

County of Ventura  
AUDITOR-CONTROLLER  
MEMORANDUM

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To: Honorable Geoff Dean, Sheriff

Date: April 3, 2012

From: Christine L. Cohen

Subject: **AUDIT OF THE SHERIFF'S MANAGEMENT OF CITY LAW ENFORCEMENT CONTRACTS**

We have completed our audit of the Sheriff's management of city law enforcement contracts. Our overall audit objective was to determine whether appropriate actions were taken by the Sheriff to effectively and efficiently manage the city law enforcement contracts. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

**EXECUTIVE SUMMARY**

We noted that the Sheriff's billing and collections procedures were sufficient to ensure that payment receipts and deposits were accurate, complete, and timely. We also verified, to the extent we could determine, that at least the same minimum level of service that was provided for the unincorporated area of the County was provided to the contract cities.

However, overall, improvements are recommended to address aspects of the Sheriff's management of the city law enforcement contracts. Specifically, we noted that:

- Aspects of the city law enforcement contracts were not sufficient or followed because the contracts have not been subject to revision; therefore, updating the contracts is recommended.
- Improvements are recommended to better support allowable costs charged to the contract cities and contribute to full cost recovery.
- Costs of providing law enforcement services to the contract cities were not always charged, resulting in the County's net funding of \$1,580 for the contract city and month sampled.
- The Sheriff's procedures were not always adequate to mitigate the risk of improper payment of employees, resulting in \$2,600 in identified overpayments for the contract city and month sampled.
- The Sheriff's record retention and destruction policy could be improved to mitigate any risk of noncompliance with the California Public Records Act and reduce additional annual storage costs of \$41,000.

Honorable Geoff Dean, Sheriff

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Except as noted in the attached report, the Sheriff planned to explore contract revisions and complete other management actions over the course of the next 3 years. For certain findings where corrective action is not planned to be implemented, we believe the level of residual risk may be unacceptable to the County.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable John C. Zaragoza, Chair, Board of Supervisors  
Honorable Peter C. Foy, Vice Chair, Board of Supervisors  
Honorable Steve Bennett, Board of Supervisors  
Honorable Linda Parks, Board of Supervisors  
Honorable Kathy Long, Board of Supervisors  
Michael Powers, County Executive Officer

County of Ventura  
Office of the Auditor-Controller



AUDIT OF THE SHERIFF'S MANAGEMENT  
OF CITY LAW ENFORCEMENT CONTRACTS

April 3, 2012

Christine L. Cohen  
Auditor-Controller

**AUDIT OF THE SHERIFF'S MANAGEMENT  
OF CITY LAW ENFORCEMENT CONTRACTS**

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# AUDIT OF THE SHERIFF'S MANAGEMENT OF CITY LAW ENFORCEMENT CONTRACTS

## BACKGROUND

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The Sheriff's Department is responsible for preserving the peace, preventing crime, enforcing laws, apprehending offenders, and providing secure and humane detention for offenders within Ventura County. The Sheriff is comprised of four primary divisions: Detention; Special Services; Support Services; and Patrol. The Sheriff was authorized 1,283 positions for fiscal year ("FY") 2008-09 and a combined budget of over \$226 million.

The Sheriff's Patrol Division services the unincorporated areas of Ventura County as well as the five cities that contract for Sheriff law enforcement services; namely, Camarillo, Fillmore, Moorpark, Ojai, and Thousand Oaks ("contract cities"). Camarillo and Thousand Oaks have been contract cities since 1965, Ojai since 1980, and Moorpark and Fillmore since 1984 and 1987, respectively.

The Support Services Division administers the financial terms of the city law enforcement contracts through the Business Office, including budgeting, invoicing, rate development, payroll, contract development, and overall financial monitoring. Revenue recognized from city law enforcement contracts amounted to nearly \$50 million during FY 2008-09.

## SCOPE

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Our overall audit objective was to determine whether appropriate actions were taken by the Sheriff to effectively and efficiently manage the city law enforcement contracts. Specifically, we:

- reviewed whether the current contracts contain the required elements of a contract of such nature, and whether the contracts are in compliance with applicable statutes;
- verified whether recordkeeping processes were effective, whether documents could be easily located, and whether documents were retained in accordance with applicable state statutes and County policies;
- reviewed the FY 2008-09 contract city rate development model to determine whether costs were appropriately incorporated into the contract city billing rates as approved by the Board of Supervisors ("BOS");
- determined whether the contract cities were appropriately charged for services rendered, and whether documentation consistently and accurately supported the actual services provided to the contract cities;
- reviewed whether the Sheriff's billing and collections procedures were sufficient to ensure that bills, payment receipts, and deposits were accurate, complete, and timely; and
- determined whether the minimum level of service provided to the contract cities in FY 2008-09 was the same provided for the unincorporated area of the County as required by the contracts.

For purposes of evaluating service levels and charges, we judgmentally selected to review one contract city for one month during FY 2008-09. The city selected accounted for \$12.7 million (26%) in contract city revenue during FY 2008-09, representing the second largest of the five contract cities in terms of contract

revenue. For the month selected, the city was invoiced a total of \$1,007,306. This consisted of 42.5 positions, accounting for 8,960 hours and \$954,431, additional invoiced amounts for overtime and court time totaling \$8,130, and vehicle charges of \$44,745.

Our audit included review of patrol schedules, traffic schedules, timecards, overtime reports, court time reports, and time adjustments provided by the Sheriff ("Sheriff's records"). Our review also included review of the law enforcement contracts, addendums to the contracts, letters and annual rates presented to the BOS, the rate development model, contract city invoices, and receipts for payments.

The audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors using documents from August 1980 to January 2011.

## FINDINGS

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We verified that the Sheriff's billing and collections procedures were sufficient to ensure that payment receipts and deposits were accurate, complete, and timely. We also confirmed, to the extent we could determine, that at least the same minimum level of service<sup>1</sup> that was provided for the unincorporated area of the County was provided to the contract cities, in accordance with the contracts.

However, overall, we identified areas where actions are recommended to improve aspects of the Sheriff's management of the city law enforcement contracts, mainly due to the lack of contract revision since the origination date of the current contracts. As a result, we found that certain contract provisions were not sufficient or followed. As the Sheriff invoiced the contract cities based on budgeted positions, we confirmed that patrol schedules generally supported positions invoiced on a per-shift basis for the contract city and month sampled. However, this invoicing method did not adhere to the contract provisions requiring costs to be based on actual services rendered. The deputies often work for both city and County purposes throughout a single shift; but due to the lack of hourly time tracking, we could not confirm that the contract city sampled was accurately invoiced for actual services rendered.

Further, indirect costs were not always properly supported, in noncompliance with California Government Code Section ("GC §") 54985. We also identified areas potentially impacting full cost recovery due to lack of measurement of certain direct costs and lack of BOS resolution on non-chargeable regional services.

Based on our reconciliation of Sheriff's records, we estimated that the County absorbed net costs of approximately \$1,580 for the contract city and month sampled.<sup>2</sup> Of this amount, approximately \$2,665 was not invoiced to the city for certain overtime and court time, and \$1,086 was invoiced for services the city did not receive. Although this net amount represented only one-tenth of one percent of the \$1 million in revenue generated from the contract city for the month, opportunities were available to further improve the accuracy of billings.

We also identified instances that indicated an increased risk of overpayment of Sheriff employees and resulted in payroll overpayments of \$2,600 for the contract city and month sampled.<sup>2</sup>

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<sup>1</sup> Level(s) of service, or service level(s), are defined as the positions regularly assigned and invoiced to the contract cities, not including unscheduled overtime or court time.

<sup>2</sup> Results should not be flatly applied to other contract cities due to varying operations.

Our audit also disclosed that the Sheriff's recordkeeping procedures could be improved in that certain documents were not accurate, complete, or easily located.

Following are details of the areas where improvements were needed. Except for Findings 1(B)(ii), 1(E), 1(F), 1(G), and 2(A), Sheriff management planned to implement corrective action as noted in the Sheriff's written responses, which are included as an appendix to this report.

1. **Contract Compliance and Sufficiency.** Aspects of the city law enforcement contracts were not sufficient or followed because the contracts have not been subject to revision, increasing the County's risk of potential breach of contract. The current Camarillo, Fillmore,<sup>3</sup> Ojai, and Thousand Oaks contracts have been in effect since 1980, and Moorpark since 1984. Each year the law enforcement contract and service rates are approved by the BOS ("annual rates"), which are incorporated by reference into the contracts. We noted instances where the Sheriff did not comply with certain contract provisions and where the contracts did not adhere to current regulations or standards, which could be mitigated by updating the contracts.
  - A. **Support for Services Rendered and Invoiced.** Alternatives needed to be explored to address the lack of support for actual services rendered on an hourly basis. The contracts state that the Sheriff "shall keep reasonably itemized and detailed work or job records covering the cost of all services performed". The contracts also state that the cities shall pay "the entire cost to (the) County of performing each service and function". However, as the Sheriff's timekeeping system did not track hourly activity for city versus County purposes, the Sheriff invoiced the cities based on budgeted positions plus actual overtime hours and court time. As a result, because many deputies work for both city and County purposes, often within the same shift, we were unable to confirm that city invoices accurately portrayed services rendered on an hourly basis. Alternatives to address this concern could include one or more of the following:
    - Modifying the primary basis for contract payments to agreed-upon budgeted service levels. This alternative coincides with the Sheriff's current invoicing methodology. The agreed-upon service levels could be specified every year in the annual rates as discussed in Finding 1(B) below. However, as budgeted service levels do not reflect actual hourly activity, this would need to be disclosed as an exception to the BOS policy of full cost recovery, which does not currently occur.<sup>4</sup>
    - Implementing a timekeeping system to allocate staff time for city versus County purposes. Sheriff management believed that the cost of implementing such a system outweighed the benefits. However, supporting actual services rendered in accordance with the contracts is dependent on identification of actual hourly activity. Implementing such a system could also improve timecard reliability by having the timecards signed by the deputy and approved by a supervisor, which does not currently occur. During our audit, although Sheriff management asserted that the timecards are to be relied upon as the accurate portrayal of services

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<sup>3</sup> The County's current general agreement with Fillmore for County services and functions has been in effect since 1980, with additional provisions for law enforcement services added in 1987.

<sup>4</sup> Projections of any amounts not recovered are not currently available due to lack of time tracking or time studies.

rendered, we noted 32 errors on the timecards and/or overtime reports for the contract city and month sampled.<sup>5</sup>

- Increasing the accuracy of patrol schedules and reconciling schedules to timecards. The patrol schedules indicated assignments by shift type (i.e., city versus County), which we generally confirmed to the positions invoiced for the contract city and month sampled. However, the schedules were not intended to establish service levels at the time of our audit, as portions of shifts spent for city versus County purposes were not identified and daily/hourly schedule changes were not always correctly annotated. For example, for the contract city and month sampled, we noted 74 instances where the patrol schedules did not accurately reflect activity according to timecards, traffic schedules, etc.

