

BOARD OF STATE AND COMMUNITY CORRECTIONS

Audit Report

PROPOSITION 47 SAFE NEIGHBORHOODS AND SCHOOLS FUND GRANTS PROGRAM

July 1, 2016, through June 30, 2017



BETTY T. YEE
California State Controller

December 2018



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California State Controller

December 14, 2018

Kathleen Howard, Executive Director
Board of State and Community Corrections
2590 Venture Oaks Way, Suite 200
Sacramento, CA 95833

Dear Ms. Howard:

The State Controller's Office conducted a performance audit of the Board of State and Community Corrections' (BSCC) Proposition 47 Safe Neighborhoods and Schools Fund grants program for the period of July 1, 2016, through June 30, 2017. The purpose of the audit was to determine BSCC's compliance with laws and program regulations, as well as to ensure that Proposition 47 funds are disbursed and expended in accordance with program requirements.

We determined that during fiscal year (FY) 2016-17, BSCC approved 23 grant awards totaling \$103,651,000 and that no funds were disbursed to awardees during that period. Additionally, we verified that BSCC charged \$765,083 in administrative costs to the SNSF grants program during FY 2016-17.

Our audit found that BSCC has adequate internal control over administration and implementation of the Proposition 47 SNSF grants program. The agency is properly awarding grant funds, and providing oversight and monitoring of the program in accordance with internal policies and procedures, program requirements, and applicable state laws and regulations.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310, or by email at afinlayson@sco.ca.gov.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

cc: Mary Jolls, Deputy Director of Corrections Planning and Grant Programs
Board of State and Community Corrections
Juanita Reynaga, Senior Management Auditor
Board of State and Community Corrections

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Audit Report

Summary

The State Controller's Office (SCO) conducted a performance audit of the Board of State and Community Corrections' (BSCC) Proposition 47 Safe Neighborhoods and Schools Fund (SNSF) grants program for the period of July 1, 2016, through June 30, 2017. The purpose of the audit was to ensure that program funds were disbursed and expended in accordance with program requirements and as required by Government Code (GC) section 7599 through 7599.2.

Our audit found that BSCC has adequate internal control over administration and implementation of the Proposition 47 SNSF grants program. The agency is properly awarding grant funds, and providing oversight and monitoring of the program in accordance with internal policies and procedures, program requirements, and applicable state laws and regulations.

Background

We conducted the audit pursuant to GC section 12410, which states:

The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provision of law for payment.

Additional authority is provided by GC section 7599.2(c), which states:

Every two years, the Controller shall conduct an audit of the grant programs operated by the agencies specified in paragraphs (1) to (3), inclusive, of subdivision (a) to ensure the funds are disbursed and expended solely according to this chapter and shall report his or her findings to the Legislature and the public.

The BSCC website states that:

Proposition 47 was a voter-approved initiative on the November 2014 ballot that reduced from felonies to misdemeanors specified low-level drug and property crimes. Each year, the state savings generated by the implementation of Proposition 47 are deposited into the Safe Neighborhoods and Schools Fund. Sixty-five percent of these savings are set aside annually for the BSCC to administer a competitive grant program.

Proposition 47 required that these funds be awarded to public agencies to provide mental health services, substance use disorder treatment and/or diversion programs for those in the criminal justice system. Additional legislation (AB 1056, Chap. 438, Stats. of 2015) requires that the grants be awarded competitively, specifies that funds may serve both adults and juveniles and allows funds to be used for housing-related assistance and other community-based supportive services, including job skills training, case management or civil legal services.

We determined that BSCC approved 23 grant awards totaling \$103,651,000 and that no funds were disbursed to awardees during that period. Additionally, we verified that BSCC charged \$765,083 in administrative costs to the SNSF grants program during fiscal year (FY) 2016-17, as shown in Table 1.

