



# Mariposa Superior Court: Review of Costs for County-Provided Services

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PREPARED BY INTERNAL AUDIT  
SERVICES

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ADMINISTRATIVE OFFICE  
OF THE COURTS

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FINANCE DIVISION  
INTERNAL AUDIT SERVICES

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**For authorization to distribute this report to any other parties please contact:**

**Mr. John A. Judnick**  
**Senior Manager, Internal Audit Services**  
**Administrative Office of the Courts**  
**Phone: (415) 865-7450**  
**Fax: (415) 865-4337**  
**E-mail: [john.judnick@jud.ca.gov](mailto:john.judnick@jud.ca.gov)**

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## I. EXECUTIVE SUMMARY

The Administrative Office of the Courts, Internal Audit Services (IAS), initiated a comprehensive audit of the Superior Court of California, County of Mariposa (Court), in July 2011, and began onsite audit work in late August 2011. The Court has two judges at one courthouse located in the town of Mariposa, and employs 12 full-time-equivalent staff to fulfill its administrative and operational activities. For the fiscal year (FY) ended June 30, 2011, the Court incurred expenditures totaling approximately \$1.6 million.

Before 1997, the Court and the County of Mariposa (County) worked within common budgetary and cost parameters, with the Court operating much like other County departments. Upon the mandated separation of the court system from county government, each entity had to reexamine their respective relationships relative to program delivery and services rendered. For FY 2010–2011, the Court received various services from the County including payroll, benefits administration, and janitorial services. However, only benefits administration is specifically covered under the Court’s 2000-2001 Memorandum of Understanding (MOU) with the County.

IAS expanded its 2011 comprehensive audit of the Court to include a more detailed review of the costs the County billed to the Court for County-provided services. This report supplements the MOU section of the comprehensive audit report. IAS expanded its review of the costs for County-provided services after the County invoice for fiscal year 2011-2012 significantly increased costs to the Court when compared to prior years. The audit work included a review and analysis of the County’s cost allocation plans for the fiscal years 2008-2009 through 2011-2012.

Our review found that although the Court’s 2000-2001 MOU with the County acknowledges that both must enter into an agreement for all services provided by the County to the Court, as required by Government Code 77212, neither the MOU or another agreement details all the services the County provides to the Court, the activities and outcomes associated with the services, the anticipated costs for these services, nor whether the costs will be direct-billed or allocated, and, if allocated, the basis for the allocation.

We also found that the County direct-identifies some costs and allocates other cost to the Court, but does not consistently follow the cost principles and standards established in the federal Office of Management and Budget Circular A-87 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*. For example, contrary to the cost principles and standards established in OMB Circular A-87, although the County does not acknowledge that it should treat direct-charged costs consistently regardless of funding source, the County did not apply its direct-identify method to consistently direct-charge costs to all County departments and outside agencies, regardless of funding source. In addition, the County acknowledged that it should not have direct-charged the Court for approximately \$3,578 in services that are the same or similar to those services included in its allocated costs to the Court. Further, although the County Administrator is performing the functions of a County Personnel Director, the costs the County allocated to the Court for performing these Personnel Director functions are not reasonable as the salary and benefits of the County Administrator presumably exceed the salary and benefits of a County Personnel Director and the excess should be excluded as unallowable costs.

## II. BACKGROUND

With the 1997 mandated separation of the court system from county government, the Court and the County of Mariposa (County) had to reexamine their respective relationships relative to program delivery and services rendered. This examination resulted in the identification of specific costs and contractual agreements for the continued delivery of County-provided services to the Court.

Government Code (GC) Section 77212 requires that, commencing on July 1, 1997, counties continue to provide, and courts continue to use, county services provided to the courts on July 1, 1997. These services are to be provided to courts at a rate not exceeding the costs of providing similar services to county departments or special districts.

In addition, GC Section 77212 specifies that if a court desires to receive, or continue to receive, a specific service from a county and the county desires to provide, or continue to provide, said service to the court, the court and county shall enter into a contract for that service. The contract, typically a Memorandum of Understanding (MOU), must identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service. For any contract entered into after January 1, 2002, the amount of indirect or overhead costs must be individually stated along with the method of calculation of the indirect or overhead costs, and must not contain items that are not otherwise allowable court operations as defined in GC Section 77003 and California Rules of Court (CRC) Rule 10.810(a)(7).

