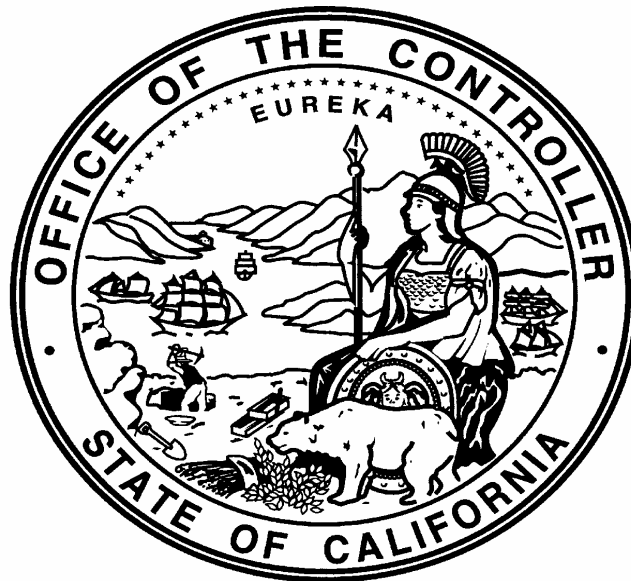


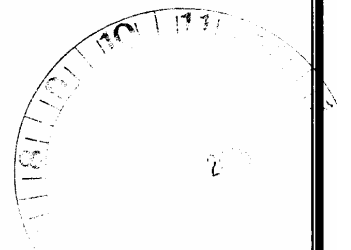
County of Sutter
County Cost Allocation Plan

FIELD REVIEW REPORT



STEVE WESTLY
California State Controller

For Fiscal Year Ended June 30, 2006



Field Review Report

Scope

We have reviewed Sutter County's Cost Allocation Plan for the fiscal year 2005-06 in order to determine if it has been prepared in accordance with federal Office of Management and Budget (OMB) Circular A-87 and with supplemental guidance promulgated by the federal Department of Health and Human Services (HHS). Our review consisted principally of inquiries of county personnel and applying analytical procedures to the material used to prepare the cost plan. Our review does not constitute an audit in accordance with generally accepted auditing standards. Accordingly, we do not express an opinion on the county's financial statements.

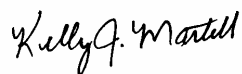
Background

OMB has designated HHS as the cognizant agency for cost allocation under OMB Circular A-87 for all California counties. By special agreement, HHS has delegated to the California State Controller's Office the authority to review, negotiate, and approve the countywide cost allocation plans for California counties. As a part of the approval process, we perform field reviews in order to verify that the data incorporated in county cost plans are adequately supported.

OMB Circular A-87 establishes principles for determining allowable indirect costs incurred by governmental units under grants, cost reimbursement contracts, and other agreements with the federal government. The circular provides for recognition of central service costs that benefit grant programs. It identifies the major types of costs normally incurred in grant performance and classifies them as allowable or unallowable. It provides for the development of necessary instructions related to the determination of indirect costs and makes it possible for direct costs to be allocated against a federal grant without a transfer of funds between the grantee departments involved. It establishes criteria for direct charges for services and limits the amount of unreserved retained earnings that may be accumulated by internal service funds. In order for a governmental unit to recover the costs of central support services performed outside of a grantee department, a consolidated local government-wide cost allocation plan must be prepared annually.

Conclusion

Based on our review, we approve Sutter County's 2005-06 County Cost Allocation Plan. Our attached recommendations for subsequent years must be implemented within the timeframes established in order for this office to approve future cost plans and/or direct billings for services.



