

ALAMEDA-CONTRA COSTA TRANSIT DISTRICT



STAFF REPORT

MEETING DATE: 6/28/2023

Staff Report No. 23-319

TO: AC Transit Board of Directors
FROM: Michael A. Hursh, General Manager/Chief Executive Officer
SUBJECT: Alameda County Sheriff's Office Contract Audit

BRIEFING ITEM

AGENDA PLANNING REQUEST: ☒

RECOMMENDED ACTION(S):

Consider receiving a report on an audit of the current contract with the Alameda County Sheriff's Office.
[Requested by Director Beckles - 2/22/2023]

Staff Contact:
Salvador Llamas, Chief Operating Officer

STRATEGIC IMPORTANCE:

Goal - Safe and Secure Operations
Initiative - Financial Efficiency and Revenue Maximization

Review the results of an Internal Audit department report of the current Alameda County Sheriff contract, including compliance with financial terms, which will help to evaluate the Sheriff's performance in the current contract.

BUDGETARY/FISCAL IMPACT:

There are no budgetary or fiscal impacts related to this report.

BACKGROUND/RATIONALE:

In March 2023, Internal Audit was requested to conduct a compliance audit of the Alameda County Sheriff's current contract, including financial terms. The engagement is now complete, and an audit report has been prepared to help staff evaluate the Sheriff's performance under the contract.

The current contract between AC Transit and the Alameda County Sheriff is in its second year and covers the period from July 1, 2021 to June 30, 2024 with two 1-year options that can be exercised at the District's discretion, a total of five years if those options are exercised.

Total actual costs incurred by the District for Alameda County Sheriff law enforcement services in fiscal year 2021-22 was \$9,426,618 and \$5,200,435 for the first six months of fiscal year 2022-23. The total not-to-exceed amount that can be incurred under the contract, including all option years, is forty-nine million five

hundred thousand dollars (\$49,500,000).

The audit followed-up on past findings and recommendations made of the Alameda County Sheriff contract as well as applying recent Crowe, LLP audit recommendations from the Contra Costa Sheriff contract review. The Alameda County Sheriff and District staff have successfully closed nearly all of these past audit recommendations, however, there were still some notable findings and recommendations made in the report which include:

- An overbilling of \$55,511, covering three months, relating to an incorrect indirect cost rate charged to the District.
- Certain cost categories, including wages, overtime, dispatch and workers comp, billed in fiscal year 2021-22 and the first six months of fiscal year 2022-23 were in excess of contract estimates.
- To improve AC Transit's internal administration of the contract, written standard operating procedures should be developed to help manage the contract.

The Sheriff has reviewed the recommendations outlined and has already credited AC Transit with the \$55,511 overbilling. The cost overruns in wages, overtime, dispatch and workers comp were also reviewed by the Sheriff and explained the unique reasons for each of the increases. The Sheriff has agreed that in the future to justify and communicate with AC Transit any expected cost overruns from contract estimates.

AC Transit Protective Services is currently developing written standard operating procedures for managing the Sheriff contract and these will be in place by August 2023.

Staff has reviewed the audit recommendations made in the report and accepts the corrective action(s) already taken by the Alameda County Sheriff and the District to close the open audit findings.

ADVANTAGES/DISADVANTAGES:

Advantages - Review of the audit report will help AC Transit evaluate the performance of the Alameda County Sheriff in their current contract.

Disadvantages - There are no notable disadvantages to reviewing the Alameda County Sheriff audit report.

ALTERNATIVES ANALYSIS:

There are no other recommended alternatives than those considered in the report.

PRIOR RELEVANT BOARD ACTION/POLICIES:

SR 21-146 - Alameda County Sheriff's Contract

ATTACHMENTS:

None

Prepared by:

Alan Parello, Manager of Internal Audit

In Collaboration with:

Kerry Jackson, Manager of Protective Services

Approved/Reviewed by:

Salvador Llamas, Chief Operating Officer

Jill A. Sprague, General Counsel/Chief Legal Officer

Chris Andrichak, Chief Financial Officer