

CITY OF LOS ANGELES

Audit Report

PEACE OFFICERS PROCEDURAL BILL OF RIGHTS PROGRAM

Chapter 465, Statutes of 1976; Chapters 775, 1173, 1174, and
1178, Statutes of 1978; Chapter 405, Statutes of 1979;
Chapter 1367, Statutes of 1980; Chapter 994, Statutes of 1982;
Chapter 964, Statutes of 1983; Chapter 1165, Statutes of 1989;
Chapter 675, Statutes of 1990

July 1, 2008, through June 30, 2015



BETTY T. YEE
California State Controller

October 2016



BETTY T. YEE
California State Controller

October 3, 2016

The Honorable Eric Garcetti
Mayor of the 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 Peace Officers Procedural Bill of Rights Program (Chapter 465, Statutes of 1976; Chapters 775, 1173, 1174, and 1178, Statutes of 1978; Chapter 405, Statutes of 1979; Chapter 1367, Statutes of 1980; Chapter 994, Statutes of 1982; Chapter 964, Statutes of 1983; Chapter 1165, Statutes of 1989; Chapter 675, Statutes of 1990) for the period of July 1, 2008, through June 30, 2015.

The city claimed \$36,951,457 for the mandated program. Our audit found that \$21,116,243 is allowable (\$21,908,684 less allowable costs that exceed cost claimed totaling \$792,441) and \$15,835,214 is unallowable. The costs are unallowable primarily because the city misstated the number of cases for the Administrative Activity, Interrogation, and Adverse Comment cost components; claimed unsupported Administrative Appeal cases; misstated the time increments per each reimbursable activity; claimed ineligible activities and ineligible classifications; misstated productive hourly rates; misstated benefit rates; and misstated indirect cost rates. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling \$21,116,243, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: Ron Galperin, Controller

City of Los Angeles

Annemarie Sauer, Commanding Officer

Fiscal Operations Division of Los Angeles

Mary Halterman, Principal Program Budget Analyst

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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 Peace Officers Procedural Bill of Rights Program (Chapter 465, Statutes of 1976; Chapters 775, 1173, 1174, and 1178, Statutes of 1978; Chapter 405, Statutes of 1979; Chapter 1367, Statutes of 1980; Chapter 994, Statutes of 1982; Chapter 964, Statutes of 1983; Chapter 1165, Statutes of 1989; Chapter 675, Statutes of 1990) for the period of July 1, 2008, through June 30, 2015.

The city claimed \$36,951,457 for the mandated program. Our audit found that \$21,116,243 is allowable (\$21,908,684 less allowable costs that exceed cost claimed totaling \$792,441) and \$15,835,214 is unallowable. The costs are unallowable primarily because the city misstated the number of cases for the Administrative Activity, Interrogation, and Adverse Comment cost components; claimed unsupported Administrative Appeal cases; misstated the time increments per each reimbursable activity; claimed ineligible activities and ineligible classifications; misstated productive hourly rates; misstated benefit rates; and misstated indirect cost rates. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling \$21,116,243, contingent upon available appropriations.

Background

Chapter 465, Statutes of 1976; Chapters 775, 1173, 1174, and 1178, Statutes of 1978; Chapter 405, Statutes of 1979; Chapter 1367, Statutes of 1980; Chapter 994, Statutes of 1982; Chapter 964, Statutes of 1983; Chapter 1165, Statutes of 1989; and Chapter 675, Statutes of 1990, added and amended Government Code sections 3300 through 3310. This legislation, known as the Peace Officers Procedural Bill of Rights (POBOR), was enacted to ensure stable employer-employee relations and effective law enforcement services.

This legislation provides procedural protections to peace officers employed by local agencies and school districts when a peace officer is subject to an interrogation by the employer, is facing punitive action, or receives an adverse comment in his or her personnel file. The protections required apply to peace officers classified as permanent employees, peace officers who serve at the pleasure of the agency and are terminable without cause ("at will" employees), and peace officers on probation who have not reached permanent status.

On November 30, 1999, the Commission on State Mandates (Commission) determined that this legislation impose a State mandate reimbursable under Government Code section 17561 and adopted the Statement of Decision. The Commission determined that the peace officer rights law constitutes a partially reimbursable state mandated program within the meaning of the California Constitution, Article XII B, section 6, and Government Code section 17514. The Commission further defined that activities covered by due process are not reimbursable.

Objectives, Scope, and Methodology

The program's parameters and guidelines establish the State mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on March 28, 2008 and amended it on July 31, 2009. The parameters and guidelines categorized reimbursable activities into the four following components: Administrative Activities, Administrative Appeal, Interrogation, and Adverse Comment. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the POBOR Program for the period of July 1, 2008, through June 30, 2015.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

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

- Reviewed claims to identify the material cost components of each claim, any errors, and any unusual or unexpected variances from year-to-year.
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained.
- Assessed whether computer-processed data provided by the claimant to support claimed costs was complete and accurate and could be relied upon.
- Interviewed the city's staff to determine the employee classifications involved in performing the reimbursable activities during the audit period.
- Reviewed the city'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 productive hourly rate calculations to supporting information in the city's payroll system.
- Determined whether indirect costs claimed were properly computed and applied.
- Reviewed and analyzed the detailed listing of case counts in each fiscal year to identify any possible exclusions from the population, and ensured that the case counts were sufficiently free of errors.
- Recalculated allowable costs claimed using audited data.

Conclusion

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

For the audit period, the City of Los Angeles claimed \$36,951,457 for costs of the POBOR Program. Our audit found that \$21,116,243 is allowable (\$21,908,684 less allowable costs that exceed cost claimed totaling \$792,441) and \$15,835,214 is unallowable. For the audit period, the state made no payments to the city. The State will pay allowable costs claimed, totaling \$21,116,243, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft report on August 1, 2016. Annemarie Sauer, Commanding Officer, Fiscal Operations Division, Los Angeles Police Department, responded by letter dated August 11, 2016, stating that the city will not contest the audit findings (Attachment). 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

October 3, 2016

Schedule—
Summary of Program Costs
July 1, 2008, through June 30, 2015

Cost Element	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs - salaries and benefits:				
Administrative activity	\$ 808,446	\$ 26,121	\$ (782,325)	Finding 1
Interrogations	2,669,381	234,754	(2,434,627)	Finding 3
Adverse comment	5,081,169	2,497,589	(2,583,580)	Finding 4
Total direct costs	8,558,996	2,758,464	(5,800,532)	
Indirect costs	579,663	186,143	(393,520)	Finding 5
Total program costs	<u>\$ 9,138,659</u>	2,944,607	<u>\$ (6,194,052)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,944,607</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs - salaries and benefits:				
Administrative activity	\$ -	\$ 25,305	\$ 25,305	Finding 1
Administrative appeal	46,091	-	(46,091)	Finding 2
Interrogations	158,472	237,459	78,987	Finding 3
Adverse comment	1,901,856	2,495,430	593,574	Finding 4
Total direct costs - salaries and benefits	2,106,419	2,758,194	651,775	
Direct costs - materials and supplies- misclassified:				
Administrative activity, salaries and benefits	64,464	-	(64,464)	Finding 1
Administrative activity, indirect cost	10,773	-	(10,773)	Finding 5
Administrative appeal, salaries and benefits	1,973	-	(1,973)	Finding 2
Administrative appeal, indirect cost	330	-	(330)	Finding 5
Adverse comment, salaries and benefits	167,796	-	(167,796)	Finding 4
Adverse comment, indirect cost	28,042	-	(28,042)	Finding 5
Total direct costs - materials and supplies	273,378	-	(273,378)	
Indirect costs	999,508	1,200,806	201,298	Finding 5
Total direct and indirect cost	3,379,305	3,959,000	579,695	
Less allowable costs that exceed costs claimed ²	-	(579,695)	(579,695)	
Total program costs	<u>\$ 3,379,305</u>	3,379,305	<u>\$ -</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,379,305</u>		

Schedule (continued)

Cost Element	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs - salaries and benefits:				
Administrative activity	\$ -	\$ 21,086	\$ 21,086	Finding 1
Administrative appeal	45,779	-	(45,779)	Finding 2
Interrogations	140,515	195,411	54,896	Finding 3
Adverse comment	1,631,082	2,088,065	456,983	Finding 4
Total direct costs - salaries and benefits	<u>1,817,376</u>	<u>2,304,562</u>	<u>487,186</u>	
Direct costs - materials and supplies- misclassified:				
Administrative activity, salaries and benefits	63,504	-	(63,504)	Finding 1
Administrative activity, indirect cost	10,513	-	(10,513)	Finding 5
Administrative appeal, salaries and benefits	1,973	-	(1,973)	Finding 2
Administrative appeal, indirect cost	330	-	(330)	Finding 5
Adverse comment, salaries and benefits	123,327	-	(123,327)	Finding 4
Adverse comment, indirect cost	20,611	-	(20,611)	Finding 5
Total direct costs - materials and supplies	<u>220,258</u>	<u>-</u>	<u>(220,258)</u>	
Indirect costs	<u>862,354</u>	<u>808,172</u>	<u>(54,182)</u>	Finding 5
Total direct and indirect cost	2,899,988	3,112,734	212,746	
Less allowable costs that exceed costs claimed ²	<u>-</u>	<u>(212,746)</u>	<u>(212,746)</u>	
Total program costs	<u>\$ 2,899,988</u>	2,899,988	<u>\$ -</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,899,988</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs - salaries and benefits:				
Administrative activity	\$ 449,839	\$ 21,869	\$ (427,970)	Finding 1
Administrative appeal	17,254	-	(17,254)	Finding 2
Interrogations	2,007,074	190,228	(1,816,846)	Finding 3
Adverse comment	2,923,914	2,036,636	(887,278)	Finding 4
Total direct costs - salaries and benefits	<u>5,398,081</u>	<u>2,248,733</u>	<u>(3,149,348)</u>	
Direct costs - materials and supplies- misclassified:				
Administrative activity, salaries and benefits	61,074	-	(61,074)	Finding 1
Administrative activity, indirect cost	11,287	-	(11,287)	Finding 5
Administrative appeal, salaries and benefits	885	-	(885)	Finding 2
Administrative appeal, indirect cost	164	-	(164)	Finding 5
Adverse comment, salaries and benefits	165,162	-	(165,162)	Finding 4
Adverse comment, indirect cost	30,525	-	(30,525)	Finding 5
Total direct costs - materials and supplies	<u>269,097</u>	<u>-</u>	<u>(269,097)</u>	
Indirect costs	<u>1,924,761</u>	<u>516,395</u>	<u>(1,408,366)</u>	Finding 5
Total program costs	<u>\$ 7,591,939</u>	2,765,128	<u>\$ (4,826,811)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,765,128</u>		