KELLY J. MARTELL, Section Manager
County Cost Plans and Local Apportionments
Division of Accounting and Reporting

Staff:

Thomas L. Cotton, Supervisor
County Cost Plans
Jay Lal, Cost Plan Analyst
(916) 327-2284
Tillman Sherman, Cost Plan Analyst
(916) 322-9437

Findings and Recommendations

County Administrator's Office

Finding:

The County Administrator's Office personnel performing more than a single function are not preparing monthly personnel activity reports (time records) in accordance with the State Controller's *Handbook of Cost Plan Procedures for California Counties* Section 2320, which in part states: "...Be prepared at least monthly, and fully account for the total labor hours of each month." Currently personnel are submitting monthly time estimates.

Recommendation:

Effective immediately and in accordance with Section 2320 entitled Personnel Activity Reports in the State Controller's *Handbook of Cost Plan Procedures for California Counties*, this department must initiate procedures to ensure all personnel who work in more than a single activity or whose efforts are direct billed, complete personnel activity reports (time records) that:

- reflect after-the-fact distribution of actual activity for each employee;
- account for the total activity for which the employee is compensated;
- are prepared at least monthly and coincide with one or more pay periods;
- are signed and dated by employee; and
- document supervisorial review and approval.

Failure to comply with the personnel activity reporting requirements of OMB A-87 and the State Controller's *Handbook of Cost Plan Procedures for California Counties* means that the distribution of personnel activity is not adequately supported and could result in the disallowance of associated costs in future cost plans.

Fleet Management (ISF)

Finding:

The Comprehensive Annual Financial Report reflects an unrestricted fund balance of \$840,460 for the Fleet Management Internal Service Fund (ISF) as of June 30, 2004. This materially exceeds the 60 days of working capital limit established by Office of Management and Budget (OMB) Circular A-87 and Section 2245 of the State Controller's *Handbook of Cost Plan Procedures for California Counties*.

After further review of the unrestricted fund balance, we found

that \$701,866 of the \$840,460 was part of the Vehicle Replacement Program (VRP). This would leave the unrestricted fund balance at \$138,594, which is within the 60 days of working capital limit.

Recommendation:

We recommend that Fleet Management Internal Service Fund establish a fund designated to VRP. This way the unrestricted fund balance would truly be an unrestricted fund that exhibits the excess working capital.

**Information Technology
(ISF)**

Finding:

The Information Technology Department (Program 85) administers an online web project for the Clerk of the Board and charges costs to all departments based on full time equivalents (FTE's).

This online web project pertains to agendas and agenda packages for the Board of Supervisor's meetings. All Board of Supervisor's and Clerk of the Board activities are, by definition, considered general government and as such are unallowable for the purposes of OMB A-87. Costs of unallowable activities cannot be allocated to any grantee departments. Since these costs will be incurred in the internal service fund they should be direct billed to maintain working capital in the fund. Failure to bill these unallowable costs could eventually deplete the fund's working capital and lead to the necessity for a contribution from the General Fund.

Recommendation:

Effective for the 2005-06 fiscal year, the costs of the online web project should be billed to either the Clerk of the Board and/or to the Board of Supervisors, both of which are general government departments. The SCO does not support including these costs in Program 85, for which costs are billed to all county departments based on FTE's.

Finding:

During our review of the rate setting methodology used by Information Technology Department (IT) we found that:

- At the end of each fiscal year IT prepares an IT Rates and Charges Calculation Worksheet for each program or cost center for the up-coming fiscal year. Copies of these worksheets are provided to the Auditor-Controller's Office for review and comment.
- These worksheets reveal the estimated expenses and income by program for the upcoming fiscal year in addition to the

program's prior year's carry-over amounts, which could either be reported as positive (profit) or negative (loss).

- When comparing these worksheets to each program's Appropriations/Revenue Status Report for fiscal year 2003-04, the prior year's carry-over amounts do not reconcile to the amounts shown on these status reports.

Recommendation:

Effective for the 2005-06 fiscal year, the actual carry-over amounts for all programs must be included in the IT Rates and Charges Calculation Worksheet. Any adjustments for working capital purposes should be presented separately from the actual carry-over amounts. This will ensure that the rates for each program (cost center) reflect any over/undercharges, for the previous year, and are reflected in the new fiscal year's rates. This will assist our office as well as the Auditor Controller's Office when reviewing the components of each rate.