B. **Defining Service Levels.** The level of service to be provided by the Sheriff to the contract cities was not formally defined. As the number of positions and related rates establish service and financial accountability, defining relevant service levels with the annual rates would formally provide a basis for the Sheriff's contract performance.

i. **County Obligations.** The County's service level obligations to the cities were not specified in the contracts or by reference in the annual rates, in nonconformity with County policy. County Administrative Policy No. Chapter VI-1, *County Contracts and Agreements*, requires that: "The County's consideration must be clearly stated. What the County will or will not do as its obligation in the contract must be specified." We recognize that identification of specific service levels in the contracts may not be practical. However, although the annual rates could incorporate service levels, the annual rates were limited to the cost of each position and did not state the number of positions to be provided to each contract city. Therefore, the County's service level obligations were not formally specified and could not be measured, potentially increasing the risk of nonperformance of the contracts.

ii. **Minimum Level of Service.** The minimum level of service to be provided for the unincorporated area of the County was not formally defined by the Sheriff, potentially giving rise to the risk of contract noncompliance. Provision 2.3 of Exhibit A of each contract requires the minimum level of service provided to the cities be the same minimum level of service provided for the unincorporated area of the County. Our audit disclosed that the invoiced service levels for the contract cities met or exceeded the minimum service levels for the unincorporated area that the Sheriff identified for us during our audit. However, annual formal definition of minimum service levels, which could be identified with the annual rates, was needed to establish a basis for the contract provision.

iii. **City Request for Services.** The Sheriff did not require the cities to annually request, in writing, the specific type and level of staffing for the succeeding year, in noncompliance with Provision 3.1 of Exhibit A in each contract. Rather, the Sheriff and the city developed an informal understanding that all services will remain constant from year to year in the absence of notification otherwise. If the city requested a change to the level of service, the informal process continued whereby the Sheriff provided the city with an estimate of associated costs for the change. As a result, direct formal city communication did not establish the basis for the

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<sup>5</sup> Over 80 percent of these errors involved the incorrect day reported as worked on the timecards and/or overtime reports.



Sheriff's planned service levels, increasing the risk of a lack of understanding between the parties.

- C. **Identifying Costs to Be Charged.** Contract provisions could be strengthened to identify substantial costs that will or will not be charged to the contract cities. GC § 51350 allows the Sheriff to charge all costs of providing the contracted services. However, the Sheriff did not charge the cost of training new city deputies although the contracts did not state that the cities would only be charged for fully trained staff.<sup>6</sup> The Sheriff also did not charge overtime premium costs resulting from the need to cover unfilled backfilled shifts, which would not have been incurred otherwise.<sup>7</sup> We understand that other operational and fiscal benefits to the Sheriff may have offset these costs, which could be significant based on the contract city and month sampled. However, establishing a clear understanding of the costs that will or will not be charged was needed to strengthen the mutual understanding between both parties.
- D. **Maximum Contract Term.** The contracts were not in compliance with GC § 51302, which states that the term of the contract shall not exceed 5 years. Specifically, two contracts did not state a term, while three contracts stated that the agreement "shall continue in full force and effect until terminated by either party" (i.e., the contracts continue in perpetuity). As these agreements have been in place for approximately 30 years, noncompliance with the Government Code may continue indefinitely without a revision to the contract language.
- E. **Basic County Contract Elements.** Several basic, key elements appeared to be missing from the contracts, in nonconformity with best practices and County Administrative Policy No. Chapter VI-1, *County Contracts and Agreements*. For example, the contracts did not contain a specific term as mentioned in Finding 1(D) above, and two of the five contracts did not state an effective date. Further, neither the total contract payments nor the progress payments were specified in the contracts, which could be mitigated by estimating the cities' payments when establishing the annual rates.<sup>8</sup>
- F. **Review of Contract Sufficiency.** Based on the findings above regarding the sufficiency of the contracts, the contracts did not appear to be reviewed annually, in nonconformity with County policy. County Administrative Policy No. Chapter VI-1, *County Contracts and Agreements*, states: "Contracts should not be routinely renewed. Prior to renewal, each contract should be reviewed annually to ensure compliance with contract policy." Although the annual rates were reviewed by County Counsel, the contracts apparently have not been subject to legal review or update since the 1980s.

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<sup>6</sup> Regular training hours and related overtime hours amounted to 744 and 125 hours, respectively, equating to \$95,654 at the fully developed County cost for the contract city and month sampled. Although not a statistical sample, we estimated nearly \$1.15 million in training costs was absorbed by the County for one year for the contract city sampled, which we also confirmed through review of patrol schedules for the entire year. Further, trainees were generally assigned to the contract city in which training occurred immediately after training was completed.

<sup>7</sup> Backfilled positions are guaranteed to be covered such that the scheduled shift is always worked and not left vacant due to vacations, etc. Therefore, other deputies were called to cover unfilled backfilled shifts, which often resulted in overtime for the deputies providing such coverage. Overtime hours to cover backfilled shifts totaled 610 hours, equating to \$10,831 in overtime premium costs for the contract city and month sampled. Although not a statistical sample, assuming the sampled month was an average month, we estimated nearly \$130,000 in overtime premium costs was absorbed by the County for one year for the contract city sampled.

<sup>8</sup> Although this information may be disclosed in other documents, County policy requires specification in the contract.

G. **Late Fees.** Although invoices stated that contract city payments were subject to interest if paid after the first of the next month, the basis for this notice was not established in the contracts or by reference in the annual rates. Rather, the contracts stated that, if payment was not received within 30 days after rendition of the invoice, the County may satisfy such indebtedness using funds of the city collected by the County. We are not aware of any instances when interest was charged on late payments, although 14 (23%) of the 60 payments for FY 2008-09 services were received past the first of the next month. Although whether late fees are assessed is based on the Sheriff's judgment, late fees needed to be defined and authorized prior to pursuing such fees with the cities, which may encourage more timely invoice payments.

2. **Allowable Costs and Cost Recovery.** Improvements were needed to better support allowable costs charged to the contract cities and contribute to full cost recovery. The Sheriff was at risk of noncompliance with GC § 54985 due to the lack of reliable support for indirect salaries and wages included in the rates charged to the contract cities. Analysis of certain direct Sheriff costs was also needed to ensure that these costs were recovered to the extent possible. Further, the BOS has not yet determined which portions of regional services are not chargeable to the contract cities in accordance with GC § 51350, which potentially impacts full cost recovery.

A. **Support for Indirect Salaries and Wages.** The Sheriff did not always maintain proper support of indirect salaries and wages charged in the rate development model in accordance with GC § 54985, which requires that indirect costs comply with Office of Management and Budget ("OMB") Circular A-87 ("A-87"). Under A-87, Attachment B, § 8(h), regular salary and overtime wages are permitted to be charged to the contract cities provided that standards regarding time distribution are met. Personnel activity reports or equivalent documentation must:

- (1) Reflect an after-the-fact distribution of the actual activity of each employee,
- (2) Account for the total activity for which each employee is compensated,
- (3) Be prepared at least monthly and coincide with one or more pay periods, and
- (4) Be signed by the employee.

In contrast to the OMB requirements, the Sheriff's current procedures did not always meet these standards or other substitute methods allowable by the OMB. Specifically:

- Salaries and wages of the Business Office, Information Technology Services, Internal Affairs, and other supporting activities that were passed down as part of the contract rates to the contract cities have not been measured to support the allocation of these costs.
- Timesheets were not signed by Sheriff academy personnel, whose salaries and wages were incorporated into the contract rates.

B. **Measurement of Certain Direct Costs.** Certain Sheriff direct costs have not been measured since the contracts' inception approximately 30 years ago, potentially impacting recovery of allowable costs. Specifically:

- Supervisory positions charged to the contract cities in the form of fractions of a full-time equivalent have not been measured to ensure that the apportionment of time was reasonable.
- Negotiated lease costs not charged to the contract cities have not been measured to ensure that the costs paid by the County in exchange for \$1 annual rent are commensurate with the reduced rent benefits received.<sup>9</sup> These costs are otherwise chargeable to the contract cities.

C. **Regional Services.** The BOS has not determined via resolution which portion of regional services is not chargeable to the contract cities, in nonconformance with GC § 51350.<sup>10</sup> Currently, the determination of a regional service is at the discretion of the Sheriff, who establishes which services will and will not be charged to the contract cities. Regional services that are not charged include the following areas/units, some costs for which would potentially be chargeable: Gang Unit; Aviation Unit; SWAT/Bomb Squad; Crime Lab; Narcotics; Records; and Major Crimes. Although this concern was previously brought before the BOS in a Board letter dated April 27, 2004, the BOS has not yet made such determination by resolution. Therefore, the County may not be recovering all potentially allowable costs for services rendered to the contract cities.

3. **County Absorption of City Costs.** Overtime costs and court time were not always properly charged to the contract cities. As a result, our review indicated that the County absorbed approximately \$2,665 for the contract city and month sampled in overtime costs and court time that were not invoiced.

A. **Overtime Tracking for Non-Backfilled Positions.** Overtime tracking procedures for non-backfilled shifts were not always adequate, resulting in the County's funding of city overtime for the contract city and month sampled. As non-backfilled positions are not required to be covered and may be left vacant in the event of vacations, etc., any resultant overtime is to be charged to the contract cities. However, although the city was charged for 102.75 overtime hours, we noted an additional 33 overtime hours (32%) that were not charged for non-backfilled shifts as follows:

- 10 hours for one traffic shift.
- 23 hours of unreconciled variances between the overtime reports and invoiced amounts.

These 33 overtime hours equated to \$2,184 in overtime rates that were not charged to the city for the month sampled. Although not a statistical sample, assuming the sampled month was an average month, we estimated over \$26,200 in city overtime was absorbed by the County for one year for the contract city sampled.

B. **Court Time.** Court time tracking procedures were not always adequate, resulting in the County's funding of city court time for the contract city and month sampled. For example, court time was

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<sup>9</sup> These provisions are applicable to police station facilities leased by the County from four of the five contract cities and are typical of commercial lease agreements. Costs paid by the County include: interior painting; janitorial supplies and services; repair and maintenance of exterior landscaping and trash receptacles; and certain utilities such as gas, cable television, electricity, and telephone. Costs typically covered by the contract cities include: exterior building maintenance (e.g., roof, foundation, and doors); and maintenance of air conditioning, heating, and plumbing.

<sup>10</sup> The pertinent portion of GC § 51350 states: "A county shall not charge a city contracting for a particular service, either as a direct or an indirect overhead charge, any portion of those costs which are attributable to services made available to all portions of the county, *as determined by resolution of the board of supervisors*, or which are general overhead costs of operation of the county government." (Emphasis added by auditor.)

automatically charged as a County cost regardless of whether the deputy identified the time as city-related, unless annotated differently by station personnel. Consequently, although the city was charged for 44 court hours, we found an additional 12 court hours (27%), equating to \$481 in court rates, that were not charged to the city for the month sampled. Although not a statistical sample, assuming the sampled month was an average month, we estimated nearly \$5,800 in city court time was absorbed by the County for one year for the contract city sampled.

4. **City Invoiced for Unworked Backfilled Shifts.** For the contract city and month sampled, backfilled positions were not always covered although the city was invoiced for those service levels, resulting in an overcharge to the city. Of the approximate 3,600 city hours to be backfilled during the month, 9.5 hours<sup>11</sup> were not ascertainable as to whether anyone worked or covered the shift as follows:

- Eight instances totaling 7 hours where shift hours were not worked according to overtime reports.
- Three instances totaling 1.5 hours where the deputy's two backfilled shifts overlapped.
- One instance totaling 1 hour where shift time was not covered due to time spent in class.

Although the above-noted exceptions accounted for less than one percent of backfilled hours, this resulted in \$1,086 that the contract city paid to the County but did not receive the agreed-upon services for the month.<sup>12</sup> Although not a statistical sample, assuming the sampled month was an average month, we estimated over \$13,000 was overcharged for uncovered backfilled positions for one year for the contract city sampled.

5. **Increased Risk of Overpayment of Employees.** The Sheriff's procedures were not always adequate to mitigate the risk of improper payment of employees. Specifically, our audit disclosed concerns in the areas of unsupported pay and overlapping shifts, which may affect costs incurred by the contract cities and the County unincorporated area. Our review indicated that the County overpaid Sheriff employees approximately \$2,600 for the contract city and County unincorporated area and month sampled in unsupported pay and overpayments for overlapping shifts.

A. **Unsupported Pay.** The Sheriff's records did not always support employee pay based on our samples. Unsupported pay as used in this context represents pay based on the deputies' timesheets for hours that cannot be tied to a shift or training listed on the patrol schedule, master traffic schedule, court time sheet, or overtime report.<sup>13</sup> In the contract city sampled, the station oversees personnel assigned to both the contract city and the unincorporated area of the County. The timesheets are pre-printed with the deputies' regular schedules, and if any changes occur, the Office Assistant notes the changes on the timesheets and sends the timesheets to the Business Office. However, lack of reconciliation between timesheets and supporting schedules indicated that 10 hours of city pay (or \$177 in regular salary rates) and 41.5 hours of County pay (or \$1,690

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<sup>11</sup> We also noted three instances totaling 13.5 hours of backfilled County shifts that were unworked for the sampled month.

