

# **PROPOSITION 47 SAFE NEIGHBORHOODS AND SCHOOLS FUND**

Report to the California State Legislature

**GRANTS PROGRAM OPERATED BY  
THE CALIFORNIA BOARD OF STATE AND  
COMMUNITY CORRECTIONS, CALIFORNIA  
VICTIM COMPENSATION BOARD, AND  
CALIFORNIA DEPARTMENT OF EDUCATION**

*July 1, 2020, through June 30, 2022*



**BETTY T. YEE**  
California State Controller

August 2022



**BETTY T. YEE**  
**California State Controller**

August 5, 2022

Members of the California State Legislature and the People of California  
State Capitol Building  
Sacramento, CA 95814

Dear Senators, Assembly Members, and People of California:

I am pleased to present you with the State Controller's Office biennial report concerning the Proposition 47 Safe Neighborhoods and Schools Fund Grants Program operated by the California Board of State and Community Corrections, the California Victim Compensation Board, and the California Department of Education. This report has been prepared pursuant to Government Code section 7599.2(c).

During this reporting period, the State Controller's Office completed audits of seven grantees that received funds from these administrative agencies.

We reviewed \$3,817,031 in grantee expenditures. We found \$1,539,679 in unallowable and questioned costs.

Please direct any questions regarding this report to Kimberly Tarvin, CPA, Chief of our Division of Audits, at (916) 324-1696.

Sincerely,

*Original signed by*

BETTY T. YEE

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# Overview

## Summary

This report summarizes the results of the State Controller's Office (SCO) audit of the Proposition 47 Safe Neighborhoods and Schools Fund (SNSF) Grants Program during the period of July 1, 2020, through June 30, 2022. This report has been prepared pursuant to Government Code (GC) section 7599.2(c).

SCO completed audits of the following seven grantees:

- San Francisco Department of Public Health for the period of July 1, 2016, through June 30, 2019;
- Alameda County Health Care Services Agency for the period of July 1, 2016, through June 30, 2019;
- Fathers and Families of San Joaquin for the period of July 1, 2017, through June 30, 2019;
- Special Service for Groups for the period of July 1, 2017, through June 30, 2019;
- El Rancho Unified School District for the period of July 1, 2017, through June 30, 2020;
- Bellflower Unified School District for the period of July 1, 2017, through June 30, 2020; and
- Regents of the University of California, San Francisco Trauma Recovery Center for the period of July 1, 2018, through June 30, 2020.

The purpose of these audits was to determine whether program funds were disbursed and expended in accordance with program guidelines and grant requirements, as required by GC section 7599.2(c), and applicable laws and regulations.

We reviewed \$3,817,031 in grantee expenditures. We found \$1,539,679 in unallowable and questioned costs. The majority of questioned costs (\$1,205,324 of \$1,539,679) resulted from a lack of proper payroll supporting documentation at the Regents of the University of California, San Francisco Trauma Recovery Center. Except for the issues described in the Audit Results section, we found that the grantees were generally in compliance with the program guidelines and grant requirements, and that program funds were disbursed and expended legally, properly, and in accordance with program requirements.

The audit reports identified 10 findings that are broadly classified as follows:

- Non-compliance with established criteria;
- Unallowable labor costs;
- Unsupported program expenditures;
- Unallowable program expenditures;

- Lack of adequate accounting policies and procedures to ensure that invoices were properly reviewed and approved; and
- Ineligible administrative costs.

The Audit Results section of this report summarizes our audits of the seven grantees.

## **Background**

On November 4, 2014, California voters approved Proposition 47, which reduces penalties for certain offenders convicted of non-serious and nonviolent property and drug crimes. It also allows some offenders to apply for reduced sentences. Proposition 47 established the Safe Neighborhoods and Schools Fund, which is funded by savings that accrue to the State from implementation of the measure. This mandate is expected to save significant state corrections dollars annually.

Savings resulting from Proposition 47 are transferred to the Safe Neighborhoods and Schools Fund to be used in support of truancy reduction and drop-out prevention programs for public school pupils in grades K through 12, increase victim services grants, and support substance abuse and mental health treatment and diversion programs for people in the criminal justice system.

