and benefits	\$ 75,255	\$ 65,976	\$ (9,279)	Finding 1
Services and supplies	1,015	2,720	1,705	Finding 2
Contract services	306,548	326,911	20,363	Finding 3
Travel and training	1,486	1,486	—	
Total direct costs	384,304	397,093	12,789	
Indirect costs	6,936	6,247	(689)	Finding 1
Total direct and indirect costs	391,240	403,340	12,100	
Calculation/rounding adjustments	769	—	(769)	
Subtotal	392,009	403,340	11,331	
Less allowable costs that exceed costs claimed ²	—	(11,331)	(11,331)	
Total program costs	<u>\$ 392,009</u>	<u>392,009</u>	<u>\$ —</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 392,009</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2001, through June 30, 2008</u> <u>(excluding July 1, 2004, through June 30, 2005)</u>				
Direct costs:				
Salaries and benefits	\$ 176,076	\$ 176,021	\$ (55)	Finding 1
Services and supplies	786,828	835,319	48,491	Finding 2
Contract services	306,548	326,911	20,363	Finding 3
Travel and training	4,247	4,247	—	
Total direct costs	1,273,699	1,342,498	68,799	
Indirect costs	22,161	23,693	1,532	Finding 1
Total direct and indirect costs	1,295,860	1,366,191	70,331	
Calculation/rounding adjustments	993	—	(993)	
Subtotal	1,296,853	1,366,191	69,338	
Less allowable costs that exceed costs claimed ²	—	(79,196)	(79,196)	
Total program costs	<u>\$ 1,296,853</u>	1,286,995	<u>\$ (9,858)</u>	
Less amount paid by the State		(605,097)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 681,898</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2001-02, FY 2002-03, FY 2005-06, FY 2006-07, and FY 2007-08.

Findings and Recommendations

**FINDING 1—
Understated salaries,
benefits, and related
indirect costs**

The city and county claimed \$176,076 in salaries and benefits for the audit period. We determined that salaries and benefits were overstated by a net of \$55 (overstated by \$9,773 and understated by \$9,718). The city and county overstated employee salaries and benefits because it claimed hours for non-NGI (not guilty by reason of insanity) defendants, claimed employee time that was not supported by time logs, overstated employee salary and benefit rates, and transposed salary rates on the claim forms. Costs were understated because the city and county did not include employee time spent on mandated activities in its claims and understated its employee salary and benefit rates. The related indirect costs were understated by a total of \$1,532.

The following table summarizes the audit adjustment by fiscal year:

	Fiscal Year						Total
	2001-02	2002-03	2003-04	2005-06	2006-07	2007-08	
Allowable salaries and benefits	\$15,372	\$17,390	\$18,173	\$12,127	\$46,983	\$65,976	
Claimed salaries and benefits	(11,263)	(11,432)	(18,081)	(14,722)	(45,323)	(75,255)	
Adjustment, salaries and benefits	4,109	5,958	92	(2,595)	1,660	(9,279)	\$ (55)
Related indirect costs	1,014	1,581	278	(503)	(149)	(689)	1,532
Total audit adjustment	<u>\$ 5,123</u>	<u>\$ 7,539</u>	<u>\$ 370</u>	<u>\$(3,098)</u>	<u>\$ 1,511</u>	<u>\$(9,968)</u>	<u>\$ 1,477</u>

We broke down the audit findings for misstated salaries and benefits separately for the District Attorney’s Office and the Public Defender’s Office for each individual fiscal year.

District Attorney’s Office

The District Attorney’s (DA) Office understated salaries and benefits by a net of \$9,718 for the audit period (overstated by \$10,040 and understated by \$19,758).

The following table summarizes the audit adjustment by fiscal year for the DA’s office:

	Fiscal Year						Total
	2001-02	2002-03	2003-04	2005-06	2006-07	2007-08	
Allowable salaries and benefits	\$10,508	\$ 6,522	\$13,433	\$ 9,144	\$40,450	\$ 60,042	
Claimed salaries and benefits	(6,178)	—	(10,600)	(8,047)	(35,474)	(70,082)	
Total audit adjustment	<u>\$ 4,330</u>	<u>\$ 6,522</u>	<u>\$ 2,833</u>	<u>\$ 1,097</u>	<u>\$ 4,976</u>	<u>(10,040)</u>	<u>\$ 9,718</u>

FY 2001-02

For fiscal year (FY) 2001-02, salaries and benefits incurred by the DA’s office were understated by \$4,330. The costs were understated because the city and county claimed time for non-NGI defendants, claimed time that was unsupported, excluded time spent on mandated activities in the claim, and understated the productive hourly rate.

