

SONOMA COUNTY

Audit Report

OPEN MEETINGS ACT/BROWN ACT REFORM PROGRAM

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

July 1, 2005, through June 30, 2012



BETTY T. YEE
California State Controller

July 2019



BETTY T. YEE
California State Controller

July 8, 2019

The Honorable Erick Roeser, Auditor-Controller-Treasurer-Tax Collector
Sonoma County
585 Fiscal Drive, Suite 100
Santa Rosa, CA 95403

Dear Mr. Roeser:

The State Controller's Office (SCO) audited the costs claimed by Sonoma County for the legislatively mandated Open Meetings Act/Brown Act Reform Program for the period of July 1, 2005, through June 30, 2012.

The county claimed \$874,345 for the mandated program. Our audit found that \$632,838 is allowable and \$241,507 is unallowable. The costs are unallowable because the county overstated its standard-time costs by misstating the number of eligible agenda items and applying incorrect productive hourly rates to eligible agenda items, and overstated its flat-rate costs by claiming costs for unsupported and ineligible meeting agendas. The State made no payments to the county. The State will pay \$632,838, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

cc: Amanda Ruch, Assistant Auditor-Controller-Treasurer-Tax Collector
Sonoma County
Levi Ehrlich, Accounting Manager
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Sonoma County for the legislatively mandated Open Meetings Act/Brown Act Reform Program for the period of July 1, 2005, through June 30, 2012.

The county claimed \$874,345 for the mandated program. Our audit found that \$632,838 is allowable and \$241,507 is unallowable. The costs are unallowable because the county overstated its standard-time costs by misstating the number of eligible agenda items and applying incorrect productive hourly rates (PHRs) to eligible agenda items, and overstated its flat-rate costs by claiming costs for unsupported and ineligible meeting agendas. The State made no payments to the county. The State will pay \$632,838, contingent upon available appropriations.

Background

Open Meetings Act Program

Chapter 641, Statutes of 1986, added Government Code (GC) sections 54954.2 and 54954.3. GC 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 of business to be transacted or discussed at the regular meeting, subject to exceptions stated therein, and specifying the time and location of the regular meeting. It also requires the agenda to be posted at least 72 hours before the meeting in a location freely accessible to the public. GC 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 GC 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 GC 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 GC 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 GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

The Open Meetings Act Program became effective on 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 the parameters and guidelines. The Open Meetings Act/Brown Act Reform Program became effective in 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 the 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.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Open Meetings Act/Brown Act Reform Program. Specifically, we conducted this audit 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 audit period was July 1, 2005, through June 30, 2012.

To achieve our objective, we performed the following procedures:

- Reviewed the annual mandated cost claims filed by the county for the audit period and identified the material cost components claimed. For standard-time option costs, this included the number of agenda items, the minutes per agenda item, and the blended PHRs. For flat-rate costs, this included the number of agenda items and the uniform cost allowance. Determined whether there were mathematical errors or unusual or unexpected variances from year to year, and whether the claims adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key county staff members. Discussed the claim preparation process with county staff to determine what information was obtained, who obtained it, and how it was used;

Standard-time option

- Selected judgmental non-statistical samples from the populations of:
 - 11,707 meeting agenda items claimed for the County Board of Supervisors (BOS), ranging from 12.95% to 15.66% for each fiscal year of the audit period;
 - 4,031 meeting agenda items claimed for the Sonoma County Employees' Retirement Association Board of Retirement (SCERA Board), ranging from 14.56% to 15.05% for each fiscal year of the audit period;
- Counted the number of eligible agenda items identified on the sampled meeting agendas, compared the results to the number of agenda items claimed for that meeting, and determined an error percentage for each year of the audit period;

- Consistent with the American Institute of Certified Public Accountants' (AICPA) *Audit Sampling Guide*, projected the results from the sample by applying each fiscal year's error rate to the total population for that fiscal year;
- Held discussions with county representatives to determine which employee classifications performed the reimbursable activities and the extent of the mandated activities;
- Recalculated the PHR calculations for FY 2005-06 through FY 2011-12 for all county employee classifications that performed the mandated activities, using documentation from the county's payroll system;

Flat-rate option

- Selected a judgmental non-statistical sample of meeting agendas claimed, ranging from 14.66% to 14.88% for each fiscal year of the audit period:
 - Determined the existence of meeting agendas claimed and compared the number of supported meetings to the number claimed (we excluded from consideration meetings that did not include a provision for public comment); and
 - Developed error rates for each fiscal year based on the number of eligible meeting agendas. Consistent with the AICPA *Audit Sampling Guide*, we applied the error rate to the total costs claimed for that fiscal year.

GC sections 12410, 17558.5, and 17561 provide the legal authority to conduct this audit. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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. We did not audit the county's financial statements.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We did not find that the county claimed costs that were funded by other sources; however, we did find that the county claimed unsupported and ineligible costs, as quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

For the audit period, Sonoma County claimed \$874,345 for costs of the legislatively mandated Open Meetings Act/Brown Act Reform Program. Our audit found that \$632,838 is allowable and \$241,507 is unallowable. The State made no payments to the county. The State will pay \$632,838, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

**Follow-up on
Prior Audit
Findings**

The county has satisfactorily resolved the findings noted in our prior audit report, for the period of July 1, 2000, through June 30, 2003, issued July 22, 2005, with the exception of Finding 1 of this audit report.