Comments

**Discussion with County
Official**

The results of this field review were discussed with Robert E. Stark, Auditor Controller and Pamela Givens, Cost Plan Contact on October 6, 2005. No factual objections were raised on the review findings or recommendations.



STEVE WESTLY
California State Controller

**NEGOTIATION AGREEMENT
COUNTYWIDE COST ALLOCATION PLAN**

**County of Sutter
Yuba City, California**

**Date: October 13, 2005
Filing Ref: SUT06**

Pursuant to federal Office of Management and Budget (OMB) Circular A-87, the State Controller's Office formally approves the Countywide Cost Allocation Plan as described in Section I for use in the 2005-06 fiscal year. This approval is subject to the conditions contained in Section III.

Departmental indirect cost proposals should clearly identify those costs that have been distributed through Sections I and II of this agreement in accordance with the guidelines of the responsible grantor agency for that department. Further, data processing systems may be subject to grantor agency approval prior to the reimbursement of certain costs allocated, billed, or cost applied from the Data Processing Department.

**SECTION I: COSTS DISTRIBUTED THROUGH COUNTYWIDE COST
ALLOCATIONS**

The indirect overhead and support service costs listed in **Exhibits 2A & 2C** (attached) are formally approved as actual costs for the **2003-04** fiscal year and as estimated costs for the **2005-06** fiscal year on a "fixed with carry-forward" basis. These costs may be included as part of the costs of the county departments indicated effective **July 1, 2005**, for further allocation to federal grants and contracts performed by the respective county departments.

**SECTION II: COSTS DISTRIBUTED THROUGH BILLING OR COST
TRANSFER MECHANISMS**

- | | |
|----------------------------------|--|
| 1. Employee Fringe Benefits | 8. Central Services |
| 2. Insurance | 9. Fleet Management (ISF) |
| 3. External Audits | 10. Information Technology (ISF) |
| 4. County Administrator's Office | 11. Workers' Compensation Insurance
(ISF) |
| 5. County Counsel | 12. General Liability Insurance (ISF) |
| 6. Personnel | |
| 7. Building Maintenance | |

In addition to Section I, which provides for services furnished but not billed, the services listed above are furnished and billed to state/local departments and agencies.

Direct charges from the above centers should be billed or cost applied in accordance with the procedures established by the county as described in its Countywide Cost Allocation Plan and may be included as part of the costs of the county departments indicated in Section I.

SECTION III: CONDITIONS

A. LIMITATIONS: Use of the amounts contained in this Negotiation Agreement are subject to any statutory or administrative limitations and, when ultimately allocated to individual grants or contracts through the indirect cost proposals of each county department, are applicable only to the extent that funds are available. Acceptance of the amounts agreed to herein is predicated on the conditions: (1) that no costs other than those incurred by the county were included for distribution in its Countywide Cost Allocation Plan as finally accepted, and that such costs are legal obligations of the county and allowable under the governing cost principles, (2) that similar types of costs have been accorded consistent accounting treatment, and (3) that the information provided by the county that was used as the basis for acceptance of the amounts agreed to herein is not subsequently found to be materially incomplete or inaccurate.

B. CHANGES: Fixed amounts contained in this Negotiation Agreement are based on the organizational structure and the accounting system in effect at the time the proposal was submitted. Significant changes in the organizational structure or changes in the method of accounting for costs that materially affect the amount of reimbursement resulting from use of the amounts in this Negotiation Agreement will require prior approval of the authorized representative of the responsible negotiation agency. Failure to obtain such approval may result in subsequent audit disallowances.

C. FIXED AMOUNTS: The fixed amounts contained in Section I of this agreement are based on an estimate of the costs that will be incurred during the period to which the amounts apply. When the actual costs for this period are determined, any differences between the fixed costs used as an estimate and the actual costs will be considered in a subsequent agreement.