The claim for FY 2001-02 included 104 hours spent on mandated activities (8 hours each for 13 defendants). Our review determined that 52 of the original hours claimed were unallowable because 36 hours were not reflected in the attorneys' logs for that year and 16 hours were claimed for non-NGI defendants. We also determined that 110 hours were understated because time spent for seven NGI defendants was not included in the city and county's claim. As a result, time spent on mandated activities was understated by \$3,762.

We also determined that the productive hourly rate for the attorney who worked on NGI cases was understated by \$4.47. The salary amount used in the claim was \$48.69, while our review of payroll records determined that the actual salary amount paid was \$53.16. As a result, costs were underclaimed by an additional \$568.

FY 2002-03

For FY 2002-03, salaries and benefits incurred by the DA's office were understated by \$6,522.

The understatement occurred because the city and county's claim for FY 2002-03 did not include any costs incurred by the DA's office. Our review of the attorneys' logs for the year determined that 119 hours were spent on mandated activities for 16 NGI defendants.

FY 2003-04

For FY 2003-04, salaries and benefits incurred by the DA's office were understated by \$2,833. The costs were understated because the city and county excluded time spent on mandated activities in the claim and understated the productive hourly rate.

The claim for FY 2003-04 included 100 hours spent on mandated activities (5.26 hours each for 19 defendants). Our review of the attorneys' logs determined that 131 hours were spent on mandated activities for 18 NGI defendants.

The productive hourly rate was understated because both the salary and benefit rates were understated. The salary rate used in the claim was \$92.29, while our review of payroll records determined that the actual salary rate was \$95.86. In addition, the employee benefit rate used in the claim was 10.58%, while the actual benefit rate for that year was 11.11%.

FY 2005-06

For FY 2005-06, salaries and benefits incurred by the DA's office were understated by \$1,097. The costs were understated because the DA's office claimed time for a non-NGI defendant and understated the salary rate.

Our review of the attorneys’ logs determined that two of the 120 hours claimed were for a non-NGI defendant. In addition, the salary rate used in the claim was \$52.72, while our review of payroll records determined that the actual salary rate was \$60.92. The actual salary rate was applied to hours spent working on NGI cases.

FY 2006-07

For FY 2006-07, salaries and benefits incurred by the DA’s office were understated by \$4,976. The costs were understated because the DA’s office claimed time for non-NGI defendants and understated the salary rate. The actual salary rate was applied to hours spent working on NGI cases.

Our review of the attorney logs determined that 12 of the 482 hours claimed were for non-NGI defendants. In addition, the salary rate used in the claim was \$61.33, while our review of payroll records determined that the actual salary rate was \$71.69.

FY 2007-08

For FY 2007-08, salaries and benefits incurred by the DA’s office were overstated by \$10,040. The costs were overstated because the DA’s office claimed time for non-NGI defendants and overstated salary rates.

Our review of attorney logs indicated that 112.7 hours was claimed for non-NGI defendants. In addition, the salary rates for two attorneys were each overstated by \$0.69.

Public Defender’s Office

The Public Defender’s (PD) Office overstated salaries and benefits by \$9,773 for the audit period (overstated by \$10,534 and understated by \$761).

The following table summarizes the audit adjustment by fiscal year for the PD’s office:

	Fiscal Year						Total
	2001-02	2002-03	2003-04	2005-06	2006-07	2007-08	
Allowable salaries and benefits	\$ 4,864	\$ 10,868	\$ 4,740	\$ 2,983	\$ 6,533	\$ 5,934	
Claimed salaries and benefits	<u>(5,085)</u>	<u>(11,432)</u>	<u>(7,481)</u>	<u>(6,675)</u>	<u>(9,849)</u>	<u>(5,173)</u>	
Audit adjustment	<u>\$ (221)</u>	<u>\$ (564)</u>	<u>\$(2,741)</u>	<u>\$(3,692)</u>	<u>\$(3,316)</u>	<u>\$ 761</u>	<u>\$ (9,773)</u>

FY 2001-02

For FY 2001-02, the PD’s office overstated salaries and benefits by \$221. The costs were overstated because two hours claimed for one NGI defendant was not supported by the case time logs. In addition, the salary rates for the two attorneys who worked on mandated activities were understated by \$8.47 and \$5.58, respectively, and the employee benefit rates used for these two employees were overstated by 0.64% and 1.41%, respectively.

