CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE

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COUNTY OF TEHAMA
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE
PIERCE'S DISEASE CONTROL CONTRACT

AUDIT REPORT #08-074

FOR THE FISCAL PERIOD
JULY 1, 2004 THROUGH JUNE 30, 2007

COUNTY OF TEHAMA
COUNTY AGRICULTURAL COMMISSIONER'S OFFICE

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AUDIT STAFF

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AUDIT REPORT NUMBER
08-074

TABLE OF CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT 1

CONCLUSION 2

AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT 3

REPORTABLE CONDITIONS 3
- Staff Benefit Rates 3
- Support for Salaries and Wages 3
- Vehicle Mileage 4

COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE 6

CDFA EVALUATION OF RESPONSE 10

DISPOSITION OF AUDIT RESULTS 12

REPORT DISTRIBUTION 13

CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE
A. G. Kawamura, Secretary

Mr. Rick J. Gurrola
Agricultural Commissioner, Sealer of Weights and Measures
County of Tehama
P.O. Box 38
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INDEPENDENT AUDITOR'S REPORT

The California Department of Food and Agriculture's (CDFA), Pierce's Disease Control Program (PDCP) requested the CDFA Audit Office to perform a contract compliance audit of three contracts with the County of Tehama (County), County Agricultural Commissioner's Office (CAC). In our audit for the PDCP, we audited contract numbers 04-0366, 05-0397, and 06-0515 for the 2004/2005, 2005/2006, and 2006/2007 fiscal years.

The objectives of the audit were to ensure the CAC complies with the terms and conditions of the contract. We verified the accuracy of the service invoices billed under the contract; identified the basis for discrepancies between the actual charges and billed charges; and provided information to improve the terms and conditions of the contract.

We conducted our audit in accordance with generally accepted government auditing standards for fiscal compliance as issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the billings are supported by the accounting records and are submitted in compliance with the appropriate state and federal requirements and guidelines. An audit includes examining, on a test basis, evidence supporting the amounts included on the billings. An audit also includes assessing the accounting principles used and significant estimates made by management. We limited our test of internal controls and certain general ledger accounts due to our reliance on the unqualified audit report issued by the Independent Auditors.

During our audit of the CAC's compliance with state and federal laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the CAC's effort to comply. We have provided five recommendations to improve the compliance of the County. The County must respond in writing to these findings and recommendations.

for Ron Shackelford, CPA
Chief, Audit Office

March 12, 2008

CONCLUSION

We recommend that the PDCP seek reimbursement for disallowed charges as billed to the program by the CAC during fiscal years 2005/2006 and 2006/2007 totaling $1,986. In addition, on a go forward basis, the CAC should maintain positive timekeeping records for management employees, use the actual employee pay rates to bill the program, and adjust their staff benefit costs to agree with the actual in accordance with the requirements of the contract and Title 2 of the Code of Federal Regulations Part 225, Cost Principles for State, Local, and Indian Tribe Governments (2 CFR 225).

AUDIT OF PIERCE'S DISEASE CONTROL CONTRACT

REPORTABLE CONDITIONS

STAFF BENEFIT RATES

Title 2 of the Code of Federal Regulations Part 225, "Cost Principles for State and Local Governments", (2 CFR 225) states that the cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance; pension plan costs; and other similar benefits are allowable provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group of employees whose salaries and wages are chargeable to such Federal awards and other activities.

If the CAC uses a flat percentage rate for benefits, it should be based on some reasonable averaged basis. Two different methods that are commonly used for determining an acceptable rate are: (1) a simple average for the Agriculture Department on a whole, and (2) a modified weighted average based on classifications billed to the Program. Both of these methods use prior year actual expenditures in their percentage calculation.

The CAC's method of billing the program for staff benefits did not comply with existing federal requirements. The CAC determined its staff benefit percentage rate for permanent and extra help employees by forecasting costs using budget rather than actual costs each of the three fiscal years. In FY 2006/07, the CAC billed a staff benefit rate of approximately 56%, whereas actual staff benefit rate was 50%. Our analysis shows the CAC over-billed $1,325 for staff benefit costs during the year.

