

# CITY OF LOS ANGELES

Audit Report

## **CRIME STATISTICS REPORTS FOR THE DEPARTMENT OF JUSTICE PROGRAM**

Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992;  
Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998;  
Chapter 571, Statutes 1999; Chapter 626, Statutes 2000;  
Chapter 700, Statutes 2004

*July 1, 2001, through June 30, 2012*



**BETTY T. YEE**  
California State Controller

March 2016



**BETTY T. YEE**  
California State Controller

March 30, 2016

The Honorable Eric Garcetti  
Mayor of the City of Los Angeles  
200 N. Main Street, Room 300  
Los Angeles, CA 90012

Dear Mayor Garcetti:

The State Controller's Office audited the costs claimed by the City of Los Angeles for the legislatively mandated Crime Statistics Report for the Department of Justice Program (Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992; Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998; Chapter 571, Statutes 1999; Chapter 626, Statutes 2000; Chapter 700, Statutes 2004) for the period of July 1, 2001, through June 30, 2012.

The city claimed \$25,048,968 for the mandated program. Our audit found that \$23,519,074 (\$25,857,989 less allowable costs that exceed cost claimed totaling \$2,338,915) is allowable, and \$1,529,894 is unallowable. The costs are unallowable primarily because the city misstated the number of homicide reports it reported to the Department of Justice, misstated the number of domestic violence calls for assistance supported with an incident report, misstated productive hourly rates and benefit rates, and misstated indirect costs rates. The State made no payments to the city. The State will pay allowable costs claimed, totaling \$23,519,074, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD, CPA**  
Chief, Division of Audits

JVB/rg

cc: Ron Galperin, City Controller  
City of Los Angeles  
Laura Luna, Commanding Officer  
Los Angeles Police Department  
Mary Halterman, Principal Program Budget Analyst  
Mandates Unit, Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the city of Los Angeles for the legislatively mandated Crime Statistics Reports for the Department of Justice Program (Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992; Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998; Chapter 571, Statutes 1999; Chapter 626, Statutes 2000; Chapter 700, Statutes 2004) for the period of July 1, 2001, through June 30, 2012.

The city claimed \$25,048,968 for the mandated program. Our audit found that \$23,519,074 (\$25,857,989 less allowable costs that exceed cost claimed totaling \$2,338,915) is allowable, and \$1,529,894 is unallowable. The costs are unallowable primarily because the city misstated the number of homicide reports it reported to the Department of Justice (DOJ), misstated the number of domestic violence calls for assistance supported with an incident report, misstated productive hourly rates and benefit rates, and misstated indirect costs rates. The State made no payments to the city. The State will pay allowable costs claimed, totaling \$23,519,074, contingent upon available appropriations.

## Background

Penal Code sections 12025, subdivisions (h)(1) and (h)(3), 12031, subdivisions (m)(1) and (m)(3), 13014, 13023, and 13730, subdivision (a), require local agencies to report information related to certain specified criminal acts to the California Department of Justice. These sections were added and/or amended by Chapter 1172, Statutes of 1989; Chapter 1338, Statutes of 1992; Chapter 1230, Statutes of 1993; Chapter 933, Statutes of 1998; Chapter 571, Statutes of 1999; Chapter 626, Statutes of 2000; and Chapter 700, Statutes of 2004.

On June 26, 2008, the Commission on State Mandates (Commission) adopted a statement of decision for the Crime Statistics Reports for the Department of Justice Program. The Commission found that the test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program on city and county claimants beginning on July 1, 2001, within the meaning of Article XII B, section 6 of the California Constitution and Government Code section 17514.

On July 31, 2009, the Commission heard an amended test claim on Penal Code section 13023 (added by Chapter 700, Statutes of 2004), which imposed additional crime reporting requirements. The Commission also found that this test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program for city and county claimants beginning on January 1, 2004. On April 10, 2010, the Commission issued a corrected statement of decision to correctly identify the operative and effective date of the reimbursable state-mandated program as January 1, 2005.

