

# **CITY OF BEVERLY HILLS**

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; and Chapter 675, Statutes of 1990

*July 1, 2002, through June 30, 2005*



**JOHN CHIANG**  
California State Controller

November 2008



**JOHN CHIANG**  
**California State Controller**

November 7, 2008

Scott G. Miller, Director of Administrative  
Services and Chief Financial Officer  
City of Beverly Hills  
455 N. Rexford Drive  
Beverly Hills, CA 90210

Dear Mr. Miller:

The State Controller's Office audited the costs claimed by the City of Beverly Hills 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; and Chapter 675, Statutes of 1990) for the period of July 1, 2002, through June 30, 2005.

The city claimed \$499,444 for the mandated program. Our audit disclosed that \$38,326 is allowable and \$461,118 is unallowable. The costs are unallowable because the city claimed estimated costs that were unsupported (\$445,646) and costs that were ineligible for reimbursement (\$15,472). The State made no payment to the city. The State will pay allowable costs claimed totaling \$38,326, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

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

Sincerely,

*Original signed by*

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

JVB/vb

cc: Erick Lee, Management Analyst  
City of Beverly Hills  
Todd Jerue, Program Budget Manager  
Corrections and General Government  
Department of Finance  
Carla Castaneda  
Principal Program Budget Analyst  
Department of Finance  
Paula Higashi, Executive Director  
Commission on State Mandates

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Beverly Hills 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; and Chapter 675, Statutes of 1990) for the period of July 1, 2002, through June 30, 2005.

The city claimed \$499,444. Our audit disclosed that \$38,326 is allowable and \$461,118 is unallowable. The costs are unallowable because the city claimed estimated costs that were unsupported (\$445,646) and costs that were ineligible for reimbursement (\$15,472). The State made no payment to the city. The State will pay allowable costs claimed totaling \$38,326, 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 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 (CSM) determined that this legislation imposed a state mandate reimbursable under Government Code section 17561 and adopted the statement of decision. CSM determined that the peace officer rights law constitutes a partially reimbursable state mandated program within the meaning of the California Constitution, Article XIII B, Section 6, and Government Code section 17514. CSM further defined that activities covered by due process are not reimbursable.

The parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on July 27, 2000, and corrected it on August 17, 2000. The parameters and guidelines categorize 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 for mandated programs, to assist local agencies in claiming reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Peace Officers Procedural Bill of Rights Program for the period of July 1, 2002, through June 30, 2005.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted the 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 gain an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our 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 Beverly Hills claimed \$499,444 for costs of the Peace Officers Procedural Bill of Rights Program. Our audit disclosed that \$38,326 is allowable and \$461,118 is unallowable.

The State made no payment to the city. Our audit disclosed that \$38,326 is allowable. The State will pay allowable costs claimed totaling \$38,326, contingent upon available appropriations.

## **Views of Responsible Officials**

We issued a draft audit report on August 15, 2008. Sharon Rahban, Accounting Manager, responded by letter dated October 3, 2008 (Attachment), disagreeing with the audit results. This final audit report includes the city's response.

