

CITY OF LOS ANGELES

Audit Report

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS PROGRAM

Chapter 246, Statutes of 1995

July 1, 2008, through June 30, 2011



BETTY T. YEE
California State Controller

June 2015



BETTY T. YEE
California State Controller

June 25, 2015

The Honorable Eric Garcetti, Mayor
City of Los Angeles
200 N. Spring Street
Los Angeles, CA 90012

Dear Mr. Garcetti:

The State Controller's Office audited the costs claimed by the City of Los Angeles for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2008, through June 30, 2011.

The city claimed and was paid \$3,809,227 for the mandated program. Our audit found that \$2,175,436 is allowable and \$1,633,791 is unallowable. The costs are unallowable primarily because the city claimed unsupported and non-mandate-related costs. The State will offset \$1,633,791 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). The IRC must be filed within three years following the date of this report. You may obtain IRC information at the Commission's website at www.csm.ca.gov/docs/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/as

cc: Ron Galperin, Controller
City of Los Angeles
Charlie Beck, Chief of Police
Los Angeles City Police Department
Laura Luna, Commanding Officer
Fiscal Operations Division
Los Angeles City Police Department
Evelyn Suess, 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 Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2008, through June 30, 2011.

The city claimed and was paid \$3,809,277 for the mandated program. Our audit found that \$2,175,436 is allowable and \$1,633,791 is unallowable. The costs are unallowable primarily because the city claimed unsupported and non-mandate-related costs. The State will offset \$1,633,791 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Background

Penal Code section 13701, subdivision (b) (added by Chapter 246, Statutes of 1995), required local law enforcement agencies to develop, adopt, and implement written arrest policies for domestic violence offenders by July 1, 1996. The legislation also required local law enforcement agencies to obtain input from local domestic violence agencies in developing the arrest policies. Under previous law, local law enforcement agencies were required to develop, adopt, and implement written policies for response to domestic violence calls and were encouraged, but not obligated, to consult with domestic violence experts.

On September 25, 1997, the Commission on State Mandates (Commission) determined that Chapter 246, Statutes of 1995, imposed a state mandated program reimbursable under Government Code section 17561.

The program’s parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on August 20, 1998, and amended them on October 30, 2009. 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 the audit to determine whether costs claimed represent increased costs resulting from the Domestic Violence Arrest Policies and Standards Program for the period of July 1, 2008, through June 30, 2011.

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.

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 performance 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.

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

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the City of Los Angeles claimed \$3,809,227 for costs of the Domestic Violence Arrest Policies and Standards Program. Our audit found that \$2,175,436 is allowable and \$1,633,791 is unallowable.

For the fiscal year (FY) 2008-09 claim, the State paid the city \$1,443,462. Our audit found that \$704,330 is allowable. The State will offset \$739,132 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2009-10 claim, the State paid the city \$1,180,549. Our audit found that \$729,581 is allowable. The State will offset \$450,968 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2010-11 claim, the State paid the city \$1,185,216. Our audit found that \$741,525 is allowable. The State will offset \$443,691 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

**Views of
Responsible
Officials**

We issued a draft audit report on May 28, 2015. Charlie Beck, Chief of Police, responded by letter dated June 8, 2015 (Attachment), agreeing with the audit results except for Finding 2. This final audit report includes the city's response.

