COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

June 5, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **SHERIFF PRISONER MAINTENANCE COST RECOVERY**

On May 2, 2006, your Board directed the Auditor-Controller, in conjunction with the Chief Administrative Officer and Sheriff's Department, to provide an analysis of the daily reimbursement rate for State prisoners. We were also directed to create a plan for full reimbursement of the actual cost of housing State prisoners.

The following provides a comparison of the State's daily reimbursement rate with the County's estimated cost for the upcoming fiscal year (2006-07):

County Sheriff Costs:	
Direct	$ 64.71
Overhead	18.79
Total	$ 83.50
State Reimbursement Rate	$ 71.57

County Sheriff direct costs consist of salaries, employee benefits, services and supplies, and transportation. The overhead costs are attributable to Department and Countywide overhead.

To determine the estimated annual County costs and State reimbursement amounts, we have worked with the Sheriff and estimate that the County will provide services for approximately 455,000 "prisoner days" this fiscal year. If this service level is also

assumed for FY 2006-07, the annualized County costs and State reimbursement amounts are projected as follows:

County Sheriff Costs:	
Direct	$ 29,443,050
Overhead	8,549,450
Total	$ 37,992,500
State Reimbursement Amount	$ 32,564,350

Although the State's daily rate does not fully reimburse the County's estimated daily costs based on generally accepted cost principles, it is projected to exceed the County's direct costs in FY 2006-2007. In the current fiscal year and recent years, the County has fully recovered direct costs and at least a portion of the overhead costs. Although full cost recovery should be pursued when it is feasible, we believe that the contract is cost-beneficial to the County because it does recover a portion of the County's overhead costs.

To be fully reimbursed, the County would need to seek legislative action to allow for reimbursement of counties' costs greater than that of the State. The current methodology used by the State is based on Penal Code Section 2910 (g), "No agreement may be entered into under this section unless the cost per inmate in the facility is no greater than the average costs of keeping an inmate in a comparable facility of the (State) department, as determined by the director (of Corrections)."

Please let me know if you have any questions or your staff may contact John Naimo at (213) 974-8484.

c: David E. Janssen
Lee Baca
Sachi A. Hamai

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