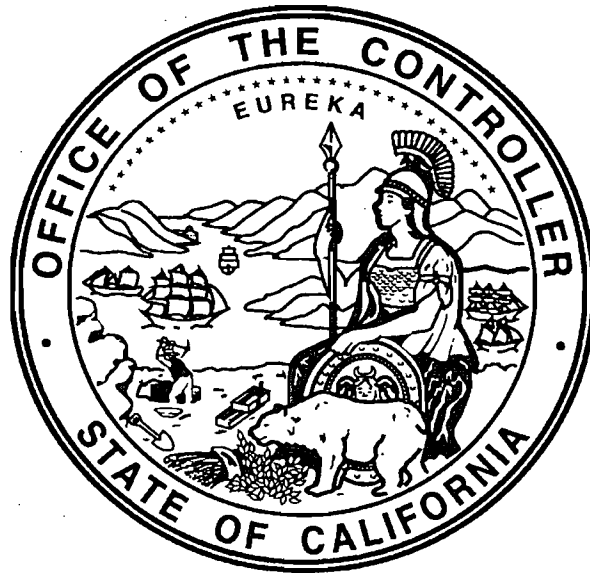


County of El Dorado  
County Cost Allocation Plan

**FIELD REVIEW REPORT**



**John Chiang**  
**California State Controller**

**For Fiscal Year Ended June 30, 2010**

## Field Review Report

### Scope

We have reviewed El Dorado County's Cost Allocation Plan for the fiscal year 2009-10 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.

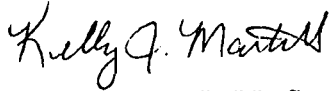
### Background

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 El Dorado County's 2009-10 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.



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## Findings and Recommendations

### Personnel Activity Reports (Various Schedules)

#### Finding:

Department of General Services, Human Resources, and County Counsel are not preparing personnel activity reports that are in compliance with Section 2320 of the State Controller's Office, *Handbook of Cost Plan Procedures for California Counties*.

#### Recommendation:

Effective immediately, El Dorado County central support personnel whose services are directly charged or who perform more than a single function must prepare, in accordance with the State Controller's *Handbook of Cost Plan Procedures for California Counties*, personnel activity reports that:

- Reflect an after-the-fact distribution of each employees actual activity;
- Account for the total activity for which each employee is compensated;
- Provide full and complete substantiation of the distribution of effort and support the imposition of any direct charges for services;
- Be prepared at least monthly, and fully account for the total labor hours of each month;
- Be signed and dated by the employee no later than the end of the pay period that follows the pay period covered by the report; and
- Document, by signature or initials and date, after-the-fact supervisory review and approval.

Failure to comply with the personnel activity reporting requirements of 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.

### Workers' Compensation Self-Insurance Program

#### Finding:

According to the most recent Actuarial Report for the 2007-08 program year, the Workers' Compensation Self-Insurance Program is funded well above the 70% confidence level and has a surplus of approximately \$2,545,000.

#### Recommendation:

The county has provided a plan of action (rebate, rate reduction, etc.) to reduce this program's fund to a more appropriate level. The county should continue to make a concerted effort to fund

their Workers' Compensation Self-Insurance Program to a more reasonable level. The State Controller's Office will continue to monitor fund levels in future cost plans.

**General Liability  
Self-Insurance Program**

**Finding:**

According to the most recent Actuarial Report for the 2007-08 program year, the General Liability Self-Insurance Program is funded well below the acceptable 70% confidence level and has a deficiency of approximately \$781,000.

**Recommendation:**

The county has provided a plan of action to increase this program's fund to a more appropriate level. The county should continue to make a concerted effort to fund their General Liability Self-Insurance Program to a more reasonable level. The State Controller's Office will continue to monitor fund levels in future cost plans.

## Comments

**Discussion with County  
Official**

The findings and recommendations in this field review were discussed with Joe Harn, Auditor-Controller and Kathy Sergeant, Cost Plan Coordinator on March 26, 2009. No factual objections were raised on the review findings or recommendations.