## **Restricted Use**

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

November 7, 2008

**Schedule 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2005**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries	\$ 47,125	\$ 7,151	\$ (39,974)	Findings 1, 2
Benefits	18,114	3,483	(14,631)	Findings 1, 2
Services and supplies	126	—	(126)	Finding 1
Travel and training	150	—	(150)	Finding 1
Total direct costs	65,515	10,634	(54,881)	
Indirect costs	23,751	3,604	(20,147)	Findings 1, 2
Total program costs	<u>\$ 89,266</u>	14,238	<u>\$ (75,028)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,238</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries	\$ 46,898	\$ 6,874	\$ (40,024)	Findings 1, 2
Benefits	16,920	3,251	(13,669)	Findings 1, 2
Total direct costs	63,818	10,125	(53,693)	
Indirect costs	30,062	4,406	(25,656)	Findings 1, 2
Total program costs	<u>\$ 93,880</u>	14,531	<u>\$ (79,349)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,531</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 149,009	\$ 4,506	\$ (144,503)	Findings 1, 2
Benefits	88,660	2,681	(85,979)	Findings 1, 2
Services and supplies	127	—	(127)	Finding 1
Travel and training	823	—	(823)	Finding 1
Total direct costs	238,619	7,187	(231,432)	
Indirect costs	78,379	2,370	(76,009)	Findings 1, 2
Subtotal	316,998	9,557	(307,441)	
Less other reimbursements	(700)	—	700	Finding 3
Total program costs	<u>\$ 316,298</u>	9,557	<u>\$ (306,741)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 9,557</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>Summary: July 1, 2002, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 243,032	\$ 18,531	\$ (224,501)	
Benefits	123,694	9,415	(114,279)	
Services and supplies	253	—	(253)	
Travel and training	973	—	(973)	
Total direct costs	367,952	27,946	(340,006)	
Indirect costs	132,192	10,380	(121,812)	
Subtotal	500,144	38,326	(461,818)	
Less other reimbursements	(700)	—	700	
Total program costs	<u>\$ 499,444</u>	38,326	<u>\$ (461,118)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 38,326</u>		
<u>Summary by Cost Component</u>				
Administrative Activities	\$ 45,051	\$ —	\$ (45,051)	
Interrogations	168,602	—	(168,602)	
Adverse Comment	285,791	38,326	(247,465)	
Total program costs	<u>\$ 499,444</u>	<u>\$ 38,326</u>	<u>\$ (461,118)</u>	

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



# Findings and Recommendations

## **FINDING 1— Unsupported costs**

The city claimed \$500,144 in salaries and benefits, services and supplies, travel and training, and related indirect costs for the audit period. We initially determined that all costs were unallowable because there was insufficient support to validate that claimed costs were related to the state-mandated program or that costs were claimed for ineligible activities. The city requested and we agreed that the city be allowed to perform a time study to recapture allowable costs. Based on the time study results, the city determined that claimed costs totaling \$53,798 is allowable and \$446,346 is unallowable. Our analysis of the city’s time study results is presented in Finding 2.

We initially met with staff from the city’s police department and determined that the costs claimed by the department were not reimbursable under the mandated program. We allowed the city to prepare a time study to show which mandate-reimbursable costs it incurred over the audit period. The city submitted a time study plan to our office on May 3, 2007, which we approved. The plan proposed to determine reimbursable costs based on an average amount of time spent performing certain mandate-reimbursable tasks. The city submitted its time study results on November 5, 2007. The city multiplied the total amount of time spent by the average productive hourly rate of employees assigned to perform specific reimbursable activities in order to determine the costs incurred to perform mandated activities.

The following table summarizes the reduction of claimed costs based on the city’s time study.

Fiscal Year	Salaries	Benefits	Services & Supplies	Travel & Training	Indirect Costs	Total
2002-03	\$ (37,593)	\$ (13,848)	\$ (126)	\$ (150)	\$ (18,947)	\$ (70,664)
2003-04	(38,478)	(13,175)	—	—	(24,665)	(76,318)
2004-05	(140,695)	(83,714)	(127)	(823)	(74,005)	(299,364)
Total	<u>\$ (216,766)</u>	<u>\$ (110,737)</u>	<u>\$ (253)</u>	<u>\$ (973)</u>	<u>\$ (117,617)</u>	<u>\$ (446,346)</u>

The program’s parameters and guidelines for the Peace Officers Procedural Bill of Rights Program (POBOR)—adopted by the Commission on State Mandates (CSM) on July 27, 2000, and corrected on August 17, 2000—define the criteria for procedural protection for the city’s peace officers.

The parameters and guidelines (section IV, Reimbursable Activities) outline specific tasks that are deemed to go beyond due process. The Statement of Decision on which the parameters and guidelines were based noted that due process activities are not reimbursable.

The parameters and guidelines (section VA1, Supporting Documentation—Salaries and Benefits) require that the claimants identify the employees and/or show the classification of the employees involved, describe the reimbursable activities performed, and specify the actual time devoted to each reimbursable activity by each employee.

The parameters and guidelines (section VI, Supporting Data) require that all costs be traceable to source documents showing evidence of the validity of such costs and their relationship to the State-mandated program.

