

CITY OF SACRAMENTO

Audit Report

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS PROGRAM

Chapter 246, Statutes of 1995

July 1, 1999, through June 30, 2001



STEVE WESTLY
California State Controller

August 2004



STEVE WESTLY
California State Controller

August 10, 2004

Mr. Gus Vina
Director of Finance
City of Sacramento
730 I Street, Room 215
Sacramento, CA 95814

Dear Mr. Vina:

The State Controller's Office has completed an audit of the claims filed by the City of Sacramento for costs of the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 1999, through June 30, 2001.

The city claimed and was paid \$342,573 for the mandated program. Our audit disclosed that \$282,028 is allowable and \$60,545 is unallowable. The unallowable costs occurred primarily because the city claimed unsupported and ineligible costs. The amount paid in excess of allowable costs claimed, totaling \$60,545, should be returned to the State.

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

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB/ams:jj

cc: Albert Nájera
Chief of Police
Sacramento Police Department
Connie Kimoto
Administrative Officer
Sacramento Police Department
Dennis W. Kauffman, Jr., CPA
Accounting Manager
City of Sacramento
James Tilton, Program Budget Manager
Corrections and General Government
Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the claims filed by the City of Sacramento for costs of the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 1999, through June 30, 2001. The last day of fieldwork was May 5, 2004.

The city claimed and was paid \$342,573 for the mandated program. The audit disclosed that \$282,028 is allowable and \$60,545 is unallowable. The unallowable costs occurred primarily because the city claimed unsupported and ineligible costs. The amount paid in excess of allowable costs claimed, totaling \$60,545, should be returned to the State.

Background

Chapter 246, Statutes of 1995, requires the development, adoption, and implementation of written arrest policies for domestic violence offenders by July 1, 1996. Further, a local agency is required to obtain input from local domestic violence agencies in developing the arrest policies. At its September 25, 1997, hearing, the Commission on State Mandates (COSM) ruled that Chapter 246, Statutes of 1995, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines, adopted by COSM on August 20, 1998, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist local agencies and school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

The audit objective was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 1999, through June 30, 2001.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority provided by *Government Code* Section 17558.5. The SCO did not audit the city's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain

reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the city's internal controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

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

For the audit period, the City of Sacramento claimed and was paid \$342,573 for costs of the legislatively mandated Domestic Violence Arrest Policies and Standards Program. The audit disclosed that \$282,028 is allowable and \$60,545 is unallowable.

For fiscal year (FY) 1999-2000, the city was paid \$162,403 by the State. The audit disclosed that \$137,759 is allowable. The amount paid in excess of allowable costs claimed, totaling \$24,644, should be returned to the State.

For FY 2000-01, the city was paid \$180,170 by the State. The audit disclosed that \$144,269 is allowable. The amount paid in excess of allowable costs claimed, totaling \$35,901, should be returned to the State.

Views of Responsible Official

The SCO issued a draft audit report on June 18, 2004. Dennis W. Kauffman, Jr., Accounting Division Manager, responded by letter dated July 1, 2004, agreeing with the audit results. The city's response is included in this final audit report.

