The Broward Sheriff's Office is in receipt of the County Auditor’s Report dated September 24, 2013 entitled “Broward Sheriff’s Office Recovery for Contract Services.” Whereas this Agency is always open to constructive suggestions and recommendations to improve the BSO’s financial records and reporting, we feel a need to respond to the County Auditor’s findings / observations in order to present a more accurate picture.

The County Auditor has determined that in fiscal year 2012, the Broward Sheriff’s Office (BSO) consisted of twenty-eight (28) Administrative Divisions which provided support to the entire Agency. Costs were not allocated for the full twenty-eight (28) Administrative Divisions to the Contract Cities. This finding is correct. However, what was not noted in the Auditor’s report is the following:

1. At the direction of the Board of County Commissioners, BSO implemented a Cost Allocation System in order to recoup indirect costs from the Contract Cities. In order to assist in the implementation of this Cost Allocation Plan, BSO engaged the firm PCG to develop a Cost Allocation System that BSO could utilize. The recommendation by PCG to BSO at the conclusion of the study was for BSO to utilize a rate of $8,347 per full-time employee (FTE). The afore-mentioned report and recommendation by PCG to the Broward Sheriff’s Office was rejected by then Sheriff Lamberti.

Sheriff Lambert directed BSO staff to formulate a Cost Allocation System utilizing a reduced number of Administrative Divisions which resulted in a cost allocation number of $4,363 per FTE. This was approved by Sheriff Lambert and the reduced number of $4,463 per FTE became BSO policy and was incorporated into BSO’s budgetary process.
The County Administration opposed the reduced rate. On August 4, 2010, the County Administrator notified the Board of County Commissioners that BSO used the reduced Cost Allocation Model in formulating BSO’s fiscal year 2011 Proposed Budget.

In addition to the Cost Allocation Study conducted by PCG, ICMA conducted a Cost Accumulation Study in May 2010 addressing (among other issues) the method of allocating BSO’s indirect costs. ICMA reported that two (2) Cost Allocation Models were developed (PCG’s model and BSO’s model) and indicated that either model could be used.

The County Administrator exercised due diligence in notifying the Board of County Commissioners of their disapproval of BSO’s Model because it did not capture all administrative costs. However, one of the purposes of a governmental budget is to establish public policy. The Sheriff, a Constitutional Officer, set policy by directing and subsequently approving a Cost Allocation methodology that did not include all Administrative costs. The Board of County Commissioners and the County Auditor were notified in writing by the County Administrator of this matter which subsequently resulted in numerous discussions at Budget Workshops and ultimately the Board of County Commissioners approved BSO’s Budget which included the Sheriff’s Cost Allocation Plan. By approval of BSO’s budget, the Board accepted the Sheriff’s Cost Allocation of $4,363 per FTE; thereby, establishing County Policy.

The Auditor’s report also states that some cost allocations were either not recorded consistently or not recorded at all. This is a true statement; however, as was explained to the County Administrator’s staff, the County Commission, and the County Auditor when BSO implemented their Cost Allocation Program, BSO was limited and prevented from fully implementing its program due to existing City Contracts that contained monetary caps (limit of increases from year to year during the life of the contract).

This was fully disclosed and BSO committed to the Board that for those contracts that had caps, BSO would charge cost allocation to the full extent possible within contract constraints. Once these contracts were open for negotiation, BSO would then charge full indirect costs as per BSO’s model. BSO has fulfilled its commitment on all contracts that have expired and were negotiated.

With regard to the County Auditor’s recommendation to Finding #1 of the Audit dated September 24, 2013, the Broward Sheriff’s Office Management concurs and will implement all recommendations.

With regard to the County Auditor’s recommendation to Finding # 2 concerning the City of Lauderdale Lakes Revenue Surplus, an analysis was performed by BSO Staff in conjunction with the new Fire Rescue Command. The results of BSO’s review is as follows:

1. Salary reductions in the amount of $285,707.00 were realized as the result of personnel moves initiated by Fire Command in which senior personnel were replaced with junior (less expensive) personnel. This was the direct result of staff bidding per Union contract during the fiscal year.

2. Overhead Allocation in the amount of $350,058 was not properly expensed to Lauderdale Lakes. However, both the contract amount for Lakes, and the consideration received included this amount and was returned to the County as part of the Surplus.

3. The fiscal year 2012 Lauderdale Lakes Proposed Budget was developed with a blended pension rate of 15.45% for Special Risk Retirement. The actual rate came in lower than anticipated with a blended rate of 14.30% which resulted in a reduction of $45,406.00.

4. Overtime Actual Expenditures resulted in a savings of $301,304.00.

5. Health Insurance Actual Expenditures came in at $178,895 less than budgeted. This was a result of employer’s plan selections and employee movement that occurred as a result of open enrollment that took place after fiscal year 2012 budget adoption.
We have now responded to the issues described in the County Auditor’s Report dated September 24, 2013. Due to the fact that a new Sheriff has been elected together with a new County Commission, it is time that the issue regarding the methodology of charging a proper Cost Allocation to Contract Cities be fully discussed and a policy implemented.