RECOMMENDED ACTION AND JUSTIFICATION: (Policy Item: Yes ___ No x ___)
Adopt this resolution accepting the findings of the State's single audit report of the welfare administrative claims for the period July 1, 1984 through June 30, 1989. It is recommended that the audit report findings be accepted as there appears to be no other alternatives to pursue which may alter the exceptions contained in the report.
Due to the length of the original audit report, copies of it are not attached. However, the Department response to the original report and the State's response to the Department are attached. Each of these documents cover the contents of the original audit report.

BACKGROUND AND HISTORY OF BOARD ACTIONS:
The State conducted an audit of the welfare administrative claims and issued a report of findings on November 9, 1990. The Human Services Director reviewed the report and filed a protest to the findings on January 8, 1991. The State examined the protest report and issued a response to this report on March 25, 1991.

LIST ALTERNATIVES AND CONSEQUENCES OF NEGATIVE ACTION:
1. Not accept the findings which may delay or interrupt State reimbursements.
2. Issue another protest to the findings which the State will probably reject.

COSTS: ( ) Not Applicable
A. Budgeted current FY $ _____
B. Total anticipated costs $ _____
C. Required Add'l funding $ _____
D. Source: _________________

SOURCE: ( ) 4/5ths Vote Required
A. Internal transfers $ _____
B. Unanticipated revenues $ _____
C. Reserve for contingency $ _____
D. Description: ____________________________
Balance in Reserve for Contingencies, if approved: $ _____

SPECIAL INSTRUCTIONS:
List the attachments and number the pages consecutively:
Attachment A: State Response to County Protest
Attachment B: Protest of findings in original report

CLERK'S USE ONLY:
Res. No.: 91-198
Ord. No.: ____________
Vote - Ayes: 4, Noes: 0
Absent: 0, Abstained: 0
Approved: ( ) Denied ( )
( ) Minute Order Attached

The foregoing instrument is a correct copy of the original on file in this office.
Date: ________________

ATTEST: MARGIE WILLIAMS
Clerk of the Board of Supervisors
County of Mariposa, State of CA

By: ________________
Deputy

ADMINISTRATIVE OFFICER'S RECOMMENDATION:
This item on agenda as:

___ Recommended
___ Not Recommended
___ For Policy Determination
___ Submitted with Comment
___ Returned for Further Action

Comment: ____________________________

A.O. Initials: __________

Action Form Revised 12/89
March 25, 1991

William E. L'Heureux, Director
Mariposa County Department of
Human Services
5186 Highway 49 North
P.O. Box 7
Mariposa, CA 95338

Dear Mr. L'Heureux:

STATE FIELD AUDIT FOR THE PERIOD JULY 1, 1984 THROUGH JUNE 30, 1989

We have reviewed your protest letter regarding exceptions taken in the above-cited audit. The attachment to this letter contains the examination and analysis of your protest and our decisions. The amounts cleared, reduced, sustained, or subject to reallocation are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exceptions</td>
<td>$115,395</td>
</tr>
<tr>
<td>Amount Protested</td>
<td>$46,296</td>
</tr>
<tr>
<td>Amount Cleared</td>
<td>3,829</td>
</tr>
<tr>
<td>Amount Sustained</td>
<td></td>
</tr>
<tr>
<td>Amount Unprotested</td>
<td>42,467</td>
</tr>
<tr>
<td>Amount to be Applied</td>
<td>69,099</td>
</tr>
<tr>
<td>Amount to be Reallocated</td>
<td>$111,566</td>
</tr>
<tr>
<td>Amount to be Recovered</td>
<td>34,812</td>
</tr>
<tr>
<td></td>
<td>76,754</td>
</tr>
</tbody>
</table>

If you do not concur with the decision to clear, modify, or sustain one or more of the protested exceptions, a written appeal may be filed with the Chief Deputy Director of the State Department of Social Services (SDSS) in accordance with Regulation Section 25-250.44. The appeal must be filed within thirty (30) days from the date of receipt of this letter and must include the specific adjustments or exceptions to which the County objects, and must include full supporting data. Full supporting data to clarify or disprove an audit issue consists of, but is not limited to, the following: copies of appropriate letters, records, pertinent regulation sections, policy letters, and/or additional documentation, schedules, and referenced manual sections.
If no appeal is received, the amounts stated in the audit, as modified by this decision letter, will be applied in accordance with current SDSS application procedures. In order to avoid a duplicate adjustment of County funds, the County should not reduce any claims by the amount shown in the audit.

