

SANTA CRUZ COUNTY

Revised Audit Report

SEXUALLY VIOLENT PREDATORS PROGRAM

Chapters 762 and 763, Statutes of 1995,
and Chapter 4, Statutes of 1996

July 1, 1999, through June 30, 2002



JOHN CHIANG
California State Controller

November 2011



JOHN CHIANG
California State Controller

November 30, 2011

The Honorable Mark Stone
Chairperson, Board of Supervisors
Santa Cruz County
701 Ocean Street, Room 500
Santa Cruz, CA 95060

Dear Mr. Stone:

The State Controller's Office audited the claims filed by Santa Cruz County for costs of the legislatively mandated Sexually Violent Predators Program (Chapters 762 and 763, Statutes of 1995, and Chapter 4, Statutes of 1996) for the period of July 1, 1999, through June 30, 2002.

This revised final audit report supersedes the previous report dated October 29, 2004. We revised Finding 3 to exclude the audit adjustment of \$173,280 based on additional supporting documentation provided by the county. As a result, allowable costs increased by \$147,135 for the audit period.

The county claimed \$421,164 (\$421,211 in costs less a \$47 penalty for filing late) for the mandated program. Our audit disclosed that \$416,919 is allowable and \$4,245 is unallowable. The costs are unallowable primarily because the county claimed unsupported costs. The county was paid \$161,572. The State will pay allowable costs claimed that exceed the amount paid, totaling \$255,347, 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/sk

cc: Mary Jo Walker, Auditor-Controller
Santa Cruz County
Mark Huett, Audit and Systems Manager
Auditor-Controller's Office, Santa Cruz County
Jeff Carosone, Principal Program Budget Analyst
Cor-Gen Unit, Department of Finance
Jay Lal, Manager, Division of Accounting and Reporting
State Controller's Office

Contents

Revised Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Officials	2
Restricted Use	3
Revised Schedule 1—Summary of Program Costs	4
Revised Findings and Recommendations	7

Revised Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by Santa Cruz County for costs of the legislatively mandated Sexually Violent Predators Program (Chapters 762 and 763, Statutes of 1995, and Chapter 4, Statutes of 1996) for the period of July 1, 1999, through June 30, 2002.

The county claimed \$421,164 (\$421,211 in costs less a \$47 penalty for filing late) for the mandated program. Our audit disclosed that \$416,919 is allowable and \$4,245 is unallowable. The costs are unallowable primarily because the county claimed unsupported Public Defender costs. The State paid the county \$161,572. The State will pay allowable costs claimed that exceed the amount paid, totaling \$255,347, contingent upon available appropriations.

Background

Welfare and Institutions Code sections 6250 and 6600 through 6608 (added by Chapters 762 and 763, Statutes of 1995, and Chapter 4, Statutes of 1996) established new civil commitment procedures for the continued detention and treatment of sexually violent offenders following their completion of a prison term for certain sex-related offenses. Before detention and treatment are imposed, the county attorney is required to file a petition for civil commitment. A trial is then conducted to determine if the inmate is a sexually violent predator beyond a reasonable doubt. If the inmate accused of being a sexually violent predator is indigent, the statutes require counties to provide the indigent with the assistance of counsel, and experts necessary to prepare the defense.

On June 25, 1998, the Commission on State Mandates (CSM) determined that Chapters 762 and 763, Statutes of 1995, and Chapter 4, Statutes of 1996, imposed a reimbursable state mandate under Government Code section 17561.

The program's parameters and guidelines establish state mandates and defines criteria for reimbursement. CSM adopted the parameters and guidelines on September 24, 1998. In compliance with Government Code section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed are increased costs incurred as a result of the Sexually Violent Predators Program (Chapters 762 and 763, Statutes of 1995, and Chapter 4, Statutes of 1996) for the period of July 1, 1999, through June 30, 2002.

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 (Revised Schedule 1) and in the Revised Findings and Recommendations section of this report.

For the audit period, Santa Cruz County claimed \$421,164 (\$421,211 in costs less a \$47 penalty for filing late) for costs of the Sexually Violent Predators Program. Our audit disclosed that \$416,919 is allowable and \$4,245 is unallowable. The State paid the county \$161,572. The State will pay allowable costs claimed that exceed the amount paid, totaling \$255,347, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on May 21, 2004. Gary Knutson, Auditor-Controller, responded by letter dated July 7, 2004, agreeing with the audit results except for Finding 3.

We issued the final report on October 29, 2004. Subsequent to the issuance of the final report, the county provided documentation supporting the allowability of costs previously determined to be unallowable in Finding 3. As a result, we increased allowable costs by \$147,135, from \$269,784 to \$416,919. We advised Mark Huett, Audit and Systems Manager, Auditor-Controller's Office, of the revisions to the final audit report. Mr. Huett responded by e-mail on November 29, 2011, agreeing with the revisions.