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

June 25, 2015

**Schedule 1—
Summary of Program Costs
July 1, 2008, through June 30, 2011**

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 1,008,279	\$ 491,984	\$ (516,295)	Findings 1, 2, 3, 4
Indirect costs	435,183	212,346	(222,837)	Findings 1, 2, 3, 4
Total program costs	<u>1,443,462</u>	704,330	<u>(739,132)</u>	
Less amount paid by the state		(1,443,462)		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (739,132)</u>	
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Salaries and benefits	\$ 800,640	\$ 494,797	\$ (305,843)	Findings 1, 2, 3, 4
Indirect costs	379,909	234,784	(145,125)	Findings 1, 2, 3, 4
Total program costs	<u>\$ 1,180,549</u>	729,581	<u>\$ (450,968)</u>	
Less amount paid by the state		(1,180,549)		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (450,968)</u>	
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 803,805	\$ 546,619	\$ (257,186)	Findings 1, 2, 3, 4, 5
Indirect costs	381,411	194,906	(186,505)	Findings 1, 2, 3, 4, 6
Total program costs	<u>\$ 1,185,216</u>	741,525	<u>\$ (443,691)</u>	
Less amount paid by the state		(1,185,216)		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (443,691)</u>	
<u>Summary: July 1, 2008, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 2,612,724	\$ 1,533,400	\$ (1,079,324)	
Indirect costs	1,196,503	642,036	(554,467)	
Total program costs	<u>3,809,227</u>	2,175,436	<u>(1,633,791)</u>	
Less amount paid by the state		(3,809,227)		
Allowable costs claimed in excess of (less than) amount paid			<u>\$ (1,633,791)</u>	

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overstated costs

The city overstated salaries and benefits by \$207,745; the related indirect costs total \$95,396.

For each fiscal year, the city provided a summary report 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 (CCAD). The CCAD information did not support the number of domestic violence incident reports that the city claimed. The following table summarizes the audit adjustment for the understated or overstated number of incident reports:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Number of domestic violence incident reports per CCAD	22,181	21,779	20,307	
Less number of domestic violence incident reports claimed	<u>(23,942)</u>	<u>(23,837)</u>	<u>(22,078)</u>	
Understated/(overstated) number of reports	(1,761)	(2,058)	(1,771)	
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48	
Understated/overstated hours	(845)	(988)	(850)	
Claimed productive hourly rate, salaries ¹	x \$59.03	x \$46.70	x \$50.62	
Understated/(overstated) salaries (A)	\$ (49,880)	\$ (46,140)	\$ (43,027)	
Benefit rate ¹	x 48.63%	x 49.84%	x 49.84%	
Understated/(overstated) benefits (B)	<u>(24,257)</u>	<u>(22,996)</u>	<u>(21,445)</u>	
Understated/(overstated) salaries and benefits ((C) = (A) + (B))	<u>(74,137)</u>	<u>(69,136)</u>	<u>(64,472)</u>	\$ (207,745)
Indirect cost rate claimed (D)	x 64.15%	x 71.10%	x 71.10%	
Related indirect costs ((E) = (A) x (D))	<u>(31,998)</u>	<u>(32,806)</u>	<u>(30,592)</u>	<u>(95,396)</u>
Audit adjustment, ((F) = (C) + (E))	<u>\$ (106,135)</u>	<u>\$ (101,942)</u>	<u>\$ (95,064)</u>	<u>\$ (303,141)</u>

¹ The average productive hourly rates claimed for fiscal year (FY) 2008-09, FY 2009-10, and FY 2010-11 combined salaries and benefits. We calculated salaries and benefits separately to show that indirect cost rates were properly applied to salaries only.

The program’s parameters and guidelines state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. 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.

The parameters and guidelines allow a uniform time allowance of 29 minutes (0.48 hours) for responding officers to interview both parties (17 minutes) and consider various specified factors (12 minutes) in a domestic violence incident.

Recommendation

We recommend that the city claim the number of domestic violence incident reports that its database supports.

City’s Response

The City generally agrees with the audit finding; however, it should be noted that the Ps & Gs along with the Claiming Instructions offer no clear guidance as it related to which domestic violence incidents are reimbursable. The above mentioned documents only reference a penal code section (PC 13700) with definitions of domestic violence which can be subject to differing interpretation.

**FINDING 2—
Non-reimbursable
costs**

The city claimed non-reimbursable salaries and benefits totaling \$875,769; the related indirect costs total \$400,138.

As noted in Finding 1, the city overstated the total number of domestic violence incident reports for each fiscal year. The following table summarizes the audited population of incident reports and the claimed hours attributable to the audited population:

	Fiscal Year		
	2008-09	2009-10	2010-11
Documented number of domestic violence incident reports	22,181	21,779	20,307
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48
Claimed hours attributable to documented incident reports	<u>10,647</u>	<u>10,454</u>	<u>9,747</u>

For each fiscal year, we selected a statistical sample from the documented number of domestic violence incident reports (the population) based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that the results could be projected to the population for each fiscal year. We selected a random sample of 149 incident reports for each fiscal year in the audit period. We reviewed the sample incident reports to determine whether the city performed the required mandated program activities. Our review found the following:

- 178 incident reports were fully reimbursable under the mandated program. These reports are reimbursable at 29 minutes (0.48 hours) per report.