D. BILLED COSTS: Charges for the services cited in Section II will be billed or cost applied in accordance with the procedures established by the county and recorded on the books of the cost center providing the service. Such charges will be based on the actual allowable costs, as defined by OMB Circular A-87, incurred by the cost center responsible for providing the service. Any differences between the billed allowable costs and the actual allowable costs for a particular accounting period will be considered in a subsequent agreement.

E. NOTIFICATION TO STATE AND FEDERAL AGENCIES: Copies of this document will be provided to other state and federal agencies as a means of notifying them of this approval.

F. SPECIAL REMARKS: None.

SECTION IV: ACCEPTANCE

COUNTY OF SUTTER

**STEVE WESTLY
CALIFORNIA STATE CONTROLLER**

BY Robert E. Stark

BY Michael J. Havey

Robert E. Stark

Michael J. Havey, Chief
Bureau of Payments
Division of Accounting and Reporting

Name

Auditor - Controller

Title

October 17, 2005

Date

10-18-05

Date

Negotiated by Jay Lal
Telephone (916) 327-2284

cc: State and Federal Agencies

Attachment

EXHIBIT 2A. SUTTER COUNTY COST PLAN ESTIMATE FOR USE IN FISCAL YEAR 2006

DEPT. NO.	DEPARTMENT NAME	ACTUAL ALLOCATION TOTAL 03/04 COSTS	CARRY FORWARD	TOTAL 2005/2006 CLAIMABLE COSTS
		(\$)	(\$)	(\$)
ALLOCATION TO COUNTY DEPARTMENTS				
1101	9. Board of Supervisors	143,132	65,626	208,757
1105	10. Clerk of the Board	12,743	6,657	19,399
1203	11. Assessor	169,566	96,004	265,571
1204	12. Revenue Collection	12,417	(543)	11,874
1502	13. Elections	68,854	39,214	108,069
1600	14. Sheriff-Communications	62,497	11,379	73,877
1920	15. Public Works	136,361	67,093	203,454
1922	16. Water Resources	27,905	9,136	37,040
2103	17. Sheriff's Court Bailiffs	15,533	1,057	16,590
2105	18. District Attorney-Criminal	87,494	30,127	117,621
2106	19. Public Defender	3,233	570	3,803
2108	20. Child Support Services	276,195	24,013	300,208
2112	21. Superior Court	32,066	14,955	47,021
2201	22. Sheriff-Coroner	409,647	27,184	436,830
2205	23. Sheriff-Boat Patrol	8,414	(6,793)	(379)
2208	24. Sheriff-Live Oak Contract	15,333	(10,295)	5,038
