

CITY OF PASADENA

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013



BETTY T. YEE
California State Controller

February 2022



BETTY T. YEE
California State Controller

February 15, 2022

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Matthew Hawkesworth, Finance Director
City of Pasadena
100 North Garfield Avenue, Room S353
Pasadena, CA 91101

Dear Mr. Hawkesworth:

The State Controller's Office audited the costs claimed by the City of Pasadena for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The city claimed \$912,573 for costs of the mandated program. Our audit found that \$598,519 is allowable and \$314,054 is unallowable. The costs are unallowable primarily because the city overstated the number of identity theft reports and misstated the job classifications that performed the reimbursable activities. The State made no payments to the city. The State will pay \$598,519, contingent upon available appropriations.

Following issuance of this audit report, the Local Government Programs and Services Division of the State Controller's Office will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/as

cc: Kimberly Siemen, Management Analyst
Pasadena Police Department
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
Steven Pavlov, Finance Budget Analyst
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Pasadena for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The city claimed \$912,573 for costs of the mandated program. Our audit found that \$598,519 is allowable and \$314,054 is unallowable, primarily because the city overstated the number of identity theft reports and misstated the job classifications that performed the reimbursable activities. The State made no payments to the city. The State will pay \$598,519, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6(a), as added by the Statutes of 2000, Chapter 956, requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission of State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following ongoing activities identified in the parameters and guidelines (Section IV., Reimbursable Activities):

1. Either a) or b) below:
 - a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
 - b) Reviewing the identity theft report completed on-line by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency in the jurisdiction where the suspected crime was committed for further investigation of the facts are not reimbursable activities.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the city's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Identity Theft Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.¹

The audit period was July 1, 2002, through June 30, 2013.

To achieve our objective, we performed the following procedures.

- We analyzed the annual mandated cost claims filed by the city for the audit period and identified the significant cost components of each claim as salaries, benefits, and indirect costs. We determined whether there were any errors or unusual or unexpected variances from year to year. We reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key city staff members. We discussed the claim preparation process with city staff members to determine what information was obtained, who obtained it, and how it was used.
- We obtained system-generated lists of identity theft cases from the city's Records Management System to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period.
- We designed a statistical sampling plan to test approximately 15-25% of claimed salary costs, based on a moderate level of detection (audit) risk. We judgmentally selected two of the city's filed claims during the audit period (fiscal year [FY] 2009-10 and FY 2012-13), which comprised costs totaling \$240,722 of the \$912,575 claimed (26.4%). The sampling plan is described in the Finding and Recommendation section.

¹ Unreasonable and/or excessive costs include ineligible costs that are not identified in the programs parameters and guidelines as reimbursable costs.

- We used a random number table to select 254 identity theft cases out of 8,177 reported cases. We tested the identity theft cases as follows:
 - We determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 occurred.
 - We obtained the employee numbers, names, and employee classifications from the sampled officer-reported cases documenting who performed the reimbursable activities.
 - We compared the employee classifications obtained from the police reports to those claimed by the city.
- We projected the audit results of the two fiscal years tested by multiplying the audited case counts by the audited average time increments to perform the activities.
- We traced the city's claimed benefit and indirect cost rates to supporting documentation for each fiscal year in the audit period and verified that the rates claimed were not unreasonable or excessive.
- We reviewed the city's Single Audit Reports to identify any offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. The city also certified in its claims that it did not receive any offsetting revenues applicable to this mandated program.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We did not audit the city's financial statements.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We did not find that the city claimed costs that were funded by other sources; however, we did find that it claimed unsupported and ineligible costs, as quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, the City of Pasadena claimed \$912,573 for costs of the legislatively mandated Identity Theft Program. Our audit found that \$598,519 is allowable and \$314,054 is unallowable. The State made no payments to the city. The State will pay \$598,519, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

**Follow-up on
Prior Audit
Findings**

We have not previously conducted an audit of the legislatively mandated Identity Theft Program.

**Views of
Responsible
Officials**

We discussed our audit results with the city's representatives during an exit conference conducted on November 29, 2021. Robert Ridley, City Controller; and Kimberly Siemen, Management Analyst, Pasadena Police Department (PPD), agreed with the audit results. Mr. Ridley declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This audit report is solely for the information and use of the City of Pasadena, 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 audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