- 151 incident reports were partially reimbursable because the officers did not interview both parties involved in the domestic violence incident. These reports are reimbursable at 20.5 minutes (0.34 hours) per report, based on 8.5 minutes to interview one party and 12 minutes to consider the various factors identified in the parameters and guidelines.
- 118 incident reports were not reimbursable because the incidents did not meet the definition of domestic violence, as defined by Penal Code section 13700. The incidents involved issues such as vandalism, verbal disputes, and violation of court orders.

The following table summarizes the results of our statistical samples:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Allowable incident reports	52	55	71	178
Partially reimbursable incident reports - only one party interviewed	56	47	48	151
Non-mandate-related incident reports	41	47	30	118
Total reports sampled	149	149	149	447

The following table shows the calculation of unallowable hours based on the results of the statistical samples:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Allowable incident reports	52	55	71	178
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48	
Subtotal (G)	24.96	26.40	34.08	
Partially reimbursable incident reports - only one party interviewed	56	47	48	151
Allowable uniform time allowance (hours)	x 0.34	x 0.34	x 0.34	
Subtotal (H)	19.04	15.98	16.32	
Total reimbursable hours for sampled reports ((G) + (H))	44.00	42.38	50.40	
Statistical sample size	÷ 149	÷ 149	÷ 149	
Reimbursable hours per report	0.2953	0.2844	0.3383	
Number of documented incident reports	x 22,181	x 21,779	x 20,307	
Total reimbursable hours	6,550	6,194	6,870	
Less claimed hours attributable to documented incident reports	(10,647)	(10,454)	(9,747)	
Unallowable hours	(4,097)	(4,260)	(2,877)	

The following table summarizes the unallowable costs based on the unallowable hours identified from the statistical samples:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Unallowable hours	(4,097)	(4,260)	(2,877)	
Claimed average productive hourly rate (salary)	x \$59.03	x \$46.70	x \$50.62	
Unallowable salaries (J) ¹	\$ (241,846)	\$ (198,942)	\$ (145,634)	
Benefit rate	x 48.63%	x 49.84%	x 49.84%	
Unallowable benefits (K) ¹	(117,610)	(99,153)	(72,584)	
Unallowable salary and benefits ((L) = (J) + (K))	(359,456)	(298,095)	(218,218)	\$ (875,769)
Indirect cost rate claimed	x 64.15%	x 71.10%	x 71.10%	
Related indirect costs (M)	(155,144)	(141,448)	(103,546)	(400,138)
Audit adjustment ((L) + (M))	\$ (514,600)	\$ (439,543)	\$ (321,764)	\$ (1,275,907)

¹ The city's claimed average productive hourly rate for FY 2008-09, FY 2009-10 and

The parameters and guidelines state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. 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.

The parameters and guidelines allow a total uniform time allowance of 29 minutes (0.48 hours) for responding officers to interview both parties (17 minutes) and consider various specified factors (12 minutes) in a domestic violence incident.

Recommendation

We recommend that the city claim costs for only those reports that document incidents meeting the definition of domestic violence as provided by Penal Code section 13700. In addition, we recommend that the city claim the portion of the uniform time allowance that is attributable to the mandated activities actually performed.

City's Response

The City disagrees with the SCO's interpretation and the bifurcation of the uniform cost allowance as it relates to the 29 minutes provided for each domestic violence incident. Neither the test claimant, nor the Commission on State Mandates ever anticipated that the 29 minute uniform cost allowance would be separated into two auditable components. The action of the SCO to split the unit time is inconsistent with and violates the entire rationale for having an established negotiated unit rate in the first place.

SCO's Comment

Our finding and recommendation are unchanged. The city emphasized total reimbursable unit time allowance. However, the parameters and guidelines identify two separate, distinct activities required to complete Component D, Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor. Further, the parameters and guidelines identify the unit time allowance attributable to each of the two activities. The total unit time allowance of 29 minutes is simply a total.