Schedule (continued)

Cost Element	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2012, through June 30, 2013</u>				
Direct costs - salaries and benefits:				
Administrative activity	\$ 555,748	\$ 20,558	\$ (535,190)	Finding 1
Administrative appeal	21,197	-	(21,197)	Finding 2
Interrogations	2,144,258	194,610	(1,949,648)	Finding 3
Adverse comment	<u>3,307,254</u>	<u>2,080,700</u>	<u>(1,226,554)</u>	Finding 4
Total direct costs	6,028,457	2,295,868	(3,732,589)	
Indirect costs	<u>1,381,888</u>	<u>458,033</u>	<u>(923,855)</u>	Finding 5
Total program costs	<u>\$ 7,410,345</u>	2,753,901	<u>\$ (4,656,444)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 2,753,901</u>		
<u>July 1, 2013, through June 30, 2014</u>				
Direct costs - salaries and benefits:				
Administrative activity	\$ 75,153	\$ 23,661	\$ (51,492)	Finding 1
Administrative appeal	23,538	-	(23,538)	Finding 2
Interrogations	184,355	218,549	34,194	Finding 3
Adverse comment	<u>2,429,370</u>	<u>2,339,640</u>	<u>(89,730)</u>	Finding 4
Total direct costs - salaries and benefits	2,712,416	2,581,850	(130,566)	
Indirect costs	<u>617,862</u>	<u>609,003</u>	<u>(8,859)</u>	Finding 5
Total program costs	<u>\$ 3,330,278</u>	3,190,853	<u>\$ (139,425)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,190,853</u>		
<u>July 1, 2014, through June 30, 2015</u>				
Direct costs - salaries and benefits:				
Administrative activity	\$ 71,484	\$ 23,430	\$ (48,054)	Finding 1
Administrative appeal	25,353	-	(25,353)	Finding 2
Interrogations	173,770	214,314	40,544	Finding 3
Adverse comment	<u>2,287,048</u>	<u>2,292,302</u>	<u>5,254</u>	Finding 4
Total direct costs - salaries and benefits	2,557,655	2,530,046	(27,609)	
Indirect costs	<u>643,288</u>	<u>652,415</u>	<u>9,127</u>	Finding 5
Total program costs	<u>\$ 3,200,943</u>	3,182,461	<u>\$ (18,482)</u>	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,182,461</u>		

Schedule (continued)

Cost Element	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2008, through June 30, 2015</u>				
Direct costs - salaries and benefits:				
Administrative activity	\$ 1,960,670	\$ 162,030	\$ (1,798,640)	Finding 1
Administrative appeal	179,212	-	(179,212)	Finding 2
Interrogations	7,477,825	1,485,325	(5,992,500)	Finding 3
Adverse comment	<u>19,561,693</u>	<u>15,830,362</u>	<u>(3,731,331)</u>	Finding 4
Total direct costs - salaries and benefits	<u>29,179,400</u>	<u>17,477,717</u>	<u>(11,701,683)</u>	
Direct costs - misclassified materials and supplies:				
Administrative activity, salaries and benefits	189,042	-	(189,042)	Finding 1
Administrative activity, indirect cost	32,573	-	(32,573)	Finding 5
Administrative appeal, salaries and benefits	4,831	-	(4,831)	Finding 2
Administrative appeal, indirect cost	824	-	(824)	Finding 5
Adverse comment, salaries and benefits	456,285	-	(456,285)	Finding 4
Adverse comment, indirect cost	<u>79,178</u>	<u>-</u>	<u>(79,178)</u>	Finding 5
Total direct costs - misclassified materials and supplies	<u>762,733</u>	<u>-</u>	<u>(762,733)</u>	
Indirect costs	<u>7,009,324</u>	<u>4,430,967</u>	<u>(2,578,357)</u>	Finding 5
Total direct and indirect costs	36,951,457	21,908,684	(15,042,773)	
Less allowable costs that exceed costs claimed ²	<u>-</u>	<u>(792,441)</u>	<u>(792,441)</u>	
Total program costs	<u>\$36,951,457</u>	21,116,243	<u>\$ (15,835,214)</u>	
Less amount paid by the State		<u>-</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$21,116,243</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for fiscal year (FY) 2009-10 and FY 2010-11.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits — Administrative Activity cost component

The city claimed \$2,149,712 in salaries and benefits for the Administrative Activity cost component during the audit period. This amount includes salaries and benefits totaling \$1,960,670, and salaries and benefits incorrectly claimed under Materials and Supplies, totaling \$189,042, for this cost component (\$64,464 in fiscal year (FY) 2009-10, \$63,504 in FY 2010-11, and \$61,074 in FY 2011-12). We found that \$162,030 is allowable and \$1,987,682 is unallowable (allowable salaries and benefits totaling \$1,798,640 and misclassified salaries and benefits totaling \$189,042). Costs claimed are unallowable because the city misclassified costs, misstated the number of cases, claimed unallowable activities/classifications, misstated the time increments per reimbursable activity, misstated the productive hourly rates, misstated benefit rates, and misstated related benefit costs.

The following table summarizes the claimed costs, allowable costs, and audit adjustments for the ongoing costs related to the Administrative Activity cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2008-09	\$ 808,446	\$ 26,121	\$ (782,325)
2009-10	- *	25,305	25,305
2010-11	- *	21,086	21,086
2011-12	449,839 *	21,869	(427,970)
2012-13	555,748	20,558	(535,190)
2013-14	75,153	23,661	(51,492)
2014-15	71,484	23,430	(48,054)
Subtotal, salaries and benefits	1,960,670	162,030	(1,798,640)
Misclassified salaries and benefits under materials and supplies:			
2009-10	64,464 *	-	(64,464)
2010-11	63,504 *	-	(63,504)
2011-12	61,074 *	-	(61,074)
Subtotal, misclassified salaries and benefits	189,042	-	(189,042)
Total, salaries and benefits	\$ 2,149,712	\$ 162,030	\$ (1,987,682)

* The city incorrectly claimed additional salaries and benefits costs totaling \$189,042 under materials and supplies (\$64,464 in FY 2009-10, \$63,504 in FY 2010-11, and \$61,074 in FY 2011-12) for this cost component.

Salaries and Benefits

Number of cases

Claimed

For the audit period, the city claimed 24,659 cases: 5,340 in FY 2008-09, 3,620 in FY 2009-10, 3,109 in FY 2010-11, 3,154 in FY 2011-12, 3,276 in FY 2012-13 and FY 2013-14, and 2,884 in 2014-15. The cases are maintained in the city's Complaint Management System (CMS). The city was not able to confirm if the case count claimed represented the number of complaints initiated or closed during the fiscal year.

Allowable

We requested that the city provide support for the actual number of cases in each fiscal year. For consistency and to avoid duplicating case counts, city staff provided the number of cases closed during each fiscal year. The summary of the complaints closed in each fiscal year included the pertinent Case File (CF) number, the closed case date, confirmation that the complaint was related to a sworn peace officer, and the rank/classification of the accused officer. We verified the computer-generated case counts by tracing sampled cases to the actual copy of the case files maintained in PDF form.

The following table summarizes the number of cases claimed, the supported number of cases, and the adjusted number of cases:

<u>Fiscal Year</u>	<u>Number of Cases Claimed</u>	<u>Number of Cases Supported</u>	<u>Adjusted Number of Cases</u>
2008-09	5,340	4,169	(1,171)
2009-10	3,620	3,870	250
2010-11	3,109	3,210	101
2011-12	3,154	3,037	(117)
2012-13	3,276	2,867	(409)
2013-14	3,276	3,106	(170)
2014-15	<u>2,884</u>	<u>2,933</u>	<u>49</u>
Total	<u>24,659</u>	<u>23,192</u>	<u>(1,467)</u>

Time Increments

Claimed

The city claimed costs based on the time study conducted in 2004 for the Administrative Activity cost component, which included nine activities, totaling 1.48 hours per case. In the prior audit, we found that two of the activities included in the time study, totaling 0.11 hours, were reimbursable per the program's parameters and guidelines. However, the city was inconsistent in its application of the time increments claimed per case for various sworn and civilian classifications for the audit period.

The city claimed the following time increments:

- In FY 2008-09, the city claimed a total of 1.48 hours per case.
- In FY 2009-10 and FY 2010-11, the city did not claim cost for salaries and benefits. However, the city incorrectly claimed 0.43 hours per case under materials and supplies.
- In FY 2011-12 and FY 2012-13, the city claimed a total of 1.63 hours per case. However, in FY 2011-12, of the 1.63 hours, the city incorrectly claimed 0.43 hours per case under materials and supplies.
- In FY 2013-14 and FY 2014-15, the city claimed a total of 0.43 hours per case.

In some years, the city attempted to segregate the time increments as allowable and unallowable per the prior audit results.