If there are any questions, please contact Ms. Janice Yee, Audit Appeals Section, at (916) 323-1205.

Sincerely,

[Signature]

ROBERT L. GARCIA
Deputy Director
Administration

Attachment

cc: State Controller's Office - Audits Unit
    State Controller's Office - Local Government
        Fiscal Affairs/Tom Cotton
    Mariposa County Auditor/Controller
    Mariposa County Administrative Officer
MARIPOSA COUNTY
PROTEST DECISION
STATE FIELD AUDIT
JULY 1, 1984 THROUGH JUNE 30, 1989
ADMINISTRATIVE EXPENSE CLAIM

1. Exception: Unallowable direct billings
Finding 2, Page 7 $30,994

Audit Finding
The auditor took exception to direct billings from the Vehicle
Maintenance Section of the Public Works Department, Parks and
Facility Department, County Counsel and Auditor Controller's Office
which were not authorized in the Countywide Cost Allocation Plan.
In addition, the auditor states that the billings included the
following unallowable costs:

A. Duplicate charges for automobile acquisitions ($1,978).
B. Costs claimed in excess of actual costs ($4,595).
C. Unsupported County Counsel costs ($1,969).

County's Protest
The County's specific comments are summarized and addressed below.

SDSS Decision
The exception is cleared $3,829 and sustained in the amount of
$27,165.

A. Travel Costs ($1,978): The auditor stated that the County
claimed both the purchase price and depreciation for the same
vehicles. The County requests that the exception be cleared
because of its small amount "...and because this finding has
been corrected."

With regard to the County's comment that the finding has been
corrected, we interpret this comment to be directed at the
County's response to Finding 1: Misclaimed automobiles
($37,029). In responding to Finding 1, the County noted that it
was "...establishing a fiscal policy and procedures
manual...which will include the procedures used to purchase cars and other ancillary activities." This would imply that errors such as the duplicate claim in Finding 2 will be avoided in the future and, accordingly, "this finding has been corrected."

Whether the costs questioned by the auditor are large or small or whether procedures have been establish to avoid future errors has no bearing on the allowability of the charges. In this case, the County claimed both the purchase price and depreciation for the same vehicles. As a result, it received duplicate reimbursements. Therefore, this portion of the exception is sustained in the amount $1,978. This office will recover $1,978 from Travel.

B. Other Operating Costs ($4,595): The auditor took exception to building repairs incurred under a "cost-plus-percentage-of-cost" form of contract. The County states that, during December 1986 and January 1987, the County Social Services Department was closed by the Health Department due to a sewage leak. It further states that the only licensed contractor available to make immediate repairs would only accept a cost-plus contract. Because of the emergency nature of the situation, the County requests that the exception be cleared.

According to the auditor's workpapers, County staff advised the auditor that there is no actual contract or other documentation which describes the scope of the services provided. The only documentation is a receipt/invoice indicating that the cost of services is as follows:

<table>
<thead>
<tr>
<th>Cost</th>
<th>$3,829.45</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>765.89</td>
</tr>
<tr>
<td>Total</td>
<td>$4,595.34</td>
</tr>
</tbody>
</table>

We agree with the auditor's conclusion that, based on the available information, the costs were incurred under a cost-plus-a-percentage of cost type of agreement. Such types of contracts are not allowable for Federal/State reimbursement according to 41 Code of Federal Regulations (CFR), Part 1-3.401(a). While private contractors/vendors are entitled to receive profits of no more than 10 percent of costs [41 CFR 1-3.405-5(c)(2)], there is no documentation with which to determine whether the additional 20 percent charge is the total profit or whether it is over and above profit (if profit is included in the base charge of $3,829 amount). However, since the actual costs of repairs are allowable, the exception is cleared in the amount of $3,829 and sustained in the amount of $766.

C. County Counsel Costs ($1,969): The auditor took exception to County Counsel billings which were not supported by time records. The County states that the charges were billed based
on an hourly rate which was below the prevailing market rate for legal services. In addition, it states that GAIN SDSS staff agreed to the County's billing methodology. The County also states that while it did not maintain time records, it does, however, have copies of the contracts with the County Counsel, etc.

Office of Management and Budget (OMB) Circular A-87, Attachment B. Part. 10.b requires that payroll costs "...be supported by time and attendance or equivalent records...." The County acknowledges that no such records were maintained. Therefore, this portion of the exception is sustained in the amount of $1,969.

