

# **SACRAMENTO COUNTY**

Audit Report

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

Chapter 641, Statutes of 1986;  
and Chapters 1136, 1137, and 1138, Statutes of 1993

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



**BETTY T. YEE**  
California State Controller

May 2015



**BETTY T. YEE**  
California State Controller

May 11, 2015

The Honorable Phil Serna, Chairman  
Sacramento County Board of Supervisors  
700 H Street, Suite 2450  
Sacramento, CA 95814

Dear Mr. Serna:

The State Controller's Office audited the costs claimed by Sacramento County for the legislatively mandated Open Meetings Act/Brown Act Reform Program (Chapter 641, Statutes of 1986; and Chapters 1136, 1137, and 1138, Statutes of 1993) for the period of July 1, 2005, through June 30, 2012.

The county claimed \$1,080,019 for the mandated program. Our audit found that \$804,054 is allowable, and \$275,965 is unallowable. The costs are unallowable because the county overstated agenda costs under the standard-time cost option by including ineligible standard agenda items and applying incorrect blended productive hourly rates. The State made no payment to the county. The State will pay allowable costs claimed that exceed the amount paid, totaling \$804,054, contingent upon available appropriations.

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/lis

cc: Julie Valverde, Director of Finance  
Finance Agency, Sacramento County  
Evelyn Suess, Principal Program Budget Analyst  
Mandates Unit, Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Sacramento County for the legislatively mandated Open Meetings Act/Brown Act Reform Program (Chapter 641, Statutes of 1986; and Chapters 1136, 1137, and 1138, Statutes of 1993) for the period of July 1, 2005, through June 30, 2012.

The county claimed \$1,080,019 for the mandated program. Our audit found that \$804,054 is allowable, and \$275,965 is unallowable. The costs are unallowable because the county overstated agenda costs under the standard-time cost option by including ineligible standard agenda items and applying incorrect blended productive hourly rates.

The State made no payment to the county. The State will pay allowable costs claimed that exceed the amount paid, totaling \$804,054, contingent upon available appropriations.

## Background

### Open Meetings Act Program

Chapter 641, 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 the 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 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.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. 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 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 county'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.

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

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

## **Conclusion**

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Sacramento County claimed \$1,080,019 for costs of the Open Meetings Act/Brown Reform Act Program. Our audit found that \$804,054 is allowable, and \$275,965 is unallowable. The State made no payment to the county. The State will pay allowable costs claimed that exceed the amount paid, totaling \$804,054, contingent upon available appropriations.

## **Views of Responsible Officials**

We discussed our audit results with the county's representatives during an exit conference conducted on April 10, 2015. Julie Valverde, Director of Finance; Florence Evans, Assistant Clerk of the Board; and Karen Gee, Senior Accounting Manager, agreed with the audit results. Ms. Gee declined a draft audit report and agreed that we could issue the audit report as final.

## **Restricted Use**

This report is solely for the information and use of Sacramento County, 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

May 11, 2015

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Standard rate	\$ 108,498	\$ 66,637	\$ (41,861)	Finding 1
Flat rate	25,775	25,775	-	
Total direct costs	134,273	92,412	(41,861)	
Indirect costs <sup>2</sup>	33,723	24,056	(9,667)	Finding 2
Total program costs	<u>\$ 167,996</u>	116,468	<u>\$ (51,528)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 116,468</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Standard rate	\$ 118,868	\$ 71,320	\$ (47,548)	Finding 1
Flat rate	40,036	40,036	-	
Total direct costs	158,904	111,356	(47,548)	
Indirect costs <sup>2</sup>	41,571	37,158	(4,413)	Finding 2
Total program costs	<u>\$ 200,475</u>	148,514	<u>\$ (51,961)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 148,514</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Standard rate	\$ 94,749	\$ 61,671	\$ (33,078)	Finding 1
Flat rate	49,193	49,193	-	
Total direct costs	143,942	110,864	(33,078)	
Indirect costs <sup>2</sup>	33,120	41,813	8,693	Finding 2
Total program costs	<u>\$ 177,062</u>	152,677	<u>\$ (24,385)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 152,677</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Standard rate	\$ 87,523	\$ 61,920	\$ (25,603)	Finding 1
Flat rate	52,040	52,040	-	
Total direct costs	139,563	113,960	(25,603)	
Indirect costs <sup>2</sup>	28,338	26,440	(1,898)	Finding 2
Total program costs	<u>\$ 167,901</u>	140,400	<u>\$ (27,501)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 140,400</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Standard rate	\$ 107,983	\$ 55,024	\$ (52,959)	Finding 1
Flat rate	24,483	24,483	-	
Subtotal	132,466	79,507	(52,959)	
Less costs not claimed <sup>3</sup>	(156)	-	156	
Total program costs	<u>\$ 132,310</u>	79,507	<u>\$ (52,803)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 79,507</u>		

## Schedule 1 (continued)

### July 1, 2010, through June 30, 2011

Standard rate	\$ 94,308	\$ 51,789	\$ (42,519)	Finding 1
Flat rate	30,323	30,323	-	
Total program costs	<u>\$ 124,631</u>	<u>82,112</u>	<u>\$ (42,519)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 82,112</u>		

### July 1, 2011, through June 30, 2012

Standard rate	\$ 63,944	\$ 38,676	\$ (25,268)	Finding 1
Flat rate	45,700	45,700	-	
Total program costs	<u>\$ 109,644</u>	<u>84,376</u>	<u>\$ (25,268)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 84,376</u>		

### Summary: July 1, 2005, through June 30, 2012

Standard rate	\$ 675,873	\$ 407,037	\$ (268,836)	
Flat rate	267,550	267,550	-	
Total direct costs	943,423	674,587	(268,836)	
Indirect costs <sup>2</sup>	136,752	129,467	(7,285)	
Total direct and indirect costs	1,080,175	804,054	(276,121)	
Less costs not claimed <sup>3</sup>	(156)	-	156	
Total program costs	<u>\$ 1,080,019</u>	<u>804,054</u>	<u>\$ (275,965)</u>	
Less amount paid by State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 804,054</u>		

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

<sup>2</sup> Indirect costs are claimable under the actual cost and standard-rate options only. The county claimed indirect costs for FY 2005-06 through FY 2008-09 only.

