CITY OF PALMDALE

Audit Report

INTERAGENCY CHILD ABUSE AND NEGLECT INVESTIGATION REPORTS PROGRAM

Penal Code sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) as added and/or amended by various legislations

July 1, 1999, through June 30, 2013

BETTY T. YEE

California State Controller

May 2016

BETTY T. YEE
California State Controller

May 19, 2016

The Honorable James C. Ledford, Jr., Mayor
City of Palmdale
38300 Sierra Highway, Suite A
Palmdale, CA 93550

Dear Mayor Ledford:

The State Controller's Office audited the costs claimed by the City of Palmdale for the legislatively mandated Interagency Child Abuse and Neglect Investigation Reports Program (Penal Code sections 11165.9, 11166, 11166.2, 11166.9, 11168 [formerly 11161.7], 11169, 11170, and 11174.34 [formerly 11166.9] as added and/or amended by various legislations) for the period of July 1, 1999, through June 30, 2013.

The city claimed $5,600,497 for the mandated program. Our audit found that $2,961,652 is allowable and $2,638,845 is unallowable. The costs are unallowable primarily because the city overstated the number of suspected child abuse reports (SCARs) investigated, overstated time increments for each fiscal year, and claimed ineligible indirect costs. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling $2,961,652, contingent upon available appropriations.

This final audit report contains an adjustment to costs previously claimed by the city. If you disagree with the audit finding(s), you may file an Incorrect Reduction Claim (IRC) with the Commission on the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

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: Karen Johnston, CPA, Finance Manager/City Treasurer
City of Palmdale
Mary Halterman, Principal Program Budget Analyst
Local Government Unit, Department of Finance
Danielle Brandon, Staff Finance Budget Analyst
Local Government 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 Palmdale for the legislatively mandated Interagency Child Abuse and Neglect (ICAN) Investigation Reports Program (Penal Code sections 11165.9, 11166, 11166.2, 11166.9, 11168 [formerly 11161.7], 11169, 11170, and 11174.34 [formerly 11166.9] as added and/or amended by various legislations) for the period of July 1, 1999, through June 30, 2013.

The city claimed $5,600,497 for the mandated program. Our audit found that $2,961,652 is allowable and $2,638,845 is unallowable. The costs are unallowable primarily because the city overstated the number of suspected child abuse reports (SCARs) investigated, overstated time increments for each fiscal year, and claimed ineligible indirect costs. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling $2,961,652, contingent upon available appropriations.

Background

Various statutory provisions, Title 11, *California Code of Regulations* Section 903, and the Child Abuse Investigation Report (Form SS 8583) require cities and counties to perform specific duties for reporting child abuse to the state, as well as record-keeping and notification activities that were not required by prior law, thus mandating a new program or higher level of service.

Penal Code sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) were added and/or amended by:

- Statutes of 1977, Chapter 958
- Statutes of 1980, Chapter 1071
- Statutes of 1981, Chapter 435
- Statutes of 1982, Chapters 162 and 905
- Statutes of 1984, Chapters 1423 and 1613
- Statutes of 1985, Chapter 1598
- Statutes of 1986, Chapters 1289 and 1496
- Statutes of 1987, Chapters 82, 531, and 1459
- Statutes of 1988, Chapters 269, 1497, and 1580
- Statutes of 1989, Chapter 153
- Statutes of 1990, Chapters 650, 1330, 1363, and 1603
- Statutes of 1992, Chapters 163, 459, and 1338
- Statutes of 1993, Chapters 219 and 510
- Statutes of 1996, Chapters 1080 and 1081
- Statutes of 1997, Chapters 842, 843, and 844
- Statutes of 1999, Chapters 475 and 1012
- Statutes of 2000, Chapter 916

This program addresses statutory amendments to California's mandatory child abuse reporting laws commonly referred to as ICAN. A child abuse reporting law was first added to the Penal Code in 1963, and initially required medical professionals to report suspected child abuse to local law

enforcement or child welfare authorities. The law was regularly expanded to include more professions required to report suspected child abuse (now termed "mandated reporters"), and in 1980, California reenacted and amended the law, entitling it the "Child Abuse and Neglect Reporting Act," (CANRA). As part of this program, the California Department of Justice (DOJ) maintains a Child Abuse Centralized Index (CACI), which, since 1965, maintains reports of child abuse statewide. A number of changes to the law have occurred, particularly with a reenactment in 1980, and substantive amendments in 1997 and 2000.

The act, as amended, provides for reporting by certain individuals of suspected child abuse or neglect; these individuals are identified by their profession as having frequent contact with children. The act provides rules and procedures for local agencies, including law enforcement, receiving such reports. The act provides for cross-reporting among law enforcement and other child protective agencies, and to licensing agencies and district attorneys' offices. The act requires reporting to the DOJ when a report of suspected child abuse is "not unfounded." The act requires an active investigation before a report can be forwarded to the DOJ. As of January 1, 2012, the act no longer requires law enforcement agencies to report to the DOJ, and now requires reporting only of "substantiated" reports by other agencies. The act imposes additional cross-reporting and recordkeeping duties in the event of a child's death from abuse or neglect. The act requires agencies and the DOJ to keep records of investigations for a minimum of ten years, and to notify suspected child abusers that they have been listed in the CACI. The act imposes certain due process protections owed to persons listed in the index, and provides certain other situations in which a person would be notified of his or her listing in the index.

On December 19, 2007, the Commission on State Mandates (Commission) adopted a statement of decision finding that the test claim statutes impose a partially reimbursable state-mandated program upon local agencies within the meaning of article XIII B, section 6 of the California Constitution and Government Code section 17514. The Commission approved the test claim for the reimbursable activities described in program's parameters and guidelines, section IV, performed by city and county police or sheriff's departments, county welfare departments, county probation departments designated by the county to receive mandated reports, district attorneys' offices, and county licensing agencies. The Commission outlined reimbursable activities relating to the following categories:

- Distributing the suspected child abuse report form;
- Reporting between local departments;
- Reporting to the DOJ;
- Providing notifications following reports to the CACI;
- Retaining records; and
- Complying with due process procedures offered to person listed in CACI.

The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on December 6, 2013. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies 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 ICAN Investigation Reports Program for the period of July 1, 1999, through June 30, 2013.

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.
- Reviewed the city's contract provisions with the agency performing reimbursable activities.
- Interviewed the contracted agency's staff to determine the employee classifications involved in performing the reimbursable activities during the audit period.
- Reviewed and analyzed the SCARs summary reports in each fiscal year and reconciled the reports to claimed information.

- Reviewed the contracted agency's time study documentation to assess whether average time increments claimed to perform the reimbursable activities were reasonable per the requirements of the program.
- Traced contracted hourly rates claimed to supporting worksheets in the city's contract.
- Determined whether indirect costs claimed were properly computed and applied.
- 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 of Palmdale claimed $5,600,497 for costs of the ICAN Investigation Reports Program. Our audit found that $2,961,652 is allowable and $2,638,845 is unallowable. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling $2,961,652, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on March 30, 2016. Karen Johnston, CPA, Finance Director/City Treasurer responded by letter dated April 11, 2016 (Attachment), disagreeing with the audit results. This final audit report includes the city's response.

