

# **CITY OF RANCHO SANTA MARGARITA**

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

October 2019



**BETTY T. YEE**  
California State Controller

October 10, 2019

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Stefanie Turner, Finance Director  
City of Rancho Santa Margarita  
22112 El Paseo  
Rancho Santa Margarita, CA 92688

Dear Ms. Turner:

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

The city claimed \$603,347 for the mandated program. Our audit found that \$167,961 is allowable, and \$435,386 is unallowable because the city overstated its actual-time costs by claiming unsupported agenda items, and understated its standard-time costs by not claiming eligible agenda items and applying incorrect productive hourly rates to eligible agenda items. The State made no payments to the city. The State will pay \$167,961, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the city 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/lis

cc: The Honorable Jerry Holloway, Mayor  
City of Rancho Santa Margarita  
Chris Hill, Principal Program Budget Analyst  
Local Government Unit  
California Department of Finance  
Steven Pavlov, Finance Budget Analyst  
Local Government Unit  
California Department of Finance  
Debra Morton, Manager  
Local Government Programs and Services Division  
State Controller's Office

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# Audit Report

## Summary

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

The city claimed \$603,347 for the mandated program. Our audit found that \$167,961 is allowable, and \$435,386 is unallowable because the city overstated its actual-time costs by claiming unsupported agenda items, and understated its standard-time costs by not claiming eligible agenda items and applying incorrect productive hourly rates (PHRs) to eligible agenda items. The State made no payments to the city. The State will pay \$167,961, 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, 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. 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 January 1, 1987. 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 was effective in FY 2001-02.

Due to the passage of Proposition 30, adopted by the voters on November 6, 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.

## **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:

- Reviewed the annual mandated cost claims filed by the city for the audit period and identified the material cost components claimed. For actual-time option costs, these included the actual number of agenda items, the minutes per agenda item, and the actual payroll of eligible job classifications. For standard-time option costs, these included the number of agenda items, the minutes per agenda item, and the blended PHRs. For flat-rate costs, these included the number of agenda items and the uniform cost allowance. Determined whether there were any mathematical errors or any 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; and
- Completed an internal control questionnaire by interviewing key city staff members. Discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used.

### Actual-time option

- Determined whether the city had any supporting documentation to support costs claimed under this option; and
- As the city did not have any supporting documentation, we accepted the city's request to reclassify the eligible City Council agendas for analysis under the standard-time option.

Standard-time option

- Selected all eligible agendas (consisting of 2,459 meeting agenda items) for the City Council not originally claimed under this cost-claiming option;
- Counted the number of eligible agenda items and determined allowable costs for each year of the audit period;
- Held discussions with city representatives to determine which employee classifications performed the reimbursable activities and the extent of the mandated activities. Used this information to determine the participation percentages for all city employee classifications that performed the mandated activities during all years of the audit period using agendas provided by the City Clerk's Office; and
- Calculated the blended PHR calculations for FY 2005-06 through FY 2011-12 for all city employee classifications that performed the mandated activities, using documentation from the city's payroll system.

Flat-rate option

- Judgmentally selected a non-statistical sample of meeting agendas claimed, ranging from 31.43% to 50% for each fiscal year of the audit period:
  - Verified 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 American Institute of Certified Public Accountants' *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 city'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 city'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 city claimed costs that were funded by other sources; however, we did find that it claimed unsupported costs, as quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

For the audit period, the City of Rancho Santa Margarita claimed \$603,347 for costs of the legislatively mandated Open Meetings Act/Brown Act Reform Program. Our audit found that \$167,961 is allowable and \$435,386 is unallowable. The State made no payments to the city. The State will pay \$167,961, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the city 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**

We have not previously conducted an audit of the city's legislatively mandated Open Meetings Act/Brown Act Reform Program.

**Views of  
Responsible  
Officials**

We discussed our audit results with the city's representatives during an exit conference conducted on September 9, 2019. Stefanie Turner, Finance Director, agreed with the audit results. Ms. Turner declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This audit report is solely for the information and use of the City of Rancho Santa Margarita, 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](http://www.sco.ca.gov).

