



# County of Santa Cruz

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AUDITOR-CONTROLLER'S OFFICE  
GARY A. KNUTSON, AUDITOR-CONTROLLER

January 20, 1999

Honorable Board of Supervisors  
701 Ocean Street  
Santa Cruz, California 95060

Dear Members of the Board:

Subject: **Report on District Attorney's Grant Indirect Costs**

On June 25, 1998, your Board requested that the Auditor-Controller develop a formula for assigning indirect and direct costs that can be applied when the Board considers applications for grants, and that such report should provide any other objective evidence regarding the inclusion of indirect costs in grant applications that would make the District Attorney less competitive than other District Attorneys providing similar applications

As a result, my office has reviewed responses from other counties, reviewed various departmental records, and reviewed grants and scoring from the State Office of Criminal Justice Planning (OCJP). Due to other matters that came to our attention regarding cost recovery, we expanded the scope of our review to include the Welfare Fraud Attorney billings and the Attorney billings assigned to Lake County.

In summary, we believe the following conclusions are a fair representation of the review:

- ◆ Discussions with management at the OCJP produced no view or evidence that inclusion of indirect costs resulted in a material competitive disadvantage.
- ◆ Fifty four percent of counties claim to include indirect costs in grant proposals but only 29% have a written policy.
- ◆ The County's Final Budgeted line items for audits and equipment did not agree with grants.
- ◆ The District Attorney's Office hourly rates for billing the attorney assigned to Lake County are understated resulting in an under-recovery of expenditures of \$5,733 up through pay period 21. The District Attorney's Office should exercise more care to avoid the under recovery of costs and especially subsidizing another county.
- ◆ The District Attorney's Office should improve upon the timeliness of billings and the accuracy of accounting entries.

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A copy of a detailed report has been provided for your review and consideration. A copy is also on file with the Clerk of the Board. The following recommendations are made for your Board's consideration:

- ◆ Indirect costs should be recovered when grants or fees allow for the recovery unless demonstrated how the inclusion of indirect costs would jeopardize the program.
- ◆ The Final County Budget and the grant detail should agree.
- ◆ The District Attorney's Office should utilize the flexibility of the Financial Management System to provide for better accountability of costs by division, section, or grant.
- ◆ The District Attorney's Office needs to review its monthly financial reports more closely to detect and correct posting and other errors.
- ◆ The District Attorney's Office should inform the Board of its intent to staff a lower authorized grant position with a general-funded position of a higher class which can inadvertently or otherwise produce additional staff hours.
- ◆ The District Attorney's Office should try to collect the amounts under recovered providing district attorney services to Lake County due to an incorrect hourly rate being used.
- ◆ The District Attorney's Office billings should be done in a more timely manner.
- ◆ The 10% indirect cost rate used on the Welfare Fraud should be replaced with the actual rate of 48% unless prohibited by welfare regulations.

It is therefore recommended that your Board:

- (1) accept and file this report; and
- (2) direct the CAO to work with the District Attorney's Office on the implementation of the above recommendations.

Sincerely,



Gary A. Knutson  
Auditor-Controller

cc: CAO

County Counsel  
District Attorney's Office  
Human Resources Agency

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