

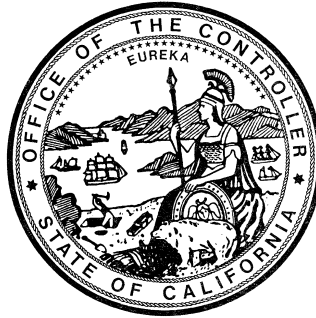
# **MONTEREY COUNTY**

Audit Report

## **REGIONAL HOUSING NEED DETERMINATION PROGRAM**

Chapter 1143, Statutes of 1980

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



**STEVE WESTLY**  
California State Controller

December 2004



**STEVE WESTLY**  
California State Controller

December 3, 2004

James Colangelo, Director  
Environmental Resource Policy Agency  
Monterey County  
29 Bishop Street, Suite 203  
Pajaro, CA 95076

Dear Mr. Colangelo:

The State Controller's Office audited the claims filed by Monterey 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 \$461,417 (\$462,417 in costs less a \$1,000 penalty for filing late) for the mandated program. Our audit disclosed that \$134,832 is allowable and \$326,585 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported labor costs. The State made no payments to the county. The State will pay allowable costs claimed, totaling \$134,832, contingent upon available appropriations.

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: The Honorable Michael J. Miller  
Auditor-Controller  
Monterey County  
Gail Kitaji  
Environmental Resource Policy Agency  
Monterey County  
James Tilton, Program Budget Manager  
Corrections and General Government  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the claims filed by Monterey 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 February 24, 2004.

The county claimed \$461,417 (\$462,417 in costs less a \$1,000 penalty for filing late) for the mandated program. Our audit disclosed that \$134,832 is allowable and \$326,585 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported labor costs. The State made no payments to the county. The State will pay allowable costs claimed, totaling \$134,832, contingent upon available appropriations.

## Background

Chapter 1143, Statutes of 1980, established substantially more detailed requirements for the housing element of city and county general plans. Cities and counties were required to provide in their housing elements for the regional demand for housing, taking into account certain specified factors. In addition, 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 councils 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 reimbursement criteria. The State Board of Control adopted the *Parameters and Guidelines* on March 25, 1982. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts 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 concerning the allowability of expenditures claimed 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

The 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, Monterey County claimed \$461,417 (\$462,417 in costs less a \$1,000 penalty for filing late) for costs of the Regional Housing Need Determination Program. Our audit disclosed that \$134,832 is allowable and \$326,585 is unallowable.

For fiscal year (FY) 2000-01, the State made no payment to the county. Our audit disclosed that \$61,392 is allowable. The State will pay that amount contingent upon available appropriations.

For FY 2001-02, the State made no payment to the county. Our audit disclosed that \$73,440 is allowable. The State will pay that amount contingent upon available appropriations.

## Views of Responsible Officials

We issued a draft audit report on September 20, 2004. Gail Kitaji, Senior Accountant in the Environmental Resource Policy Agency, responded by e-mail on November 15, 2004, stating that the county chose not to respond to the draft audit report.

## Restricted Use

This report is solely for the information and use of Monterey 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	\$ 63,131	\$ —	\$ (63,131)	Finding 1
Benefits	26,799	—	(26,799)	Finding 1
Services and supplies	67,458	62,392	(5,066)	Finding 2
Total direct costs	157,388	62,392	(94,996)	
Indirect costs	37,321	—	(37,321)	Finding 1
Total costs	194,709	62,392	(132,317)	
Less late filing penalty	(1,000)	(1,000)	—	
Total reimbursable costs	<u>\$ 193,709</u>	61,392	<u>\$ (132,317)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 61,392</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 92,740	\$ —	\$ (92,740)	Finding 1
Benefits	42,450	—	(42,450)	Finding 1
Services and supplies	73,440	73,440	—	
Total direct costs	208,630	73,440	(135,190)	
Indirect costs	59,078	—	(59,078)	Finding 1
Total costs	267,708	73,440	(194,268)	
Less late filing penalty	—	—	—	
Total reimbursable costs	<u>\$ 267,708</u>	73,440	<u>\$ (194,268)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 73,440</u>		
<u>Summary: July 1, 2000, through June 30, 2002</u>				
Salaries	\$ 155,871	\$ —	\$ (155,871)	Finding 1
Benefits	69,249	—	(69,249)	Finding 1
Services and supplies	140,898	135,832	(5,066)	Finding 2
Total direct costs	366,018	135,832	(230,186)	
Indirect costs	96,399	—	(96,399)	Finding 1
Total costs	462,417	135,832	(326,585)	
Less late filing penalty	(1,000)	(1,000)	—	
Total reimbursable costs	<u>\$ 461,417</u>	134,832	<u>\$ (326,585)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 134,832</u>		

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

# Findings and Recommendations

**FINDING 1—  
Unsupported  
labor costs**

The county claimed all labor costs based on after-the-fact estimates of time spent by county personnel to perform mandated activities. The county did not maintain contemporaneous time distribution records that showed actual time spent by each staff member involved in the applicable activities.

*Parameters and Guidelines* for the Regional Housing Need Determination Program specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

All labor costs are unallowable because no time records were maintained by the county. Indirect costs are also unallowable because those costs were claimed as a percentage of labor. As a result, claimed costs have been adjusted as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Salaries	\$ (63,131)	\$ (92,740)	\$ (155,871)
Benefits	(26,799)	(42,450)	(69,249)
Indirect costs	(37,321)	(59,078)	(96,399)
Audit adjustment	<u>\$ (127,251)</u>	<u>\$ (194,268)</u>	<u>\$ (321,519)</u>

Recommendation

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

**FINDING 2—  
Ineligible services  
and supplies costs**

The county claimed \$5,066 for services and supplies costs in FY 2000-01 that were not eligible for reimbursement.

- The county claimed \$2,760 relating to training services provided by a contractor. However, the contract between the county and the contractor does not include training in the scope of work to be conducted, nor is training listed as a reimbursable cost in *Parameters and Guidelines*.
- The county claimed \$2,306 for services described as “other tasks” that could not be documented as related to the mandate.

*Parameters and Guidelines* for the Regional Housing Need Determination 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, services and supplies costs claimed in FY 2000-01 have been reduced by \$5,066.

Recommendation

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



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