

Attachment 1

Memorandum from Auditor Controller
January 11, 2017

Memorandum

Date: January 11, 2017

To: Bernard Melekian, Undersheriff
Hope Vasquez, Chief Financial Officer

From: Heather Fletcher, Internal Audit Manager

Subject: Sheriff Contract Cities

CC: Theodore A. Fallati, Auditor-Controller
Kyle Slattery, Financial Reporting Division Chief



Background

During our audit of the Sheriff's Public Safety Dispatch Center we reviewed the Sheriff's contracts for providing law enforcement services to cities for the purpose of determining how these cities were charged for dispatch services. During one of our joint Auditor/Sheriff meetings, you requested that we communicate recommendations on items where we noticed room for improvement. The purpose of this memo is to provide you with this information.

Overview

The Sheriff's Department provides law enforcement services through contracts with four cities. Three of these four contracts are up for renewal in June 2017. The current contracts include varying language and terms and each specify different general law enforcement services the Sheriff will provide.

The following is an overview of the Sheriff's current contracts with cities in Santa Barbara County.

| | City of Goleta | City of Carpinteria | City of Solvang | City of Buellton | |
|------------------------------|-----------------------------|---------------------|-----------------|------------------|------|
| Initial Term | 7/2012 - 6/2017 | 7/2002 - 6/2007 | 7/1995 - 6/2000 | 7/1992 - 6/1997 | |
| Extended? | N/A | Yes - June 2017 | Yes - June 2020 | Yes - June 2017 | |
| 1st Year FTE | 32.08 | 16.35 | 7.2 | 6.65 | |
| 14-15 FTE | 33.08 | 14.94 | 7.2 | 7.75 | |
| 14-15 Revenue | \$7,525,472 | \$3,344,210 | \$1,570,822 | \$1,613,543 | |
| Revenue / FTE | \$227,493 | \$223,918 | \$218,170 | \$208,199 | |
| 2015 Population | 30,944 | 13,727 | 5,741 | 5,082 | |
| Population / FTE | 935 | 919 | 797 | 656 | |
| # FTE per Staff Title | Administrative | 2 | 0.25 | 0.9 | 0.6 |
| | Sheriff's Deputy | 25 | 12 | 5.57 | 6.42 |
| | Sheriff's Sergeant | 4.75 | 2 | 0.29 | 0.29 |
| | Sheriff's Lieutenant | 1 | 0.56 | 0.34 | 0.34 |
| | Sheriff's Commander | 0.33 | 0.125 | 0.1 | 0.1 |

Actual costs of providing services to the contract cities could not be identified as they are not currently captured in any system. We noted there has been little change in the amount of contracted FTEs since the initial contract term.

The following are the components of cost that are paid to the County under the current Goleta, Carpinteria, and Buellton contracts:

- Personnel (salaries and all related benefits, insurance)
- Vehicle fleet
- Radio communication system
- Telephone
- Service and supply
- Department administration (no County overhead/admin)
- Dispatch services

The Carpinteria contract specifically includes shift differential costs, where the other contracts do not.

Our copy of the Solvang contract did not include the exhibit which specifies the compensation formulas. Accordingly, this information was not available.

The County currently uses a Full Time Equivalent (FTE) model to bill contract cities. This model assigns a specific number of Sheriff staff to provide services within a contract city. Cities are billed a rate per each budgeted Sheriff FTE for their city. The rate per each category of Sheriff FTE includes the following budgeted expenditures:

- Average salary per FTE classification for the year
- Average workers compensation and liability insurance costs per FTE
- Direct costs such as services and supplies, motor pool, radio and telephone

Billings to contract cities also include each city's portion of budgeted dispatch costs and departmental overhead costs. However, County-wide overhead charges are not included because it is unallowable to include these costs by law. In addition to the monthly billings made to each city described above, the Sheriff may generate supplemental invoices for special event or special service costs.

We identified components of the city contracts law enforcement program which could be improved as described below.