Additionally, the federal Office of Management and Budget Circular A-87 (OMB Circular A-87), titled *Cost Principles for State, Local, and Indian Tribal Governments*, establishes principles and standards to provide a uniform approach for determining allowable reimbursable costs incurred by state, local, and federally recognized Indian tribal entities under contracts, reimbursable contracts, and other agreements with the federal government. The State Controller's Office (SCO) has cognizance authority for California counties, meaning the SCO has the authority to review, negotiate, and approve countywide cost allocation plans for California counties in accordance with the principles and standards established in OMB Circular A-87.

Currently, the Court and County have an MOU executed in July 2000. The MOU provides that the County may charge the Court for County-provided services, including indirect costs, and that the costs for such services shall not exceed the costs of providing similar services to other County departments. In addition, the County agreed to provide the Court with the same level of services it provided the Court in FY 1999-2000, with the costs being determined by the County's annual cost allocation plan as approved by the State Controller's Office. Further, the MOU provides that the County and Court agree to direct costs in writing and that the County and Court work together to develop and implement the agreement required by GC 77212.

### III. SCOPE AND METHODOLOGY

The purpose of this review was to identify the reason(s) for the substantial increase in the County billing to the Court for fiscal year (FY) 2011-2012. Our review focused on the methodology the County used to bill the County-provided services costs to the Court, and whether this methodology was consistent with State statute and the cost principles and standards established in the Office of Management and Budget Circular A-87 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*.

As a part of this review, Internal Audit Services performed the following:

- Made inquiries of Court management to understand the County-provided services and activities the Court agreed to receive and pay.
- Made inquiries of County management to understand the services and activities the County provided and billed to the Court.
- Reviewed the costs the County charged to the Court for fiscal years 2008-2009 through 2011-2012, as documented in the respective County Cost Allocation Plans.
- Reviewed and analyzed the costs in the County's FY 2011-2012 billing to the Court, along with the supporting County Cost Allocation Plan that presents direct-charged and allocated costs billed to the Court.

## IV. REVIEW RESULTS

### AGREEMENT FOR COUNTY-PROVIDED SERVICES

The Court MOU with the County for County-provided services is incomplete and out-dated. Although the County and Court agreed to develop and implement the agreement required by GC 77212, listing all the County-provided services and their respective costs, all the services provided by the County to the Court are not covered under the Court's MOU with the County. Specifically, the Court and County operate under a FY 2000-2001 MOU that does not detail all the services the County provides to the Court, only the administration of employee benefits is specifically covered under the MOU. As a result, many of the services the County provides to the Court and their associated costs are not specified in a current MOU. Instead, the County provides services to the Court and direct-identifies and allocates costs to the Court through the County's cost allocation plan. For example, the County's Auditor/Controller department provides payroll services, among other services, to the Court. The County allocates to the Court the costs associated with performing certain payroll activities, such as paycheck calculation and processing, and paystub printing and distribution. The County allocates costs to the Court based on the number of payroll checks issued to Court employees in proportion to the total number of payroll checks. In addition, it also identifies certain activities that are attributed to the Court, called "direct-billed activities", and includes the costs of these direct-billed activities in the costs charged to the Court. However, not all the County-provided services, the activities performed, and the anticipated costs associated with these services are detailed in the FY 2000-2001 MOU. See Appendix A for the FY 2000-2001 MOU.

As mentioned previously in the Background section, GC Section 77212 states that courts and counties must enter into an agreement, typically an MOU, for services to be provided to the court by the county. The MOU must identify the scope of service, method of service delivery, term of agreement, anticipated service outcomes, and the cost of the service. Further, the amount of indirect or overhead costs must be individually stated along with the method of calculation of the indirect or overhead costs, and must not contain items that are not otherwise allowable court operations as defined in GC Section 77003 and CRC Rule 10.810(a)(7). Although a county may allocate these non-court operations costs to the court, they cannot bill the court for these costs.

#### **Recommendation #1**

The Court should initiate negotiations with the County to agree on the specific services, along with their anticipated associated costs, that the Court would like to continue to receive from the County and that the County would like to continue to provide to the Court. The Court and the County should then enter into an updated MOU for county-provided services that at a minimum details the specific services the County agrees to provide the Court, the scope of the activities included within the services, the method of service delivery, the term of the agreement, and the anticipated costs of the services, along with the method of calculating and substantiating the allowable costs associated with any allocated or direct billed activities.