Restricted Use

This report is solely for the information and use of the City of Sacramento, 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
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2001**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference¹</u>
<u>July 1, 1999, through June 30, 2000</u>				
Salaries and benefits	\$ 87,084	\$ 86,903	\$ (181)	Finding 1
Total increased direct costs	87,084	86,903	(181)	
Indirect costs	<u>75,319</u>	<u>50,856</u>	<u>(24,463)</u>	Findings 1, 2
Total costs	<u>\$ 162,403</u>	137,759	<u>\$(24,644)</u>	
Less amount paid by the State		<u>(162,403)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$(24,644)</u>	
<u>July 1, 2000, through June 30, 2001</u>				
Salaries and benefits	\$ 92,022	\$ 87,224	\$ (4,798)	Finding 1
Total increased direct costs	92,022	87,224	(4,798)	
Indirect costs	<u>88,148</u>	<u>57,045</u>	<u>(31,103)</u>	Findings 1, 2
Total costs	<u>\$ 180,170</u>	144,269	<u>\$(35,901)</u>	
Less amount paid by the State		<u>(180,170)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$(35,901)</u>	
<u>Summary: July 1, 1999, through June 30, 2001</u>				
Salaries and benefits	\$ 179,106	\$ 174,127	\$ (4,979)	Finding 1
Total increased direct costs	179,106	174,127	(4,979)	
Indirect costs	<u>163,467</u>	<u>107,901</u>	<u>(55,566)</u>	Findings 1, 2
Total costs	<u>\$ 342,573</u>	282,028	<u>\$(60,545)</u>	
Less amount paid by the State		<u>(342,573)</u>		
Allowable costs claimed in excess of (less than) amount paid			<u>\$(60,545)</u>	

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable salaries
and benefits and
related indirect costs
claimed**

The city claimed unallowable salary and benefit costs totaling \$4,979. The related indirect costs total \$4,752.

The city claimed 4,820 domestic violence incident reports for FY 1999-2000, while documentation supported only 4,810 incident reports. The city claimed an average productive hourly rate of \$37.64. Based on the uniform time allowance of 0.48 hours per incident, the 10 unsupported incident reports result in unallowable costs totaling \$181.

The city claimed 5,126 domestic violence incident reports for FY 2000-01. The city claimed an average productive hourly rate of \$37.40. However, actual police officer (classes 02027 and 52027) payroll expenses supported an hourly rate of only \$35.45, a difference of \$1.95 per hour. Based on the uniform time allowance of 0.48 hours per incident, the overstated average productive hourly rate results in unallowable costs totaling \$4,798.

The following table summarizes unallowable costs:

	Fiscal Year		Total
	1999-2000	2000-01	
Salaries and benefits	\$ (181)	\$ (4,798)	
Indirect cost rate	× 86.49%	× 95.79%	
Related indirect costs	(156)	(4,596)	\$(4,752)
Salaries and benefits (from above)	<u>(181)</u>	<u>(4,798)</u>	<u>(4,979)</u>
Audit adjustment	<u>\$ (337)</u>	<u>\$ (9,394)</u>	<u>\$(9,731)</u>

Parameters and Guidelines states that payroll records and other documents shall support salary and benefit costs. *Parameters and Guidelines* states that total salary and benefit costs are determined based on the number of domestic violence responses, the average productive hourly rate, and a uniform time allowance of 29 minutes (.48 hours) per response.

Recommendation

The city should ensure that source documentation supports the number of domestic violence incidents and the productive hourly rates reported.

**FINDING 2—
Overstated indirect
cost rates**

The city claimed unallowable indirect costs of \$50,814. The city used overstated indirect cost rates to claim indirect costs.

Indirect cost rates claimed were overstated for the following reasons.

- The city claimed year-end obligated expenses rather than actual expenses for various cost categories. City staff confirmed that year-end obligated expenses exceeding actual expenses are reported as actual expenses in the subsequent fiscal year. As a result, indirect services and supplies costs were overstated by \$62,448 for FY 1999-2000 and \$109,733 for FY 2000-01.
- The Office of the Chief and the Office of Technical Services provide support services to patrol divisions and the Office of Investigations. However, the city allocated 100% of costs for the Office of the Chief and the Office of Technical Services to patrol divisions only. As a result, indirect salaries and benefits costs were overstated by \$4,780,558 for FY 1999-2000 and \$4,869,016 for FY 2000-01. Indirect services and supplies costs were overstated by \$2,695,275 for FY 1999-2000 and \$2,849,827 for FY 2000-01.
- The city did not offset allowable indirect costs by the associated revenues reported in the city’s accounting records. Offsetting revenues were understated by \$2,459,628 for FY 1999-2000 and \$2,712,384 for FY 2000-01.