The Commission found that the following activities are reimbursable:

- A local government entity responsible for the investigation and prosecution of a homicide case to provide the DOJ with demographic information about the victim and the person or persons charged with the crime, including the victim's and person's age, gender, race, and ethnic background (Penal Code section 13014).
- Local law enforcement agencies to report, in a manner to be prescribed by the Attorney General, any information that may be required relative to any criminal acts or attempted criminal acts to cause physical injury, emotional suffering, or property damage where there is a reasonable cause to believe that the crime was motivated, in whole or in part, by the victim's race, ethnicity, religion, sexual orientation, or physical or mental disability, or gender or national origin (Penal Code section 13023).
- For district attorneys to report annually on or before June 30, to the Attorney General, on profiles by race, age, gender, and ethnicity any person charged with a felony or misdemeanor under Penal Code section 12025 (carrying a concealed firearm) or section 12031 (carrying a loaded firearm in a public place), and any other offense charged in the same complaint, indictment, or information. The Commission found that this activity is a reimbursable mandate from July 1, 2001, through January 1, 2005. (Penal Code sections 12025, subdivisions (h)(1) and (h)(3), and 12031 subdivisions (m)(1) and (m)(3)).
- For local law enforcement agencies to support all domestic-violence related calls for assistance with a written incident report (Penal Code section 13730, subdivision (a), Chapter 1230, Statutes of 1993).
- For local law enforcement agency to report the following in a manner to be prescribed by the Attorney General:
  - Any information that may be required relative to hate crimes, as defined in Penal Code section 422.55 as criminal acts committed, in whole or in part, because of one or more of the following perceived characteristics of the victim: (1) disability, (2) gender, (3) nationality, (4) race or ethnicity, (5) religion, (6) sexual orientation.
  - Any information that may be required relative to hate crimes, defined in Penal Code section 422.55 as criminal acts committed, in whole or in part, because of association with a person or group with one or more of the following actual or perceived characteristics: (1) disability, (2) gender, (3) nationality, (4) race or ethnicity, (5) religion, (6) sexual orientation.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on September 30, 2010, and amended them on January 24, 2014 to clarify reimbursable costs related to domestic-violence related calls for assistance. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objectives, Scope, and Methodology**

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the city's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the city's financial statements.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed claims to identify the material cost components of each claim, any errors, and any unusual or unexpected variances from year-to-year.
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained.
- Assessed whether computer-processed data provided by the claimant to support claimed costs was complete and accurate and could be relied upon.
- Interviewed city staff to determine the employee classifications involved in performing the reimbursable activities during the audit period.
- Traced productive hourly rate calculations for auditee employees to supporting information in the auditee's payroll system.
- Determined whether indirect costs claimed were for common or joint purposes and whether indirect cost rates were properly supported and applied.
- Assessed whether average time increments claimed to perform the reimbursable activities were reasonable per the requirements of the program.

- Reviewed and analyzed the detailed listing of incident report counts in each fiscal year to identify any possible exclusions from the population; and ensured that the incident report counts were sufficiently free of errors.
- Recalculated allowable costs claimed using audited data

## Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, the city claimed \$25,048,968 for the costs of the Crime Statistics Reports for the Department of Justice Program. Our audit found that \$23,519,074 (\$25,857,989 less allowable costs that exceed cost claimed totaling \$2,338,915) is allowable, and \$1,529,894 is unallowable. The costs are unallowable primarily because the city misstated the number of homicide reports it reported to the DOJ, misstated the number of domestic violence calls for assistance supported with an incident report, misstated productive hourly rates and benefit rates, and misstated indirect costs rates.

For the audit period, the State made no payments to the city. The State will pay allowable costs claimed totaling \$23,519,074, contingent upon available appropriations.

## Views of Responsible Officials

We discussed our audit results with the city's representatives during an exit conference conducted on January 4, 2016. Laura Luna, Commanding Officer; Damian Pacheco, Management Analyst; and Ian Monteilh, Management Analyst, agreed with the audit results. Ms. Luna agreed that a draft audit report was not necessary and that we could issue the audit report as final. Ms. Luna provided a written response to the exit conference findings by letter dated January 20<sup>th</sup>, 2016 (Attachment), agreeing with the audit results and clarifying clerical errors made during the claim preparation process. The final audit report includes the city's comments.

## Restricted Use

This report is solely for the information and use of the City of Los Angeles, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