### COUNTY COSTS BILLED TO COURT

The County does not consistently follow the cost principles and standards established in the federal Office of Management and Budget Circular A-87 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*, when charging costs to the Court. The County direct-identifies some costs and allocates other costs to the Court, but does not consistently follow the cost principles and standards in OMB Circular A-87. For example, contrary to the cost principles and standards established in OMB Circular A-87, the County did not consistently apply its direct-identify

methodology and direct-charge costs for similar activities to all County departments and outside agencies, regardless of funding source. In addition, the County acknowledged that it should not have direct-charged the Court for some services because they are the same or similar to those services included in its allocated costs to the Court. Further, the costs the County allocated to the Court for the Personnel Director functions are not reasonable as the salary and benefits of the County Administrator performing these functions presumably exceed the salary and benefits that the County would pay a Personnel Director for performing these same functions.

Annually, the County prepares its cost allocation plan, calculates the direct and allocated costs, and invoices the Court for the costs attributed to the Court. The Court reviews and compares the invoice to the amount it budgeted for County costs. A review of the County's FY 2011-2012 invoice to the Court found that the costs exceeded the amounts billed in prior years and were substantially higher than anticipated. According to the Court, when it asked the County for information to support the invoice, the County reluctantly provided portions of its cost allocation plan to the Court. However, because of the significant increase in costs when compared to prior years, IAS conducted a more detailed review of the costs the County billed the Court. As a result, the Court has withheld payment of this invoice until IAS completes its review.

The County prepares its cost allocation plan and submits it to the State Controller's Office for review and approval each year. The County uses the approved cost allocation plan to bill the Court for its share of costs attributed to County-provided services. The table below shows the costs billed to the Court for fiscal years 2008-2009 through 2011-2012.

**Table 1**  
**County Charges to the Court**  
**For Fiscal Years 2008-2009 through 2011-2012**

| County Departments          | FY 2008-2009    | FY 2009-2010    | FY 2010-2011    | FY 2011-2012    | Change FY 2010-2011 to FY 2011-2012 | Percent Change |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-------------------------------------|----------------|
| Auditor/Controller          | \$15,662        | \$13,166        | \$15,219        | \$19,020        | \$3,801                             | 25.0%          |
| Treasurer                   | \$126           | \$48            | \$45            | \$22            | (\$23)                              | -51.1%         |
| Personnel                   | \$0             | \$0             | \$0             | \$7,277         | \$7,277                             | 100.0%         |
| County Administrator        | \$0             | \$0             | \$0             | \$1,579         | \$1,579                             | 100.0%         |
| <b>Total County Charges</b> | <b>\$15,788</b> | <b>\$13,214</b> | <b>\$15,264</b> | <b>\$27,898</b> | <b>\$12,634</b>                     | <b>82.8%</b>   |

*Source: County of Mariposa - Cost Allocation Plan for Fiscal Years 2008-2009 through 2011-2012.*

The County calculates its charges to the Court in two ways. The majority of the costs are computed by allocating costs to all County departments and outside agencies using an allocation base. For example, the County Auditor/Controller payroll services costs are allocated to county departments and the Court based on the number of payroll checks issued to the employees of each respective entity. The second method is directly charging County departments and the Court based on the number of hours County staff spend performing activities attributed to a particular agency, which the County refers to as direct charging. The County bills the Court for its share of the costs of County-provided services using the calculations from its cost allocation plans.

On September 30, 2011, the County billed the Court \$27,898 for the Court's share of the County-provided services costs. See Appendix B for the September 30, 2011 invoice. The table below presents a breakdown of this invoice.

**Table 2**  
**FY 2011-2012 County Charges**  
**Invoiced to the Court on September 30, 2011**

| <b>Auditor/Controller</b>   | <b>Allocated</b> | <b>Direct-Charged</b> | <b>Total</b>    |
|---|------------------|-----------------------|-----------------|
| <i>Payroll Services<br/>(Based on number of checks issued per department)</i>                                   | \$6,257          | \$0                   | \$6,257         |
| <i>Claims Processing<br/>(Based on number of claim transactions per department)</i>                             | \$1,228          | \$0                   | \$1,228         |
| <i>Direct-Identified Activities<br/>(Based on number of hours directly identified per employee time sheets)</i> | \$0              | \$11,535              | \$11,535        |
| <b>Treasurer</b>  |                  |                       |                 |
| <i>Check Processing<br/>(Based on number of claim transactions per department)</i>                              | \$22             | \$0                   | \$22            |
| <b>Personnel</b>  |                  |                       |                 |
| <i>Personnel Staff excluding Personnel Director<br/>(Based on positions per department)</i>                     | \$7,277          | \$0                   | \$7,277         |
| <b>County Administrator</b>   |                  |                       |                 |
| <i>Personnel Director<br/>(Based on positions per department)</i>   | \$1,579          | \$0                   | \$1,579         |
| <b>Total County Charges to Court</b>  | <b>\$16,363</b>  | <b>\$11,535</b>       | <b>\$27,898</b> |