**Views of
Responsible
Officials**

We issued a draft report on May 31, 2019. Amanda Ruch, Assistant Auditor-Controller-Treasurer-Tax Collector, responded by letter dated June 10, 2019 (Attachment), acknowledging the audit results. This final audit report includes the county's response.

Restricted Use

This audit report is solely for the information and use of Sonoma 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 audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

July 8, 2019

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Standard rate	\$ 90,207	\$ 56,475	\$ (33,732)	Finding 1
Flat rate	31,473	20,756	(10,717)	Finding 2
Total program costs	<u>\$ 121,680</u>	77,231	<u>\$ (44,449)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 77,231</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Standard rate	\$ 95,812	\$ 55,914	\$ (39,898)	Finding 1
Flat rate	26,925	19,031	(7,894)	Finding 2
Total program costs	<u>\$ 122,737</u>	74,945	<u>\$ (47,792)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 74,945</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Standard rate	\$ 97,487	\$ 58,371	\$ (39,116)	Finding 1
Flat rate	25,351	20,221	(5,130)	Finding 2
Total program costs	<u>\$ 122,838</u>	78,592	<u>\$ (44,246)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 78,592</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Standard rate	\$ 95,555	\$ 58,092	\$ (37,463)	Finding 1
Flat rate	25,245	19,205	(6,040)	Finding 2
Total program costs	<u>\$ 120,800</u>	77,297	<u>\$ (43,503)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 77,297</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Standard rate	\$ 91,981	\$ 85,686	\$ (6,295)	Finding 1
Flat rate	41,012	23,547	(17,465)	Finding 2
Total program costs	<u>\$ 132,993</u>	109,233	<u>\$ (23,760)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 109,233</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Standard rate	\$ 87,892	\$ 83,745	\$ (4,147)	Finding 1
Flat rate	44,366	24,736	(19,630)	Finding 2
Total program costs	<u>\$ 132,258</u>	108,481	<u>\$ (23,777)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 108,481</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2011, through June 30, 2012</u>				
Standard rate	\$ 82,104	\$ 85,282	\$ 3,178	Finding 1
Flat rate	38,935	21,777	(17,158)	Finding 2
Total program costs	<u>\$ 121,039</u>	107,059	<u>\$ (13,980)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 107,059</u>		
<u>Summary: July 1, 2005, through June 30, 2012</u>				
Standard rate	\$ 641,038	\$ 483,565	\$ (157,473)	Finding 1
Flat rate	233,307	149,273	(84,034)	Finding 2
Total program costs	<u>\$ 874,345</u>	632,838	<u>\$ (241,507)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 632,838</u>		

¹ See the Findings and Recommendations section.

² Payment amount current as of June 21, 2019.

Findings and Recommendations

FINDING 1— Overstated standard- time option costs (REPEAT)

The county claimed \$641,038 under the standard-time option for the preparation and posting of agenda items for the Open Meetings Act/Brown Act Reform Program for the BOS (\$483,727) and the SCERA Board (\$157,311) for the audit period. The county claimed costs based on the number of board meeting agenda items times the standard-time allowance of 30 minutes per agenda item for the BOS and 20 minutes per agenda item for the SCERA Board times the blended PHR. The blended PHR includes related benefits and indirect costs for the employee classifications that performed the reimbursable activity.

During testing, we found that \$483,565 is allowable and \$157,473 is unallowable (\$64,947 for the BOS and \$92,526 for the SCERA Board). The costs are unallowable because the county misstated the number of eligible agenda items and applied incorrect blended PHRs to eligible agenda items.

We previously audited the county's program claims filed for FY 2000-01 through FY 2002-03. That audit also found that the county misstated the number of eligible agenda items and applied incorrect PHRs to eligible agenda items.

Testing Methodology

We used non-statistical sampling to test meeting agendas claimed during the audit period under the standard-time option for both the BOS and the SCERA Board. This included:

- Determining that the population of items for testing included 11,707 BOS agenda items and 4,031 SCERA Board agenda items claimed under the standard time option.
- Judgmentally selecting meeting agendas claimed under the standard time option as follows:
 - FY 2005-06: 232 out of 1,792 agenda items for BOS and 108 out of 726 agenda items for SCERA Board
 - FY 2006-07: 258 out of 1,731 agenda items for BOS and 103 out of 700 agenda items for SCERA Board
 - FY 2007-08: 263 out of 1,777 agenda items for BOS and 101 out of 674 agenda items for SCERA Board
 - FY 2008-09: 265 out of 1,764 agenda items for BOS and 101 out of 676 agenda items for SCERA Board
 - FY 2009-10: 243 out of 1,620 agenda items for BOS and 104 out of 691 agenda items for SCERA Board
 - FY 2010-11: 234 out of 1,555 agenda items for BOS and 54 out of 371 agenda items for SCERA Board
 - FY 2011-12: 216 out of 1,468 agenda items for BOS and 29 out of 193 agenda items for SCERA Board;

- Reviewing copies of as many meeting agendas for selected meetings as possible, available on the county's website or requested from the county;
- Counting the number of eligible agenda items for meeting agendas provided under the standard-time option based on the requirements of the parameters and guidelines. Compared the testing results to the number of agenda items claimed per meeting to determine an error percentage for each year of the audit period; and
- Projecting the results from the samples selected from each year by applying each year's error percentage to the total population for that year.