March 30, 2016

**Schedule—**  
**Summary of Program Costs**  
**July 1, 2001, through June 30, 2012**

Cost Element	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2001, through June 30, 2002</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 21,978	\$ 19,624	\$ (2,354)	
Domestic violence related calls for assistance	<u>1,632,987</u>	<u>1,588,062</u>	<u>(44,925)</u>	
Total direct costs	1,654,965	1,607,686	(47,279)	Finding 1
Indirect costs	<u>761,962</u>	<u>740,591</u>	<u>(21,371)</u>	Finding 2
Total program costs	<u>\$ 2,416,927</u>	2,348,277	<u>\$ (68,650)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,348,277</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 18,709	\$ 17,441	\$ (1,268)	
Domestic violence related calls for assistance	<u>1,617,296</u>	<u>1,563,924</u>	<u>(53,372)</u>	
Total direct costs	1,636,005	1,581,365	(54,640)	Finding 1
Indirect costs	<u>902,251</u>	<u>872,263</u>	<u>(29,988)</u>	Finding 2
Total program costs	<u>\$ 2,538,256</u>	2,453,628	<u>\$ (84,628)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,453,628</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 19,787	\$ 16,684	\$ (3,103)	
Domestic violence related calls for assistance	<u>1,575,200</u>	<u>1,505,026</u>	<u>(70,174)</u>	
Total direct costs	1,594,987	1,521,710	(73,277)	Finding 1
Indirect costs	<u>1,079,316</u>	<u>1,030,511</u>	<u>(48,805)</u>	Finding 2
Total program costs	<u>\$ 2,674,303</u>	2,552,221	<u>\$ (122,082)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,552,221</u>		

## Schedule (continued)

Cost Element	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 21,052	\$ 16,824	\$ (4,228)	
Hate crime reports	9,397	9,265	(132)	
Domestic violence related calls for assistance	<u>1,496,957</u>	<u>1,425,004</u>	<u>(71,953)</u>	
Total direct costs	1,527,406	1,451,093	(76,313)	Finding 1
Indirect costs	<u>1,075,123</u>	<u>1,022,865</u>	<u>(52,258)</u>	Finding 2
Total program costs	<u>\$ 2,602,529</u>	2,473,958	<u>\$ (128,571)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,473,958</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 20,348	\$ 16,407	\$ (3,941)	
Hate crime reports	16,620	16,800	180	
Domestic violence related calls for assistance	<u>1,476,576</u>	<u>1,419,751</u>	<u>(56,825)</u>	
Total direct costs	1,513,544	1,452,958	(60,586)	Finding 1
Indirect costs	<u>868,105</u>	<u>834,812</u>	<u>(33,293)</u>	Finding 2
Total program costs	<u>\$ 2,381,649</u>	2,287,770	<u>\$ (93,879)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,287,770</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 17,409	\$ 24,750	\$ 7,341	
Hate crime reports	22,985	22,683	(302)	
Domestic violence related calls for assistance	<u>1,469,121</u>	<u>1,473,045</u>	<u>3,924</u>	
Total direct costs	1,509,515	1,520,478	10,963	Finding 1
Indirect costs	<u>755,529</u>	<u>758,850</u>	<u>3,321</u>	Finding 2
Total direct and indirect costs	2,265,044	2,279,328	14,284	
Less allowable costs that exceed costs claimed <sup>2</sup>		<u>(14,284)</u>	<u>(14,284)</u>	
Total program costs	<u>\$ 2,265,044</u>	2,265,044	<u>\$ -</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,265,044</u>		

## Schedule (continued)

Cost Element	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2007, through June 30, 2008</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 16,855	\$ 23,200	\$ 6,345	
Hate crime reports	22,512	23,616	1,104	
Domestic violence related calls for assistance	1,632,788	1,493,066	(139,722)	
Total direct costs	1,672,155	1,539,882	(132,273)	Finding 1
Indirect costs	936,743	542,215	(394,528)	Finding 2
Total program costs	<u>\$ 2,608,898</u>	2,082,097	<u>\$ (526,801)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,082,097</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 16,078	\$ 19,336	\$ 3,258	
Hate crime reports	20,799	19,637	(1,162)	
Domestic violence related calls for assistance	1,754,396	1,474,371	(280,025)	
Total direct costs	1,791,273	1,513,344	(277,929)	Finding 1
Indirect costs	1,061,166	894,533	(166,633)	Finding 2
Total program costs	<u>\$ 2,852,439</u>	2,407,877	<u>\$ (444,562)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,407,877</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 16,785	\$ 19,933	\$ 3,148	
Hate crime reports	21,560	24,345	2,785	
Domestic violence related calls for assistance	1,413,045	1,569,839	156,794	
Total direct costs	1,451,390	1,614,117	162,727	Finding 1
Indirect costs	912,837	1,014,591	101,754	Finding 2
Total direct and indirect costs	2,364,227	2,628,708	264,481	
Less allowable costs that exceed costs claimed <sup>2</sup>	-	(264,481)	(264,481)	
Total program costs	<u>\$ 2,364,227</u>	2,364,227	<u>\$ -</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,364,227</u>		