<sup>12</sup> We also noted 9 additional backfilled city shift hours (equating to \$1,029 for the month, or over \$12,300 estimated for the year) that did not appear to be worked due to lack of supporting documentation, although the Sheriff asserted that the hours were worked:

- Four instances totaling 6 hours where two shifts covered by the same deputy overlapped, although the Sheriff asserted that these "cover car" shift times were changed to accommodate full coverage of each shift.
- One instance totaling 3 hours where shift hours did not appear to be worked due to lack of an overtime report (meaning that the deputy was not paid for the overtime shift).

<sup>13</sup> Deputies in positions not normally listed on the patrol schedule, such as detectives, were excluded from this calculation.

in regular salary rates) were not supported based on the contract city and month sampled. Although not a statistical sample, assuming that the month sampled was an average month, we estimated this equated to over \$2,100 in unsupported city pay and nearly \$20,300 in unsupported County pay for one year for the contract city sampled.

B. **Overlapping Time.** Procedures were not always adequate to identify potential overpayments to employees due to overlapping time. We noted three instances when an employee's time overlapped and the employee was paid twice for the same period of time as follows:

- Two instances totaling 10 hours where deputies were paid overtime while on vacation.
- One instance totaling 2.5 hours where a deputy was paid overtime for a portion of the same hours that the deputy was scheduled and paid for regular shift hours.<sup>14</sup>

The instances summed to 12.5 overtime hours, or \$730 in overtime salary rates, that appear to have been overpaid to employees for the contract city and month sampled. Although not a statistical sample, assuming that the month sampled was an average month, we estimated this equated to over \$8,700 annually in overpayments to employees due to overlapping shifts.

6. **Record Retention.** The Sheriff's record retention and destruction policy could be improved. Our audit disclosed that contract files were not always maintained in accordance with County policy or the California Public Records Act ("Public Records Act"), as not all contract documents were accurate, complete, or easily located. Additionally, the volume of documents that have been retained required multiple forms of off-site storage, resulting in unnecessary costs and increased litigation risk. Generally, the Sheriff's record retention schedule was in need of revision to provide clear direction to mitigate these concerns.

A. **Maintenance of Contract Files.** Contract files were not always accurate, complete, or easily located, in noncompliance with County policy and risking future noncompliance with the Public Records Act. County policy states that stored paper records should be organized for expeditious retrieval regardless of the storage location. Additionally, the Public Records Act states that public records should be promptly available to the public, and gives the public agency a maximum of 24 days to produce a record subject to the Act. However, during our audit, we noted the following examples which indicated that the Sheriff's paper records were not always organized to promote compliance with policies and regulations:

- One of the five contracts was not located for approximately 10 months. Sheriff management eventually found a copy of the contract in the files of a previous Sheriff. The contract also could not be located after an exhaustive search of records of the Clerk of the Board.
- One of the four contract addendums noted a significantly incorrect date of the original contract, likely because the Sheriff could not locate the original contract.

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<sup>14</sup> We also noted eight additional instances totaling 8 overtime hours (equating to \$467 for the month, or \$5,600 estimated for the year) where overtime hours overlapped with regular shift hours, although the Sheriff asserted that the regular shift times for these support units and cover cars were changed such that no overlap or overpayment occurred.

- Two of the five contracts located for the audit were not complete, as specific line items were left blank. Completed contracts likely existed, but were not located.
- B. **Multiple Forms of Off-Site Storage.** The Sheriff stored large quantities of documents in multiple forms of off-site storage, which did not appear to be necessary or prudent. The Sheriff paid the General Services Agency for document storage and also paid separately to rent metal shipping containers to store the remainder of the department's many documents. During the 3 fiscal years from 2006 through 2009, the Sheriff's costs averaged nearly \$41,000 annually for this additional storage. In the development of the annual rates, the Sheriff passes down a portion of the cost to the contract cities to store those documents, much of which may not be necessary. Further, retaining records only for the period of time required by regulation or policy minimizes litigation risk.
- C. **Record Retention Schedule.** The Sheriff's record retention schedule needed revision to provide better procedures for document retention. Specifically, the Sheriff's record retention schedule did not make mention of the format, manner, and location of documents to be retained. Based on concerns noted in Findings 6(A) and 6(B) above, attention was needed to ensure the record retention schedule was current and properly followed.

#### **AUDITOR'S EVALUATION OF MANAGEMENT ACTION**

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Due to the length, we have included the Sheriff's written responses and our auditor's comments regarding those responses as an appendix to this report. Except for Findings 1(B)(ii), 1(E), 1(F), 1(G), and 2(A), we believe that management actions taken or planned were responsive to the audit findings. The Sheriff planned to explore contract revisions and complete other management actions over the course of the next 3 years.

If corrective action is not implemented for Findings 1(B)(ii), 1(F), and 2(A), we believe the level of residual risk may be unacceptable to the County.

AUDIT OF THE SHERIFF'S MANAGEMENT  
OF CITY LAW ENFORCEMENT CONTRACTS

MANAGEMENT RESPONSES AND AUDITOR'S COMMENTS

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The Sheriff's responses below are presented intact as submitted by the Sheriff as to both form and content, except to add the finding number, specify management action or response, and add our auditor's comment.

1(A). Contract Compliance and Sufficiency: Support for Services Rendered and Invoiced.

Management Action.

Regarding timekeeping and progress toward meeting the auditor's requests, on August 23, 2011, all department timekeepers and schedulers attended a mandatory meeting where the issues presented in the draft audit were discussed. Emphasis was placed on maintaining ancillary records that document all employee hours that would be tied to an employee timesheet. Additionally, the Sheriff, in conjunction with the Auditor-Controller, has also been attempting to implement a workable 'electronic signature' system over the last few years, even though we believe our current payroll process has adequately avoided fraud and has ensured that our employees have had ample opportunities to fix discrepancies that may have occurred. It appears that the new payroll system installed by the Auditor-Controller supports a workable electronic signature screen. As part of the VCHRP electronic timecard signature process, employees can include a comment on the screen when information presented on their timecard is incorrect. We anticipate running a query/report each pay period in order to research all the comments that employees entered and take appropriate action. In January and February 2012, we notified the Auditor-Controller that we would need to be able to run a query that included all employee comments made on the electronic timecard signature screen; the Auditor-Controller stated this could be accomplished. To date the Auditor-Controller has not provided the query or an estimate of when it will be available, as soon as it is, we are prepared to implement the electronic timecard signature process.

However, The time required to accurately report every activity on an hourly basis would negatively impact our level of service, increase workloads, substantially increase administrative costs, and inhibit operations. The current methodology is similar to those in other Southern California Counties and is fair, practical, and versatile, recognizing the inherent requirement of deputies to react quickly and effectively without regard to arbitrary boundaries, additionally, there are numerous sources of information that support services rendered. As in the past, we will evaluate practical alternative methodologies on an on-going basis. Although we adamantly disagree with most of the auditor's legal interpretation of the contracts, when updated in the future, the contracts will further clarify the invoicing methodology.

In this audit report, the auditor recommends implementing a cost accounting timekeeping system. Implementing a cost timekeeping system would be a major project that would

require substantial resources in ongoing time commitments and funding without providing any real additional benefit. No other Southern California County law enforcement agency invoices via a cost system as recommended throughout this audit. We have verified that Orange County, Los Angeles County, San Diego County, Riverside County, and San Bernardino County charges their contract cities in a similar manner as Ventura County.

From the Ventura County Sheriff's sworn managers' operational perspective (Captains and Commanders), tracking time for billing purposes in 15-30 minute segments, like a lawyer or CPA, would significantly increase the workload for the patrol deputy, depriving him/her of proactive patrolling. Deputies are not sitting at a desk where they can accurately track their time, they are generally responding from call to call, consequently, much of this method of time tracking would probably have to be done from recollection which could cause inaccuracies, take away from patrolling, or add additional overtime for timekeeping. Deputies engage in activities within county areas and contract city areas multiple times during a routine 12 hour shift. These activities include assisting other deputies on calls for service, making enforcement stops while driving through one jurisdiction on their way to another, and conducting investigations that were reported in one jurisdiction but may have occurred in another. The time required to accurately report hourly activity would negatively impact our level of service and increase workloads. The current methodology is fair, practical, and versatile, recognizing the inherent requirement of deputies to react quickly and effectively without regard to arbitrary boundaries. Hourly billing would increase administrative costs to manage the contract by generating repetitive billing disputes that would have to be investigated and resolved. We do not bill non-contract cities for time when we assist them based on mutual aid, whether they request it or not.

As derived from the L.A. County Sheriff's Office, of which we concur: "The use of time cards by patrol staff to allocate time to key tasks will not result in an improved level of accuracy, but will serve to increase the likelihood of errors. Additionally, we believe that the use of manual time cards to allocate time is not cost-effective and counterproductive in the law enforcement environment. The individual tasks performed by patrol personnel are frequently broken into multiple segments due to the volume and variety of activity which often interrupt those tasks i.e. priority calls and other responses which frequently cause breaks in the completion of a report. Because of the diversity and volume of activities and the need to continually prioritize, the use of time cards would be cumbersome, increase the likelihood of error, and reduce the level of accuracy we wish to achieve. Currently, the Department (LASO) bills the contract cities for the contractually agreed-upon service level. This ensures the collection of maximum revenue. To bill based upon actual services would be unwieldy and lead to budgetary unpredictability. After consulting with County Counsel, it was determined that this Department will be unable to bill for services inadvertently provided over and above the mutually agreed upon level. On the other hand, should the Department provide an insufficient level of service, and be mandated to reimburse the city, the Sheriff/County would lose anticipated revenue. It is our preference that we continue to bill for the contractually agreed-upon service level to ensure the maximum recovery of revenue. It is our contractual obligation to ensure that the proper level of service is provided to meet the requirement and to achieve as near 100% compliance as possible with minimal variance. With the improved tracking mechanisms being implemented, we are confident in our ability to be more accurate in monitoring service levels. Additionally,



effective July 1, 1998, the L.A. Sheriff's Office implemented a new contract pricing system commonly referred to as the "Single Price" Service Unit rate. This new pricing system replaced the old method where the price rate depended on the duties performed, thereby simplifying the billing process and allowing the Unit Commander and contract city greater flexibility in the use of resources. The "Single Price" Rate and Billing Method utilizes the "average" cost of a deputy sheriff, no matter the function performed, thereby eliminating the financial impact and need for billing changes whenever a deputy sheriff's services are redirected to a different function."

Regarding bullet #1, we respectfully disagree with the Auditor-Controller's legal interpretation of the contract.

Regarding bullet #2, We disagree with the finding that "supporting actual services rendered was dependent on identification of actual hourly activity". There are numerous sources of information that support actual services: regular pre-set police beats, Calls for Service (i.e. dispatch logs), "Red Book" entries (i.e. daily diary of incidents by hour, location and crime if applicable), crime reports, overtime reports, scheduling, jail bookings, Crime Scene Investigation reports, crime statistics, management oversight, etc., support proof of time worked. Expanding on a police beat, each deputy is assigned to a geographically defined County or City beat prior to the start of shift, their call sign is indicative of that County or City beat assignment. The daily shift assignments are logged on the in-service schedule prior to the start of their shift and on the Computer Aided Dispatch (CAD) system when they advise Dispatch they are in-service. The CAD system tracks calls for service and self-initiated activity for each patrol deputy in the field. Each deputy's activities throughout their shift is tracked using this system and the area (RD/Beat) in which the activity is taking place is logged. Should the deputy self-initiate an activity or they are sent to a call by dispatch, the Beat, RD, and time spent are logged into the system. A review of the CAD log would show where the City/County activity took place and what City/County units were involved. In addition, the shift sergeant and watch commander do their best to ensure the deployed units remain in their assigned areas as much as possible.