#### Recommendation

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

#### City's Response

Upon the City's review and internal discussion of the audit findings, we believe that the City's reimbursement claims were inappropriately reduced from \$494,444 to \$60,949 because: (1) the Division of Audits made unreasonable interpretations of the parameters and guidelines in order to reduce the City's claim reimbursement; and (2) Audit planning deficiencies did not take into consideration all management control activities, nor a complete walk through of transactions.

The bulk of the reduction in the City's claim comes from the first finding in the audit letter which states costs were unsupported. The City disagrees with this finding. When preparing claims, the City followed the parameters and guidelines (P's and G's) designated in Government Code Sections 3300 through 3310 for reimbursable activities adopted on July 27, 2000. However, during the audit, the City was audited against guidelines from a document published subsequent to the period under audit. To reduce the City's reimbursement claims based on findings from the usage of subsequent publications is an injustice and does not follow the spirit of the mandate.

In response to the Controller's allegations that the costs were unsupported, the City's Police Department representatives proposed a time study to move forward with the audit. In the final analysis, the time study results did not alter the Controller's position. Further, for the Division of Audits to not verify the formal acceptance of such a time study with the City's Chief Financial Officer shows a level of irresponsibility on the part of the auditor. We believe both the methodology and content of the time study should have been validated with proper oversight or a formally accepted purpose before it was implemented by the City.

The City's reimbursement claims and activities included therein followed the P's and G's of the appropriate publication. To audit the City's claims against another set of P's and G's published after the period under audit is an unreasonable justification to reduce the City's claims. Further it is a deviation from generally accepted auditing standards. The Division of Audit's work papers should show that part of management's internal control activities were to maintain a copy of applicable parameters and guidelines necessary to prepare reasonable and allowable reimbursement claims during the period under audit. This was indeed the case.

### SCO's Comment

The finding and recommendation remain unchanged.

The city states that it disagrees that the costs included in its claims were unsupported, but makes no statement as to why it believes that the documentation it provided to support claimed costs was adequate. The city does not dispute that its claims were based on estimated costs and that it provided no corroborating documentation to support the estimates. Instead, the city accuses the SCO of using different audit criteria than those used to prepare the city's claims and that we made "unreasonable interpretations" of the parameters and guidelines in order to reduce the city's claims for reimbursement. Our comments are arranged to address the various issues raised by the city.

### **Audit Criteria**

Our audit was based on reimbursable activities included in the parameters and guidelines adopted by the CSM on July 27, 2000, and corrected on August 17, 2000. This mandate has already been pled twice before the CSM, resulting in the adoption of the original statement of decision (dated November 30, 1999) and the parameters and guidelines (dated July 27, 2000, and corrected on August 17, 2000). Chapter 72, Statutes of 2005, section 6 (AB 138), added Section 3313 to the Government Code and directed the CSM to review the statement of decision to clarify whether the subject legislation imposed a mandate consistent with the California Supreme Court Decision in *San Diego Unified School Dist. v. Commission on State Mandates* (2004) 33 Cal. 4<sup>th</sup> 859 and other applicable court decisions. The CSM reviewed its original findings and adopted a statement of decision upon reconsideration on May 1, 2006. The amended parameters and guidelines were adopted on December 4, 2006, for costs incurred subsequent to July 1, 2006.

We received a letter from the city's Police Department dated February 13, 2007, stating that we were using parameters and guidelines adopted on December 4, 2006, as our audit criteria. However, during an audit status meeting held on March 7, 2007, we advised the city that we were basing our audit on the original parameters and guidelines adopted by the CSM on July 27, 2000, and corrected on August 17, 2000. All of the language in the audit report and in the SCO response to the city's comments relating to audit criteria emanates either from the original parameters and guidelines, the original statement of decision, or from the CSM staff analysis of the originally proposed parameters and guidelines for this mandate program.