**Schedule (continued)**

Cost Element	Actual Costs	Allowable	Audit	
	Claimed	Per Audit	Adjustment	Reference <sup>1</sup>
<b><u>July 1, 2010, through June 30, 2011</u></b>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 19,039	\$ 11,690	\$ (7,349)	
Hate crime reports	17,388	17,177	(211)	
Domestic violence related calls for assistance	1,530,223	1,442,939	(87,284)	
Total direct costs	1,566,650	1,471,806	(94,844)	Finding 1
Indirect costs	737,285	771,408	34,123	Finding 2
Total program costs	<u>\$ 2,303,935</u>	2,243,214	<u>\$ (60,721)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,243,214</u>		
<b><u>July 1, 2011, through June 30, 2012</u></b>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 16,788	\$ 14,313	\$ (2,475)	
Hate crime reports	15,316	15,754	438	
Domestic violence related calls for assistance	69	1,501,266	1,501,197	
Total direct costs	32,173	1,531,333	1,499,160	Finding 1
Indirect costs	8,588	569,578	560,990	Finding 2
Total direct and indirect costs	40,761	2,100,911	2,060,150	
Less allowable costs that exceed costs claimed <sup>2</sup>	-	(2,060,150)	(2,060,150)	
Total program costs	<u>\$ 40,761</u>	40,761	<u>\$ -</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 40,761</u>		
<b><u>Summary: July 1, 2001, through June 30, 2012</u></b>				
Direct Costs - salaries and benefits:				
Homicide reports	\$ 204,828	\$ 200,202	\$ (4,626)	
Hate crime reports	146,577	149,277	2,700	
Domestic violence related calls for assistance	15,598,658	16,456,293	857,635	
Total direct costs	15,950,063	16,805,772	855,709	Finding 1
Indirect costs	9,098,905	9,052,217	(46,688)	Finding 2
Total direct and indirect costs	25,048,968	25,857,989	809,021	
Less allowable costs that exceed costs claimed <sup>2</sup>	-	(2,338,915)	(2,338,915)	
Total program costs	<u>\$25,048,968</u>	23,519,074	<u>\$(1,529,894)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 23,519,074</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2006-07, FY 2009-10, and FY 2011-12.

# Findings and Recommendations

## **FINDING 1— Unallowable salaries and benefits**

The city claimed \$15,950,063 in salaries and benefits during the audit period. We found that \$16,805,772 is allowable, and that salaries and benefit costs were misstated by \$855,709 (overstated by \$817,141 and understated by \$1,672,850). The costs are misstated because the city misstated the number of homicide reports it reported to the Department of Justice (DOJ), misstated the number of domestic violence calls for assistance supported with an incident report, misstated productive hourly rates, and misstated benefit rates.

The following table summarizes the claimed costs, allowable costs, and audit adjustments for the ongoing salary and benefit costs by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2001-02	\$ 1,654,965	\$ 1,607,686	\$ (47,279)
2002-03	1,636,005	1,581,365	(54,640)
2003-04	1,594,987	1,521,710	(73,277)
2004-05	1,527,406	1,451,093	(76,313)
2005-06	1,513,544	1,452,958	(60,586)
2006-07	1,509,515	1,520,478	10,963
2007-08	1,672,155	1,539,882	(132,273)
2008-09	1,791,273	1,513,344	(277,929)
2009-10	1,451,390	1,614,117	162,727
2010-11	1,566,650	1,471,806	(94,844)
2011-12	32,173	1,531,333	1,499,160
Total	<u>\$ 15,950,063</u>	<u>\$ 16,805,772</u>	<u>\$ 855,709</u>

### **Homicide Reports Cost Component**

The city claimed \$204,828 in salaries and benefits for the Homicide Reports cost component during the audit period. We found that \$200,202 is allowable, and that salaries and benefits costs claimed were misstated by \$4,626 (overstated by \$24,718 and understated by \$20,092). Costs claimed are unallowable because the city understated the number of Homicide Reports it reported to the DOJ and misstated the productive hourly rates and related benefits.

We calculated the allowable hours by multiplying the allowable number of homicide reports by the allowable time increment per homicide report. We then applied the audited productive hourly rate and the audited benefit rates to the allowable hours.