Restricted Use

This report is solely for the information and use of the City of Palmdale, 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

May 19, 2016

Schedule—
Summary of Program Costs
July 1, 1999, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 1999, through June 30, 2000				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 363	$ 363	$ -	
Cross-reporting from Law Enforcement	2,126	1,778	(348)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	252,063	144,104	(107,959)	Finding 2
Total direct costs	254,552	146,245	(108,307)	
Indirect costs	25,455	-	(25,455)	Finding 3
Total program costs	$ 280,007	146,245	$ (133,762)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 146,245		
July 1, 2000, through June 30, 2001				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 396	$ 396	$ -	
Cross-reporting from Law Enforcement	2,303	1,929	(374)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	274,584	156,811	(117,773)	Finding 2
Total direct costs	277,283	159,136	(118,147)	
Indirect costs	27,728	-	(27,728)	Finding 3
Total program costs	$ 305,011	159,136	$ (145,875)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 159,136		
July 1, 2001, through June 30, 2002				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 427	$ 427	$ -	
Cross-reporting from Law Enforcement	2,509	2,101	(408)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	296,302	169,221	(127,081)	Finding 2
Forward reports to the Departmento of Justice	1,013	-	(1,013)	Finding 2
Total direct costs	300,251	171,749	(128,502)	
Indirect costs	30,025	-	(30,025)	Finding 3
Total program costs	$ 330,276	171,749	$ (158,527)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 171,749		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2002, through June 30, 2003				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 465	$ 465	$ -	
Cross-reporting from Law Enforcement	2,726	2,276	(450)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	322,938	184,533	(138,405)	Finding 2
Total direct costs	326,129	187,274	(138,855)	
Indirect costs	32,614	-	(32,614)	Finding 3
Total program costs	$ 358,743	187,274	$ (171,469)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 187,274		
July 1, 2003, through June 30, 2004				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 503	$ 503	$ -	
Cross-reporting from Law Enforcement	2,963	2,461	(502)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	348,981	199,583	(149,398)	Finding 2
Total direct costs	352,447	202,547	(149,900)	
Indirect costs	35,244	-	(35,244)	Finding 3
Total program costs	$ 387,691	202,547	$ (185,144)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 202,547		
July 1, 2004, through June 30, 2005				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 542	$ 542	$ -	
Cross-reporting from Law Enforcement	3,225	2,840	(385)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	376,392	226,107	(150,285)	Finding 2
Total direct costs	380,159	229,489	(150,670)	
Indirect costs	38,016	-	(38,016)	Finding 3
Total program costs	$ 418,175	229,489	$ (188,686)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 229,489		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2005, through June 30, 2006				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 597	$ 597	$ -	
Cross-reporting from Law Enforcement	3,570	3,170	(400)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	414,802	253,952	(160,850)	Finding 2
Total direct costs	418,969	257,719	(161,250)	
Indirect costs	41,897	-	(41,897)	Finding 3
Total program costs	$ 460,866	257,719	$ (203,147)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 257,719		
July 1, 2006, through June 30, 2007				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 684	$ 684	$ -	
Cross-reporting from Law Enforcement	4,136	3,588	(548)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	476,175	283,619	(192,556)	Finding 2
Total direct costs	480,995	287,891	(193,104)	
Indirect costs	48,100	-	(48,100)	Finding 3
Total program costs	$ 529,095	287,891	$ (241,204)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 287,891		
July 1, 2007, through June 30, 2008				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 770	$ 770	$ -	
Cross-reporting from Law Enforcement	4,653	3,893	(760)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	535,393	308,542	(226,851)	Finding 2
Total direct costs	540,816	313,205	(227,611)	
Indirect costs	54,081	-	(54,081)	Finding 3
Total program costs	$ 594,897	313,205	$ (281,692)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 313,205		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2008, through June 30, 2009				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 705	$ 705	$ -	
Cross-reporting from Law Enforcement	4,261	3,540	(721)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	490,727	280,339	(210,388)	Finding 2
Total direct costs	495,693	284,584	(211,109)	
Indirect costs	49,570	-	(49,570)	Finding 3
Total program costs	$ 545,263	284,584	$ (260,679)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 284,584		
July 1, 2009, through June 30, 2010				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 811	$ 811	$ -	
Cross-reporting from Law Enforcement	4,880	4,290	(590)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	563,760	338,718	(225,042)	Finding 2
Total direct costs	569,451	343,819	(225,632)	
Indirect costs	56,945	-	(56,945)	Finding 3
Total program costs	$ 626,396	343,819	$ (282,577)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 343,819		
July 1, 2010, through June 30, 2011				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 602	$ 602	$ -	
Cross-reporting from Law Enforcement	3,653	3,281	(372)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	419,220	257,026	(162,194)	Finding 2
Total direct costs	423,475	260,909	(162,566)	
Indirect costs	42,347	-	(42,347)	Finding 3
Total program costs	$ 465,822	260,909	$ (204,913)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 260,909		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2011, through June 30, 2012				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 596	$ 596	$ -	
Cross-reporting from Law Enforcement	3,600	3,143	(457)	Finding 1
Reporting to the State Department of Justice:				
Complete an investigation	183,946	110,563	(73,383)	Finding 2
Total direct costs	188,142	114,302	(73,840)	
Indirect costs	18,814	-	(18,814)	Finding 3
Total program costs	$ 206,956	114,302	$ (92,654)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 114,302		
July 1, 2012, through June 30, 2013				
Direct costs - contract services:				
Reporting between local departments:				
Referring initial child abuse reports	$ 469	$ 469	$ -	
Cross-reporting from Law Enforcement	82,530	2,314	(80,216)	Finding 1
Total direct costs	82,999	2,783	(80,216)	
Indirect costs	8,300	-	(8,300)	Finding 3
Total program costs	$ 91,299	2,783	$ (88,516)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 2,783		
Summary: July 1, 1999, through June 30, 2013				
Direct costs - contract services:				
Reporting between local departments				
Referring initial child abuse reports	$ 7,930	$ 7,930	$ -	
Cross-reporting from Law Enforcement	127,135	40,604	(86,531)	Finding 1
Reporting to the State Department of Justice				
Complete an investigation	4,955,283	2,913,118	(2,042,165)	Finding 2
Forward reports to the Departmento of Justice	1,013	-	(1,013)	Finding 2
Total direct costs	5,091,361	2,961,652	(2,129,709)	
Indirect costs	509,136	-	(509,136)	Finding 3
Total program costs	$ 5,600,497	2,961,652	$(2,638,845)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$2,961,652		

[1] See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1—Unallowable contract service costs – Reporting between Local Departments

The city claimed $135,065 for contract services for the Reporting between Local Departments cost component during the audit period. Of the total amount claimed within this cost component, $127,135 was claimed within the Cross-Reporting from Law Enforcement Agency component activity and $7,930 was claimed within the Accept and Refer Initial Child Abuse Reports component activity.

Of the $135,065 claimed, we found that $48,534 is allowable and $86,531 is unallowable. Costs claimed are unallowable because the city overstated the number of Suspected Child Abuse Reports (SCAR) it cross-reported from the law enforcement agency for each fiscal year and misstated the time increment per SCAR cross-reported in fiscal year (FY) 2012-13. All costs within the Accept and Refer Initial Child Abuse Reports component activity totaling $7,930 were allowable.