Board of Supervisors

The county claimed \$483,727 under the standard-time option for preparing and posting 11,707 agenda items for the BOS during the audit period. We found that \$418,780 is allowable and \$64,947 is unallowable. The costs are unallowable because the county misstated the number of eligible agenda items by 128 items and overstated the blended PHRs for the entire audit period. The county misstated the elements of the blended PHR calculations (employee annual salaries and benefits, productive hours, and the percentage of various staff members' involvement in the reimbursable activities).

The following table summarizes the claimed, allowable, and audit adjustment amounts for BOS for the standard-time option costs claimed by fiscal year:

	Fiscal Year							Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
Number of claimed agenda items	1,792	1,731	1,777	1,764	1,620	1,555	1,468	
Standard time (hour) per agenda	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	11,707
Total claimed hours	896.00	865.50	888.50	882.00	810.00	777.50	734.00	
Claimed PHR	× 64.10	× 72.73	× 72.22	× 70.23	× 97.34	× 103.72	× 105.94	
Totals	\$ 57,434	\$ 62,948	\$ 64,167	\$ 61,943	\$ 78,845	\$ 80,642	\$ 77,760	\$ 483,739
Claim calculation errors ¹	(4)	(3)	(3)	-	3	(2)	(3)	(12)
Total claimed costs	\$ 57,430	\$ 62,945	\$ 64,164	\$ 61,943	\$ 78,848	\$ 80,640	\$ 77,757	\$ 483,727
Number of allowable agenda items	1,807	1,617	1,838	1,674	1,640	1,542	1,461	11,579
Standard time (hour) per agenda	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	× 0.50	
Total allowable hours	903.50	808.50	919.00	837.00	820.00	771.00	730.50	
Allowable blended PHR	× 50.49	× 57.26	× 56.65	× 59.17	× 92.21	× 96.96	× 102.55	
Total allowable costs	\$ 45,618	\$ 46,295	\$ 52,061	\$ 49,525	\$ 75,612	\$ 74,756	\$ 74,913	\$ 418,780
Audit adjustment ²	\$ (11,812)	\$ (16,650)	\$ (12,103)	\$ (12,418)	\$ (3,236)	\$ (5,884)	\$ (2,844)	\$ (64,947)

¹Minor claim calculation variances due to rounding errors.

²These audit adjustments include the claim rounding errors.

Misstated Agenda Items

The county claimed costs for preparing 11,707 agenda items for its BOS meetings during the audit period. We found that 11,579 items are allowable; and the county overstated the number of eligible agenda items by 128 during the audit period (overstated by 224 and understated by 96). We judgmentally sampled agendas from BOS meetings during each year of the audit period, which comprised agenda items ranging from 12.95% to 15.05% of the number of agenda items claimed per year. We reviewed the board meeting agendas to determine the number of eligible items.

Following the requirements of the parameters and guidelines, we did not count items such as “public comments,” “next meetings,” “adjournment,” and “general discussion matters,” as these are regular repetitive items.

We followed guidance contained in the AICPA *Audit Sampling Guide* (May 1, 2017 edition) to apply audit sampling in accordance with AU-C section 530 (Audit Sampling). The objective of our testing was to determine whether the count of agenda items (11,707) claimed under the standard-time option was correct. We defined deviations as agenda items ineligible for reimbursement per the parameters and guidelines.

The population consisted of the 11,707 agenda items claimed for the BOS meetings during the seven-year audit period. We determined that the BOS was one of two county agencies eligible to claim costs under the standard-time option. We judgmentally selected 14.62% of BOS standard-time agendas for testing, which comprised 1,711 agenda items. The number of claimed agenda items remained constant throughout the audit period (ranging from 1,468 to 1,792). Therefore, we selected between 216 and 265 agenda items per year for testing. The tolerable misstatement, or error variance, is an error rate of ineligible agenda items within 15%. Our initial testing revealed error rates within those limits, from -8.68% to 0.86%. Therefore, we concluded that the amount of testing performed for each fiscal year provided a reasonable estimate of the variance percentage of the population as a whole.

We then applied these variance percentages to the number of agenda items claimed during each year of the audit period to determine the overall audit adjustment.

The following table presents the calculation of the audit adjustment for the misstated number of BOS agenda items:

Fiscal Year	Number of Agenda Items Claimed [a]	Number of Agenda Items Tested [b]	Agenda Items Tested Percentage [c]=[b]÷[a]	Agenda Items Variance [d]	Agenda Items Variance Percentage [e]=[d]÷[b]	Overall Variance-Items [f]=[a]x[e]	Overall Allowable Agenda Items [a]+[f]
2005-06	1,792	232	12.95%	2	0.86%	15	1,807
2006-07	1,731	258	14.90%	(17)	-6.59%	(114)	1,617
2007-08	1,777	263	14.80%	9	3.42%	61	1,838
2008-09	1,764	265	15.02%	(23)	-8.68%	(90)	1,674
2009-10	1,620	243	15.00%	(3)	-1.23%	20	1,640
2010-11	1,555	234	15.05%	(2)	-0.85%	(13)	1,542
2011-12	1,468	216	14.71%	(1)	-0.46%	(7)	1,461
Totals	<u>11,707</u>	<u>1,711</u>	<u>14.62%</u>	<u>(35)</u>	<u>-2.05%</u>	<u>(128)</u>	<u>11,579</u>

Overstated Productive Hourly Rates

The county claimed blended PHRs and applied them to the following employee job classifications:

- FY 2005-06 through FY 2008-09 – Confidential Secretary;
- FY 2009-10 – Chief Deputy Clerk;
- FY 2010-11 – three Chief Deputy Clerks; and
- FY 2011-12 – Chief Deputy Clerk.

