



0027

COUNTY OF SANTA CRUZ

AUDITOR-CONTROLLER'S OFFICE

701 OCEAN STREET, ROOM 100
SANTA CRUZ, CA 95060

(831) 454-2500
FAX (831) 454-2660

GARY A. KNUTSON, AUDITORCONTROLLER

Chief Deputy AuditorControllers
Pam Silbaugh, Accounting
Suzanne Young, Audit and Systems
Kathleen Hammons, Budget and Tax

AGENDA: September 25, 2001
September 13, 2001

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

SUBJECT: GRANT ACCOUNTING IN THE DISTRICT ATTORNEY'S OFFICE

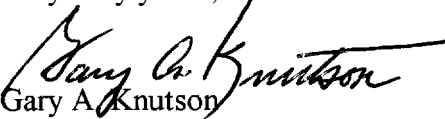
Dear Members of the Board:

During the FY 2001-2002 Budget Hearings, your Board requested that the District Attorney's office develop an implementation plan to address the findings and recommendations in our audit report dated December 4, 2000.

After several meetings and discussions with this office, the District Attorney has developed an implementation plan which is described in their response to our recommendations. The District Attorney's response to our report is attached.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD ACCEPT AND FILE THIS REPORT.

Very truly yours,


Gary A. Knutson
Auditor-Controller

Attachment

cc: DA, CAO, Auditor-Controller



COUNTY OF SANTA CRUZ

AUDITOR-CONTROLLERS OFFICE

701 OCEAN STREET, ROOM 100
SANTA CRUZ, CA 95060

(831) 454-2500
FAX (831) 454-2660

SARY A. KNUTSON, AUDITORCONTROLLER

Chief Deputy Auditor-Controllers
Pam Silbaugh, Accounting
Suzanne Young, Audit and Systems
Kathleen Hammons, Budget and Tax

AGENDA: September 25, 2001
September 13, 2001

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

SUBJECT: GRANT ACCOUNTING IN THE DISTRICT ATTORNEY'S OFFICE

Dear Members of the Board:

During the FY 2001-2002 Budget Hearings, your Board requested that the District Attorney's office develop an implementation plan to address the findings and recommendations in our audit report dated December 4, 2000.

After several meetings and discussions with this office, the District Attorney has developed an implementation plan which is described in their response to our recommendations. The District Attorney's response to our report is attached.

IT IS THEREFORE RECOMMENDED THAT YOUR BOARD ACCEPT AND FILE THIS REPORT.

Very truly yours, ,


Gary A. Knutson
Auditor-Controller

Attachment

cc: DA, CAO, Auditor-Controller



0028
County of Santa Cruz

DISTRICT ATTORNEY'S OFFICE

701 OCEAN STREET, ROOM 200, P.O. BOX 1159, SANTA CRUZ, CA 95060
(831) 454-2400 FAX: (831) 454-2227 E-MAIL: dat015@co.santa-cruz.ca.us

KATHRYN CANLIS
DISTRICT ATTORNEY

September 11, 2001

Gary Knutson
Auditor Controller
County of Santa Cruz
701 Ocean Street
Santa Cruz, CA 95060

RE: RESPONSE TO AUDITOR-CONTROLLER'S REPORT ABOUT DA GRANT TIME
KEEPING AND ACCOUNTING

Dear Mr. Knutson:

Your report about District Attorney's Office Grant Accounting, dated December 4, 2000, included several recommendations pertaining to grant time-keeping documentation and accounting. It also referred to a related recommendation provided by the County's external auditors, Vargas, Lopez & Company in their report, dated September 13, 2000.

Since that time we have met several times with your staff regarding this issue and have been working on a plan to resolve the outstanding recommendations. A part of that plan included hiring a new Administrative Services Officer (ASO) and a new Senior Accounting Technician in May 2001. This brought our fiscal staff up to full strength and they have been working diligently to resolve your recommendations.

Finally, District Attorney staff, along with members of your staff and the County Administrative Office, met on August 28, 2001 to bring closure to the unresolved issues contained in the original report. The following is our formal response to your reported recommendations based on the results of that meeting.

WATSONVILLE OFFICE

□ P.O. BOX 228 • FREEDOM, CA 95019 • 1430 FREEDOM BLVD. • WATSONVILLE, CA 95076 • TEL: (831) 763-8120. FAX: (831) 763-8029

Gary Knutson
Page 2
September 11, 2001

STATUS OF RECOMMENDATIONS

1.) Recommendation

District Attorney staff assigned to grants should maintain time summaries identifying the hours worked on each case and the related administrative time to be charged to the applicable grant. This was also recommended by the County's external auditors, Vargas, Lopez & Company in their report, dated September 13, 2000.

Status

At first we were concerned about using a system that was separate from the payroll system. We believed it would make it difficult to reconcile grant expenditures to FAMIS. We were also concerned about continuing to rely on the payroll system, because we have been required to estimate hours worked several days in advance of completion of the pay period. This added an additional degree of difficulty in that adjustments may or may not be made properly. However, we still believed that using the payroll system to track grant hours worked and related administrative hours would be the best method, because that system contained the most current payroll and benefit rates at a given time. There was also a concern about requiring grant staff to prepare additional paperwork (i.e. staff who are assigned 100% to a particular grant and do nothing else).