We were unable to confirm the County's comment that SDSS GAIN staff agreed to its billing methodology. However, even if it had been authorized, any costs claimed under the County's billing methodology must also be supported by adequate time records according to OMB Circular A-87 cited above.

D. Other Operating Costs ($6,128): The auditor took exception to direct billings from the Parks and Recreation Department on the basis that direct billed charges are not authorized in the Countywide Cost Allocation Plan. The County states that the costs represent emergency repairs which could not be foreseen and, therefore, could not be included in the Plan.

According to the State Controller's Office, County Cost Plans Unit, the Parks and Recreation Department is a central support Department. The costs of such departments are allocated to users through the cost allocation mechanism of the Countywide Cost Allocation Plan. Therefore, under this process, the County Social Services Department received its proportionate share of the Parks and Recreation Department costs. However, in this case, the County also claimed direct billed charges, resulting in duplicate reimbursements.

The State Controller's Office County Cost Plans Unit advises us that retroactive approval to direct bill cannot be approved. However, even if retroactive approval were to be granted, the direct billed charges would have to be offset against the Plan to avoid duplicate reimbursements. As such, it would have the same effect as recovery through this audit exception. Therefore, this portion of the exception is sustained in the amount of $6,128.
E. Travel ($14,670): The auditor took exception to direct billings by the Vehicle Maintenance Section of the Public Works Department which were not authorized in the Countywide Cost Allocation Plan. The County requests that the exception be cleared pending an amendment to the Plan which would authorize direct billings for the audit period.

The State Controller's Office, County Cost Plans Section, advises us that the Public Works Department is an operating Department (provides services to the public). To be claimable, direct charges from such Departments must be supported by an interagency agreement. In this case, there is no interagency agreement to support the charges. Further, the County Cost Plans Unit indicates that retroactive amendments to include direct billings cannot be authorized. Therefore, this portion of the exception is sustained in the amount of $14,670.

The remaining $1,654 ($30,994 - $14,670 - $6,128 - $1,969 - $4,595 - $1,978) was unprotested. Therefore, it is sustained.

In summary, the exception is cleared in the amount of $3,829 and sustained in the amount of $27,155. This office will recover $26,155 from the appropriate claims.

3. Exception: Nonwelfare activity
   Finding 5, Page 10 $11,385

Audit Finding

The auditor took exception to salaries and overhead of the County Social Services' Director which were related to nonwelfare activities. The auditor states that the Director did not maintain time studies to identify the associated nonwelfare hours.

County's Protest

The County states that the nonwelfare activities relate to a contracts administrator who was outstationed in the Welfare Building. The County contends that the exception should be cleared since the Director did not assume control or supervision over the position until the June 1989 Quarter. It further states that the Director's only responsibility for this position until June 1989 was signing payroll certifications and Board of supervisor agenda items. In addition, the County states that an employee who supervised the contracts administrator completed a time study in the June 1989 quarter allocating five percent of his time to that activity.
SDSS Decision

The exception is sustained.

The OMB Circular A-87, Attachment A, Part C.2.a states that "A cost is allocable to a particular cost objective to the extent of benefits received by such objective." Therefore, any portion of the Director's time which is related to nonwelfare activities must be allocated and charged to that activity. The County acknowledges that the Director signed payroll certifications and Board of Supervisor agenda items related to contracts administrator. However, no time records were maintained to account for the nonwelfare hours. In addition, while the County states that five percent of a supervisor's time was allocated to the contracts administrator in June 1989, these costs are unrelated to the Director's salary and, therefore, not related to this exception.

The exception is sustained. This office will transfer the costs to Extraneous.

4. Exception: Nonwelfare activity
Finding 6, Page 11 $2,742

Audit Finding

The auditor took exception to the costs of a social worker who supervised the Child Abuse Prevention Program. The auditor states that the social worker's time was incorrectly charged to a nonallocable category rather than to Other County Only Programs (OCOP).

County's Protest

The County states that the subject employee developed the Child Abuse Prevention Program prior to her employment with the County Social Services Department. The County states that, on occasion, the employee answered questions or signed reports related to the program. However, it states that the employee's actual time on the Program between December 1986 and June 1989 was less than one percent.

SDSS Decision

The exception is sustained.

This exception is sustained for the reasons cited in our decision for the previous exception (Finding 5: Nonwelfare activities).

This office will reallocate the costs to OCOP.
6. **Exception:** Automobiles not abated

Finding 7, Page 12  

$1,175

**Audit Finding**

The auditor took exception to the County's failure to abate the transfer of two automobiles on the Administrative Expense Claim.