FY 2002-03

For FY 2002-03, the PD's office overstated salaries and benefits by \$564. The costs were overstated because 23 hours were underclaimed for time spent on NGI defendants (31 hours underclaimed for four defendants and 8 hours overclaimed for two defendants). In addition, the salary rates for the two attorneys working with NGI defendants were transposed on the claim form. We also noted that the salary rates used for the attorneys were understated and the employee benefit rates used were overstated.

FY 2003-04

For FY 2003-04, the PD's office overstated salaries and benefits by \$2,741. The costs were overstated because 32 hours the PD's office claimed for time spent on NGI defendants were not supported by the case time logs. In addition, the salary rates for the two attorneys working with NGI defendants were transposed on the claim form. We also noted that the salary rates used for the attorneys were understated and the employee benefit rates used were overstated.

FY 2005-06

For FY 2005-06, the PD's office overstated salaries and benefits by \$3,692. The costs were overstated because 43.7 hours included in the claim for six defendants were from a previous fiscal year.

FY 2006-07

For FY 2006-07, the PD's office overstated salaries and benefits by \$3,316. We were unable to determine the reason for the overstated costs because costs for the PD's office were not itemized by employee and defendant on the claim form. Instead, the costs were claimed as a lump sum for the PD's office. We reviewed the case time logs to determine the amount of time spent on each defendant by each employee and obtained the actual salary and benefit rates from the payroll system in order to determine the amount of allowable costs.

FY 2007-08

For FY 2007-08, the PD's office understated salaries and benefits by \$761. The costs were understated because the salary rates used for six PD's office employees were all slightly understated.

The parameters and guidelines (section VI.A.1, Employee 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, productive hourly rate and related fringe benefits."

The parameters and guidelines (section VI, Supporting Data) state that “for audit purposes, all costs shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, and declarations) that show evidence of the validity of such costs and their relationship to the state mandate program.”

The parameters and guidelines (section V.A, Claim Preparation and Submission–Supporting Documentation–Direct Costs) state that “direct costs are defined as costs that can be traced to specific goods, services, units, programs, activities, or functions.”

Recommendation

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

City and County’s Response

The city and county agreed with the finding.

**FINDING 2—
Understated services
and supplies costs**

The city and county claimed \$786,828 in services and supplies for the audit period. The costs included indigent defense counsel review, preparation, and trial costs, housing NGI inmates, and transportation of NGI inmates from the jail to court proceedings and back.

We determined that \$835,319 is allowable and a net of \$48,491 was underclaimed (understated by \$50,347 and overstated by \$1,856). The city and county understated services and supplies totaling \$50,347 due to understated daily jail rates and understated housing days for NGI defendants. Costs were overstated by \$1,856 due to overstated daily jail rates, overstated housing days for NGI defendants, and insufficient supporting documentation.

The following table summarizes the audit adjustment for services and supplies by fiscal year:

	Fiscal Year						Total
	2001-02	2002-03	2003-04	2005-06	2006-07	2007-08	
Allowable services and supplies	\$ 47,468	\$ 82,670	\$107,885	\$409,122	\$185,454	\$ 2,720	\$ 835,319
Claimed services and supplies	(49,938)	(82,670)	(118,113)	(358,138)	(176,954)	(1,015)	(786,828)
Audit adjustment	\$ (2,470)	\$ —	\$(10,228)	\$ 50,984	\$ 8,500	\$ 1,705	\$ 48,491

Misstated Daily Jail Rates and Overstated Housing Days

The Sheriff’s Department understated prisoner-housing costs by \$50,347 for the audit period. The costs are understated because the department either overstated or understated the daily jail rates during each year of the audit period. In addition, the department overstated total prisoner housing days by 49 days during the audit period (47 days in FY 2005-06 and 2 days in FY 2006-07).