Despite the above concerns, we began developing a plan to rectify the situation. Initially, our plan included discussion and visits with other District Attorney's Offices to obtain ideas for revising our grant time-keeping system. We also spoke with your staff to determine if the deadline for submitting payroll time cards could be extended. At that point, it was not considered feasible. As a result of our discussions and visits we had decided to use a hybrid of the grant time-keeping system used by Sacramento County. This system was similar to that of private law firms and did not affect their payroll system. Staff assigned to grants were required to record grant hours worked (by case) daily and turn in the appropriate forms to their fiscal staff for accumulation.

As a result, our new ASO and Senior Accounting Technician developed an Excel-based database to capture grant hours and case information based on handwritten logs submitted weekly by grant staff. This new system was presented during our last meeting with your staff on August 28th. Although this system appeared to be a good remedy, it still had its drawbacks. Fiscal staff was concerned about the additional burden of accumulating and calculating the necessary information. Much

Gary Knutson
Page 3
September 11, 2001

of the salary and benefit calculations would have to be adjusted by fiscal year-end to compensate for any mid-term rate changes. The very thought of this was daunting, to say the least. We also did not believe it was necessary to require staff 100% assigned to a particular grant to prepare additional paperwork delineating case names since all matters handled by these staff members were qualifying cases.

Subsequent to the meeting on August 28th, we received word from your staff that we are authorized to submit payroll time cards for all grant staff on the Monday following the end of a pay-period. Case number or name information is to be maintained internally to support the grant hours worked.

We accept your Office's solution for submitting grant staff payroll time cards. Our case management system produces monthly reports by grant and we will have copies of these reports available for audit. Auditors will be able to use these reports to sample cases to test the reasonableness of the hours charged to grants.

2.) Recommendation

District Attorney fiscal staff should prepare grant reports analyzing budget to actual activity at least quarterly for the identification of unusual trends.

Status

We accept your recommendation and have implemented procedures to analyze budget to actual grant expenditure activity.

Currently, fiscal staff prepares quarterly expenditure claims for all OCJP grants. Expenditure claims are only prepared annually for DOI grants. However, the expenditure information is accumulated on a monthly basis. There are other various awards which are on either a quarterly or monthly expenditure reporting basis. In any event, these all compare budget to actual activity and fiscal staff has questioned unusual trends and reported them to the ASO. Also, the ASO will be analyzing budget to actual activity as part of planned quarterly fiscal reporting to management. Any unusual trends will be documented and discussed with applicable grant staff and the Chief of Administration, as necessary.

3.) Recommendation

District Attorney fiscal staff should use FAMIS as the source for preparing all grant claims and that any adjustments necessary for reporting purposes be documented

Gary Knutson
Page 4
September 11, 2001

and reconciled to FAMIS.

Status

We accept your recommendation and have implemented procedures to reconcile grant expenditures to FAMIS.

Currently, fiscal staff is preparing all expenditure claims based on FAMIS as the starting point. However, due to prior inconsistencies in accounting, expenditures have not always been coded as precisely as possible. In other words, some expenditures have not been charged to the appropriate user codes and this has added a degree of difficulty in identifying some expenditures for reporting. There have also been instances of inconsistent coding between our main index (272100) and our new grants index (272300). We have also noted instances where expenditures were properly coded, but incorrectly input to FAMIS. Fiscal staff researches all available documentation in an effort to ensure all expenditures have been claimed to the applicable grants. We are currently paying more attention to accurately coding costs to the appropriate grant index and user code. In addition, fiscal staff has also begun implementing a system of capturing and classifying expenditure documentation which will improve expenditure claim preparation.

4.) Recommendation

The final recommendation was that our office should review accounting records for accuracy, completeness, and timeliness.

Status

We accept your recommendation and have implemented procedures to review accounting records for accuracy, completeness, and timeliness.

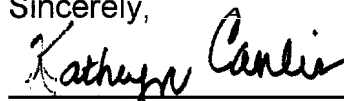
Currently, each grant expenditure claim, modification, budget or any other grant-related adjustment is reviewed for accuracy and completeness either by the ASO or another member of the fiscal staff prior to the ASO's approval. Evidence of the review will be noted on the documents reviewed and maintained in the applicable grant files. However, many of our reports have not been timely due to turnover and the relative newness of the current fiscal staff. The entire fiscal staff is currently trying to bring the required reporting up to date so that future reporting will be more timely. Timeliness of reporting is something we will be reviewing in the future.

Our ultimate goal, once the fiscal staff stabilizes after its staffing shortage, is to document and implement consistent procedures for tracking, recording, reporting and evaluating

Gary Knutsun
Page 5
September 11, 2001

grant-related expenditures. We would also like to thank the Auditor-Controller's Office and the County Administrative Office for their assistance in resolving these outstanding issues.

Sincerely,



KATHRYN CANLIS
DISTRICT ATTORNEY
COUNTY OF SANTA CRUZ

jmr

cc: Board of Supervisors
Carol Girvetz, County Administrative Office