The city states, "Neither the test claimant, nor the Commission on State Mandates ever anticipated that the 29 minute claiming unit rate would be separated into two auditable components." We disagree. As noted in the parameters and guidelines, the test claimant (Los Angeles County) provided the basis for the uniform time allowance. In a declaration dated July 14, 1998, a county representative separately identified the time attributable to interviewing both parties (17 minutes) and the time attributable to considering various specified factors (12 minutes). Similarly, the Commission on State Mandates adopted parameters and guidelines that separately identified the uniform time allowances attributable to each activity, rather than solely identifying a total uniform time allowance for Component D.

The city believes that SCO's action to split the unit time allowance is "inconsistent with and violates the entire rationale for having an established negotiated unit rate..." We disagree. The city's response fails to acknowledge that the city did not perform all of the mandated activities for 151 incidents identified in the audit finding. For these incidents, the city provided documentation showing that responding officers interviewed only one of the involved parties. As a result, the city did not complete the mandated activity. The parameters and guidelines allow a uniform time allowance of 17 minutes to interview both parties. Because responding officers did interview one party, the SCO concluded that it is reasonable for the city to be reimbursed 50% of the uniform time allowance attributable to interviewing both parties. Our conclusion is consistent with Government Code 17561, subdivision (d)(2)(B), which states, "The Controller may reduce any claim that the Controller determines is excessive or unreasonable."

FINDING 3— Understated and overstated productive hourly rates

For each fiscal year, the city understated or overstated the average productive hourly rates it used to claim mandated-related costs. As a result, the city understated or overstated salaries, benefits, and related indirect costs for each fiscal year. For the audit period, the city claimed net unallowable salaries and benefits totaling \$67,541; the related indirect cost is \$27,730.

FY 2008-09

The city overstated the average productive hourly rate for FY 2008-09. During the audit process, the city representative stated that employees who performed mandate activities were those in the Police Officer II classification (class code 2214—no bonus rate). The city calculates a weighted average for each employee classification within the police department using its wages and count document. The information in the wages and count is derived from the department's payroll system and represents the actual salaries of the employees in each classification. The department further separates each classification into sub-classifications based on bonus rates. The city representative stated that employees in the Police Officer II classifications that also include a bonus code, such as Helicopter Pilot (class code 2214-2H), do not perform mandated activities. The city provided the wages and count that identified the average annual salary for each classification.

For this fiscal year, the city's consultant calculated an average productive hourly rate that included the salaries of all employees in the Police Officer II classification regardless of the bonus code. As a result, the average productive hourly rate included salaries of employees that did not perform mandate activities. The city provided the wages and count which identified the average annual salary for each classification. We identified the annual average salary for Police Officer II (class code 2214—no bonus rate) on the wages and count and calculated the allowable average productive hourly rate for Police Officer II (class code 2214—no bonus rate) by dividing the amount by the supported productive hours.

FY 2009-10

The city understated the productive hourly rate for FY 2009-10. The city calculated the average productive hourly rate using the weighted average annual salaries for Police Officer II (class code 2214—no bonus rate) and divided by the standard 1,800 productive hours rather than using the actual productive hours employees worked during the year. The city used actual productive hours for the prior fiscal year and subsequent fiscal year; therefore, we calculated the allowable average productive hourly rate based on actual productive hours.