2301	25. Sheriff-County Jail	437,978	57,742	495,720
2302	26. Anti-Drug Abuse Enforcement	5,976	1,514	7,491
2304	27. Probation	132,765	27,817	160,581
2306	28. Victim-Witness Assistance	27,317	667	27,984
2401	29. Fire/Emergency Svcs/Haz Mat	31,823	11,993	43,816
2601	30. Agricultural Commissioner	149,875	36,618	186,493
2701 21	31. Community Svcs Dept. Wide	105,990	32,920	138,910
2701 22	32. Community Svcs Bldg Inspectn	9,637	1,550	11,187
270123/24	33. Community Svcs Planning	119,627	(7,284)	112,343
2701 25	34. Community Svcs Environ Hlth	16,817	(5,819)	10,997
2701 26	35. Community Svcs Animal Cntrl	33,422	12,146	45,569
2706	36. Recorder	57,077	12,147	69,224
2709	37. Pub. Guardian/Conservator	54,435	46,176	100,611
2710	38. County Clerk	45,348	40,510	85,858
3100	39. Road	96,856	27,304	124,159
3200	40. County Airport	11,698	(35,692)	(23,995)
3300	41. Transportation Development	27	(10)	17
4102	42. Mental Health	685,453	95,559	781,011
4103	43. Health	373,357	66,377	439,734
4120	44. Human Services Admin	28,798	(40,283)	(11,486)
5101	45. Welfare	828,368	263,068	1,091,437
6201	46. County Library	220,385	62,078	282,462
6301	47. Bi-County Farm Advisor	38,365	4,888	43,254
7101	48. Parks and Recreation	130,118	78,423	208,542
7201	49. Community Memorial Museum	67,730	(21,031)	46,699
7203	50. Vets Memorial Community Bldg	93,150	40,514	133,664
5000	51. Trial Court Agency	216,753	(23,998)	192,755
5100	52. Children & Families First Comm	6,510	3,482	9,992
5200	53. IHSS Public Authority	10,828	0	10,828
4580	54. Fleet Management ISF	50,361	7,278	57,640
4581	55. Information Technology ISF	96,568	24,275	120,843
4590	56. Liability Insurance ISF	4,967	(11,257)	(6,290)
4591	57. Workers' Comp. Ins. ISF	17,085	9,649	26,734
0301	58. County Service Area G	6,413	(5,505)	909
0305	59. County Service Area F	35,838	5,541	41,380
0309	60. County Service Area C	1,398	82	1,480
0311	61. County Service Area D	933	(210)	723
7565	62. County School Service	17,369	(32,025)	(14,656)
VARIOUS	63. All Other Departments	39,169	16,455	55,623
	64. Unallowable	90,439	87,584	178,024
	65. Non-County Agencies	99,006	34,016	133,023
	TOTAL ALLOCATION	5,977,419	1,298,643	7,276,062