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

November 30, 2011

**Revised Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
District Attorney:				
Direct costs:				
Salaries	\$ 28,179	\$ 26,969	\$ (1,210)	Finding 1
Benefits	7,575	7,255	(320)	Finding 1
Services and supplies	401	2,080	1,679	Finding 2
Training and travel	2,494	45	(2,449)	Finding 2
Total direct costs	38,649	36,349	(2,300)	
Indirect costs	10,398	9,952	(446)	Finding 1
Total, District Attorney	49,047	46,301	(2,746)	
Public Defender:				
Salaries	28,210	—	(28,210)	Finding 3
Services and supplies	3,392	2,992	(400)	Finding 2
Contract services	—	28,210	28,210	Finding 3
Total, Public Defender	31,602	31,202	(400)	
Sheriff:				
Services and supplies	32,287	45,530	13,243	Finding 4
Total, Sheriff	32,287	45,530	13,243	
Total costs	112,936	123,033	10,097	
Plus mathematical errors	300	—	(300)	
Less allowable costs that exceed costs claimed ²	—	(9,797)	(9,797)	
Total program costs	<u>\$ 113,236</u>	113,236	<u>\$ —</u>	
Less amount paid by the State		(94,823)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 18,413</u>		
<u>July 1, 2000, through June 30, 2001</u>				
District Attorney:				
Direct costs:				
Salaries	\$ 11,768	\$ 9,763	\$ (2,005)	Finding 1
Benefits	3,013	2,500	(513)	Finding 1
Services and supplies	4,092	3,923	(169)	Finding 2
Training and travel	169	169	—	Finding 2
Total direct costs	19,042	16,355	(2,687)	
Indirect costs	4,684	3,886	(798)	Finding 1
Total, District Attorney	23,726	20,241	(3,485)	

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2000, through June 30, 2001 (continued)</u>				
Public Defender:				
Salaries	61,010	—	(61,010)	Finding 3
Services and supplies	6,213	4,828	(1,385)	Finding 2
Contract services	—	61,010	61,010	Finding 3
Total, Public Defender	<u>67,223</u>	<u>65,838</u>	<u>(1,385)</u>	
Sheriff:				
Services and supplies	3,481	4,106	625	Finding 4
Total, Sheriff	<u>3,481</u>	<u>4,106</u>	<u>625</u>	
Total program costs	<u>\$ 94,430</u>	90,185	<u>\$ (4,245)</u>	
Less amount paid by the State		<u>(29,174)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 61,011</u>		
<u>July 1, 2001, through June 30, 2002</u>				
District Attorney:				
Direct costs:				
Salaries	\$ 36,774	\$ 39,071	\$ 2,297	Finding 1
Benefits	6,840	7,095	255	Finding 1
Services and supplies	5,418	1,775	(3,643)	Finding 2
Training and travel	—	1,149	1,149	Finding 2
Total direct costs	49,032	49,090	58	
Indirect costs	13,717	14,573	856	Finding 1
Total, District Attorney	<u>62,749</u>	<u>63,663</u>	<u>914</u>	
Public Defender:				
Salaries	\$ 84,060	\$ —	\$ (84,060)	Finding 3
Services and supplies	21,483	20,719	(764)	Finding 2
Contract services	—	84,060	84,060	Finding 3
Total, Public Defender	<u>105,543</u>	<u>104,779</u>	<u>(764)</u>	
Sheriff:				
Services and supplies	45,253	61,452	16,199	Finding 4
Total, Sheriff	<u>45,253</u>	<u>61,452</u>	<u>16,199</u>	
Total costs	213,545	229,894	16,349	
Less allowable costs exceeding costs claimed ²	—	(16,349)	(16,349)	
Less late filing penalty	(47)	(47)	—	
Total program costs	<u>\$ 213,498</u>	213,498	<u>\$ —</u>	
Less amount paid by the State		<u>(37,575)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 175,923</u>		

Revised Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>Summary: July 1, 1999, through June 30, 2002</u>				
District Attorney:				
Direct costs:				
Salaries	\$ 76,721	\$ 75,803	\$ (918)	
Benefits	17,428	16,850	(578)	
Services and supplies	9,911	7,778	(2,133)	
Training and travel	2,663	1,363	(1,300)	
Total direct costs	106,723	101,794	(4,929)	
Indirect costs	28,799	28,411	(388)	
Total, District Attorney	135,522	130,205	(5,317)	
Public Defender:				
Salaries	173,280	—	(173,280)	
Services and supplies	31,088	28,539	(2,549)	
Contract services	—	173,280	173,280	
Total, Public Defender	204,368	201,819	(2,549)	
Sheriff:				
Services and supplies	81,021	111,087	30,066	
Total, Sheriff	81,021	111,087	30,066	
Total costs	420,911	443,112	22,201	
Plus mathematical errors	300	—	(300)	
Less allowable costs exceeding costs claimed ²	—	(26,146)	(26,146)	
Less late filing penalty	(47)	(47)	—	
Total program costs	\$ 421,164	416,919	\$ (4,245)	
Less amount paid by the State		(161,572)		
Allowable costs claimed in excess of (less than) amount paid		\$ 255,347		

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 1999-2000 and FY 2001-02.

