



Transmitted via e-mail

May 9, 2012

Mr. David O. Livingston, Sheriff  
Contra Costa County Sheriff's Department  
51 Pine Street  
Martinez, CA 94553

Dear Mr. Livingston:

**Final Report—Contra Costa County Sheriff's Department Compliance Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its fiscal compliance audit of the Boating Safety and Enforcement Program for the period July 1, 2010 through June 30, 2011.

The enclosed report is for your information and use. The Contra Costa County Sheriff's Department's response to the report observations and our evaluation of the response are incorporated into this final report. This report will be placed on our website.

We appreciate the assistance and cooperation of the Contra Costa County Sheriff's Department. If you have any questions regarding this report, please contact Susan Botkin, Manager, or Alexis Calleance, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: Ms. Lucia C. Becerra, Acting Director, California Department of Boating and Waterways  
Ms. Marcia Carlock, Operations Division Chief, California Department of Boating and Waterways  
Ms. Corrina Dugger, Associate Boating Administrator, California Department of Boating and Waterways  
Ms. Denise Peterson, Boating Law Enforcement Manager, California Department of Boating and Waterways  
Ms. Donny Gordon, Commander, Contra Costa County Sheriff's Department  
Mr. Mark Williams, Captain, Contra Costa County Sheriff's Department  
Mr. George Wright, Lieutenant, Contra Costa County Sheriff's Department  
Ms. Mary Jane Robb, Chief of Management Services, Contra Costa County Sheriff's Department  
Ms. Linda Martinez, Director of Support Services, Contra Costa County Sheriff's Department

# Audit Report

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## Boating Safety Enforcement Program Contra Costa County Sheriff's Department July 1, 2010 through June 30, 2011



Source: Contra Costa County Sheriff's Department

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Susan M. Botkin, CGFM  
Manager

Alexis Calleance  
Supervisor

Staff  
Thao Truong  
Alexandria Tu

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance  
Office of State Audits and Evaluations  
300 Capitol Mall, Suite 801  
Sacramento, CA 95814  
(916) 322-2985

# BACKGROUND, SCOPE AND METHODOLOGY

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## **BACKGROUND<sup>1</sup>**

The Department of Boating and Waterways' (DBW) mission is to provide safe and convenient public access to California's waterways, and leadership in promoting the public's right to safe, enjoyable, and environmentally sound recreational boating. DBW fulfills its mission through enforcement of the Boating Safety and Enforcement (BS&E) Financial Aid Program.

The purpose of the BS&E program is to provide state financial aid via grants to local government agencies whose waterways have a high usage by transient boaters and an insufficient tax base to fully support a boating safety and enforcement program. The program is intended to augment existing local resources for BS&E activities and is not intended to fully fund all BS&E programs.

Pursuant to California Code of Regulations, Title 14, section 6593.10, DBW is responsible for ensuring accountability of the funds used for the BS&E program.

## **SCOPE**

DBW requested the Department of Finance, Office of State Audits and Evaluations, to audit agencies receiving BS&E funding to ensure fiscal compliance with state laws and regulations.

The audit's objective was to determine whether Contra Costa County's (County) grant expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

Also included in the scope was a review of the Marine Law Enforcement Annual, Annual Activity, and Inventory Reports submitted to DBW. A review of these reports was performed to ensure all program requirements were met. These County reports were submitted timely to DBW and addressed all program requirements.

County management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements as well as evaluating the efficiency and effectiveness of the program.

The audit period was July 1, 2010 through June 30, 2011.

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<sup>1</sup> Source: Department of Boating and Waterways

## **METHODOLOGY**

To determine whether County expenditures were in compliance with applicable laws and regulations, we performed the following:

- Conducted interviews of key personnel.
- Obtained an understanding of internal controls related to program expenditures.
- Reviewed relevant supporting documents for expenditures.
- Selected a sample of expenditures to determine if costs were allowable, program related, and supported by accounting records.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with key staff. The audit was conducted from December 2011 through March 2012.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Except as noted below, Contra Costa County’s expenditures were in compliance with applicable laws, regulations, and the grant requirements. The Schedule of Claimed and Questioned Costs is presented below.