The following table summarizes the claimed, allowable, and audit adjustment for the ongoing costs related to the Reporting between Local Departments cost component:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	$ 2,489	$ 2,141	$ (348)
2000-01	2,699	2,325	(374)
2001-02	2,936	2,528	(408)
2002-03	3,191	2,741	(450)
2003-04	3,466	2,964	(502)
2004-05	3,767	3,382	(385)
2005-06	4,167	3,767	(400)
2006-07	4,820	4,272	(548)
2007-08	5,423	4,663	(760)
2008-09	4,966	4,245	(721)
2009-10	5,691	5,101	(590)
2010-11	4,255	3,883	(372)
2011-12	4,196	3,739	(457)
2012-13	82,999	2,783	(80,216)
Total	$ 135,065	$ 48,534	$ (86,531)

Contract Service Costs

The city contracts with the Los Angeles County Sheriff's Department (LASD) to perform all law enforcement duties for the city. These duties include ICAN investigation and cross-reporting activities that are allowable under this program. The city purchases various LASD staff positions (i.e. Deputy and Sergeant) each fiscal period and pays the LASD annual contract rates for the purchased positions. None of the city staff members performed any of the reimbursable activities under this program.

The city determined hours claimed by multiplying the number of SCARs cross-reported by the LASD by the estimated time taken to perform the activity. The city determined total costs claimed by multiplying total hours by the respective LASD contract hourly rates.

Number of SCARs Cross-Reported from LASD

Claimed

We found that the city estimated the number of SCARs cross-reported for each fiscal year claimed. The city estimated the number of SCARs cross-reported for FY 1999-2000 through FY 2011-12 by multiplying the number of total SCARs found within the child abuse investigation summary reports provided by the LASD by a flat 10% rate. The 10% rate was applied to estimate the total number of law enforcement agency (LEA) generated SCARs. For FY 2012-13, the city used the entire amount of SCAR investigations found within the LASD summary reports to claim costs.

Allowable

Based on the procedures in place during the audit period, we found that the LASD did not cross-report every SCAR received during the audit period. Furthermore, we found that the only cross-reporting activities eligible for reimbursement were the cross-reporting of LEA-generated SCARs to County Welfare and the District Attorney's Office. We reviewed the LASD summary reports and the city's estimated LEA generated rate of 10% to determine the accuracy of the claimed number of SCARs cross-reported.

Our audit found that the city did not provide sufficient documentation to support the LASD summary reports. As a result, we requested that the city have the LASD re-run the reports and provide sufficient detail in a testable format. The LASD provided updated summary reports from its Los Angeles Regional Crime Information System (LARCIS). We reconciled the updated summary reports to the reports used within the claim and found that the city overstated the number of total SCARs for each fiscal year. Furthermore, we determined that the city overstated the rate of LEA generated SCARs. Using the county's Electronic Suspected Child Abuse Report System (E-SCARS), we determined the annual rate of LEA generated SCARs to be 9.5%.

We determined the allowable number of SCARs cross-reported by multiplying the number of SCARs within the updated LASD summary reports by the audited 9.5% rate for each fiscal year.

The following table summarizes the number of cross-reported SCARs claimed, allowable, and unallowable by fiscal year:

Fiscal Year	SCARs Claimed	SCARs Allowable	Audit Adjustment
1999-2000	87.30	73.00	(14.30)
2000-01	91.90	77.00	(14.90)
2001-02	96.70	81.00	(15.70)
2002-03	101.80	85.00	(16.80)
2003-04	107.20	89.00	(18.20)
2004-05	114.70	101.00	(13.70)
2005-06	119.40	106.00	(13.40)
2006-07	130.30	113.00	(17.30)
2007-08	136.30	114.00	(22.30)
2008-09	119.20	99.00	(20.20)
2009-10	133.10	117.00	(16.10)
2010-11	99.10	89.00	(10.10)
2011-12	52.90	83.00	30.10
2012-13	72.30	60.00	(12.30)

Time Increment per SCAR Cross-Reported

Claimed

For each fiscal year, the city estimated the time needed to cross-report child abuse reports to County Welfare and the District Attorney's Office. For FY 1999-2000 through FY 2011-12, the city estimated it took 20 minutes (0.33 hours) to cross-report each SCAR. The 20 minutes were divided evenly between the 56-hour deputy and sergeant classifications. For FY 2012-13, the city estimated it took 56 minutes (0.94 hours) to cross-report each SCAR.

Allowable

We determined that the city did not provide sufficient documentation to support the 0.33 or 0.94 hour time increments claimed. However, after discussions with LASD staff responsible for cross-reporting SCARs, we found the 0.33 time increment to be a reasonable representation of the actual time needed to perform the allowable cross-reporting duties. As a result, we determined that the 0.33 time increment was allowable.

The following table summarizes the time increments claimed, allowable, and unallowable by fiscal year:

Classification	Time Increment Claimed	Time Increment Allowable	Audit Adjustment
FY 99-00 through FY 11-12			
56-Hour Deputy	0.165	0.165	-
Sergeant	0.165	0.165	-
Sub-Total	0.330	0.330	-
FY 2012-13			
56-Hour Deputy	0.74	0.165	(0.58)
Sergeant	0.20	0.165	(0.03)
Sub-Total	0.94	0.330	(0.61)

Summary of Audit Adjustment

We calculated the allowable hours by multiplying the allowable number of SCARs cross-reported by the allowable time increment per SCAR. We then applied the audited hourly contract rates to the allowable hours of each classification. After our recalculation of allowable costs, we found that the city overstated contract service costs totaling $86,531 for the audit period.

Criteria

The parameters and guidelines (section IV-Reimbursable Activities) state that, for salaries and benefits, claimed costs must 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.A.3 – Claim Preparation and Submission) state that, for contracted services costs the claimant must report the name of the contractor and services performed to implement the reimbursable activities. The parameters and guidelines state, in part, that:

> Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

The parameters and guidelines (section IV.B.2.a) allow ongoing activities related to costs for accepting and referring initial child abuse reports, as follows:

a. Accepting and Referring Initial Child Abuse Reports when a Department Lacks Jurisdiction:

City and county police or sheriff's departments, county probation departments if designated by the county to receive mandated reports, and county welfare departments shall:

Transfer a call electronically or immediately refer the case by telephone, fax, or electronic transmission, to an agency with proper jurisdiction, whenever the department lacks subject matter or geographical jurisdiction over an incoming report of suspected child abuse or neglect.

The parameters and guidelines (section IV.B.2.c) allow ongoing activities related to costs for reporting between local departments, as follows:

c. Cross-reporting of suspected child abuse report from the Law Enforcement agency to the County Welfare and Institutions Code Section 300 Agency, County Welfare, and District Attorney's Office:

City and county police or sheriff's departments shall:

1) Report by telephone immediately, or as soon as practically possible, to the agency given responsibility for investigation of cases under Welfare and Institutions Code section 300 and to the district attorney's office every known or suspected child abuse reported to it, except acts or omissions coming within Penal Code section 11165.2(b), which shall be reported only to the county welfare department (Penal Code section 11166(i) (As added by Stats. 1980, ch. 1071; amended by Stats. 1981, ch. 435; Stats. 1982, ch. 905; Stats. 1984, ch. 1423; Stats. 1986, ch. 1289; Stats. 1987, ch. 1459; Stats. 1988, chs. 269 and 1580; Stats. 1990, ch. 1603; Stats. 1992, ch. 459; Stats. 1993, ch. 510; Stats. 1996, chs. 1080 and 1081; and Stats. 2000, ch. 916 (AB 1241)). Renumbered at subdivision (j) by Statutes 2004, chapter 842 (SB 1313), and renumbered again at subdivision (k) by Statutes 2005, chapter 42 (AB 299)).

