



**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 Prisoner Parental Rights Program (Chapter 820, Statutes of 1991) for the period of July 1, 2003, through June 30, 2005. Our review was limited to validating employees' productive hourly rates.

The county claimed \$639,856 (\$640,856 less a \$1,000 penalty for filing a late claim) for the mandated program. Our review disclosed that \$629,294 is allowable and \$10,562 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 \$333,398 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$301,397. Our review disclosed that \$295,896 is allowable. The State will offset \$5,501 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-902

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, 2005

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	\$ 32,601	\$ 29,993	\$ (2,608)
Benefits	15,212	13,995	(1,217)
Services and supplies	280,920	280,542	(378)
Total direct costs	328,733	324,530	(4,203)
Indirect costs	10,726	9,868	(858)
Total direct and indirect costs	339,459	334,398	(5,061)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 338,459</u>	333,398	<u>\$ (5,061)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 333,398</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries	\$ 36,091	\$ 33,149	\$ (2,942)
Benefits	13,672	12,558	(1,114)
Services and supplies	233,891	233,891	—
Total direct costs	283,654	279,598	(4,056)
Indirect costs	17,743	16,298	(1,445)
Total program costs	<u>\$ 301,397</u>	295,896	<u>\$ (5,501)</u>
Less amount paid by the State		(301,397)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (5,501)</u>	
<u>Summary: July 1, 2003, through June 30, 2005</u>			
Direct costs:			
Salaries	\$ 68,692	\$ 63,142	\$ (5,550)
Benefits	28,884	26,553	(2,331)
Services and supplies	514,811	514,433	(378)
Total direct costs	612,387	604,128	(8,259)
Indirect costs	28,469	26,166	(2,303)
Total direct and indirect costs	640,856	630,294	(10,562)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 639,856</u>	629,294	<u>\$ (10,562)</u>
Less amount paid by the State		(301,397)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 327,897</u>	

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

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## Attachment 2— Finding and Recommendation July 1, 2003, through June 30, 2005

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**FINDING—  
Overstated productive  
hourly rate**

The county claimed unallowable costs totaling \$10,562. 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.

### **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; or
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 claimed and allowable productive hours for each fiscal year:

	Fiscal Year	
	2003-04	2004-05
Claimed productive hours (A)	1,560.65	1,545.00
Break time (in hours)	111.35	110.45
Training time (in hours)	24.35	26.60
Allowable productive hours (B)	<u>1,696.35</u>	<u>1,682.05</u>
Review adjustment to productive hours ([(A) – (B)] ÷ (B))	<u>(8.00)%</u>	<u>(8.15)%</u>

Attachments 3 and 4 provide detailed calculations of the review adjustment, which the table below summarizes:

Cost Element	Fiscal Year		Total
	2003-04	2004-05	
Salaries	\$ (2,608)	\$ (2,942)	\$ (5,550)
Benefits	(1,217)	(1,114)	(2,331)
Services and supplies <sup>1</sup>	<u>(378)</u>	<u>—</u>	<u>(378)</u>
Total direct costs	(4,203)	(4,056)	(8,259)
Indirect costs	<u>(858)</u>	<u>(1,445)</u>	<u>(2,303)</u>
Audit adjustment	<u>\$ (5,061)</u>	<u>\$ (5,501)</u>	<u>\$ (10,562)</u>

<sup>1</sup> The county claimed FY 2003-04 County Counsel labor 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.

## Attachment 3— Calculation of Review Adjustment Fiscal Year 2003-04

Department	(1) (2) Actual Costs Claimed		(3) Indirect Cost Rate Applied to Salaries	(4) Indirect Costs (Cols. (1) × (3))	(5) (6) (7) Review Adjustment			(8) Total
	Salaries	Benefits			Salaries (Col. (1) × (8.00)%)	Benefits (Col. (2) × (8.00)%)	Indirect Costs (Col. (4) × (8.00)%)	
County Counsel <sup>1,2</sup>	\$ 3,377	\$ 1,012	10.0%	\$ 338	\$ (270)	\$ (81)	\$ (27)	\$ (378)
Sheriff's Department <sup>1</sup>	\$ 32,601	\$ 15,212	32.9%	\$ 10,726	\$ (2,608)	\$ (1,217)	\$ (858)	\$ (4,683)

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

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

## Attachment 4— Calculation of Review Adjustment Fiscal Year 2004-05

Department	(1) (2) (3) Actual Costs Claimed			(4) Indirect Costs (Cols. (1) × (3))	(5) (6) (7) Review Adjustment			(8) Total
	Salaries	Benefits	Indirect Cost Rate Applied to Salaries		Salaries (Col. (1) × (8.15)%)	Benefits (Col. (2) × (8.15)%)	Indirect Costs (Col. (4) × (8.15)%)	
County Counsel	\$ 6,354	\$ 1,777	13.15%	\$ 1,070	\$ (518)	\$ (145)	\$ (86)	\$ (749)
Sheriff's Department	29,737	11,895	40.05%	16,673	(2,424)	(969)	(1,359)	(4,752)
Total, fiscal year 2004-05 <sup>1</sup>	<u>\$ 36,091</u>	<u>\$ 13,672</u>		<u>\$ 17,743</u>	<u>\$ (2,942)</u>	<u>\$ (1,114)</u>	<u>\$ (1,445)</u>	<u>\$ (5,501)</u>

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