

# **CITY OF SAN JOSE**

Audit Report

## **OPEN MEETINGS ACT/BROWN ACT REFORM PROGRAM**

Chapter 641, Statutes of 1986;  
and Chapters 1136 through 1138, Statutes of 1993

*July 1, 2005, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

August 2016



**BETTY T. YEE**  
California State Controller

August 18, 2016

The Honorable Sam Liccardo, Mayor  
City of San Jose  
200 East Santa Clara Street, 18<sup>th</sup> Floor  
San Jose, CA 95113

Dear Mr. Liccardo:

The State Controller's Office audited the costs claimed by the City of San Jose for the legislatively mandated Open Meetings Act/Brown Act Reform Program (Chapter 641, Statutes of 1986; and Chapters 1136 through 1138, Statutes of 1993) for the period of July 1, 2005, through June 30, 2012.

The city claimed \$755,162 for the mandated program. Our audit found that \$636,291 is allowable and \$118,871 is unallowable. The costs are unallowable primarily because the city overstated its standard-time costs and associated indirect costs by applying an incorrect blended productive hourly rate to the eligible agenda items. The city also misstated its indirect cost rates in the last two years of the audit period. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling \$636,291, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/ljs

cc: Julia H. Cooper, Director of Finance  
City of San Jose  
Grace Martinez, Deputy Director  
Department of Finance, City of San Jose  
Inderdeep Dhillon, Principal Accountant  
Department of Finance, City of San Jose  
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State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the City of San Jose for the legislatively mandated Open Meetings Act/Brown Act Reform Program (Chapter 641, Statutes of 1986; and Chapters 1136 through 1138, Statutes of 1993) for the period of July 1, 2005, through June 30, 2012.

The city claimed \$755,162 for the mandated program. Our audit found that \$636,291 is allowable and \$118,871 is unallowable. The costs are unallowable primarily because the city overstated its standard-time costs and associated indirect costs by applying an incorrect blended productive hourly rate to the eligible agenda items. The city also misstated its indirect cost rates in the last two years of the audit period. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling \$636,291, contingent upon available appropriations.

## Background

### Open Meetings Act Program

Chapter 913641, Statutes of 1986, added Government Code sections 54954.2 and 54954.3. Section 54954.2 requires the legislative body of a local agency, or its designee, to post an agenda containing a brief general description of each item or business to be transacted or discussed at the regular meeting, subject to exceptions stated therein, specifying the time and location of the regular meeting. It also requires that the agenda to be posted at least 72 hours before the meeting in a location freely accessible to the public. Section 54954.3 requires members of the public to be provided an opportunity to address the legislative body on specific agenda items or an item of interest that is within the subject matter jurisdiction of the legislative body. The legislation requires that this opportunity be stated on the posted agenda.

### Open Meetings Act/Brown Act Reform Program

Chapters 1136 through 1138, Statutes of 1993, amended Government Code sections 54952, 54954.2, 54957.1, and 54957.7, expanding the types of legislative bodies that are required to comply with the notice and agenda requirements of sections 54954.2 and 54954.3. These sections also require all legislative bodies to perform additional activities related to the closed session requirements of the Brown Act.

The Commission on State Mandates (Commission) determined that the Open Meetings Act Program (October 22, 1987) and the Open Meetings Act/Brown Act Reform Program (June 28, 2001) resulted in state-mandated costs that are reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted parameters and guidelines on September 22, 1988 (last amended on November 30, 2000) for the Open Meetings Act Program, and on April 25, 2002, for the Open Meetings Act/Brown Act Reform Program. 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.

The Open Meetings Act Program was effective August 29, 1986. Commencing in fiscal year (FY) 1997-98, a local agency may claim costs using the actual time reimbursement option, the standard-time reimbursement option, or the flat rate reimbursement option as specified in parameters and guidelines. The Open Meetings Act/Brown Act Reform Program was effective for FY 2001-02.

Based on the passage of Proposition 30 adopted by the voters on November 7, 2012, the Department of Finance filed a request for redetermination of the Open Meetings Act and Brown Act Reform Program. On January 23, 2015, the Commission found that the Open Meetings Act/Brown Act Reform Program no longer constitutes a reimbursable state-mandated program, effective November 7, 2012.

## **Objectives, Scope, and Methodology**

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Open Meetings Act/Brown Act Reform Program for the period of July 1, 2005, through June 30, 2012.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted this 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's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the city's financial statements.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed annual claims filed with SCO to identify any mathematical errors and performed analytical procedures to determine any unusual or unexpected variances from year-to-year.
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained.

