



**TCSO Cost Sharing
Agreement Review**

#16-17

TRAVIS COUNTY
AUDITOR'S OFFICE

NICKI RILEY, CPA
COUNTY AUDITOR



TRAVIS COUNTY
700 LAVACA
P.O. BOX 1748
AUSTIN, TX 78767
(512) 854-9125
FAX: (512)854-9164

To: Greg Hamilton
Travis County Sheriff

From: Nicki Riley, CPA
Travis County Auditor

Date: March 2, 2016

Subject: Cost Sharing Agreements Review

As requested by the Travis County Sheriff's Office (TCSO), the Risk Evaluation and Consulting (REC) Division of the Travis County Auditor's Office has completed a review of five cost sharing agreements between TCSO and other governments. We conducted our review in accordance with the applicable statutes governing the County Auditor's Office, and those relating to County financial and accounting protocols. As a result of our review, we are providing this report on our findings and recommendations.

BACKGROUND

Under the five cost sharing agreements we reviewed, TCSO provides law enforcement services to other governmental entities. The costs of providing these services are then billed to those governmental entities. These other entities are: the United States Attorney General's Office, the United States Marshalls, the FBI (two agreements) and the Combined Transportation, Emergency & Communications Center (CTECC).

OBJECTIVE AND SCOPE OF REVIEW

The primary objectives of this review were to verify the validity and reasonableness of TCSO's billing related to the noted five cost sharing agreements. The scope of this review includes an analysis of payroll records and contracts in order to verify compliance with internal controls in place with state and federal guidelines. In addition, we evaluated controls over employees responsible for handling and managing office/department billing approval.

REVIEW METHODOLOGY

Our work was based on applying sampling procedures to office records and on verbal and written representations from this office. Sampling relates to examining, on a test basis, evidence supporting the amounts and disclosures in the financial records and statements. The use of sampling techniques would not necessarily disclose all matters related to these cost sharing agreements that might be material weaknesses or misstatements. In regards to the written and verbal representations made by this office, unless otherwise noted in this report, office management maintains that the assertions we relied upon in the review were correct to the best of their knowledge.

SUMMARY OF AREAS OF CONCERN AND RECOMMENDATIONS

We are concerned that the County is at risk for financial liabilities due to non-compliance with the statutory provisions stated within Section 6 of the CTECC Memorandum of Understanding (MOU) from 2003. To remedy this, TCSO Finance should ensure labor rates are billed to interlocal affiliates at actual cost, in compliance with Government Code, Chapter 791.011, “Contracting Authority; Terms”, which states the following:

“Interlocal payments must be an amount that fairly compensates the performing party for the services or functions performed under the contract.”

ATTACHMENTS

Attachment A: This attachment contains a general analysis of the adjustment recommended for employee benefits associated with non-CTECC overtime hours.

EXAMINATION TEAM

James Marlett, CPA, Lead Auditor

CLOSING

This report is intended solely for the information and use of your office and the Commissioners’ Court. We greatly appreciate the cooperation and assistance received from the management and staff of the Travis County Sheriff’s Office during this examination. Please contact us if you have any questions or concerns regarding this report.



David Jungerman, CIA
Chief Assistant County Auditor I - REC
Division



Patti Smith, CPA
First Assistant County Auditor



Nicki Riley, CPA
Travis County Auditor

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Background

The Travis County Sheriff's Office (TCSO) provides law enforcement services to a variety of other federal, state and local agencies. As a result of these services, TCSO has created cost-sharing agreements with each entity for reimbursement of services rendered. Below is a summary of each active cost sharing agreement.

Combined Transportation, Emergency & Communications Center (CTECC)

The Texas Department of Transportation, Capital Metropolitan Transit Authority, City of Austin, and Travis County formed a coalition to create a unified regional emergency communication and transportation management system to improve public safety – CTECC. Based on an agreement with CTECC, TCSO has provided security services at the CTECC's Combined Emergency Communications Center (CEC) facility (5010 Old Manor Road) since FY03.

The funding for this agreement automatically renews each October 1st until terminated. The FY16 amendment to the CTECC/TCSO security agreement provides for a \$1,329,456 maximum reimbursement from CTECC to TCSO for payroll and benefits for the 12 TCSO law enforcement security officers that provide security services. Based on the October 2015 billings, projected reimbursements for FY16 are likely to be around \$1.1 M.

Federal Bureau of Investigations (FBI) – Cyber Crimes

Congress has authorized the FBI to coordinate with local law enforcement on cyber intelligence and investigations, as well as operational responses to cyber threats. In FY14, Travis County agreed to join this program and to provide one TCSO law enforcement officer to the FBI Cyber Crimes Task Force.

Task Force Personnel have access to FBI facilities and resources while conducting cyber-crime investigations. In addition, the FBI has agreed to fund the cost of overtime incurred by local law enforcement personnel as a result of their task force duties. This funding is subject to availability and the agreement must be renewed annually. The FY16 amendment to this agreement provided for a \$17,548 maximum allowance for the reimbursement of overtime costs for this year. However, we project TCSO will receive a reimbursement of approximately \$10,000, based upon the initial billings from FY16.

Federal Bureau of Investigations – Joint Terrorism Task Force (JTTF)

Congress has authorized the FBI to coordinate with local law enforcement on investigations related to the detection and prosecution of terrorism. In FY14, Travis County agreed to join this program, and currently, one TCSO officer is working with the FBI on the Austin JTTF.