The following table summarizes the audit adjustment amount by fiscal year for the department’s daily jail rates:

	Fiscal Year				
	2001-02	2002-03	2003-04	2005-06	2006-07
Allowable rate	\$ 88.37	\$ 94.18	\$ 85.83	\$ 103.40	\$ 97.45
Claimed rate	(94.18)	(94.18)	(94.18)	(88.25)	(92.18)
Audit variance	\$ (5.81)	\$ —	\$ (8.35)	\$ 15.15	\$ 5.27

The following table summarizes the audit adjustments to services and supplies costs by fiscal year based on the daily jail rates noted in the table above:

	Fiscal Year					Total
	2001-02	2002-03	2003-04	2005-06	2006-07	
Allowable services and supplies	\$ 37,558	\$ 77,228	\$ 105,142	\$ 393,747	\$ 179,113	
Claimed services and supplies	(40,027)	(77,228)	(115,371)	(340,204)	(169,611)	
Audit adjustment	\$ (2,469)	\$ —	\$ (10,229)	\$ 53,543	\$ 9,502	\$ 50,347

We previously audited the daily jail rates used for FY 2001-02, FY 2002-03, and FY 2003-04 during the Sexually Violent Predator (SVP) Program audit for those years. The audit adjustment was due to the department’s inconsistent computation of housing costs, as the department did not apply the carry-forward rate to the appropriate fiscal years of the rate calculation. The prior audit revealed that the daily jail rate should be \$88.37 for FY 2001-02, \$94.18 for FY 2002-03, and \$85.83 for the FY 2003-04.

For FY 2005-06 through FY 2007-08, we applied the same methodology to compute daily jail rates; doing so involved dividing the actual cost for County Jail #4 by actual inmate days. Using this methodology, we determined that the daily jail rate should be \$103.40 for FY 2005-06, and \$97.45 for FY 2006-07.

We determined that prisoner housing costs were overstated by \$4,148 in FY 2005-06 because housing days were overstated for two NGI defendants. Housing days were overstated by 20 days for one defendant because the last day of the defendant’s jail stay was recorded as December 27 instead of December 7. The housing days were overstated for another defendant by 27 days because housing days from FY 2004-05 were included in the calculation. Housing costs were overstated by \$184 in FY 2006-07 because two housing days included for one defendant was from the prior fiscal year.

Insufficient Supporting Documentation

The Public Defender’s (PD) office overstated services and supplies by \$1,856 for the audit period due to the lack of supporting documentation. The costs were actually contract services costs incurred for court-appointed expert witnesses.

The following table summarizes the audit adjustment to services and supplies by fiscal year:

	Fiscal Year						Total
	2001-02	2002-03	2003-04	2005-06	2006-07	2007-08	
Allowable services and supplies	\$ 9,025	\$ 1,943	\$ 2,243	\$ 15,375	\$ 6,341	\$ 2,720	
Claimed services and supplies	<u>(9,025)</u>	<u>(1,943)</u>	<u>(2,243)</u>	<u>(17,934)</u>	<u>(7,343)</u>	<u>(1,015)</u>	
Audit adjustment	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$(2,559)</u>	<u>\$(1,002)</u>	<u>\$ 1,705</u>	<u>\$(1,856)</u>

For FY 2005-06, the PD's office overstated services and supplies by \$2,559. The costs are overstated because the PD's office overstated expert witness expenses by \$2,137 for three defendants due to the lack of supporting documentation. The PD's office acknowledged that it was unable to obtain all invoices from its vendor for that fiscal year. The PD's office also overstated costs for an expert witness for a deceased NGI defendant in the amount of \$422. We noted that the case file indicates "1608 PC D died 5-13-05."

For FY 2006-07, the PD's office overstated services and supplies totaling \$1,002. The costs are overstated because expert witness expenses were included for a non-NGI defendant in the amount totaled \$951. The PD's office also overstated costs by \$51 due to an error made when calculating the claim.

For FY 2007-08, the PD's office understated services and supplies totaling \$1,705. The PD's office claimed \$1,015 for undetermined services and supplies. We reviewed source documents and determined that the PD's office should have claimed \$2,720 for expert witness expenses incurred for two NGI defendants.

The parameters and guidelines (section VI.A.3, Contract Services) require the claimant to "Provide the name(s) of the contractor(s) who performed the service(s). Describe the activity(ies) performed by each named contractor, and give the actual number of hours spent on the activities, if applicable, show the inclusive dates when services were performed and itemize all costs for those services. Attach consultant invoices to the claim."

