



JOHN CHIANG
California State Controller

February 27, 2012

Vinod K. Sharma, Controller-Treasurer
Santa Clara County
County Govt. 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 for the legislatively mandated Crime Statistics Reports for the Department of Justice Program (Chapter 1172, Statutes of 1989; Chapter 1338, Statutes of 1992; Chapter 1230, Statutes of 1993; Chapter 933, Statutes of 1998; Chapter 571, Statutes of 1999; and Chapter 626, Statutes of 2000) for the period of July 1, 2001, through June 30, 2009. Our review was limited to validating employees' hourly rates.

The county claimed \$1,132,369 for the mandated program. Our review disclosed that \$1,039,613 is allowable and \$92,756 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. The State made no payment to the county. The State will pay allowable costs claimed, totaling \$1,039,613, 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/bf

Attachments

RE: S12-MCC-918

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, 2001, through June 30, 2009**

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries	\$ 117,767	\$ 106,756	\$ (11,011)
Benefits	41,218	37,364	(3,854)
Total direct costs	158,985	144,120	(14,865)
Indirect costs	60,574	54,910	(5,664)
Total direct and indirect costs	<u>\$ 219,559</u>	199,030	<u>\$ (20,529)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 199,030</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries	\$ 28,448	\$ 26,118	\$ (2,330)
Benefits	9,160	8,410	(750)
Total direct costs	37,608	34,528	(3,080)
Indirect costs	12,035	11,049	(986)
Total direct and indirect costs	<u>\$ 49,643</u>	45,577	<u>\$ (4,066)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 45,577</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries	\$ 63,213	\$ 58,156	\$ (5,057)
Benefits	24,451	22,495	(1,956)
Total direct costs	87,664	80,651	(7,013)
Indirect costs	28,841	26,534	(2,307)
Total direct and indirect costs	<u>\$ 116,505</u>	107,185	<u>\$ (9,320)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 107,185</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries	\$ 86,029	\$ 79,018	\$ (7,011)
Benefits	44,641	41,003	(3,638)
Total direct costs	130,670	120,021	(10,649)
Indirect costs	52,334	48,069	(4,265)
Total direct and indirect costs	<u>\$ 183,004</u>	168,090	<u>\$ (14,914)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 168,090</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries	\$ 37,076	\$ 34,132	\$ (2,944)
Benefits	16,202	14,916	(1,286)
Total direct costs	53,278	49,048	(4,230)
Indirect costs	18,914	17,412	(1,502)
Total direct and indirect costs	<u>\$ 72,192</u>	66,460	<u>\$ (5,732)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 66,460</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries	\$ 79,741	\$ 73,250	\$ (6,491)
Benefits	48,875	44,897	(3,978)
Total direct costs	128,616	118,147	(10,469)
Indirect costs	39,948	36,696	(3,252)
Total direct and indirect costs	<u>\$ 168,564</u>	154,843	<u>\$ (13,721)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 154,843</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Review	Review Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries	\$ 76,455	\$ 70,629	\$ (5,826)
Benefits	43,226	39,932	(3,294)
Total direct costs	119,681	110,561	(9,120)
Indirect costs	39,087	36,109	(2,978)
Total direct and indirect costs	<u>\$ 158,768</u>	146,670	<u>\$ (12,098)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 146,670</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries	\$ 77,339	\$ 71,508	\$ (5,831)
Benefits	44,332	40,989	(3,343)
Total direct costs	121,671	112,497	(9,174)
Indirect costs	42,463	39,261	(3,202)
Total direct and indirect costs	<u>\$ 164,134</u>	151,758	<u>\$ (12,376)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 151,758</u>	
<u>Summary: July 1, 2001, through June 30, 2009</u>			
Direct costs:			
Salaries	\$ 566,068	\$ 519,567	\$ (46,501)
Benefits	272,105	250,006	(22,099)
Total direct costs	838,173	769,573	(68,600)
Indirect costs	294,196	270,040	(24,156)
Total direct and indirect costs	<u>\$ 1,132,369</u>	1,039,613	<u>\$ (92,756)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,039,613</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 3— Calculation of Review Adjustment