- Judgmentally selected a haphazard sample of agenda preparation and posting costs claimed and traced the costs to documentation to determine that the costs were supported and related to the mandated program.
- Traced blended productive hourly rate calculations for county employees to supporting documentation in the county's payroll system.
- Inquired whether the county realized any offsetting savings or reimbursements from the statutes which created the mandated program.

## **Conclusion**

Our audit found instances of noncompliance with program requirements. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, the City of San Jose claimed \$755,162 for costs of the Open Meetings Act/Brown Act Reform Program. Our audit found that \$636,291 is allowable and \$118,871 is unallowable. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling \$636,291, contingent upon available appropriations.

## **Views of Responsible Officials**

We issued a draft audit report on July 8, 2016. Derek Hansel, Assistant Director, Department of Finance, responded by letter dated July 26, 2016 (Attachment), agreeing with the audit results. This final report includes the city's response.

## **Restricted Use**

This report is solely for the information and use of the City of San Jose, 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, CPA  
Chief, Division of Audits

August 18, 2016

**Schedule—  
Summary of Program Costs  
July 1, 2005, through June 30, 2012**

| Cost Elements  | Actual Costs<br>Claimed | Allowable per<br>Audit | Audit<br>Adjustment | Reference |
|--|-------------------------|------------------------|---------------------|-----------|
| <u>July 1, 2005, through June 30, 2006</u>                   |                         |                        |                     |           |
| Standard time  | \$ 44,980               | \$ 32,419              | \$ (12,561)         | Finding 1 |
| Flat rate  | 22,113                  | 22,113                 | -                   |           |
| Total direct costs   | 67,093                  | 54,532                 | (12,561)            |           |
| Indirect costs   | 5,593                   | 4,550                  | (1,043)             | Finding 2 |
| Total program costs  | <u>\$ 72,686</u>        | 59,082                 | <u>\$ (13,604)</u>  |           |
| Less amount paid by the State                                |                         | -                      |                     |           |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 59,082</u>       |                     |           |
| <u>July 1, 2006, through June 30, 2007</u>                   |                         |                        |                     |           |
| Standard time  | \$ 54,890               | \$ 38,808              | \$ (16,082)         | Finding 1 |
| Flat rate  | 26,079                  | 26,079                 | -                   |           |
| Total direct costs   | 80,969                  | 64,887                 | (16,082)            |           |
| Indirect costs   | 5,897                   | 4,789                  | (1,108)             | Finding 2 |
| Total program costs  | <u>\$ 86,866</u>        | 69,676                 | <u>\$ (17,190)</u>  |           |
| Less amount paid by the State                                |                         | -                      |                     |           |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 69,676</u>       |                     |           |
| <u>July 1, 2007, through June 30, 2008</u>                   |                         |                        |                     |           |
| Standard time  | \$ 49,800               | \$ 35,454              | \$ (14,346)         | Finding 1 |
| Flat rate  | 36,367                  | 36,367                 | -                   |           |
| Total direct costs   | 86,167                  | 71,821                 | (14,346)            |           |
| Indirect costs   | 4,934                   | 3,489                  | (1,445)             | Finding 2 |
| Total program costs  | <u>\$ 91,101</u>        | 75,310                 | <u>\$ (15,791)</u>  |           |
| Less amount paid by the State                                |                         | -                      |                     |           |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 75,310</u>       |                     |           |
| <u>July 1, 2008, through June 30, 2009</u>                   |                         |                        |                     |           |
| Standard time  | \$ 45,971               | \$ 32,620              | \$ (13,351)         | Finding 1 |
| Flat rate  | 57,615                  | 57,615                 | -                   |           |
| Total direct costs   | 103,586                 | 90,235                 | (13,351)            |           |
| Indirect costs   | 6,144                   | 6,974                  | 830                 | Finding 2 |
| Total program costs  | <u>\$ 109,730</u>       | 97,209                 | <u>\$ (12,521)</u>  |           |
| Less amount paid by the State                                |                         | -                      |                     |           |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 97,209</u>       |                     |           |
| <u>July 1, 2009, through June 30, 2010</u>                   |                         |                        |                     |           |
| Standard time  | \$ 53,279               | \$ 44,064              | \$ (9,215)          | Finding 1 |
| Flat rate  | 82,804                  | 82,804                 | -                   |           |
| Total program costs  | <u>\$ 136,083</u>       | 126,868                | <u>\$ (9,215)</u>   |           |
| Less amount paid by the State                                |                         | -                      |                     |           |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 126,868</u>      |                     |           |