The following table summarizes the salary and benefit audit adjustment per fiscal year as described in the finding above:

<u>Fiscal Year</u>	<u>Case Count Related Adjustment</u>	<u>Productive Hourly Rate Adjustment</u>	<u>Benefit Costs Adjustment</u>	<u>Audit Adjustment</u>
Salaries and benefits:				
2001-02	\$ 798	\$ (2,673)	\$ (479)	\$ (2,354)
2002-03	1,713	(2,742)	(239)	(1,268)
2003-04	461	(2,934)	(630)	(3,103)
2004-05	329	(3,450)	(1,107)	(4,228)
2005-06	31	(2,876)	(1,096)	(3,941)
2006-07	1,079	4,050	2,212	7,341
2007-08	632	3,847	1,866	6,345
2008-09	856	1,522	880	3,258
2009-10	1,158	1,119	871	3,148
2010-11	42	(4,322)	(3,069)	(7,349)
2011-12	(38)	(2,129)	(308)	(2,475)
Total	<u>\$ 7,061</u>	<u>\$ (10,588)</u>	<u>\$ (1,099)</u>	<u>\$ (4,626)</u>

### Hate Crime Reports cost component

The city claimed \$146,577 in salaries and benefits for the Hate Crime Reports cost component during the audit period. We found that \$149,277 is allowable, and that salaries and benefits costs claimed were misstated by \$2,700 (overstated by \$1,807 and understated by \$4,069). The costs were misstated because the city misstated the productive hourly rates and related benefits.

We calculated the allowable hours by multiplying the allowable number of homicide reports by the allowable time increment per investigation. We then applied the audited productive hourly rate and the audited benefit rates to the allowable hours.

The following table summarizes the salary and benefit audit adjustment per fiscal year as described in the finding above:

<u>Fiscal Year</u>	<u>Productive Hourly Rate Adjustment</u>	<u>Benefit Costs Adjustment</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
2004-05	\$ (97)	\$ (35)	\$ (132)
2005-06	130	50	180
2006-07	(210)	(92)	(302)
2007-08	748	356	1,104
2008-09	(782)	(380)	(1,162)
2009-10	1,859	926	2,785
2010-11	(192)	(19)	(211)
2011-12	(12)	450	438
Total	<u>\$ 1,444</u>	<u>\$ 1,256</u>	<u>\$ 2,700</u>

### **Domestic Violence Related Calls for Assistance cost component**

The city claimed \$15,598,658 in salaries and benefits for the Domestic Violence Related Calls for Assistance cost component during the audit period. We found that \$16,456,293 is allowable, and that salaries and benefit costs were misstated by \$857,635 (overstated by \$804,280 and understated by \$1,661,915). The costs were misstated because the city understated the number of domestic violence related calls for assistance supported with an incident report, misstated the productive hourly rates and related benefits.

#### *Number of Domestic Violence Related Calls for Assistance*

The city provided a summary report from its internal case management system to support the claimed number of domestic violence incident reports. The city created the summary reports using its case management system, the Consolidated Crimes Analysis Database.

#### *Time Increments*

The city claimed 45 minutes per case for the police officers who write the reports to support all domestic-violence-related calls for assistance with a written incident report and an additional 0.125 (7.5 minutes) for a police sergeant to review and edit the report.

We found that the time claimed to write the incident report, and the additional time claimed to review and edit the report, is reasonable based on interviews conducted with the city's police officers.

#### *Productive Hourly Rates*

The city used the Police Officer II classification to calculate costs for the time it takes to write an incident report for all domestic-violence-related calls for assistance and a Police Sergeant I classification to review and edit the written incident report.

#### *Benefit Rate*

As the city's Cost Allocation Plan (CAP) rates were approved by the federal government, we did not perform any testing to verify the benefit rates. We reviewed detailed documentation for the city's CAPs for each fiscal year and accepted the benefit rates supported by the city's CAPs.

#### *Summary of Audit Adjustment*

We calculated the allowable hours by multiplying the allowable number of written incident reports that supported the domestic-violence-related calls for assistance by the allowable time increment per written incident report. We then applied the audited productive hourly rate and the audited benefit rates to the allowable hours.

The following table summarizes the salary and benefit audit adjustment per fiscal year as described in the finding above:

<u>Fiscal Year</u>	<u>Incident Report Related Adjustment</u>	<u>Productive Hourly Rate Adjustment</u>	<u>Benefit Costs Adjustment</u>	<u>Audit Adjustment</u>
Salaries and benefits:				
2001-02	\$ (9,471)	\$ (25,098)	\$ (10,356)	\$ (44,925)
2002-03	(22,581)	(19,077)	(11,714)	(53,372)
2003-04	(59,491)	6,034	(16,717)	(70,174)
2004-05	(45,388)	(7,359)	(19,206)	(71,953)
2005-06	(19,511)	(21,539)	(15,775)	(56,825)
2006-07	10,063	(7,330)	1,191	3,924
2007-08	27,867	(122,523)	(45,066)	(139,722)
2008-09	5,165	(193,569)	(91,621)	(280,025)
2009-10	17,696	86,945	52,153	156,794
2010-11	(60,681)	(1,921)	(24,682)	(87,284)
2011-12	<u>969,613</u>	<u>(1,163)</u>	<u>532,747</u>	<u>1,501,197</u>
Total	<u>\$ 813,281</u>	<u>\$ (306,600)</u>	<u>\$ 350,954</u>	<u>\$ 857,635</u>