Recommendations

1. *The County should reimburse the PDCP a total of $1,325 for the over-billing of staff benefits and related indirect costs.*

2. *The County should comply with 2 CFR 225 by ensuring the staff benefits rate billed to the program is properly supported by using actual costs. This will mitigate the possibility of the CAC over-billing and subsequent reimbursements to the State.*

SUPPORT FOR SALARIES AND WAGES

An examination of the CAC's time records, payroll documents, and billing records identified that a manager of the commissioner billed a minor amount of time against the PDCP contract that was not supported in accordance with existing federal requirements. Our office noted the absence of a timesheet to support the hours billed on the monthly invoice submitted to the

Pierce's Disease Control Program (PDCP). In addition, the hourly rate reflected on the invoice was $32 per hour higher than the actual salary rate earned by the employee.

Furthermore, the manager worked on multiple activities in addition to the PDCP. However, the manager did not maintain additional support of the hours being charged to the PDCP. 2 CFR 225 requires such additional support when employees work on multiple activities. The size and format of the additional support is at the discretion of the County as long as the following standards are included:

- The report must reflect an after-the-fact distribution of the actual activity of each employee,
- The report must account for the total activity for which each employee is compensated,
- The report must be prepared at least monthly and must coincide with one or more pay periods,
- The report must be signed by the employee.

Upon notification of our finding, the manager provided emails in an attempt to support the hours billed against the contract. An examination of emails noted that only one was during the period in which the invoice was prepared. The remaining emails were for periods after the billing invoice was prepared. Based on all the factors specified above, our office recommends that the hours billed against the PDCP contract be disallowed. The amount when factoring staff benefits and indirect costs is $661.

Recommendations

3. *The CAC should reimburse the PDCP a total of $661 for the hours billed that were not supported in accordance with existing federal requirements.*

4. *The CAC should comply with 2 CFR 225 by ensuring all hours billed to the PDCP are supported by employee timesheets. Furthermore, the CAC should ensure employees who work on multiple activities provide additional support to supplement the hours reported on their monthly timesheets.*

VEHICLE MILEAGE

The County's supporting documentation for vehicle mileage claimed against the federal award should be improved in order for the County to be in full compliance with 2 CFR 225. Currently, employees reflect only the total miles traveled in performing contracted services on the daily time sheet. The reports did not include a beginning or ending odometer reading or the locations visited, but instead, a daily total without an independent basis for validation. Therefore, we cannot determine whether the mileage claimed against all three contracts is fully appropriate. While the overall differences were minor for the periods tested, continued problems could result in the State disallowing reimbursement for mileage costs that cannot be supported.

Recommendation

5. *The CAC should improve its accounting over employee mileage costs invoiced for reimbursement by requiring employees to record either the premises visited or the beginning and ending odometer readings on daily activity reports. This will mitigate the possibility of the State disallowing claimed mileage.*

COUNTY AGRICULTURAL COMMISSIONER'S RESPONSE

COUNTY OF TEHAMA

Department of Agriculture/Weights and Measures

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June 6, 2008

Mr. Ron Shackelford, CPA
Chief, Audit Office
California Department of Food and Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackleford:

Thank you for the opportunity to respond to Audit Report #08-074, concerning the Pierce's Disease Control Contract. Please consider this letter my response stating my plans and timetable for implementing all recommendations.

RECOMMENDATIONS:

1) *The County should reimburse the Pierce's Disease Control Program (PDCP) a total of $1,325 for the over-billing of staff benefits and related indirect costs.*
   I agree with the recommendation; however I wish to request that the PDCP work with the County to determine an acceptable reimbursement schedule. It should be noted that the Agricultural Commissioner's salary was not included in the indirect cost category. If this inclusion had occurred it would have resulted in authorized increased indirect expenses. Beginning July 1, 2008 and continuing on a go forward basis, the Agricultural Commissioner's salary will be included in determining indirect expenses percentages.

2) *The County should comply with 2 CFR 225 by ensuring the staff benefit rate billed to the program is properly supported by using actual costs. This will mitigate the possibility of the County Agricultural Commissioner's Office (CAC) over-billings and subsequent reimbursements to the state.*
   Historically, the CAC has always determined staff benefit rates for permanent and extra help employees using the current fiscal years budget. Beginning July 1, 2008 and continuing on a go forward basis, the CAC will determine all staff benefit rates by a simple average for the Agriculture Department as a whole, using the prior year's actual expenditures for the percentage formula.