The following table summarizes the claimed time increments per case by classification per fiscal year:

Classification	Fiscal Year						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Detective II	0.22	-	-	0.32	0.32	-	-
Detective III	-	-	-	0.05	0.05	-	-
Detective III	0.32	-	-	0.32	0.32	-	-
Sergeant I	0.05	-	-	0.05	0.05	-	-
Sergeant II	0.12	-	-	0.12	0.12	-	-
Lieutenant I	0.02	-	-	0.02	0.02	-	-
Lieutenant II	0.03	-	-	0.03	0.03	-	-
Captain II	0.12	-	-	0.12	0.12	-	-
Captain III	0.17	-	-	0.17	0.17	-	-
Clerk Typist	0.12	0.12 *	0.12 *	0.12 *	0.12	0.12	0.12
Sr. Clerk Typist	0.13	0.13 *	0.13 *	0.13 *	0.13	0.13	0.13
Principal Clerk Police II	0.18	0.18 *	0.18 *	0.18 *	0.18	0.18	0.18
Total hours claimed per case	1.48	0.43	0.43	1.63	1.63	0.43	0.43

* Time increments incorrectly claimed under materials and supplies for FY 2009-10 through FY 2011-12.

The classifications in bold represent classifications performing reimbursable activities per the city's time study.

Allowable

In order to determine if the time study conducted in 2004 was reasonable for the current audit period, we conducted interviews with city staff from the Internal Affairs Administrative Records Section and the Internal Affairs Crime Investigation Section. Staff members in these sections provided a walkthrough of the city's procedures in place to comply with the reimbursable activities per the program's parameters and guidelines.

We found that the two reimbursable activities in the prior audit still reasonably represent the procedures in place for the current audit period for the Administrative Activity cost component. As in the prior audit, the following activities are reimbursable:

- **Status:** This activity occurs in the Administrative Records Section (ARS) and involves the time needed to update status changes within POBOR case files. Per Los Angeles Police Department (LAPD) staff, the cases are updated for every activity and/or procedural change.
- **Assign:** This activity is solely updating the database and to note the case assignment to an investigator for adjudication. The time it takes to update the database.

The city also included the following seven activities that are not reimbursable:

- **Comment:** The ARS section in Internal Affairs performs this task by creating a file and a case number when the Professional Standards Bureau receives a “1.28” complaint form. Per LAPD staff, this activity is an internal procedure created by the LAPD to ensure compliance with the investigation timeframe of one year.
- **Locate:** This activity denotes the time required for the Classifications Unit to read the 1.28 complaint form and determine which is the best entity to perform the investigation. After determining which entity will investigate, the form is sent to the ARS.
- **Invest:** When the investigation is complete, the case file is sent to the Review and Evaluation Section. This activity consists of updating the database to note this information.
- **IA Review:** This activity consists of the time it takes to update the database for Internal Affairs’ Group (IAG) review. Per LAPD staff, this activity is similar to Invest, but one IAG section or division will review the investigation of another IAG investigation unit for thoroughness, facts, results, and conclusions. This activity is another type of review and another change in status.
- **Appeal:** This activity takes place when a case is going to the Advocate Section, where another file is created and entered into the Advocate Database. Per LAPD staff, the case is in the appeal phase and is no longer being investigated or reviewed. This activity pertains to the procedural process of transferring a case in the Advocate Unit, tracking the appeal process, and tracking the case.
- **Note:** This activity consists of distributing copies of the face sheet, which contains the summary of allegations and the names of the involved parties, to concerned parties. This activity occurs in the ARS and time is based on how long it takes to update the database for the activity.
- **Close Out:** The ARS closes out the case file and documents this activity. This activity is a database update function.

These activities were unallowable per the program's parameters and guidelines because maintaining or updating, setting up, reviewing, evaluating, or closing the cases are not mandate-reimbursable activities.

The following table summarizes the allowable time increments per classification based on the city's time study:

<u>Classification</u>	<u>Allowable Time Increments per Time Study</u>
Detective II	-
Detective III	-
Detective III	-
Sergeant I	-
Sergeant II	-
Lieutenant I	0.02
Lieutenant II	-
Captain II	-
Captain III	-
Clerk Typist	0.02
Sr. Clerk Typist	0.05
Principal Clerk Police II	<u>0.02</u>
Total	<u><u>0.11</u></u>

The classifications in bold represent classifications performing reimbursable activities per the city's time study.

Hours Adjustment

The following table summarizes the claimed hours, allowable hours, and adjusted hours based on the adjustments made to the number of cases and the time increments as described above:

<u>Fiscal Year</u>	<u>Hours Claimed</u>	<u>Hours Allowable</u>	<u>Adjusted Hours</u>
2008-09	7,903.20	458.59	(7,444.61)
2009-10	- *	425.70	425.70
2010-11	- *	353.10	353.10
2011-12	3,784.80 *	334.07	(3,450.73)
2012-13	5,339.88	315.37	(5,024.51)
2013-14	1,408.68	341.66	(1,067.02)
2014-15	<u>1,240.12</u>	<u>322.63</u>	<u>(917.49)</u>
Subtotal hours	<u>19,676.68</u>	<u>2,551.12</u>	<u>(17,125.56)</u>
Additional misclassified hours under materials and supplies:			
2009-10	1,556.60 *	-	(1,556.60)
2010-11	1,336.87 *	-	(1,336.87)
2011-12	<u>1,356.22 *</u>	<u>-</u>	<u>(1,356.22)</u>
Subtotal misclassified hours	<u>4,249.69</u>	<u>-</u>	<u>(4,249.69)</u>
Total hours	<u><u>23,926.37</u></u>	<u><u>2,551.12</u></u>	<u><u>(21,375.25)</u></u>

* The city incorrectly claimed an additional 4,249.69 hours under materials and supplies (1,556.60 in FY 2009-10, 1,336.87 hours in FY 2010-11 and 1,356.22 hours in FY 2011-12.)

Productive Hourly Rate

The city claimed productive hourly rates for both sworn and civilian classifications. The city misstated the productive hourly rates for the audit period by overstating or understating the rates.

We obtained the city's sworn and civilian productive hour analysis and salary information in order to calculate the productive hourly rate based on the various employee classifications included in the time study that actually perform the reimbursable activities. We recalculated the productive hourly rates using the productive hours and bi-weekly salary reports provided during the audit for the classifications that perform the reimbursable activities.

The city misstated the individual productive hourly rates for various classifications. Overall, the city misstated costs as a result of the productive hourly rate adjustment indicated in the summary of adjustments table presented at the end of this finding.

Benefit Rate

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

The following table summarizes the benefit rates claimed and the allowable benefit rates as supported by the federally approved CAPs for the sworn and civilian classifications:

Cost Allocation Plan	Fiscal Year	Sworn Classifications			Civilian Classifications		
		Benefit Rate Claimed	Benefit Rate Allowable	Audit Adjustment	Benefit Rate Claimed	Benefit Rate Allowable	Audit Adjustment
CAP 31	2008-09	48.63%	48.63%	0.00%	37.00%	37.00%	0.00%
CAP 32	2009-10	49.84%	49.84%	0.00%	38.22% *	38.22%	0.00%
CAP 33	2010-11	49.84%	50.52%	0.68%	38.22% *	38.74%	0.52%
CAP 34	2011-12	50.52%	55.01%	4.49%	38.74% *	44.10%	5.36%
CAP 35	2012-13	55.01%	63.63%	8.62%	44.10%	42.23%	-1.87%
CAP 36	2013-14	66.16%	66.16%	0.00%	37.36%	37.36%	0.00%
CAP 37	2014-15	73.37%	73.37%	0.00%	41.62%	41.62%	0.00%

* Costs incorrectly claimed under materials and supplies for FY 2009-10 through FY 2011-12.

Summary of Audit Adjustment

We calculated the allowable hours by multiplying the allowable number of cases by the allowable time increments per case. We then applied the audited productive hourly rate and the audited benefit rates to the allowable hours. We found that the city misstated costs by \$1,987,682 for the audit period.

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

Fiscal Year	Hour-Related Salary Adjustment	Productive Hourly Rate Adjustment	Benefit Cost Adjustment	Audit Adjustment
Salaries and benefits adjustment:				
2008-09	\$ (530,916)	\$ (1,171)	\$ (250,238)	\$ (782,325)
2009-10	- *	17,792	7,513	25,305
2010-11	- *	14,765	6,321	21,086
2011-12	(294,038) *	9,993	(143,925)	(427,970)
2012-13	(348,253)	(181)	(186,756)	(535,190)
2013-14	(43,994)	5,436	(12,934)	(51,492)
2014-15	(39,810)	4,808	(13,052)	(48,054)
Subtotal	<u>(1,257,011)</u>	<u>51,442</u>	<u>(593,071)</u>	<u>(1,798,640)</u>
Misclassified salaries and benefits under materials and supplies:				
2009-10	(64,464) *	-	-	(64,464)
2010-11	(63,504) *	-	-	(63,504)
2011-12	(61,074) *	-	-	(61,074)
	<u>(189,042)</u>	<u>-</u>	<u>-</u>	<u>(189,042)</u>
Total, salaries and benefits adjustment	<u>\$ (1,446,053)</u>	<u>\$ 51,442</u>	<u>\$ (593,071)</u>	<u>\$ (1,987,682)</u>

* The city incorrectly claimed salaries and benefits costs totaling \$189,042 under materials and supplies (\$64,464 in FY 2009-10, \$63,504 in FY 2010-11, and \$61,074 in FY 2011-12).

Criteria

The parameters and guidelines (section IV.A. Administrative Activities) allow ongoing activities related to the Administrative Activities cost component as follows:

1. Developing or updating internal policies, procedures, manuals and other materials pertaining to the conduct of the mandated activities.
2. Attendance at specific training for human resources, law enforcement and legal counsel regarding the requirements of the mandate. The training must relate to mandate-reimbursable activities.
3. Updating the status report of mandate-reimbursable POBOR activities. "Updating the status report of mandate-reimbursable POBOR activities" means tracking the procedural status of the mandate-reimbursable activities only. Reimbursement is not required to maintain or update the cases, set up the cases, review the cases, evaluate the cases, or close the cases.