**County's Protest**

The County states that the exception should be cleared since the vehicles were valued at less than the "Blue Book" value at the time of the transfer.

**SDSS Decision**

The auditor states that, during his field review, County staff indicated that they were unable to locate any transfers slips or other official documentation that would certify the value of the cars. Therefore, the auditor used the low "Blue Book" value, or $1,175. The County has not provided any documentation to support its position that the vehicles were valued at less than "Blue Book". Therefore, the exception is sustained.

This office will recover $1,175 from Travel for the December 1984 Quarter.
The following items were unprotested.

1. **Finding 1: Misclaimed automobiles**
   
   This office will recover $37,029 from Other Operating for the December 1984 and June 1988 Quarter Claims.

2. **Finding 2: Misclaimed issuance costs**
   
   This office will reallocate $17,741 from Direct Eligibility Non-Services Operating Costs to Direct Eligibility Non-Services, Personal Services for the 1984-85 and 1985-86 Fiscal Years.

3. **Finding 3: Misclaimed clerical costs**
   
   This office will reallocate $14,329 from Direct Eligibility Non-Services to Allocable Support for the 1984-85, 1985-86, 1986-87, 1987-88 and 1988-89 Fiscal Years.
January 8, 1991
Mr. Don Morishita, Chief
Fiscal Policy and Procedures Bureau
Department of Social Services
744 P Street
Sacramento, California 95814

Dear Mr. Morishita:

I have reviewed the final single audit report of the welfare administrative claims for the period July 1, 1984 through June 30, 1989, and have enclosed a response to the findings contained in the report.

Let me take this opportunity to commend the audit staff who conducted the review, especially David Morena for his excellent professional demeanor.

I am hopeful that there will be a mutually beneficial resolution to the audit findings.

Please call me if I can be of any further assistance.

Sincerely,

William E. L’Heureux
Human Services Director

Enclosure

cc. Evelyn Billings, County Auditor-Recorder
    John McCamman, County Administrative Officer
MARIPOSA COUNTY
DEPARTMENT OF HUMAN SERVICES
RESPONSE TO:
STATE CONTROLLERS AUDIT OF:
WELFARE ADMINISTRATIVE CLAIMS
FOR THE PERIOD:
July 1, 1984 through June 30, 1989

William E. L’Heureux
Human Services Director
1/9/91
FINDING 1 - Audit Exception $(37,029)

The Mariposa County Department of Human Services, Social Services Division (CSSD) erroneously claimed the purchase of automobiles under Other Operating Expenses instead of under Travel Costs.

County Response:

The CSSD claimed the purchase of vehicles under the line item Other Operating Cost in the same manner in which other fixed asset expenses are claimed. The CSSD requests that the SDSS reallocate the costs properly on the County’s behalf to the appropriate travel cost expense line item.

Additional Comments:

The CSSD will be establishing a fiscal policy and procedures manual during the present fiscal year which will include the procedures used to purchase cars and other ancillary activities.

FINDING 2 - Audit Exception $(30,994)

The County Vehicle Maintenance, Parks and Facility, County Counsel, and Auditors Office direct bill the CSSD, although the County-Wide Cost Allocation Plans (cost plans) noted that no county departments may be billed or cost applied directly to user departments.

County Response:

The County will request an amendment to the cost allocation plan to allow for direct billing by other departments to the CSSD. In response to other unallowable costs:

1. Travel costs $(1,978) - Depreciation costs claimed in the 1987-88 fiscal year were claimed per County instructions. The CSSD requests that this finding be reduced to zero because of the amount of the finding and because this finding has been corrected.

2. Other operating costs $(4,595) - During December 1986 to January 1987, the CSSD building was condemned and closed by the Health Department due to sewage leakage. The County had to act swiftly to repair the building. The only available licensed contractor at this time would only accept a "cost plus" contract to complete the repair work. The CSSD requests that this finding be reduced to zero because of the emergency and immediate response nature of the situation and because the County is rural which limits the available supply of contractors to perform specialized repair work.
3. **Public agencies-direct billed costs $1,969** - County Counsel billed the CSSD an hourly rate which was below the prevailing market rate for legal services. The excepted method of billing was discussed with GAIN SDSS staff prior to its implementation. It was the consensus of the State staff that this was an acceptable manner of billing to recoup 100 percent of GAIN costs to the County. Although Counsel did not maintain time records, the CDDS has on file ample documents, such as contracts prepared by Counsel on behalf of the GAIN program.

The County requests that this audit exception be reduced to zero.