Please refer to Exhibit 2C. for the detailed allocations to each department listed above.

EXHIBIT 2C. SUTTER COUNTY COUNTYWIDE COST PLAN SUMMARY FOR THE YEAR ENDED JUNE 30, 2004

ALLOCATION FROM SERVICE DEPARTMENTS/OTHER COST CENTERS

DEPT. NO.	DEPARTMENT NAME	COUNTY ADMINISTRATOR (\$)	AUDITOR-CONTROLLER (\$)	TREASURER-TAX COLLECTOR (\$)	PERSONNEL DEPARTMENT (\$)	PURCHASING (\$)
ALLOCATION TO COUNTY DEPARTMENTS						
1101	9. Board of Supervisors	3,325	2,925	93	3,215	2,013
1105	10. Clerk of the Board	1,330	1,070	14	1,286	77
1203	11. Assessor	16,523	13,699	170	15,978	2,298
1204	12. Revenue Collection	1,509	3,920	457	1,459	0
1502	13. Elections	2,532	4,177	345	2,449	73
1600	14. Sheriff-Communications	14,067	12,204	148	13,604	1,922
1920	15. Public Works	6,573	5,685	74	6,357	5,021
1922	16. Water Resources	11,827	2,310	43	2,449	1,056
2103	17. Sheriff's Court Bailiffs	5,678	4,249	33	5,491	77
2105	18. District Attorney-Criminal	13,940	15,403	264	13,480	2,790
2106	19. Public Defender	665	1,653	129	643	77
2108	20. Child Support Services	32,355	120,522	14,754	31,289	308
2112	21. Superior Court	0	3,420	312	0	0
2201	22. Sheriff-Coroner	36,678	34,232	504	35,469	6,194
2205	23. Sheriff-Boat Patrol	1,995	1,807	22	1,929	222
2208	24. Sheriff-Live Oak Contract	5,320	4,720	55	5,145	77
2301	25. Sheriff-County Jail	40,412	38,345	724	39,080	3,042
2302	26. Anti-Drug Abuse Enforcement	1,995	2,043	9	1,929	0
2304	27. Probation	24,554	20,596	256	23,745	3,896
2306	28. Victim-Witness Assistance	1,330	1,229	34	1,286	154
2401	29. Fire/Emergency Svcs/Haz Mat	1,432	2,447	43	1,385	598
2601	30. Agricultural Commissioner	16,267	15,401	215	15,731	4,457
2701 21	31. Community Svcs Dept. Wide	6,650	3,728	171	6,431	304
2701 22	32. Community Svcs Bldg Inspectn	1,995	2,700	29	1,929	984
270123/24	33. Community Svcs Planning	28,962	5,705	65	4,667	462
2701 25	34. Community Svcs Environ Hlth	3,990	4,512	41	3,859	655
2701 26	35. Community Svcs Animal Cntrl	4,911	6,260	333	4,749	835
2706	36. Recorder	3,427	3,119	60	3,314	1,609
2709	37. Pub. Guardian/Conservator	2,660	1,797	45	2,572	617
2710	38. County Clerk	1,458	1,254	20	1,410	539
3100	39. Road	24,693	23,799	484	19,268	9,732
3200	40. County Airport	639	1,356	49	618	848
3300	41. Transportation Development	0	22	3	0	0
4102	42. Mental Health	102,283	104,213	1,735	98,913	21,362
4103	43. Health	46,116	47,810	973	44,596	5,885
4120	44. Human Services Admin	7,342	3,001	51	2,572	671
5101	45. Welfare	94,559	103,736	14,740	91,443	8,937
6201	46. County Library	18,211	14,118	391	17,611	2,004
6301	47. Bi-County Farm Advisor	1,842	1,386	47	1,781	73
7101	48. Parks and Recreation	0	691	72	0	1,237
7201	49. Community Memorial Museum	2,865	1,709	40	2,770	0
7203	50. Vets Memorial Community Bldg	0	804	74	0	154
5000	51. Trial Court Agency	0	24,427	405	0	0
5100	52. Children & Families First Comm	0	2,993	129	0	3,137
5200	53. IHSS Public Authority	1,946	265	31	1,898	145
4580	54. Fleet Management ISF	5,627	12,638	259	5,442	13,301
4581	55. Information Technology ISF	14,150	15,945	110	13,307	589
4590	56. Liability Insurance ISF	0	2,066	24	0	0
4591	57. Workers' Comp. Ins. ISF	1,330	14,457	8	1,286	0
0301	58. County Service Area G	0	7	1	0	0
0305	59. County Service Area F	9,924	14,093	496	9,597	1,457
0309	60. County Service Area C	0	715	66	0	583
0311	61. County Service Area D	0	814	78	0	0
7565	62. County School Service	0	0	17,369	0	0
VARIOUS	63. All Other Departments	2,404	7,292	395	2,325	3,930
	64. Unallowable	0	69	10	0	0
	65. Non-County Agencies	3,170	47,231	1,451	579	839
	TOTAL ALLOCATION	631,460	786,789	58,953	566,339	115,242

