



**JOHN CHIANG**  
California State Controller

January 27, 2012

Vinod K. Sharma, Controller-Treasurer  
Santa Clara County  
County Government Center, East Wing  
70 West Hedding Street, 2<sup>nd</sup> Floor  
San Jose, CA 95110

Dear Mr. Sharma:

The State Controller's Office reviewed the costs claimed by Santa Clara County for the legislatively mandated Peace Officers Procedural Bill of Rights Program (Chapter 465, Statutes of 1976; Chapters 775, 1173, 1174, and 1178, Statutes of 1978; Chapter 405, Statutes of 1979; Chapter 1367, Statutes of 1980; Chapter 994, Statutes of 1982; Chapter 964, Statutes of 1983; Chapter 1165, Statutes of 1989; and Chapter 675, Statutes of 1990) for the period of July 1, 2007, through June 30, 2009. Our review was limited to validating employees' productive hourly rates.

The county claimed \$279,402 (\$293,582 less a \$14,180 penalty for filing late claims) for the mandated program. Our review disclosed that \$257,275 is allowable and \$22,127 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) 2007-08 and FY 2008-09 claims, the State made no payment to the county. Our review disclosed that \$257,275 is allowable. The State will pay that amount, contingent upon available appropriations.

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 website at [www.csm.ca.gov/docs/IRCForm.pdf](http://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/vb

Attachments

RE: S12-MCC-915

cc: Annie Tom, Senior Accountant  
Controller-Treasurer Department  
Santa Clara 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

**Attachment 1—  
Summary of Program Costs  
July 1, 2007, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries	\$ 60,831	\$ 56,195	\$ (4,636)
Benefits	21,399	19,768	(1,631)
Travel and Training	1,426	1,426	-
Total direct costs	83,656	77,389	(6,267)
Indirect costs	65,827	60,811	(5,016)
Total direct and indirect costs	149,483	138,200	(11,283)
Less late filing penalty	(9,281)	(9,281)	-
Total program costs	<u>\$ 140,202</u>	128,919	<u>\$ (11,283)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 128,919</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries	\$ 62,080	\$ 57,399	\$ (4,681)
Benefits	31,348	28,985	(2,363)
Travel and Training	279	279	-
Total direct costs	93,707	86,663	(7,044)
Indirect costs	50,392	46,592	(3,800)
Total direct and indirect costs	144,099	133,255	(10,844)
Less late filing penalty	(4,899)	(4,899)	-
Total program costs	<u>\$ 139,200</u>	128,356	<u>\$ (10,844)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 128,356</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment <sup>1</sup>
<u>Summary: July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Salaries	\$ 122,911	\$ 113,594	\$ (9,317)
Benefits	52,747	48,753	(3,994)
Travel and Training	1,705	1,705	-
Total direct costs	177,363	164,052	(13,311)
Indirect costs	116,219	107,403	(8,816)
Total direct and indirect costs	293,582	271,455	(22,127)
Less late filing penalty	(14,180)	(14,180)	-
Total program costs	<u>\$ 279,402</u>	257,275	<u>\$ (22,127)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 257,275</u>	

<sup>1</sup> See Attachment 2, Finding and Recommendation.

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## Attachment 2— Finding and Recommendation July 1, 2007, through June 30, 2009

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**FINDING—  
Overstated productive  
hourly rates**

The county claimed unallowable costs totaling \$22,127. 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 Hours 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 included training that benefits specific programs or employee classifications.

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 charged 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
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 the claimed and allowable productive hours for fiscal year (FY) 2007-08 and FY 2008-09:

	Fiscal Year	
	2007-08	2008-09
Claimed productive hours (A)	1,551.70	1,580.00
Break time	104.98	106.83
Training time	22.93	22.07
Allowable productive hours (B)	1,679.61	1,708.90
Review adjustment to productive hours $[(A) - (B)] \div (B)$	(7.62)%	(7.54)%

Attachment 3 provides detailed calculations of the review adjustment, which the table below summarizes:

Cost Elements	Fiscal Year		Total
	2007-08	2008-09	
Direct costs:			
Salaries	\$ (4,636)	\$ (4,681)	\$ (9,317)
Benefits	(1,631)	(2,363)	(3,994)
Total direct costs	(6,267)	(7,044)	(13,311)
Indirect costs	(5,016)	(3,800)	(8,816)
Review adjustment	\$ (11,283)	\$ (10,844)	\$ (22,127)

The program’s parameters and guidelines allow claimants to claim costs by using a reasonable reimbursement methodology or reporting actual costs. The county chose to claim actual costs. The parameters and guidelines state:

Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs. . . .

Recommendation

We recommend that the county:

- Calculate countywide average annual productive hours by deducting only those training hours applicable to county-required training attended by all county employees.
- Calculate countywide average annual productive hours by deducting only actual break time taken by all county employees. If the county does not wish to track actual break time taken, it may 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/Department	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
	Actual Costs Claimed <sup>1</sup>				Adjustment to Productive Hours	Review Adjustment <sup>1</sup>			Total
Salaries	Benefits	Indirect Cost Rate <sup>2</sup>	Indirect Costs	Salaries (Cols. [1] x [5])		Benefits (Cols. [2] x [5])	Indirect Costs (Cols. [4] x [5])		
Fiscal Year 2007-08:									
Sheriff	\$ 4,616	\$ 2,382	32.66%	\$ 2,286	(7.62)%	\$ (352)	\$ (182)	\$ (174)	\$ (708)
District Attorney	3,451	1,697	19.38%	998	(7.62)%	(263)	(129)	(76)	(468)
Probation	52,764	17,320	89.24%	62,543	(7.62)%	(4,021)	(1,320)	(4,766)	(10,107)
<b>Total, fiscal year 2007-08</b>	<b>\$ 60,831</b>	<b>\$ 21,399</b>		<b>\$ 65,827</b>		<b>(4,636)</b>	<b>(1,631)</b>	<b>(5,016)</b>	<b>(11,283)</b>
Fiscal Year 2008-09:									
Sheriff	\$ 2,203	\$ 1,142	34.90%	\$ 1,168	(7.54)%	(166)	(86)	(88)	(340)
District Attorney	5,652	2,975	23.32%	2,012	(7.54)%	(426)	(224)	(152)	(802)
Probation	54,225	27,231	57.96%	47,212	(7.54)%	(4,089)	(2,053)	(3,560)	(9,702)
<b>Total, fiscal year 2008-09</b>	<b>\$ 62,080</b>	<b>\$ 31,348</b>		<b>\$ 50,392</b>		<b>(4,681)</b>	<b>(2,363)</b>	<b>(3,800)</b>	<b>(10,844)</b>
<b>Total review adjustment</b>						<b>\$ (9,317)</b>	<b>\$ (3,994)</b>	<b>\$ (8,816)</b>	<b>\$ (22,127)</b>

<sup>1</sup> Calculation differences due to rounding.

<sup>2</sup> Indirect cost rate applied to salaries and benefits.