



**JOHN CHIANG**  
California State Controller

February 5, 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 Grand Jury Proceedings Program (Chapter 1170, Statutes of 1996; Chapter 443, Statutes of 1997; and Chapter 230, Statutes of 1998) for the period of July 1, 2001, through June 30, 2005. Our review was limited to validating employees' productive hourly rates.

The county claimed \$443,765 for the mandated program. Our review disclosed that \$435,663 is allowable and \$8,102 is unallowable. The costs are unallowable because the county overstated employees' productive hourly rates and claimed duplicate costs, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2001-02 claim, the State made no payment to the county. Our review disclosed that \$19,268 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the county. Our review disclosed that \$15,397 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our review disclosed that \$91,924 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$311,505. Our review disclosed that \$309,074 is allowable. The State will offset \$2,431 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/sk

Attachments

RE: S10-MCC-903

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, 2001, through June 30, 2005**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment <sup>1</sup></u>
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries	\$ 12,429	\$ 11,267	\$ (1,162)
Benefits	3,615	3,277	(338)
Services and supplies	553	553	—
Total direct costs	16,597	15,097	(1,500)
Indirect costs	4,599	4,171	(428)
Total program costs	<u>\$ 21,196</u>	<u>19,268</u>	<u>\$ (1,928)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 19,268</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries	\$ 12,745	\$ 11,702	\$ (1,043)
Benefits	2,749	2,524	(225)
Total direct costs	15,494	14,226	(1,268)
Indirect costs	1,275	1,171	(104)
Total program costs	<u>\$ 16,769</u>	<u>15,397</u>	<u>\$ (1,372)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 15,397</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Services and supplies	<u>\$ 94,295</u>	\$ 91,924	<u>\$ (2,371)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 91,924</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries	\$ 12,387	\$ 11,377	\$ (1,010)
Benefits	3,976	3,652	(324)
Services and supplies	295,142	294,045	(1,097)
Total program costs	<u>\$ 311,505</u>	309,074	<u>\$ (2,431)</u>
Less amount paid by the State		(311,505)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (2,431)</u>	

## Attachment 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment <sup>1</sup></u>
<u>Summary: July 1, 2001, through June 30, 2005</u>			
Direct costs:			
Salaries	\$ 37,561	\$ 34,346	\$ (3,215)
Benefits	10,340	9,453	(887)
Services and supplies	389,990	386,522	(3,468)
Total direct costs	437,891	430,321	(7,570)
Indirect costs	5,874	5,342	(532)
Total program costs	<u>\$ 443,765</u>	435,663	<u>\$ (8,102)</u>
Less amount paid by the State		(311,505)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 124,158</u>	

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

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## Attachment 2— Finding and Recommendation July 1, 2001, through June 30, 2005

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**FINDING—  
Overstated Productive  
Hourly Rates**

The county claimed unallowable costs totaling \$8,102. 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. The unallowable costs include duplicate claimed costs totaling \$511.

### **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.

For fiscal year (FY) 2001-02, the county deducted estimated training time based on hours required by employees' bargaining unit agreements and/or continuing education requirements for licensure/certification rather than actual training hours attended. Furthermore, deducted training hours benefit specific departments' employee classifications rather than those employee classifications common to all departments.

For FY 2002-03 forward, 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.

In addition to the overstated productive hourly rates, the county claimed duplicate costs totaling \$511. In FY 2004-05, the county erroneously calculated claimed costs for the Probation Department. The county identified mandate-related salaries and benefits. However, it incorrectly calculated applicable indirect costs. The county correctly applied the indirect cost rate to salaries, but then incorrectly added mandate-related benefit costs to arrive at total indirect costs.