EXHIBIT 2C. SUTTER COUNTY COUNTYWIDE COST PLAN SUMMARY, CONTINUED

ALLOCATION FROM SERVICE DEPARTMENTS/OTHER COST CENTERS

DEPT. NO	DEPARTMENT NAME	BUILDING MAINTENANCE (\$)	CENTRAL SERVICES (\$)	COUNTY COUNSEL (\$)	OTHER COSTS (\$)	TOTAL 03/04 COSTS (\$)
1101	9. Board of Supervisors	112,009	788	0	18,762	143,132
1105	10. Clerk of the Board	7,023	77	0	1,866	12,743
1203	11. Assessor	60,279	7,814	24,463	28,342	169,566
1204	12. Revenue Collection	1,409	1,181	0	2,483	12,417
1502	13. Elections	35,864	5,014	2,953	15,448	68,854
1600	14. Sheriff-Communications	16	(18)	0	20,553	62,497
1920	15. Public Works	35,294	100	66,343	10,914	136,361
1922	16. Water Resources	1,712	21	0	8,486	27,905
2103	17. Sheriff's Court Bailiffs	0	0	0	4	15,533
2105	18. District Attorney-Criminal	34,552	581	2,257	4,228	87,494
2106	19. Public Defender	0	0	0	66	3,233
2108	20. Child Support Services	47,047	16,876	3,139	9,904	276,195
2112	21. Superior Court	0	0	0	28,334	32,066
2201	22. Sheriff-Coroner	118,038	2,960	49,830	125,741	409,647
2205	23. Sheriff-Boat Patrol	3	0	0	2,436	8,414
2208	24. Sheriff-Live Oak Contract	0	0	0	16	15,333
2301	25. Sheriff-County Jail	150,729	827	0	164,819	437,978
2302	26. Anti-Drug Abuse Enforcement	0	0	0	0	5,976
2304	27. Probation	37,651	724	4,831	16,512	132,765
2306	28. Victim-Witness Assistance	22,819	451	0	14	27,317
2401	29. Fire/Emergency Svcs/Haz Mat	8,279	51	1,656	15,931	31,823
2601	30. Agricultural Commissioner	64,047	1,679	7,535	24,542	149,875
2701 21	31. Community Svcs Dept. Wide	65,680	1,122	11,757	10,148	105,990
2701 22	32. Community Svcs Bldg Inspectn	889	260	0	870	9,637
270123/24	33. Community Svcs Planning	2,667	416	74,063	2,620	119,627
2701 25	34. Community Svcs Environ Hlth	1,728	347	0	1,685	16,817
2701 26	35. Community Svcs Animal Cntrl	6,102	1,635	4,219	4,379	33,422
2706	36. Recorder	29,483	4,665	0	11,400	57,077
2709	37. Pub. Guardian/Conservator	2,605	275	42,366	1,498	54,435
2710	38. County Clerk	29,483	353	7,433	3,398	45,348
3100	39. Road	16,657	442	0	1,780	96,856
3200	40. County Airport	8,091	72	0	24	11,698
3300	41. Transportation Development	0	0	0	2	27
4102	42. Mental Health	265,299	5,322	24,491	61,816	685,453
4103	43. Health	143,467	4,553	17,672	62,285	373,357
4120	44. Human Services Admin	3,480	66	9,924	1,690	28,798
5101	45. Welfare	263,788	29,822	199,312	22,032	828,368
6201	46. County Library	138,055	1,523	3,739	24,732	220,385
6301	47. Bi-County Farm Advisor	21,330	814	0	11,093	38,365
7101	48. Parks and Recreation	124,352	131	0	3,636	130,118
7201	49. Community Memorial Museum	56,822	351	173	3,000	67,730
7203	50. Vets Memorial Community Bldg	72,853	29	0	19,235	93,150
5000	51. Trial Court Agency	175,904	13,230	0	2,787	216,753
5100	52. Children & Families First Comm	0	188	0	62	6,510
5200	53. IHSS Public Authority	0	(0)	6,527	16	10,828
4580	54. Fleet Management ISF	12,507	68	0	520	50,361
4581	55. Information Technology ISF	43,274	353	2,319	6,521	96,568
4590	56. Liability Insurance ISF	0	0	2,857	20	4,967
4591	57. Workers' Comp. Ins. ISF	0	(8)	0	12	17,085
0301	58. County Service Area G	6,404	0	0	1	6,413
0305	59. County Service Area F	0	36	0	235	35,838
0309	60. County Service Area C	0	0	0	34	1,398
0311	61. County Service Area D	0	0	0	41	933
7565	62. County School Service	0	0	0	0	17,369
VARIOUS	63. All Other Departments	6,762	495	0	15,566	39,169
	64. Unallowable	56,938	0	0	33,423	90,439
	65. Non-County Agencies	0	367	45,370	0	99,006
	TOTAL ALLOCATION	2,291,390	106,055	615,227	805,963	5,977,419