

# **ALAMEDA COUNTY**

Audit Report

## **REGIONAL HOUSING NEED DETERMINATION PROGRAM**

Chapter 1143, Statutes of 1980

*July 1, 2000, through June 30, 2002*



**STEVE WESTLY**  
California State Controller

June 2005



**STEVE WESTLY**  
California State Controller

June 17, 2005

The Honorable Patrick O'Connell  
Auditor-Controller  
Alameda County  
1221 Oak Street, Room 249  
Oakland, CA 94612

Dear Mr. O'Connell:

The State Controller's Office audited the claims filed by Alameda County for costs of the legislatively mandated Regional Housing Need Determination Program (Chapter 1143, Statutes of 1980) for the period of July 1, 2000, through June 30, 2002.

The county claimed \$403,917 for the mandated program. Our audit disclosed that \$266,113 is allowable and \$137,804 is unallowable. The unallowable costs occurred because the county claimed unsupported costs. The State paid the county \$372,261. The amount paid exceeds allowable costs claimed by \$106,148.

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

Sincerely,

*Original Signed By:*

VINCENT P. BROWN  
Chief Operating Officer

VPB:JVB/ams

cc: James E. Sorensen, Director  
Community Development Agency  
Alameda County  
U.B. Singh, Director of Finance  
Community Development Agency  
Alameda County  
Sherie Peterson, SB 90 Coordinator  
Auditor-Controller's Office  
Alameda County  
James Tilton, Program Budget Manager  
Corrections and General Government  
Department of Finance

# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objective, Scope, and Methodology .....</b>	<b>1</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Views of Responsible Official .....</b>	<b>2</b>
<b>Restricted Use .....</b>	<b>2</b>
<b>Schedule 1—Summary of Program Costs.....</b>	<b>3</b>
<b>Findings and Recommendations .....</b>	<b>4</b>
<b>Attachment—County’s Response to Draft Audit Report</b>	

# Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by Alameda County for costs of the legislatively mandated Regional Housing Need Determination Program (Chapter 1143, Statutes of 1980) for the period of July 1, 2000, through June 30, 2002. The last day of fieldwork was July 13, 2004.

The county claimed \$403,917 for the mandated program. Our audit disclosed that \$266,113 is allowable and \$137,804 is unallowable. The unallowable costs occurred because the county claimed unsupported costs. The State paid the county \$372,261. The amount paid exceeds allowable costs claimed by \$106,148.

## Background

Chapter 1143, Statutes of 1980, established substantially more detailed requirements for the housing element of local agencies' general plan. Cities and counties were required to have provisions in their housing elements for meeting their "appropriate share of the regional demand for housing" as determined by their regional Council of Government.

On August 19, 1981, the State Board of Control (now the Commission on State Mandates) ruled that Chapter 1143, Statutes of 1980, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines criteria for reimbursement. The State Board of Control adopted *Parameters and Guidelines* on March 25, 1982. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement, to assist local agencies in claiming reimbursable costs.

## Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Regional Housing Need Determination Program for the period of July 1, 2000, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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.

**Conclusion**

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

For the audit period, Alameda County claimed \$403,917 for Regional Housing Need Determination Program costs. Our audit disclosed that \$266,113 is allowable and \$137,804 is unallowable.

For fiscal year (FY) 2000-01, the State paid the county \$268,221. Our audit disclosed that \$130,417 is allowable. The county should return \$137,804 to the State.

For FY 2001-02, the State paid the county \$104,040. Our audit disclosed that \$135,696 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$31,656, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on March 30, 2005. U.B. Singh, Director of Finance in the Community Development Agency, responded by letter dated April 27, 2005, agreeing with the audit results. The county's response is included as an attachment to this final audit report.

**Restricted Use**

This report is solely for the information and use of Alameda County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original Signed By:*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

**Schedule 1—  
Summary of Program Costs  
July 1, 2000, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference <sup>1</sup>
<u>July 1, 2000, through June 30, 2001</u>				
Salaries	\$ 117,428	\$ 56,236	\$ (61,192)	Finding 1
Benefits	29,709	17,713	(11,996)	Finding 2
Services and supplies	32,361	32,361	—	
Indirect costs	<u>88,723</u>	<u>24,107</u>	<u>(64,616)</u>	Finding 3
Total costs	268,221	130,417	(137,804)	
Less allowable costs in excess of costs claimed <sup>2</sup>	<u>—</u>	<u>—</u>	<u>—</u>	
Total reimbursable costs	<u>\$ 268,221</u>	130,417	<u>\$ (137,804)</u>	
Less amount paid by the State		<u>(268,221)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (137,804)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 44,271	\$ 51,717	\$ 7,446	Finding 1
Benefits	15,893	16,653	760	Finding 2
Services and supplies	38,110	38,110	—	
Indirect costs	<u>37,422</u>	<u>29,467</u>	<u>(7,955)</u>	Finding 3
Total costs	135,696	135,947	251	
Less allowable costs in excess of costs claimed <sup>2</sup>	<u>—</u>	<u>(251)</u>	<u>(251)</u>	
Total reimbursable costs	<u>\$ 135,696</u>	135,696	<u>\$ —</u>	
Less amount paid by the State		<u>(104,040)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 31,656</u>		
<u>Summary: July 1, 2000, through June 30, 2002</u>				
Salaries	\$ 161,699	\$ 107,953	\$ (53,746)	Finding 1
Benefits	45,602	34,366	(11,236)	Finding 2
Services and supplies	70,471	70,471	—	
Indirect costs	<u>126,145</u>	<u>53,574</u>	<u>(72,571)</u>	Finding 3
Total costs	403,917	266,364	(137,553)	
Less allowable costs in excess of costs claimed <sup>2</sup>	<u>—</u>	<u>(251)</u>	<u>(251)</u>	
Total reimbursable costs	<u>\$ 403,917</u>	266,113	<u>\$ (137,804)</u>	
Less amount paid by the State		<u>(372,261)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (106,148)</u>		