To validate the county’s assertion of which classifications performed the reimbursable activities and the extent of their involvement, we met with representatives of the Clerk to the BOS Office. Based on these discussions, we determined which employee classifications performed the reimbursable activities and the extent of their involvement. We also requested payroll information from the Payroll Office for the staff members performing the reimbursable activities during the audit period, and used this information to re-calculate blended PHRs. We found that the county overstated the claimed rates for all years of the audit period.

The following table summarizes the actual participation percentages for county staff members performing the reimbursable activities during the audit period:

Employee Classification	Fiscal Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<u>Actual:</u>							
Secretaries	100%	100%	100%	100%	0%	0%	0%
Chief Deputy Clerk*	0%	0%	0%	0%	100%	90%	100%
Office Support Supervisor	0%	0%	0%	0%	0%	10%	0%

* In FY 2009-10 and FY 2011-12 there was only one Chief Deputy Clerk, and in FY 2010-11 there were three Chief Deputy Clerks.

We used salary, benefit, and indirect cost information that the county provided to re-calculate its PHRs. We then multiplied the PHRs by the actual participation percentages to compute blended PHRs for the audit period.

The following table shows the calculation of the blended PHR used to calculate allowable costs for FY 2010-11:

Employee Classification	Annual Salary [a]	Annual Benefits [b]	Productive Hours [c]	PHR d = (a+b)/c	Indirect Costs [e]	Total PHR f = (d+e)	Participation Percentage [g]	Blended PHR [f] * [g]
Chief Deputy Clerk No. 1	\$ 28,776.78	\$ 16,751.46	533.5	\$ 85.34	\$ 20.46	\$ 105.80	45%	\$ 47.61
Chief Deputy Clerk No. 2	25,546.96	14,714.33	613.0	65.68	15.74	81.42	40%	32.57
Chief Deputy Clerk No. 3	6,604.09	4,608.99	125.1	89.63	21.48	111.11	5%	5.56
Office Support Supervisor	12,387.71	6,097.55	204.2	90.53	21.70	112.23	10%	11.22
Totals							100%	\$ 96.96

We performed similar calculations for all other years of the audit period. We then applied allowable blended PHRs to allowable agenda items for each fiscal year.

The following table presents the calculation of total allowable costs under the standard-time option for BOS meetings during the audit period by fiscal year:

Fiscal Year	Allowable Agenda Items [a]	Standard Time Allowance [b]	Audited / Allowable Blended PHR [c]	Total Allowable Costs [a] x [b] x [c]
2005-06	1,807	0.5	\$ 50.49	\$ 45,618
2006-07	1,617	0.5	57.26	46,295
2007-08	1,838	0.5	56.65	52,061
2008-09	1,674	0.5	59.17	49,525
2009-10	1,640	0.5	92.21	75,612
2010-11	1,542	0.5	96.96	74,756
2011-12	1,461	0.5	102.55	74,913
Total	11,579			\$ 418,780

Board of Retirement

The county claimed \$157,311 under the standard-time option for preparing and posting agenda items for the SCERA Board during the audit period. We found that \$64,785 is allowable and \$92,526 is unallowable. The unallowable costs occurred because the county misstated the number of eligible agenda items by 1,329 items, overstated the blended PHRs for FY 2005-06 through FY 2009-10, and understated the blended PHRs for FY 2010-11 and FY 2011-12. The county misstated the elements of the blended PHR calculations (employee annual salaries and benefits, productive hours, and the percentage of involvement by various staff in the reimbursable activities).

The following table summarizes the claimed, allowable, and audit adjustment amounts for the SCERA Board for the standard-time option costs by fiscal year:

	Fiscal Year							Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
Number of claimed agenda items	726	700	674	676	691	371	193	4,031
Standard-time (hour) per agenda	× 0.3333	× 0.3333	× 0.3333	× 0.3333	× 0.3333	× 0.3333	× 0.3333	
Total claimed hours	241.98	233.31	224.64	225.31	230.31	123.65	64.33	
Claimed PHR	× 135.44	× 140.86	× 148.32	× 149.16	× 57.02	× 58.64	× 67.57	
Totals	\$ 32,774	\$ 32,864	\$ 33,319	\$ 33,607	\$ 13,132	\$ 7,251	\$ 4,347	\$ 157,294
Claim calculation errors ¹	3	3	4	5	1	1	-	17
Total claimed costs	\$ 32,777	\$ 32,867	\$ 33,323	\$ 33,612	\$ 13,133	\$ 7,252	\$ 4,347	\$ 157,311
Number of allowable agenda items	450	428	260	368	359	378	459	2,702
Standard-time (hour) per agenda	× 0.3333	× 0.3333	× 0.3333	× 0.3333	× 0.3333	× 0.3333	× 0.3333	
Total allowable hours	149.99	142.65	86.66	122.65	119.65	125.99	152.98	
Allowable blended PHR	× 72.39	× 67.43	× 72.81	× 69.85	× 84.19	× 71.35	× 67.78	
Total allowable costs	\$ 10,857	\$ 9,619	\$ 6,310	\$ 8,567	\$ 10,074	\$ 8,989	\$ 10,369	\$ 64,785
Audit adjustment ²	\$ (21,920)	\$ (23,248)	\$ (27,013)	\$ (25,045)	\$ (3,059)	\$ 1,737	\$ 6,022	\$ (92,526)

¹Minor claim calculation variances due to rounding errors.