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

October 10, 2019



**Schedule—  
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>				
Actual costs	\$ 48,863	\$ -	\$ (48,863)	Finding 1
Standard time	-	14,433	14,433	Finding 2
Flat rate	4,748	4,748	-	
Total direct costs	53,611	19,181	(34,430)	
Indirect costs <sup>2</sup>	4,886	-	(4,886)	Finding 1
Total program costs	<u>\$ 58,497</u>	19,181	<u>\$ (39,316)</u>	
Less amount paid by the State <sup>3</sup>		-		
Allowable costs claimed in excess of amount paid		<u>\$ 19,181</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Actual costs	\$ 52,213	\$ -	\$ (52,213)	Finding 1
Standard time	-	13,702	13,702	Finding 2
Flat rate	3,806	3,806	-	
Total direct costs	56,019	17,508	(38,511)	
Indirect costs <sup>2</sup>	5,221	-	(5,221)	Finding 1
Total program costs	<u>\$ 61,240</u>	17,508	<u>\$ (43,732)</u>	
Less amount paid by the State <sup>3</sup>		-		
Allowable costs claimed in excess of amount paid		<u>\$ 17,508</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Actual costs	\$ 53,147	\$ -	\$ (53,147)	Finding 1
Standard time	-	19,711	19,711	Finding 2
Flat rate	3,320	3,320	-	
Total direct costs	56,467	23,031	(33,436)	
Indirect costs <sup>2</sup>	5,315	-	(5,315)	Finding 1
Total program costs	<u>\$ 61,782</u>	23,031	<u>\$ (38,751)</u>	
Less amount paid by the State <sup>3</sup>		-		
Allowable costs claimed in excess of amount paid		<u>\$ 23,031</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Actual costs	\$ 54,751	\$ -	\$ (54,751)	Finding 1
Standard time	-	25,486	25,486	Finding 2
Flat rate	3,717	3,717	-	
Total direct costs	58,468	29,203	(29,265)	
Indirect costs <sup>2</sup>	5,475	-	(5,475)	Finding 1
Total program costs	<u>\$ 63,943</u>	29,203	<u>\$ (34,740)</u>	
Less amount paid by the State <sup>3</sup>		-		
Allowable costs claimed in excess of amount paid		<u>\$ 29,203</u>		

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2009, through June 30, 2010</u>				
Actual costs	\$ 73,946	\$ -	\$ (73,946)	Finding 1
Standard time	-	21,808	21,808	Finding 2
Flat rate	<u>1,559</u>	<u>1,559</u>	<u>-</u>	
Total direct costs	75,505	23,367	(52,138)	
Indirect costs <sup>2</sup>	<u>-</u>	<u>-</u>	<u>-</u>	
Total program costs	<u>\$ 75,505</u>	23,367	<u>\$ (52,138)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 23,367</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Actual costs	\$ 113,431	\$ -	\$ (113,431)	Finding 1
Standard time	-	26,436	26,436	Finding 2
Flat rate	<u>2,394</u>	<u>2,394</u>	<u>-</u>	
Total direct costs	115,825	28,830	(86,995)	
Indirect costs <sup>2</sup>	<u>7,380</u>	<u>-</u>	<u>(7,380)</u>	Finding 1
Total program costs	<u>\$ 123,205</u>	28,830	<u>\$ (94,375)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 28,830</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Actual costs	\$ 149,745	\$ -	\$ (149,745)	Finding 1
Standard time	-	24,861	24,861	Finding 2
Flat rate	<u>1,980</u>	<u>1,980</u>	<u>-</u>	
Total direct costs	151,725	26,841	(124,884)	
Indirect costs <sup>2</sup>	<u>7,450</u>	<u>-</u>	<u>(7,450)</u>	Finding 1
Total program costs	<u>\$ 159,175</u>	26,841	<u>\$ (132,334)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 26,841</u>		
<u>Summary: July 1, 2005, through June 30, 2012</u>				
Actual costs	\$ 546,096	\$ -	\$ (546,096)	Finding 1
Standard time	-	146,437	146,437	Finding 2
Flat rate	<u>21,524</u>	<u>21,524</u>	<u>-</u>	
Total direct costs	567,620	167,961	(399,659)	
Indirect costs <sup>2</sup>	<u>35,727</u>	<u>-</u>	<u>(35,727)</u>	Finding 1
Total program costs	<u>\$ 603,347</u>	167,961	<u>\$ (435,386)</u>	
Less amount paid by the State <sup>3</sup>		<u>-</u>		
Allowable costs claimed in excess of amount paid		<u>\$ 167,961</u>		