2) Report to the county welfare department every known or suspected instance of child abuse reported to it which is alleged to have occurred as a result of the action of a person responsible for the child's welfare, or as the result of the failure of a person responsible for the child's welfare to adequately protect the minor from abuse when the person responsible for the child's welfare knew or reasonably should have known that the minor was in danger of abuse.

3) Send a written report thereof within 36 hours of receiving the information concerning the incident to any agency to which it is required to make a telephone report under Penal Code section 11166.

> As of January 1, 2006, initial reports may be made by fax or electronic transmission, instead of by telephone, and will satisfy the requirement for a written report within 36 hours (Ibid).

Recommendation

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

City's Response

The city did not comment on this finding.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 2—Unallowable contract service costs – Reporting to the State Department of Justice

The city claimed $4,956,296 for contract services costs under the Reporting to the California Department of Justice (DOJ) cost component. Of the total amount claimed within this cost component, $4,955,283 was claimed within the Complete an Investigation component activity and $1,013 was claimed within the Forward Reports to the DOJ component activity.

Of the $4,956,296 claimed, we found that $2,913,118 is allowable and $2,043,178 is unallowable. Costs claimed are unallowable primarily because the city overstated the number of SCAR investigations and misstated the time increment per SCAR investigation for the Complete an Investigation component activity for each fiscal year. Furthermore, the city erroneously claimed costs under the Forward Reports to the DOJ component activity in FY 2001-02.

The following table summarizes the claimed, allowable, and audit adjustment for the ongoing costs related to the Reporting to the State DOJ cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	$ 252,063	$ 144,104	$ (107,959)
2000-01	274,584	156,811	(117,773)
2001-02	297,315	169,221	(128,094)
2002-03	322,938	184,533	(138,405)
2003-04	348,981	199,583	(149,398)
2004-05	376,392	226,107	(150,285)
2005-06	414,802	253,952	(160,850)
2006-07	476,175	283,619	(192,556)
2007-08	535,393	308,542	(226,851)
2008-09	490,727	280,339	(210,388)
2009-10	563,760	338,718	(225,042)
2010-11	419,220	257,026	(162,194)
2011-12	183,946	110,563	(73,383)
2012-13	-	-	-
Total	$ 4,956,296	$ 2,913,118	$ (2,043,178)

Contract Service Costs

The city contracts with the LASD to perform all law enforcement duties for the city. These duties include ICAN investigation and cross-reporting activities that are allowable under this program. The city purchases various LASD staff positions (i.e. Deputy and Sergeant) each fiscal year and pays the LASD contract rates for the purchased positions. None of the city staff members performed any of the reimbursable activities under this program.

The city determined claimed hours by multiplying the number of SCARs investigations performed by the LASD by the estimated time increment to perform the activity. The city determined total costs claimed by multiplying total hours by the respective LASD contract hourly rates.

Number of SCARs Investigated

Claimed

The city determined the total number of SCAR investigations per fiscal year from summary reports created by the LASD. The city claimed all SCAR investigations reported within the LASD summary reports that occurred within the city limits. The city did not exclude SCARs initiated by the LASD as the mandated reporter.

Allowable

We found that the city did not provide sufficient documentation to support the LASD summary reports used within the claim. As a result, we requested that the city have the LASD re-run the reports and provide sufficient detail concerning each SCAR in a testable format. The LASD provided updated summary reports from LARCIS. Once we obtained the updated report detail, we reconciled the updated summary reports to the initial reports used within the claim and found that the city overstated the number of total SCAR investigations for each fiscal year. Furthermore, the city did not exclude unallowable law enforcement agency (LEA)–generated SCARs where an LASD deputy was the mandated reporter.

The city did not provide sufficient documentation to support the number of LEA–generated cases for each fiscal year under audit. To determine the number of LEA–generated SCARs unallowable for reimbursement, we used summary reports generated from the county's E-SCARS database. We calculated an average annual LEA percentage of 9.5% by dividing the total number of LEA–generated SCARs by the total number of SCARs reported within the E-SCARS system. We then applied this rate to the total number of SCARs within the LARCIS summary reports to determine the number of unallowable LEA–generated SCARs for each fiscal year. We then deducted the unallowable SCARs from the total number of supported SCARs to determine the amount of total allowable SCARs for each fiscal year.

The following table summarizes the number of SCAR investigations claimed, allowable and unallowable by fiscal year:

Fiscal Year	SCARs Claimed	SCARs Supported	Unallowable LEA SCARs	SCARs Allowed	Difference
	(a)	(b)	(c) = (b) * 9.5%	(d) = (b) - (c)	(e) = (d) - (a)
1999-2000	873	767	73	694	(179)
2000-01	919	807	77	730	(189)
2001-02	967	849	81	768	(199)
2002-03	1,018	894	85	809	(209)
2003-04	1,072	941	89	852	(220)
2004-05	1,147	1,058	101	957	(190)
2005-06	1,194	1,121	106	1,015	(179)
2006-07	1,303	1,190	113	1,077	(226)
2007-08	1,363	1,204	114	1,090	(273)
2008-09	1,192	1,044	99	945	(247)
2009-10	1,331	1,227	117	1,110	(221)
2010-11	991	932	89	843	(148)
2011-12	422	389	37	352	(70)
2012-13	-	-	-	-	-

Time Increments

Claimed

For purposes of preparing its claim, the city requested that staff at the LASD Palmdale Station conduct a time study to record the amount of time needed to perform each SCAR investigation. The city established the guidelines for the time study and the LASD performed two time studies recording the activities performed. The time studies recorded time within three main activities: investigation, report writing, and supervisor review. The city analyzed both time studies and determined that 3.67 hours were needed to perform the claimed activities under this cost component.

Allowable

We discussed the city's claim procedures with key personnel within the LASD to determine the reasonableness and accuracy of the time studies performed. Upon completion of our discussions and a review of the supporting documentation, we found that the first time study was not appropriate to support claimed costs. The first time study was not performed contemporaneously as the activities were completed. The time study also was not performed by staff members who completed the actual activities. Moreover, it included time estimates rather than actual time and used a sample of cases that were not representative of the total population of SCAR investigations.

Furthermore, during our discussions with the city and the LASD staff, we determined that the second time study performed included one SCAR investigation with unallowable investigation activities. We determined the results of the second time study would be appropriate to use with the exception of the one investigation which included unallowable activities. We removed the time of the unallowable investigation and calculated a new average time increment of 2.65 hours.

To verify the reasonableness of the 2.65 hour time increment, we conducted a time survey including both LASD deputies who are assigned to SCAR investigations within the Palmdale Station. Our time survey resulted in a range of 2.29 hours to 2.71 hours to complete eligible investigation activities. As the 2.65 hours determined from the second time study fell within the survey range, we determined that the time documented within the second time study (less the unallowable investigation) was a reasonable representation of the time needed to perform allowable activities for this component.

The following table summarizes the claimed, allowable, and unallowable time increments:

Classification	Time Increment Claimed	Time Increment Allowable	Audit Adjustment
56-Hour Deputy	3.50	2.45	(1.05)
Sergeant	0.17	0.20	0.03
Total	3.67	2.65	(1.02)

Summary of Audit Adjustment

We calculated the allowable hours by multiplying the allowable number of SCAR investigations by the allowable time increment per SCAR. We then applied the audited hourly contract rates to the allowable hours of each classification to determine allowable costs. We found that the city overstated contract service costs by $2,042,165 under the Complete an Investigation component for the audit period. Furthermore, we found that in FY 2001-02, the city erroneously claimed costs totaling $1,013 within the Forward Reports to the DOJ component that were unallowable.