²These audit adjustments include the claim rounding errors.

Misstated Agenda Items

The county claimed costs for preparing 4,031 agenda items for its SCERA Board meetings during the audit period. We found that 2,702 are allowable; the county overstated the number of eligible agenda items by

1,329 during the audit period. We judgmentally sampled agendas from county SCERA Board meetings during each year of the audit period, comprising agenda items ranging from 14.56% to 15.05% of the number of agenda items claimed per year. We reviewed the SCERA Board meeting agendas to determine the number of eligible items. Following the requirements of the parameters and guidelines, we did not count items such as “public comments,” “next meetings,” “adjournment,” and “general discussion matters,” as these are regular repetitive items. We also excluded items that were not discussed, or were cancelled, rescheduled, and/or withdrawn.

We followed guidance contained in the AICPA *Audit Sampling Guide* (May 1, 2017 edition) to apply audit sampling in accordance with AU-C section 530 (Audit Sampling). The objective of our testing was to determine whether the counts of agenda items (4,031) claimed under the standard-time option was correct. We defined deviations as agenda items ineligible for reimbursement per the parameters and guidelines.

The population consisted of 4,031 agendas claimed for the SCERA Board meetings during the audit period. We determined that the SCERA Board was one of the two county agencies eligible to claim costs under the standard-time option. We judgmentally selected approximately 14.88% of standard rate SCERA Board agendas for testing, which equaled 600 agenda items. The number of claimed agenda items ranged from 674 to 726 for FY 2005-06 through FY 2009-10, and from 193 to 371 for FY 2010-11 through FY 2011-12. We selected between 101 and 108 agenda items per year for testing for FY 2005-06 through FY 2009-10; 29 agenda items for FY 2010-11; and 54 for FY 2011-12. The tolerable misstatement, or error variance, is an error rate of ineligible agenda items within +/-15%. Our initial testing revealed error rates outside of this limit except for FY 2010-11, as shown in column [e] of the table below. Therefore, we concluded that the amount of testing performed for each fiscal year provided a reasonable estimate of the variance percentage of the population as a whole.

We then applied these variance percentages to the number of agenda items claimed during each year of the audit period to determine the overall audit adjustment.

The following table presents the calculation of the audit adjustment for the misstated number of SCERA Board agenda items:

Fiscal Year	Number of Agenda Items Claimed [a]	Number of Agenda Items Tested [b]	Agenda Items Tested Percentage [c]=[b]÷[a]	Agenda Items Variance [d]	Agenda Items Variance Percentage [e]=[d]÷[b]	Overall Variance- Agenda Items [f]=[a]x[e]	Overall Allowable Agenda Items [a]+[f]
2005-06	726	108	14.88%	(41)	-37.96%	(276)	450
2006-07	700	103	14.71%	(40)	-38.83%	(272)	428
2007-08	674	101	14.99%	(62)	-61.39%	(414)	260
2008-09	676	101	14.94%	(46)	-45.54%	(308)	368
2009-10	691	104	15.05%	(50)	-48.08%	(332)	359
2010-11	371	54	14.56%	1	1.85%	7	378
2011-12	193	29	15.03%	40	137.93%	266	459
Totals	4,031	600	14.88%	(198)	-33.00%	(1,329)	2,702

Overstated Productive Hourly Rates

The county claimed blended PHRs during each fiscal year based on staff members’ percentage of involvement in the reimbursable activities for the following four job classifications:

- FY 2005-06 through FY 2008-09 – Secretary and Administrator
- FY 2009-10 – Secretary
- FY 2010-11 and FY 2011-12 – Deputy Clerk

To validate the county’s assertion of which classifications performed the reimbursable activities and the extent of their involvement, we met with representatives of the Clerk to the SCERA Board Office. Based on these discussions, we adjusted the percentage involvement for FY 2005-06 through FY 2011-12. We also requested payroll information from the Payroll Office for the staff members performing the reimbursable activities during the audit period, and used this information to re-calculate blended PHRs. We found the county overstated the claimed PHRs for all years of the audit period except FY 2009-10.

The following table summarizes the actual participation percentages for county staff members performing the reimbursable activities during the audit period:

Employee Classification	Fiscal Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<u>Actual:</u>							
Secretary	100%	100%	100%	100%	100%	0%	0%
Administrator	0%	0%	0%	0%	0%	0%	0%
Deputy Clerk	0%	0%	0%	0%	0%	100%	100%

We used salary, benefit, and indirect cost information that the county provided to re-calculate PHRs. We then multiplied the PHRs by the actual participation percentages to compute blended PHRs for the audit period, as permitted by the parameters and guidelines.