The parameters and guidelines (Section V. Claim Preparation and Submission) state:

Claimants may be reimbursed for the Reimbursable Activities described in Section IV ... by claiming costs mandated by the state pursuant to the reasonable reimbursement methodology or by filing an actual cost claim....

The city chose to claim costs based on the actual cost method. The parameters and guidelines state:

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 guideline (section V.B.1 Claim preparation and Submission-Actual Costs Claims, Direct Cost Reporting) state:

a. Salaries and Benefits

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

Recommendation

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

City's Response

The city did not contest the audit finding.

**FINDING 2—
Unallowable salaries
and benefits—
Administrative
Appeal cost
component**

The city claimed \$184,043 in salaries and benefits for the Administrative Appeal cost component during the audit period. This amount includes salaries and benefits costs, totaling \$4,831, incorrectly claimed under materials and supplies (\$1,973 in FY 2009-10 and FY 2010-11, and \$885 in FY 2011-12). We found that all costs claimed are unallowable because they are not eligible for reimbursement and are unsupported.

The following table summarizes the claimed costs, allowable costs, and audit adjustments for the ongoing costs related to administrative appeals by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2009-10	\$ 46,091 *	\$ -	\$ (46,091)
2010-11	45,779 *	-	(45,779)
2011-12	17,254 *	-	(17,254)
2012-13	21,197	-	(21,197)
2013-14	23,538	-	(23,538)
2014-15	25,353	-	(25,353)
Subtotal, salaries and benefits	179,212	-	(179,212)
Misclassified salaries and benefits under materials and supplies:			
2009-10	1,973 *	-	(1,973)
2010-11	1,973 *	-	(1,973)
2011-12	885 *	-	(885)
Subtotal, misclassified salaries and benefits	4,831	-	(4,831)
Total, salaries and benefits	\$ 184,043	\$ -	\$ (184,043)

* The city incorrectly claimed additional salaries and benefits costs totaling \$4,831 under materials and supplies (\$1,973 in FY 2009-10 and FY 2010-11, and \$885 in FY 2011-12) for this cost component.

Number of Administrative Appeals

The city claimed 20 administrative appeals for the audit period (seven appeals in FY 2009-10, seven in FY 2010-11, three in FY 2011-12, one in FY 2012-13, one in FY 2013-14, and one in FY 2014-15). We requested support for the 20 administrative appeals claimed. We met with staff from the Internal Affairs Group Advocate Section and Employee Relations Group. During fieldwork, we were provided with a summary of 47 appeals processed at the Internal Affairs Group Advocate Section. However, the city's claims indicated that the appeals were from the city's Employees Relations Group.

We conducted interviews with both departments. We provided the city staff a copy of the reimbursable activities per the program's parameters and guidelines and the relevant sections from the statement of decision clarifying the administrative appeals covered under due process requirements of the state and federal law. These sections from the statement of decision indicate which appeals are not eligible for reimbursement and which administrative appeals are considered mandated costs.

We interviewed the Lieutenant of the Internal Affairs Advocate Section in regards to the summary of the 47 administrative appeals conducted by his unit in order to gain an understanding of the type of appeals processed by his unit. We found that the appeals processed by the Advocate Section are all covered under the due process clause and, therefore, are not eligible for reimbursement.

We also met with a Sergeant and a Detective from the city's Employee Relations Group. After reviewing the administrative appeals eligible for reimbursement per the programs parameters and guidelines, they indicated that their group does not handle appeals that are eligible for reimbursement per the programs parameters and guidelines.

Time Increments- Hours Claimed

The city claimed 1,837.50 hours for the audit period under the Administrative Appeal cost component; this includes 85.00 hours incorrectly claimed under Materials and Supplies for a Hearing Reporter (35 hours in FY 2009-10 and FY 2010-11, and 15 hours in FY 2011-12).

The following table summarizes unsupported hours claimed by classification and per fiscal year:

Classification	Fiscal Year						Total
	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
Sworn classifications:							
Police Officer II (officer relations service)	175.00	175.00	75.00	79.00	79.00	79.00	
Police Officer II (appellant)	-	-	15.00	20.00	20.00	20.00	
Police Officer II (witnesses)	7.00	7.00	3.00	3.00	3.00	3.00	
Police Officer III (appellant)	35.00	35.00	-	-	-	-	
Sergeant II (employee relations group counsel)	35.00	35.00	15.00	21.00	21.00	21.00	
Sergeant III ¹ (employee relations group)	140.00	140.00	60.00	55.00	55.00	55.00	
Captain II (hearing officer)	56.00	56.00	8.00	12.00	12.00	12.00	
Captain II (witnesses)	14.00	14.00	6.00	6.50	6.50	6.50	
Civilian classifications:							
Hearing Reporter	35.00 *	35.00 *	15.00 *	19.00	19.00	19.00	
Total hours claimed	497.00	497.00	197.00	215.50	215.50	215.50	1,837.50

* 85 Hours incorrectly claimed under materials and supplies (35 hours in FY 2009-10 and FY 2010-11, and 15 hours in FY 2011-12).

¹ We were unable to verify the actual classification claimed. However, the rate claimed was higher than the rate claimed for the Sergeant II classification.

Unsupported costs

We asked the city to provide support for the hours claimed. The city initially provided a copy of the 2004 time study for Administrative Activity, noting that time captured by various classifications for "appeal" may have supported the hours claimed.

The city's internal instructions for the time captured by several staff members for the "appeal" activity were as follows:

Appeal: the case is going to Advocate Section where another file is created and file is created and entered into the Advocate Database.

We found that the city's description, as noted above, does not pertain to the reimbursable activities for the Administrative Appeal cost component per the program's parameters and guidelines and, therefore, does not support the hours claimed.

We conducted a status meeting with city representatives on January 29, 2016. We informed the city that the list of administrative appeals provided by the Internal Affairs Advocate Section were not eligible for reimbursement. We also indicated that the portion of the 2004 time study indicating “appeal” did not pertain to the Administrative Appeal cost component and that, therefore, the hours claimed were unsupported.

In addition, staff members from the Employee Relations Group indicated that they do not handle appeals that are eligible for reimbursement. The staff stated that the city’s personnel department may handle appeals eligible for reimbursement.

Staff from the personnel department were not available for an interview.

We informed the city staff that the costs claimed for this cost component were unallowable and unsupported. We provided the city the opportunity to identify cases it believes may be eligible for reimbursement. We indicated that we would analyze any cases identified and review additional support during the course of the audit. The city did not identify any eligible administrative appeal cases for this cost component.

Criteria

The parameters and guidelines (section IV.B. Administrative Appeal), allow ongoing activities related to the Administrative Appeal cost component as follows:

B. Administrative Appeal

1. The administrative appeal activities listed below apply to permanent peace officer employees as defined in Penal Code sections 830.1, 830.2, 830.3, 830.31, 830.32, 830.33, except subdivision (e), 830.34, 830.35, except subdivision (c), 830.36, 830.37, 830.4, and 830.5. The administrative appeal activities do not apply to reserve or recruit officers; coroners; railroad police officers commissioned by the Governor; or non-sworn officers including custodial officers, sheriff security officers, police security officers, and school security officers. (*Burden v. Snowden* (1992) 2 Cal.4th 556, 569; Government Code section 3301; Penal Code sections 831, 831.4).

The following activities and costs are reimbursable:

- a. Providing the opportunity for, and the conduct of an administrative appeal hearing for the following disciplinary actions (Gov. Code, § 3304, subd. (b)):
 - Transfer of permanent employees for purposes of punishment;
 - Denial of promotion for permanent employees for reasons other than merit; and
 - Other actions against permanent employees that result in disadvantage, harm, loss or hardship and impact the career opportunities of the employee.
- b. Preparation and review of the various documents necessary to commence and proceed with the administrative appeal hearing.

- c. Legal review and assistance with the conduct of the administrative appeal hearing.
- d. Preparation and service of subpoenas.
- e. Preparation and service of any rulings or orders of the administrative body.
- f. The cost of witness fees.
- g. The cost of salaries of employee witnesses, including overtime, the time and labor of the administrative appeal hearing body and its attendant clerical services.

The following activities are **not** reimbursable:

- a. Investigating charges.
 - b. Writing and reviewing charges.
 - c. Imposing disciplinary or punitive action against the peace officer.
 - d. Litigating the final administrative decision.
2. Providing the opportunity for, and the conduct of an administrative appeal hearing for removal of the chief of police under circumstances that do not create a liberty interest (i.e., the charges do not constitute moral turpitude, which harms the employee's reputation and ability to find future employment). (Gov. Code, § 3304, subd. (b).)

The following activities and costs are reimbursable:

- a. Preparation and review of the various documents necessary to commence and proceed with the administrative appeal hearing.
- b. Legal review and assistance with the conduct of the administrative appeal hearing.
- c. Preparation and service of subpoenas.
- d. Preparation and service of any rulings or orders of the administrative body.
- e. The cost of witness fees.
- f. The cost of salaries of employee witnesses, including overtime, the time and labor of the administrative appeal hearing body and its attendant clerical services.

The following activities are **not** reimbursable:

- a. Investigating charges.
- b. Writing and reviewing charges.
- c. Imposing disciplinary or punitive action against the chief of police.
- d. Litigating the final administrative decision.

The parameters and guidelines (Section V. Claim Preparation and Submission) indicate the following:

Claimants may be reimbursed for the Reimbursable Activities described in Section IV ... by claiming costs mandated by the state pursuant to the reasonable reimbursement methodology or by filing an actual cost claim....

The city chose to claim costs based on the actual cost method. The parameters and guidelines state:

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.B.1 Claim preparation and Submission-Actual Costs Claims, Direct Cost Reporting) state:

b. Salaries and Benefits

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

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 contest the audit finding.

**FINDING 3—
Unallowable salaries
and benefits—
Interrogations cost
component**

The city claimed \$7,477,825 in salaries and benefits for the Interrogations cost component during the audit period. We found that \$1,485,325 is allowable. The city misstated salaries and benefit costs totaling \$5,992,500 (overstated by \$6,201,121 and understated by \$208,621). The costs are misstated because the city misstated the number of cases, claimed unallowable activities/classifications, misstated the time increments per reimbursable activity, misstated the productive hourly rates, misstated benefit rates, and misstated related benefit costs.