We concur that our auditors made reference to the revised parameters and guidelines during the course of the audit. Any references to the revised parameters and guidelines adopted on December 4, 2006, made at any time during the audit process were made solely to point out that reimbursable and non-reimbursable activities of the mandated program are spelled out more clearly in the revised parameters and guidelines. Except for changes to allowable activities for the cost components of Administrative Appeal for probationary and at-will peace officers (pursuant to amended Government Code section 3304) and Adverse

Comment (for punitive actions protected by the due process clause), reimbursable activities did not change from the original parameters and guidelines. In addition, our understanding of allowable and unallowable activities per the original parameters and guidelines did not change as a result of the CSM amending them on December 4, 2006.

We also referred to the revised parameters and guidelines in an attempt to help personnel within the city's Police Department more thoroughly understand allowable and unallowable activities for this mandated program for the purpose of filing *future* claims with the State. The city, in its response to the draft report, wants to re-characterize the purpose of our references to the revised parameters and guidelines and use this as proof that we relied on these criteria for the audit findings and to further state that we violated applicable auditing standards. These claims are inaccurate.

### **Unsupported and Ineligible Costs**

The parameters and guidelines (section VI, Supporting Data) state that "for audit purposes, all costs claimed shall be traceable to source documents (e.g., employee time records, invoices, receipts, purchase orders, contracts, worksheets, calendars, declarations, etc.) that show evidence of the validity of such costs and their relationship to the state mandated program." However, our audit finding was not based solely on the fact that the city estimated the time that it spent performing reimbursable activities. The city also claimed time for activities that are not reimbursable under the mandated program. Specifically, the city used a Personnel Investigation Time Log to track time spent within individual cases. The time logs identify the following tasks:

- Sworn officer witness interviews
- Non-sworn witness interviews
- Complainant(s) interview
- Involved sworn employee(s) interview
- Investigative research
- Investigator's notes
- Document preparation
- Witness list
- Addenda
- Miscellaneous (i.e., travel time, correspondence, etc.)
- Transcription
- Tape duplication

Non-sworn witness interviews, complainant interviews, investigative research, investigator's notes, document preparation, witness list, travel time, and correspondence are not reimbursable activities under the mandated program. In addition, sworn officer interviews are only reimbursable if the interview was conducted during the employee's off-duty time and the department incurred overtime costs as a result. Document preparation is only reimbursable for preparing the notice of interrogation or preparation of an adverse comment document. Producing copies of transcriptions, reports, or complaints made by investigators is only reimbursable when this information is requested by the officer being interrogated who is facing possible disciplinary action.

## Time Study

The city's response also states that we participated in discussions with city representatives about conducting a time study without proper oversight. We mailed a letter dated November 6, 2006, from our office to the city's Deputy Director of Finance Administration notifying the city of the scheduled start of the audit for the city's Peace Officers Procedural Bill of Rights claims filed with the State for FY 2002-03 through FY 2004-05. The Accounting Manager from the Finance Department attended the entrance conference held on November 21, 2006. At this meeting, the Accounting Manager stated that as she was not a city employee at the time when the reimbursement claims were filed, our auditors should work with the outside consultant for claim details and with the Police Department for operational details. Our normal protocol is to engage the Finance Department throughout the audit process. After the entrance conference, no one from the Finance Department attended any subsequent meetings or was involved in the audit in any capacity while the SCO auditors continued audit work with representatives from the Police Department and the City Attorney's Office.

In an effort to work with the city and provide it an opportunity to provide corroborating evidence to support costs incurred for allowable activities, we discussed with city representatives the option of performing a time study at an audit status meeting held on March 7, 2007. This meeting was arranged by the city's Police Department and was attended by the SCO auditors, Police Department representatives, and the city's Chief Assistant City Attorney. City Finance Department representatives did not attend the meeting. We do not know if anyone from the Finance Department was invited to this meeting or whether an invitation was made and had been declined.

After this meeting, we received a letter dated May 3, 2007, from the city's Police Department stating its formal proposal to conduct a time study. According to the letter, the time study proposal was drafted in consultation with the city's Deputy Chief Attorney. We contacted the city's Police Department and requested a meeting with city representatives to discuss the time study proposal. Accordingly, a meeting was held at the City Attorney's Office on September 17, 2007, and was attended by representatives from the SCO, the City Attorney's Office, and the city's Police Department. During this meeting, we discussed certain details about the time study proposal. It was at this meeting that we advised the city again that we were basing our audit on the original parameters and guidelines adopted on July 27, 2000, and corrected on August 27, 2000.