The following table summarizes the calculation of claimed and allowable indirect cost rates:

	<u>Claimed</u>	<u>Allowable</u>	<u>Unallowable</u>
<u>FY 1999-2000</u>			
Indirect costs:			
Salaries and benefits	\$ 21,803,288	\$ 17,022,730	\$ (4,780,558)
Services and supplies	9,116,913	6,359,190	(2,757,723)
Offsetting revenues	—	<u>(2,459,628)</u>	<u>(2,459,628)</u>
Total indirect costs	30,920,201	20,922,292	<u>\$ (9,997,909)</u>
Direct costs	<u>÷ 35,749,492</u>	<u>÷ 35,749,492</u>	
Indirect cost rate	<u>86.49%</u>	<u>58.52%</u>	<u>(27.97%)</u>
<u>FY 2000-01</u>			
Indirect costs:			
Salaries and benefits	\$ 23,489,671	\$ 18,620,655	\$ (4,869,016)
Services and supplies	9,741,263	6,781,703	(2,959,560)
Offsetting revenues	—	<u>(2,712,384)</u>	<u>(2,712,384)</u>
Total indirect costs	33,230,934	22,689,974	<u>\$ (10,540,960)</u>
Direct costs	<u>÷ 34,689,775</u>	<u>÷ 34,689,775</u>	
Indirect cost rate	<u>95.79%</u>	<u>65.40%</u>	<u>(30.39%)</u>

Based on these unallowable indirect cost rates, the audit adjustments are summarized below:

	<u>Fiscal Year</u>		<u>Total</u>
	<u>1999-2000</u>	<u>2000-01</u>	
Allowable direct costs claimed	\$ 86,903	\$ 87,224	
Unallowable indirect cost rate	<u>× (27.97)%</u>	<u>× (30.39)%</u>	
Audit adjustment	<u>\$ (24,307)</u>	<u>\$ (26,507)</u>	<u>\$(50,814)</u>

Parameters and Guidelines states that indirect costs are reimbursable using Office of Management and Budget (OMB) Circular A-87 procedures. OMB Circular A-87 states that indirect costs are allocable to cost objectives according to the relative benefits received. In addition, OMB Circular A-87 states that indirect costs should be net of all applicable credits.

Recommendation

The city should ensure that its indirect cost rate proposals comply with OMB Circular A-87 procedures.

**OTHER ISSUE—
Adjustment to
over/underpaid
amounts**

In its response, the city requested that the \$60,545 overpaid by the state for the audit period be used to offset the underpaid amounts for its prior year claims.

SCO's Comment

Each year is funded by the Legislature through separate appropriations. Therefore, the \$60,545 overpayment for the audit period cannot be used to offset prior year underpayments.

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



DEPARTMENT OF
FINANCE

ACCOUNTING DIVISION

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
730 I STREET
SUITE 241
SACRAMENTO, CA
95814

July 1, 2004

Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office, Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

RE: Audit Report for Domestic Violence Arrest Policies and Standards Program

Dear Mr. Spano:

The City of Sacramento has completed its review of the draft audit report for the Domestic Violence Arrest Policies and Standards Program. We noted that the audit period indicated on the heading on Page 3 of the report, on Schedule 1, should be July 1, 1999, through June 30, 2001. The draft report indicates incorrectly that the audit period extended until June 30, 2002.

The City of Sacramento requests that you deduct the \$60,545, owed as a result of your audit, from pending prior year SB-90 claims. Thank you.

If you have any questions, please don't hesitate to call me at (916) 808-5843.

Sincerely,

Dennis W. Kauffman, Jr.
Accounting Division Manager

cc: Gus Vina
Director of Finance
City of Sacramento
Albert Najera
Chief of Police
Sacramento Police Department
Connie Kimoto
Administrative Officer
Sacramento Police Department

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

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