The following table summarizes the claimed costs, allowable costs, and audit adjustments for the ongoing costs related to the Interrogations cost component by fiscal year:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
Salaries and benefits:			
2008-09	\$ 2,669,381	\$ 234,754	\$ (2,434,627)
2009-10	158,472	237,459	78,987
2010-11	140,515	195,411	54,896
2011-12	2,007,074	190,228	(1,816,846)
2012-13	2,144,258	194,610	(1,949,648)
2013-14	184,355	218,549	34,194
2014-15	173,770	214,314	40,544
Total, salaries and benefits	<u>\$ 7,477,825</u>	<u>\$ 1,485,325</u>	<u>\$ (5,992,500)</u>

Salaries and Benefits

Number of cases

Claimed

For the audit period, the city claimed 24,299 cases: 5,340 in FY 2008-09, 3,260 in FY 2009-10, 3,109 in FY 2010-11, 3,154 in FY 2011-12, 3,276 in FY 2012-13 and FY 2013-14, and 2,884 in FY 2014-15. As indicated in Finding 1, the cases are maintained in the city's CMS and the city was unable to confirm if the case count claimed represented the number of complaints initiated or closed during the fiscal year.

Allowable

As described in Finding 1, we requested that the city provide support for the actual number of cases within each fiscal year. For consistency and to avoid duplicating case counts, city staff provided the number of cases closed during each fiscal year. We confirmed the existence of the computer-generated case count by verifying the existence of the actual copy of the case file maintained in PDF form.

The following table summarizes the number of cases claimed, the supported number of cases, and the adjusted number of cases:

<u>Fiscal Year</u>	<u>Number of Cases Claimed</u>	<u>Number of Cases Supported</u>	<u>Adjusted Number of Cases</u>
2008-09	5,340	4,169	(1,171)
2009-10	3,260	3,870	610
2010-11	3,109	3,210	101
2011-12	3,154	3,037	(117)
2012-13	3,276	2,867	(409)
2013-14	3,276	3,106	(170)
2014-15	2,884	2,933	49
Total	<u>24,299</u>	<u>23,192</u>	<u>(1,107)</u>

Time Increments

Claimed

The city claimed costs based on the time study conducted in 2004 for the Interrogations cost component, which included 21 activities totaling 4.63 hours per case. In the prior audit, five of the activities included in the time study were reimbursable per the program's parameters and guidelines totaling 0.56 hours per case. However, the city was inconsistent in its application of the time increments claimed for various sworn classifications for the audit period.

The city claimed the following time increments:

- In FY 2008-09, the city claimed a total of 4.63 hours per case.
- In FY 2009-10, FY 2010-11, FY 2013-14, and FY 2014-15, the city claimed a total of 0.45 hours per case.
- In FY 2011-12 and FY 2012-13, the city claimed a total of 6.42 hours per case.

The following table summarizes the claimed time increments per case per classification per fiscal year:

Classification	Fiscal Year						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Detective I	0.68	0.07	0.07	0.68	0.68	0.07	0.07
Detective II	0.75	0.07	0.07	0.75	0.75	0.07	0.07
Detective III	0.63	0.06	0.06	0.63	0.63	0.06	0.06
Sergeant I	0.72	0.07	0.07	0.72	0.72	0.07	0.07
Sergeant II	0.84	0.08	0.08	0.84	0.84	0.08	0.08
Lieutenant II	1.01	0.10	0.10	1.01	1.01	0.10	0.10
Police Officer II (witness)	-	-	-	0.41	0.41	-	-
Police Officer II (subject)	-	-	-	1.38	1.38	-	-
Hours claimed per case	4.63	0.45	0.45	6.42	6.42	0.45	0.45

The classifications in bold represent classifications performing reimbursable activities per the city's time study.

In order to determine if the time study conducted in 2004 was reasonable to use for the current audit period, we conducted interviews with city staff members from the Internal Affairs Criminal Investigation Section. They provided a walkthrough of the city's procedures for complying with the reimbursable activities per the program's parameters and guidelines.

During the course of the prior audit, the city's time study included six activities that were not used to claim costs under this cost component. Five of those activities were found to be eligible for reimbursement and the sixth activity, listed as "interview," is unallowable because the city indicated that most peace officer interviews occur during normal working hours.

We found that five reimbursable activities in the prior audit reasonably represent the procedures in place for the audit period for the Interrogations cost component. As in the prior audit, the following activities are reimbursable:

- ID, ID-A, ID-W: Providing prior notice to the officer (accused and/or witness) regarding the nature of the interrogation and identification of the investigating officer. This activity occurs in the Administrative or Criminal Investigation Division.
- Determine: Determining the investigating officers. This activity is assigned to the section Officer-in-Charge (OIC).
- Tape: Tape-recording the interrogation. Per LAPD staff, this activity rarely happens. In fact, no time increments were claimed for the tape-recording activity.
- Booking Tape: Booking (storing) the tape at the Scientific Investigations Division (SID).
- Access: Providing the officer with access to the tape and retrieve it from SID.

- Interview: Conducting the interrogation of the accused officer. The start and end time of the interrogation is noted. Per LAPD staff, interrogations usually take place during normal working hours and rarely occur during overtime (accused officer’s off-duty time). The city’s time study did not specify if and when the officers were paid overtime for the interviews.

In FY 2008-09, FY 2011-12, and FY 2012-13, the city included the following 15 activities that are not reimbursable:

- Admin Task (Administrative Task)
- Call out
- CO Contact (Commanding Officer Contact)
- Evidence Collect
- Interview in person
- Interview Telephone
- Kickback Editing
- Meet/Brief/Notify
- Non-Evidence Task
- Paraphrasing
- Prep for Interview
- Report Formatting
- Telephone contact
- Travel
- Computer Task

The prior audit indicated that the city did not provide a formal description of these activities. LAPD staff stated that these activities involved time for conducting investigations, collecting evidence, writing reports, and editing reports. These activities are unallowable because they relate to the investigation process and go beyond the scope of reimbursable activities identified in the program’s criteria.

The following table summarizes the allowable time increments per case per classification based on the city’s time study:

Classification	Allowable Time Increments per Time Study
Detective I	-
Detective II	0.08
Detective III	0.22
Sergeant I	0.08
Sergeant II	0.10
Lieutenant I	0.08
Police Officer II (witness)	-
Police Officer II (subject)	-
	<u>0.56</u>

The classifications in bold represent classifications performing reimbursable activities per the city's time study.

Hours Adjustment

The following table summarizes the claimed hours, allowable hours, and adjusted hours based on the adjustments made to the number of cases and the time increments as described above:

<u>Fiscal Year</u>	<u>Hours Claimed</u>	<u>Hours Allowable</u>	<u>Adjusted Hours</u>
2008-09	24,734.88	2,334.64	(22,400.24)
2009-10	1,629.00	2,167.20	538.20
2010-11	1,399.05	1,797.60	398.55
2011-12	20,232.91	1,700.72	(18,532.19)
2012-13	21,015.54	1,605.52	(19,410.02)
2013-14	1,474.20	1,739.36	265.16
2014-15	<u>1,297.80</u>	<u>1,642.48</u>	<u>344.68</u>
Total Hours	<u>71,783.38</u>	<u>12,987.52</u>	<u>(58,795.86)</u>

Productive Hourly Rate

The city claimed productive hourly rates for the sworn classifications. For the audit period, the city misstated the productive hourly rates by overstating or understating the rates throughout the audit period.

We obtained the city's sworn productive hour analysis, along with salary information, in order to calculate the productive hourly rate based on the various employee classifications included in the time study that actually perform the reimbursable activities. We recalculated the productive hourly rates using the productive hours and the bi-weekly salary reports provided during the audit for the classifications who perform the eligible reimbursable activities.

The city misstated the individual productive hourly rates for various classifications. Overall, the city misstated costs as a result of the productive hourly rate adjustment as indicated in the summary of adjustment table presented at the end of this finding.

Benefit Rate

As the city's CAP rates were approved by the federal government, we did not perform any testing to verify the benefit rates. We reviewed detailed documentation for the city's CAPs for each fiscal year and accepted the benefit rates supported by the city's CAPs. The city's CAPs identify different benefit rates for the sworn classification.

The following table summarizes the benefit rates claimed and the allowable benefit rates as supported by the federally approved CAPs for the sworn classifications:

Cost Allocation Plan	Fiscal Year	Sworn Classifications		
		Benefit Rate Claimed	Benefit Rate Allowable	Audit Adjustment
CAP 31	2008-09	48.63%	48.63%	0.00%
CAP 32	2009-10	49.84%	49.84%	0.00%
CAP 33	2010-11	49.84%	50.52%	0.68%
CAP 34	2011-12	50.52%	55.01%	4.49%
CAP 35	2012-13	55.01%	63.63%	8.62%
CAP 36	2013-14	66.16%	66.16%	0.00%
CAP 37	2014-15	73.37%	73.37%	0.00%

Summary of Audit Adjustment

We calculated the allowable hours by multiplying the allowable number of cases by the allowable time increments per case. We then applied the audited productive hourly rate and the audited benefit rates to the allowable hours. We found that the city misstated costs totaling \$5,992,500 for the audit period.