*Source: County of Mariposa - Cost Allocation Plan for Fiscal Year 2011-2012.*

In the following paragraphs, we identify the services the County provided to the Court, the activities the County performed associated with providing the services, and the method the County used to allocate the costs of providing these services to the Court.

***Auditor/Controller***

The County auditor/controller provides the Court with various services, including payroll, claims processing, and other direct-identified services. According to the County, examples of the payroll services activities it provides to the Court include processing new hires and terminations, auditing employee time certifications, paycheck calculation and processing, and payment of payroll and withholding taxes, as well as employee-selected benefits. The County allocates the costs associated with these payroll services based on the number of checks issued to Court employees.

In addition to providing payroll services, the auditor/controller also processes claims submitted by the Court. The Court submits claims to the County for the payment of trust monies to respective parties. The County allocates to the Court the costs associated with processing these claim payments based on the number of claims the Court submits for processing.

The County auditor/controller also provides the Court with services that employees direct-identify as activities they performed that are directly attributed to the Court. Through employee timesheets, the County tallies the number of hours the County employees spent performing these activities for the Court and adds these direct-charged costs to the allocated auditor/controller costs. See Appendix C for the County's summary of hours direct-charged to the Court. As noted in Table 2 above, the County direct-charged the Court \$11,535 for direct-identified activities performed by the County auditor/controller. Table 3, below, further details the number of hours the County auditor/controller employees attributed to the Court by job title, the associated direct-charged costs, and the direct-identified activities the employees performed.

**Table 3**  
**County Auditor/Controller**  
**Direct-Charged Hours and Costs**  
**For Fiscal Year 2011-2012**

| Job Title          | Hours Charged | Direct-Charged Costs | Per County, Direct-Identified Activities Performed  |
|--------------------|---------------|----------------------|---|
| Auditor            | 17.50         | \$935                | Work with former Court systems analyst regarding distribution of fines.   |
| Assistant Auditor  | 21.00         | \$1,121              | Processing Court cash statements and performing miscellaneous requests from Court CEO.  |
| Accountant         | 7.00          | \$374                | Research of numerous items requested by Court CEO.  |
| Account Clerk      | 103.50        | \$5,527              | Processing Court cash statements.   |
| Payroll Specialist | 67.00         | \$3,578              | Process address changes, step increases, benefit changes, wage garnishments, bank changes, and SEIU rate changes for Court employees; Generate month-end payroll distribution reports for the Court; Process judges' retirement payments. |
| <b>Total</b>       | <b>216.00</b> | <b>\$11,535</b>      |   |

Our review of these direct-identified activities revealed that the County does not consistently apply its direct-identify methodology to direct-charge costs to all County departments and outside agencies for performing similar activities. In addition, although some of the direct-identified activities the County indicates performing on behalf of the Court may be unique to the Court, some are not.

Specifically, our review revealed that the County does not apply its direct-identify methodology to direct-charge all County departments for the costs associated with the activities the auditor/controller performed on their behalf, similar to its application of this method to the Court and select departments. The County charged only three County departments, along with the Court, for County auditor/controller direct-identified activities, such as for the Auditor, Assistant Auditor, and Accountant performing research, analytical, and other tasks that required a small number of hours to complete. According to the County Auditor/Controller, the County only direct bills those County departments or outside agencies that reimburse the County for expenses, which does not include County departments that are funded by the County's general fund.