**Schedule of Claimed and Questioned Costs**

<b>Category</b>	<b>Claimed</b>	<b>Questioned</b>
Program Costs		
Personnel	\$ 1,524,753	\$ 130,556
Operations Maintenance and Equipment	280,202	89,765
Total Direct Program Costs	1,804,955	220,321
Administrative Costs	4,027	0
Subtotal	1,808,982	220,321
<i>Less: County Boat Tax Revenue Received</i>	365,425	0
<b>Claimed Program Costs</b>	<b>\$ 1,443,557</b>	<b>\$ 220,321</b>
State Financial Aid Allocation	638,249	
<b>Unreimbursed Program Costs</b>	<b>\$ 805,308</b>	

**Observation 1: Questioned Personnel Expenditures**

During fiscal year 2010-11, a one-time vacation buy-back of \$3,057 was claimed for reimbursement. California Code of Regulations, Title 14, section 6593.8, allows for normal reimbursement of personnel related expenditures; however, the code does not allow for one-time payments such as a vacation buy-back.

Further, the County was reimbursed for a lieutenant’s full salary and benefits in the amount of \$127,499. However, the lieutenant’s duties include overseeing two other units with activities only partially related to boating safety. The County did not retain supporting documentation for the lieutenant’s hours claimed for reimbursement.

**Recommendations:**

- A. The County should work with DBW to determine an appropriate method of repayment of the questioned costs.
- B. The County should implement policies and procedures to ensure one-time benefit payments are not claimed for reimbursement; only direct personnel costs are claimed; and supporting documentation for claimed personnel costs is retained.

## **Observation 2: Questioned Operating, Maintenance, and Equipment Costs**

*Helicopter Operations Costs*—The County claimed \$7,432 of pilot costs incurred in August 2010; however, air support was not used during this period. Please note the pilot costs incurred are for operation of the helicopter; therefore, the pilot costs are categorized as operating expenditures on the invoices submitted to DBW. Per California Code of Regulations, Title 14, section 6593.9 (c), personnel costs shall be reimbursed based on the actual number of hours spent on boating and safety and enforcement activities.

Further, of the \$127,180 of helicopter costs incurred in the first and second quarter of fiscal year 2010-11, the County was reimbursed \$79,660 based on an allocation percentage of direct pilot hours determined by the County. However, the number of pilot hours used in the calculation could not be verified due to an inconsistent method of record keeping. Per California Code of Regulations, Title 14, section 6593.9(b), a participating agency shall submit claims indicating actual costs incurred.

*Ineligible Travel Expenditures*—Out-of-state travel costs in the amount of \$2,673 were claimed without prior approval from DBW in fiscal year 2010-11. Per the California Code of Regulations, Title 14, section 6593.8 (4) (b), a participating agency shall provide written justification and prior written approval from DBW in order to be reimbursed for out-of-state travel.

### **Recommendations:**

- A. The County should work with DBW to determine an appropriate method of repayment of the questioned costs.
- B. The County should implement policies and procedures to ensure ineligible expenditures are not claimed for reimbursement.
- C. The County should implement policies and procedures to ensure pilots hours are consistently recorded and reviewed.

## **Observation 3: No Policy and Procedures for Reconciliations**

The County does not reconcile expenditures resulting in \$1,985 of over payments to vendors. While these overpayments were not claimed for reimbursement, this weakness in internal controls raises the risk that duplicate expenditures may be claimed for reimbursement.

### **Recommendation:**

The County should ensure there are policies and procedures in place to regularly reconcile expenditures.





CONTRA COSTA COUNTY OFFICE OF THE SHERIFF  
DAVID O. LIVINGSTON  
SHERIFF - CORONER

April 18, 2012

Mr. David Botelho, CPA  
Chief, Office of State Audits and Examinations  
Department of Finance  
915 L Street  
Sacramento, CA 95814

**RE: Response to Draft Report – Contra Costa County Sheriff’s Department  
Compliance Audit**

Dear Mr. Botelho:

I am writing to you to respond to the recent compliance audit of the Contra Costa County Sheriff’s Department – Department of Boating and Waterways: Boating Safety and Enforcement program.

I wish to take this opportunity to compliment your staff for their professionalism and thoroughness performing this compliance audit.

There were three observations and recommendations presented. The following is our response.

**Observation 1: Questioned Personnel Expenditures**

During fiscal year 2010-11, a one-time vacation buy-back of \$3,057 was claimed for reimbursement. California Code of Regulations, Title 14, section 6593.8, allows for normal reimbursement of personnel related expenditures; however, the code does not allow for one-time payments such as a vacation buy-back.

