

LOS ANGELES 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

November 2018



BETTY T. YEE
California State Controller

November 13, 2018

The Honorable John Naimo, CPA, Auditor-Controller
Los Angeles County
500 West Temple Street, Suite 525
Kenneth Hahn Hall of Administration
Los Angeles, CA 90012

Dear Mr. Naimo:

The State Controller's Office (SCO) audited the costs claimed by Los Angeles 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 \$1,505,966 for the mandated program. Our audit found that \$1,075,123 is allowable and \$430,843 is unallowable because the county overstated costs claimed under the actual-time option and related indirect costs by claiming costs for agenda software, ineligible activities, unsupported agendas, and agendas posted after the meeting dates, and overstated costs claimed under the standard-time option by misstating the number of eligible agenda items and applying incorrect blended productive hourly rates to eligible agenda items. The State made no payments to the county. The State will pay \$1,075,123, 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

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: The Honorable Sheila Kuehl, Chair
 Los Angeles County Board of Supervisors
Hasmik Yaghobyan, J.D., Program Specialist
 Accounting Division, Auditor-Controller
 Los Angeles County
Chris Hill, Principal Program Budget Analyst
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Los Angeles 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 \$1,505,966 for the mandated program. Our audit found that \$1,075,123 is allowable and \$430,843 is unallowable because the county overstated costs claimed under the actual-time option and related indirect costs by claiming costs for agenda software, ineligible activities, unsupported agendas, and agendas posted after the meeting dates, and overstated costs claimed under the standard-time option by misstating the number of eligible agenda items and applying incorrect blended productive hourly rates (PHRs) to eligible agenda items. The State made no payments to the county. The State will pay \$1,075,123, contingent upon available appropriations.

Background

Chapter 641, Statutes of 1986, added Government Code (GC) 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 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 items of interest that are 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 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 and schools in claiming mandated program reimbursable costs.

The Open Meetings Act Program was effective August 29, 1986. Commencing in fiscal year (FY) 1997-98, local agencies may claim costs using the actual-time reimbursement option, the standard-time reimbursement option, or the flat-rate reimbursement option as specified in the program's 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/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 county for the audit period and identified that the material cost components of each claim for actual-time option costs are the actual PHRs and actual hours devoted to reimbursable activities for actual-time costs; for standard-time option costs, the number of agenda items, the minutes per agenda item, and the blended PHRs; and, for flat-rate costs, the number of agenda items and 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;
- Completed an internal control questionnaire by interviewing key county staff, and discussed the claim preparation process with county staff to determine what information was obtained, who obtained it, and how it was used;
- Inquired whether the county realized any offsetting savings or reimbursements from the statutes that created the legislatively mandated program;

Actual-time option

- Determined whether the costs claimed under the actual-time option are eligible activities defined by the program's parameters and guidelines;

Standard-time option

- Selected a judgmental non-statistical sample of meeting agenda items claimed, ranging from 10.80% to 15.66% 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 fiscal year of the audit period;
 - Consistent with the American Institute of Certified Public Accountants' (AICPA) Audit Sampling Guide, we 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 10.10% to 13.60% for each fiscal year of the audit period:
 - Determined the existence of the meeting agendas claimed and compared the number of supported meetings to the number claimed; 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

Our audit found instances of noncompliance with the requirements outlined in the Objective, Scope, and Methodology section. We found that the county did not claim costs that were funded by other sources; however, it did claim unsupported and ineligible costs, as quantified in the accompanying Schedule and described in the Findings and Recommendations section of this report.

For the audit period, Los Angeles County claimed \$1,505,966 for costs of the legislatively mandated Open Meetings Act/Brown Act Reform Program. Our audit found that \$1,075,123 is allowable and \$430,843 is unallowable. The State made no payments to the county. The State will pay \$1,075,123, 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**

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

**Views of
Responsible
Officials**

We discussed our audit results with the county's representative during an exit conference conducted on September 7, 2018. Hasmik Yaghobyan, J.D., Program Specialist, agreed with the audit results. Ms. Yaghobyan 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 Los Angeles 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.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