However, this practice is contrary to the cost principles and standards established in OMB Circular A-87 related to the consistent treatment of costs. Specifically, OMB Circular A-87 recognizes that there is no universal rule for classifying certain costs as direct or indirect. A cost may be direct with respect to a specific service or indirect with respect to the overall cost objective. Therefore, OMB Circular A-87 states that it is essential that each item of cost be treated consistently in like circumstances either as a direct or indirect cost.<sup>1</sup> In other words, costs associated with the activities that the County direct-identifies and charges to one agency needs to be direct-identified and charged

<sup>1</sup> Office of Management and Budget Circular A-87 (OMB Circular A-87), *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, Section D.

to all other County departments and outside agencies, not only to select County departments and outside agencies.

In addition, although the auditor/controller direct charged the Court for the time the Account Clerk spent balancing and processing the cash statements received from the Court, it is not clear that all these activities are the responsibility of the Court. These activities include ensuring that all accounts are balanced after the cash statement is processed, distributing monies to the proper accounts, and transmitting and reporting moneys to the State (Report to State Controller of Remittance to State Treasurer - TC-31). The Court, on the other hand, collects payments, prepares deposits, and deposits these collections with the County Treasurer throughout the month. At the end of each month, the Court provides the County with a cash statement that reconciles the moneys deposited with the County and details the distribution of the collections. However, without the respective Court and County responsibilities spelled out in an MOU, it is unclear whether all the activities the County's Account Clerk performed are the responsibility of the Court or of the County.

Further, the County direct-charged the Court for the time the Payroll Specialist spent performing payroll services and activities that are similar to the payroll services and activities already included in the payroll services costs the County allocated to the Court. Specifically, the County states that it identifies specific payroll services activities unique to the Court, referred to by the County as direct-identified activities. According to the County, examples of Court-specific activities performed include processing address changes, step increases, and benefit changes; in addition to fielding phone calls and responding to emails from Court employees, and processing judges' retirement payments. However, with the exception of processing judges' retirement payments, we questioned whether these activities are unique to the Court as the County auditor/controller staff would also perform these or similar activities for other County department employees during the normal course of their work. It is not reasonable that only Court employees would have address changes, step increases, or questions regarding their pay. Specifically, the activities performed by the payroll specialist, with the exception of processing judges' retirement programs, are not unique to the Court and the costs of performing these activities are already included in the County auditor/controller allocated costs. After our additional inquiries, the County Auditor/Controller reviewed all charges to the Court, both allocated and direct-charged, and agreed that the payroll specialist hours should have been included in the payroll services allocated costs and not direct-charged to the Court. As a result, approximately \$3,578 in direct-charged costs, associated with the 67 hours direct-charged to the Court, should be excluded from the County's invoice to the Court.

### ***County Treasury***

The County allocates banking services costs to the Court based on the number of claim transactions the County Treasury processes on behalf of the Court. Activities performed in providing the allocated banking services include warrant reconciliation, receiving monies from the County departments and the Court for deposit into the County Treasury, and making the actual deposit to the bank. The County also identifies specific activities performed by County treasury staff in providing services that are unique to the Court. Through employee timesheets, the County tallies the number of hours spent performing Court-specific activities and adds these costs to the allocated treasury costs. These specific activities include processing foreign collections or wire transfers. For Fiscal Year 2010-11, the County Auditor/Controller stated that the County Treasurer had undercharged the Court for services it provided to the Court because the County only charged the Court for allocated costs. Specifically, the County Treasurer did not direct-charge the Court for the costs of processing foreign check processing and did not include "ACH processing" in its charges to the Court. The County

Auditor/Controller stated that the County Treasurer is researching the missed charges and will bill the Court accordingly.

However, should the County decide to direct-charge the Court for the County Treasury services the Treasurer may have missed, as previously noted above, the County must ensure it treats the County Treasury services costs consistently either as a direct-charged activity or an allocated cost activity. In addition, the County must ensure that it has appropriate contemporaneous records that substantiate its direct charges to the Court, as well as the direct charges applicable to other County departments and outside agencies, regardless of whether the County decides to bills these other departments and agencies. Finally, the County will need to recalculate and resubmit for approval its Cost Allocation Plans, previously reviewed and approved by the State Controller's Office, to ensure it properly identifies and adjusts its direct and allocated costs.

### ***Personnel Department***

The County allocated and billed the Court \$7,277 for personnel services costs that the County allocated to the Court based on the number of staff positions at the Court. According to the County, personnel services activities include recruitment advertising, job candidate interviews, exam administration, and rankings, as well as processing payroll action forms, maintaining personnel files, and research projects. The Court indicated that even though the County personnel department is involved in advertising and recruiting for Court positions, the Court performs the job candidate interviews, not the County personnel department.

