



JOHN CHIANG
California State Controller

January 20, 2012

Vinod K. Sharma
Controller-Treasurer
Santa Clara County
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 Domestic Violence Treatment Services—Authorization and Case Management Program (Chapters 183 and 184, Statutes of 1992; Chapter 221, Statutes of 1993; Chapter 28X, Statutes of 1993-1994; and Chapter 641, Statutes of 1995) for the period of July 1, 2007, through June 30, 2009. Our review was limited to validating employees' productive hourly rates.

The county claimed \$726,309 for the mandated program. Our review disclosed that \$674,185 is allowable and \$52,124 is unallowable. The costs are unallowable because the county overstated employees' hourly rates, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2007-08 claim, the State paid the county \$331,906. Our review disclosed that \$307,416 is allowable. The State will offset \$24,490 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2008-09 claim, the State paid the county \$394,403. Our review disclosed that \$366,769 is allowable. The State will offset \$27,634 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

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-909

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**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable Per Review</u>	<u>Review Adjustment ¹</u>
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries	\$ 123,941	\$ 114,497	\$ (9,444)
Benefits	45,893	42,396	(3,497)
Services and supplies	11,512	11,512	-
Total direct costs	181,346	168,405	(12,941)
Indirect costs	151,560	140,011	(11,549)
Total direct and indirect costs	332,906	308,416	(24,490)
Less offsetting savings/reimbursements	(1,000)	(1,000)	-
Total program costs	<u>\$ 331,906</u>	307,416	<u>\$ (24,490)</u>
Less amount paid by the State		(331,906)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (24,490)</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries	\$ 168,374	\$ 155,679	\$ (12,695)
Benefits	63,647	58,848	(4,799)
Contract services	30,153	30,153	-
Total direct costs	262,174	244,680	(17,494)
Indirect costs	134,479	124,339	(10,140)
Total direct and indirect costs	396,653	369,019	(27,634)
Less offsetting savings/reimbursements	(2,250)	(2,250)	-
Total program costs	<u>\$ 394,403</u>	366,769	<u>\$ (27,634)</u>
Less amount paid by the State		(394,403)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (27,634)</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	\$ 292,315	\$ 270,176	\$ (22,139)
Benefits	109,540	101,244	(8,296)
Services and supplies	11,512	11,512	-
Contract services	30,153	30,153	-
Total direct costs	443,520	413,085	(30,435)
Indirect costs	286,039	264,350	(21,689)
Total direct and indirect costs	729,559	677,435	(52,124)
Less offsetting savings/reimbursements	(3,250)	(3,250)	-
Total program costs	<u>\$ 726,309</u>	674,185	<u>\$ (52,124)</u>
Less amount paid by the State		(726,309)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (52,124)</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 \$52,124. 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 charge 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)	<u>1,679.61</u>	<u>1,708.90</u>
Review adjustment to productive hours $[(A)-(B)] \div (B)$	<u>(7.62)%</u>	<u>(7.54)%</u>

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

	Fiscal Year		Total
	2007-08	2008-09	
Direct costs:			
Salaries	\$ (9,444)	\$ (12,695)	\$ (22,139)
Benefits	(3,497)	(4,799)	(8,296)
Total direct costs	(12,941)	(17,494)	(30,435)
Indirect costs	(11,549)	(10,140)	(21,689)
Review adjustment	<u>\$ (24,490)</u>	<u>\$ (27,634)</u>	<u>\$ (52,124)</u>

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] Salaries	[2] Actual Costs Claimed ¹		[3] Indirect Cost Rate ²	[4] Indirect Costs	[5] Adjustment to Productive Hours	[6] Review Adjustment ¹			[9] Total
		[2] Benefits					[6] Salaries (Cols. [1] x [5])	[7] Benefits (Cols. [2] x [5])	[8] Indirect Costs (Cols. [4] x [5])	
2007-08	\$ 123,941	\$ 45,893	89.24%	\$ 151,560	(7.62)%	\$ (9,444)	\$ (3,497)	\$ (11,549)	\$ (24,490)	
2008-09	168,374	63,647	57.96%	134,479	(7.54)%	(12,695)	(4,799)	(10,140)	(27,634)	
Review adjustment						<u>\$ (22,139)</u>	<u>\$ (8,296)</u>	<u>\$ (21,689)</u>	<u>\$ (52,124)</u>	

¹ Calculation differences due to rounding.

² Indirect cost rate applied to salaries and benefits.