After the meeting concluded, the city's Police Department conducted its time study. The Police Department contacted our office by letter dated November 5, 2007, stating that the time study had been completed. Included with the letter were copies of spreadsheets used to capture the time study data. An SCO auditor visited the city's Police Department on April 7, 2008, to review the documentation supporting the time study. The exit conference for the audit was held on June 25, 2008.

We concur that it would have been preferable for the city’s Finance Department to be involved in the time study process. Neither the Police Department nor the City Attorney’s Office contacted the city’s Finance Department concerning the performance of a time study. In addition, the time study proposal was based on records, activities, and information solely available within the city’s Police Department and was devised and carried out in consultation with the City Attorney’s Office. There was a formally accepted purpose for the time study and proper oversight took place during all phases of the project.

The city’s Finance Department received a copy of our draft audit report on August 28, 2008. On September 15, 2008, we received an e-mail from the Finance Department asking for additional time to respond to the draft report. We approved the request and asked the city to send us a response by October 3, 2008. It did so. We believe that the five-week period that the city had between receipt of the draft report and issuance of its response to the draft report was sufficient to identify any perceived shortcomings with the methodology or content of the time study. In its response, the Finance Department has not indicated any specific disagreement that it has with the methodology or content of the time study that the Police Department conducted almost a year ago.

**FINDING 2—  
Unallowable salaries  
and benefits**

Based on its time study results described in Finding 1, the city determined that \$53,798 is reimbursable. Of that amount, our audit determined that \$38,326 is allowable and \$15,472 is unallowable. The unallowable costs occurred because some activities included in the time study were not eligible for reimbursement.

The following table summarizes the claimed, allowable, and unallowable costs by individual cost component for the audit period:

Activity	Claimed Costs	Allowable Costs	Audit Adjustment
Salary and benefits:			
Interrogation	\$ 9,493	\$ —	\$ (9,493)
Adverse Comment	29,730	27,946	(1,784)
Subtotal	39,223	27,946	(11,277)
Related indirect costs	14,575	10,380	(4,195)
Total	<u>\$ 53,798</u>	<u>\$ 38,326</u>	<u>\$ (15,472)</u>

**Interrogations**

For the Interrogations cost component, the city claimed \$9,493 in salaries and benefits, and \$3,549 in related indirect costs. We determined that the total amount claimed was unallowable due to the ineligible activity of producing copies of notes made by a stenographer at an interrogation when they were not requested by an officer.

The parameters and guidelines (section IV(C), Reimbursable Activities–Interrogations) state that 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 are reimbursable only when

requested by the officer. However, the city claimed time for staff transcription of notes from interrogations related to the investigation of a sworn officer when copies of the notes were not requested by the officer.

### Adverse Comment

For the Adverse Comment cost component, the city claimed \$29,550 in salaries and benefits, and \$11,026 in related indirect costs. We determined that \$1,604 in salaries and benefits, and \$646 in related indirect costs were unallowable because the costs were for the ineligible activity of command staff review for cases involving non-sworn officers.

The city's time study tracked the number of pages of cases that were reviewed during the audit period. Using the reading rate for employees involved in the time study, the city determined the amount of time spent reviewing each case and multiplied this time by the average productive hourly rate for employees. We verified the page counts used in the time study and confirmed the computation of costs. Our tests indicate that the city's time study fully supported \$43,577 of costs claimed in this category. However, we noted that \$2,250 was included for the ineligible activity of reviewing cases for non-sworn employees and is unallowable.

The parameters and guidelines (section I, Summary and Source of the Mandate) state that the test claim legislation (Government Code sections 3300 through 3310) 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. Government Code section 3301 states that for purposes of this chapter, the term public safety officer means all officers specified in certain sections of the Penal Code. Section 830.1 of the Penal Code pertains to public safety officers employed by a city.