FY 2010-11

The city understated the productive hourly rate for FY 2010-11. The city calculated the average productive hourly rate using the weighted average annual salaries for Police Officer II (class code 2214—no bonus rate) and divided by actual employee productive hours. However, when we calculated the rate using the same methodology, our calculations did not agree with the city's calculation. We allowed the difference to offset unallowable costs.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Annual average salary	\$ 81,899	\$ 84,384	\$ 81,814	
Supported annual productive hours	÷ 1,682	÷ 1,686	÷ 1,610	
Allowable average productive hourly rate (salary) ¹	48.69	50.05	50.82	
Less claimed average productive hourly rate	(59.03)	(46.70)	(50.62)	
(Overstated)/understated average productive hourly rate	(\$10.34)	\$3.35	\$0.20	
Total reimbursable hours (from Finding 2)	x 6,550	x 6,194	x 6,870	
(Overstated)/understated salaries ¹ (N)	\$ (67,718)	\$ 20,749	\$ 1,347	
Claimed benefit rate	x 48.63%	x 49.84%	x 49.84%	
(Overstated)/understated benefits ¹ (O)	(32,931)	10,341	671	
(Overstated)/understated salaries and benefits (P) =(N) + (O)	(100,649)	31,090	2,018	\$ (67,541)
Indirect cost rate claimed	x 64.15%	x 71.10%	x 71.10%	
Related indirect costs ² (Q)	(43,441)	14,753	958	(27,730)
Audit adjustment ((P) + (Q))	\$ (144,090)	\$ 45,843	\$ 2,976	\$ (95,271)

¹ The city's claimed productive hourly rate for FY 2008-09, FY 2009-10 and FY 2010-11 included salaries and benefit cost. We calculated salary and benefit costs separately in order to show that the indirect cost rates were properly applied to salary costs.

² Calculation differences due to rounding.

The parameters and guidelines state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. 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.

Recommendation

We recommend that the city calculate the average productive hourly rate based on the actual salaries and benefits attributable to those officers who respond to domestic violence incidents.

City's Response

The City agrees with the audit finding and recommendation.

**FINDING 4—
Under-reported
domestic violence
incident reports**

The city under-reported the number of domestic violence incident reports that was supported by CCAD. As a result, the city understated allowable salaries by \$69,357. The related indirect cost is \$29,650.

After we completed our incident report testing, the city identified an additional 2,075 incident reports it erroneously excluded from its population of domestic violence cases. The city stated that there had been an error in how the cases were coded in its CCAD. We agreed to consider the additional number of incident reports to determine if the incident reports are allowable.

We identified the various crime codes that the city included in the summary report, which was extracted from the CCAD. During the review, we found and removed 19 incident reports from the population because the case number (DR number) indicated that the incident was reported in a fiscal year outside of our audit scope, (i.e., the case number began with 15 rather than 08, which denotes the calendar year in which the report was created). This reduced the population of reports to 2,056.

We performed a reasonableness test to determine the allowable percentage of the additional domestic violence incident reports using the results of the statistical sample performed during the audit. Based on the results of the statistical sample, we concluded the following rates would be applied to the adjusted population of 2,056 additional incident reports to derive the additional allowable costs: 90% for FY 2008-09, 95% for FY 2009-10, and 96% for FY 2011-12.

The following table summarizes the audit adjustment for the underreported incident reports:

	Fiscal Year			Total
	2008-09	2009-10	2010-11	
Number additional of domestic violence incident reports per CCAD	573	885	598	2,056
Allowable rate	x 90%	x 95%	x 96%	
Under reported number of reports	516	841	574	1,931
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48	
Understated hours	248	404	276	
Allowable productive hourly rate, salaries ¹	x \$48.69	x \$50.05	x \$50.82	
Understated salaries (R) ²	\$ 12,075	\$ 20,220	\$ 14,026	
Allowable benefit rate ¹	x 48.63%	x 49.84%	x 50.52%	
Understated benefits (S) ²	5,872	10,078	7,086	
Understated salaries and benefits ((T) = (R) + (S))	17,947	30,298	21,112	\$ 69,357
Allowable indirect cost rate (U)	x 64.15%	x 71.10%	x 53.67%	
Related indirect costs ((V) = (R) x (U)) ²	7,746	14,376	7,528	29,650
Audit adjustment, ((W) = (T) + (V))	\$ 25,693	\$ 44,674	\$ 28,640	\$ 99,007

¹ The average productive hourly rates claimed for fiscal year (FY) 2008-09, FY 2009-10, and FY 2010-11 combined salaries and benefits. We calculated salaries and benefits separately to show that indirect cost rates were properly applied to salaries only.

² Calculation differences due to rounding.

The parameters and guidelines state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. 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.