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

<sup>2</sup> Indirect rates are incorporated in the blended PHRs used to calculate costs under the standard-time option for FY 2005-06 through 2011-12.

<sup>3</sup> Payment amount current as of September 20, 2019.

# Findings and Recommendations

**FINDING 1—  
Overstated actual  
time and related  
indirect costs**

The city claimed \$581,823 (direct costs totaling \$546,096 and related indirect costs totaling \$35,727) under the actual-time option for the preparing and posting of agenda items for the Open Meetings Act/Brown Act Reform Program. The city claimed salary, benefit, contract services, and related indirect costs for various employee classifications to prepare and post City Council agenda items.

During testing, we found that the entire amount claimed is unallowable. The unallowable costs occurred because the city claimed costs for salaries and contract services that were unsupported. City representatives explained that “support documents for the actual cost claim method were not available based on the City’s retention policy.”

The following table summarizes the overstated direct and related indirect costs claimed under the actual-time cost option:

	Fiscal Year							Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
<b>Claimed</b>								
City Council agendas	\$ 48,863	\$ 52,213	\$ 53,147	\$ 54,751	\$ 73,946	\$ 113,431	\$ 149,745	\$ 546,096
Total direct costs	48,863	52,213	53,147	54,751	73,946	113,431	149,745	546,096
Related indirect costs	4,886	5,221	5,315	5,475	-	7,380	7,450	35,727
Total claimed costs	<u>\$ 53,749</u>	<u>\$ 57,434</u>	<u>\$ 58,462</u>	<u>\$ 60,226</u>	<u>\$ 73,946</u>	<u>\$ 120,811</u>	<u>\$ 157,195</u>	<u>\$ 581,823</u>
<b>Allowable</b>								
City Council agendas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total direct costs	-	-	-	-	-	-	-	-
Related indirect costs	-	-	-	-	-	-	-	-
Total allowable costs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Audit adjustment	<u>\$ (53,749)</u>	<u>\$ (57,434)</u>	<u>\$ (58,462)</u>	<u>\$ (60,226)</u>	<u>\$ (73,946)</u>	<u>\$ (120,811)</u>	<u>\$ (157,195)</u>	<u>\$ (581,823)</u>

**Unsupported Costs**

The city claimed \$581,823 in actual-time option costs for preparing and posting City Council meeting agendas for a variety of employee classifications. However, the city could not support the costs claimed, explaining that the supporting documents for time spent by staff on the mandated activities and contract services costs were no longer available. The city destroyed such support pursuant to its record retention policies. The city requested, and we agreed, to reclassify and analyze the eligible City Council agendas under the standard-time option.

**Criteria**

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

Section V. (A) (1) (Claim Preparation and Submission – Reimbursement Options for Agenda Preparation and Posting, Including Closed Session Agenda Items – Actual Time) of the parameters and guidelines states:

List the meeting name and dates. Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

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

Recommendation

No recommendation is applicable for this mandated program, as the period of reimbursement expired on November 7, 2012, due to the passage of Proposition 30, approved by voters on November 6, 2012. For other mandated programs, we recommend that the city:

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

**FINDING 2—  
Understated  
standard-time costs**

The city did not claim any costs under the standard-time option for the preparation and posting of agenda items for the Open Meetings Act/Brown Act Reform Program for the City Council during the audit period. However, as noted in Finding 1, the city requested, and we agreed, to reclassify the eligible City Council agendas under the standard-time option.