Observation 1: Form, Content, and Extension of Contracts

The form and content of the contracts differ between that of Goleta and Carpinteria (executed within past 15 years) and that of Solvang and Buellton (executed over 20 years ago). As a result, there are various differences in the contractual language used for the newer contracts, such as what is included in the definition of General Law Enforcement Services. For example, the Goleta and Solvang contracts include detective, administrative, and dispatch services while the other two contracts do not. The Solvang and Buellton contracts are each in their fourth extended five-year term and do not limit the number of term extensions which may be executed. As a result, services are provided under contracts which were drafted over 25 years ago.

Recommendation: The Sheriff should evaluate the form and contents of all contracts for consistency, and consider entering new contracts with the cities of Solvang and Buellton which include the more modern form and contents of the Goleta and Carpinteria contracts. The Sheriff should also consider capping the number of term extensions allowed under each contract to a specified number of extensions so that the contracts are periodically renegotiated and updated.

Observation 2: City Billing Calculations and Cost Recording

The contract city billing calculations are based on budgeted amounts and average costs for each staffing classification (e.g. Sergeant, Lieutenant, Deputy, etc.). This methodology does not take into consideration the actual costs of law enforcement services provided within each contract city. Billing based on the actual costs of time spent providing law enforcement services to each city would produce a more accurate calculation of the costs associated with serving each contract city. In addition, the calculations are performed in an Excel spreadsheet and may be prone to clerical errors.

The Sheriff records revenues and expenditures for each city contract to project codes in the Financial Information Network (FIN), which is the County’s accounting system. The amounts for FY 14-15 were as follows:

| | Goleta | Carp | Solvang | Buellton | Total |
|----------------|---------------------|-------------------|-------------------|-------------------|---------------------|
| Revenues | \$ 7,525,472 | \$ 3,344,210 | \$ 1,570,822 | \$ 1,613,543 | \$ 14,054,047 |
| Expenditures | (4,985,804) | (2,519,744) | (1,240,136) | (1,163,198) | (9,908,882) |
| Subtotal | 2,539,668 | 824,466 | 330,686 | 450,345 | 4,145,165 |
| Indirect Costs | (468,392) | (215,146) | (97,542) | (106,732) | (887,812) |
| Total | \$ 2,071,276 | \$ 609,320 | \$ 233,144 | \$ 343,613 | \$ 3,257,353 |

We noted two main differences between the expenditures recorded in FIN versus the amounts billed to the contract cities. The first difference is that the FTE estimate used to bill the cities is greater than the actual number of FTEs recorded in FIN. Second, the Sheriff’s department does not reallocate all of the services and supplies expenditures related to these contract cities to the proper contract city program in FIN. Therefore, revenues are recorded in the proper program but expenditures are not matched to that revenue. Support for this calculation is maintained on a separate spreadsheet outside of FIN.

Recommendation: The Sheriff should consider the cost-benefit of using actual costs to bill each contract city; billing based on actual costs would produce a more accurate calculation of the costs associated with serving each contract city. The Sheriff should also input actual costs into FIN. These costs could be input directly to FIN in timecard or captured through another system such as Computer Aided Dispatch (CAD) and input into FIN.

Observation 3: Contract City Staffing

The Sheriff's budget indicates the number of positions designated to service each contract city but does not assign specific Sheriff staff to a particular contract city. Sheriff staff provide services in each jurisdiction as necessary and code their time to their assigned shift regardless of actual time spent providing services to each area. This practice makes timecoding difficult and creates issues with tracking costs related to each contract city. For example, a Sheriff's Deputy may work a regular shift and also be required to work additional time in a contract city. The overtime incurred by this Deputy is not currently billed to the contract city. Additionally, with the exception of the Goleta contract, the contracts indicate that the County will provide necessary personnel to cover leave such as vacation, sick leave, etc. which does not appear to be included in the contracted staffing level amount.

Recommendation: Staff should be assigned to a specific contract city in order to easily record the costs associated with providing those services. If necessary, other non-assigned staff can assist in providing services in those contract cities. However, staff must ensure time is properly coded to the specific contract city. The Department should also evaluate the actual number of staff required to provide contracted services and revise the contracts to include these amounts. The Department should also update their policies and procedures to specify when time should be coded to mutual aid or to the city contract.