Of the $4,956,196 for contract services claimed for the Reporting to the State DOJ cost component, we found that $2,913,118 is allowable and $2,043,178 is unallowable for the audit period.

Criteria

The parameters and guidelines (section IV-Reimbursable Activities) state that, for contract service costs the claimed costs must 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.A.3 – Claim Preparation and Submission) state that, for contracted services costs, the claimant must report the name of the contractor and services performed to implement the reimbursable activities. The parameters and guidelines state, in part, that:

> Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

The parameters and guidelines (section IV.B.3.a.1) allow ongoing activities related to costs for reporting to the State DOJ for the following reimbursable activities:

> From July 1, 1999 to December 31, 2011, city and county police and sheriff's departments, count probation departments if designated by the county to receive mandated reports, and county welfare departments shall: (Pursuant to amendments to Penal Code section 11169(b) enacted by Statutes 2011, chapter 468 (AB 717), the mandate to report to DOJ for law enforcement agencies only ends on January 1, 2012. In addition, the duty for all other affected agencies is modified to exclude an "inconclusive" report.)
>
> 1. <u>Complete an investigation for purposes of preparing the report</u>
>
> Complete an investigation to determine whether a report of suspected child abuse or severe neglect is unfounded, substantiated, or inconclusive, as defined in Penal Code section 11165.12, for purposes of preparing and submitting the state "Child Abuse Investigation Report" Form SS 8583, or subsequent designated form, to the Department of Justice. (Penal Code section 11169(a) (Stats. 1997, ch 842, §5 (SB 644); Stats. 2000, ch. 916 (AB 1241); Stats. 2011, ch. 468, § 2 (AB 717)); Code of Regulations, Title 11, section 903; "Child Abuse Investigation Report" Form SS 8583.) Except as provided in paragraph below, this activity includes review of the initial Suspected Child Abuse Report (Form 8572), conducting initial interviews with parents, victims, suspects, or witnesses, where applicable, and making a report of the findings of those interviews, which may be reviewed by a supervisor.
>
> ***Reimbursement is not requested in the following circumstances:***
>
> i. Investigate activities conducted by a mandated reporter to complete the Suspected Child Abuse Report (Form SS 8572) pursuant to Penal Code section 11166(a).
>
> ii. In the event that the mandated reporter is employed by the same child protective agency required to investigate and submit the "Child Abuse Investigation Report" Form SS 8583 or subsequent designated form to the Department of Justice, pursuant to Penal Code section 11169(a), reimbursement is not required if the investigation required to complete the form SS 8572 is also

> sufficient to make the determination required under section 11169(a), and sufficient to complete the essential information items required on the Form SS 8583, pursuant to Code of Regulations, title 11, section 903 (Register 98, No. 29).
>
> iii. Investigate activities undertaken subsequent o the determination whether a report of suspected child abuse is substantiated, inconclusive, or unfounded, as defined in Penal Code section 11165.12, for purposes of preparing the Form SS 8583, including the collection of physical evidence, the referral to a child abuse investigator, and the conduct of follow-up interviews.

The parameters and guidelines (section IV.B.3.a.2) allow ongoing activities related to costs for reporting to the State DOJ for the following reimbursable activities:

> Prepare and submit to the Department of Justice a report in writing of every case it investigates of known or suspected child abuse or severe neglect which is determined to be substantiated or inconclusive, as defined in Penal Code section 11165.12. Unfounded reports, as defined in Penal Code section 11165.12, shall not be filed with the Department of Justice. If a report has previously been filed which subsequently proves to be unfounded, the Department of Justice shall be notified in writing of that fact. The reports required by this section shall be in a form approved by the Department of Justice (currently form 8583) and may be sent by fax or electronic transmission.
>
> This activity includes costs of preparing and submitting an amended report to DOJ, when the submitting agency changes a prior finding of substantiated or inconclusive to a finding of unfounded or from inconclusive or unfounded to substantiated.
>
> ***Reimbursement is not required for the costs of the investigation required to make the determination to file an amended report.***

Recommendation

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

City's Response

> The City of Palmdale disagrees with the State Controller's Office (SCO) contention that the "time increment per SCAR investigation was misstated."
>
> The Sheriff staff at the City of Palmdale conducted two time studies over a two year time period in order to prepare the claims for the State reimbursement. The first time study was not contemporaneous, but the time records were actuals derived from actual CAD logs and case files to determine the time spent as accurately as possible. To ensure the times were accurate, the following year, the City conducted a second, contemporaneous time study. Both time studies yielded similar results, however, the second time study did not detail each activity separately and we believe it did not include report writing time which should have added an additional hour per case for a total of 3.67 hours to complete the investigation as mandated and write the report. The State is allowing 2.65 hours per case for the preliminary investigation and report writing.

The City offered to conduct another time study to support their time requested, however the SCO declined to consider this option stating that they believed that the difference in time was due to a disagreement regarding allowing activities, which would not be remedied by conducting another time study.

Specifically, the SCO and City disagree on the eligibility of certain activities the Deputy performs in the course of their preliminary investigation to determine if the case is Founded, Unfounded, or Inconclusive as mandated. The City believes that the following activities fall within the scope of what is reimbursable:

1) The Palmdale Sheriff office takes cases of child abuse very seriously and is very thorough in their investigation of these types of cases, particularly since there have been a number of cases of child death in the city.

   Prior to the Deputy going out on scene to conduct interviews, the Deputy will typically review prior call history (such as prior child abuse reports, suspect background checks, etc.) to determine if there were prior allegations of abuse made against that child, and if so, to review and familiarize themselves with the history of the case. In some cases they will call talk to the Department of Children and Family Services (DCFS). These activities were found to take an average of approximately 15 minutes per case.

   The Department finds this step critical to understanding the circumstances of the case. This improves the overall efficiency and effectiveness in conducting the child abuse investigation. This is a part of the Palmdale Sheriff station's actual process for conducting their preliminary investigation to properly determine if the case is founded, unfounded, or inconclusive.

   The SCO found that this activity was not eligible. We disagree and request restoration of this activity for an additional 15 minutes per case.

2) The Deputy will often call to schedule the interviews with required parties. This activity appears to be unique to Palmdale and believe the reason for this is that the incorporated city area covers over 20 square miles in the high desert. Driving to and from locations can be very time consuming and wasteful of Deputy time and resources. Therefore the Deputy often calls the school to see if the child is present before driving to the location to conduct the interview(s). The same applies to many of the other witnesses and suspects the deputy must interview.

   This activity is part of their actual preliminary investigative process and therefore should be reimbursed as the State Mandate instructions required the reimbursement of actual costs. This activity was found to take an average of 5-10 minutes to call and schedule interviews per individual. On average, 5 individuals are interviewed in an investigation. Approximately 40 minutes per case was claimed and disallowed for this activity. We disagree with this reduction and believe that it should be reimbursed as it is a part of the standard procedure of the Palmdale Sheriff's office to conduct their preliminary investigation in order to determine if the cases is founded, unfounded, or inconclusive. State Instructions required the reimbursement of actual costs.

It is important to note that drive time to interviews was NOT claimed by the City. This time alone would have added substantial costs to the claim given the geography of the city. The time to make phone calls to verify the location of the parties minimize driving and deputy hours is much more efficient then driving repeatedly to locations in hopes that the individuals are available at the time of the deputy's visit. This is a part of their actual process, is reasonable, and should be reimbursed.

We disagree with the disallowance of this activity and request the restoration of approximately 40 minutes per case of time for this activity.