The fiscal year (FY) 2021-22 governor's budget summary estimates net General Fund savings of \$116.2 million from Proposition 47 in FY 2020-21, an increase of \$37.8 million over the estimated savings in FY 2019-20.

## **Audit Authority**

GC section 7599.2(c) requires the Controller, every two years, to conduct an audit of the Proposition 47 SNSF Grants Program operated by the California Board of State and Community Corrections (BSCC), the California Victim Compensation Board (CalVCB), and the California Department of Education (CDE) to ensure that the funds are disbursed and expended solely according to that chapter, and to report his or her findings to the California State Legislature and the public.

In addition, GC section 12410 provides SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law.

## **Objective, Scope, and Methodology**

The objective of our audits of grantees is to ensure that grant fund expenditures are adequately accounted for, and disbursed and expended as required, in compliance with applicable laws, regulations, and agreement terms and conditions.

To achieve our objective, we:

- Identified the Proposition 47 SNSF Grants Program background, criteria, purpose, and requirements by reviewing the Governor's Budgets for FY 2016-17 through FY 2019-20, GC sections 7599 through 7599.2, and the California Department of Finance fund classification and basis for the Safe Neighborhoods and Schools Fund;

- Interviewed key personnel, completed internal control questionnaires, and performed a limited walk-through of critical controls in order to gain a general understanding of internal controls related to the Proposition 47 SNSF Grants Program, such as procedures performed by staff when reviewing and approving expenditures, monitoring the Proposition 47 SNSF Grants Program, and recording disbursements and expenditures in financial management system.
- Assessed internal controls related to the Proposition 47 SNSF Grants Program by reviewing policies and procedures, guidelines, grant agreements, and grant processes; identified controls critical to our audit objective; and conducted limited tests of those controls to determine whether the controls were functioning as intended, and whether grantees were in compliance with applicable provisions of laws, regulations, and established criteria; and
- Performed various audit procedures on grant dollars awarded, disbursed and expended.

None of these audits included objectives related to economy or efficiency measures.

The seven grantees were awarded a total of \$17,624,149, of which \$9,573,290 was disbursed. Total grantee expenditures were \$9,206,090. We reviewed \$3,817,031 in grantee expenditures and found \$1,539,679 in unallowable and questioned costs.

# Audit Results

## Introduction

The audit results and findings for the seven grantees are summarized below. The auditees' responses to the audit results and recommendations are also summarized. The full audit reports for the seven audits summarized below are available online at [www.sco.ca.gov](http://www.sco.ca.gov).

## San Francisco Department of Public Health FY 2016-17 through FY 2018-19

BSCC awarded San Francisco Department of Public Health (SFDPH) with \$5,999,993 in Proposition 47 SNSF grant funds, and BSCC disbursed \$1,761,984 (\$0 in FY 2016-17, \$180,700 in FY 2017-18, and \$1,581,284 in FY 2018-19) to SFDPH. We verified that SFDPH expended the same amounts that it received (\$0 in FY 2016-17, \$180,700 in FY 2017-18, and \$1,581,284 in FY 2018-19).

Our audit found that SFDPH:

- Did not provide sufficient documentation to support expenditures claimed for community-based organization (CBO) subcontractors totaling \$19,541 (Finding 1); and
- Was reimbursed for unallowable subcontractor startup costs totaling \$98,547 (Finding 2).

### **FINDING 1— Unsupported program expenditures**

SFDPH did not provide sufficient documentation to support \$17,765 in Proposition 47 SNSF Grants Program expenditures claimed and paid to CBO subcontractors in FY 2017-18 and FY 2018-19. Program staff did not review reimbursement requests for completeness, accuracy, and compliance with the grant agreement in order to verify that claimed costs were eligible and supported by sufficient documentation. We did not allow the indirect costs of \$1,776 (or 10% of \$17,765) associated with the unsupported contract costs. A total \$19,541 in unsupported costs was charged to the Proposition 47 SNSF Grants Program.