During testing, we found that \$146,437 is allowable. The city understated the number of eligible agenda items by 2,459 items and understated the blended PHRs for the entire audit period.

The following table summarizes the allowable amounts for 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 allowable agenda items	275	241	364	419	358	417	385	
Standard-time (hour) per agenda	× 0.5	× 0.5	× 0.5	× 0.5	× 0.5	× 0.5	× 0.5	
Total allowable hours	137.5	120.5	182.0	209.5	179.0	208.5	192.5	
Allowable blended PHR <sup>1</sup>	× 104.97	× 113.71	× 108.30	× 121.65	× 121.83	× 126.79	× 129.15	
Total allowable costs	\$ 14,433	\$ 13,702	\$ 19,711	\$ 25,486	\$ 21,808	\$ 26,436	\$ 24,861	\$ 146,437

<sup>1</sup> We incorporated the allowable default 10% indirect cost rate within the blended PHR calculations for all years.

### **Understated Agenda Items**

We reviewed the City Council 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,” “call to order,” “adjournment,” “pledge of allegiance,” as these are regular repetitive items.

There were 261 agendas (containing 2,459 agenda items) prepared for the City Council meetings during the seven-year audit period. We determined that the City Council was eligible to claim costs under the standard-time option. We selected 100% of City Council standard-time agendas for testing, which comprised 2,459 agenda items. The number of eligible agenda items remained constant throughout the audit period (ranging from 241 to 419).

### **Understated Productive Hourly Rates**

We met with representatives of the City Clerk’s Office to determine who performed the reimbursable activities and the extent of their involvement. Based on our discussions with the representatives, we determined the percentage involvement for FY 2005-06 through FY 2011-12 for eligible salaried and contract employees by going through all City Council agendas for the audit period. As we reviewed agendas, we noted that each eligible agenda item included the name of the individual responsible for preparing that item. In cases where there were two individuals mentioned per item, we counted the item once but included both individuals in our participation percentage calculation. The City Attorney prepared all closed session items. We considered agenda items with the names of City Council members as having been prepared by the City Clerk.

We documented the employee classifications involved in the agenda preparation and posting process, and their percentages of involvement in the table on the next page. We also requested actual payroll information and contracts from the Payroll Office for these employee classifications for the audit period, and used the information provided by the city to compute blended PHRs.

The following table summarizes the actual participation for city staff who performed 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 participaton percentages:</u>							
Accountant	-	1.45%	-	-	-	-	-
Administrative Services Director	-	-	21.15%	17.00%	19.21%	17.97%	15.79%
Assistant to City Manager	2.85%	2.90%	0.27%	-	-	-	-
Associate Planner II (Contract)	3.80%	-	-	-	-	-	-
City Attorney A (Contract)	12.66%	0.36%	10.16%	11.26%	5.67%	2.54%	-
City Attorney B (Contract)	1.27%	11.59%	-	-	-	-	-
City Clerk	21.81%	14.86%	30.79%	27.61%	26.35%	23.47%	31.35%
City Engineer	13.61%	15.22%	-	-	-	-	-
City Manager	12.97%	21.05%	4.95%	7.28%	7.14%	12.26%	10.31%
City Planner	-	-	0.27%	0.44%	0.49%	-	-
Community Development Block Grant Support (Contract)	0.32%	1.45%	-	0.88%	0.74%	0.21%	13.60%
Community Services Supervisor	-	0.72%	-	0.44%	-	1.48%	0.44%
Community Services Supervisor (Contract)	2.53%	-	-	-	-	-	-
Department Secretary	0.32%	-	-	-	-	-	-
Deputy City Clerk	-	5.43%	0.82%	-	1.23%	0.21%	3.07%
Development Services Director	-	-	6.87%	5.52%	7.14%	9.51%	5.26%
Economic Development Consultant (Contract)	0.32%	0.72%	-	0.44%	-	-	-
Emergency Operations Center Consultant (Contract)	0.63%	0.36%	-	-	-	-	-
Finance Director A	12.66%	9.78%	-	-	-	-	-
Finance Director B	0.95%	-	-	-	-	-	-
Finance Director (Contract)	-	3.62%	1.10%	-	-	-	-
Management Analyst	0.32%	-	-	-	-	-	-
Planning Director	9.18%	6.88%	-	-	-	-	-
Police Chief A (Contract)	1.58%	0.36%	0.55%	0.66%	1.72%	0.63%	2.63%
Police Chief B (Contract)	-	0.72%	1.37%	1.10%	1.23%	6.34%	3.73%
Police Sergeant (Contract)	0.63%	-	-	-	-	-	-
Public Works Director	-	-	20.60%	24.72%	28.09%	25.17%	12.50%
Public Works Engineer	-	-	-	1.10%	-	-	-
Senior Management Analyst	-	2.17%	1.10%	1.55%	0.99%	0.21%	0.88%
Senior Planner (Contract)	1.27%	-	-	-	-	-	-
Senior Traffic Engineer (Contract)	0.32%	0.36%	-	-	-	-	-
Traffic Engineer (Contract)	-	-	-	-	-	-	0.44%
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