3) A final item of dispute is whether or not the time for the Deputy to inspect the home of the alleged victim of child abuse to determine if this child is being neglected is an eligible activity. The Sheriff's Office contends that for many cases, particularly those alleging child neglect, inspecting the home is a necessary activity in the investigative process to determine if the report is founded or unfounded. An investigator cannot rely on the word of others to assess the living conditions of the child when their health and safety is in question. The officer has the duty to perform an inspection to ascertain appropriate living conditions, such as the availability of food in the home, running water, proper sanitation, etc.

   It is estimated that this brief inspected added approximately 6 minutes to the time claimed per case. This time does NOT include the gathering or collection of evidence or other documentation for criminal prosecution, but is simply to determine if the case was founded or unfounded.

   We request the 6 minutes per case claimed for this activity be restored.

Mandate guidelines require the State reimburse local agencies for the actual costs of complying with the mandated statutes. Agencies are allowed some latitude in determining how to best comply with the mandate as State mandate law requires the payment of actual costs incurred. Each agency much have some flexibility to determine how to comply with mandates in the most effective and efficient manner. We believe our procedure is reasonable and minimized deputy time spent per case, while maximizing the efficient and accurately outcome of these investigations.

The Statement of Decision provides an explanation of the Commissions reasoning that their intent was to clarify that activities performed **after** the determination of whether the child abuse case was founded, unfounded, or inconclusive were **not** reimbursable. Conversely, the preliminary investigation activities performed to make the determination of founded, unfounded, or inconclusive **were eligible** for reimbursement.

All the activities discussed above and claimed by Palmdale took place in the preliminary investigative process, were necessary steps in determining if the case was founded, unfounded, or inconclusive, and were not performed after that determination was made. As such, we believe these activities fall within the scope of what is reimbursable and request reinstatement of these costs.

SCO's Comment

The finding and recommendation remain unchanged.

The city's comments address three key areas: time study, report writing activity, and additional preliminary investigation activities for which the city requests reimbursement. Our comments will address these three areas.

Time Study

During audit fieldwork, we reviewed both time studies performed by the city. The first time study was not performed contemporaneously nor was it performed by the deputies who performed the allowable activities. The second time study was performed contemporaneously by deputies who performed the eligible activities. However, the time study included one case with unallowable hours that accounted for activities following the determination of a substantiated status of child abuse. We did accept the second time study results, less the one case that included the unallowable time. The average time per case, using the second time study results (less the unallowable hours of one case), totaled 2.65 hours.

To verify this time increment, we interviewed the deputies responsible for performing ICAN investigations. We conducted time surveys with the deputies. The deputies' answers on the time survey questionnaires resulted in time increments ranging from 2.29 hours to 2.71 hours. As the average 2.65 hours determined from the second time study fell within this range, we accepted the 2.65 hour time increment from the second time study.

In its response to the draft report, the city stated that it offered to perform a third time study during the audit process and that the SCO declined to consider this option. We disagree with this statement. The city suggested that it perform the third time study after all fieldwork was completed and the allowable costs were identified. Audit fieldwork already included the review of activities recorded in the first two time studies and a time survey questionnaire given to the deputies who performed the activities. Apart from the city requesting the time study to include activities already determined to be unallowable, we declined the third time study request because the results would be redundant.

Report Writing Activity

In its response, the city stated that "the second time study did not detail each activity separately and we believe it did not include report writing time which should have added an additional hour per case…" We disagree.

The second time study recorded time spent performing four activities. It did not separately identify the time for each activity. The time study noted total hours per case and listed which activities were performed for each case. For each investigation included in the time study, the deputies would mark which of the following four activities were performed:

1. Initial response to begin documentation of case and to contact County Welfare.

2. Complete an investigation to determine whether a report is unfounded, substantiated, or inconclusive.

3. Prepare a written report for every case investigated of known or suspected child abuse.

4. Review and approval of report.

The city's statement that the report writing time was not included in the second time study is incorrect. Activity 3 above, prepare a written report, was in fact recorded by the deputies in a number of investigations within the time study. The report writing time is part of the 2.65 hour average time increment allowable in this audit.

Additional Preliminary Investigation Activities Requested

Within its response, the city believes that the time needed to perform the following three additional activities is allowable for reimbursement under the mandated program:

1. Reviewing of prior case history, reports, and background checks (15 minutes)

2. Making calls to schedule interviews (40 minutes)

3. Inspecting home and living conditions during preliminary interview time (6 minutes)

Our responses will discuss only the first two activities detailed above, as the time for deputies to inspect the home (6.25 minutes, based on deputy interviews) was included within the time survey questionnaire results.

We agree that the deputies perform many additional activities necessary to complete their investigations. However, not all activities within the investigation process are allowable for reimbursement, even when they appear reasonably necessary. We believe that the preliminary investigation activities described above in items 1 and 2 go beyond the scope of the reimbursable component and therefore are unallowable.

The program's parameters and guidelines (section IV.B.3.1) allow reimbursement of the actual costs incurred to review the initial SCARs, conduct initial interviews with involved parties, and make a report of the findings of those interviews. All of these activities are already allowable within the 2.65 hour average calculated during audit fieldwork.

The Commission on State Mandates (Commission) clarified multiple times in its statement of decision that the activities outside of those listed in the parameters and guidelines are not reimbursable.

The Commission states in its statement of decision (page 35):

> …interviews with suspect(s), victim(s), and witness(es) conducted by county welfare departments are sufficient to comply with the mandated, and that law enforcement activities are reimbursable only to the same extent. The claimant has requested reimbursement, as discussed above, for much more extensive investigation normally pursued by law enforcement agencies, whether the investigation results in a finding of no child abuse, or a finding that the suspected child abuse is substantiated…..the Commission finds that a patrol officer's (or county probation or county welfare employee's) interview with the child, parents, siblings, witnesses, and/or suspect(s), are preliminary report of the findings, including supervisory review, constitute the maximum extent of investigation necessary to make the determination whether to forward the report to DOJ, and to make the report retainable.

The Commission also states in its statement of decision (page 33):

> ….the scope of investigation is limited to the degree of investigation that DOJ has allowed to constitute a 'retainable report;' in other words, the *minimum* degree of investigation that is sufficient to complete the reporting requirement is the *maximum* degree of investigation reimbursable under the test claim statute…

The city is partially correct that the "mandate guidelines require the State reimburse local agencies for the actual costs of complying with the mandated statutes." The city can claim reimbursement of only those actual costs that were incurred to perform reimbursable activities. However, the city is requesting reimbursement for costs that go beyond allowable activities listed in the program's criteria.

Neither the statement of decision nor parameters and guidelines include as reimbursable costs any other additional investigative activities aside from the ones already allowable in the audit. We have no doubt that the Palmdale Sheriff's Station takes cases of suspected child abuse very seriously, as the city states in its response. However, the additional investigative and preliminary planning activities requested by the city are unallowable.

The Commission stated on page 30 of its statement of decision that the investigation approved in the test claim is limited to the extent required to complete the Child Abuse Investigation Report (Form SS 8583). All other activities not pled in the original test claim would require a new test claim decision. If the city believes the additional preliminary investigation activities are reasonably necessary, the city would need to file a new test claim or an amendment to the current program with the Commission.

FINDING 3—Unallowable indirect costs

The city claimed $509,136 for indirect costs during the audit period. We found that the entire $509,136 claimed is unallowable. Indirect costs claimed are unallowable because the city inappropriately applied its indirect cost rate to contract service costs.