The parameters and guidelines (section V.A, Claim Preparation and Submission—Supporting Documentation—Direct Costs) state that "direct costs are defined as costs that can be traced to specific goods, services, units, programs, activities, or functions."

The parameters and guidelines (section VI, Supporting Data) state that, "for audit purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, and declarations) that show evidence of the validity of such costs and their relationship to the state mandated program."

Recommendation

We recommend that the city and county develop and implement an effective control and reporting system to ensure that all claimed costs are properly accounted for and adequately supported.

City and County’s Response

The city and county agreed with the finding.

**FINDING 3—
Understated contract
services costs**

The city and county claimed \$306,548 in contract services for FY 2007-08. We determined that \$326,911 is allowable and \$20,363 was underclaimed (understated by \$21,860 and overstated by \$1,497).

For FY 2007-08, the city and county claimed prisoner housing costs under contract services instead of services and supplies. As the costs involved a city and county department, the costs should be claimed as services and supplies. The contract services costs were underclaimed by \$25,552 due to an understated daily jail rate, overstated prisoner housing days, and insufficient supporting documentation.

The following table summarizes the audit adjustment to contract services:

	Fiscal Year 2007-08
Allowable contract services	\$ 326,911
Claimed contract services	<u>(306,548)</u>
Audit adjustment	<u>\$ 20,363</u>

Understated Daily Jail Rate and Overstated Housing Days

The Sheriff’s Department understated prisoner housing costs totaling \$28,354 for the fiscal year because the daily jail rate was understated by \$8.99. We applied the actual cost per facility, average daily population, and actual total population per facility to compute the actual daily jail rate of \$101.77.

Housing costs were also overstated by \$6,494 because prisoner housing days for one inmate were overstated by 70 days.

The following table summarizes the audit adjustment to the Sheriff Department’s daily jail rate:

	Fiscal Year 2007-08
Allowable rate	\$ 101.77
Claimed contract services	<u>(92.78)</u>
Understated daily jail rate	<u>\$ 8.99</u>

The following table summarizes the audit adjustment to contract services based on the daily jail rate adjustment noted in the table above:

	Fiscal Year 2007-08
Allowable contract services	\$ 320,983
Claimed contract services	(299,123)
Audit adjustment	<u>\$ 21,860</u>

Insufficient Supporting Documentation

The Public Defender’s Office overstated costs totaling \$1,497 that were not supported by any documentation. It appears that the unsupported costs were caused by a calculation error made when the claim was compiled.

The table below summarizes the audit adjustment:

	Fiscal Year 2007-08
Allowable contract services	\$ 5,928
Claimed contract services	(7,425)
Audit adjustment	<u>\$ (1,497)</u>

The parameters and guidelines (section VI.A.3, Contract Services) require the claimant to “provide the name(s) of the contractor(s) who performed the service(s), including any fixed contracts for services. Describe the activity(ies) performed by each named contractor, and give the number of actual hours spent on the activities, if applicable, show the inclusive dates when services were performed and itemize all costs for those services. Attach consultant invoices to the claim.”

The parameters and guidelines (section VI, Supporting Data) state that “for audit purposes, all costs shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars’, and declarations) that show evidence of the validity of such costs and their relationship to the state mandate program.”

The parameters and guidelines (section V.A, Claim Preparation and Submission–Supporting Documentation–Direct Costs) state that “direct costs are defined as costs that can be traced to specific goods, services, units, programs, activities, or functions.”

Recommendation

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

City and County’s Response

The city and county agreed with the finding.

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



Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

February 25, 2010

Mr. Jim L. Spano
Chief of Compliance Audits Bureau
State Controller's Office, Division of Audits
300 Capitol Mall
Sacramento, CA 95814

Dear Mr. Spano:

The City and County of San Francisco has received the State Controller's Office (SCO) draft audit findings for the Not Guilty by Reason of Insanity (NGI) state mandated cost program for the period July 1, 2001 through June 30, 2008 (excluding July 1, 2004 through June 30, 2005).

We concur with the audit findings and will continue our efforts to ensure the accuracy of all costs claimed for this program.

Thank you for the opportunity to respond to the audit. Please contact me or Leo Levenson of my staff at (415) 554-4809 if you have any questions.

Sincerely,



Ben Rosenfield
Controller

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

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