November 13, 2018

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>				
Direct costs:				
Actual-time option	\$ 36,808	\$ -	\$ (36,808)	Finding 1
Standard-time option	82,231	64,447	(17,784)	Finding 2
Flat-rate option	73,120	73,120	-	
Total direct costs	192,159	137,567	(54,592)	
Indirect costs	890	-	(890)	Finding 1
Total program costs	<u>\$ 193,049</u>	137,567	<u>\$ (55,482)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 137,567</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Actual-time option	\$ 48,516	\$ -	\$ (48,516)	Finding 1
Standard-time option	86,163	65,535	(20,628)	Finding 2
Flat-rate option	79,649	79,649	-	
Total direct costs	214,328	145,184	(69,144)	
Indirect costs	921	-	(921)	Finding 1
Total program costs	<u>\$ 215,249</u>	145,184	<u>\$ (70,065)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 145,184</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Actual-time option	\$ 56,069	\$ -	\$ (56,069)	Finding 1
Standard-time option	81,642	63,658	(17,984)	Finding 2
Flat-rate option	84,354	84,354	-	
Total direct costs	222,065	148,012	(74,053)	
Indirect costs	1,039	-	(1,039)	Finding 1
Total program costs	<u>\$ 223,104</u>	148,012	<u>\$ (75,092)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 148,012</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Actual-time option	\$ 89,746	\$ -	\$ (89,746)	Finding 1
Standard-time option	90,452	70,319	(20,133)	Finding 2
Flat-rate option	89,056	89,056	-	
Total direct costs	269,254	159,375	(109,879)	
Indirect costs	1,003	-	(1,003)	Finding 1
Total program costs	<u>\$ 270,257</u>	159,375	<u>\$ (110,882)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 159,375</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Actual-time option	\$ 50,088	\$ -	\$ (50,088)	Finding 1
Standard-time option	88,879	68,477	(20,402)	Finding 2
Flat-rate option	83,584	83,584	-	
Total direct costs	222,551	152,061	(70,490)	
Indirect costs	2,226	-	(2,226)	Finding 1
Total program costs	<u>\$ 224,777</u>	152,061	<u>\$ (72,716)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 152,061</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Actual-time option	\$ 20,057	\$ -	\$ (20,057)	Finding 1
Standard-time option	76,082	69,636	(6,446)	Finding 2
Flat-rate option	91,286	91,286	-	
Total direct costs	187,425	160,922	(26,503)	
Indirect costs	1,324	-	(1,324)	Finding 1
Total program costs	<u>\$ 188,749</u>	160,922	<u>\$ (27,827)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 160,922</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Actual-time option	\$ 16,171	\$ -	\$ (16,171)	Finding 1
Standard-time option	78,671	77,138	(1,533)	Finding 2
Flat-rate option	94,864	94,864	-	
Total direct costs	189,706	172,002	(17,704)	
Indirect costs	1,075	-	(1,075)	Finding 1
Total program costs	<u>\$ 190,781</u>	172,002	<u>\$ (18,779)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 172,002</u>		
<u>Summary: July 1, 2005, through June 30, 2012</u>				
Direct costs:				
Actual-time option	\$ 317,455	\$ -	\$(317,455)	Finding 1
Standard-time option	584,120	479,210	(104,910)	Finding 2
Flat-rate option	595,913	595,913	-	
Total direct costs	1,497,488	1,075,123	(422,365)	
Indirect costs	8,478	-	(8,478)	Finding 1
Total program costs	<u>\$ 1,505,966</u>	1,075,123	<u>\$ (430,843)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 1,075,123</u>		

¹ See the Findings and Recommendations section.

² Payment amount current as of October 2, 2018.

Findings and Recommendations

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

The county claimed \$325,933 (direct costs totaling \$317,455 and related indirect costs totaling \$8,478) under the actual-time option for the preparation and posting of agenda items for the Open Meetings Act/Brown Act Reform Program for the audit period. The county claimed salary, benefit, and related indirect costs for the operation and maintenance of its agenda software (Legistar), as well as costs for the Board of Supervisors (Board) and two county departments to prepare and post meeting agenda items. These costs were based on the employee classifications that performed the reimbursable activities.

During testing, we found that the entire amount claimed is unallowable. The unallowable costs occurred because the county claimed costs for activities that are not reimbursable under the mandated program, and for agenda items that were either unsupported or not supported by contemporaneous time logs. The county claimed these costs because it misinterpreted the claiming requirements contained in the parameters and guidelines.