The parameters and guidelines allow claimants to use either a flat 10% indirect cost rate against direct labor or prepare an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10%. For each fiscal year, the city elected to claim the flat 10% rate. However, the city did not incur any direct labor costs in any fiscal year.

As discussed in Findings 1 and 2, the city staff does not perform any of the eligible activities listed within the parameters and guidelines. The city contracts with the LASD to perform all law enforcement activities including allowable activities for this mandated program. We determined the entire amount of costs claimed by the city were contract service costs and not direct labor costs. As a result, the city inappropriately applied the 10% indirect cost rate against the direct contract service costs and the entire amount of indirect costs claimed were determined to be unallowable for reimbursement.

The following table summarizes the claimed, allowable, and unallowable indirect costs by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	$ 25,455	$ -	$ (25,455)
2000-01	27,728	-	(27,728)
2001-02	30,025	-	(30,025)
2002-03	32,614	-	(32,614)
2003-04	35,244	-	(35,244)
2004-05	38,016	-	(38,016)
2005-06	41,897	-	(41,897)
2006-07	48,100	-	(48,100)
2007-08	54,081	-	(54,081)
2008-09	49,570	-	(49,570)
2009-10	56,945	-	(56,945)
2010-11	42,347	-	(42,347)
2011-12	18,814	-	(18,814)
2012-13	8,300	-	(8,300)
Total	$ 509,136	$ -	$ (509,136)

Criteria

The parameters and guidelines (section V-Claim Preparation and Submission) state that claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an ICRP if the indirect cost rate claimed exceeds 10%. The parameters and guidelines (section V.B – Indirect Cost Rates) state, in part, that:

> Indirect costs are costs that are incurred for a common or joint purpose, benefitting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include both: (1) overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedures 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%.

Recommendation

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

City's Response

The SCO denied the inclusion of the default 10% overhead costs to the City's claim for reimbursement allowed by the claiming instructions. The SCO auditor stated that there is already adequate overhead included in the contracted county billed hourly rates of the Deputy and Sergeant. They also contend that direct labor costs are not claimed – only contract costs, which are not subject to the ICRP.

The City disagrees with the SCO's contention that direct labor costs were not claimed. Direct labor costs were claimed, as can be seen in our claim forms. The hourly rate charged, includes benefits and some (not all) overhead as billed by the County for the Deputy and Sergeant positions.

Whether it is a contract deputy or an in-house police officer performing the mandated activities, actual overhead costs incurred by the local agency must be reimbursed as required by State Mandate guidelines. The SCO allowed some, but not all overhead incurred.

Additional Overhead incurred within the contract:

Every county has different methods for charging for their services. Most bill overhead separately as each city has some flexibility as to what and how many positions of each type they wish to purchase each fiscal year. Los Angeles County has a hybrid method of billing for their services. Most of the overhead charges are included in the cost of each Deputy contract rate. This overhead includes services such as dispatch, special unit services (homicide, sexual crimes, forensics, etc.), equipment, and other overhead positions such as a base level of administrative and clerical support.

In addition to this minimum level of overhead built into the sworn staff rates, each city has the option of purchasing additional supplemental overhead positions to their contract if they require additional support. Each fiscal year, the City purchased additional supplemental overhead positions through the contract, including Station Clerks, Administrative and Motor Sergeants (in addition to the Sergeants who were already built into the standard billing rates). These positions provide an added level of administrative support dedicated specifically to the City of Palmdale.

In some years the cities may be able to afford more direct staff and more overhead items and others years they cannot. In the lean years, response times and customer service may decline due to limited fiscal resources. When the actual overhead rates were calculated, they were found to range between 6% - 13%. In most of the examples provided, city wide overhead from a cost plan were not factored into the rates. If they had been, the rates would be substantially higher. The 10% State allowed default rates is a reasonable approximation of actual overhead costs

incurred by the City. This 10% rate is not duplicative of any other overhead billed within the Deputy hourly rate, but is in addition to that and is calculated based on the same unit – dollar of actual weighted contract hourly labor rate.

Additional Overhead incurred outside of the contract:

In addition to the County billed overhead, the City also contributed additional funds to support the law enforcement services contract. For example, there are City wide overhead costs documented in their FY 13-14 Cost Allocation Plan ($1,001,171) including administrative time from the City Attorney, City Manager's Office, Finance, Human Resources, and the Public Safety Department.

Then there are additional city costs incurred to contract the Palmdale Sheriff's Station in 2004 including the donation of 11 acres of land estimated (estimated value of $1.3 million) as well as for city provided infrastructure improvements of (approximately $1.01 million).

All these are valid examples of additional overhead costs not captured by the LA Sheriff's Deputy billing rate and denied for reimbursement in the SCO audit. The city provided many examples and documents supporting that it is actually incurring overhead costs over and above that which was included in the Deputy's standard billing rate. These types of city wide overhead items are eligible for reimbursement under the instruction and OMB A-87 and should be allowed for inclusion in our claims. (See attached examples).

The rates calculated are based on dollar of actual weighed direct labor rates charged, so we can prove the rates are justified and properly applied to direct costs. We are happy to calculate the fully loaded ICRP rates with City Wide overhead if the SCO desires. However, we believe that we have already provided more than enough support to justify the inclusion of the default 10% rate allowed in the State Instructions.

Not allowing contract cities to be reimbursed for all actual overhead costs is punitive and in violation of the State Mandate guidelines which require the State to pay for all actual, eligible, and properly supported costs. An example of an ICRP is provided, however more are available upon request.

We request the restoration of the additional 10% default overhead/ICRP costs in the claims.

SCO's Comment

The finding and recommendation remain unchanged.

The City of Palmdale contracts with the LASD to perform all law enforcement activities. The contracted services provided by the LASD include each of the activities claimed by the city for this mandate program. The city's staff did not perform any of the allowable activities claimed during the audit period and the city did not incur any payroll costs for this program. The city calculated claimed costs by multiplying the contract rate (found within the city's contract rate sheets) of each contracted position by the time increment of each activity. All allowable activities claimed for this program were performed by the deputies of the local station of the LASD.

The city stated that "direct labor costs were claimed, as can be seen in our claim forms." Though this statement is true, the city inappropriately claimed all costs as salaries and benefits within its claims. The city did not incur any salary and/or benefit costs for any of the city's staff, because all allowable activities claimed were performed by staff of another agency. Moreover, the city did not follow the SCO claiming instructions for this program and used an out-of-date claim form that did not have a contract services expense column. If the city followed the claiming instructions properly, the city would have filed the entire amount of claimed costs under the contract services category. During the audit, the auditors correctly categorized the claimed costs as contract services costs.

The parameters and guidelines (section V-Claim Preparation and Submission) state that claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an ICRP if the indirect cost rate claimed exceeds 10%. The city incorrectly elected to use the option of claiming 10% of direct labor, excluding fringe benefits, to determine the amount of indirect costs. The city applied the 10% rate to all costs claimed for each fiscal year. However, as stated above, the 10% indirect cost rate is to be applied to the amount of direct labor costs. The city did not incur any payroll or direct labor costs. All direct costs claimed by the city were, in fact, contract services costs. Therefore, the indirect costs claimed by the city are unallowable for reimbursement.

The city agrees that some overhead is already included within the contract rates. Consequently, overhead directly related to the performance of mandated activities is already reimbursed through the contract rates.