## Schedule (continued)

| Cost Elements  | Actual Costs<br>Claimed | Allowable per<br>Audit | Audit<br>Adjustment | Reference |
|--|-------------------------|------------------------|---------------------|-----------|
| <u>July 1, 2010, through June 30, 2011</u>                   |                         |                        |                     |           |
| Standard time  | \$ 55,832               | \$ 40,748              | \$ (15,084)         | Finding 1 |
| Flat rate  | 65,751                  | 65,751                 | -                   |           |
| Total program costs  | <u>\$ 121,583</u>       | <u>106,499</u>         | <u>\$ (15,084)</u>  |           |
| Less amount paid by the State                                |                         | -                      |                     |           |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 106,499</u>      |                     |           |
| <u>July 1, 2011, through June 30, 2012</u>                   |                         |                        |                     |           |
| Standard time  | \$ 82,505               | \$ 47,039              | \$ (35,466)         | Finding 1 |
| Flat rate  | 54,608                  | 54,608                 | -                   |           |
| Total program costs  | <u>\$ 137,113</u>       | <u>101,647</u>         | <u>\$ (35,466)</u>  |           |
| Less amount paid by the State                                |                         | -                      |                     |           |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 101,647</u>      |                     |           |
| <u>Summary: July 1, 2005, through June 30, 2012</u>          |                         |                        |                     |           |
| Standard time  | \$ 387,257              | \$ 271,152             | \$ (116,105)        | Finding 1 |
| Flat rate  | 345,337                 | 345,337                | -                   |           |
| Total direct costs   | 732,594                 | 616,489                | (116,105)           |           |
| Indirect costs   | 22,568                  | 19,802                 | (2,766)             | Finding 2 |
| Total program costs  | <u>\$ 755,162</u>       | <u>636,291</u>         | <u>\$ (118,871)</u> |           |
| Less amount paid by the State                                |                         | -                      |                     |           |
| Allowable costs claimed in excess of (less than) amount paid |                         | <u>\$ 636,291</u>      |                     |           |

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## FINDING 1— Overstated standard-time costs

The city overstated agenda preparation and posting costs by \$116,105 under the standard-time reimbursement option for the audit period. The costs claimed consist of the preparation and posting of agenda items for the city council. The city applied incorrect blended productive hourly rates to eligible agenda items. To compute its blended productive hourly rates, the city utilized inaccurate staff time allocations and misstated indirect cost rates.

The following table summarizes the overstated standard-time option costs:

|  | Fiscal Year |             |             |             |            |             |             | Total        |
|--|-------------|-------------|-------------|-------------|------------|-------------|-------------|--------------|
|  | 2005-06     | 2006-07     | 2007-08     | 2008-09     | 2009-10    | 2010-11     | 2011-12     |              |
| Number of claimed agenda items           | 1,446       | 1,633       | 1,448       | 1,283       | 1,173      | 1,115       | 1,210       |              |
| Standard time (hour) per agenda          | x 0.5       | x 0.5       | x 0.5       | x 0.5       | x 0.5      | x 0.5       | x 0.5       |              |
| Total claimed hours                      | 723.0       | 816.5       | 724.0       | 641.5       | 586.5      | 557.5       | 605.0       |              |
| Claimed productive hourly rate           | x 62.21     | x 67.23     | x 68.78     | x 71.66     | x 90.84    | x 100.15    | x 136.37    |              |
| Total claimed costs <sup>1</sup>         | \$ 44,980   | \$ 54,890   | \$ 49,800   | \$ 45,971   | \$ 53,279  | \$ 55,832   | \$ 82,505   | \$ 387,257   |
| Number of allowable agenda items         | 1,446       | 1,633       | 1,448       | 1,283       | 1,173      | 1,115       | 1,210       |              |
| Standard time (hour) per agenda          | x 0.5       | x 0.5       | x 0.5       | x 0.5       | x 0.5      | x 0.5       | x 0.5       |              |
| Total allowable hours                    | 723.0       | 816.5       | 724.0       | 641.5       | 586.5      | 557.5       | 605.0       |              |
| Allowable blended productive hourly rate | x 44.84     | x 47.53     | x 48.97     | x 50.85     | x 75.13    | x 73.09     | x 77.75     |              |
| Total allowable costs                    | \$ 32,419   | \$ 38,808   | \$ 35,454   | \$ 32,620   | \$ 44,064  | \$ 40,748   | \$ 47,039   | \$ 271,152   |
| Audit adjustment                         | \$ (12,561) | \$ (16,082) | \$ (14,346) | \$ (13,351) | \$ (9,215) | \$ (15,084) | \$ (35,466) | \$ (116,105) |

<sup>1</sup>Totals rounded to match claimed costs.