We used actual salary and benefit information that the city provided and the default 10% indirect cost rate, based on direct labor costs, allowable per the parameters and guidelines to compute PHRs for the audit period. We used the applicable contract rate for contract employees as the PHR based on contract information that the city provided. We then multiplied the PHRs by the actual participation percentages, shown in the table above, 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 2008-09:

Employee Classification	Annual Salary [a]	Productive Hours [b]	PHR c=(a÷b)	Annual Benefits [d]	Indirect Cost Rate e=(c×10%)	Benefits Hourly Rate f=(d÷b)	Loaded PHR g=(c+e+f)	Activity % [h]	Total Blended PHR i=(g×h)
Administrative Services Director	\$ 158,395.10	1,800	\$ 88.00	\$ 47,942.85	\$ 8.80	\$ 26.63	\$ 123.43	17.00%	\$ 20.98
City Attorney (Contract)	n/a	n/a	184.00	n/a	18.40	n/a	202.40	11.26%	22.79
City Clerk	95,655.62	1,800	53.14	35,231.83	5.31	19.57	78.02	27.61%	21.54
City Manager	232,707.63	1,800	129.28	62,998.57	12.93	35	177.21	7.28%	12.90
City Planner	89,605.99	1,800	49.78	34,006.17	4.98	18.89	73.65	0.44%	0.32
Community Development Block Grant Support (Contract)	n/a	n/a	80.00	n/a	8.00	n/a	88.00	0.88%	0.77
Community Services Supervisor (Contract)	74,128.70	1,800	41.18	30,870.47	4.12	17.15	62.45	0.44%	0.27
Development Services Director	121,228.77	1,800	67.35	40,412.95	6.74	22.45	96.54	5.52%	5.33
Economic Development Consultant (Contract)	n/a	n/a	145.00	n/a	14.50	n/a	159.50	0.44%	0.70
Police Chief A (Contract)	268,764.00	1,800	149.31	n/a	14.93	n/a	164.24	0.66%	1.08
Police Chief B (Contract)	268,764.00	1,800	149.31	n/a	14.93	n/a	164.24	1.10%	1.81
Public Works Engineer	140,561.66	1,800	78.09	44,329.79	7.81	24.63	110.53	1.10%	1.22
Public Works Director	160,476.16	1,800	89.15	48,364.47	8.92	26.87	124.94	24.72%	30.89
Senior Management Analyst	81,348.02	1,800	45.19	32,333.11	4.52	17.96	67.67	1.55%	1.05
Blended PHR									<u>\$ 121.65</u>

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

**Criteria**

Section IV. (A) (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines, states, in part, that reimbursable activities include “Prepar[ing] a single agenda for a regular meeting of a legislative body of a local agency...” and “Post[ing] 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 names 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 VI. (A) (Supporting Data – Source Documents) of the parameters and guidelines require 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 reimbursement expired on November 7, 2012, due to the passage of Proposition 30, approved by voters on November 6, 2012. For other mandated programs, we recommend that the city:

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



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