Revised Findings and Recommendations

**FINDING 1—
District Attorney
salaries overclaimed**

The county overclaimed salary costs incurred by the District Attorney’s Office as follows:

- For FY 1999-2000 through FY 2001-02, the county claimed salary costs for District Attorney’s Office personnel using base hourly rates that were computed incorrectly.
- For FY 1999-2000, the county did not provide documentation to support some of the labor hours claimed.
- For FY 2000-01, the county claimed salary costs for a senior accountant who did not perform any activities related to this mandate. Also, the county claimed some hours twice.

The parameters and guidelines specify that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

Claimed District Attorney salary costs have been adjusted as shown below. As fringe benefits and indirect costs were claimed as a percentage of salary costs claimed, they also have been adjusted.

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
District Attorney:				
Salaries	\$ (1,210)	\$ (2,005)	\$ 2,297	\$ (918)
Benefits	(320)	(513)	255	(578)
Indirect costs	(446)	(798)	856	(388)
Audit adjustments	\$ (1,976)	\$ (3,316)	\$ 3,408	\$ (1,884)

Recommendation

We recommend that the county ensure that all costs claimed are eligible increased costs incurred as a result of the mandate, and are supported by accounting records.

County’s Response

The county agreed with the finding.

**FINDING 2—
Services and supplies,
and training and travel
costs overclaimed**

The county overstated claimed costs totaling \$5,982 as follows:

District Attorney

For FY 1999-2000, the county claimed \$401 in services and supplies, and \$2,494 in training and travel. The county supported allowable costs totaling \$2,080 in services and supplies, and \$45 in training and travel. Consequently, services and supplies were understated by \$1,679, and training and travel were overstated by \$2,449.

For FY 2000-01, the county did not support any of the \$169 claimed for services and supplies.

For FY 2001-02, the county claimed \$5,418 in costs for services and supplies, and training and travel under services and supplies. Of that amount, the county supported allowable costs totaling \$1,775 in services and supplies, and \$1,149 in training and travel. Consequently, services and supplies were overstated by \$3,643, and training and travel were understated by \$1,149.

Public Defender

The county did not support \$400 in FY 1999-2000, \$1,554 in FY 2000-01, and \$3,258 in FY 2001-02. The unsupported costs consist of estimates for postage, telephone calls, and photography expenses.

The parameters and guidelines specify that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

Claimed District Attorney and Public Defender costs have been adjusted as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
District Attorney:				
Services and supplies	\$ 1,679	\$ (169)	\$ (3,643)	\$ (2,133)
Training and travel	(2,449)	—	1,149	(1,300)
Subtotals	(770)	(169)	(2,494)	(3,433)
Public Defender:				
Services and supplies	(400)	(1,385)	(764)	(2,549)
Audit adjustments	\$ (1,170)	\$ (1,554)	\$ (3,258)	\$ (5,982)

Recommendation

We recommend that the county ensure that all costs claimed are eligible increased costs incurred as a result of the mandate, and are supported by accounting records.

County’s Response

The county agreed with the finding.

**FINDING 3—
Misclassified Public
Defender costs**

The county misclassified \$173,280 of contract services costs incurred as salaries costs (\$28,210 for FY 1999-2000, \$61,010 for FY 2000-01, and \$84,060 for FY 2001-02). These costs were allowable contract services costs incurred for Public Defender services provided by a private attorney. We reclassified these costs as unallowable salaries costs and allowable contract services costs on the Summary of Program Costs schedule (Schedule 1)

The parameters and guidelines (section V.3–Claim Preparation and Submission–Contract Services) state that claimants should:

Provide the name(s) of the contractor(s) who performed the services, including any fixed contracts for services. Describe the reimbursable 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.

Recommendation

We recommend that the county claim costs under the proper classification within its mandated cost claims.

County’s Response

The county agreed with the finding.

**FINDING 4—
Sheriff’s Department
jail rates understated**

For FY 1999-2000 through FY 2001-02, the county understated the Sheriff’s Department’s daily jail housing rates when computing claimed costs because it used the approved California Department of Corrections rates rather than actual rates incurred.

The parameters and guidelines specify that local agencies are entitled to reimbursement for housing costs for each potential sexually violent predator at a secured facility while the individual awaits trial.

The auditor applied the understated jail rates to the actual number of days the inmates were housed to arrive at the understated housing costs. As a result, claimed costs were adjusted as follows:

	<u>Fiscal Year</u>			
	<u>1999-2000</u>	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
Sheriff:				
Allowable jail rate	\$ 70.48	\$ 69.60	\$ 80.12	
Less claimed jail rate	<u>(49.98)</u>	<u>(59.00)</u>	<u>(59.00)</u>	
Understated jail rate	20.50	10.60	21.12	
Number of days	<u>× 646</u>	<u>× 59</u>	<u>× 767</u>	
Understated housing costs	<u>\$ 13,243</u>	<u>\$ 625</u>	<u>\$ 16,199</u>	<u>\$ 30,067</u>

Recommendation

We recommend that the county ensure that actual jail housing rates are used in computing claimed costs.

County’s Response

The county agreed with the finding.

**State Controller's Office
Division of Audits
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