We recommended that SFDPH:

- Ensure that all CBO subcontract costs charged to the Proposition 47 SNSF Grants Program are eligible, allowable, supported, reasonable, properly recorded, and in accordance with the grant agreement and program requirements;
- Make necessary accounting corrections for the \$17,765 in unsupported CBO subcontract costs and the associated indirect costs of \$1,776 charged to the Proposition 47 SNSF Grants Program; and
- Reimburse the BSCC by \$19,541 for the unallowable CBO subcontract costs and the associated indirect costs claimed, or offset \$19,541 on future claims to the BSCC.

SFDPH agreed with this finding.

**FINDING 2—  
Unallowable  
program  
expenditures**

SFDPH reimbursed \$89,588 of startup costs—including personnel costs—and operating costs to a CBO subcontractor from July 2017, through December 2017. We found that these costs were unallowable, as they were not budgeted for in the grant agreement between BSCC and SFDPH and the approved Grant Proposal/Application for the Proposition 47 SNSF Grants Program. The CBO was contracted only to provide detoxification and residential treatment beds for Proposition 47-eligible participants, based on unit service fees including administration, utilities, food, housing, clinical services, and residential care and safety-related costs.

In addition, SFDPH did not obtain pre-approval budget modification from the BSCC, and was unable to provide any established criteria indicating that the startup costs were allowable for reimbursement. We did not allow the indirect costs of \$8,959 (or 10% of \$89,588) associated with the unallowable contract costs. A total of \$98,547 in unallowable costs was charged to the Proposition 47 SNSF Grants Program.

We recommended that SFDPH:

- Ensure that all CBO subcontract costs charged to the Proposition 47 SNSF Grants Program are eligible, allowable, supported, reasonable, properly recorded, and in accordance with the grant agreement and program requirements;
- Make necessary accounting corrections for the \$89,588 in unallowable CBO subcontract costs and the associated indirect costs of \$8,959 charged to the Proposition 47 SNSF Grants Program; and
- Reimburse the BSCC by \$98,547 for the unallowable CBO subcontract costs and the associated indirect costs claimed, or offset \$98,547 on future claims to the BSCC.

SFDPH did not agree with this finding, and indicated that it was working closely with BSCC to request a retroactive formal approval for the start-up costs. SFDPH also indicated that it had worked closely with the BSCC to ensure appropriate use of grant funding. Furthermore, SFDPH asserted that start-up costs are an appropriate use of grant funding and were discussed with the BSCC prior to invoicing; and that the invoices in question were under desk audit with the BSCC and there were no findings at that time.

SFDPH's disagreement and assertions did not change our finding and recommendation.

**Alameda County Health Care Services Agency  
FY 2016-17 through FY 2018-19**

BSCC awarded the Alameda County Health Care Services Agency (AC HCSA) with \$6,000,000 in Proposition 47 SNSF grant funds, and BSCC disbursed \$2,390,442 (\$0 in FY 2016-17, \$749,496 in FY 2017-18, and \$1,640,946 in FY 2018-19) to AC HCSA. We verified that AC HCSA expended the same amounts that it received (\$0 in FY 2016-17, \$749,496 in FY 2017-18, and \$1,640,946 in FY 2018-19).

Our audit found that AC HCSA did not adequately account for subcontractor costs totaling \$79,614, as summarized in the finding on the next page.



**FINDING—  
Unallowable  
program  
expenditures**

Our audit found that AC HCSA did not adequately account for CBO subcontractors' costs of \$74,060 charged to the Proposition 47 SNSF Grants Program in FY 2017-18 and FY 2018-19. We identified \$74,060 in questioned program costs associated with CBO subcontractor flexible funds, for which AC HCSA did not keep sufficient financial and/or accounting records for grant reimbursement. We also questioned the indirect costs of \$5,554 (or 7.5% of \$74,060) associated with the questioned subcontractor direct costs. A total of \$79,614 in questioned costs was charged to the Proposition 47 SNSF Grants Program.

We recommended that AC HCSA:

- Review and examine supporting documentation for the CBO subcontractor costs of \$74,060 for flexible funds to ensure that all CBO subcontractor costs charged to the Proposition 47 SNSF Grants Program are eligible, allowable, supported, reasonable, properly recorded, and in accordance with grant agreement and program requirements;
- Remit to the BSCC the CBO subcontractor claimed costs and associated indirect costs not expended for eligible project costs that are in violation of the terms, provisions, conditions, or commitments of the grant agreement; and
- Conduct robust and comprehensive reviews of the CBO subcontractor flexible-fund costs and supporting documentation for Proposition 47 grant reimbursement claims.