The parameters and guidelines (section VI, Supporting Data) state that all claimed costs shall be traceable to source documents that show the validity of such costs and their relationship to the state mandated program.

### Summary

The following table summarizes the audit adjustments by fiscal year:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Salaries	\$ (2,381)	\$ (1,546)	\$ (3,808)	\$ (7,735)
Benefits	(783)	(494)	(2,265)	(3,542)
Total direct costs	(3,164)	(2,040)	(6,073)	(11,277)
Related indirect costs	(1,200)	(991)	(2,004)	(4,195)
Audit adjustment	\$ (4,364)	\$ (3,031)	\$ (8,077)	\$ (15,472)

### Recommendation

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

### City's Response

The second audit finding stated that the City had “unallowable salary and benefit costs, and related indirect costs”. The City’s claim was reduced by a total of \$17,372, from \$60,949 to \$43,577. This finding pertains to Interrogations and Adverse Comments.

The finding in regards to Interrogations stated that costs were ineligible due to the transcribed notes not being requested by an officer. This is another finding which the City disagrees with. For any transcribed notes that were not directly requested by an officer, the Beverly Hills Police Officer’s Association had verbal understanding that interrogations would always be recorded and transcribed when needed. The Beverly Hills Police Officer’s Association is a formally recognized employee organization, representing all Police Sergeants and Police Officers. This level of management internal control and walk through of transactions should have been documented by the Division of Audits and should have been given audit consideration as a mitigating control before drawing the audit finding. If needed, the Beverly Hills Police Officer’s Association can attest to such an understanding.

### SCO's Comment

The finding and recommendation remain unchanged.

The city states in its response that we did not take into account all management control activities and that we did not complete a walkthrough of transactions. This statement is inaccurate.

We obtained a copy of the applicable portions of the city’s Police Department policies and procedures manual related to police misconduct and disciplinary procedures. Specifically, we documented sections 3/800 (Disciplinary Action), 3/807 (Formal Rules of Discipline), 3/810 (Personnel Complaints), and 3/820 (Documenting Certain Personnel Matters) in the audit working papers. More specifically regarding the issue of transcribed notes being requested by an officer, we noted that section 3/801.25 (Guidelines Applicable to Official Personnel Investigations of Sworn Personnel of the Beverly Hills Police Department) states in subsection (G) that “the officer shall be entitled to a transcribed copy of any notes made by a stenographer or to any reports or complaints made by investigators or other persons, except those which are deemed by the investigating agency to be confidential.”

The parameters and guidelines (section IV(C), Reimbursable Activities–Interrogations) state in subsection (5) that the claimant is eligible for reimbursement for “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* [emphasis added].” This subsection goes on to state “Included in the foregoing is the review of the



complaints, notes, or tape recordings for issues of confidentiality by law enforcement, human relations, or counsel, cost of processing, service, and retention of copies.”

As the policies and procedures manual did not indicate that all officers automatically receive a transcribed copy of interrogation notes, our auditor checked with representatives of the city’s Police Department about this issue and was advised that officers do not typically request copies of transcripts. Transcripts are typically provided if a case reaches a point where it appears an appeal may be filed. However, the department did not track which officers received copies of the transcripts. We attempted to apply the time study results to this reimbursable activity. However, the city’s Police Department could not provide the required information needed to apply the results. If the city can subsequently provide the information documenting the number of instances that transcribed notes were requested by an officer, we will adjust the audit findings accordingly. If a union representative or personal legal counsel attended an interrogation session with an officer and copies of transcriptions were provided at the request of these individuals, the associated cost would constitute a reimbursable activity.

**FINDING 3—  
Overstated offsetting  
revenues for training  
costs**

The city’s claim for FY 2004-05 included offsetting revenues totaling \$700 for officer training received from the California Commission on Peace Officers Standards and Training program. These revenues would typically be offset from reimbursable training program expenses included in the claim under administrative activities cost component. However, the allowable amount per the audit, did not include any reimbursable training expenses and accordingly, there were no costs to offset. Therefore, the allowable amount will not include this offsetting amount.

Recommendation

We make no recommendation since the audit determined that offsetting revenues related to costs were not allowable.

