



JOHN CHIANG
California State Controller

January 20, 2012

Vinod K. Sharma
Santa Clara County Controller-Treasurer
County Government Center, East Wing
70 West Hedding Street, 2nd 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 Animal Adoption Program (Chapter 752, Statutes of 1998, and Chapter 313, Statutes of 2004) for the period of July 1, 2007, through June 30, 2009. Our review was limited to validating employees' productive hourly rates.

The county claimed \$509,637 for the mandated program. Our review disclosed that \$479,588 is allowable and \$30,049 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 \$479,588 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.

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-913

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 ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries	\$ 58,283	\$ 53,842	\$ (4,441)
Benefits	33,179	30,651	(2,528)
Materials and supplies	10,406	10,406	-
Contract Services	7,066	7,066	-
Total direct costs	108,934	101,965	(6,969)
Indirect costs	65,240	60,269	(4,971)
Total program costs	<u>\$ 174,174</u>	162,234	<u>\$ (11,940)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 162,234</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries	\$ 82,305	\$ 76,099	\$ (6,206)
Benefits	46,256	42,768	(3,488)
Materials and supplies	94,933	94,933	-
Contract Services	7,132	7,132	-
Total direct costs	230,626	220,932	(9,694)
Indirect costs	111,603	103,188	(8,415)
Total direct and indirect costs	342,229	324,120	(18,109)
Less offsetting savings/ reimbursements	(6,766)	(6,766)	-
Total program costs	<u>\$ 335,463</u>	317,354	<u>\$ (18,109)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 317,354</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹
<u>Summary: July 1, 2007, through June 30, 2009</u>			
Direct costs:			
Salaries	\$ 140,588	\$ 129,941	\$ (10,647)
Benefits	79,435	73,419	(6,016)
Materials and supplies	105,339	105,339	-
Contract Services	14,198	14,198	-
Total direct costs	339,560	322,897	(16,663)
Indirect costs	176,843	163,457	(13,386)
Total direct and indirect costs	516,403	486,354	(30,049)
Less offsetting savings/ reimbursements	(6,766)	(6,766)	-
Total program costs	<u>\$ 509,637</u>	479,588	<u>\$ (30,049)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 479,588</u>	

¹ See Attachment 2, Finding and Recommendation.

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

**FINDING—
Overstated productive
hourly rates**

The county claimed unallowable costs totaling \$30,049. 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	\$ (4,441)	\$ (6,206)	\$ (10,647)
Benefits	(2,528)	(3,488)	(6,016)
Total direct costs	(6,969)	(9,694)	(16,663)
Indirect costs	(4,971)	(8,415)	(13,386)
Review adjustment	\$ (11,940)	\$ (18,109)	\$ (30,049)

The program’s parameters and guidelines state:

... only actual costs may be claimed. 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	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
	Actual Costs Claimed ¹			Indirect Costs	Adjustment to Productive Hours	Review Adjustment ¹			Total
Salaries	Benefits	Indirect Cost Rate ²	Salaries (Cols. [1] x [5])			Benefits (Cols. [2] x [5])	Indirect Costs (Cols. [4] x [5])		
2007-08	\$ 58,283	\$ 33,179	71.33%	\$ 65,240	(7.62)%	\$ (4,441)	\$ (2,528)	\$ (4,971)	\$ (11,940)
2008-09	82,305	46,256	86.81%	111,604	(7.54)%	(6,206)	(3,488)	(8,415)	(18,109)
Review adjustment						<u>\$ (10,647)</u>	<u>\$ (6,016)</u>	<u>\$ (13,386)</u>	<u>\$ (30,049)</u>

¹ Calculation differences due to rounding.

² Indirect cost rate applied to salaries and benefits.