



JOHN CHIANG
California State Controller

February 5, 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 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, 2001, through June 30, 2004, and July 1, 2006, through June 30, 2007. Our review was limited to validating employees' productive hourly rates.

The county claimed \$655,669 (\$656,643 less a \$974 penalty for filing a late claim) for the mandated program. Our review disclosed that \$628,993 is allowable and \$26,676 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) 2001-02 claim, the State made no payment to the county. Our review disclosed that \$152,476 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the county. Our review disclosed that \$119,633 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our review disclosed that \$147,346 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the county \$220,116. Our review disclosed that \$209,538 is allowable. The State will offset \$10,578 from other mandated program payments due 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/sk:vb

Attachments

RE: S10-MCC-901

cc: Ram Venkatesan, SB-90 Coordinator
Controller-Treasurer Department
Santa Clara County
Jeff Carosone, Principal Program Budget Analyst
Co-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, 2001, through June 30, 2004,
and July 1, 2006, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries	\$ 29,196	\$ 26,466	\$ (2,730)
Benefits	8,603	7,798	(805)
Services and supplies	100,939	100,939	—
Travel	2,863	2,863	—
Total direct costs	141,601	138,066	(3,535)
Indirect costs	15,897	14,410	(1,487)
Total program costs	<u>\$ 157,498</u>	152,476	<u>\$ (5,022)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 152,476</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries	\$ 25,343	\$ 23,268	\$ (2,075)
Benefits	3,090	2,837	(253)
Travel	83,991	83,991	—
Total direct costs	112,424	110,096	(2,328)
Indirect costs	10,388	9,537	(851)
Total program costs	<u>\$ 122,812</u>	119,633	<u>\$ (3,179)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 119,633</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries	\$ 59,313	\$ 54,568	\$ (4,745)
Benefits	13,967	12,849	(1,118)
Services and supplies	55,892	55,892	—
Travel	1,618	1,618	—
Total direct costs	130,790	124,927	(5,863)
Indirect costs	25,427	23,393	(2,034)
Total direct and indirect costs	156,217	148,320	(7,897)
Less late filing penalty	(974)	(974)	—
Total program costs	<u>\$ 155,243</u>	147,346	<u>\$ (7,897)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 147,346</u>	

Attachment 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries	\$ 75,240	\$ 69,116	\$ (6,124)
Benefits	23,880	21,936	(1,944)
Services and supplies	90,163	90,163	—
Total direct costs	189,283	181,215	(8,068)
Indirect costs	30,833	28,323	(2,510)
Total program costs	<u>\$ 220,116</u>	209,538	<u>\$ (10,578)</u>
Less amount paid by the State		(220,116)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (10,578)</u>	
<u>Summary: July 1, 2001, through June 30, 2004, and July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries	\$ 189,092	\$ 173,418	\$ (15,674)
Benefits	49,540	45,420	(4,120)
Services and supplies	246,994	246,994	—
Travel	88,472	88,472	—
Total direct costs	574,098	554,304	(19,794)
Indirect costs	82,545	75,663	(6,882)
Total direct and indirect costs	656,643	629,967	(26,676)
Less late filing penalty	(974)	(974)	—
Total program costs	<u>\$ 655,669</u>	628,993	<u>\$ (26,676)</u>
Less amount paid by the State		(220,116)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 408,877</u>	

¹ See Attachment 2, Finding and Recommendation.

**Attachment 2—
Finding and Recommendation
July 1, 2001, through June 30, 2004
and July 1, 2006, through June 30, 2007**

**FINDING—
Overstated Productive
Hourly Rates**

The county claimed unallowable salaries totaling \$15,674. The related benefits and indirect costs total \$4,120 and \$6,882, respectively. 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.

For FY 2001-02, the county deducted estimated training time based on hours required by employees' bargaining unit agreements and/or continuing education requirements for licensure/certification rather than actual training hours attended. Furthermore, deducted training hours benefit specific departments' employee classifications rather than those employee classifications common to all departments.

For FY 2002-03 forward, 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; or
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			
	2001-02	2002-03	2003-04	2006-07
Claimed productive hours (A)	1,546.00	1,580.46	1,560.65	1,537.00
Break time (in hours)	112.08	112.97	111.35	110.58
Training time (in hours)	47.38	28.07	24.35	25.66
Allowable productive hours (B)	<u>1,705.46</u>	<u>1,721.50</u>	<u>1,696.35</u>	<u>1,673.24</u>
Review adjustment to productive hours $([(A) - (B)] \div (B))$	<u>(9.35)%</u>	<u>(8.19)%</u>	<u>(8.00)%</u>	<u>(8.14)%</u>

Attachments 3 through 6 provide detailed calculations of the review adjustment, which the table below summarizes:

Cost Element	Fiscal Year				Total
	2001-02	2002-03	2003-04	2006-07	
Direct costs:					
Salaries	\$ (2,730)	\$ (2,075)	\$ (4,745)	\$ (6,124)	\$ (15,674)
Benefits	<u>(805)</u>	<u>(253)</u>	<u>(1,118)</u>	<u>(1,944)</u>	<u>(4,120)</u>
Total direct costs	(3,535)	(2,328)	(5,863)	(8,068)	(19,794)
Indirect costs	<u>(1,487)</u>	<u>(851)</u>	<u>(2,034)</u>	<u>(2,510)</u>	<u>(6,882)</u>
Review adjustment	<u>\$ (5,022)</u>	<u>\$ (3,179)</u>	<u>\$ (7,897)</u>	<u>\$ (10,578)</u>	<u>\$ (26,676)</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 2001-02