3) *The CAC should reimburse the PDCP a total of $661 for the hours billed that were not supported in accordance with existing federal requirements.*
I disagree partially with this recommendation. The Office Manager position has historically billed two hours per month for clerical activities associated with preparation and submission of PDCP invoices. These hours are only billed for the eight month period the County is actively trapping. The Office Manager position has also historically never kept timesheets. It was stipulated by the auditor performing the audit, the Office Manager expends at least two hours per month on this activity, however these hours were not properly documented. Furthermore, the statement in the audit report: "In addition, the hourly rate reflected on the invoice was $32 per hour higher than the actual rate earned by the employee." is puzzling. This item was not addressed during the audit or exit meeting; and I disagree with the statement. I believe the $32 amount is the difference between the Agricultural Commissioner's hourly rate and the Office Manager's hourly rate, incorrectly stated as the Office Manager's hourly rate. This statement and possible hourly rate misappropriation is further compounded by the statement: "Upon notification of our finding, the manager provided emails in an attempt to support the hours billed against the contract." I believe the statement implies that emails were an attempt to provide for support of the Office Manager's hours, which is untrue. Emails were provided to document the Agricultural Commissioner's hours spent on telephone conferences and meetings. There were six hours of undocumented Agricultural Commissioner hours invoiced for PDCP activities, as the Agricultural Commissioner position also does not maintain timesheets. The emails collected by the auditor at the exit meeting were not thoroughly reviewed prior to collection by the auditor.

As outlined above, I believe there is confusion concerning the $32 per hour billing rate as well as the email documentation. There were two separate minor amounts of undocumented billings; Office Manager – 16 hours per year, Agricultural Commissioner – 6 hours during a three year period. I wish to request the PDCP work with the CAC to determine an acceptable reimbursement amount and schedule.

4) *The CAC should comply with 2 CFR 225 by ensuring all hours are billed to the PDCP are supported by employee timesheets. Furthermore, the CAC should ensure employees who work on multiple activities provide additional support to supplement the hours reported on their monthly timesheets. Furthermore, the County should determine which of the two alternatives identified above is the most efficient and effective to use in meeting this objective.*
Historically, the CAC has never maintained timesheets for the Office Manager or Agricultural Commissioner positions. Beginning July 1, 2008 and continuing on a go forward basis, the Agricultural Commissioner's salary will be used in determining indirect costs and standard timesheets will be maintained for the Office Manager position.

5) *The CAC should improve its accounting over employee mileage costs invoiced for reimbursement by requiring employees to record either the premises visited or the beginning and ending odometer readings on daily activity reports. This will mitigate the possibility of the State disallowing claimed mileage.*
This recommendation was implemented prior to the audit and continues to be used. All premises visited by all CAC personnel for PDCP activities are documented on either their respective inspection logs or trapping cards.

Again, thank you for the opportunity to respond to Audit Report #08-074. I look forward to receiving the final report.

Respectfully,

Rick Gurrola
Agricultural Commissioner

Cc: Shakil Anwar, Assistant Audit Chief

CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the County of Tehama County Agricultural Commissioner, Red Bluff, California, for its review and response. We have reviewed the response and noted it satisfactory addresses a majority of the findings identified within the audit report.

However, to provide clarity and perspective, our office is including the following items to clarify the CAC's questions in response to the finding pertaining to Support for Salaries and Wages. Our office has included a copy of the CAC's May 2006 invoice (**Page 11**) that shows the Ag Commissioner billing 5 hours of Personal Services at $72.95 per hour. The $72.95 hourly rate is approximately $32 per hour higher than the actual hourly rate earned by the Ag Commissioner as identified within the County payroll records. We agree that the CAC should work with the PDCP to determine an acceptable reimbursement amount and schedule.

COUNTY OF TEHAMA

Department of Agriculture/Weights and Measures

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May 10,2006

TEHAMA COUNTY GLASSY-WINGED SHARPSHOOTER/PIERCE'S DISEASE PROGRAM CONTRACT
FISCAL DISPLAY
BILLING PERIOD: MARCH 2006

	(54.1%)	(17.6%)	
Personnel Services:	Benefits	Overhead	Total
Permanent:			
Ag Commissioner			
5 hrs Administration @ $72.95=$364.75	$197.33	$98.93	$661.01

DISPOSITION OF AUDIT RESULTS

The findings in this audit report are based on fieldwork that my staff performed between March 10, 2008 and March 12, 2008. My staff met with management on March 12, 2008 to discuss the findings and recommendations.

This audit report is intended solely for the information of the California Department of Food and Agriculture and the County Agricultural Commissioner. However, once finalized this report is a matter of public record and its distribution is not limited.

REPORT DISTRIBUTION

Number	Recipient
1	Agricultural Commissioner
2	State Coordinator, Pierce's Disease Control Program
1	Liaison, County/State Relations
1	Chief Counsel, CDFA Legal Office
1	Chief, Audit Office