The following table summarizes claimed and allowable productive hours for each fiscal year:

	Fiscal Year			
	2001-02	2002-03	2003-04	2004-05
Claimed productive hours (A)	1,546.00	1,580.46	1,560.65	1,545.00
Break time	112.08	112.97	111.35	110.45
Training time	47.38	28.07	24.35	26.60
Allowable productive hours (B)	<u>1,705.46</u>	<u>1,721.50</u>	<u>1,696.35</u>	<u>1,682.05</u>
Review adjustment to productive hours [(A) – (B)] ÷ (B)	<u>(9.35)%</u>	<u>(8.19)%</u>	<u>(8.00)%</u>	<u>(8.15)%</u>

Attachments 3 through 6 provide detailed calculations of the review adjustment, which the following table summarizes:

	Fiscal Year				Total
	2001-02	2002-03	2003-04 <sup>1</sup>	2004-05 <sup>2</sup>	
Salaries	\$ (1,162)	\$ (1,043)	\$ —	\$ (1,010)	\$ (3,215)
Benefits	(338)	(225)	—	(324)	(887)
Services and supplies	—	—	(2,371)	(1,097)	(3,468)
Total salaries and benefits	(1,500)	(1,268)	(2,371)	(2,431)	(7,570)
Indirect costs	(428)	(104)	—	—	(532)
Review adjustment	<u>\$ (1,928)</u>	<u>\$ (1,372)</u>	<u>\$ (2,371)</u>	<u>\$ (2,431)</u>	<u>\$ (8,102)</u>

<sup>1</sup> The county claimed all salaries, benefits, and indirect costs as services and supplies.

<sup>2</sup> The county claimed indirect costs as services and supplies.

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:

- 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.
- Review its mandated cost claims to ensure that it does not claim duplicate costs.
- Properly identify salaries, benefits, and indirect costs in its mandated cost claims.

**Attachment 3—  
Calculation of Review Adjustment  
Fiscal Year 2001-02**

Department	(1)	(2)		(3)	(4)	(6)			(8)
	Salaries	Actual Costs Claimed		Indirect Cost Rate	Indirect Costs	Review Adjustment			Total
Salaries		Benefits	Salaries (Col. (1) × (9.35)%)			Benefits (Col. (2) × (9.35)%)	Indirect Costs (Col. (4) × (9.35)%)		
Registrar of Voters	\$ 2,970	\$ 1,040	10.00% <sup>2</sup>	\$ 296	\$ (277)	\$ (97)	\$ (26)	\$ (400)	
District Attorney	4,328	1,066	10.00% <sup>2</sup>	433	(405)	(100)	(40)	(545)	
Probation	581	114	10.00% <sup>2</sup>	58	(55)	(11)	(5)	(71)	
Land Use and Development	2,169	669	48.30% <sup>3</sup>	1,370	(203)	(62)	(129)	(394)	
Board of Supervisors	2,381	726	78.60% <sup>3</sup>	2,442	(222)	(68)	(228)	(518)	
Total, fiscal year 2001-02 <sup>1</sup>	<u>\$ 12,429</u>	<u>\$ 3,615</u>		<u>\$ 4,599</u>	<u>\$ (1,162)</u>	<u>\$ (338)</u>	<u>\$ (428)</u>	<u>\$ (1,928)</u>	

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

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

<sup>3</sup> Indirect cost rate applied to salaries and benefits.



**Attachment 4—  
Calculation of Review Adjustment  
Fiscal Year 2002-03**

Department	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Actual Costs Claimed			Indirect Costs	Review Adjustment			Total
Salaries	Benefits	Indirect Cost Rate Applied to Salaries	Salaries (Col. (1) × (8.19)%)		Benefits (Col. (2) × (8.19)%)	Indirect Costs (Col. (4) × (8.19)%)		
District Attorney	\$ 4,207	\$ 618	10.00%	\$ 420	\$ (345)	\$ (51)	\$ (34)	\$ (430)
Probation	3,806	987	10.00%	381	(311)	(81)	(32)	(424)
Information Services	2,499	522	10.00%	250	(205)	(43)	(20)	(268)
Employee Services	1,463	461	10.00%	147	(119)	(37)	(12)	(168)
Sheriff	770	161	10.00%	77	(63)	(13)	(6)	(82)
Total, fiscal year 2002-03 <sup>1</sup>	<u>\$ 12,745</u>	<u>\$ 2,749</u>		<u>\$ 1,275</u>	<u>\$ (1,043)</u>	<u>\$ (225)</u>	<u>\$ (104)</u>	<u>\$ (1,372)</u>