Further, the County was reimbursed for a lieutenant’s full salary and benefits in the amount of \$127,499. However, the lieutenant’s duties include overseeing two other units with activities only partially related to boating safety. The County did not retain supporting documentation for the lieutenant’s hours claimed for reimbursement.

**Response:**

Vacation Buy Back

The Office of the Sheriff does not concur with this observation regarding annual vacation buy back.

CCR Title 14 § 6593.8 identifies the following as a cost not allowable under the program:  
One-time payments for vacation, sick leave, or compensation time off in lieu of overtime due to separation or medical causes.

It is our belief that Vacation Buy Back is not a one-time payment due to separation or medical causes. We process these requests as an annual benefit per the negotiated Memorandum of Understanding between Contra Costa County and the Deputy Sheriff's Association Management Unit, Section 15 Benefits & Allowances, Sub Section 15.4, paragraph G. Vacation Buy Back, see attached.

CCR Title 14 § 6593.8 identifies the following allowable costs under the program:

Personnel costs of boating safety and enforcement officers, including, but not limited to, salaries, wages, overtime and holiday pay, differential pay, on-call pay, workers' compensation premiums, retirement contributions, uniform allowances, insurance, payments made under the Federal Insurance Contributions Act, and any other employee benefit approved by the department.

As an employee benefit, this Vacation Buy Back request was approved by the Office of the Sheriff and was subsequently processed for payment. Our salary and benefits reports captured this as part of the regular earnings for that pay period. We are currently revising our salary and benefits report to filter out all unallowable one-time payments and vacation buy back payments.

The Office of the Sheriff is modifying the current methods of expenditure review and reconciliation for DBW claim reimbursements. Implementation of these practices will identify internal irregularities and assist to strengthen internal controls.

The Office of the Sheriff's Marine Patrol Program incurs allowable expenditures, which exceed the Department of Boating and Waterways annual allocation. The Office of the Sheriff has allowable expenditures not reimbursed by DBW which can be substituted for claimed costs deemed not allowable.

#### Lieutenant Duties and Hours Claimed

All duties of the Lieutenant assigned to oversee the Marine Patrol Program are related to the Boating Safety and Enforcement Program.

The Office of the Sheriff did not receive direction from DBW, prior to or during this period, to perform a "time study" or comparable methodology to identify allowable or unallowable hours for the Lieutenant's salary and benefits reimbursement calculation. Therefore, without a "time study" for this period, it would seem difficult to validate the assertion that the Lieutenant's oversight is partially related to boating safety.

Subsequent to this audit, the Office of the Sheriff has met with DBW to discuss and clarify this matter. DBW has requested a time study of the Marine Patrol Program Lieutenant's time and the Office of the Sheriff will conduct this time study. The conclusions of the time study will develop a mutually agreed upon allocation of the Lieutenant's allowable salary and benefits claimed.

The Office of the Sheriff is modifying the current methods of expenditure review and reconciliation for DBW claim reimbursements. Implementation of these practices will identify internal irregularities and assist to strengthen internal controls.

The Office of the Sheriff's Marine Patrol Program incurs allowable expenditures, which exceed the Department of Boating and Waterways annual allocation. The Office of the Sheriff has allowable expenditures not reimbursed by DBW which can be substituted for claimed costs deemed not allowable.

**Observation 2: Questioned Operating, Maintenance, and Equipment Costs**

Helicopter Operations Costs—The County claimed \$7,432 of pilot costs incurred in August 2010; however, air support was not used during this period. Please note the pilot costs incurred are for operation of the helicopter; therefore, the pilot costs are categorized as operating expenditures on the invoices submitted to DBW. Per California Code of Regulations, Title 14, section 6593.9 (c), personnel costs shall be reimbursed based on the actual number of hours spent on boating and safety and enforcement activities.

Further, of the \$127,180 of helicopter costs incurred in the first and second quarter of fiscal year 2010-11, the County was reimbursed \$79,660 based on an allocation percentage of direct pilot hours determined by the County. However, the number of pilot hours used in the calculation could not be verified due to an inconsistent method of record keeping. Per California Code of Regulations, Title 14, section 6593.9(b), a participating agency shall submit claims indicating actual costs incurred.