The following table shows the calculation of the blended PHR used to calculate allowable costs for FY 2008-09:

Employee Classification	Annual Salary [a]	Annual Benefits [b]	Productive Hours [c]	PHR d = (a+b)/c	Indirect Costs [e]	Total PHR f = (d+e)
Secretary	\$ 61,746.53	\$ 31,838.22	1,788.9	\$ 52.31	\$ 17.54	\$ 69.85
Administrator*	-	-	-	-	-	-
Totals						<u>\$ 69.85</u>

*The Administrator job classification was not involved in agenda preparation and posting activities. Therefore, we did not include this classification in the blended PHR calculation

We performed similar calculations for all other years of the audit period. We then applied allowable blended PHRs to allowable agenda items by fiscal year.

The following table presents the calculation of total allowable costs under the standard-time option for SCERA Board meetings during the audit period by fiscal year:

Fiscal Year	Allowable Agenda Items [a]	Standard Time Allowance [b]	Audited / Allowable Blended PHR [c]	Total Allowable Costs [a] x [b] x [c]
2005-06	450	0.3333	\$ 72.39	\$ 10,857
2006-07	428	0.3333	67.43	9,619
2007-08	260	0.3333	72.81	6,310
2008-09	368	0.3333	69.85	8,567
2009-10	359	0.3333	84.19	10,074
2010-11	378	0.3333	71.35	8,989
2011-12	459	0.3333	67.78	10,369
Total	<u>2,702</u>			<u>\$ 64,785</u>

Criteria

Section IV. (A) (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines, states, in part, that reimbursable activities include preparing “a single agenda for a regular meeting of a legislative body of a local agency and to posting” a single agenda 72 hours before a meeting.”

Section V. (A) (2) (a) (Claim Preparation and Submission – Reimbursement Options for Agenda Preparation and Posting, Including Closed Session Agenda Items – Standard Time – Main Legislative Body Meetings of Counties and Cities) of the parameters and guidelines states:

List the meeting name and dates. For each meeting, multiply the number of agenda items, excluding standard agenda items [emphasis added] such as ‘adjournment’, ‘call to order’, ‘flag salute’, and ‘public comments’, by 30 minutes and then by the blended productive hourly rate of the involved employees.

Section V. (A) (2) (b) (Claim Preparation and Submission – Reimbursement Options for Agenda Preparation and Posting, Including Closed Session Agenda Items – Standard Time – Special District Meetings, and County and City Meetings Other Than Main Legislative Body) of the parameters and guidelines states:

List the meeting name and dates. For each meeting, multiply the number of agenda items, excluding standard agenda items [emphasis added] such as ‘adjournment’, ‘call to order’, ‘flag salute’, and ‘public comments’, by 20 minutes and then by the blended productive hourly rate of the involved employees.

Section VI. (A) (Supporting Data – Source Documents) of the parameters and guidelines requires that “all incurred costs claimed must be traceable to source documents that show evidence of their validity and relationship to the reimbursable activities.” Section VI. (A) also states:

For those entities that elect reimbursement pursuant to the standard time methodology, option 2 in section V.A, documents showing the calculation of the blended productive hourly rate and copies of agendas shall be sufficient evidence.

Recommendation

No recommendation is applicable for this finding, as the period of as reimbursement for the legislatively mandated Open Meetings Act/Brown Act Reform Program ended on November 7, 2012 with the passage of Proposition 30. For other mandated programs, we recommend that the county:

- Follow the mandated program’s parameters and guidelines and the SCO’s claiming instructions when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County’s Response

The County acknowledges the findings and notes [that] the agenda count discrepancy was due to missing documentation [of] the rationale for including certain agendas [, and to] staff turnover since 2005. The County will consider maintaining claim support, including activity procedures, beyond the current [seven]-year documentation retention policy for state mandated claims.

**FINDING 2—
Overstated flat-rate
costs**

The county claimed \$233,307 under the flat-rate option allowable per the parameters and guidelines under the Open Meetings Act/Brown Act Reform Program for the audit period. During testing, we found that \$149,273 is allowable and \$84,034 is unallowable.

Claimed costs under the flat-rate option are determined by multiplying an annual uniform cost allowance by the number of meetings. The uniform cost allowance is adjusted each year by the Implicit Price Deflator referenced in GC section 17523.

The costs are unallowable because the county overstated the number of meetings claimed in all years of the audit period. We worked with county representatives and searched the county’s website, but the county did not locate some of the meeting agendas claimed. In addition, some meeting agendas were ineligible for claiming purposes because the meetings did not include items for public comment. County representatives could not explain how those errors occurred because the staff members involved in the process are no longer employed by the county.