City’s Response

The city did not respond to this audit finding.

SCO’ Comment

The finding and recommendation remain unchanged.

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

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Sharon Rahban, C.P.A.  
Administrative Services

October 3, 2008

Mr. Jim Spano  
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Division of Audits  
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RE: Response to Beverly Hills Draft Audit Report Dated August 2008

Dear Mr. Spano:

Thank you for the additional time you provided the City of Beverly Hills to respond to the August 2008 Draft Audit Report of the Beverly Hills Police Department's Peace Officers Procedural Bill of Rights Program (commencing with Chapter 465, Statutes of 1976) for the period of July 1, 2002, through June 30, 2005. The following is the response from the City of Beverly Hills ("City").

Upon the City's review and internal discussion of the audit findings, we believe that the City's reimbursement claims were inappropriately reduced from \$494,444 to \$60,949 because: (1) the Division of Audits made unreasonable interpretations of the parameters and guidelines in order to reduce the City's claim reimbursement; and (2) Audit planning deficiencies did not take into consideration all management control activities, nor a complete walk through of transactions.

The bulk of the reduction in the City's claim comes from the first finding in the audit letter which states costs were unsupported. The City disagrees with this finding. When preparing claims, the City followed the parameters and guidelines (P's and G's) designated in Government

Code Sections 3300 through 3310 for reimbursable activities adopted on July 27, 2000. However, during the audit, the City was audited against guidelines from a document published subsequent to the period under audit. To reduce the City's reimbursement claims based on findings from the usage of subsequent publications is an injustice and does not follow the spirit of the mandate.

In response to the Controller's allegations that the costs were unsupported, the City's Police Department representatives proposed a time study to move forward with the audit. In the final analysis, the time study results did not alter the Controller's position. Further, for the Division of Audits to not verify the formal acceptance of such a time study with the City's Chief Financial Officer shows a level of irresponsibility on the part of the auditor. We believe both the methodology and content of the time study should have been validated with proper oversight or a formally accepted purpose before it was implemented by the City.

The City's reimbursement claims and activities included therein followed the P's and G's of the appropriate publication. To audit the City's claims against another set of P's and G's published after the period under audit is an unreasonable justification to reduce the City's claims. Further it is a deviation from generally accepted auditing standards. The Division of Audit's work papers should show that part of management's internal control activities were to maintain a copy of applicable parameters and guidelines necessary to prepare reasonable and allowable reimbursement claims during the period under audit. This was indeed the case.

The second audit finding stated that the City had "unallowable salary and benefit costs, and related indirect costs". The City's claim was reduced by a total of \$17,372, from \$60,949 to \$43,577. This finding pertains to Interrogations and Adverse Comments.

The finding in regards to Interrogations stated that costs were ineligible due to the transcribed notes not being requested by an officer. This is another finding which the City disagrees with. For any transcribed notes that were not directly requested by an officer, the Beverly Hills Police Officer's Association had verbal understanding that interrogations would always be recorded and transcribed when needed. The Beverly Hills Police Officer's Association is a formally recognized employee organization, representing all Police Sergeants and Police Officers. This level of management internal control and walk through of transactions should have been documented by the Division of Audits and should have been given audit consideration as a mitigating control before drawing the audit finding. If needed, the Beverly Hills Police Officer's Association can attest to such an understanding.

RE: Response to Beverly Hills draft audit report August 2008  
October 3, 2008  
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For the reasons mentioned above, the City would like the Division of Audits to reverse its audit findings and its reduction of the City's reimbursement claims. The City followed the parameters and guidelines of which it was given, and accumulated cost information according to those guidelines during the relevant period. The Beverly Hills Police Department is highly regarded and provides excellent service and response time. Its standards for excellence are not only evident in its enforcement of laws but those standards of excellence extend to the adherence of guidelines under state mandates as well.

Thank you for your consideration and we look forward to hearing from you.

Sincerely,

A handwritten signature in blue ink that reads "Sharon Rahban". The signature is fluid and cursive, with a long horizontal stroke at the end.

Sharon Rahban, C.P.A.  
Accounting Manager

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