AC HCSA did not agree with the finding, and asserted that the expenditures were supported by sufficient documentation to identify the client, client eligibility, expenditure eligibility under Proposition 47, the purpose of the expenditure, and the appropriate approvals. AC HCSA also indicated that it would discuss questioned costs with BSCC.

AC HCSA's disagreement and assertions did not change our finding and recommendation. AC HCSA obtained only a summary spreadsheet of the expenses prior to paying the CBOs. AC HCSA should have obtained source documents such as invoices, receipts, justification memos, and proofs of payment. We eventually obtained documentation to support some of the costs that AC HCSA disputed. We agree that AC HCSA should review and discuss these costs with BSCC prior to remitting payment for any costs that are in violation of the terms, provisions, conditions or commitments of the grant agreement.

**Fathers and Families of San Joaquin  
FY 2017-18 through FY 2018-19**

CalVCB awarded Fathers and Families of San Joaquin (FFSJ) with \$587,172 in Proposition 47 SNSF grant funds, and CalVCB disbursed the entire amount to FFSJ in FY 2017-18. We verified that FFSJ expended in FY 2017-18 the same amount that it received.

Our audit found that FFSJ:

- Did not adequately account for \$1,706 in operating costs (Finding 1); and
- Was reimbursed for unallowable salaries and benefits totaling \$4,436 (Finding 2).

**FINDING 1—  
Unallowable  
operating costs**

FFSJ incurred a total of \$1,706 in unallowable costs. FFSJ incurred \$1,331 in parking and utility costs prior to the grant agreement's July 1, 2017 Notice to Proceed date. FFSJ also incurred \$375 in transportation voucher costs for which FFSJ did not maintain sufficient documentation; we were unable to determine whether the transportation vouchers were for grant-related purposes as defined by the grant agreement. We recommended that FFSJ offset the unallowable \$1,706 in operating costs from future costs claimed, or return \$1,706 to CalVCB.

FFSJ did not agree with this finding, and asserted that there were no long-term liabilities, as it submitted the May 2017 invoice at the end of June 2017. FFSJ asserted that the parking and utilities costs are allowable because they were incurred before the grant agreement's Notice to Proceed date.

FFSJ's disagreement and assertions did not change our finding and recommendation. FFSJ was not permitted to incur any grant-related costs prior to issuance of the Notice to Proceed date, and was required to maintain sufficient documentation for grant reimbursement per the grant agreement. Therefore, CalVCB should seek and receive reimbursement from FFSJ for the unallowable operating costs of \$1,706.

**FINDING 2—  
Unallowable  
salaries and  
benefits**

FFSJ did not fully comply with the terms of its contract budget with CalVCB, and did not adequately account for salary expenditures and associated fringe benefits. The unallowable salaries and benefits totaled \$4,436.

FFSJ claimed and was reimbursed \$2,055 in Proposition 47 SNSF grant funds for time worked. This represented 100% of the employee's time. However, according to FFSJ's contract budget with CalVCB, only 50% of time worked by this position may be charged to the Proposition 47 SNSF Grants Program. Therefore, a total of \$1,336—comprised of \$1,028 in claimed salaries and benefits, and \$308 in associated fringe benefits—is unallowable.

In addition, FFSJ claimed and was reimbursed \$3,100 in Proposition 47 SNSF grant funds in April 2018 for time worked by an employee who had resigned during the prior month. Although FFSJ provided CalVCB with a corrected invoice in July 2018, showing \$0 claimed for this employee, FFSJ could not provide us with documentation showing any offset in future invoice claim(s) or reimbursement to CalVCB for the claimed costs of \$3,100. We recommended that FFSJ offset the unallowable \$4,436 in salary and benefits from future costs claimed, or return \$4,436 to CalVCB.