Regarding the finding that "Implementing such a (cost) system could also improve timecard reliability by having the timecards signed by the deputy and approved by a supervisor, which does not currently occur": the Sheriff, in conjunction with the Auditor-Controller, has been attempting to implement a workable "electronic signature" system over the last few years, as discussed above, we've had constant contact with the Auditor-Controller on the subject matter. Additionally, the Sheriff recognizes the importance of maintaining "sound internal control" over payroll. Having an employee "attest" to the number of hours worked and requiring a supervisor to sign indicating their review and approval appears logical if in fact all hours have been worked at that point or are reasonably known. The Sheriff's Department does not have a typical Monday through Friday, 8 a.m. to 5 p.m. operation associated with most County Departments; it is a 24-hour, 365 day a year operation. To ensure timely entry into the payroll system requires that time cards be submitted from numerous locations at least 5 days before the end of the pay period, before all actual hours worked are known. There are over 1,200 employees working in 11 different locations throughout the County. On any given day, half of the employees who work 12-hour shifts are off duty. An individual may work different locations, different shifts, and have multiple

supervisors during a pay period. Signing a blank or incomplete time card by an employee or a supervisor will not provide a true attestation as sought by the auditor. Disputes about changes or errors are always dealt with after the fact regularly.

The following is a description of our payroll process, we believe it has adequately avoided fraud and has ensured that our employees have had ample opportunities to fix discrepancies that may have occurred. Each division has a timekeeper who is responsible for reporting time and attendance for all employees within the division. The timekeeper refers to a master schedule, which is updated daily by a scheduling Senior Deputy or Sergeant. This attendance information is transferred to a timesheet by the timekeeper, and then submitted to the Sheriff's Business Office payroll division prior to the pay period's end (2<sup>nd</sup> week, Tuesday). Vacation/Comp time off requests require "Request For Leave" forms to be completed and signed in advance by both employees and schedulers/supervisors. This information is then documented on the master schedule with a copy to the timekeeper. A Time Record Correction form is prepared for any time variances to the timesheet that was submitted to the payroll division. The timekeeper prepares, signs, and faxes the Time Record Correction forms to the Payroll Division.

The Sheriff's Department maintains an overtime database that generates overtime slips when overtime is entered. All overtime slips require employee, supervisor, and unit commander signatures, for each overtime shift worked. The supervising Sergeant reviews the hard copy overtime slips for accuracy and verifies that they are reflected on the master schedule. These overtime slips are submitted to the Sheriff's payroll division along with the timesheets. After timesheets have been submitted to payroll, the timekeepers complete a signed overtime adjustment form with all overtime not reported on the timesheet and fax it to the payroll division for entry. After the pay period end, the original overtime adjustment forms are submitted with each signed overtime slip as supporting documentation. These records are filed and stored for the same length of time as the timesheets. All timesheets received by Sheriff's payroll are entered into VCHRP prior to the Monday after the pay period's end. Timekeepers sign and fax current period time record corrections and overtime information to the Sheriff's payroll division on a daily basis through the Monday following the pay period end. Timesheets are updated to reflect the most current attendance information to avoid numerous late adjustments. All employees have access to the division master schedules for review prior to payroll being finalized. They also have access to the VCHRP payable time screen to see what has been entered to generate compensation for the pay period.

The Sheriff has pursued an electronic approval screen that would be easily understood by our employees. There was a proposed Employee Pay Approval screen, developed by the Auditor-Controller, in the summer of 2009. All labor groups with varied work schedules were sampled to test and evaluate the Auditor-Controller's approval screen. The employees that participated in this testing were given instruction materials and asked to use the Employee Pay Approval screen for three pay periods and give us feedback on the screen. The employees that worked a Monday through Friday schedule, and did not work overtime, had positive feedback. Employees on alternate work schedules and those that worked overtime found the information to be challenging to interpret. These employees found that the information was not presented in a consistent manner. The SEIU employees that

worked on a 12 hour schedule found it extremely difficult to understand the information. After Sheriff's payroll received access to view the employee version of the pay approval screen, we began to review employee records to see if we could develop an easy to understand set of directions that would address potential questions and help employees successfully use this screen. We found that the directions would be far from simple due to the many variations of ways the hours could be reflected on the screen. From the beginning of the implementation of the previous version of VCHRP (the County's automated payroll system), the Sheriff's Office had expressed concern with allowing employees to enter their own time into VCHRP. The Sheriff's Payroll Manager that worked on the Auditor-Controller's VCHRP implementation team stated that the Sheriff would not be allowing employees to enter their own time because of the complexity of information that would need to be entered. It was felt that a centralized approach would be best to avoid issues with employees not getting paid correctly or not being paid in a timely manner. The Sheriff had verbally discussed this during implementation. There are a number of other departments in the County that do not have employees enter their own time for the same reasons that we've expressed. We feel that having an electronic approval process would be the preferred option. Sheriff's payroll staff members are not VCHRP programming experts, and must rely on the expertise of the Auditor-Controller's payroll staff to guide us through the process of developing an approval screen that we hope can be easily understood by all employees. We are sensitive to the costs associated with this process and also do not want the Auditor-Controller to do needless work.

Regarding bullet #3, as we stated previously, the Auditor utilized the Daily Schedule as the primary source document to determine the accuracy of time worked. In 2008, the Daily Schedule was prepared each morning only to inform the Sheriff's Communication Center and the front office staff of the daily patrol and support unit line-up. At the time, the Daily Schedule was not a hard and fast document and did not solely support an employee's exact work hours. The Daily Schedule was not updated throughout the day as changes occurred. In 2008, the timesheets were completed utilizing the updated monthly schedule, approved overtime and court time slips, approved employee time off requests, and any other pertinent documents. In 2008, the Daily Schedule included information on variances to the normal schedule. A typical variance would state that the scheduled deputy was taking time off for 12 hours of vacation (Jones 12V). This shift would need to be filled with overtime. In some cases a notation of "ot" was also included. Thirty-four of the seventy-four instances "where the patrol schedule did not accurately reflect activity according to timecards, traffic schedules, etc." were due to the lack of the notation of "ot" on the Daily Schedule variance. The variance notation (Jones 12V) and the name of the deputy working the overtime for the employee on vacation are the factors used to identify the overtime not the "ot" notation.

The Sheriff's Office continues to make every effort to maintain accurate records and to assure that our employees are paid correctly.

#### Auditor's Comment.

We acknowledge in the Sheriff's response that corrective action is planned to clarify the invoicing methodology when the contracts are updated in the future. We believe this would also require disclosure as an exception to the BOS policy of full cost recovery.

We have also noted in the Sheriff's response that other methods are currently available to assist the Sheriff in tracking actual services rendered, such as utilizing the CAD log, which would not appear to increase workloads or impact level of service. The cost accounting could be a simple process where the employee could utilize a separate code for city versus County time at the end of the day. In addition, the payroll query mentioned in the Sheriff's response has been developed and is currently being modified to assist in decentralized time entry.

1(B)(i). Contract Compliance and Sufficiency: Defining Service Levels - County Obligations.

Management Action. As recommended by the auditor, the service levels are now included in the annual rate letter approved by the Board. However, we respectfully disagree with the Auditor-Controller's legal interpretation of the contract and the County's administrative policy. In the past, the level of service to be provided by the Sheriff to the contract cities had always been included in the work papers sent to the Auditor-Controller, CEO, and County Counsel, for their annual contract city rate methodology review. The Auditor-Controller, CEO, and County Counsel approved the rate package which included the service levels, then moved a summary Board Letter forward to the Board for their vote, which only included the rates. Additionally, the level of service was initially defined (i.e. "provided") for all contracts at some point in time. As an example, Camarillo's level of service was "provided for" in the 1980 contract Exhibit A, as: 1 24-hour, 7 day unit, 1 56-hour 7 day unit, 1 40-hour 5 day unit with relief, 1 40-hour 5 day unit without relief, 1 40-hour 5 day Field Sergeant, 1 Senior Deputy differential, 1 School resource Officer, 1 Traffic Program Officer, 1 Traffic Sergeant, 1 Detective Sergeant, 1 Detective Senior Deputy, 1 Program Resource Officer, 1 Youth Officer, 1 Cadet (20 hour week). The original contracted level of service can be contrasted with current monthly itemized invoices.

Auditor's Comment. We acknowledge in the Sheriff's response that corrective action has been implemented to specify the County's service level obligations to the cities in the annual rates.

1(B)(ii). Contract Compliance and Sufficiency: Defining Service Levels - Minimum Level of Service.

Management Response. As recommended by the auditor, the service levels are now included in the annual rate letter approved by the Board. However, we respectfully disagree with the Auditor-Controller's legal interpretation of the contract. In its entirety, Provision 2.3 of Exhibit A of each contract states: "Unless otherwise provided for in this agreement, the minimum level of service which will be provided shall be the minimum level of service that is provided for the unincorporated area of the County by the Sheriff during the term of this agreement or any renewal of this agreement." The Sheriff is given the contractual right to "determine" the minimum level of service by Provision 2.6 of Exhibit A which states: In the event of a dispute between parties regarding the extent of the minimum level of services, the determination made by the Sheriff shall be final and conclusive.

Auditor's Comment. We have noted in the Sheriff's response that management does not intend to implement corrective action in response to the finding. The minimum level of service for the County unincorporated area is not defined in the annual rates or other formal document, which

places the County at risk of contract noncompliance. Therefore, we urge the Sheriff to consider taking action on this issue.

1(B)(iii). Contract Compliance and Sufficiency: Defining Service Levels - City Request for Services.

Management Action. Provision 3.1 of Exhibit A reads: "The City will each year at the time of preliminary budget preparation or in March, whichever is later, request of the Sheriff, in writing, the specific type and level of staffing of Law Enforcement Services for the succeeding year and its understanding of the cost of such services. An affirmative reply from the Sheriff will constitute an agreement effective immediately. It is recognized that the level of service for each fiscal year will be established as part of the final budget process." Levels of service are assumed to remain constant year-to-year unless action is taken by the City to increase or decrease contracted positions. Cities approve new positions through City Council actions and the County Board of Supervisors votes to approve increased allocations. Current staffing levels, changes to staffing levels, and costs of staffing levels are discussed regularly throughout the year between the Chiefs of Police (a County position), city councils, city managers, the Sheriff's Department, and when necessary with the County's CEO, especially during preliminary budget preparation. Current staffing levels are also reviewed on a monthly basis by the County and the City via invoicing from the County to the City for police services. However, we agree that the current process would be technically compliant by following the contract provision requiring an annual written request from the City for the specific type and level of staffing for the succeeding year. This provision will be reviewed for future contractual relevancy.

Auditor's Comment. We acknowledge in the Sheriff's response that corrective action is planned to review this contract provision in the future for contractual relevancy.

1(C). Contract Compliance and Sufficiency: Identifying Costs to Be Charged.

Management Action.

The contracts may benefit from additional disclosure of services that will or will not be charged, we will explore incorporating these items when the contracts are updated. However, we believe the auditor's conclusions on training and overtime to cover backfilled shifts are in error, and we respectively believe the auditor has misinterpreted California Government Code section 51350.