The following table summarizes the claimed, allowable, and audit adjustment amounts for the flat-rate option by fiscal year:

	Fiscal Year							Total							
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12								
Claimed Agendas	232	191	168	163	263	278	236	1,531							
Flat-Rate	×	135.66	×	140.97	×	150.90	×	154.88	×	155.94	×	159.59	×	164.98	
Total Claimed Costs	<u>31,473</u>	<u>26,925</u>	<u>25,351</u>	<u>25,245</u>	<u>41,012</u>	<u>44,366</u>	<u>38,935</u>	\$ 233,307							
Allowable Agendas	153	135	134	124	151	155	132	984							
Flat-Rate	×	135.66	×	140.97	×	150.90	×	154.88	×	155.94	×	159.59	×	164.98	
Allowable Total Costs	<u>20,756</u>	<u>19,031</u>	<u>20,221</u>	<u>19,205</u>	<u>23,547</u>	<u>24,736</u>	<u>21,777</u>	149,273							
Audit adjustment	\$ (10,717)	\$ (7,894)	\$ (5,130)	\$ (6,040)	\$ (17,465)	\$ (19,630)	\$ (17,158)	\$ (84,034)							

Overstated Agendas

The county claimed costs to prepare agendas for 1,531 meetings during the audit period. We found that 984 agendas are allowable and 547 are unallowable.

The county claimed agendas encompassing eight county departments during the audit period. We judgmentally selected approximately 14.76% of meeting agendas for legislative bodies within those departments for testing. We used non-statistical sampling to test meeting agendas claimed during the audit period under the flat rate option. This included:

- Verifying that the population of items for testing included 1,531 meeting agendas claimed under the flat-rate option;
- Judgmentally selecting meeting agendas claimed under the flat-rate option as follows:
 - 34 out of 232 agendas for FY 2005-06
 - 28 out of 191 agendas for FY 2006-07
 - 25 out of 168 agendas for FY 2007-08
 - 24 out of 163 agendas for FY 2008-09
 - 39 out of 263 agendas for FY 2009-10
 - 41 out of 278 agendas for FY 2010-11
 - 35 out of 236 agendas for FY 2011-12
- Reviewing copies of as many meeting agendas for selected meetings as possible, available on the county's website or requested from the county;
- Determining the existence of meeting agendas for the meetings claimed under the flat-rate option and comparing the number of supported meetings to the number claimed. We excluded from consideration meetings that did not include a provision for public comment; and
- Projecting the results from the samples selected from each year by applying each year's allowable agenda variance to the total population for each department for that year.

Allowable agendas are those associated with meetings that actually occurred and were supported. Unallowable agendas are those associated with meetings that were not supported, or meetings that did not include a provision for public comment. Based on the testing results, we developed error variances for each of the eight departments based on the number of eligible agendas compared to the number claimed. We applied these variances to the number of agendas claimed by each county department for each fiscal year of the audit period.

The following table presents the number of agendas claimed, the allowable agenda variance percentage, the number of allowable agendas, the number of unallowable agendas, and the audit adjustment for each year of the audit period:

County Department	Claimed Agendas	Agenda Variance (%)	Allowable Agendas	Unallowable Agendas	Flat Rate	Audit Adjustment (\$)
<u>FY 2005-06</u>						
Health	136	58.82%	80	(56)	\$ 135.66	\$ (7,597)
Human Services	29	22.22%	6	(23)	135.66	(3,120)
LAFCO	17	100.00%	17	-	135.66	-
P&R Management	22	100.00%	22	-	135.66	-
Retirement	28	100.00%	28	-	135.66	-
Total – FY 2005-06	<u>232</u>		<u>153</u>	<u>(79)</u>		<u>\$ (10,717)</u>
<u>FY 2006-07</u>						
Health	101	57.14%	58	(43)	140.97	\$ (6,062)
Human Services	22	40.00%	9	(13)	140.97	(1,833)
LAFCO	16	100.00%	16	-	140.97	-
P&R Management	23	100.00%	23	-	140.97	-
Retirement	29	100.00%	29	-	140.97	-
Subtotal	191		135	(56)		(7,895)
Rounding Adjustment	-		-	-		1
Total – FY 2006-07	<u>191</u>		<u>135</u>	<u>(56)</u>		<u>\$ (7,894)</u>
<u>FY 2007-08</u>						
Health	81	72.73%	59	(22)	150.90	\$ (3,320)
Human Services	20	40.00%	8	(12)	150.90	(1,811)
LAFCO	15	100.00%	15	-	150.90	-
P&R Management	24	100.00%	24	-	150.90	-
Retirement	28	100.00%	28	-	150.90	-
Subtotal	168		134	(34)		(5,131)
Rounding Adjustment	-		-	-		1
Total – FY 2007-08	<u>168</u>		<u>134</u>	<u>(34)</u>		<u>\$ (5,130)</u>
<u>FY 2008-09</u>						
Health	72	70.00%	50	(22)	154.88	\$ (3,407)
Human Services	21	20.00%	4	(17)	154.88	(2,633)
LAFCO	17	100.00%	17	-	154.88	-
P&R Management	25	100.00%	25	-	154.88	-
Retirement	28	100.00%	28	-	154.88	-
Total – FY 2008-09	<u>163</u>		<u>124</u>	<u>(39)</u>		<u>\$ (6,040)</u>
<u>FY 2009-10</u>						
Health	123	46.67%	57	(66)	155.94	\$ (10,292)
Human Rights	24	100.00%	24	-	155.94	-
Human Services	19	0.00%	0	(19)	155.94	(2,963)
LAFCO	10	100.00%	10	-	155.94	-
P&R Management	61	54.55%	34	(27)	155.94	(4,210)
Retirement	26	100.00%	26	-	155.94	-
Total – FY 2009-10	<u>263</u>		<u>151</u>	<u>(112)</u>		<u>\$ (17,465)</u>
<u>FY 2010-11</u>						
Health	93	64.29%	60	(33)	159.59	\$ (5,266)
Human Resources	25	100.00%	25	-	159.59	-
Human Services	48	0.00%	0	(48)	159.59	(7,660)
LAFCO	6	100.00%	6	-	159.59	-
P&R Management	78	46.15%	36	(42)	159.59	(6,703)
Retirement	28	100.00%	28	-	159.59	-
Subtotal	278		155	(123)		(19,629)
Rounding Adjustment	-		-	-		(1)
Total – FY 2010-11	<u>278</u>		<u>155</u>	<u>(123)</u>		<u>\$ (19,630)</u>
<u>FY 2011-12</u>						
Health	106	57.14%	61	(45)	164.98	\$ (7,424)
Human Resources	26	75.00%	20	(6)	164.98	(990)
LAFCO	10	0.00%	0	(10)	164.98	(1,650)
P&R Management	62	40.00%	25	(37)	164.98	(6,104)
Regional Parks	6	100.00%	6	-	164.98	-
Retirement	26	75.00%	20	(6)	164.98	(990)
Total – FY 2011-12	<u>236</u>		<u>132</u>	<u>(104)</u>		<u>\$ (17,158)</u>
Grand Total	<u>1,531</u>		<u>984</u>	<u>(547)</u>		<u>\$ (84,034)</u>