FFSJ did not agree with this finding. FFSJ asserted that its Human Resource system did not reflect the employee's resignation upon separation, and that this error was identified within 72 hours, at which point FFSJ immediately notified CalVCB of the improper classification of the employee. In addition, FFSJ indicated that it was verbally advised that the transfer of the full 100% of the time for the other employee was allowable.

FFSJ's disagreement and assertions did not change our finding and recommendation. Although the grant agreement provided for reimbursement of 50% of the time worked by an employee, FFSJ claimed and was reimbursed for 100% of the time worked. FFSJ was also required to maintain sufficient documentation for grant reimbursement per the grant agreement. Therefore, CalVCB should seek and receive reimbursement from FFSJ for the unallowable salaries and benefits totaling \$4,436.

### **Special Service for Groups FY 2017-18 through FY 2018-19**

CalVCB awarded Special Service for Groups (SSG) with \$1,369,946 in Proposition 47 SNSF grant funds, and CalVCB disbursed \$1,191,613 (\$561,361 in FY 2017-18, and \$630,252 in FY 2018-19) to SSG. We verified that SSG expended the same amounts that it received (\$561,361 in FY 2017-18, and \$630,252 in FY 2018-19).

Our audit found that SSG:

- Did not adequately account for labor costs totaling \$8,883 (Finding 1); and
- Was reimbursed for unallowable travel costs totaling \$249 (Finding 2).

#### **FINDING 1— Unallowable labor costs**

SSG did not adequately account for the labor costs charged to the Proposition 47 SNSF Grants Program. The unallowable salaries and benefits totaled \$8,460, and unallowable related indirect costs totaled \$423.

SSG erroneously charged an employee's time to the program in the fourth-quarter FY 2017-18 invoice (April through June 2018). The timesheet and Personnel Action Form indicated that this employee transferred to another program in the second pay period of April 2018. We also found that this employee's time for May and June 2018 was charged to the program although the employee resigned on April 30, 2018. SSG claimed ineligible and unsupported salaries of \$7,023 and related fringe benefits of \$1,437. We also found that indirect costs associated with the unallowable salaries and benefits totaling \$423 (or 5% of \$8,460) were unallowable. Therefore, a total of \$8,883 in unallowable labor costs was charged to the Proposition 47 SNSF Grants Program.

We recommended that SSG:

- Ensure that all labor costs charged to the Proposition 47 SNSF Grants Program are program-related, eligible, allowable, supported, reasonable, and in accordance with the grant agreement and program requirements;
- Make necessary accounting corrections for the labor costs of \$8,883 charged to the Proposition 47 SNSF Grants Program; and
- Reimburse \$8,883 to CalVCB for the unallowable labor costs claimed, or request that CalVCB offset SSG's future claims by \$8,883.

SSG agreed with our audit results.

**FINDING 2—  
Unallowable travel  
costs**

SSG did not adequately account for travel costs charged to the Proposition 47 SNSF Grants Program in FY 2017-18 and FY 2018-19. Specifically, SSG was unable to provide travel expense claim forms or other supporting documentation that corresponded to the billed receipts. Therefore, we were unable to determine whether the claimed costs were for performing eligible program activities. The unallowable costs totaled \$237 and unallowable indirect costs totaled \$12.

We recommended that SSG:

- Maintain adequate supporting documentation for all claims for program reimbursement;
- Make necessary accounting corrections for the travel costs of \$249 charged to the Proposition 47 SNSF Grants Program;
- Provide adequate training to program staff who process invoices billed to the Proposition 47 SNSF Grants Program to ensure that they understand the grant requirements;
- Ensure that staff members comply with state policies for travel claims; and
- Reimburse \$249 to CalVCB for the unallowable travel costs claimed, or request that CalVCB offset SSG's future claims by \$249.

SSG agreed with our audit results.

**El Rancho Unified School District  
FY 2017-18 through FY 2019-20**

CDE awarded El Rancho Unified School District (ERUSD) with \$1,155,134 in Proposition 47 SNSF grant funds, and CDE disbursed the entire amount (\$385,045 in FY 2017-18, \$385,045 in FY 2018-19, and \$385,044 in FY 2019-20) to ERUSD. We verified that ERUSD expended \$884,239 in Proposition 47 SNSF grant funds (\$270,012 in FY 2017-18, \$368,090 in FY 2018-19, and \$246,137 in FY 2019-20).