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

**Attachment 5—  
Calculation of Review Adjustment  
Fiscal Year 2003-04**

Department	(1) (2) (3) Actual Costs Claimed <sup>2</sup>			(4) Indirect Costs	(5) (6) (7) Review Adjustment			(8) Total
	Salaries	Benefits	Indirect Cost Rate		Salaries (Col. (1) × (8.00)%	Benefits (Col. (2) × (8.00)%	Indirect Costs (Col. (4) × (8.00)%	
District Attorney	\$ 3,136	\$ 614	10.00% <sup>3</sup>	\$ 314	\$ (251)	\$ (49)	\$ (25)	\$ (325)
Probation	4,954	1,365	80.70% <sup>3</sup>	3,997	(396)	(110)	(319)	(825)
Corrections:								
Captain	211	89	139.40% <sup>4</sup>	419	(17)	(7)	(34)	(58)
Lieutenant	182	77	10.00% <sup>3</sup>	18	(15)	(6)	(1)	(22)
Sergeant	983	415	139.40% <sup>4</sup>	1,949	(79)	(33)	(156)	(268)
Correctional Officer	257	109	139.40% <sup>4</sup>	510	(21)	(9)	(41)	(71)
Administrative Support Officer	154	65	139.40% <sup>4</sup>	305	(12)	(5)	(24)	(41)
Registrar of Voters	2,397	861	84.88% <sup>4</sup>	2,763	(192)	(69)	(221)	(482)
Sheriff	2,586	640	10.00% <sup>3</sup>	259	(207)	(51)	(21)	(279)
Total, fiscal year 2003-04 <sup>1</sup>	<u>\$ 14,860</u>	<u>\$ 4,235</u>		<u>\$ 10,534</u>	<u>\$ (1,190)</u>	<u>\$ (339)</u>	<u>\$ (842)</u>	<u>\$ (2,371)</u>

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

<sup>2</sup> The county claimed these costs as services and supplies.

<sup>3</sup> Indirect cost rate applied to salaries.

<sup>4</sup> Indirect cost rate applied to salaries and benefits.

**Attachment 6—  
Calculation of Review Adjustment  
Fiscal Year 2004-05**

Department	(1) (2) (3) Actual Costs Claimed			(4) (5) (6) (7) (8) Review Adjustment				Total
	Salaries	Benefits	Indirect Cost Rate	Indirect Costs <sup>2</sup>	Salaries (Col. (1) × (8.15)%	Benefits (Col. (2) × (8.15)%	Indirect Costs (Col. (4) × (8.15)%	
District Attorney	\$ 1,242	\$ 263	10.00% <sup>3</sup>	\$ 124	\$ (101)	\$ (21)	\$ (10)	\$ (132)
Information Services	5,310	1,305	49.17% <sup>4</sup>	3,252	(433)	(106)	(265)	(804)
Probation	1,987	511	10.00% <sup>3</sup>	199	(162)	(41)	(16)	(219)
Probation – duplicate benefit costs reported as indirect costs	—	—		511	—	—	(511)	(511)
Registrar of Voters	1,858	787	99.17% <sup>4</sup>	2,623	(152)	(65)	(214)	(431)
Corrections	1,990	1,111	32.20% <sup>4</sup>	999	(162)	(91)	(81)	(334)
Total, fiscal year 2004-05 <sup>1</sup>	<u>\$ 12,387</u>	<u>\$ 3,977</u>		<u>\$ 7,708</u>	<u>\$ (1,010)</u>	<u>\$ (324)</u>	<u>\$ (1,097)</u>	<u>\$ (2,431)</u>

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

<sup>2</sup> The county claimed these costs as services and supplies.

<sup>3</sup> Indirect cost rate applied to salaries.

<sup>4</sup> Indirect cost rate applied to salaries and benefits.