Footnote #6 states: "we estimated nearly \$1.15 million in training costs was absorbed by the County for one year for the contract city sampled", this conclusion is flawed. The assumption that the month sampled, September 2008, was average, is not valid. The auditor is of the opinion that 744 straight-time hours plus 64.25 overtime hours worked by Deputy trainees in the City of Camarillo, and an additional 60.75 hours of overtime worked by the Field Training Officers in the City, in September 2008, is representative of a full year's trainee activity. The cost per the auditor being: 744 straight-time hours x 12 months x \$107.10 = \$956,189, and 60.75 + 64.25 overtime hours x 12 months x \$126.88 = \$191,670, for a total of \$1,147,800 (rounded). It should be noted that September 2008 was one of the highest training periods on record over the last three fiscal years, consequently, the

assumption that the month sampled, September 2008, was an average month, is incorrect. Additionally, field training for Deputies is a four month program, NOT a one year program as annualized in this audit. Other months have much lighter training activity and there are numerous contiguous months (up to a year) where NO field training takes place (i.e. by "chance", the auditor could have chosen a month of zero activity). On October 4<sup>th</sup>, 2011, the auditor stated in an email: *"You had previously expressed concern that sometimes there are stretches of time during which there are no trainees at all. However, during the FY 08-09, which is the year subject to audit, there were trainees during all twelve months in the city of Camarillo. We would be open to adding perspective in the report to reflect that this was not the norm, if that is in fact true. Do you have any documentation to show perhaps, how many trainees there are, per year, on average? To demonstrate that what we observed during the FY 08-09 was not the norm?"* On October 7<sup>th</sup>, 2011, we responded by sending a worksheet to which we've had no response to date. The worksheet contained analysis of the Field Training Officer (FTO) supplemental payments for fiscal years 08/09, 09/10, and 10/11, by pay period. The FTO supplemental payment is only paid when there is trainee activity. There are many consecutive pay periods in the analysis where no FTO supplemental payments are made, additionally, it shows that the periods that were selected by the auditor to represent an assumed average month, were the highest on record during that period. We ended the response by stating: *"If this information satisfies you that the audit period utilized is not the norm - please let us know. If you need additional back-up let us know. There's no doubt that a direct relationship exists between the information contained in the attached worksheet and the field training noted in the patrol logs. If necessary, we will request the patrol logs from the Camarillo station to substantiate the relationship, however, this will take time to complete."* The auditor's conclusion equates to the City of Camarillo having the necessity for a complete patrol turnover rate every 2 years, the calculation follows. The auditor annualized 744 straight-time trainee hours from the month of September 2008 which equals 8,928 straight-time trainee hours for one year. Dividing the 8,928 total trainee hours by an individual's 4 month training period of 728 hours (total annual hours in a 12-hour shift = 2,184 hours, divided by 3 to represent the 4 month training period) equals the equivalent of 12 Deputy trainees for the City every year. There were approximately 26 patrol allocations for the City in 2008. 26 patrol allocations divided by 12 Deputy trainees equals a total patrol turnover of approximately every 2 years, a ludicrous assumption. The average sworn career length is approximately 21 years. Deputy trainees assigned to the patrol Field Training program are not City positions, they are Ventura County Sheriff's Office Deputies that are in a patrol training program to be assigned at a later date and not necessarily to a City position. In the auditor's findings, as detailed in the auditor's work papers, the patrol training positions are being viewed by the auditor as City positions and subsequently chargeable to the City, this is incorrect. Those Deputies are County positions in a "ride-along"/training capacity with Field Training Officers who by chance are assigned to Camarillo City shifts. Trainees are cycled through City patrol beats due to the array of calls that occur in a shorter time period due to the smaller geographically defined area.

There are a number of operational differences between the Sheriff's Department and small Police Departments, such as the City of Camarillo, that should be taken into consideration when examining a pass-thru of training costs. In a small Police Department - the primary function is patrol, entire careers can be spent in patrol, there is little turnover. It is only

necessary to train a new officer when one retires, quits, or is fired. As an example a Police Department with 30 sworn personnel may only need one new hire a year (i.e. may only need to train 1 patrol officer a year for 4 months). Conversely, in a mid-sized Sheriff's operation, there are many functions in addition to patrol (i.e. jails, major crimes, courts, air unit, bomb unit, etc.) and many more promotional/transfer opportunities versus a small Police Department. Sheriff's personnel frequently transfer in & out of City patrol positions for varied opportunities as they arise within the Sheriff's operations, consequently, patrol training is necessary at a much higher interval than that which would be normally experienced in a small Police Department. It's felt that it would not be equitable to charge a City for personnel turnover that is solely related to the Sheriff's operational requirements. Charges for services to the City should be necessary and reasonable for the proper and efficient administration of the contract. Additionally, there is a mutual County/City benefit. Field Training Officers in City assignments share in the burden of training the future cadre of patrol Deputies that will be deployed in both City and unincorporated assignments. Finally, in the past, when the Sheriff has proposed contract services to a prospective City, the Sheriff has stated that the City will have fully trained/veteran deputies working the contract and the City will be charged at that commensurate rate.

In response to the auditor's finding that "Overtime premium costs resulting from the need to cover unfilled backfilled shifts also were not charged, which would not have been incurred otherwise", the finding is erroneous. For "post" shifts, those shifts that are required to be filled every day (i.e. a 24-hour patrol beat), the Cities are charged for the total number of allocations that it will mathematically take to fill all of the associated shifts on a straight-time basis; this is commonly referred to as the "Post Factor". The "Post Factor" accounts for all time-off (vacation, sick leave, etc.). The contract methodology implies that the County will provide the Cities with the requisite number of straight-time Deputies in order to fill all of its shift coverage requirements; and it is charged for such. Using a 24-hour patrol beat as an example, mathematically it takes 4 Deputies to fill every shift for 1 year, however, this does not account for time off (vacation, sick leave, training, bereavement, etc.). For the fiscal year 2008/09 rates, the average time-off per Deputy for a year was calculated at 252 hours, this multiplied by 4 Deputies equals 1,008 hours, or the equivalent of 1/2 Deputy. Cities were charged the equivalent of 4.5 Deputies in FY 2008/09 for each 24-hour patrol car. If the Sheriff does not have a straight-time Deputy available it is NOT the City's fault, the City pays for straight-time coverage for all of its "post" shifts. Some examples of why the Sheriff may not be able to provide a straight-time Deputy for a City shift include: the City Deputy was deployed on a County function (i.e. emergency, disaster, etc.) which required backfill overtime for the City shift; the Sheriff, adhering to County budgetary cost reduction demands, may not conduct an Academy class, consequently, due to attrition, the number of available Deputies are reduced which ultimately requires filling shifts through overtime; Mutual Aid is requested by another City, the CHP or the unincorporated area and the Sheriff directs the City Deputy to respond; "4850" injury time for which the County is reimbursed through insurance. If the Sheriff does not have the manpower to fill a shift on a straight-time basis due to personnel shortages, and if those personnel shortages are due to vacancies, or reimbursable disasters, the Sheriff is realizing "salary savings" or offsetting revenue which negates the premium paid for overtime.

**Auditor's Comment.** We acknowledge in the Sheriff's response that corrective action is planned to explore incorporating additional disclosure into the contracts when the contracts are updated. This may also require disclosure as an exception to the BOS policy of full cost recovery.

1(D). **Contract Compliance and Sufficiency: Maximum Contract Term.**

**Management Action.**

The term could be more explicitly stated, and we will address this when the contracts are updated, however, we respectfully believe the Auditor-Controller has misinterpreted California Government Code section 51302.

In regard to "term of contract": CA Government Code 51302: The term of the contract shall not exceed five years but may continue for periods of five years each, unless the legislative body of either local agency votes not to continue the term at a meeting more than one year before the expiration of any five-year period. The term of the City Contracts are one year renewable contracts as inferred by provision 16 of the contracts, and as allowed by 51302. The contracts have been continued for one year periods: "Either party may terminate this agreement as of the 31<sup>st</sup> day of May of any year upon notice in writing to the other party not less than 30 days prior to the date of such termination." Each of the five city contracts under a "Witnesseth" statement, preceding the numbered provisions of the contract, declares: "Whereas, said contract is authorized and provided for by the provisions of Article 1, Chapter 1, Part 2, Division 1, Title 1, sections 51300, et seq., of the Government Code of the State of California..." See section 51302 above; it is assumed that the contract authors sought compliancy with 51302 due to the signed "Witnesseth" statement. None of the contracts have stated terms of more than five years, additionally, it is assumed that all contracts have renewed for one-year periods since no legislative body of either local agency has voted NOT to continue the contract. The County's Administrative Manual, Legal Chapter V1-1, under "Term" states: Renewal may be automatic, without notice to the contrary, or may require specific notice or action by one of the parties, with acceptance by the other party, by a certain time prior to expiration of the contract. Finally, in a September 16<sup>th</sup>, 1980 CEO Board Letter, entitled General Services Agreement, authored by a prior CEO and signed by an Administrative Analyst, the discussion reads: "The prior General Service Agreement with these cities were scheduled to terminate June 30, 1980. Your Board extended the term of the prior agreements on two occasions to allow time for the various city councils to adopt the revised agreements. The cities of Ojai, Camarillo, Fillmore, Ventura and Oxnard have now adopted the agreements. The new agreements differ from the previous General Service Agreement in that, rather than terminate automatically on a prescribed date, the contracts continue until either the County or the cities take a positive action to terminate them."

**Auditor's Comment.** We acknowledge in the Sheriff's response that corrective action is planned to explicitly state the term of the contracts when the contracts are updated.



1(E). Contract Compliance and Sufficiency: Basic County Contract Elements.

Management Response. The total contract payments have now been included to the Board the last five years when presenting the annual contract City rates for approval. Both the total contract payments and progress payments have always been available in VCFMS. Additionally, during the course of the fiscal year, the CEO and Auditor-Controller are updated on the revenue estimates associated with contract cities through the required budget documents and intermittent projections. In addressing why “neither the total contract payments nor the progress payments were specified in the contracts”, the contracts were written to be flexible for both staffing levels and rate changes. Contracts negotiated in year 1 may not reflect year 2’s level of service or applicable rates. The contract language allows for changes to take place during the budget process or through mid-year actions contained in Board Letters without the laborious need to consummate new contracts. Levels of service and rates are included in the annual rate development package for contract cities provided to the CEO, Auditor-Controller, County Council, and contract cities for review. Additionally, monthly invoices for services to contract cities include the levels of service and rates for an individual contract city.

Auditor’s Comment. We have noted in the Sheriff’s response that management does not intend to implement corrective action in response to the finding. The annual rates and Ventura County Financial Management System (“VCFMS”) include the contract payments for the previous year, but not the contract amount for the upcoming year. Therefore, we urge the Sheriff to consider taking action on this issue.

1(F). Contract Compliance and Sufficiency: Review of Contract Sufficiency.

Management Response. We do not agree with the auditor’s interpretation of County Administrative Policy No. Chapter VI-1, *County Contracts and Agreements*. The County’s Administrative Manual, Legal Chapter V1-1, under “Term” states: Renewal may be automatic, without notice to the contrary, or may require specific notice or action by one of the parties, with acceptance by the other party, by a certain time prior to expiration of the contract. The auditor’s finding that “Contracts should not be routinely renewed, and, “Prior to renewal, each contract should be reviewed annually to ensure compliance with contract policy”, actually falls under the section of “Review of Contract Format” rather than “Term”. We interpret this section as relating to new contract formation/development. The two principal parties to the contract, the Sheriff and City, have in their best interest - continuous policy compliance. In reference to the finding “the contracts apparently have not been subject to legal review or update since the 1980s”, even though it is our interpretation that the contracts do not need to be reviewed annually (as noted above), its assumed the contracts were formally reviewed by the CEO as noted in its March 22<sup>nd</sup>, 2005, Board Letter entitled “Law Enforcement Contract and Service Rates for FY 2004-05”, which states in the discussion: “Previously, your Board requested a review of certain issues related to the County’s General Services Agreements, through which police services are contracted to cities. This office (CEO) plans to report back in late April on the General Services Agreements.” Also, in the CEO’s April 27<sup>th</sup>, 2004, Board Letter entitled “FY 2003/04 Sheriff Contract Service Rates for the Cities of Camarillo, Fillmore, Moorpark, Ojai, thousand Oaks and General Law Enforcement Services Rates” it noted in the discussion: “Additionally, it is

an opportunity to review how rates are currently calculated, introduce your Board to some of the issues involved in rate calculation and to identify additional areas for staff review and policy recommendations regarding rates and the existing General Services Agreements with cities. Through the County's General Services Agreements (GSAs), the county provides a variety of services to the cities; currently the largest area of such activity is the Sheriff's police services. While the GSAs are ongoing, each year the rates charged are adjusted to reflect the cost of service." The contracts were obviously under scrutiny. In apparent support of this particular 2004 Board Letter, there is a memo dated April 20<sup>th</sup>, 2004, by a CEO Program Analyst I, to the CEO and Chief Deputy CEO, entitled "Sheriff Contract Rates With Cities", where its stated that: "Additionally, I read the contract from each city and obtained city contracts from the Sheriffs of Los Angeles and Santa Barbara Counties." There are no other comments regarding the contracts in this memo. The contracts were reviewed during the "4088" (i.e. Prop 172) litigation, and, independently by numerous members of the Board of Supervisors in the past.