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	
Claimed								
Software-related costs	\$ 23,527	\$ 34,664	\$ 40,385	\$ 74,745	\$ 26,208	\$ -	\$ -	199,529
Health Services Department agendas	13,281	13,852	15,684	15,001	15,958	20,057	16,171	110,004
Public Health Department agendas	-	-	-	-	5,963	-	-	5,963
Board of Supervisors agendas	-	-	-	-	1,959	-	-	1,959
Total direct costs	36,808	48,516	56,069	89,746	50,088	20,057	16,171	317,455
Related indirect costs	890	921	1,039	1,003	2,226	1,324	1,075	8,478
Total claimed costs	\$ 37,698	\$ 49,437	\$ 57,108	\$ 90,749	\$ 52,314	\$ 21,381	\$ 17,246	\$ 325,933
Allowable								
Software-related costs	-	-	-	-	-	-	-	-
Health Services Department agendas	-	-	-	-	-	-	-	-
Public Health Department agendas	-	-	-	-	-	-	-	-
Board of Supervisors agendas	-	-	-	-	-	-	-	-
Total direct costs	-	-	-	-	-	-	-	-
Related indirect costs	-	-	-	-	-	-	-	-
Total allowable costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Audit adjustment	\$ (37,698)	\$ (49,437)	\$ (57,108)	\$ (90,749)	\$ (52,314)	\$ (21,381)	\$ (17,246)	\$ (325,933)

Unallowable Activities

The county claimed \$199,529 for the maintenance and operation of Legistar. In addition to annual maintenance costs, the county also claimed costs for installation, training, testing, planning, technical support, and other software-related items. These costs are not reimbursable under the mandated program.

The county could have used widely available word processing software to perform the mandated activities. Instead, the county chose to develop Legistar to maintain its agendas. The mandated program requires only the preparation and posting of an agenda, as outlined in the program’s parameters and guidelines. There is no requirement that agenda software be developed and maintained to comply with the Open Meetings Act Program. Therefore, the county was not required to incur the costs associated with Legistar.

Unsupported Costs

The county claimed \$110,004 for the Health Services Department. The county provided time logs listing the activities performed, the employee classifications that carried out the activities, and the time that it took to do so. However, the time logs included ineligible activities and were dated after the meeting dates; therefore, the costs claimed are unsupported and unallowable. The county requested, and we agreed to reclassify, the eligible agendas of the Health Services Department under the flat-rate option for further analysis there.

For FY 2009-10, the county claimed \$5,963 for the Public Health Department. Department representatives stated that its commissions were not active that year; therefore, the costs claimed are unsupported and unallowable.

For FY 2009-10, the county claimed \$1,959 for the Board. The county did not disclose the specific commissions or meetings with which the claimed costs were associated; therefore, the costs claimed are unsupported and unallowable.

Criteria

Section IV. (A) (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines states, in part, that reimbursable activities include “Prepare a single agenda for a regular meeting of a legislative body of a local agency” and “Post 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 Option) of the parameters and guidelines states:

List the meeting names 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 require 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 finding, as the period of reimbursement for this mandated program 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 county:

- 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—
Overstated standard-
time option costs**

The county claimed \$584,120 under the standard-time option for the preparation and posting of agenda items for the Open Meetings Act/Brown Act Reform Program for the audit period. The costs claimed were based on the number of Board meeting agenda items multiplied by the standard-time allowance of 30 minutes per agenda item multiplied by the blended PHR. The blended PHR calculation includes related benefits and indirect costs for the employee classifications that performed the reimbursable activity.

During testing, we found that \$479,210 is allowable and \$104,910 is unallowable. The unallowable costs occurred because the county misstated the number of eligible agenda items (\$35,371) and applied incorrect blended PHRs to eligible agenda items (\$69,539). The county misstated the number of eligible agenda items by a net of 1,463 items (overstated by 1,518 and understated by 55) 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 involvement by various employee classifications in the reimbursable activities). In addition, the county did not include any indirect costs in its calculations of PHRs related to the standard-time option costs claimed. Therefore, we included an indirect cost rate of 10% for direct labor, excluding fringe benefits, which is an allowable option for this mandated program. These errors occurred because the county misinterpreted the claiming requirements contained in the parameters and guidelines.