The parameters and guidelines allow a uniform time allowance of 29 minutes (0.48 hours) for responding officers to interview both parties (17 minutes) and consider various specified factors (12 minutes) in a domestic violence incident.

Recommendation

We recommend that the city claim the number of domestic violence incident reports that its CCAD supports.

City’s Response

The City agrees with the audit finding and recommendation.

**FINDING 5—
Understated benefit
rate**

The city claimed benefit costs based on benefit rates calculated in its federally approved cost allocation plan prepared for the police department. For FY 2010-11, the city understated benefit costs because it erroneously used the FY 2009-10 benefit rate to recover costs in FY 2010-11. As a result, the city understated benefit costs by \$2,374.

The following table summarizes the audit adjustment:

	<u>FY 2010-11</u>
Allowable benefit rate	50.52%
Less claimed benefit rate	<u>(49.84)%</u>
Unallowable indirect cost rate	0.68%
Allowable salaries	<u>x \$ 349,128</u>
Audit adjustment	<u>\$ 2,374</u>

The parameters and guidelines state, “Actual costs must be traceable and supported by source documents that show the validity of such costs. . . .”

Recommendation

We recommend that the city ensure that the correct cost allocation plan is used to identify the benefit rates for the applicable fiscal years costs.

City’s Response

The City agrees with the audit finding and recommendation; however, in some cases, the City’s cost allocation plan was not approved at the time the reimbursement claims were due to the State.

**FINDING 6—
Indirect costs**

The city claimed indirect costs by applying its federally approved indirect cost rate, identified in its costs allocation plan, calculated for the police department to claimed direct salaries. The audit disclosed that the city overstated the FY 2010-11 indirect costs because it erroneously applied the FY 2009-10 indirect cost rate to FY 2010-11 direct salaries. We identified the indirect cost rate in the city’s cost allocation plan for FY 2010-11 and calculated an error rate of 17.43%. We applied the error rate to allowable salaries. As a result, the city overstated indirect costs by \$60,853.

The following table summarizes the audit adjustment:

	<u>FY 2010-11</u>
Allowable indirect cost rate	53.67%
Less claimed indirect cost rate	<u>(71.10)%</u>
Unallowable indirect cost rate	(17.43)%
Allowable salaries	<u>x \$ 349,128</u>
Audit adjustment	<u><u>\$ (60,853)</u></u>

The parameters and guidelines state, “Actual costs must be traceable and supported by source documents that show the validity of such costs. . . .”

The parameters and guidelines also state that local agencies may claim indirect costs using the procedures provided in OMB Circular A-87.

Recommendation

We recommend that the city ensure that the correct cost allocation plan is used to identify the indirect cost rates for the applicable fiscal year’s costs.

City’s Response

The City agrees with the audit finding and recommendation; however, in some cases, the City’s cost allocation plan was not approved at the time the reimbursement claims were due to the State.

**Attachment—
City’s Response to
Draft Audit Report**

LOS ANGELES POLICE DEPARTMENT



CHARLIE BECK
Chief of Police

P. O. Box 30158
Los Angeles, California 90030
Telephone: (213) 486-8590
TDD: (877) 275-5273
Ref #: 3.5

ERIC GARCETTI
Mayor

June 8, 2015

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

RE: Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995),
July 1, 2008, through June 30, 2011

Dear Mr. Spano:

On behalf of the City of Los Angeles, thank you for the opportunity to comment on the draft Domestic Violence Arrest Policies and Standards Program Audit Report. The professionalism and courtesy afforded by State Audit staff throughout the course of the audit is appreciated, as well as the assistance in allowing the City of Los Angeles to develop and submit appropriate documentation in support of these claims.

The City of Los Angeles' response to the six audit findings are enclosed with this letter. While the findings and recommendations are generally agreed upon, the City wishes to challenge the interpretational validity of Finding 2 – Non-Reimbursable Cost.

Very truly yours,

CHARLIE BECK
Chief of Police

Handwritten signature of Charlie Beck.