Auditor's Comment. We have noted in the Sheriff's response that management does not intend to implement corrective action in response to the finding. Regular legal review is necessary to mitigate the risk of liability. Therefore, we urge the Sheriff to consider taking action on this issue.

1(G). Contract Compliance and Sufficiency: Late Fees.

Management Response. The invoices contain the following actual language: "Subject to interest if paid after" (the 1<sup>st</sup> of the next month). "Subject to" means to render liable to incur interest, the distinction is very important due to the potential for a wide-range of mitigating circumstances involved with checks received after the contractual due date. Contractual language for the actual due date for payment by a Contract City to the County is 30 days after the receipt of the invoice by a Contract City and not the first of the next month. For optimal cash flow purposes, the Sheriff's Office makes a concerted effort to have the invoices out by the end of the current month in order to have the payment received by the first of the next month, the reminder notation "Subject to interest if paid after" is meant to help speed the payment process along. However, there are numerous circumstances that can impede the timing due to numerous processes & parties involved in handling the invoice and payment that can include: invoice review by the City's Chief of Police prior to submission to City may be delayed due to police matters; U.S. mail can be delayed due to non-delivery on Sunday's and Holidays; Internal County ISF mail delivery service does not process on weekends and Holidays; Internal County ISF mail delivery service has delivered mail containing checks to the wrong Sheriff's location delaying receipt. Of the "14 (23%) of the 60 payments for FY 2008-09 services were received past the first of the next month", 9 (64%) were slowed due to Holidays – these 9 payments had U.S. postmarks prior to the first of the month (the Ventura County Treasurer Tax Collector accepts postmarks as the payment date), one check was lost in the mail and reissued by the City per our inquiry and postmarked within 22 days of the first of the month, the final 4 checks were postmarked within 5, 6, 7, and 10 days of the first of the month and were probably delayed due to receipt by the City of the invoice after the first.

Auditor's Comment. We have noted in the Sheriff's response that management does not intend to implement corrective action in response to the finding. We maintain that the basis for charging a

late fee must be established within the contracts. Therefore, we urge the Sheriff to consider taking action on this issue.

2(A). Allowable Costs and Cost Recovery: Support for Indirect Salaries and Wages.

Management Response.

We respectfully but adamantly disagree with the Auditor-Controller and believe they have misinterpreted California Government Code sections 51350 and 54985, further, we believe the Sheriff is in complete compliance with those code sections.

In response to "Improvements were needed to better support allowable costs charged to the contract cities and contribute to full cost recovery", as recently as May 13<sup>th</sup>, 2011, in a letter sent to Sheriff Dean by the Auditor-Controller, included in the audit "Executive Summary" was: "We found that the fiscal year ("FY") 2008-09 contract city rate development model appropriately incorporated costs into the contract city billing rates as approved by the Board of Supervisors." For the last 30 years the Auditor-Controller, Chief Executive Office, County Counsel, and the Board of Supervisors have approved the contract Cities "rate development model". Additionally, the Auditor-Controller's "Service Rates and Fees" development memorandum does not state that rates and fees must be developed based on an actual cost/activity accounting system, to the contrary, the instructions state that "the goal is to set fair and reasonable service rates/fees based on the budget". Further, the Auditor-Controller's "suggested method for calculating rates" memorandum was adhered to. We do not agree with the statement that: "The Sheriff was at risk of noncompliance with GC § 54985.....which requires that indirect costs comply with Office of Management and Budget (OMB) Circular A-87 (A-87)." Circular A-87 (OMB A-87) establishes principles for determining the allowable reimbursable costs incurred by state and local government units, under contracts, cost reimbursement contracts, and other agreements with the federal government. The Office of Management and Budget (OMB) has issued cost principles for all Federal agencies that award grants and contracts to state and local (including tribal) governments. OMB Circular A-87 (A-87) establishes cost principles for determining costs applicable to those (Federal) grants and contracts. The objective of A-87 is to provide specific and consistent principles and standards for determining costs of Federal awards carried out through grants, cost reimbursement contracts, and other agreements with governmental units. Circular A-87 provides both Federal agencies and Federal award recipients with a uniform approach to determining costs of Federally funded programs. Office of Management and Budget (OMB) Circular A-87 is one of several circulars intended to achieve more efficient and uniform administration of Federal awards. It should be used in conjunction with other applicable laws to provide comprehensive direction and accountability in Federal fund management. California government code section 54985 (Authority to Increase Fees) states: a county board of supervisors shall have the authority to increase or decrease a fee, in the amount reasonably necessary to recover the cost of providing any product or service, the fee may reflect the average cost of providing any product or service. GC 54985 does NOT mandate a cost accounting system as the audit implies. In its entirety GC 54985 states: "Notwithstanding any other provision of law that prescribes an amount or otherwise limits the amount of a fee or charge that may be levied by a county, a county board of

supervisors shall have the authority to increase or decrease the fee or charge, that is otherwise authorized to be levied by another provision of law, in the amount reasonably necessary to recover the cost of providing any product or service. The fee or charge may reflect the average cost of providing any product or service. Indirect costs that may be reflected in the cost of providing any product or service or the cost of enforcing any regulation shall be limited to those items that are included in the federal Office of Management and Budget Circular A-87." The only inference that A-87 has to contract city rates is the sentence in the Cal Govt. Code 54985 which states: Indirect costs that may be reflected in the cost of providing any service shall be limited to those items that are included in the federal Office of Management and Budget Circular A-87; the circular goes on to list allowable and unallowable indirect costs. Cal Govt. Code 54985 does NOT state that the indirect salaries and wages charged in the rate development model comply with Circular A-87 methodology as inferred by the auditor. There are no Federal compliance issues at stake between the contract city rates and circular A-87. There is no relationship between the receipt of Federal funding and the contract city rates, THE SHERIFF DOES NOT UTILIZE THE CONTRACT CITY RATES FOR FEDERAL CLAIMING PURPOSES. The Federal government does not oversee or review contract city rates. A-87 establishes principles and standards for determining costs for Federal awards carried out through grants and cost reimbursement with State and local governments. In regard to compliance with Federal funds, over the last two decades the Sheriff's Office has received hundreds of Federal grants, awards, and reimbursements, to the best of our knowledge we have been wholly compliant with the requirements of the circular A-87; in regard to claims, we employ the reporting requirements and provide all documentation as directed by the Federal oversight agency.

In the Los Angeles County Auditor-Controller's audit of the Los Angeles Sheriff's Office entitled "Billing Rates Review Report", finalized in May 2006, the Auditor-Controller had the following findings on the rate methodology (the rate methodology is basically the same for the Ventura County Sheriff's Office and the other Southern California Sheriff's Offices): "Each year, the Sheriff negotiates and agrees upon service levels (i.e., number of deputies and other sworn/non staff) with contract city managers and uses a billing rate by position to charge cities for law enforcement services. The billing rate is developed annually based on a County adopted cost model that focuses on direct and indirect support costs of operating Sheriff's stations, reduced for costs which cannot be legally billed to contract cities per Government Code 51350 (Gonsalves) and for certain costs excluded per Board policy. The direct costs and allocated support costs of operating all stations are then divided by the number of patrol deputies assigned to the stations to arrive at the annual cost per deputy that is the basis for charging the contract cities. The contract cities' billing rates are adjusted annually to reflect changes in the Sheriff's Department salaries and employee benefits and occasional changes in the Sheriff's organization as they occurred over the years. This cost model has been used to determine the contract cities billing rates with minor exception for over 30 years. We believe the existing cost model appropriately allocates costs to contract cities for areas that are currently billable per Board policy. The cost model procedures define and allocate costs using methods that are consistent with the federal office of Management and Budget Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments. Accordingly, we have no reason to believe these costs have been incorrectly billed, unless the Sheriff's staffing units have changed" From the Los

Angeles Sheriff's Office methodology guide: "The Deputy Sheriff Service Unit is the primary description of the law enforcement service provided by the Sheriff's Department. The Sheriff's Department generally does not contract for a specific number of personnel, but for a specific level of service (i.e. 5 days a week, 7 days a week). The necessary number of personnel is then provided to ensure that the specified service level is properly maintained despite employee vacations, sick time, and compensatory and elective leave. The absence of a Sheriff's Department employee generally does not impact the level of service as we are contractually obligated to meet that designated service level. These obligations are met as part of the basic service cost, without additional cost to the city. This guarantees the city will receive the service level it has requested and is paying for, without interruption due to employee absences. A Deputy Sheriff Service Unit is not just a deputy sheriff but the relief personnel, supervision, management, equipment and logistics, clerical, administrative support and supplies necessary to provide law enforcement service for the designated period of time."

Auditor's Comment. We have noted in the Sheriff's response that management does not intend to implement corrective action in response to the finding. The Sheriff relies on the "average" cost of the salaries and wages of certain indirect employees; however, in the absence of a time study or measurement as specified in A-87, how the Sheriff has determined the "average" cost is unclear. We understand that the Sheriff does not use the contract rates for any federally-funded programs, and we were not implying such. In addition, best practices dictate that employees sign timesheets. Therefore, we urge the Sheriff to consider taking action on this issue.

2(B). Allowable Costs and Cost Recovery: Measurement of Certain Direct Costs.

Management Action. We will conduct reviews to ensure periodic re-measurement of these costs. However, in reference to the audit finding: "Certain Sheriff direct costs have not been measured since the contracts' inception approximately 30 years ago", the contracts were reviewed by the CEO as noted in its March 22<sup>nd</sup>, 2005, Board Letter entitled "Law Enforcement Contract and Service Rates for FY 2004-05". The Board Letter states in the discussion: "Previously, your Board requested a review of certain issues related to the County's General Services Agreements, through which police services are contracted to cities. This office (CEO) plans to report back in late April on the General Services Agreements." Also, in the CEO's April 27<sup>th</sup>, 2004, Board Letter entitled "FY 2003/04 Sheriff Contract Service Rates for the Cities of Camarillo, Fillmore, Moorpark, Ojai, Thousand Oaks and General Law Enforcement Services Rates" it noted in the discussion: "Additionally, it is an opportunity to review how rates are currently calculated, introduce your Board to some of the issues involved in rate calculation and to identify additional areas for staff review and policy recommendations regarding rates and the existing General Services Agreements with cities. Through the County's General Services Agreements (GSAs), the county provides a variety of services to the cities; currently the largest area of such activity is the Sheriff's police services. While the GSAs are ongoing, each year the rates charged are adjusted to reflect the cost of service." The contracts were obviously under scrutiny. Additionally, the contract (lease) agreements were negotiated through the County's General Services Agency (GSA). The County leases the city facilities for \$1 a year. The County uses the facilities for both County and City purposes. The designated responsibilities of the lessor (City) and the lessee (County) are typical of private industry leases. The costs the

City is responsible for may have also “changed significantly” and may very well offset any increased County costs.

Auditor’s Comment. We acknowledge in the Sheriff’s response that corrective action is planned to conduct reviews to ensure periodic re-measurement of these costs.

2(C). Allowable Costs and Cost Recovery: Regional Services.