4. **Other disallowed costs - Other Operating $6,128** - Because of the sewage leakage in the CSSD as discussed in number 2 of the previous page, involving the need to act swiftly, the County Parks and Recreation Department handled a majority of the work to repair the damage from the sewage leakage. This included: purchase of new flooring, payment for labor for painting, carpet removal and moving of furniture. These emergency repairs could not be foreseen and thus the Parks and Recreation Department was not included as a direct bill department in the County Cost Allocation Plan.

The County requests that this audit exception be reduced to zero.

5. **Other exceptions $14,670 Travel** - This amount covers the direct billing to the CSSD by the Vehicle Maintenance section of the Public Works Department.

The County requests that this audit exception be reduced to zero pending amendment of the County’s Cost Allocation Plan to reflect direct billing by Vehicle Maintenance to the CSSD and the development of an appropriate allocation formula to support the direct billings.

6. **Additional Comments:**

The CSSD will work closely with County Administration to ensure that costs are applied in accordance with the County’s Cost Allocation Plan.
CSSD Response to SDSS Audit Report — Page 3

FINDING 3 - Audit Exception $(17,741)

The CSSD incorrectly claimed the salary and benefit costs of county employees performing food stamp issuance activities as Direct Eligibility Non-Service.

County Response:

The Food Stamp Issuance Clerks time was claimed as a direct operating cost during 9/84 to 12/85 quarters.

The CSSD requests that SDSS reduce this exception to zero by reclaiming these expenses on the County’s behalf as a Personal Services Direct Cost.

FINDING 4 - Audit Exception $(14,329)

Time study hours were charged for Child Support-Disregard. These hours should have been charged to allocable support throughout the audit period.

County Response:

The CSSD conducted monthly clerical support staff time studies for clerical time spent on disregard activities which is not an allowable charge.

The CSSD requests that the SDSS reduce this exception to zero on the County’s behalf by reclaiming the expenses as an allocable support cost to be distributed to all programs.

FINDING 5 - Audit Exception $(11,385)

The Director of CSSD did not time study to a nonwelfare activity (supervision of a Contracts Administrator).

County Response:

During the audit period, a non welfare worker (contracts administrator) was outstationed in the welfare building. The Welfare Director’s responsibility for this position involved signing of payroll certifications and Board of Supervisor agenda items. The contract administrator was an independent worker. She dealt directly with other departments in the County and with State agencies. In the March 1989 quarter, the County Board of Supervisors requested that the contract administrator’s budget be included with the welfare budget and that the Welfare Director assume more responsibility for the programs operated by the contract administrator (weatherization, energy assistance). At this time,
CSSD asked SDSS for a split function waiver for the CSSD Social Services Supervisor who was directed to supervise this position. In the June 1989 quarter, the supervisor began time studying on a monthly basis with an average of 5 percent of his time allocated for supervision of the position.

The CSSD requests that this exception be reduced to zero because the director did not have control or supervision over the contract administrator until the June 1989 quarter. Also, the supervisor did complete time studies indicating his supervision of the position in the June 1989 quarter, and 5 percent of the supervisors salary was not charged to the welfare programs.

FINDING 6 - Audit Exception $(2,742)

The Child Abuse Prevention Program is supervised by a Social Worker IV who time studied to a nonallocable category for time spent on this nonwelfare activity. This nonwelfare activity should have been charged to Other County Only Program (OCOP)

County Response:

The Child Abuse Prevention Program was developed by the Social Worker IV prior to her employment with the CSSD. The OCOP work performed by the social worker was on her own time. On occasion, she needed to sign reports or answer a question when she was in the office. The non welfare person hired to provide services for the program was primarily in the field giving educational presentations to the schools or working at her home.

The program ran primarily during the school year from September thru May with no involvement by the social worker during the summer months.

The time the worker actually spent on the CAPP program during time study hours was, in our estimation, less than 1 percent of her time between the years December 1986 and June 1989. Factoring in not being involved in the program during the summer months indicates a non negligible (welfare) involvement in the program.

The CSSD requests that this exception be reduced to zero.

FINDING 7 - Audit Exception $(1,175)

The CSSD did not abate the transfer of two cars to the county.

County Response:

Two CSSD vehicles were found to be in a state of disrepair and were turned over to the County for disposal. The County chose to repair the vehicles for general County use. These vehicles were in an unsafe condition and had to be repaired at County expense.

The CSSD requests that the SDSS determine that the vehicles are less than blue book value at the time of transfer and that the exception be reduced to zero.