Ineligible Travel Expenditures - Out-of-state travel costs in the amount of \$2,673 were claimed without prior approval from DBW in fiscal year 2010-11. Per the California Code of Regulations, Title 14, section 6593.8 (4) (b), a participating agency shall provide written justification and prior written approval from DBW in order to be reimbursed for out-of-state travel.

**Response:**

Helicopter Operations Costs and Ineligible Travel Expenditures

The Office of the Sheriff is modifying the current methods of expenditure review for DBW claim reimbursements to address this observation of helicopter operations costs and out-of-state travel costs.

The recording and reporting of pilot hours used in the calculation for claim reimbursement have been modified to produce a more consistent and standardized report. The modification of the pilot log report addresses the observation regarding claims indicating actual costs incurred.

We will note in our future DBW applications the out-of-state travel required for annual pilot training and certification. Prior to the training dates, we will submit an out-of-state travel request and attach the approved out-of-state request form to the submitted claim.

Subsequent to this audit, the Office of the Sheriff has met with DBW to discuss and clarify matters regarding helicopter operation costs for future claims.

The Office of the Sheriff is modifying the current methods of expenditure review and reconciliation for DBW claim reimbursements. Implementation of these practices will identify internal irregularities and assist to strengthen internal controls.

The Office of the Sheriff's Marine Patrol Program incurs expenditures which exceed the Department of Boating and Waterways annual allocation. The Office of the Sheriff has expenditures not reimbursed by DBW, which can be substituted for claimed costs deemed not allowable.

**Observation 3: No Policy and Procedures for Reconciliations**

The County does not reconcile expenditures resulting in \$1,985 of over payments to vendors. While these overpayments were not claimed for reimbursement, this weakness in internal controls raises the risk that duplicate expenditures may be claimed for reimbursement.

**Response:**

The Office of the Sheriff is modifying the current methods of expenditure review and reconciliation for DBW claim reimbursements. Implementation of these practices will identify internal irregularities and assist to strengthen internal controls.

If have additional questions or need further assistance, please contact Mary Jane Robb, Chief of Management Services at (925) 335-1557.

Sincerely,

Original Signed By:

DAVID O. LIVINGSTON  
Sheriff – Coroner

DOL:mw

Cc: Undersheriff Michael V. Casten  
Mary Jane Robb, Chief of Management Services

## EVALUATION OF RESPONSE

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The Department of Finance (Finance) reviewed the Contra Costa County Sheriff's Department's (County) response, dated April 18, 2012, to our draft audit report and provide the following evaluation:

### **Observation 1: Questioned Personnel Expenditures**

#### *Vacation Buyback*

The County states they do not concur with the observation regarding annual vacation buyback because the County does not categorize vacation buyback as a one-time payment due to separation or medical causes. However, the California Code of Regulations, Title 14, section 6593.8 states one-time payments for:

- vacation,
- sick leave,
- or compensation time off in lieu of overtime due to separation or medical causes.

Finance interprets "separation or medical causes" to refer to "compensation time off in lieu of overtime." As such, one-time payments for vacation are unallowable and the observation stands as reported.

#### *Lieutenant Salary and Benefits Claimed*

The County states all duties of the lieutenant assigned to oversee the Marine Patrol Program are related to the Boating Safety and Enforcement (BS&E) Program. However, two of three units within the Marine Patrol Program are not solely related to the BS&E Program; therefore, those costs should not be claimed for reimbursement. Because the County has not provided adequate documentation to support modification of the report, the observation stands as reported.

The County stated they are developing a methodology to identify allowable hours for the lieutenant's salary and benefits calculation, which will be helpful in developing repayment costs to the Department of Boating and Waterways (DBW). However, Finance continues to recommend the County retain supporting documentation going forward to ensure costs claimed are supported.

Further, Finance recognizes the County has additional expenditures to substitute unallowable costs reimbursed for the BS&E Program; however, Finance recommends the County work with DBW to determine whether repayment is necessary.

**Observation 2: Questioned Operating, Maintenance, and Equipment Costs**

Finance commends the County for taking appropriate measures to ensure operations and out-of-state travel costs are in compliance with the Harbors and Navigation Code. Finance recognizes the County has additional expenditures to substitute unallowable costs reimbursed for the BS&E program; however, the County should work with DBW to determine whether repayment is necessary.

**Observation 3: No Policies and Procedures for Reconciliation**

Finance concurs with the County's response.