**Criteria**

The parameters and guidelines (section IV-Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part, that:

Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

The parameters and guidelines (section V-Claim Preparation and Submission-Direct Cost Reporting-Salaries and Benefits) state that, for salaries and benefits, claimants are required to:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines (section IV-Ongoing Activities A. Homicide Reports) allow ongoing activities related to costs for reporting to the State Department of Justice the following reimbursable activities:

A. Homicide Reports: (Pen. Code, § 13014; Stats. 1992, ch. 1338)

For a city, county, or city and county responsible for the investigation and prosecution of a homicide case, to provide the California Department of Justice, on a form distributed by the California Department of Justice, with demographic information about the homicide victim and the person or persons charged with the crime of homicide, including the victim's and person's age, gender, race, and ethnic background.

The following activities are eligible for reimbursement:

1. Extract demographic information from existing local records about the homicide victim and the person or persons charged with the crime of homicide, including the victim's and person's age, gender, race, and ethnic background, from local records in order to report the information to DOJ.
2. Report to the Department of Justice, on a monthly basis, demographic information about the homicide victim and the person or persons charged with the crime of homicide, including the victim's and person's age, gender, race, and ethnic background. Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting Systems (ECARS) Plus, or manually by submitting DOJ Form BCIA 15 (Supplemental Homicide Report), or other form distributed in accordance with Penal Code section 13014 by the Department of Justice.
3. Verify information contained in the report or provide an additional explanation about the report when specifically requested by the Department of Justice.

Reimbursement is not required to review and edit every report.

The parameters and guidelines (section IV-Ongoing Activities B. Hate Crime Reports) allow ongoing activities related to costs for reporting to the State Department of Justice the following reimbursable activities:

B. Hate Crime Reports: (Pen. Code, § 13023; Stats. 1989, ch. 1172; Stats. 1998, ch. 933; Stats. 2000, ch. 626; Stats. 2004, ch. 700)

For city, county, and city and county law enforcement agencies to report to the Department of Justice, in a manner to be prescribed by the Attorney General, any information that may be required relative to hate crimes:

The following activities are eligible for reimbursement:

1. Extract the information required by the Attorney General relative to hate crimes from existing law enforcement records in order to report the information to the Department of Justice. (Penal Code section 13023 was amended in 2004 to clarify the definition of hate crime as provided in Penal Code section 422.55. (Stats. 2004, ch. 700.)
2. Report to the Department of Justice on an annual and monthly basis, in a manner prescribed by the Attorney General, the information required relative to hate crimes. Reporting may be accomplished electronically via the Hate Crime Analysis, Tracking & Evaluation (HATE) System, manually by submitting the agency crime report, or any other manner prescribed by the Attorney General.

3. Verify information contained in the report or provide an additional explanation about the report when specifically requested by the Department of Justice.

Reimbursement is not required to review and edit every report.

The parameters and guidelines (section IV-Ongoing Activities D. Domestic Violence Related Calls for Assistance) allow ongoing activities related to costs supporting calls with a written incident report and reviewing the report as follows:

D. Domestic Violence Related Calls for Assistance: (Pen. Code, § 13730(a); Stats.1993, ch. 1230)

The following activity, performed by city, county, and city and county law enforcement agencies, is eligible for reimbursement:

1. Support all domestic-violence related calls for assistance with a written incident report.
2. Review and edit the report.

Reimbursement is *not* required to interview parties, complete a booking sheet or restraining order, transport the victim to the hospital, book the perpetrator, or other related activities to enforce a crime and assist the victim.

In addition, reimbursement is *not* required to include the information in the incident report required by Penal Code section 13730(c)(1)(2), based on the Commission decision denying reimbursement for that activity in *Domestic Violence Training and Incident Reporting* (CSM-96-362-01). Reimbursement for including the information in the incident report required by Penal Code section 13730(c)(3) is not provided in these parameters and guidelines and may not be claimed under this program, but is addressed in *Domestic Violence Incident Reports II* (02-TC-18).

#### Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

#### **FINDING 2— Unallowable indirect costs**

The city claimed indirect costs during the audit period totaling \$9,098,905. We found that \$9,052,217 is allowable and \$46,688 is unallowable. The costs are unallowable because the city overstated its indirect cost rates for FY 2007-08; understated its indirect cost rates for FY 2005-06, FY 2010-11, and FY 2011-12; and applied its indirect cost rates to misstated salaries and benefits.