LAURA LUNA, Police Administrator II
Commanding Officer
Fiscal Operations Division

Enclosure

AN EQUAL EMPLOYMENT OPPORTUNITY EMPLOYER
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www.joinLAPD.com

**Domestic Violence Arrest Policies and Standards Program Audit Report
City of Los Angeles Audit Response**

Finding 1 – Overstated Costs: The City overstated salaries and benefits by \$207,745; the related indirect costs total \$95,396. For each fiscal year, the city provided a summary report 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 (CCAD). The CCAD information did not support the number of domestic violence incident reports that the city claimed.

Recommendation: We recommend that the City claim the number of domestic violence incident reports that its database supports.

Response to Finding 1: The City generally agrees with the audit finding; however, it should be noted that the Ps & Gs along with the Claiming Instructions offer no clear guidance as it relates to which domestic violence incidents are reimbursable. The above-mentioned documents only reference a penal code section (PC 13700) with definitions of domestic violence which can be subject to differing interpretation.

Finding 2 – Non-Reimbursable Costs: The City claimed non-reimbursable salaries and benefits totaling \$875,769; the related indirect costs total \$400,138. As noted in Finding 1, the City overstated the total number of domestic violence incident reports for each fiscal year.

Recommendation: We recommend that the City claim costs for only those reports that document incidents meeting the definition of domestic violence as provided by Penal Code section 13700. In addition, we recommend that the city claim the portion of the uniform time allowance that is attributable to the mandated activities actually performed.

Response to Finding 2: The City disagrees with the SCO's interpretation and the bifurcation of the uniform cost allowance as it relates to the 29 minutes provided for each domestic violence incident. Neither the test claimant, nor the Commission on State Mandates ever anticipated that the 29 minute uniform cost allowance would be separated into two auditable components. The action of the SCO to split the unit time is inconsistent with and violates the entire rationale for having an established negotiated unit rate in the first place.

Finding 3 - Understated and overstated productive hourly rates: For each fiscal year, the City understated or overstated the average productive hourly rates it used to claim mandated-related costs. As a result, the City understated or overstated salaries, benefits, and related indirect costs for each fiscal year. For the audit period, the city claimed net unallowable salaries and benefits totaling \$67,541; the related indirect cost is \$27,730.

Recommendation: We recommend that the City calculate the average productive hourly rate based on the actual salaries and benefits attributable to those officers who respond to domestic violence incidents.

**Domestic Violence Arrest Policies and Standards Program Audit Report
City of Los Angeles Audit Response**

Response to Finding 3: The City agrees with the audit finding and recommendation.

Finding 4 - Under reported domestic violence incident reports: The City under-reported the number of domestic violence incident reports that was supported by CCAD. As a result, the City understated allowable salaries by \$69,357. The related indirect cost is \$29,650. After we completed our incident report testing, the city identified an additional 2,075 incident reports it erroneously excluded from its population of domestic violence cases.

Recommendation: We recommend that the city claim the number of domestic violence incident reports that its Consolidated Crimes Analysis Database (CCAD) supports.

Response to Finding 4: The City agrees with the audit finding and recommendation.

Finding 5 - Understated benefit rate: The City claimed benefit costs based on benefit rates calculated in its federally approved cost allocation plan prepared for the police department. For FY 2010-11, the city understated benefit costs because it erroneously used the FY 2009-10 benefit rate to recover costs in FY 2010-11.

Recommendation: We recommend that the City ensure that the correct cost allocation plan is used to identify the benefit rates for the applicable fiscal years costs.

Response to Finding 5: The City agrees with the audit finding and recommendation; however, in some cases, the City's cost allocation plan was not approved at the time the reimbursement claims were due to the State.

Finding 6 – Indirect Costs: The City claimed indirect costs by applying its federally approved indirect cost rate, identified in its costs allocation plan, calculated for the police department to claimed direct salaries. The audit disclosed that the City overstated the FY 2010-11 indirect costs because it erroneously applied the FY 2009-10 indirect cost rate to FY 2010-11 direct salaries.

Recommendation: We recommend that the City ensure that the correct cost allocation plan is used to identify the indirect cost rates for the applicable fiscal year's costs.

Response to Finding 6: The City agrees with the audit finding and recommendation; however, in some cases, the City's cost allocation plan was not approved at the time the reimbursement claims were due to the State.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>