Criteria

Section I. (Summary of Mandate) of the parameters and guidelines states:

Statutes of 1986, chapter 641 also added Government Code section 54954.3 to provide an opportunity for members of the public to address the legislative body on specific agenda items or any item of interest that is within the subject matter jurisdiction of the legislative body, and this opportunity for comment must be stated on the posted agenda.

Section IV. (A) (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines, states, in part, that reimbursable activities include preparing “a single agenda for a regular meeting of a legislative body of a local agency and to post” a single agenda 72 hours before a meeting.”

Section V. (A) (3) (Claim Preparation and Submission – Reimbursement Options for Agenda Preparation and Posting, Including Closed Session Agenda Items – Flat Rate Option) of the parameters and guidelines states, “List the meeting names and dates. Multiply the uniform cost allowance...by the number of meetings.”

Section VI. (A) (Supporting Data – Source Documents) of the parameters and guidelines requires that “all incurred costs claimed must be traceable to source documents that show evidence of their validity and relationship to the reimbursable activities.” Section VI. (A) also states:

For those entities that elect reimbursement pursuant to the flat-rate methodology, option 3 in section V.A, copies of agendas shall be sufficient evidence.

Recommendation

No recommendation is applicable for this finding, as reimbursement for the legislatively mandated Open Meetings Act/Brown Act Reform Program ended on November 7, 2012 with the passage of Proposition 30.

For other mandated programs, we recommend that the county:

- Follow the mandated program’s parameters and guidelines and the SCO’s claiming instructions when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

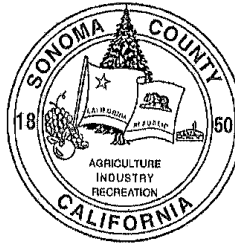
County’s Response

The County acknowledges the findings and notes [that] the unallowable costs and inaccurate number of agenda items were primarily due to insufficient [supporting documentation] located for the years 2005-2009. The County has since improved the SB90 Claim review process to ensure [that] claims conform to mandated program parameters and only eligible costs are included in the claim.

**Attachment—
County’s Response to Draft Audit Report**

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June 10, 2019

Ms. Lisa Kurokawa, Chief
Compliance Audits Bureau
California State Controller's Office
P.O. Box 942850
Sacramento, CA 94250

RE: Open Meetings Act/ Brown Act Reform Program
July 1, 2005, through June 30, 2012

Thank you for providing the County of Sonoma with the opportunity to comment on the draft findings. The County has reviewed the Audit Report Open Meetings Act/Brown Act Reform Program dated May 2019.

The summary notes the county claimed \$874,345 for the mandated program, and the audit found that \$632,838 is allowable to be paid contingent upon available appropriations, and \$241,507 is unallowable. Detailed findings and management responses are as follows:

Finding #1: The County claimed \$641,038 of which \$157,473 is unallowable costs under the standard-time reimbursement option for the audit period. The County claimed an inaccurate number of agenda items and applied the incorrect blended productive hourly rate.

County response: The County acknowledges the findings and notes the agenda count discrepancy was due to missing documentation on the rationale for including certain agendas and staff turnover since 2005. The County will consider maintaining claim support, including activity procedures, beyond the current 7-year documentation retention policy for state mandated claims.

Finding #2: The County claimed \$233,307 of which \$84,034 is unallowable due to overstated flat rate cost from overstated agendas.

County response: The County acknowledges the findings and notes the unallowable costs and inaccurate number of agenda items were primarily due to insufficient support located for the years 2005-2009. The County has since improved the SB90 Claim review process to ensure claims conform to mandated program parameters and only eligible costs are included in the claim.

No recommendations are applicable, as the Open Meetings Act/Brown Act Reform Program is no longer considered a reimbursable state-mandated program.

Sincerely,

Amanda Ruch
Assistant Auditor-Controller-Treasurer-Tax Collector
County of Sonoma

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