Component/Department	(1) (2) (3) Actual Costs Claimed			(4) Indirect Costs ((Cols. (1) + (2)) × (3))	(5) (6) (7) Review Adjustment			(8) Total
	Salaries	Benefits	Indirect Cost Rate Applied to Salaries and Benefits		Salaries (Col. (1) × (9.35)%)	Benefits (Col. (2) × (9.35)%)	Indirect Costs (Col. (4) × (9.35)%)	
Review case:								
District Attorney	\$ 2,951	\$ 672	37.8%	\$ 1,369	\$ (276)	\$ (63)	\$ (128)	\$ (467)
Public Defender	1,253	291	53.1%	820	(117)	(27)	(77)	(221)
Representation:								
District Attorney	2,239	490	37.8%	1,032	(209)	(46)	(96)	(351)
Public Defender	6,938	1,615	53.1%	4,542	(649)	(151)	(425)	(1,225)
Travel and custody:								
Sheriff	15,815	5,535	38.1%	8,134	(1,479)	(518)	(761)	(2,758)
Total, fiscal year 2001-02 ¹	<u>\$ 29,196</u>	<u>\$ 8,603</u>		<u>\$ 15,897</u>	<u>\$ (2,730)</u>	<u>\$ (805)</u>	<u>\$ (1,487)</u>	<u>\$ (5,022)</u>

¹ Calculation differences due to rounding.

**Attachment 4—
Calculation of Review Adjustment
Fiscal Year 2002-03**

Component/Department	(1) (2) (3) Actual Costs Claimed			(4) Indirect Costs ((Cols. (1) + (2)) × (3))	(5) (6) (7) Review Adjustment			(8) Total
	Salaries	Benefits	Indirect Cost Rate Applied to Salaries and Benefits		Salaries (Col. (1) × (8.19)%)	Benefits (Col. (2) × (8.19)%)	Indirect Costs (Col. (4) × (8.19)%)	
Review case:								
Public Defender	\$ 1,775	\$ 361	46.8%	\$ 1,000	\$ (145)	\$ (30)	\$ (82)	\$ (257)
Representation:								
District Attorney	8,120	1,259	28.3%	2,654	(665)	(103)	(217)	(985)
Public Defender	7,447	1,470	46.8%	4,174	(610)	(120)	(342)	(1,072)
Travel and custody:								
Sheriff	8,001	—	32.0%	2,560	(655)	—	(210)	(865)
Total, fiscal year 2002-03 ¹	<u>\$ 25,343</u>	<u>\$ 3,090</u>		<u>\$ 10,388</u>	<u>\$ (2,075)</u>	<u>\$ (253)</u>	<u>\$ (851)</u>	<u>\$ (3,179)</u>

¹ Calculation differences due to rounding.

**Attachment 5—
Calculation of Review Adjustment
Fiscal Year 2003-04**

Component/Department	(1) (2) (3) Actual Costs Claimed			(4) Indirect Costs ((Cols. (1) + (2)) × (3))	(5) (6) (7) Review Adjustment			(8) Total
	Salaries	Benefits	Indirect Cost Rate Applied to Salaries and Benefits		Salaries (Col. (1) × (8.00)%)	Benefits (Col. (2) × (8.00)%)	Indirect Costs (Col. (4) × (8.00)%)	
Review Case:								
Public Defender	\$ 2,226	\$ 409	51.6%	\$ 1,359	\$ (178)	\$ (33)	\$ (109)	\$ (320)
File Petition:								
District Attorney	3,354	617	24.5%	973	(268)	(49)	(78)	(395)
Public Defender	15,916	3,082	51.6%	9,796	(1,273)	(247)	(784)	(2,304)
Representation:								
District Attorney	26,644	4,900	24.5%	7,728	(2,132)	(392)	(618)	(3,142)
Public Defender	1,136	276	51.6%	728	(91)	(22)	(58)	(171)
Travel and custody:								
Sheriff	10,037	4,683	32.9%	4,843	(803)	(375)	(387)	(1,565)
Total, fiscal year 2003-04¹	\$ 59,313	\$ 13,967		\$ 25,427	\$ (4,745)	\$ (1,118)	\$ (2,034)	\$ (7,897)

¹ Calculation differences due to rounding.

Attachment 6— Calculation of Review Adjustment Fiscal Year 2006-07

Component/Department	(1) (2) (3) Actual Costs Claimed			(4) Indirect Costs ((Cols. (1) + (2)) × (3))	(5) (6) (7) Review Adjustment			(8) Total
	Salaries	Benefits	Indirect Cost Rate Applied to Salaries and Benefits		Salaries (Col. (1) × (8.14)%)	Benefits (Col. (2) × (8.14)%)	Indirect Costs (Col. (4) × (8.14)%)	
Review case:								
District Attorney	\$ 34,180	\$ 11,608	22.32%	\$ 10,220	\$ (2,782)	\$ (945)	\$ (832)	\$ (4,559)
Public Defender	13,431	3,684	49.83%	8,528	(1,093)	(300)	(694)	(2,087)
Representation:								
District Attorney	16,356	5,315	22.32%	4,837	(1,331)	(433)	(394)	(2,158)
Public Defender	11,273	3,273	49.83%	7,248	(918)	(266)	(590)	(1,774)
Total, fiscal year 2006-07 ¹	<u>\$ 75,240</u>	<u>\$ 23,880</u>		<u>\$ 30,833</u>	<u>\$ (6,124)</u>	<u>\$ (1,944)</u>	<u>\$ (2,510)</u>	<u>\$ (10,578)</u>

¹ Calculation differences due to rounding.