Our audit found that ERUSD expended \$121,380 in Proposition 47 SNSF grant funds to continue an existing after-school program instead of expanding the program to a middle school, as required by the grant agreement. This finding is summarized on the next page.

**FINDING—  
Unallowable  
subcontractor costs**

Our audit found that ERUSD did not expend \$121,380 of Proposition 47 SNSF Grants Program funds in accordance with the grant agreement. Specifically, ERUSD used grant funds to continue funding an existing after-school program at a high school instead of expanding the after-school program to a middle school, as indicated in the grant agreement, resulting in unallowable subcontractor costs of \$119,061 and unallowable associated indirect costs of \$2,319.

We recommended that ERUSD:

- Provide adequate management oversight of the Proposition 47 SNSF Grants Program;
- Ensure that all subcontractor costs charged to the Proposition 47 SNSF Grants Program are program-related, eligible, allowable, supported, reasonable, and in accordance with the grant agreement and program requirements;
- Make necessary accounting corrections for the subcontractor costs of \$119,061 and associated indirect costs of \$2,319; and
- Reimburse subcontractor costs of \$119,061 and indirect costs of \$2,319 to CDE's Proposition 47 SNSF Grants Program.

ERUSD disagreed with this finding, and asserted that the grant program included funds to expand the Boys and Girls Club services to middle school students. Upon grant award (July 2017) ERUSD stated that it was waiting for direction from the Boys and Girls Club to begin that program. Toward the end of November or the beginning of December 2017, ERUSD was informed by the Boys and Girls Club that it had not been able to secure private funding to sustain the program at the high school (funded by California Gang Reduction, Intervention and Prevention Program grant from the city of Pico Rivera) that would end operations on December 31, 2021. Neither the city of Pico Rivera nor the ERUSD was able to absorb the costs for this program with operating funds.

In a December 2017 telephone call, ERUSD informed its grant contact of the situation with the subcontractor. ERUSD's high school students represented a larger at-risk population, with risk factors that would be directly addressed by Boys and Girls Club, than its middle school population. The program at the high school would be offered to all ERUSD students in grades 9 through 12, whereas the Boys and Girls Club was limited through the California Gang Reduction, Intervention and Prevention Program grant to students involved with juvenile gang activity. ERUSD was informed that it would not have to submit a budget modification, as the change in population served would not have an impact on the budget.

ERUSD's disagreement and assertions did not change our finding and recommendation. Although ERUSD asserted that it had received verbal approval from CDE, which we could not verify, the district should have received written permission from CDE prior to implementing the changes. CDE's Learning Communities for School Success Program Guidelines state that applicants must expend grant funds based on their approved program grant applications or written permission received from CDE prior to implementing changes to the approved program applications.

**Bellflower Unified School District**  
**FY 2017-18 through FY 2019-20**

CDE awarded Bellflower Unified School District (BUSD) with \$1,045,955 in Proposition 47 SNSF grant funds, and CDE disbursed the entire amount (\$348,652 in FY 2017-18; \$348,652 in FY 2018-19, and \$348,651 in FY 2019-20) to BUSD. We verified that BUSD expended \$949,650 in Proposition 47 SNSF grant funds (\$214,811 in FY 2017-18, \$240,702 in FY 2018-19, and \$494,137 in FY 2019-20).

Our audit found that BUSD adequately accounted for Proposition 47 SNSF grant expenditures, and ensured that program funds were properly disbursed and expended in accordance with program guidelines and grant agreements, and as required by GC section 7599.2(c).

**Regents of the University of California, San Francisco**  
**Trauma Recovery Center**  
**FY 2018-19 through FY 2019-20**

CalVCB awarded the Regents of the University of California, San Francisco (UCSF) Trauma Recovery Center (TRC) with \$1,465,949 in Proposition 47 SNSF grant funds, and CalVCB disbursed \$1,440,989 (\$803,161 in FY 2018-19, and \$637,828 in FY 2019-20) to UCSF TRC. We verified that UCSF TRC expended the same amounts that it received (\$803,161 in FY 2018-19, and \$637,828 in FY 2019-20).