## Blended Productive Hourly Rates

The city did not support elements of the blended productive hourly rates used to compute standard-time option costs. In reviewing the rates we noted the following:

- For the audit period, the city claimed rates that included staff who did not participate in the preparation and posting of agendas. The mandate activity is performed by three different city departments. We worked with the city to determine the appropriate staff allocation. The city subsequently revised its allocation by determining the percentage of work effort spent by staff involved in preparing and posting agendas. We reviewed the city’s revised allocations and determined them to be reasonable. We used the revised allocations to recalculate the blended productive hourly rates.
- For FY 2010-11 and FY 2011-12, the city used incorrect indirect cost rates to determine standard-time costs. In these fiscal years, the city recovered indirect costs by including its rates in the calculation of blended productive hourly rates. In its calculations, the city used an alternative rate for the City Clerk’s office even though it had a federally approved indirect cost rate. In addition, the rates used for the City Attorney and the City Manager offices were not fully supported. We adjusted the rates based on support provided by the city. Utilizing the federally approved rates for the City Clerk and the adjusted indirect cost rates for the remaining city offices, we recalculated the blended productive hourly rates.

The following table summarizes the adjustments to indirect cost rates:

| <u>Fiscal Year</u> | <u>Department</u> | <u>Claimed Rate</u> | <u>Allowable Rate</u> | <u>Audit Adjustment</u> |
|--------------------|-------------------|---------------------|-----------------------|-------------------------|
| 2010-11            | City Attorney     | 37.80%              | 37.50%                | -0.30%                  |
|                    | City Manager      | 74.50%              | 74.10%                | -0.40%                  |
|                    | City Clerk        | 44.50%              | 17.71%                | -26.79%                 |
| 2011-12            | City Attorney     | 42.90%              | 41.90%                | -1.00%                  |
|                    | City Manager      | 82.20%              | 86.90%                | 4.70%                   |
|                    | City Clerk        | 312.60%             | 17.71%                | -294.89%                |

**Criteria**

The program’s parameters and guidelines (section VI (A)) require that all costs claimed be traceable to source documents that show evidence of their validity and relationship to the reimbursable activities.

The parameters and guidelines (section IV (A)) provide that eligible activities include the preparation and posting of a single agenda for a regular meeting of a legislative body. Further, the agenda must be posted 72 hours before meeting in a location freely accessible by the public.

The parameters and guidelines specify that indirect costs incurred in the performance of the mandated activities and adequately documented are reimbursable. Further, the parameters and guidelines (section V) state that counties and cities may claim indirect costs for the actual time and standard time options; no provision is included for the flat-rate option.

Recommendation

No recommendation is applicable for this audit, as the Open Meetings Act/ Brown Act Reform Program is no longer mandated.

City’s Response

The City of San Jose (City) concurs with the California State Controller’s Office (SCO) finding which resulted in a reduction in costs allowed for the reimbursement by \$118,871. The City is aware that the Open Meetings Act/Brown Act Reform Program is no longer a reimbursement state-mandated program. However in general, the City will work with its departments to increase the understanding of future program parameters and guidelines as defined in the reimbursement criteria.

**FINDING 2—  
Overstated indirect costs**

The city overstated indirect costs by \$2,766 for the audit period. Costs were overstated because the city computed its indirect costs based on unallowable standard-time costs. The city claimed indirect costs only for FY 2005-06 through FY 2008-09. Since the mandate activity is performed by three separate departments, each department’s rate is applied to its corresponding direct salary costs. We reviewed the indirect cost rate percentages used by the city’s departments and determined that the rates are reasonable and allowable.

As a result, we recalculated allowable indirect costs by applying indirect cost rates to allowable standard-time costs pertaining only to salaries and wages. The city calculated its indirect costs based only on salaries and wages, therefore the rate can only be applied to these costs.

The following table summarizes the adjustments to indirect costs:

|                    | Indirect Cost<br>Rates | Allowable<br>Direct Costs <sup>1</sup> | Allowable<br>Indirect Costs | Claimed<br>Indirect Costs | Audit<br>Adjustments |
|--------------------|------------------------|--|-----------------------------|---------------------------|----------------------|
| <u>FY 2005-06</u>  |                        |  |                             |                           |                      |
| City Attorney      | 10.20%                 | \$ 1,259.10                            | \$ 128.43                   |                           |                      |
| City Manager       | 27.60%                 | 10,702.39                              | 2,953.86                    |                           |                      |
| City Clerk         | 11.10%                 | 13,220.60                              | 1,467.49                    |                           |                      |
| Total <sup>2</sup> |                        |  | <u>\$ 4,550</u>             | <u>\$ 5,593</u>           | <u>\$ (1,043)</u>    |
| <u>FY 2006-07</u>  |                        |  |                             |                           |                      |
| City Attorney      | 11.10%                 | \$ 1,481.95                            | \$ 164.50                   |                           |                      |
| City Manager       | 20.90%                 | 12,596.55                              | 2,632.68                    |                           |                      |
| City Clerk         | 12.80%                 | 15,560.45                              | 1,991.74                    |                           |                      |
| Total <sup>2</sup> |                        |  | <u>\$ 4,789</u>             | <u>\$ 5,897</u>           | <u>\$ (1,108)</u>    |
| <u>FY 2007-08</u>  |                        |  |                             |                           |                      |
| City Attorney      | 9.70%                  | \$ 1,353.52                            | \$ 131.29                   |                           |                      |
| City Manager       | 19.30%                 | 11,504.90                              | 2,220.45                    |                           |                      |
| City Clerk         | 8.00%                  | 14,211.94                              | 1,136.96                    |                           |                      |
| Total <sup>2</sup> |                        |  | <u>\$ 3,489</u>             | <u>\$ 4,934</u>           | <u>\$ (1,445)</u>    |
| <u>FY 2008-09</u>  |                        |  |                             |                           |                      |
| City Attorney      | 9.70%                  | \$ 1,244.19                            | \$ 120.69                   |                           |                      |
| City Manager       | 10.20%                 | 10,575.61                              | 1,078.71                    |                           |                      |
| City Clerk         | 44.20%                 | 13,063.99                              | 5,774.28                    |                           |                      |
| Total <sup>2</sup> |                        |  | <u>\$ 6,974</u>             | <u>\$ 6,144</u>           | <u>\$ 830</u>        |
| Total              |                        |  | <u>\$ 19,802</u>            | <u>\$ 22,568</u>          | <u>\$ (2,766)</u>    |

<sup>1</sup>Direct costs include only salaries and wages.

<sup>2</sup>Differences due to rounding.

The parameters and guidelines specify that indirect costs incurred in the performance of the mandated activities and adequately documented are reimbursable. Further, the parameters and guidelines (section V) state that counties and cities may claim indirect costs for the actual time and standard time options; no provision is included for the flat rate option.

Recommendation

No recommendation is applicable for this audit, as the Open Meetings Act/ Brown Act Reform Program is no longer mandated.

City’s Response

The City concurs with SCO’s finding which resulted in a reduction in costs allowed for reimbursement by \$2,766. The City is aware that the Open Meetings Act/Brown Act Reform Program is no longer a reimbursement state-mandated program. However in general, the City will work with its departments to increase the understanding of future program parameters and guidelines as defined in the reimbursement criteria.

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

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July 26, 2016

Jeffrey V. Brownfield, CPA  
Chief, Division of Audits  
State Controller's Office  
Financial Audits Bureau/LEA Unit  
3301 "C" Street, Suite 700  
Sacramento, CA 95816

**RE: Open Meetings Act/Brown Act Reform Program Audit**

Dear Mr. Brownfield,

Thank you for the audit report on the Open Meetings Act/Brown Act Program (Chapter 641, Statutes of 1986; and Chapters 1136 through 1138, Statutes of 1993) for the period of July 1, 2005 through June 30, 2012. The City of San Jose's responses to the audit findings are listed below:

**FINDING I: Overstated Standard-time Costs**

**RESPONSE:**

*The City of San Jose (City) concurs with the California State Controller's Office (SCO) finding which resulted in a reduction in costs allowed for reimbursement by \$118,871. The City is aware that the Open Meetings Act/Brown Act Reform Program is no longer a reimbursement state-mandated program. However in general, the City will work with its departments to increase the understanding of future program parameters and guidelines as defined in the reimbursement criteria.*

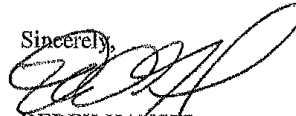
**FINDING II: Overstated Indirect Costs**

**RESPONSE:**

*The City concurs with SCO's finding which resulted in a reduction in costs allowed for reimbursement by \$2,766. The City is aware that the Open Meetings Act/Brown Act Reform Program is no longer a reimbursement state-mandated program. However in general, the City will work with its departments to increase the understanding of future program parameters and guidelines as defined in the reimbursement criteria.*

If you have any questions, please contact Grace Martinez at (408) 535-7034 or Inderdeep Dhillon at (408) 535-7022.

Sincerely,



DEREK HANSEL  
Assistant Director of Finance

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

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