As a part of this program, the FBI has been granted approval to pay TCSO for overtime incurred by members of this task force. This funding is subject to availability and the agreement must be renewed annually. The FY16 amendment to this agreement provides for a \$17,548 maximum allowance for the reimbursement of overtime costs. Based on the initial billings from FY16, we project that TCSO will receive this maximum reimbursement amount.

The Organized Crime Drug Enforcement Task Forces (OCDETF)

Originally adopted by Travis County in FY15, this program was established by the United States Attorney General to reduce the availability of illegal drugs by disrupting and dismantling major drug trafficking organizations. In order to accomplish this, TCSO law enforcement officials assist federal agencies with investigations, strategic initiatives, and prosecutions; in turn, TCSO is reimbursed for allowable overtime incurred during these activities. Currently, one TCSO officer is assisting this task force.

The FY16 amendment to the OCDETF agreement contains a \$10,000 maximum allowance for overtime reimbursement in FY16. Based on the initial billings for FY16, we estimate TCSO will receive approximately \$5,000 in overtime reimbursement.

United States Marshals Service (USMS) – Lone Star Fugitive Task Force

An agreement with the USMS was originally adopted by Travis County in FY07, pursuant to the Presidential Threat Protection Act of 2000. Under this agreement, the USMS reimburses TCSO for overtime incurred by TCSO investigators that provide full time support to the USMS District Fugitive Apprehension Task Force. In addition, the agreement allows TCSO to receive reimbursement for travel, vehicles, training, fuel, supplies, and other equipment purchased for TCSO investigators assigned to these task forces. Currently, one TCSO officer is working with the USMS to support the Fugitive Apprehension Task Force.

The FY16 amendment to the agreement with the Marshals contains a \$10,000 maximum allowance for overtime in the period. Based on the initial billings for the year, we estimate TCSO will receive approximately \$7,400 in overtime reimbursement. The agreement may be renewed annually and participating agencies may withdraw with 30 days written notice to the Task Force Coordinator.

Findings – CTECC Agreement

Procedures

In order to determine the existence of proper internal controls, REC was asked to verify the extent, and potential amount of liability that may exist to the County within each contract. REC conducted detailed interviews with TCSO Finance to determine the existence of proper review procedures prior to each payment authorization. As part of this review, the five contracts were re-calculated in accordance with federal, state and local statutes and verified through the SAP payroll reporting system along with the supporting attachments for the most current monthly billing to each agency.

CTECC Billing Requirements

Per the terms of the agreement, the amount to be billed annually to the City of Austin is expressed as an amount “Not to Exceed”. Furthermore, the contract is written in compliance with Government Code, Chapter 791.011, “Contracting Authority; Terms”, which states:

“Interlocal payments must be an amount that fairly compensates the performing party for the services or functions performed under the contract.”

Based on this, it appears that the amount billed should only consist of actual costs associated with the applicable security personnel.

Background

Historically, payroll costs were accounted for in the County’s legacy accounting system HTE. Reporting and tracking limitations of this system prevented TCSO Finance from obtaining sufficiently detailed monthly breakdowns of the payroll costs associated with providing CTECC security. Instead, TCSO billed CTECC based on an estimate of total costs for these services.

In 2012, SAP was implemented as the County’s accounting system, a system with significantly better reporting capabilities than the legacy system. SAP has allowed TCSO to better track CTECC costs through the use of internal order numbers. However, while the internal order system within SAP separates gross pay by cost center, it does not attach and store the associated employee benefits and taxes in this manner.

Findings

The attachment of benefits to cost centers in SAP would not normally be a concern. However, TCSO personnel assigned to CTECC periodically incur overtime while performing non-CTECC-related duties. While this overtime is removed from the CTECC billings, the benefits and taxes associated with this overtime are not. A manual adjustment for social security, Medicare, retirement, and workers compensation based on the amount of non-CTECC overtime should be made, reducing the amount billed to CTECC. We estimate that crediting the CTECC billings for these benefits and taxes will reduce the amount billed to CTECC for FY16 by just under \$1,000.

Details of this estimate can be found at the top of the following page:

Computation of projected CTECC billing adjustment for FY16 benefits and taxes for non-CTECC overtime:

	October	12 Month Estimate
Amount Invoiced	\$92,684.79	\$ 1,112,217.48
Adjusting Entries		
Overtime Hours worked at TCSO not associated with CTECC	15.00	
Required calc to remove benefits associated with non-CTECC overtime		
Overtime hourly rate (\$/hour)	24.35	
Total Overtime	\$ 365.25	
FICA (Employer and Employee portion) Adjustment -6.2% *	(22.65)	
Medicare (Employer and Employee portion) Adjustment - 1.45%	(5.30)	
Retirement Adjustment - 13.67%	(46.43)	
Workers Compensation (WCI Factor - Law Enforcement 1.55%)	(5.66)	
Total Benefit Adjustments	\$ (80.04)	\$ (960.45)
Total Billing Variance	-0.09%	-0.09%
*Note - These rates were calculated in accordance with the FY16 PBO budget book, page 38.		

Recommendations:

Based on our findings, we recommend that TCSO estimate benefits and taxes for non-CTECC overtime and reduce CTECC's monthly billings by the estimated amount. For the months in FY16 that have already been billed, we recommend that TCSO issue a refund to CTECC for the estimated amount of taxes and benefits for non-CTECC overtime already billed to them. These credits should also be taken into account when the annual contract negotiations.

TCSO is welcome to consult with the appropriate personnel in the Auditor's Office regarding questions about the manual calculation of these benefits and taxes, obtaining additional reports, or for help in making this process more automated.