Management Action.

As BOS resolutions may not exist, we will research their applicability. However, we respectfully disagree with the Auditor-Controller’s conclusion and believe they have misinterpreted California Government Cods 51350. The Sheriff’s Office believes the County is recovering allowable costs for services rendered to the contract cities and those cost recoveries mirrors that of other California Counties.

The Sheriff’s Office believes the County is in conformance with Section 51350 of the California Government Code "Charges for Services to City" and is recovering all those costs which are being incurred in providing the services so contracted with the contract cities. The California Legislature’s preamble to the codification of 51350 stated: “It is the intent of the Legislature to encourage intergovernmental contracts which eliminate the need for duplicate facilities, equipment, and personnel, and which thereby reduce the overall cost of government (Stats. 1983 ch. 225 § 1). In its entirety, 51350 states: A county which provides services through its appropriate departments, boards, commissions, officers or employees, to any city pursuant to contract or as authorized by law, shall charge the city all those costs which are incurred in providing the services so contracted or authorized. (1) A county shall not charge a city contracting for a particular service, either as a direct or indirect overhead charge, any portion of those costs which are attributable to services made available to all portions of the county, as determined by resolution of the board of supervisors. (2) A county shall not charge a city contracting for a particular service, either as a direct or indirect overhead charge, any portion of those costs which are general overhead costs of operation of the county government. General overhead costs, for the purpose of this section, are those costs which a county would incur regardless of whether or not it provided a service under contract to a city. Any determination of general overhead costs shall be subject to court review as to the reasonableness of such determination. There are two distinct exclusions within 51350, the first is by resolution of the Board of Supervisors for services they decide will be made available to all portions of the county, the second distinct exclusion is through 51350’s definition of general overhead costs which “for the purpose” of 51350 is defined as “those costs which a county would incur regardless of whether or not it provided a service under contract to a city”. As an example, if the City of Fillmore were to terminate its contract with the County, the Gang Unit, Aviation Unit, SWAT/Bomb Squad, Crime Lab, Narcotics, Records, Major Crimes, etc., would still remain full operational units. Also, citing recent precedent, in 2005 the County of Sacramento dealt with this issue, the Cities of Elk Grove and Citrus Heights challenged the recovery of costs, as listed in the resolution below, as is their right under 51350, “based on the premise they are regional in nature and would exist even if the contracts did not”. In January 2005, Sacramento County’s Sheriff’s Office staff organized an information

gathering trip to four Southern California Sheriff's Departments: Orange County, San Diego County, Riverside County and San Bernardino County. The specific purpose of their trip was to gather information about each department's cost methodology and policies related to law enforcement contracts. Those four Sheriffs' Departments have been contracting law enforcement services for several decades and have paved the way for other agencies to adopt many of their cost methodologies. The results of the research provided by staff indicated that the services requested for exemption (in the resolution below) were excluded from their cost recovery models. COUNTY OF SACRAMENTO RESOLUTION. Policy Change Governing Service Contracts With Incorporated Cities. In Regard to Cost Recovery. WHEREAS, the Sacramento Sheriff's Department contracts with the incorporated cities of Citrus Heights, Elk Grove and Rancho Cordova for law enforcement services; and WHEREAS, on February 25, 1967, the Sacramento County Board of Supervisors adopted policies and guidelines governing contracts with newly incorporated cities, which allowed the Sacramento County Sheriff's Department to recover costs for those services; and WHEREAS, Government Code Section 51350 governs the type of costs a county shall not charge a city contracting for a particular service if it is determined those services are general overhead costs of the County operations in which the county would incur regardless of whether or not the service was provided under contract to a city; and WHEREAS, Government Code Section 51350 provides that the County Board of Supervisors shall determine by resolution which costs are attributable to services made available to all portions of the county and are therefore ineligible for cost recovery. THEREFORE BE IT RESOLVED AND ORDERED that the Sacramento County Board of Supervisors modify the cost recovery policy set forth on February 25, 1997 and authorize the Sheriff, or his designee, to exclude from full cost recovery, including but not limited to: Narcotics/Gang Investigations, Critical Incident Negotiating Team (CINT), Special Enforcement Detail (SED), Canine, Explosive Ordinance Detail (EOD), Hazardous Materials (Hazmat), Air Operations, Staff Services - Internal Affairs, Pre-Employment/Fair Employment/Employee Relations Officer. The resolution above effectively and independently addresses both the "general overhead" exemption and the exemption for "services made available to all portions of the county" by resolution. Additionally, albeit resolutions may not exist, there have been numerous Board Letters, with all the normal reviewers/signatories, that have been approved by the Ventura County Board of Supervisors, which describe in the narrative, operations of the Sheriff as regional services (Air Unit, Crime Lab, Bomb Unit, etc.). Recently, in a July 12<sup>th</sup>, 2011 Board Letter entitled "Authorization for Auditor-Controller to Increase Appropriations and Anticipated Revenues for the Purchase of One Jet Fuel Tender for the Sheriff's Aviation Unit...", the narrative noted: "The Sheriff's Aviation Unit is part of the Sheriff's Special Services Division, and it is the only public service aviation unit in Ventura County. The use of the Sheriff's helicopters therefore is regional - benefiting all residents of Ventura County." Additionally the normal reviewers signed-off on the Board Letter: "The Offices of the County Executive, County Counsel, General Services Agency and the Auditor Controller have reviewed this letter." (Note: Previously, the Jails and Bookings were mentioned in the audit findings as regional services that are not charged which would potentially be chargeable according to OMB Circular A-87s; the Jails are a mandated function of the Office of the Sheriff and Booking Fees are currently being assessed to convicted persons.) Finally, if contract cities reduce their current staffing in order to absorb additional costs which have been historically treated as regional services, the result may be

an increase in other net county costs as indirect costs now billed to the cities would become net costs of the County.

Auditor's Comment. We acknowledge in the Sheriff's response that corrective action is planned to research the applicability of BOS resolutions.

3(A). County Absorption of City Costs: Overtime Tracking for Non-Backfilled Positions.

Management Action. For the month of September 2008, the Camarillo station had approximately 17,000 payroll hours recorded. We acknowledge that the 10 hours for one traffic shift mentioned in the finding was not billed due to human error. However, we maintain that the County did not absorb 23 hours of the unreconciled variances between the overtime reports and invoiced amounts. The assumed non-billed overtime hours for September 2008 (70% of the audit finding) were included in the October 2008 invoice due to a timing issue. In order to distribute the invoice in a timely manner near the 1<sup>st</sup> of each month for cash flow purposes, our cutoff period for the inclusion of overtime generally excludes the last week's overtime activity. Billable City overtime realized during the last week of the month will be billed on the following month's invoice. That being said, we will begin requiring that station personnel provide a breakdown of overtime per deputy per day for the Business Office to reconcile to the overtime reports.

Auditor's Comment. We acknowledge in the Sheriff's response that corrective action is planned to reconcile the overtime reports on a daily basis.

3(B). County Absorption of City Costs: Court Time.

Management Action. Prior to the audit start date a revised system was put in place whereas the timekeeper verifies that the appropriate designation of county or city is indicated on the court time slip, the timekeeper utilizes the Ventura County Integrated Justice System to access the case information and location. The 12 hours mentioned above was not billed due to human error. We are in the process of developing an automated system that will require all employees to enter their court time into a database, this will allow for better reporting and improve billing of court hours.

Auditor's Comment. We acknowledge in the Sheriff's response that corrective action is planned to develop an automated database system that will allow employees to enter court time.

4. City Invoiced for Unworked Backfilled Shifts.

Management Action.

We acknowledge that infrequent operational anomalies may occur due to 30-minute patrol briefings during shift changes, training in conjunction with scheduling efficiencies, deputies working consecutive shifts, etc. We will advise the Cities of this infrequent anomaly and, where appropriate, there will be a 'true-up' effect for the City in the following year. It is important to note that this does not mean that a patrol area is uncovered; all



calls for service are responded to. We also believe that several of the hours cited in the footnotes were indeed reconciled. However, the Business Office will implement action for station personnel to provide explanations for the backfill coverage if anomalies exist.

Detailing our position on this finding, for the month of September 2008, the Camarillo station had approximately 17,000 payroll hours recorded. Excluding training which is addressed separately, the audit has identified a total of 149 hours both in the enumerated sections and footnotes as erroneous payments to employees, or County absorbed costs, or charges to the contract City. Of the 149 hours cited, 108 of those hours can be refuted as being problematic, leaving 41 hours, two-tenths of one percent, in error.

Regarding Section 4 bullet #1, "Eight instances totaling 7 hours where shift hours were not worked according to overtime reports". Four hours of the seven hours cited above involved eight 30 minute periods. One of the eight 30 minute periods was due to an "overlap" during a briefing period caused by a Deputy working consecutive shifts. Occasionally, the most efficient and convenient manner in which to fill a vacant shift caused by illness, emergencies, staff shortages, etc. is to have a Deputy work consecutive shifts, their regularly scheduled shift and the overtime shift (up to the allowable hourly limit). Current patrol shifts run 12.5 hours with 30 minute overlap periods for patrol briefings during shift changes. During the briefing period, Deputies starting their shifts receive information from those ending their shifts. If a Deputy works two consecutive shifts, then technically, only one Deputy is present at the briefing versus two Deputies being present at the briefing. The audit contention is that two bodies should be physically present at the briefing, if not, the City is overcharged? We will advise the Cities of this infrequent anomaly. Three of the eight 30 minute periods were due to patrol Deputies not being present at the briefing period but subsequently available once patrol operations actually began. We will advise the Cities of this infrequent anomaly. Four of the eight 30 minute periods were not covered due to Deputies at training in conjunction with scheduling efficiencies; there will be a "true-up" effect for the City in the following year due to 2 hours of training backfill not being added to the "post factor" calculation. Three of the seven hours were not worked due to unknown scheduling variances (one 1-hour block, and one 2-hour block). Although vacant hours are rare, every effort is made to fill all vacant patrol hours for every patrol shift. In instances where there is a short notice of absence, it is possible that the shift will be vacant for a short period of time. However, this does not mean that a patrol area is uncovered; all calls for service are responded to.

Regarding Section 4 bullet 2, "Three instances totaling 1.5 hours where the deputy's two backfilled shifts overlapped". There were three individual 30 minute instances involving Deputies that worked on consecutive shifts. Occasionally, the most efficient and convenient manner in which to fill a vacant shift caused by illness, emergencies, staff shortages, etc. is to have a Deputy work consecutive shifts, their regularly scheduled shift and the overtime shift (up to the allowable hourly limit). Current patrol shifts run 12.5 hours with 30 minute overlap periods for patrol briefings during shift changes. During the briefing period, Deputies starting their shifts receive information from those ending their shifts. If a Deputy works two consecutive shifts, then technically, only one Deputy is present at the briefing versus two Deputies being present at the briefing. The audit contention is that two

bodies should be physically present at the briefing, if not, the City is overcharged? We will advise the Cities of this infrequent anomaly.

Regarding Section 4 bullet 3, "One instance totaling 1 hour where shift hours were not covered due to time spent in class", there will be a "true-up" effect for the City in the following year; 1 hour of training backfill will not be added to the "post factor" calculation.

Regarding Section 4 footnote #11 "We noted three instances totaling 13.5 hours of backfilled County shifts that were unworked for the sampled month", all 13.5 hours have been properly accounted for. 12.5 of the 13.5 hour variance cited as being unworked in the audit work-papers on September 7<sup>th</sup>, were filled by an "out of Division" Court Services Deputy not listed on Camarillo station's schedule. The 30 minute period cited on September 7<sup>th</sup>, was due to an "overlap" during the briefing period caused by a Deputy working consecutive shifts as described above. The 30 minute period cited on September 15<sup>th</sup>, had coverage by another Deputy that the audit did not take into consideration.