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

Fiscal Year	Hour Related Adjustment	Productive Hourly Rate Adjustment	Benefit Cost Adjustment	Audit Adjustment
Salaries and benefits adjustment:				
2008-09	\$ (1,625,567)	\$ (12,478)	\$ (796,582)	\$ (2,434,627)
2009-10	37,351	15,363	26,273	78,987
2010-11	29,371	6,677	18,848	54,896
2011-12	(1,209,774)	(933)	(606,139)	(1,816,846)
2012-13	(1,266,716)	2,565	(685,497)	(1,949,648)
2013-14	21,958	(1,379)	13,615	34,194
2014-15	28,544	(5,159)	17,159	40,544
Total, salaries and benefits adjustment	\$ (3,984,833)	\$ 4,656	\$ (2,012,323)	\$ (5,992,500)

Criteria

The parameters and guidelines (section IV.C. Interrogation) allow ongoing activities related to the Interrogations cost component as follows:

1. When required by the seriousness of the investigation, compensating the peace officer for interrogations occurring during off-duty time in accordance with regular department procedures. (Gov. Code, § 3303, subd. (a). Preparation and review of overtime compensation requests are reimbursable.
2. Providing notice to the peace officer before the interrogation. The notice shall inform the peace officer of the rank, name, and

command of the officer in charge of the interrogation, the interrogating officers, and all other persons to be present during the interrogation. The notice shall inform the peace officer of the nature of the investigation. (Gov. Code, § 3303, subs. (b) and (c).)

The following activities relating to the notice of interrogation are reimbursable:

- a. Review of agency complaints or other documents to prepare the notice of interrogation.
 - b. Identification of the interrogating officers to include in the notice of interrogation.
 - c. Preparation of the notice.
 - d. Review of notice by counsel.
 - e. Providing notice to the peace officer prior to interrogation.
3. Recording the interrogation when the peace officer employee records the interrogation. (Gov. Code, § 3303, subd. (g).)

The cost of media and storage, and the cost of transcription are reimbursable. The investigator's time to record the session and transcription costs of non-sworn peace officers are not reimbursable.

4. Providing the peace officer employee with access to the recording prior to any further interrogation at a subsequent time, or if any further proceedings are contemplated and the further proceedings fall within the following categories (Gov. Code, § 3303, subd. (g)):
- a. The further proceeding is not a disciplinary action;
 - b. The further proceeding is a dismissal, demotion, suspension, salary reduction or written reprimand received by a probationary or at-will employee whose liberty interest is not affected (i.e., the charges supporting the dismissal does not harm the employee's reputation or ability to find future employment);
 - c. The further proceeding is a transfer of a permanent, probationary or at-will employee for purposes of punishment;
 - d. The further proceeding is a denial of promotion for a permanent, probationary or at-will employee for reasons other than merit;
 - e. The further proceeding is an action against a permanent, probationary or at-will employee that results in disadvantage, harm, loss or hardship and impacts the career of the employee.

The cost of media copying is reimbursable.

5. Producing transcribed copies of any notes made by a stenographer at an interrogation, and copies of reports or complaints made by investigators or other persons, except those that are deemed confidential, when requested by the officer, in the following circumstances (Gov. Code, § 3303, subd. (g)):
- a. When the investigation does not result in disciplinary action; and
 - b. When the investigation results in:

- A dismissal, demotion, suspension, salary reduction or written reprimand received by a probationary or at-will employee whose liberty interest is not affected (i.e.; the charges supporting the dismissal do not harm the employee's reputation or ability to find future employment);
- A transfer of a permanent, probationary or at-will employee for purposes of punishment;
- A denial of promotion for a permanent, probationary or at-will employee for reason other than merit; or
- Other actions against a permanent, probationary or at-will employee that result in disadvantage, harm, loss or hardship and impact the career of the employee.

Review of the complaints, notes or recordings for issues of confidentiality by law enforcement, human relations or counsel; and the cost of processing, service and retention of copies are reimbursable.

The following activities are **not** reimbursable:

1. Activities occurring before the assignment of the case to an administrative investigator. These activities include taking an initial complaint, setting up the complaint file, interviewing parties, reviewing the file, and determining whether the complaint warrants an administrative investigation.
2. Investigation activities, including assigning an investigator to the case, reviewing the allegation, communicating with other departments, visiting the scene of the alleged incident, gathering evidence, identifying and contacting complainants and witnesses.
3. Preparing for the interrogation, reviewing and preparing interrogation questions, conducting the interrogation, and reviewing the responses given by the officer and/or witness during the interrogation.
4. Closing the file, including the preparation of a case summary disposition reports and attending executive review or committee hearings related to the investigation.

The parameters and guidelines (Section V. Claim Preparation and Submission) state:

Claimants may be reimbursed for the Reimbursable Activities described in Section IV ... by claiming costs mandated by the state pursuant to the reasonable reimbursement methodology or by filing an actual cost claim

The city chose to claim costs based on the actual cost method. The parameters and guidelines state:

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.B.1 Claim Preparation and Submission-Actual Costs Claims, Direct Cost Reporting) state:

c. Salaries and Benefits

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

Recommendation

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

City's Response

The city did not contest the audit finding.

**FINDING 4—
Unallowable salaries
and benefits—
Adverse Comment
cost component**

The city claimed \$20,017,978 in salaries and benefits for the Adverse Comment cost component during the audit period. This amount includes salaries and benefits totaling \$19,561,693; and salaries and benefits incorrectly claimed under materials and supplies totaling \$456,285 (\$167,796 in FY 2009-10, \$123,327 in FY 2010-11, and \$165,162 in FY 2011-12). We found that \$15,830,362 is allowable and \$4,187,616 is unallowable (allowable salaries and benefits totaling \$3,731,331 and misclassified salaries and benefits totaling \$456,285). Costs claimed are unallowable because the city misstated the number of adverse comments, claimed unallowable activities/ classifications, misstated the time increments per reimbursable activity, misstated the productive hourly rates, misstated benefit rates, misstated related benefit costs, and the city misclassified costs.

The following table summarizes the claimed costs, allowable costs, and audit adjustments for the ongoing costs related to the Adverse Comment cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
Salaries and benefits:			
2008-09	\$ 5,081,169	\$ 2,497,589	\$ (2,583,580)
2009-10	1,901,856 *	2,495,430	593,574
2010-11	1,631,082 *	2,088,065	456,983
2011-12	2,923,914 *	2,036,636	(887,278)
2012-13	3,307,254	2,080,700	(1,226,554)
2013-14	2,429,370	2,339,640	(89,730)
2014-15	2,287,048	2,292,302	5,254
Subtotal, salaries and benefits	19,561,693	15,830,362	(3,731,331)
Misclassified salaries and benefits under materials and supplies:			
2009-10	167,796 *	-	(167,796)
2010-11	123,327 *	-	(123,327)
2011-12	165,162 *	-	(165,162)
Subtotal, misclassified salaries and benefits	456,285	-	(456,285)
Total, salaries and benefits	\$ 20,017,978	\$ 15,830,362	\$ (4,187,616)

*The city incorrectly claimed additional salaries and benefits costs totaling \$456,285 under materials and supplies (\$167,796 in FY 2009-10, \$123,327 in FY 2010-11, and \$165,162 in FY 2011-12).

Salaries and Benefits

Number of Adverse Comments

Claimed

For the audit period, the city claimed 25,170 adverse comments: 5,340 in FY 2008-09, 3,620 in FY 2009-10 and FY 2010-11, 3,154 in FY 2011-12, 3,276 in FY 2012-13 and FY 2013-14, and 2,884 in FY 2014-15. The cases are maintained in the city's CMS. The city was not able to confirm if the case count claimed represented the number of adverse comments initiated or closed during the fiscal year.

Allowable

As described in Findings 1 and 3, we requested that the city provide support for the actual number of cases within each fiscal year. For consistency and to avoid duplicating case counts, the city staff provided the number of cases closed during each fiscal year. We confirmed the existence of the computer-generated case count by verifying the existence of the actual copy of the case file maintained in PDF form.

The following table summarizes the number of claimed adverse comments, the supported number of adverse comments, and the adjusted number of adverse comments:

<u>Fiscal Year</u>	<u>Number of Adverse Comments Claimed</u>	<u>Number of Adverse Comments Supported</u>	<u>Adjusted Number of Adverse Comments</u>
2008-09	5,340	4,169	(1,171)
2009-10	3,620	3,870	250
2010-11	3,620	3,210	(410)
2011-12	3,154	3,037	(117)
2012-13	3,276	2,867	(409)
2013-14	3,276	3,106	(170)
2014-15	2,884	2,933	49
Total	<u>25,170</u>	<u>23,192</u>	<u>(1,978)</u>

Time Increments

Claimed

The city claimed costs based on the time study conducted in 2004 for the Adverse Comment cost component, which included 16 activities. The city was inconsistent in its application of time increments claimed for various sworn and civilian classifications for the audit period.

The city claimed the following time increments:

- In FY 2008-09, the city claimed a total of 9.53 hours per case.
- In FY 2009-10, the city claimed a total of 5.98 hours per case; of these hours the city incorrectly claimed 0.90 hours under materials and supplies.
- In FY 2010-11, the city claimed a total of 4.99 hours per case; of these hours the city incorrectly claimed 0.64 hours under materials and supplies.
- In FY 2011-12, the city claimed a total of 8.90 per case; of these hours the city incorrectly claimed 0.92 hours under materials and supplies.
- In FY 2012-13, the city claimed a total of 8.90 hours per case.
- In FY 2013-14, the city claimed a total of 5.97 hours per case.

In the prior audit, 11 of the activities included in the time study totaling 5.50 hours per case were found to be reimbursable per the program's parameters and guidelines. In some years, the time increments claimed closely resembled the time increments allowable in the prior audit. In some years, the city attempted to segregate the time increments as allowable and unallowable per the prior audit results.