Moreover, fiscal year 2011-2012 marks the first time in the four years we reviewed that the County charged the Court for personnel services. According to the County Auditor/Controller, the County had not charged the Court for personnel services prior to fiscal year 2011-2012 due to an oversight of the former County Auditor/Controller. Nevertheless, the County did not notify the Court of its intent to charge the Court for these services and their associated costs so that the Court could decide whether to continue receiving these services from the County or consider other alternatives for obtaining similar services from another source.

### ***County Administrator***

Due to the small size of the County, the County Administrative Officer (CAO) also performs the County Personnel Director functions. The County allocates the CAO costs associated with performing these personnel director functions to County departments and the Court based on the number of staff positions at each respective County department and the Court.

However, the costs associated with the CAO performing these personnel director functions may exceed reasonable costs since the costs are based on the salary of the County Administrator rather than the salary the County would have paid a personnel director. Specifically, according to the County's FY 2011-2012 cost allocation plan, the County Administrator spends just under 9.65 percent of his time performing personnel director functions with salary costs associated with these functions totaling \$23,293. This equates to an annual salary of approximately \$241,000, or a monthly salary of more than \$20,000, for these personnel director functions. Although we did not obtain information on the salary the County would pay a personnel director, in comparison, the highest salary for a director of personnel at one State agency in the highest cost region of the State is \$180,000 annually, or at most \$15,000 per month. Because the County allocates the CAO costs rather than the costs of a personnel director for performing the personnel director functions, the County should treat the excess costs as unallowable costs that are not allocable to County departments or the Court.

### **Recommendation #2**

When negotiating its MOU with the County for County-provided services and costs, the Court should consider including a provision where the costs for direct-identified services and activities are invoiced to the Court on a monthly basis. The County invoice should detail the service(s) provided and include any associated supporting documentation, such as employee timesheets.

### **Recommendation #3**

The Court should consider requiring the County to follow the cost principles and standards established in OMB Circular A-87 and treat County-provided services costs consistently as either direct-charged costs or allocated costs. In addition, it should ensure the County direct-charges services and costs consistently to all applicable County departments and outside agencies, regardless of funding source.

### **Recommendation #4**

In regards to the Court and County services and activities related to preparing and submitting the Report to State Controller of Remittance to State Treasurer - TC-31, the Court should consider working with the County to clarify and agree on which activities are a responsibility of the Court and which activities are a responsibility of the County.

### **Recommendation #5**

Because the County direct-charged the Court for the cost of services and activities that are similar to the costs of services and activities it allocated to the Court, the Court should consider requiring the County to reduce the total amount billed to the Court by the approximately \$3,578 of costs associated with the 67 hours the County direct-charged to the Court for direct-identified activities performed by the County's payroll specialist.

### **Recommendation #6**

Should the County decide to direct-charge the Court for the County Treasurer services, the Court should consider asking the County to provide appropriate supporting records that substantiate its direct charges to the Court, as well as the direct charges applicable to other County departments and outside agencies regardless of whether the County bills these other entities for their applicable costs.

In addition, should the County decide to direct-charge and bill the Court for past County Treasurer services, the Court should not only ask the County to provide appropriate contemporaneous records that substantiate its direct charges, it should also consider informing the County that it should recalculate and resubmit for approval its associated Cost Allocation Plans that the State Controller's Office previously reviewed and approved. Further, the Court should inform the County to recalculate any other costs it inappropriately direct-charged to the Court, similar to the direct-charged payroll services costs in recommendation #4, and net these inappropriate charges to the Court from the direct-charges the County proposes to bill the Court for County Treasury services.

### **Recommendation #7**

The Court should consider adding a provision in a new MOU that requires the County to provide to the Court a 90-days written notice identifying additional county-provided services and their associated costs before agreeing to pay the County for any new charges the County bills the Court.

**Recommendation #8**

The Court should consider requiring the County to treat that portion of the County Administrator costs that exceeds the costs of a County personnel director as an unallowable cost. Specifically, the County should calculate the pay and benefits differential between the County Administrator and County Personnel Director positions, multiply this differential by the percent of time the County Administrator spends performing Personnel Director functions, and treat the resulting amount as an unallowable and unallocable cost in its Cost Allocation Plans. In addition, the Court should ask the County to adjust its billing to the Court for the Personnel Director services to eliminate this unallowable cost portion.