



**JOHN CHIANG**  
California State Controller

April 23, 2010

Vinod K. Sharma  
Controller-Treasurer  
Santa Clara County  
County Government Center, East Wing  
70 West Hedding Street, 2<sup>nd</sup> Floor  
San Jose, CA 95110

Dear Mr. Sharma:

The State Controller's Office (SCO) reviewed the costs claimed by Santa Clara County for the legislatively mandated Search Warrants: AIDS Program (Chapter 1088, Statutes of 1988) for the period of July 1, 2003, through June 30, 2004, and July 1, 2006, through June 30, 2007. Our review was limited to validating employees' productive hourly rates claimed.

The county claimed \$624,601 for the mandated program. Our review disclosed that \$575,080 is allowable and \$49,521 is unallowable. The costs are unallowable because the county overstated employees' productive hourly rates, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2003-04 claim, the State made no payment to the county. Our review disclosed that \$450,798 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2006-07 claim, the State paid the county \$134,950. Our review disclosed that \$124,282 is allowable. The State should offset \$10,668 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

Attachments

RE: S10-MCC-908

cc: Ram Venkatesan, SB-90 Coordinator  
Controller-Treasurer Department  
Santa Clara County  
Jeff Carosone, Principal Program Budget Analyst  
Cor-Gen Unit, Department of Finance  
Ginny Brummels, Manager  
Division of Accounting and Reporting  
State Controller's Office

**Attachment 1—  
Summary of Program Costs  
July 1, 2003, through June 30, 2004, and  
July 1, 2006, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries	\$ 302,991	\$ 278,752	\$ (24,239)
Benefits	67,248	61,868	(5,380)
Services and supplies	28,704	26,726	(1,978)
Total direct costs	398,943	367,346	(31,597)
Indirect costs	90,708	83,452	(7,256)
Total program costs	<u>\$ 489,651</u>	450,798	<u>\$ (38,853)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 450,798</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries	\$ 74,958	\$ 68,857	\$ (6,101)
Benefits	25,471	23,398	(2,073)
Services and supplies	12,105	11,436	(669)
Total direct costs	112,534	103,691	(8,843)
Indirect costs	22,416	20,591	(1,825)
Total program costs	<u>\$ 134,950</u>	124,282	<u>\$ (10,668)</u>
Less amount paid by the State		(134,950)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (10,668)</u>	
<u>Summary: July 1, 2003, through June 30, 2004, and July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries	\$ 377,949	\$ 347,609	\$ (30,340)
Benefits	92,719	85,266	(7,453)
Services and supplies	40,809	38,162	(2,647)
Total direct costs	511,477	471,037	(40,440)
Indirect costs	113,124	104,043	(9,081)
Total program costs	<u>\$ 624,601</u>	575,080	<u>\$ (49,521)</u>
Less amount paid by the State		(134,950)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 440,130</u>	

<sup>1</sup> See Attachment 2, Finding and Recommendation.

**Attachment 2—  
Finding and Recommendation  
July 1, 2003, through June 30, 2004,  
and July 1, 2006, through June 30, 2007**

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**FINDING—  
Overstated productive  
hourly rates**

The county claimed unallowable costs totaling \$49,521. The costs are unallowable because the county overstated employees' productive hourly rates. The county included unallowable deductions for training time and break time in its calculation of countywide average annual productive hours. We also noted that the county claimed some salaries, benefits, and indirect costs as services and supplies.

**Unallowable Training Hour Deduction**

The county deducted training hours from regular hours worked to calculate countywide average annual productive hours. The deduction is unallowable because the county did not provide documentation substantiating the training hours that it deducted. In addition, the deducted training hours include training that benefits specific programs or employee classifications.

The county's payroll system includes a training code to track employees' training hours. The county stated that employees charged time to the training code when they attended non-program-related training. It stated that employees charge time to this code for the following training:

1. Training required by employees' bargaining unit agreements, training for licensure/certification requirements, and continuing education for specific job classifications such as attorneys, probation officers, real estate property appraisers, physicians, and nurses
2. California Commission on Peace Officer Standards and Training (POST) training for law enforcement personnel
3. County-required training such as new employee orientation, supervisory training, safety seminars, and software classes

The county did not provide documentation substantiating the training hours that it deducted. Items 1 and 2 above identify training hours that pertain to specific programs or employee classifications. As such, it is inappropriate to deduct these hours when calculating countywide average annual productive hours.

While it might be appropriate to deduct some training hours identified in item 3 above, the county did not:

- Separately identify and provide supporting documentation for these training hours.
- Provide documentation showing that it required the training for all county employees.
- Provide documentation showing that employees did not otherwise charge the training time to specific programs.