Regarding Section 4 footnote #12 "We also noted 9 additional backfilled city shift hours equating to \$1,029 that did not appear to be worked due to lack of supporting documentation, although the Sheriff asserted that the hours were worked". (This footnote includes 2 bullets.) In reference to section 4, footnote #3, bullet #1, "Four instances totaling 6 hours where two shifts covered by the same deputy overlapped, although the Sheriff asserted that these cover car shift times changed to accommodate full coverage of each shift." In the audit work-paper citations of 9/22 and 9/23, the schedule should have stated 1430-0300 (a standard 12.5 hr. shift) and not 1230-0300 (14.5 hrs.), so instead of 2.5 hours being in question for each of those days, only 0.5 hours for each of those days should have been questioned (1430 – 1500). Four hours are reconciled. The explanation of the 0.5 hours for 9/17, 9/18, 9/22, 9/23, for a total of 2 hours (not 6 hours), is due to training for the Deputies in patrol beats 8C11 on 9/17, 8B11 on 9/18, 8D11 on 9/22, and 8D11 on 9/23, where a portion of the shifts were being covered by Deputies who had subsequent "cover car" shifts. The "cover car" shifts were scheduled to start at 1430 but were pushed out to 1500 – 0330 to accommodate the training.

In reference Section 4, footnote #12, bullet #2, "One instance totaling 3 hours where shift hours did not appear to be worked due to lack of an overtime report (meaning that the deputy was not paid for the overtime shift)". We informed the auditor that the Deputy worked the shift but did not submit an overtime slip, this can be verified through the dispatch log - Calls for Service.

**Auditor's Comment.** We respectfully disagree with the Sheriff's assertion that any of the cited hours were reconciled to negate the variances noted in our report. Any reconciling documentation referenced above has not been presented to us and therefore is unaudited. However, we acknowledge in the Sheriff's response that corrective action is planned to inform the cities of any unworked instances and perform a "true-up" if appropriate.

5(A). Increased Risk of Overpayment of Employees: Unsupported Pay.

Management Action.

Unlike most County Departments, the Sheriff's payroll is very complex due to the 24-hour nature of the operation, variable shifts, multiple incentives, numerous bargaining units, and overtime variables. We believe that the majority of these hours could be reconciled; however, we also acknowledge that certain hours may be unsupported due to human error. Several documents are used to support timesheets, including the updated monthly schedule, approved overtime and court time slips, employee time off requests, and other pertinent documents. The Daily Schedule (a shift scheduling planner) is now being updated to reflect the actual time worked during the previous 24-hour period for reconciliation purposes. Additionally, the new payroll system's pay information screen, designed for employees, appears adequately user-friendly to allow employees to self-assess their pay statements and report potential errors.

For the month of September 2008, the Camarillo station had approximately 17,000 payroll hours recorded. Excluding training which is addressed separately, the audit has identified a total of 149 hours both in the enumerated sections and footnotes as erroneous payments to employees, or County absorbed costs, or charges to the contract City. Of the 149 hours cited, 108 of those hours can be refuted, leaving 41 hours, two-tenths of one percent, in error.

45.5 of the 51.5 (10 City + 41.5 County) hours cited above have now been reconciled leaving 6 hours unsupported due to human error (2 hours City, 4 hours County).

8 of the 51.5 "unsupported" hours involved one part time employee who worked one extra hour per shift for 8 shifts. The additional 8 hours were not listed on the station's Daily Schedule which listed 5 hours per shift instead of the 6 hours per shift actually worked; a payroll variance was processed to pay the employee for the additional hours that were worked over & above those scheduled.

36 of the 51.5 "unsupported" hours (3 shifts) involved one employee who's name was not on the Daily Schedule. For 2 of the 3 shifts (24 hours) it has been verified that the Deputy worked the shift through the Call for Service report. For one shift (12 hours), we were informed that the Deputy's name was input to the Daily Schedule but the name was outside of the schedules print range. Bi-weekly K-9 training may have led to the inadvertent exclusion from the name being listed on the Daily Schedule.

1.5 of the 51.5 "unsupported" hours were attributable to unscheduled annual leave. The Daily Schedule reflected that an employee was going to take 4.5 hours off, the employee actually took 6 hours off, the employee's leave banks were docked for 6 hours, the audit cited the difference of 1.5 hours as "unsupported" since it was not on the Daily Schedule.

The auditor utilized the Daily Schedule as the primary source document to determine the accuracy of time worked. In 2008, the Daily Schedule was prepared each morning to inform the Sheriff's Communication Center (i.e. Dispatch) and the Camarillo station front office

staff of the anticipated daily patrol and support unit roster. The Daily Schedule is a planning tool, it is subject to change, in 2008 it was not updated throughout the day as changes occurred and it did not solely support an employee's exact work hours. In 2008, the timesheets were completed using the updated monthly schedule, approved overtime & court time slips, employee time off requests, and any other pertinent documents. The Daily Schedule is now being updated to reflect the actual time worked during the previous 24-hour period.

**Auditor's Comment.** Much of the Sheriff's reconciling documentation referenced above has not been presented to us and therefore is unaudited. Additionally, we utilized the daily patrol and traffic schedules and reconciled those schedules against the timesheets and other payroll documents. While we recognize that the Sheriff asserts that the timesheets were to be relied upon to support an employee's exact work hours, we identified 32 errors on the timecards and/or overtime reports for the contract city and month sampled [refer to Finding 1(A)]. However, we acknowledge in the Sheriff's response that corrective action is planned to update the daily schedule to reflect actual time worked.

5(B). **Increased Risk of Overpayment of Employees: Overlapping Time.**

**Management Action.**

Unlike most County Departments, the Sheriff's payroll is very complex due to the 24-hour nature of the operation, variable shifts, multiple incentives, numerous bargaining units, and overtime variables. Although we acknowledge that the two instances were due to miscommunication and/or human error, we maintain that there was no overlapping time and that the employees changed/flexed their schedules so that overtime hours did not overlap their regular shift hours. Each employee is required to have all overtime approved by their supervisor and unit commander. If an overlap had occurred the supervisor would have made a change on the overtime slip. Depending on the need, certain employees' shifts can be changed/flexed to accommodate the situation. The Daily Schedule (a shift scheduling planner) is now being updated to reflect the actual time worked during the previous 24-hour period for reconciliation purposes. Additionally, the new payroll system's pay information screen, designed for employees, appears adequately user-friendly to allow for employees to self-assess their pay statements and report potential errors.

Regarding bullet #1 which states "Two instances totaling 10 hours where deputies were paid overtime while on vacation." Instance number one, involving 4 of the 10 hours, was caused by an error that occurred due to a miscommunication on how a particular employee's timekeeping should have been recorded, the 4 hour overtime payment was correct, however, 4 hours of annual leave should have been deducted from the employee's banks. Instance number two that involved 6 of the 10 hours was due to human error. It should be noted that unlike most County positions, it is not uncommon for patrol Deputies' pay to fluctuate from one pay period to the next due to overtime and incentive pay, consequently, minor fluctuations on ensuing paychecks may not give rise to a Deputy thoroughly scrutinizing their payday statements (the printing of which is now optional), additionally, there are timing issues on the payment of overtime, there are multiple overtime codes, and the payday statement is not a simple document to read.

Regarding bullet #2 which states "One instance of 2.5 hours where a deputy was paid overtime for a portion of the same hours that the deputy was scheduled and paid for regular shift hours." This finding is incorrect, there was no overlapping time, the employee changed/flexed their schedule which is documented on the Calls for Service report.

Regarding footnote #15 which states "We also noted eight additional instances totaling 8 overtime hours (equating to \$467 for the month, or \$5,600 for the year) where overtime hours overlapped with regular shift hours, although the Sheriff asserted that the regular shift times for these support units and cover cars were changed such that no overlap or overpayment occurred."

In the audit work-paper citations of 9/22 and 9/23, the schedule should have stated 1430-0300 (a standard 12.5 hr. shift) and not 1230-0300 (14.5 hrs.), so instead of 2.5 hours being in question for each of those days, only 0.5 hours for each of those days should have been questioned (1430 – 1500). Four hours are reconciled. These 4 hours were previously cited in the audit. The other eight, 30 minute shift periods, were flexed, 2 of those 30 minute periods were previously cited in the audit.

Again, the auditor relied on the Daily Schedule, the eight instances involved Deputies that changed/flexed their schedules so that overtime hours did not overlap their regular shift hours. Each employee is required to have all overtime approved by their supervisor and unit commander. If an overlap had occurred the supervisor would have made a change on the overtime slip. Depending on the need, certain employees' shifts can be changed/flexed to accommodate the situation.

**Auditor's Comment.** A "Calls for Service Report" that would reconcile the hours referenced above has not been presented to us and therefore is unaudited. However, we acknowledge in the Sheriff's response that corrective action has been implemented to update the daily schedule to reflect the actual time worked for reconciliation purposes and allow employees to view pay statements in the payroll system.

6(A). **Record Retention: Maintenance of Contract Files.**

**Management Action.**

We will review procedures to ensure that contract files are accurate, complete, and easily located in the future. Digital copying of all pertinent documents is an internal goal.

The Sheriff's Department maintains its records so that information sought under the California Public Records Act can be routinely made available to the requestor within 10 days. Responses to requests seldom require the permissible 14-day extension beyond the original 10 days. When an extension is needed, it is because additional time is needed: (1) to collect and review voluminous documents prior to release or (2) to complete redaction of non-releasable information contained within the requested documents. It should not take beyond 24 days to respond to a Public Records Act request.

In regard to the other issues brought up in bullets 1, 2, & 3: Once it was determined by both parties that a specific document would be required by the Auditor-Controller to complete its

record requirement, i.e. the original Fillmore contract (versus an amendment), it was only a matter of approximately 16 days before the original contract was located and submitted. The original contract is 30 years old and pre-dated all persons in the Business Office; a copy of the contract was located in another bureau of the Department where city contract administration took place 20+ years ago. The Fillmore contract amendments looked conspicuously like the other original city contracts and had been initially submitted to the Auditor-Controller for their original contract requests. The Fillmore amendments are what had been kept on file in the Business Office. The Auditor-Controller also unsuccessfully pursued copies of the original Fillmore contract with the County's Clerk of the Board, who is supposed to maintain all contracts for at least 3 years after the expiration of the contract. Consequently, we feel that we have provided, in good faith, what had been requested, in a timely manner. It would seem very likely that requests of other agencies to produce 30 year old documents could also potentially go through similar discovery problems. Emails document the timeline of requests. The auditor stated they would also pursue looking into finding copies of the contracts elsewhere.

Auditor's Comment. We maintain our original statement that one of the five contracts was not located by the Sheriff for approximately 10 months. However, we acknowledge in the Sheriff's response that corrective action is planned to review contract retention procedures and implement digital copying of pertinent documents.

6(B). Record Retention: Multiple Forms of Off-Site Storage.

Management Action. Each operational unit within the Sheriff's Department has responsibility for its own records retention and destruction. Units are to follow the Department's record retention schedule and utilize the most efficient records storage methods in order to minimize needed records storage space and associated costs. Reduced use of rental shipping containers has already occurred, the goal is for zero rentals through utilization of military surplus containers. Digital copying of all pertinent documents is an internal goal.

Auditor's Comment. We acknowledge in the Sheriff's response that corrective action is planned to reduce the use of rental shipping containers and implement digital copying of pertinent documents.

6(C). Record Retention: Record Retention Schedule.

Management Action. The Sheriff's Department's current records retention schedule discusses different types of records in both the 'INTRODUCTION' section (page 1 of 14) and the 'DESTRUCTION PROCEDURE' section (page 2 of 14). It was included in the generic instructions there, rather than in each 'Record Title' section for brevity purposes. The location of documents was not included because it is the responsibility of each operational unit to determine the location. The Records Retention Schedule will be revised by 2012. Digital copying of all pertinent documents is an internal goal.

Auditor's Comment. We acknowledge in the Sheriff's response that corrective action is planned to revise the Records Retention Schedule and implement digital copying of pertinent documents.