Attachment—
City's Response to
Draft Audit Report

PALMDALE

a place to call home

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Mayor

STEVEN D. HOFBAUER
Mayor Pro Tem

MIKE DISPENZA
Councilmember

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Mr. James Spano
Chief, Mandated Cost Audits Bureau
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250-5874

RE: RESPONSE TO SCO DRAFT AUDIT OF CITY OF PALMDALE'S INTERAGENCY CHILD ABUSE AND NEGLECT (ICAN) INVESTIGATION REPORTS PROGRAM CLAIMS
(FY 99-00 through FY 2012-13)

April 11 2016

Dear Mr. Spano,

Attached are the City of Palmdale's responses to the Draft Audit issued by your office. Though we disagree with a couple of the findings, we found the overall audit process very professionally and promptly conducted by Mr. Doug Brejnak.

The following is a list of the findings we disagree with and request that your office reconsider:

FINDING 2 – REPORTING TO THE STATE DEPARTMENT OF JUSTICE

ISSUE 1: TIME TO CONDUCT PRELIMINARY INVESTIGATION TO THE POINT OF DETERMNING IF THE CASE IS FOUNDED/UNFOUNDED /INCONCLUSIVE AND WRITING THE REPORT

The City of Palmdale disagrees with the State Controller's Office's (SCO) contention that the "time increment per SCAR investigation was misstated".

The Sheriff staff at the City of Palmdale conducted two time studies over a two year time period in order to prepare the claims for State reimbursement. The first time study was not contemporaneous, but the time records were actuals derived from actual CAD logs and case files to determine the time spent as accurately as possible. To ensure the times

Auxiliary aids provided for communication accessibility upon 72 hours notice and request

were accurate, the following year, the City conducted a second, contemporaneous time study. Both time studies yielded similar results, however, the second time study did not detail each activity separately and we believe it did not include report writing time which should have added an additional hour per case for a total of 3.67 hours to complete the investigation as mandated and write the report. The State is allowing 2.65 hours per case for the preliminary investigation and report writing.

The City offered to conduct another time study to support their time requested, however the SCO declined to consider this option stating that they believed that the difference in time was due to a disagreement regarding allowable activities, which would not be remedied by conducting another time study.

Specifically, the SCO and City disagree on the eligibility of certain activities the Deputy performs in the course of their preliminary investigation to determine if the case is Founded, Unfounded or Inconclusive as mandated. The City believes that the following activities fall within the scope of what is reimbursable:

1) The Palmdale Sheriff office takes cases of child abuse very seriously and is very thorough in their investigation of these types of cases, particularly since there have been a number of cases of child death in the city.

   Prior to the Deputy going out on scene to conduct interviews, the Deputy will typically review prior call history (such as prior child abuse reports, suspect background checks, etc.) to determine if there were prior allegations of abuse made against that child, and if so, to review and familiarize themselves with the history of the case. In some cases they will call talk to the Department of Children and Family Services (DCFS). These activities were found to take an average of approximately 15 minutes per case.

   The Department finds this step critical to understanding the circumstances of the case. This improves the overall efficiency and effectiveness in conducting the child abuse investigation. This is a part of the Palmdale Sheriff station's actual process for conducting their preliminary investigation to properly determine if the case is founded, unfounded, or inconclusive

   The SCO found that this activity was not eligible. We disagree and request restoration of this activity for an additional 15 minutes per case.

2) The Deputy will often call to schedule the interviews with required parties. This activity appears to be unique to Palmdale and believe the reason for this is that the incorporated city area covers over 20 square miles in the high desert. Driving to and from locations can

be very time consuming and wasteful of Deputy time and resources. Therefore the Deputy often calls the school to see if the child is present before driving to the location to conduct the interview(s). The same applies to many of the other witnesses and suspects the deputy must interview.

This activity is part of their actual preliminary investigative process and therefore should be reimbursed as the State Mandate instructions required the reimbursement of actual costs. This activity was found to take an average of 5-10 minutes to call and schedule interviews per individual. On average, 5 individuals are interviewed in an investigation. Approximately 40 minutes per case was claimed and disallowed for this activity. We disagree with this reduction and believe that it should be reimbursed as it is a part of the standard procedure of the Palmdale Sheriff's office to conduct their preliminary investigation in order to determine if the cases is founded/unfounded/inconclusive. State Instructions required the reimbursement of actual costs.

It is important to note that drive time to interviews was NOT claimed by the City. This time alone would have added substantial costs to the claim given the geography of the city. The time to make phone calls to verify the location of the parties minimize driving and deputy hours is much more efficient then driving repeatedly to locations in hopes that the individuals are available at the time of the deputy's visit. This is a part of their actual process, is reasonable, and should be reimbursed.

We disagree with the disallowance of this activity and request the restoration of approximately 40 minutes per case of time for this activity.

3) A final item of dispute is whether or not the time for the Deputy to inspect the home of the alleged victim of child abuse to determine if the child is being neglected is an eligible activity. The Sheriff's Office contends that for many cases, particularly those alleging child neglect, inspecting the home is a necessary activity in the investigative process to determine if the report is founded or unfounded. An investigator cannot rely on the word of others to assess the living conditions of the child when their health and safety is in question. The officer has the duty to perform an inspection to ascertain appropriate living conditions, such as the availability of food in the home, running water, proper sanitation, etc.

   It is estimated that this brief inspection added approximately 6 minutes to the time claimed per case. This time does NOT include the gathering or collection of evidence or other documentation for

criminal prosecution, but is simply to determine if the case was founded or unfounded.

We request the 6 minutes per case claimed for this activity be restored.

Mandate guidelines require the State reimburse local agencies for the actual costs of complying with the mandated statutes. Agencies are allowed some latitude in determining how to best comply with the mandate as State mandate law requires the payment of actual costs incurred. Each agency much have some flexibility to determine how to comply with mandates in the most effective and efficient manner. We believe our procedure is reasonable and minimized deputy time spent per case, while maximizing the efficient and accurately outcome of these investigations.

The Statement of Decision provides an explanation of the Commissions reasoning that their intent was to clarify that activities performed **after** the determination of whether the child abuse case was founded, unfounded or inconclusive were **not** reimbursable. Conversely, the preliminary investigation activities performed to make the determination of founded, unfounded or inconclusive **were eligible** for reimbursement.

All the activities discussed above and claimed by Palmdale took place in the preliminary investigative process, were necessary steps in determining if the case was founded, unfounded or inconclusive, and were not performed after that determination was made. As such, we believe these activities fall within the scope of what is reimbursable and request reinstatement of these costs.

FINDING 3 – SCO REJECTION OF ICRP/OVERHEAD RATES

The SCO denied the inclusion of the default 10% overhead costs to the City's claim for reimbursement allowed by the claiming instructions. The SCO auditor stated that there is already adequate overhead included in the contracted county billed hourly rates of the Deputy and Sergeant. They also contend that direct labor costs are not claimed – only contract costs, which are not subject to the ICRP.

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We request the restoration of the additional 10% default overhead/ICRP costs in the claims.

CONCLUSION:

In summary, we believe that the claims submitted by Palmdale were prepared in accordance with the claiming instruction, Statement of Decision, and the Parameters and Guidelines adopted by the Commission. We are willing to provide additional documentation upon request.

Thank you for the opportunity to respond to your findings in the Draft Audit Report. Please contact me at (661) 267-5411 or our consultant Annette Chinn at (916) 939-7901 with any questions.

Sincerely,

Karen Johnston, C.P.A.

Karen Johnston, C.P.A.
Finance Director/City Treasurer

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