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

<sup>2</sup> *Government Code* Section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions.

# Findings and Recommendations

**FINDING 1—  
Salary costs  
unsupported**

The county claimed salary costs that were unsupported, as follows.

- For fiscal year (FY) 2000-01 and FY 2001-02, the county claimed salary costs for various employees of the Community Development Agency using productive hourly labor rates that misstated the employees’ actual salaries.
- For FY 2000-01, the county claimed labor hours that did not agree with the hours documented on employee timesheets.

*Parameters and Guidelines* for the program specifies that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

As a result, we have adjusted claimed salary costs as follows.

	Fiscal Year		Total
	2000-01	2001-02	
Salaries	\$ (61,192)	\$ 7,446	\$ (53,746)

Recommendation

We recommend the county ensure that all costs claimed are eligible increased costs incurred as a result of the mandate and are supported by its accounting records.

County’s Response

The county concurred with the finding.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 2—  
Fringe benefit costs  
unsupported**

The county claimed fringe benefit costs that were unsupported, as follows.

- For FY 2000-01 and FY 2001-02, the county claimed benefit costs using an average rate for all Community Development Agency employees rather than the actual rate applicable to each employee who performed mandated activities.
- For FY 2000-01 and FY 2001-02, claimed benefit costs were also misstated, due to the misstatement of salaries noted in Finding 1 above.

*Parameters and Guidelines* for the program specifies that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

As a result, we have adjusted claimed fringe benefit costs as follows.

	Fiscal Year		Total
	2000-01	2001-02	
Benefits	\$ (11,996)	\$ 760	\$ (11,236)

Recommendation

We recommend the county ensure that all costs claimed are eligible increased costs incurred as a result of the mandate and are supported by its accounting records.

County’s Response

The county concurred with the finding.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 3—  
Indirect costs  
unsupported**

The county claimed indirect costs that were unsupported, as follows.

- For FY 2000-01 and FY 2001-02, the county claimed costs for administrative and financial services, interdepartmental charges, and a portion of printing services as indirect costs, but which were determined to be direct costs.
- For FY 2000-01 and FY 2001-02, the salary costs claimed as indirect costs were misstated.
- For FY 2001-02, the county applied the wrong fiscal year’s countywide cost allocation plan charge to the indirect cost pool.

*Parameters and Guidelines* for the program specifies that only actual increased costs incurred in the performance of the mandated activities and supported by appropriate documentation are reimbursable.

As a result, we have adjusted claimed indirect costs as follows.

	Fiscal Year		
	2000-01	2001-02	Total
Indirect costs	\$ (64,616)	\$ (7,955)	\$ (72,571)

Recommendation

We recommend the county ensure that all costs claimed are eligible increased costs incurred as a result of the mandate and are supported by its accounting records.

County’s Response

The county concurred with the finding.

SCO’s Comment

The finding and recommendation remain unchanged.



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

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ALAMEDA COUNTY COMMUNITY DEVELOPMENT AGENCY

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Agency Director

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April 27, 2005

Mr. Jim Spano, Chief  
Compliance Audits Bureau  
Division of Audits  
California State Controller's Office  
PO Box 942850  
Sacramento, Ca 94258-5874

**Re: Alameda County Regional Housing Need Determination Program –  
Audit of SB 90 Mandated Claim for the period of July 1, 2000  
through June 30, 2002.**

Dear Mr. Spano:

Further to our office response dated April 27, 2005, this is to clarify that the County of Alameda concurs with the findings in the draft audit report issued by the State Controller's Office dated March 30, 2005.

If you have any questions, please contact me at (510) 670-5932. Thanks.

Sincerely,

U.B. Singh  
Director of Finance  
Community Development Agency  
Alameda County

cc: Vincent P. Brown  
Chief Operating Officer  
State Controller's Office  
Sherie Peterson  
SB 90 Coordinator  
Auditor-Controller's Office  
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