<sup>3</sup> Costs not claimed represent the amount reported in the filed claim detail schedules that was not certified by the claimant in the FAM-27 Certification of Claim form. The claimant did not file an amended claim for the increased amount within the statutory period to file an amended claim, pursuant to Government Code section 17561, subdivision (d)(3).

# Findings and Recommendations

**FINDING 1—  
Overstated  
standard-time costs**

The county overstated agenda costs by \$268,836 under the standard-time reimbursement option for the audit period. The county included ineligible standard agenda items and applied the incorrect blended productive hourly rates.

The county counted the standard agenda item “approve claims to date” in determining the number of claimed agenda items. We reduced the number of eligible agenda items by this item for each agenda included in the claims.

The county could not support the blended productive hourly rates used for the audit period. Further, the claimed rates included staff that did not participate in the preparation and posting of agendas. We discussed the lack of support with the county; in turn, the county agreed to review its processes. As a result, the county recalculated rates by determining the percentage of work effort spent by staff involved in preparing and posting agendas. We reviewed the county’s allocations and determined that the revised rates are reasonable.

We recalculated costs based on the eligible agenda items using the supported blended productive hourly rates. The following table summarizes the adjustments based on the foregoing reasons:

	Fiscal Year							Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
Number of claimed agenda items	2,960	3,091	2,404	2,140	1,832	1,750	1,430	
Standard time (hour) per agenda	x 0.5							
Total claimed hours	1,480.0	1,545.5	1,202.0	1,070.0	916.0	875.0	715.0	
Claimed productive hourly rate	x 73.31	x 76.91	x 78.83	x 81.80	x 117.89	x 107.78	x 89.43	
Total claimed costs <sup>1</sup>	\$ 108,498	\$ 118,868	\$ 94,749	\$ 87,523	\$ 107,983	\$ 94,308	\$ 63,944	\$ 675,873
Number of allowable agenda items	2,886	3,015	2,340	2,081	1,779	1,698	1,388	
Standard time (hour) per agenda	x 0.5							
Total allowable hours	1,443.0	1,507.5	1,170.0	1,040.5	889.5	849.0	694.0	
Allowable blended productive hourly rate	x 46.18	x 47.31	x 52.71	x 59.51	x 61.86	x 61.00	x 55.73	
Total allowable costs	\$ 66,637	\$ 71,320	\$ 61,671	\$ 61,920	\$ 55,024	\$ 51,789	\$ 38,676	\$ 407,037
Audit adjustment	\$ (41,861)	\$ (47,548)	\$ (33,078)	\$ (25,603)	\$ (52,959)	\$ (42,519)	\$ (25,268)	\$ (268,836)

<sup>1</sup>Total rounded to match county's calculations

The following table summarizes the adjustments to agenda costs claimed:

	Fiscal Year						Total	
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11		2011-12
Claimed agenda costs	\$ 108,498	\$ 118,868	\$ 94,749	\$ 87,523	\$ 107,983	\$ 94,308	\$ 63,944	\$ 675,873
Audit adjustments:								
Ineligible standard agenda items	(2,712)	(2,926)	(2,518)	(2,410)	(3,120)	(2,803)	(1,880)	(18,369)
Unsupported productive hourly rates	(39,149)	(44,622)	(30,560)	(23,193)	(49,839)	(39,716)	(23,388)	(250,467)
Subtotal	(41,861)	(47,548)	(33,078)	(25,603)	(52,959)	(42,519)	(25,268)	(268,836)
Total allowable costs	\$ 66,637	\$ 71,320	\$ 61,671	\$ 61,920	\$ 55,024	\$ 51,789	\$ 38,676	\$ 407,037

The program's parameters and guidelines, Section V, states that reimbursement under the standard-time reimbursement option will be calculated based on the number of allowable meeting agenda items, excluding standard agenda items such as "adjournment," "call to order," "flag salute," and "public comments." In addition, the parameters and guidelines require that all costs claimed be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.

#### Recommendation

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

#### **FINDING 2— Overstated indirect costs**

The county overstated indirect costs by \$7,285 for the audit period. Costs were overstated because the county computed its indirect costs based on unallowable standard-time costs. The county claimed indirect costs in fiscal year (FY) 2005-06 through FY 2008-09 only. We reviewed the indirect cost rate percentages used by the county and determined that the rates are reasonable.

We recalculated allowable indirect costs by applying indirect cost rates towards allowable standard-time costs. The following table summarizes the adjustments to indirect costs:

	Fiscal Year				Total
	2005-06	2006-07	2007-08	2008-09	
Allowable direct costs	\$ 66,637	\$ 71,320	\$ 61,671	\$ 61,920	
Indirect cost rates	36.10%	52.10%	67.80%	42.70%	
Allowable indirect costs	24,056	37,158	41,813	26,440	129,467
Claimed indirect costs	33,723	41,571	33,120	28,338	136,752
Audit adjustments	\$ (9,667)	\$ (4,413)	\$ 8,693	\$ (1,898)	\$ (7,285)

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.

**State Controller's Office  
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**<http://www.sco.ca.gov>**