The following table summarizes the claimed, allowable, and the audit adjustment for the indirect costs:

Fiscal Year	Claimed Indirect Cost	Allowable Indirect Cost	Audit Adjustment
Indirect costs:			
2001-02	\$ 761,962	\$ 740,591	\$ (21,371)
2002-03	902,251	872,263	(29,988)
2003-04	1,079,316	1,030,511	(48,805)
2004-05	1,075,123	1,022,865	(52,258)
2005-06	868,105	834,812	(33,293)
2006-07	755,529	758,850	3,321
2007-08	936,743	542,215	(394,528)
2008-09	1,061,166	894,533	(166,633)
2009-10	912,837	1,014,591	101,754
2010-11	737,285	771,408	34,123
2011-12	<u>8,588</u>	<u>569,578</u>	<u>560,990</u>
Total	<u>\$ 9,098,905</u>	<u>\$ 9,052,217</u>	<u>\$ (46,688)</u>

### Indirect Cost Rates Claimed

Indirect cost rates and benefit rates are supported by the annual citywide CAP. The City Controller prepares annual CAPs, which provide details for approved fringe benefit rates and indirect cost rates for each of the city's departments. The rates indicated in each CAP are approved by the U.S. Department of Health and Human Services under the contract with the city's cognizant federal agency, the U.S. Department of Housing and Urban Development.

The city adds up the rates indicated in two forms, the Department Administration and Support rate from the approved CAP and a General City Overhead rate from the State and Local Rate Agreement, to arrive at the claimed rate. The city also included the Field Support rate applicable to all sworn positions in field operations for FY 2001-02 through FY 2009-10. The city calculates rates separately for both civilian and sworn employee positions.

As the city's CAP rates are approved by the federal government, we did not perform any testing to verify the rate calculations. We reviewed supporting documentation for the city's indirect costs for each fiscal year and accepted the rates as supported.

For the audit period, the city used the civilian indirect cost rate for the Homicide Reports cost component and sworn indirect cost rates for the Hate Crime Reports and the Domestic Violence Calls for Assistance costs component.

### Civilian Indirect Cost Rates

For FY 2010-11 and FY 2011-12, the city mistakenly used the prior year indirect cost rate; therefore, the rate was understated by 2.54% in FY 2010-11 and overstated by 1.01% in FY 2011-12.

### Sworn Indirect Costs Rates

For FY 2005-06, the city understated its indirect cost rate by 0.03%.

For FY 2007-08, in the summary, the city shows 34.45% as the Department Administrative Rate. However, the support shows 3.50% (which is the lowest percentage of the audit period). The Department Administrative Rate did not match the city's summary of the claimed rate. We asked the city to clarify this discrepancy, and asked the city for both supporting forms in order to confirm that the summarized rate is correct and supported. The city confirmed, in a prior audit, that the summary sheet was in error and that the Department Administrative rate for FY 2007-08 was actually 3.50%. The error was also noted in this audit.

For FY 2010-11 and FY 2011-12 the city mistakenly used the Department Administrative Rate and the General City Overhead rates from prior years. The city also excluded the "field support rate" applicable to sworn Police Department positions in field operations. Therefore, the city understated the indirect costs rates by 8.20% in FY 2010-11 and 4.28% in FY 2011-12.

The following table summarizes the claimed, allowable, and the audit adjustment for the indirect cost rates:

Civilian Employees				Sworn Employees			
Fiscal Year	Indirect Cost Rate Claimed	Indirect Cost Rate Allowable	Difference	Fiscal Year	Indirect Cost Rate Claimed	Indirect Cost Rate Allowable	Difference
2001-02	29.45%	29.45%	0.00%	2001-02	60.23%	60.23%	0.00%
2002-03	40.34%	40.34%	0.00%	2002-03	70.99%	70.99%	0.00%
2003-04	40.73%	40.73%	0.00%	2003-04	89.41%	89.41%	0.00%
2004-05	34.06%	34.06%	0.00%	2004-05	96.88%	96.88%	0.00%
2005-06	29.34%	29.34%	0.00%	2005-06	80.08%	80.11%	0.03%
2006-07	29.20%	29.20%	0.00%	2006-07	72.36%	72.36%	0.00%
2007-08	35.18%	35.18%	0.00%	2007-08	83.16%	52.21%	-30.95%
2008-09	34.31%	34.31%	0.00%	2008-09	88.51%	88.51%	0.00%
2009-10	23.10%	23.10%	0.00%	2009-10	95.05%	95.05%	0.00%
2010-11	23.10%	25.64%	2.54%	2010-11	71.10%	79.30%	8.20%
2011-12	25.64%	24.63%	-1.01%	2011-12	53.67%	57.95%	4.28%

### Summary of Audit Adjustment

We calculated the allowable indirect cost rates by multiplying the allowable salaries by the allowable benefit rate. We then applied the audited indirect cost rate to the allowable salaries and benefits. We found that the city overstated indirect costs by \$46,688. The audit adjustment for indirect cost rate differences totaled \$196,152. The audit adjustment for applying the indirect cost rate to unallowable and understated salaries and benefits identified in Findings 1 through 4 totaled \$149,464.