The following table summarizes the claimed time increments per case per classification per fiscal year:

Classification	Fiscal Year						
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Police Officer	0.73	0.19	0.16	0.30	0.30	0.19	0.19
Detective I	0.67	0.03	0.03	0.05	0.05	0.03	0.03
Detective II	0.05	0.59	0.51	0.93	0.93	0.59	0.59
Detective III	0.93	0.46	0.40	0.73	0.73	0.46	0.46
Sergeant I	0.57	1.29	1.11	2.03	2.03	1.29	1.29
Sergeant II	2.03	0.42	0.36	0.67	0.67	0.42	0.42
Lieutenant I	0.67	0.42	0.36	0.67	0.67	0.42	0.42
Lieutenant II	0.93	0.59	0.51	0.93	0.93	0.59	0.59
Captain I	0.45	0.29	0.25	0.45	0.45	0.29	0.29
Captain II	0.65	0.41	0.35	0.65	0.65	0.41	0.41
Captain III	-	0.36	0.31	0.57	0.57	0.36	0.36
Clerk Typist	0.30	0.03 *	0.03 *	0.03 *	0.03	0.03	0.03
Sr. Clerk Typist	0.05	0.23 *	0.20 *	0.23 *	0.23	0.23	0.23
Police Service Rep.	0.38	-	-	-	-	-	-
Management Analyst II	0.37	0.48 *	0.41 *	0.47 *	0.47	0.47	0.47
Principal Clerk Police II	0.75	0.19 *	-	0.19 *	0.19	0.19	0.19
	<u>9.53</u>	<u>5.98</u>	<u>4.99</u>	<u>8.90</u>	<u>8.90</u>	<u>5.97</u>	<u>5.97</u>

* Time increments incorrectly used to calculate claimed costs under materials and supplies for FY 2009-10 through FY 2011-12.

The classifications in bold represent classifications performing reimbursable activities per the city's time study.

Allowable

In order to determine if the time study conducted in 2004 for the Adverse Comment cost component was reasonable to use for the current audit period, we conducted interviews with city staff members. They provided a walkthrough, with several staff members from the Internal Affairs Group, of the city's procedures to comply with the reimbursable activities per the programs parameters and guidelines. We held discussions with several staff members from the Administrative Records Section, a Sergeant from the Professional Standards Bureau, and a Detective from the Criminal Investigation Section to gain an overall understanding of who performs the reimbursable activities for the Adverse Comment component.

We found that the 11 activities reimbursable in the prior audit reasonably represent the procedures in place for the audit period for the Adverse Comment cost component. As in the prior audit, the following activities are reimbursable:

- Note: This activity consists of providing notice to the peace officer of the adverse comment or complaint fact sheet. This activity is associated with the first notice of adverse comment to the officer and indicates that an investigation is taking place.
- Sign: This activity occurs when the officer under investigation reviews and signs the adverse comment or complaint fact sheet, which is the first notice of complaint from Internal Affairs.

- Respond: This activity is also associated with providing first notice of the adverse comment and that an investigation is taking place. The activity provides the officer an opportunity to respond within 30 days.
- Refuse: If the accused officer refuses to sign the face sheet or initial the adverse comment, the time involved is noted.
- Review: This activity involves the review of the 1.28 (complaint form) and the circumstances leading to the adverse comment. This is the preliminary review of the comment to determine if it is an adverse comment and warrants further investigation. The Complaint Classification Unit performs this activity. This activity also includes the time it takes to prepare a face sheet concerning the complaint.
- Approval: This activity consists of the review by Internal Affairs Management of a completed case prior to sending the case to an area or division for notification to the officer under investigation.
- Adjudication: This activity consists of the time spent by the Command Officer (accused officer's supervisor) of the area to adjudicate the complaint. This activity would include a review of the completed complaint and the formulation of a Letter of Transmittal (LOT).
- CO Review: According to LAPD staff, CO review is closely tied with Adjudication. This activity consists of the time spent by the commanding officer of the area to review the complaint and LOT.
- Preparation: This activity consists of the preparation of the charge sheet for the Chief of Police to sign.
- Serve: This activity entails ensuring that the accused officer is served with the charge sheet and obtaining the officer's signature or noting the officer's refusal to sign the charge sheet.
- Accuracy: This activity involves reviewing the accused officer's response to the complaint or 1.28 (complaint form).

The city also included the following five activities that are not reimbursable:

- Preliminary: This activity involves investigating the circumstances surrounding the adverse comment.
- Collect: This activity consists of the preliminary investigation conducted by supervisors, detectives, and the command staff in the area where the complaint was taken. This activity can include report writing, interviews, or any activity in which information is gathered for the 1.28 (complaint form).
- Area Invest: This activity consists of the time spent by an area to investigate the complaint or 1.28 (complaint form). This activity occurs after the preliminary investigation.
- Inspect: This activity occurs when the assigned advocate reviews the investigation for status and thoroughness.

- RE Invest: This activity involves the time needed to conduct any additional investigations.

The five activities noted above were unallowable because they are part of the city’s investigative process and go beyond the scope of reimbursable activities outlined in the program’s criteria. Per the program’s parameters and guidelines, investigative activities are unallowable for reimbursement.

The following table summarizes the allowable time increments per classification based on the city’s time study:

Classification	Allowable Time Increments per Time Study
Police Officer	0.02
Detective I	0.05
Detective II	0.42
Detective III	0.72
Sergeant I	0.17
Sergeant II	0.60
Lieutenant I	0.53
Lieutenant II	0.92
Captain I	0.43
Captain II	0.67
Captain III	0.52
Clerk Typist	0.05
Sr. Clerk Typist	0.22
Police Service Representatives	0.18
Management Analyst II	-
Principal Clerk Police II	-
	5.50

The classifications in bold represent classifications performing reimbursable activities per the city's time study.

Hours Adjustment

The following table summarizes the claimed hours, allowable hours, and adjusted hours based on the adjustments made to the number of adverse comments and the time increments as described above:

Fiscal Year	Hours Claimed	Hours Allowable	Adjusted Hours
2008-09	50,890.20	22,929.50	(27,960.70)
2009-10	18,281.00 *	21,285.00	3,004.00
2010-11	15,700.45 *	11,299.20	(4,401.25)
2011-12	25,168.92 *	16,703.50	(8,465.42)
2012-13	29,145.69	15,768.50	(13,377.19)
2013-14	19,547.01	17,083.00	(2,464.01)
2014-15	17,207.87	16,131.50	(1,076.37)
Subtotal, hours	175,941.14	121,200.20	(54,740.94)
Additional misclassified hours under materials and supplies:			
2009-10	3,366.60 *	-	(3,366.60)
2010-11	2,300.66 *	-	(2,300.66)
2011-12	2,891.35 *	-	(2,891.35)
Subtotal, misclassified hours	8,558.61	-	(8,558.61)
Total hours	184,499.75	121,200.20	(63,299.55)

*The city incorrectly claimed an additional 8,558.61 hours under materials and supplies (3,366.60 hours in FY 2009-10, 2,300.66 hours in FY 2010-11, and 2,891.35 hours in FY 2011-12.)

Productive Hourly Rate

The city claimed productive hourly rates for both sworn and civilian classifications. For the audit period, the city misstated the productive hourly rates by overstating or understating the rates throughout the audit period.

We obtained the city's sworn and civilian productive hour analysis, along with salary information, in order to calculate the productive hourly rate based on the various employee classifications included in the time study that actually perform the reimbursable activities. We recalculated the productive hourly rates using the productive hours and the bi-weekly salary reports provided during the audit for the classifications who perform the eligible reimbursable activities.

The city misstated the individual productive hourly rates for various classifications. Overall, the city understated costs as a result of the productive hourly rate adjustment as indicated in the summary of adjustment in the table below.

Benefit Rate

As the city's CAP rates were approved by the federal government, we did not perform any testing to verify the benefit rates. We reviewed detailed documentation for the city's CAPs for each fiscal year and accepted the benefit rates supported by the city's CAPs. The city's CAPs identify different benefit rates for sworn and civilian classifications.

The following table summarizes the benefit rates claimed and the allowable benefit rates as supported by the federally approved CAPs for the sworn and civilian classifications:

Cost Allocation Plan	Fiscal Year	Sworn Classifications			Civilian Classifications		
		Benefit Rate Claimed	Benefit Rate Allowable	Audit Adjustment	Benefit Rate Claimed	Benefit Rate Allowable	Audit Adjustment
CAP 31	2008-09	48.63%	48.63%	0.00%	37.00%	37.00%	0.00%
CAP 32	2009-10	49.84%	49.84%	0.00%	38.22% *	38.22%	0.00%
CAP 33	2010-11	49.84%	50.52%	0.68%	38.22% *	38.74%	0.52%
CAP 34	2011-12	50.52%	55.01%	4.49%	38.74% *	44.10%	5.36%
CAP 35	2012-13	55.01%	63.33%	8.32%	44.10%	42.23%	-1.87%
CAP 36	2013-14	66.16%	66.16%	0.00%	37.36%	37.36%	0.00%
CAP 37	2014-15	73.37%	73.37%	0.00%	41.62%	41.62%	0.00%

* Costs incorrectly claimed under materials and supplies for FY 2009-10 through FY 2011-12.

Summary of Audit Adjustment

We calculated the allowable hours by multiplying the allowable number of adverse comments by the allowable time increments per case. We then applied the audited productive hourly rate and the audited benefit rates to the allowable hours. We found that the city misstated costs by \$4,187,616 for the audit period.

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

Fiscal Year	Hour Related Adjustment	Productive Hourly Rate Adjustment	Benefit Cost Adjustment	Audit Adjustment
Salaries and benefits adjustment:				
2008-09	\$ (1,901,417)	\$ 136,335	\$ (818,498)	\$ (2,583,580)
2009-10	189,579 *	210,665	193,330	593,574
2010-11	165,648 *	136,731	154,604	456,983
2011-12	(670,597) *	45,224	(261,905)	(887,278)
2012-13	(915,754)	52,690	(363,490)	(1,226,554)
2013-14	(88,197)	18,325	(19,858)	(89,730)
2014-15	10,227	(22,278)	17,305	5,254
Subtotal	(3,210,511)	577,692	(1,098,512)	(3,731,331)
Misclassified salaries and benefits under materials and supplies:				
2009-10	(167,796) *	-	-	(167,796)
2010-11	(123,327) *	-	-	(123,327)
2011-12	(165,162) *	-	-	(165,162)
	(456,285)	-	-	(456,285)
Total, salaries and benefits adjustment	\$ (3,666,796)	\$ 577,692	\$ (1,098,512)	\$ (4,187,616)

* The city incorrectly claimed salaries and benefits costs totaling \$456,285 under materials and supplies

Criteria

The parameters and guidelines (section IV.D. Adverse Comment), in part, allow ongoing activities related to the Adverse Comment cost component as follows:

Performing the following activities upon receipt of an adverse comment concerning a peace officer, as defined in Penal Code sections 830.1, 830.2, 830.3, 830.31, 830.32, 830.33, except subdivision (e), 830.34, 830.35, except subdivision (c), 830.36, 830.37, 830.4, and 830.5. (Gov. Code, §§ 3305 and 3306.):...