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

	Fiscal Year							Total
	2005-06	2006-07 ¹	2007-08	2008-09 ¹	2009-10 ¹	2010-11	2011-12	
Number of claimed agenda items	3,731	3,821	3,234	3,403	3,301	2,821	2,917	
Standard time (hour) per agenda	x 0.5	x 0.5	x 0.5	x 0.5	x 0.5	x 0.5	x 0.5	
Total claimed hours	1,865.5	1,910.5	1,617.0	1,701.5	1,650.5	1,410.5	1,458.5	
Claimed PHR	x 44.08	x 45.10	x 50.49	x 53.16	x 53.85	x 53.94	x 53.94	
Total claimed costs	\$ 82,231	\$ 86,163	\$ 81,642	\$ 90,452	\$ 88,879	\$ 76,082	\$ 78,671	\$ 584,120
Number of allowable agenda items	3,400	3,379	3,007	3,154	3,032	2,821	2,972	
Standard time (hour) per agenda	x 0.5	x 0.5	x 0.5	x 0.5	x 0.5	x 0.5	x 0.5	
Total allowable hours	1,700.0	1,689.5	1,503.5	1,577.0	1,516.0	1,410.5	1,486.0	
Allowable blended PHR	x 37.91	x 38.79	x 42.34	x 44.59	x 45.17	x 49.37	x 51.91	
Total allowable costs	\$ 64,447	\$ 65,535	\$ 63,658	70,319	\$ 68,477	\$ 69,636	\$ 77,138	\$ 479,210
Audit adjustment	\$ (17,784)	\$ (20,628)	\$ (17,984)	\$ (20,133)	\$ (20,402)	\$ (6,446)	\$ (1,533)	\$ (104,910)

¹Minor calculation variances due to rounding.

Misstated Agenda Items

The county claimed costs for preparing 23,228 agenda items for its Board meetings during the audit period. We found that 21,765 are allowable, and that the county overstated the number of eligible agenda items by a net of 1,463 items (overstated by 1,518 and understated by 55) during the audit period. We judgmentally sampled agendas for Board meetings during each year of the audit period, which comprised agenda items ranging from 10.80% to 15.66% 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, our testing strategy was as follows:

- We did not count miscellaneous items, such as additions to the agenda posted more than 72 hours in advance of the meeting, items not on the posted agenda, supervisor recommendations related to cash rewards for information concerning crimes, opportunities for members of the public to address the Board, and recommendations to adjourn the meeting in memory of deceased persons and/or commemoration of ceremonial occasions; and
- We did not count items from previous discussions, such as “continuing local emergencies” and conferences regarding “potential threats to public services or facilities,” as these were frequently recurring 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 claimed counts of eligible agenda items (23,228) under the Standard Time option were correct. Deviations are defined as agenda items that are ineligible for reimbursement per the parameters and guidelines.

The population consisted of 23,228 agendas claimed for the Board meetings during the audit period. We determined that the Board was the only county agency eligible to claim costs under the standard-time option. We judgmentally selected approximately 12.76% of standard rate agendas for testing, which equaled 2,965 agenda items. As the number of claimed agenda items remained fairly constant throughout the audit period (ranging from 2,821 to 3,731), we selected 315 to 533 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 -11.57% to 1.9%. 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.

Our initial testing results are summarized in the following table:

Fiscal Year	Number of Agenda Items Claimed	Number of Agenda Items Tested	Agenda Items Tested Percentage	Agenda Items Variance	Variance Percentage
2005-06	3,731	440	11.79%	(39)	-8.86%
2006-07	3,821	432	11.31%	(50)	-11.57%
2007-08	3,234	399	12.34%	(28)	-7.02%
2008-09	3,403	533	15.66%	(39)	-7.32%
2009-10	3,301	430	13.03%	(35)	-8.14%
2010-11	2,821	416	14.75%	-	0.00%
2011-12	2,917	315	10.80%	6	1.90%
Totals	23,228	2,965	12.76%	(185)	-6.24%

We then applied the variance percentages that we computed for sampled items during each year of the audit period to the number of agenda items claimed to determine the overall audit adjustment.

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

Fiscal Year	Number of Agenda Items Claimed	Tested Variance Percentage	Overall Variance- Agenda Items	Time Allowance (hr)	Claimed PHR	Overall Audit Adjustment- Agenda Items
2005-06	3,731	-8.86%	(331)	0.50	44.08	\$ (7,295)
2006-07	3,821	-11.57%	(442)	0.50	45.10	(9,967)
2007-08	3,234	-7.02%	(227)	0.50	50.49	(5,731)
2008-09	3,403	-7.32%	(249)	0.50	53.16	(6,618)
2009-10	3,301	-8.14%	(269)	0.50	53.85	(7,243)
2010-11	2,821	0.00%	-	0.50	53.94	-
2011-12	2,917	1.90%	55	0.50	53.94	1,483
Totals	23,228	-6.24%	(1,463)			\$ (35,371)

Overstated Productive Hourly Rates

The county claimed blended PHRs based on the average salary of the following three Board job classifications for each fiscal year of the audit period:

- Chief, Board Services
- Intermediate Board Specialist
- Head Board Specialist

The county computed an average salary amount and divided it by annual productive hours to determine the blended PHRs. However, this methodology assumes that each of the three employee classifications perform the reimbursable activities to the same extent, which is not reasonable. To validate who performed the reimbursable activities and the extent of their involvement, we met with representatives of the Fiscal Services Department and the County Executive Office to obtain this information. Based on information provided by the county, we adjusted the percentage involvement of the employee classifications involved in the reimbursable activities during the audit period. We also requested actual payroll information from the Payroll Office for the staff performing the reimbursable activities during the audit period. The county could not provide the actual payroll for FY 2005-06 through FY 2009-10; therefore, we accepted the claimed salaries and benefits for the classifications involved. For FY 2010-11 and FY 2011-12, we used the actual cost information to compute blended PHRs. We found that the county overstated the claimed rates for all years of the audit period. In addition, the county did not properly claim blended PHRs, as it did not complete the required blended PHR calculation forms.

The following table summarizes the actual percentages that county staff spent performing the reimbursable activities during the audit period:

Classification	Fiscal Year						
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
<u>Actual percentages:</u>							
Intermediate Board Specialist	60%	60%	60%	60%	60%	60%	60%
Head Board Specialist	40%	40%	40%	40%	40%	40%	40%

We used the claimed salary and benefit information to compute PHRs for FY 2005-06 through FY 2009-10, and actual salary and benefit information for FY 2010-11 and 2011-12. The county did not include indirect costs in its calculations of PHRs for the audit period. Therefore, we included 10% of direct labor, excluding fringe benefits in our PHR calculations, as permitted by the parameters and guidelines. We then multiplied the PHRs by the actual participation percentages to compute blended PHRs for the audit period.

For example, the following table shows the calculation of the blended PHR used to calculate allowable costs for FY 2006-07:

Employee Classification	Salary Rate (a)	Benefit Rate (b)	Benefits c = (a*b)	Indirect Rate (d)	Indirect Costs e = (a*d)	Total PHR f = (a+c+e)	Participation Percentage (g)	Blended PHR (f) × (g)
Intermediate Board Specialist	\$ 23.44	37.23%	\$ 8.72	10.00%	\$ 2.34	\$ 34.50	60%	\$ 20.70
Head Board Specialist	30.72	37.23%	11.44	10.00%	3.07	45.23	40%	18.09
Totals							100%	\$ 38.79

We performed a similar calculation for all of the other fiscal years in the audit period.

The following table summarizes the blended PHRs claimed, allowable, and the audit adjustments made for standard-time activities by fiscal year:

Fiscal Year	Claimed Blended PHR	Audited Blended PHR	Audit Adjustment
2005-06	\$ 44.08	\$ 37.91	\$ (6.17)
2006-07	45.10	38.79	(6.31)
2007-08	50.49	42.34	(8.15)
2008-09	53.16	44.59	(8.57)
2009-10	53.85	45.17	(8.68)
2010-11	53.94	49.37	(4.57)
2011-12	53.94	51.91	(2.03)

The table below presents the audit adjustment due to PHR variances by fiscal year based on the allowable number of agenda items:

Fiscal Year	Allowable Agenda Items	Standard Time Allowance	PHR Variance	Audit Adjustment ¹
2005-06	3,400	0.5	\$ (6.17)	\$ (10,489)
2006-07	3,379	0.5	(6.31)	(10,661)
2007-08	3,007	0.5	(8.15)	(12,253)
2008-09	3,154	0.5	(8.57)	(13,515)
2009-10	3,032	0.5	(8.68)	(13,159)
2010-11	2,821	0.5	(4.57)	(6,446)
2011-12	2,972	0.5	(2.03)	(3,016)
	<u>21,765</u>			<u>\$ (69,539)</u>

Criteria

Section IV. (A) (Reimbursable Activities – Agenda Preparation and Posting Activities) of the parameters and guidelines, states, in part, that reimbursable activities include “Prepare 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) (2) (a) (Claim Preparation and Submission – Reimbursement Options for Agenda Preparation and Posting, Including Closed Session Agenda Items – Standard Time Option) 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 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.” 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.

Section V. (C) (Indirect Cost Rates – Cities, Counties and Special Districts) of the parameters and guidelines states that: “Claimants have the option of using **10%** [emphasis added] of direct labor, excluding fringe benefits.”

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 county:

- 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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