

SANTA BARBARA 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

Val Alexeeff, Director
Planning and Development Department
Santa Barbara County
123 East Anapamu Street
Santa Barbara, CA 93101

Dear Mr. Alexeeff:

The State Controller's Office audited the claims filed by Santa Barbara 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 \$422,897 for the mandated program. Our audit disclosed that \$384,153 is allowable and \$38,744 is unallowable. The unallowable costs occurred because the county claimed unsupported costs. The State paid the county \$158,399. Allowable costs claimed exceed the amount paid by \$225,754.

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/jj

cc: The Honorable Robert W. Geis
Auditor-Controller
Santa Barbara County
Betsy Blaine, Business Manager
Planning and Development Department
Santa Barbara 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 Santa Barbara 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 April 6, 2004.

The county claimed \$422,897 for the mandated program. Our audit disclosed that \$384,153 is allowable and \$38,744 is unallowable. The unallowable costs occurred because the county claimed unsupported costs. The State paid the county \$158,399. Allowable costs claimed exceed the amount paid by \$225,754.

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 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

Our audit disclosed an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Santa Barbara County claimed \$422,897 for Regional Housing Need Determination Program costs. Our audit disclosed that \$384,153 is allowable and \$38,744 is unallowable.

For fiscal year (FY) 2000-01, the State paid the county \$158,399. Our audit disclosed that \$128,275 is allowable. The county should return \$30,124 to the State.

For FY 2001-02, the State made no payment to the county. Our audit disclosed that \$255,878 is allowable. The State will pay \$255,878 to the county, contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on October 5, 2004. Val Alexeeff, Director of the county Planning and Development Department, responded by letter dated October 18, 2004, 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 Santa Barbara 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**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u> ¹
<u>July 1, 2000, through June 30, 2001</u>			
Salaries and benefits	\$ 57,864	\$ 40,060	\$(17,804)
Services and supplies	76,713	71,723	(4,990)
Indirect costs	<u>23,822</u>	<u>16,492</u>	<u>(7,330)</u>
Total costs	<u>\$158,399</u>	128,275	<u>\$(30,124)</u>
Less amount paid by the State		<u>(158,399)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (30,124)</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Salaries and benefits	\$ 179,608	\$ 173,759	\$ (5,849)
Services and supplies	9,617	9,297	(320)
Indirect costs	<u>75,273</u>	<u>72,822</u>	<u>(2,451)</u>
Total costs	<u>\$264,498</u>	255,878	<u>\$ (8,620)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$255,878</u>	
<u>Summary: July 1, 2000, through June 30, 2002</u>			
Salaries and benefits	\$ 237,472	\$ 213,819	\$(23,653)
Services and supplies	86,330	81,020	(5,310)
Indirect costs	<u>99,095</u>	<u>89,314</u>	<u>(9,781)</u>
Total costs	<u>\$422,897</u>	384,153	<u>\$(38,744)</u>
Less amount paid by the State		<u>(158,399)</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$225,754</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Unsupported costs
claimed**

The county claimed a portion of program costs based on percentage estimates of time spent by its employees performing the mandated activities. The county did not maintain contemporaneous time distribution records that showed the actual time spent by each employee on these specific functions. Also, the county did not furnish any support for the percentages it used to allocate costs to these 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 supported by appropriate documentation are reimbursable.

Since salaries and benefits, services and supplies, and indirect costs were all allocated using the same unsupported methodology, claimed costs have been adjusted as follows:

	<u>Fiscal Year</u>		
	<u>2000-01</u>	<u>2001-02</u>	<u>Total</u>
Salaries and benefits	\$ (17,804)	\$ (5,849)	\$ (23,653)
Services and supplies	(4,990)	(320)	(5,310)
Indirect costs	<u>(7,330)</u>	<u>(2,451)</u>	<u>(9,781)</u>
Audit adjustment	<u>\$ (30,124)</u>	<u>\$ (8,620)</u>	<u>\$ (38,744)</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.

County’s Response

The county agreed with the finding.

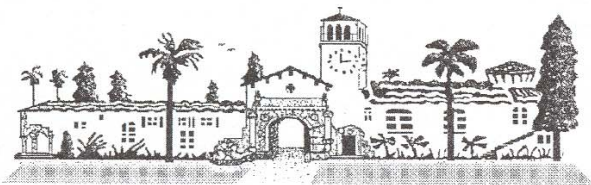
**OTHER ISSUE—
Adjustment to
over/underpaid
amounts**

In its response, the county requested that the \$30,124 overpaid by the State for FY 2000-01 be used to offset the \$255,878 underpaid by the State for FY 2001-02.

SCO’s Comment

Each fiscal year is funded by the Legislature through separate appropriations. Therefore, the \$30,124 overpayment by the State cannot be used to offset other fiscal year underpayments.

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



County of Santa Barbara Planning and Development

Valentin Alexeeff, Director
Dianne Meester, Assistant Director

October 18, 2004

Mr. Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874

Re: Draft Audit Report – Regional Housing Need Determination Program
Costs for the period of July 1, 2000, through June 30, 2002

Dear Mr. Spano:

Thank you for your letter detailing the draft audit report for the Regional Housing Need Determination Program for the period of July 1, 2000 through June 2002. We did receive a copy of the report in April and do understand that our records for using percentage estimates of time spent by employees performing the mandated functions did not comply with the Parameters and Guidelines set forth by your organization. The justification for using the percentages was not backed up by solid documentation. Staff assigned to the project during the period of the audit is no longer employed by this organization; therefore it was impossible to clearly define why percentages were used and how they were derived. The County intends to comply with the Parameters and Guidelines in future claims.

Under your conclusions you state that the County should return \$30,124 to the State and the State should pay the County \$255,878 for FY 01/02. It seems more effective for the State to deduct the county's amount due from the total, resulting in payment to the County in the amount of \$225,754.

During the course of the audit, Carvin Seals Jr., State Auditor, was very courteous and professional while working with our staff. We appreciate that. Thank you.

Sincerely,

for Val Alexeeff, Director

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**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>