Cities and Special Police Protection Districts

1. Providing notice of the adverse comment;
2. Providing an opportunity to review and sign the adverse comment;
3. Providing an opportunity to respond to the adverse comment within 30 days; and
4. Noting the peace officer’s refusal to sign the adverse comment and obtaining the signature or initials of the peace officer under such circumstances.

The following adverse comment activities are reimbursable:

1. Review of the circumstances or documentation leading to the adverse comment by supervisor, command staff, human resources staff, or counsel to determine whether the comment constitutes a written reprimand or an adverse comment.
2. Preparation of notice of adverse comment.
3. Review of notice of adverse comment for accuracy.
4. Informing the peace officer about the officer’s rights regarding the notice of adverse comment.
5. Review of peace officer’s response to adverse comment.

6. Attaching the peace officers' response to the adverse comment and filing the document in the appropriate file.

The parameters and guidelines clarify that the following activities related to the Adverse Comment cost component are not eligible for reimbursement:

1. Investigating a complaint.
2. Interviewing a complainant.
3. Preparing a complaint investigation report.

The parameters and guidelines (Section V. Claim Preparation and Submission) state:

Claimants may be reimbursed for the Reimbursable Activities described in Section IV ... by claiming costs mandated by the state pursuant to the reasonable reimbursement methodology or by filing an actual cost claim...

The city chose to claim costs based on the actual cost method. The parameters and guidelines state:

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.B.1 Claim preparation and Submission-Actual Costs Claims, Direct Cost Reporting) state:

- d. Salaries and Benefits

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

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 contest the audit finding.

FINDING 5— Unallowable indirect costs

The city claimed indirect costs during the audit period totaling \$7,121,899. This amount includes indirect costs incorrectly claimed under materials and supplies totaling \$112,575 (\$39,145 in FY 2009-10, \$31,454 in FY 2010-11, and \$41,976 in FY 2011-12). We found that \$4,430,967 is allowable and \$2,690,932 is unallowable (\$2,578,357 in unallowable indirect costs and an additional \$112,575 in misclassified indirect costs). The costs are unallowable because the city overstated the indirect cost

rates for sworn classifications and misstated the indirect cost rates for civilian classifications, the city applied its indirect cost rate to unallowable salaries and benefit costs identified in Findings 1 through 4, and the city incorrectly claimed indirect costs under materials and supplies.

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

Fiscal Year	Claimed Indirect Cost	Allowable Indirect Cost	Audit Adjustment
2008-09	\$ 579,663 ¹	\$ 186,143	\$ (393,520)
2009-10	999,508	1,200,806	201,298
2010-11	862,354	808,172	(54,182)
2011-12	1,924,761	516,395	(1,408,366)
2012-13	1,381,888	458,033	(923,855)
2013-14	617,862	609,003	(8,859)
2014-15	643,288	652,415	9,127
Subtotal, indirect costs	7,009,324	4,430,967	(2,578,357)
Misclassified indirect costs under materials and supplies:			
2009-10	39,145 *	-	(39,145)
2010-11	31,454 *	-	(31,454)
2011-12	41,976 *	-	(41,976)
Subtotal, misclassified indirect costs	112,575	-	(112,575)
Total, indirect costs	\$ 7,121,899	\$ 4,430,967	\$ (2,690,932)

¹ For FY 2008-09, the city calculated indirect costs using 10% of direct labor, excluding fringe benefits.

* The city incorrectly claimed additional indirect costs totaling \$112,575 under materials and supplies (\$39,145 in FY 2009-10, \$31,454 in FY 2010-11, and \$41,976 in FY 2011-12).

Indirect Cost Rates Claimed

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

The city calculates rates separately for both civilian and sworn employee positions. To arrive at the claimed rate, the city adds up the rates indicated in two forms, the Department Administration and Support rate from the approved CAP and a General City Overhead rate from the State and Local Rate Agreement.

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

The city claimed the following indirect cost rates:

- For FY 2008-09, the city claimed a 10% of direct labor for both sworn and civilian classifications.
- For FY 2009-10, the city used the sworn and civilian classifications as supported by the city’s CAP.
- For FY 2010-11 through FY 2012-13, the city incorrectly used the prior year indirect costs rates for both sworn and civilian classifications.
- For FY 2013-14, the city claimed indirect cost rates that were slightly overstated as supported by the city’s CAP.
- For FY 2014-15, the claimed rates were supported by the city’s CAP.

In addition, for FY 2009-10 through FY 2010-11, the city did not claim indirect costs for civilian classifications. However, as previously mentioned in Findings 1, 2, and 4, the city incorrectly claimed salaries benefits and related indirect costs under materials and supplies.

Indirect Costs Allowable

We obtained copies of the city’s CAP 31 through CAP 37 and applied the indirect cost rates as supported for the sworn and civilian classifications accordingly.

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

Cost Allocation Plan	Fiscal Year	Sworn Classifications			Civilian Classifications			
		Indirect Cost Rate Claimed	Indirect Cost Rate Allowable	Audit Adjustment	Fiscal Year	Indirect Cost Rate Claimed	Indirect Cost Rate Allowable	Audit Adjustment
CAP 31	2008-09	10.00% ¹	10.00%	0.00%	2008-09	10.00%	10.00%	0.00%
CAP 32	2009-10	71.10%	71.10%	0.00%	2009-10	23.10%*	23.10%	0.00%
CAP 33	2010-11	71.10% ²	53.67%	-17.43%	2010-11	23.10%*	25.64%	2.54%
CAP 34	2011-12	53.67% ²	35.94%	-17.73%	2011-12	25.64%*	24.63%	-1.01%
CAP 35	2012-13	35.94% ²	33.13%	-2.81%	2012-13	24.63%*	14.14%	-10.49%
CAP 36	2013-14	40.02%	39.92%	-0.10%	2013-14	15.34%	15.22%	-0.12%
CAP 37	2014-15	45.26%	45.26%	0.00%	2014-15	23.71%	23.71%	0.00%

¹ For FY 2008-09, the city calculated indirect costs using 10% of direct labor, excluding fringe benefits.

² For FY 2010-11 through FY 2012-13 the city incorrectly used the prior year indirect costs rates for both sworn and civilian classifications.

* Misclassified indirect costs claimed under materials and supplies for FY 2009-10, FY 2010-11, and FY 2011-12.

Summary of Audit Adjustment

We applied the audited indirect cost rate to the allowable salaries. We found that the city misstated indirect costs by \$2,690,932. The audit adjustment for indirect cost rate differences totaled \$539,123. The audit adjustment for applying the indirect cost rate to unallowable salaries and benefits identified in Findings 1 through 4 totaled \$2,151,809; this amount includes misclassified indirect costs totaling \$112,575 (\$39,145 in FY 2009-10, \$31,454 in FY 2010-11, and \$41,976 in FY 2011-12).

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

<u>Fiscal Year</u>	<u>Rate Difference Adjustment</u>	<u>Unallowable Cost Adjustment</u>	<u>Audit Adjustment</u>
2008-09	\$ -	\$ (393,520)	\$ (393,520)
2009-10	13,630	148,523 *	162,153
2010-11	(243,146)	157,510 *	(85,636)
2011-12	(264,342)	(1,186,000) *	(1,450,342)
2012-13	(43,688)	(880,167)	(923,855)
2013-14	(1,577)	(7,282)	(8,859)
2014-15	-	9,127	9,127
	<u>\$ (539,123)</u>	<u>\$ (2,151,809)</u>	<u>\$ (2,690,932)</u>

* The adjustment included misclassified indirect costs incorrectly claimed totaling \$112,575 under materials and supplies (\$39,145 in FY 2009-10, \$31,454 in FY 2010-11, and \$41,976 in FY 2011-12).

Criteria

The parameters and guidelines (section V.B.2. Claim Preparation and Submission-Indirect Cost Rates) state:

Indirect costs are costs that are incurred for a common or joint purpose, benefiting 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 procedure provided in 2 CFR Part 225 (the Office of Management and Budget excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225 (OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225 (OMB Circular A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

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

- i. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected; or
- ii. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount allowable indirect costs bears to the base selected.

Recommendation

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

City's Response

The city did not contest the audit finding.

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

LOS ANGELES POLICE DEPARTMENT



CHARLIE BECK
Chief of Police

ERIC GARCETTI
Mayor

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August 11, 2016

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

RE: Peace Officer's Procedural Bill of Rights
July 1, 2008, through June 30, 2015

Dear Mr. Spano,

Thank you for providing the City of Los Angeles Police Department with the preliminary draft audit report for the Peace Officer's Procedural Bill of Rights (POBOR) state mandated cost program. While the City will not contest the auditing findings, we would like to reiterate our position that the State continues to misinterpret the Commission on Mandate's original statement of decision and the parameters and guidelines for the Peace Officer's Procedural Bill of Rights program. Because this is the City's third POBOR audit, we do not see the need to discuss in greater detail.

Thank you again for the opportunity to respond. We appreciate the professionalism and courtesy afforded by State Audit staff throughout the course of the audit.

Should you have any questions, please contact me at (213) 486-8590.

Sincerely,

CHARLIE BECK
Chief of Police

A handwritten signature in black ink, appearing to read "AS", with a long horizontal line extending to the right.

Annemarie Sauer, Police Administrator II
Commanding Officer
Fiscal Operations Divisions

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