The following table summarizes the indirect cost adjustment per fiscal year as described above:

Fiscal Year	Indirect Cost Rate Adjustment	Unallowable Cost Adjustment	Audit Adjustment
Indirect Costs:			
2001-02	\$ -	\$ (21,371)	\$ (21,371)
2002-03	-	(29,988)	(29,988)
2003-04	-	(48,805)	(48,805)
2004-05	-	(52,258)	(52,258)
2005-06	312	(33,605)	(33,293)
2006-07	-	3,321	3,321
2007-08	(318,009)	(76,519)	(394,528)
2008-09	-	(166,633)	(166,633)
2009-10	-	101,754	101,754
2010-11	79,758	(45,635)	34,123
2011-12	41,787	519,203	560,990
Total	\$ (196,152)	\$ 149,464	\$ (46,688)

## Criteria

The parameters and guidelines (section V.B.-Claim Preparation and Submission-Indirect Cost Rates) state:

Indirect costs are costs that are incurred for a common or joint purpose...

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. The distribution base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed

as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

#### Recommendation

We recommend that the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**Attachment—  
City's Response to the  
Exit Conference Findings**

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# LOS ANGELES POLICE DEPARTMENT



**CHARLIE BECK**  
Chief of Police

**ERIC GARCETTI**  
Mayor

P. O. Box 30158  
Los Angeles, Calif. 90030  
Telephone: (213) 486-8550  
TDD No.: (877) 275-5273  
Ref #: 3.5

January 20, 2016

Mr. Jim L. Spano  
Chief, Mandated Cost Audits Bureau  
State Controller's Office  
Division of Audits  
PO Box 942850  
Sacramento, CA 94250-5874

RE: Crime Statistics Reports for the Department of Justice - July 1, 2001 through June 30, 2012

Dear Mr. Spano:

The City of Los Angeles has received and reviewed the Office of State Controller's findings for the Crime Statistics Reports for the Department of Justice (DOJ) state mandated program for the period of July 1, 2001 through June 30, 2012. Our comments on the findings are:

**Finding 1 – Unallowable salaries and benefits:** The City claimed \$15,950,063 in salaries and benefits during the audit period. It was determined that \$16,805,772 is allowable, and that salaries and benefit costs were misstated by \$855,709 (overstated by \$817,141 and understated by \$1,672,850 respectively). The discrepancies with the stated salaries and benefit costs are due to the City misstating the number of homicide reports it reported to the DOJ, the misstating of the number of domestic violence calls for assistance supported with an incident report, the misstating of productive hourly rates, and misstating benefit rates.

**Recommendation:** We recommend that the City ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**Response to Finding 1:** The City agrees with the audit findings and recommendation. However, please note that the cost component related to the understated number of domestic violence related calls for assistance was the result of a clerical error made by our SB 90 consultant and not the staff of the City of Los Angeles.

**Finding 2 - Unallowable indirect costs:** The City claimed indirect costs during the audit period totaling \$9,098,905. It has been determined that \$9,052,217 is allowable and \$46,688 is unallowable. The costs are unallowable due to the City overstating its indirect cost rates for FY 2007-08; understating its indirect cost rates for FY 2005-06, FY 2010-11, and FY 2011- 12; and the City applied its indirect cost rates to misstated salaries and benefits.

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Mr. Jim L. Spano  
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**Finding 2 - Unallowable indirect costs (continued):**

**Recommendation:** We recommend that the City ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

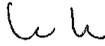
**Response to Finding 2:** The City agrees with the audit finding and recommendation.

Thank you for the opportunity to respond to the exit conference findings held on Monday, January 4, 2016. We appreciate the professionalism and courtesy afforded by State Audit staff throughout the course of the audit.

If there are any questions regarding this letter, please contact Management Analyst II Ian Monteilh at (213) 486-8550.

Very truly yours,

CHARLIE BECK  
Chief of Police



LAURA LUNA, Police Administrator II  
Commanding Officer  
Fiscal Operations Division

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