Fiscal Year	[1]	[2] Actual Costs Claimed ¹		[3]	[4]	[5]	[6] [7] [8] Review Adjustment ¹			[9]
	Salaries	Benefits	Indirect Cost Rate ²	Indirect Costs	Adjustment to Productive Hours	Salaries (Cols. [1] x [5])	Benefits (Cols. [2] x [5])	Indirect Costs (Cols. [4] x [5])	Total	
2001-02	\$ 117,767	\$ 41,218	38.10%	\$ 60,573	(9.35)%	\$ (11,011)	\$ (3,854)	\$ (5,664)	\$ (20,529)	
2002-03	28,448	9,160	32.00%	12,035	(8.19)%	(2,330)	(750)	(986)	(4,066)	
2003-04	63,213	24,451	32.90%	28,841	(8.00)%	(5,057)	(1,956)	(2,307)	(9,320)	
2004-05	86,029	44,641	40.05%	52,334	(8.15)%	(7,011)	(3,638)	(4,265)	(14,914)	
2005-06	37,076	16,202	35.50%	18,914	(7.94)%	(2,944)	(1,286)	(1,502)	(5,732)	
2006-07	79,741	48,875	31.06%	39,948	(8.14)%	(6,491)	(3,978)	(3,252)	(13,721)	
2007-08	76,455	43,226	32.66%	39,087	(7.62)%	(5,826)	(3,294)	(2,978)	(12,098)	
2008-09	77,339	44,332	34.90%	42,463	(7.54)%	(5,831)	(3,343)	(3,202)	(12,376)	
Review adjustment	<u>\$ 566,068</u>	<u>\$ 272,105</u>		<u>\$ 294,195</u>		<u>\$ (46,501)</u>	<u>\$ (22,099)</u>	<u>\$ (24,156)</u>	<u>\$ (92,756)</u>	

¹ Calculation differences due to rounding.

² Indirect cost rate applied to salaries and benefits.

**Attachment 2—
Finding and Recommendation
July 1, 2001, through June 30, 2009**

**FINDING—
Overstated productive
hourly rates**

The county claimed unallowable costs totaling \$92,756. 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.

For fiscal year (FY) 2001-02, the county deducted estimated training time based on hours required by employees' bargaining unit agreements and/or continuing education requirements for licensure/certification rather than actual training hours attended. Furthermore, deducted training hours benefit specific departments' employee classifications rather than those employee classifications common to all departments.

For FY 2002-03 forward, 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. The county 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 the audit period:

	Fiscal Year							
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Claimed productive hours (A)	1,546.00	1,580.46	1,560.65	1,545.00	1,544.00	1,537.00	1,551.70	1,580.00
Break time	112.08	112.97	111.35	110.45	110.19	110.58	104.98	106.83
Training time	47.38	28.07	24.35	26.60	23.03	25.66	22.93	22.07
Allowable productive hours (B)	<u>1,705.46</u>	<u>1,721.50</u>	<u>1,696.35</u>	<u>1,682.05</u>	<u>1,677.22</u>	<u>1,673.24</u>	<u>1,679.61</u>	<u>1,708.90</u>
Review adjustment to productive hours [(A)-(B)] ÷ (B))	<u>(9.35)%</u>	<u>(8.19)%</u>	<u>(8.00)%</u>	<u>(8.15)%</u>	<u>(7.94)%</u>	<u>(8.14)%</u>	<u>(7.62)%</u>	<u>(7.54)%</u>

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

Cost Elements	Fiscal Year							Total	
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08		2008-09
Direct costs:									
Salaries	\$ (11,011)	\$ (2,330)	\$ (5,057)	\$ (7,011)	\$ (2,944)	\$ (6,491)	\$ (5,826)	\$ (5,831)	\$ (46,501)
Benefits	(3,854)	(750)	(1,956)	(3,638)	(1,286)	(3,978)	(3,294)	(3,343)	(22,099)
Total direct costs	(14,865)	(3,080)	(7,013)	(10,649)	(4,230)	(10,469)	(9,120)	(9,174)	(68,600)
Indirect costs	(5,664)	(986)	(2,307)	(4,265)	(1,502)	(3,252)	(2,978)	(3,202)	(24,156)
Review adjustment	<u>\$ (20,529)</u>	<u>\$ (4,066)</u>	<u>\$ (9,320)</u>	<u>\$ (14,914)</u>	<u>\$ (5,732)</u>	<u>\$ (13,721)</u>	<u>\$ (12,098)</u>	<u>\$ (12,376)</u>	<u>\$ (92,756)</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 claimed must be traceable to 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.