Our audit found that UCSF TRC:

- Did not prepare and maintain sufficient documentation to substantiate labor costs totaling \$1,205,324 (Finding 1); and
- Did not adequately account for labor costs totaling \$15,868 (Finding 2).

**FINDING 1—**  
**Insufficient**  
**supporting**  
**documentation for**  
**labor costs**

UCSF claimed labor costs based on the percentage of time that individual employees worked on Proposition 47 grant activities. The percentage of time claimed was based on budgeted estimates. Due to a lack of time accounting records or equivalent data, we were unable to determine whether the percentage of time claimed for each employee was accurate, or whether estimates of time spent on Proposition 47 grant activities were reasonable. Consequently, we questioned the labor costs totaling \$1,205,324.

UCSF provided employee timesheets to support labor costs; however, the timesheets did not support hours worked specifically on Proposition 47 activities. UCSF provided patient log data to CalVCB as part of program reporting, but not for invoicing purposes. Although the clinical logs indicate that UCSF staff members were engaged in grant activities, we were unable to use these logs to verify the actual percentage of time that employees were engaged in such activities. Because we were unable to determine whether the percentage of time claimed for each employee was accurate, or whether estimates of time spent on Proposition 47 activities

were reasonable, we questioned the labor costs claimed by UCSF comprising \$872,783 in salaries; \$275,145 in fringe benefits; and \$57,396 in associated indirect costs.

We also identified instances in which timesheets were submitted but not approved, or no timesheets were available to support the claimed costs. We reviewed 408 timesheets (100% of the billed employees' timesheets) for the audit period, and found that 73 timesheets included exceptions.

We recommended that UCSF:

- Prepare and maintain sufficient documentation to substantiate labor costs, in accordance with the *University of California Accounting Manual*;
- Ensure that all labor costs charged to the Proposition 47 SNSF Grants Program are program-related, eligible, allowable, supported, reasonable, and in accordance with the grant agreement and program requirements; and
- Provide supporting documentation for all labor costs billed to CalVCB.

UCSF did not agree with this finding, and asserted that its payroll system and procedures ensure a reasonable representation of time spent as an indication of work completed for all employees. UCSF further asserted that CalVCB required a complete and detailed review of submitted invoices, including detailed justification and documentation for all charges, prior to making payment. UCSF reasoned that the payment of all invoices during the audit period indicated that CalVCB believed sufficient supporting documentation for labor charges had been provided at the time each invoice payment was made, and that the charges aligned with the work completed during the invoice period.

UCSF's disagreement and assertions did not change our finding and recommendation. UCSF lacked accounting records or equivalent data. Therefore, we were unable to determine whether the percentage of time claimed for each employee was accurate, and whether estimates of time spent on Proposition 47 grant activities were reasonable.

**FINDING 2—  
Inadequate  
accounting for  
labor costs**

UCSF TRC did not adequately account for labor costs of \$15,868. In FY 2018-19, UCSF TRC incorrectly charged the time of the TRC Director's and Clinical Coordinator's time to the program. Human Resources records indicated that both employees were on extended leave of absence during the period. Although UCSF TRC explained that acting clinicians worked additional hours to fulfill their primary and acting duties, charging the TRC Director's and Clinical Coordinator's labor costs in lieu of work performed by the acting officers was unallowable, and not supported. The unallowable labor costs include \$11,171 in salaries and wages; \$3,940 in fringe benefits; and \$756 in associated indirect costs. We recommended that UCSF TRC:

- Ensure that all labor costs charged to the Proposition 47 SNSF Grants Program are program-related, eligible, allowable, supported,

reasonable, and in accordance with grant agreement and program requirements;

- Make necessary accounting corrections for the labor costs totaling \$15,868 (salaries and associated benefits of \$15,112, and indirect costs of \$756) over-charged to the Proposition 47 SNSF Grants Program; and
- Reimburse \$15,868 to CalVCB for the unallowable costs claimed, or request that CalVCB offset UCSF TRC's future claims by \$15,868.

UCSF agreed with this finding.



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