Table 1 – BSCC’s Proposition 47 SNSF Grant Awardees

	Public Agency	Funding	Projects Selected by SCO for Testing
1	Alameda County Health Care Services Agency	\$ 6,000,000	
2	Contra Costa Health Services Department	5,984,047	
3	Corning, City of	1,000,000	
4	El Rancho Unified School District	997,436	
5	Los Angeles, City of, City Attorney’s Office	6,000,000	
6	Los Angeles, City of, Mayor’s Office of Reentry	5,998,383	
	Los Angeles County Department of Health Services, Office of		
7	Diversion and Reentry	20,000,000	20,000,000
8	Marin County Health and Human Services	998,504	
9	Merced County Probation Department	960,667	
10	Monterey County Health Department, Behavioral Health Bureau	6,000,000	
11	Oceanside Unified School District	998,300	
12	Orange County Health Care Agency	6,000,000	
13	Pasadena Police Department	2,511,537	2,511,537
14	Placer County Health and Human Services Agency	990,000	
15	Plumas County District Attorney	1,000,000	
16	Rialto, City of	996,975	996,975
17	Riverside University Health System-Behavioral Health	6,000,000	
18	San Bernardino County Department of Public Health	1,246,936	
19	San Diego County	6,000,000	6,000,000
20	San Francisco Department of Public Health	6,000,000	6,000,000
21	San Joaquin County Behavioral Health Services	6,000,000	
22	Solano County Health & Social Services	6,000,000	
23	Yolo County Health and Human Services Agency	5,968,215	
	Total	<u>\$ 103,651,000</u>	<u>\$ 35,508,512</u>

Objectives, Scope, and Methodology

The objectives of our audit were to assess BSCC’s implementation and administration of the SNSF grants program, and to ensure that program funds were disbursed and expended as required by GC sections 7599 through 7599.2 and program requirements for the audit period of July 1, 2016, through June 30, 2017.

To achieve our objectives, we:

- Identified the Proposition 47 SNSF grants program background, criteria, purpose, and requirements by reviewing the FY 2016-17 Governor’s Budget, 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 to gain a general understanding of BSCC’s internal controls, such as procedures performed by staff during the grant award process; expenditure reviews and approvals; program monitoring; accounting records and grantees’ invoices; and recording of SNSF grants program disbursements and expenditures in the agency’s financial management systems;
- Examined BSCC’s internal controls related to the SNSF grants program by reviewing policies and procedures, guidelines, grant agreements, grant processes; direct testing of claimed costs, invoices,

and supporting documentation; and verifying BSCC's compliance with applicable provisions of laws, regulations, and grant agreements. We did not examine the agency's information systems controls;

- Identified 23 grants totaling \$103,651,000 that were awarded by BSCC during the audit period, FY 2016-17, and verified that no funds were disbursed to awardees during that period;
- Selected a sample of five out of 23 grants awarded, totaling \$35,508,512, to determine whether sampled grants had been approved by the BSCC board; whether grant agreements specified standard contract language established by the California Department of General Services, including scope of work, budgets, terms and conditions, and services to be provided; and whether grant agreements were in compliance with program requirements, BSCC internal control policies and procedures, guidelines, and applicable laws and regulations;
- Verified that BSCC charged \$765,083 in administrative costs to the SNSF grants program during FY 2016-17. Verified that the administrative costs charged to the SNSF grants program were within the 5% threshold, as required by GC 7599.2(b). Judgmentally selected 16 transactions totaling \$282,969 (37%) and verified that costs were eligible, allowable, reasonable, adequately supported by financial records and/or accounting records, and were in compliance with program requirements; and
- Verified the accuracy of SNSF grants program financial information reported by BSCC, such as agency fund reconciliation reports submitted to SCO; SNSF grants program disbursement and activity reports; general ledger activity reports, detail ledger reports, trail balance reports, and budget detail expense reports.

We conducted this performance 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objectives.

We did not examine the economy, efficiency, or effectiveness of the program. Our audit of the program requirements was related solely to program expenditures as required by GC section 7599.2(c).

We did not audit BSCC's financial statements. We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objectives. In addition, our review of internal controls was limited to gaining an understanding of the transaction flows, the financial management accounting system. We performed limited tests of controls regarding BSCC's ability to accumulate and segregate reasonable and allowable grantee costs.

Conclusion

Our audit found that BSCC has adequate internal control over administration and implementation of the Proposition 47 SNSF grants program. The agency is properly awarding grant funds, and providing oversight and monitoring of the program in accordance with internal policies and procedures, program requirements, and applicable state laws and regulations.

**Follow-up on
Prior Audit
Finding**

BSCC did not have any prior audits related to the objectives of this audit report.

**Views of
Responsible
Officials**

We discussed our audit results at an exit conference with Mary Jolls, Deputy Director of Corrections Planning and Grant Programs, and other BSCC representatives. The auditee agreed with the audit results, declined a draft report, and agreed that we could issue the audit report as final.

Restricted Use

This audit report is intended for the information and use of the BSCC 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 audit report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

December 14, 2018

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Division of Audits
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