**Unallowable Break Time Deduction**

The county also deducted employee break time from regular hours worked to calculate countywide average annual productive hours. The deduction is unallowable because the county deducted “authorized” break time rather than actual break time taken. The county’s accounting system did not consistently limit daily hours reported to 7.5 hours worked or otherwise reflect actual break time taken. In addition, actual mandated program employee timesheets show that employees did *not* exclude “authorized” break time when reporting hours worked. Furthermore, when calculating the break time deduction for average annual productive hours, the county did not address employees who work alternate work schedules. Duplicate reimbursed hours result when employees charge their full workday to program activities, yet the county identifies 0.5 hours daily as nonproductive time in its calculation of countywide average annual productive hours.

The following table summarizes the claimed and allowable productive hours for fiscal year (FY) 2003-04 and FY 2006-07:

	Fiscal Year	
	2003-04	2006-07
Claimed productive hours (A)	1,560.65	1,537.00
Break time	111.35	110.58
Training time	24.35	25.66
Allowable productive hours (B)	<u>1,696.35</u>	<u>1,673.24</u>
Review adjustment to productive hours $[(A) - (B)] \div (B)$	<u>(8.00)%</u>	<u>(8.14)%</u>

Attachment 3 provides detailed calculations of the review adjustment, which the table below summarizes:

	Fiscal Year		Total
	2003-04	2006-07	
Direct Costs:			
Salaries	\$ (24,239)	\$ (6,101)	\$ (30,340)
Benefits	(5,380)	(2,073)	(7,453)
Services and supplies	<u>(1,978)</u>	<u>(669)</u>	<u>(2,647)</u>
Total direct costs	(31,597)	(8,843)	(40,440)
Indirect costs	<u>(7,256)</u>	<u>(1,825)</u>	<u>(9,081)</u>
Review adjustment	<u>\$ (38,853)</u>	<u>\$ (10,668)</u>	<u>\$ (49,521)</u>

The program’s parameters and guidelines state, “All costs claimed must be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.”

Recommendation

We recommend that the county:

- Properly report all salaries, benefits, and indirect costs on its mandated costs claims (i.e., the county should not report these costs as services and supplies).

- Modify its payroll system to accumulate only those training hours applicable to county-required training attended by all county employees.
- Deduct only actual break time taken by all county employees. If the county does not wish to track actual break time taken, it is permissible to absorb break time into the activity that the employee performs immediately before or after the break.
- Maintain documentation that supports both training time and break time that it deducts from regular hours worked to calculate countywide average annual productive hours.

### Attachment 3— Calculation of Review Adjustment

Reimbursable Component	(1)	(2) Actual Costs Claimed <sup>1</sup>		(3)	(4)	(5)	(6) (7) (8) Review Adjustment			(9)
	Salaries	Benefits	Indirect Cost Rate <sup>2</sup>	Indirect Costs	Adjustment to Productive Hours	Salaries (Cols. (1) × (5))	Benefits (Cols. (2) × (5))	Indirect Costs (Cols. (4) × (5))	Total	
Fiscal year 2003-04:										
Policies and procedures	\$ 2,561	\$ 462	24.50%	\$ 741	(8.00)%	\$ (205)	\$ (37)	\$ (59)	\$ (301)	
Identify possible AIDS testing cases	182,863	34,451	24.50%	53,241	(8.00)%	(14,629)	(2,756)	(4,259)	(21,644)	
District Attorney's Office	117,567	32,335	24.50%	36,726	(8.00)%	(9,405)	(2,587)	(2,938)	(14,930)	
Subtotal	302,991	67,248		90,708		(24,239)	(5,380)	(7,256)	(36,875)	
Local health officer <sup>3</sup>	13,379	5,278	32.59%	6,080	(8.00)%	(1,070)	(422)	(486)	(1,978)	
<b>Total, fiscal year 2003-04</b>	<b>\$ 316,370</b>	<b>\$ 72,526</b>		<b>\$ 96,788</b>		<b>\$ (25,309)</b>	<b>\$ (5,802)</b>	<b>\$ (7,742)</b>	<b>\$ (38,853)</b>	
Fiscal year 2006-07:										
Policies and procedures	\$ 3,100	\$ 1,060	22.32%	\$ 929	(8.14)%	\$ (252)	\$ (86)	\$ (76)	\$ (414)	
Identify possible AIDS testing cases	68,830	23,257	22.32%	20,554	(8.14)%	(5,603)	(1,893)	(1,673)	(9,169)	
District Attorney's Office	3,028	1,154	22.32%	933	(8.14)%	(246)	(94)	(76)	(416)	
Subtotal	74,958	25,471		22,416		(6,101)	(2,073)	(1,825)	(9,999)	
Local health officer <sup>3</sup>	4,284	2,521	20.74%	1,411	(8.14)%	(349)	(205)	(115)	(669)	
<b>Total, fiscal year 2006-07</b>	<b>\$ 79,242</b>	<b>\$ 27,992</b>		<b>\$ 23,827</b>		<b>\$ (6,450)</b>	<b>\$ (2,278)</b>	<b>\$ (1,940)</b>	<b>\$ (10,668)</b>	

<sup>1</sup> Calculation differences due to rounding.

<sup>2</sup> Indirect cost rate applied to salaries and benefits.

<sup>3</sup> Claimed as services and supplies.