February 15, 2022

Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 8,964	\$ 4,007	\$ (4,957)
Beginning an investigation of the facts	13,983	8,725	(5,258)
Total salaries	22,947	12,732	(10,215)
Benefits	13,838	7,677	(6,161)
Total direct costs	36,785	20,409	(16,376)
Indirect costs	15,834	8,785	(7,049)
Total program costs	\$ 52,619	29,194	\$ (23,425)
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		\$ 29,194	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 11,811	\$ 5,427	\$ (6,384)
Beginning an investigation of the facts	18,428	11,709	(6,719)
Total salaries	30,239	17,136	(13,103)
Benefits	19,806	9,681	(10,125)
Total direct costs	50,045	26,817	(23,228)
Indirect costs	21,167	11,995	(9,172)
Total program costs	\$ 71,212	38,812	\$ (32,400)
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		\$ 38,812	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 12,153	\$ 6,135	\$ (6,018)
Beginning an investigation of the facts	18,968	13,129	(5,839)
Total salaries	31,121	19,264	(11,857)
Benefits	18,143	9,987	(8,156)
Total direct costs	49,264	29,251	(20,013)
Indirect costs	17,895	11,077	(6,818)
Total program costs	\$ 67,159	40,328	\$ (26,831)
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		\$ 40,328	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 12,130	\$ 6,291	\$ (5,839)
Beginning an investigation of the facts	18,932	13,306	(5,626)
Total salaries	31,062	19,597	(11,465)
Benefits	27,273	14,910	(12,363)
Total direct costs	58,335	34,507	(23,828)
Indirect costs	18,451	11,641	(6,810)
Total program costs	<u>\$ 76,786</u>	46,148	<u>\$ (30,638)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 46,148</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 16,244	\$ 7,802	\$ (8,442)
Beginning an investigation of the facts	25,539	17,165	(8,374)
Total salaries	41,783	24,967	(16,816)
Benefits	24,364	13,456	(10,908)
Total direct costs	66,147	38,423	(27,724)
Indirect costs	17,215	10,286	(6,929)
Total program costs	<u>\$ 83,362</u>	48,709	<u>\$ (34,653)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 48,709</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 19,083	\$ 9,179	\$ (9,904)
Beginning an investigation of the facts	30,072	20,427	(9,645)
Total salaries	49,155	29,606	(19,549)
Benefits	27,398	14,973	(12,425)
Total direct costs	76,553	44,579	(31,974)
Indirect costs	20,498	12,671	(7,827)
Total program costs	<u>\$ 97,051</u>	57,250	<u>\$ (39,801)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 57,250</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 14,583	\$ 10,465	\$ (4,118)
Beginning an investigation of the facts	22,972	22,571	(401)
Total salaries	37,555	33,036	(4,519)
Benefits	21,403	17,212	(4,191)
Total direct costs	58,958	50,248	(8,710)
Indirect costs	15,660	13,776	(1,884)
Total program costs	<u>\$ 74,618</u>	64,024	<u>\$ (10,594)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 64,024</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 22,635	\$ 10,465	\$ (12,170)
Beginning an investigation of the facts	35,698	22,571	(13,127)
Total salaries	58,333	33,036	(25,297)
Benefits	37,302	19,992	(17,310)
Total direct costs	95,635	53,028	(42,607)
Indirect costs	19,950	11,298	(8,652)
Total program costs	<u>\$ 115,585</u>	64,326	<u>\$ (51,259)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 64,326</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 14,014	\$ 8,136	\$ (5,878)
Beginning an investigation of the facts	22,103	17,547	(4,556)
Total salaries	36,117	25,683	(10,434)
Benefits	24,216	16,520	(7,696)
Total direct costs	60,333	42,203	(18,130)
Indirect costs	14,591	10,376	(4,215)
Total program costs	<u>\$ 74,924</u>	52,579	<u>\$ (22,345)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 52,579</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 8,219	\$ 9,503	\$ 1,284
Beginning an investigation of the facts	21,436	20,494	(942)
Total salaries	29,655	29,997	342
Benefits	18,961	19,294	333
Total direct costs	48,616	49,291	675
Indirect costs	25,503	25,797	294
Total direct and indirect costs	74,119	75,088	969
Less allowable costs that exceed costs claimed ³	-	(969)	(969)
Total program costs	<u>\$ 74,119</u>	74,119	<u>\$ -</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 74,119</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries			
Taking a police report on a violation of PC § 530.5	\$ 11,141	\$ 10,050	\$ (1,091)
Beginning an investigation of the facts	36,880	21,851	(15,029)
Total salaries	48,021	31,901	(16,120)
Benefits	31,929	21,110	(10,819)
Total direct costs	79,950	53,011	(26,939)
Indirect costs	45,188	30,019	(15,169)
Total program costs	<u>\$ 125,138</u>	83,030	<u>\$ (42,108)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 83,030</u>	
<u>Summary: July 1, 2002, through June 30, 2013</u>			
Salaries	\$ 415,988	\$ 276,955	\$ (139,033)
Benefits	264,633	164,812	(99,821)
Indirect costs	231,952	157,721	(74,231)
Total direct and indirect costs	912,573	599,488	(313,085)
Less allowable costs that exceed costs claimed ³	-	(969)	(969)
Total program costs	<u>\$ 912,573</u>	598,519	<u>\$ (314,054)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 598,519</u>	

¹ See the Finding and Recommendation section.

² Payment amount current as of December 3, 2021.

³ GC 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 FY 2011-12.

Finding and Recommendation

**FINDING —
Overstated Identity
Theft Program costs**

The city claimed \$912,573 (\$415,988 in salaries, \$264,633 in related benefits, and \$231,952 in related indirect costs) for the Identity Theft Program. We found that \$599,488 in direct and indirect costs is allowable and \$313,085 is unallowable.¹

Salary costs are determined by multiplying the number of identity theft police reports by the time required to perform the reimbursable activities, then multiplying the product by the weighted average productive hourly rates (PHRs) for the city’s employee classifications that performed the reimbursable activities.

The costs are unallowable because the city misinterpreted the program’s parameters and guidelines and made claim preparation errors. These errors resulted in an overstated number of identity theft reports, causing an overstatement in claimed salaries, employee benefits, and related indirect costs. We also found differences in the employee classifications that performed the reimbursable activities based on discussions with city representatives.

The following table summarizes the claimed and allowable amounts, and the audit adjustments by fiscal year:

Fiscal Year	Amount Claimed ¹	Salaries		Related Benefit Adjustment	Related Indirect Cost Adjustment	Related Audit Adjustment
		Amount Allowable	Audit Adjustment			
2002-03	\$ 52,619	\$ 12,732	\$ (10,215)	\$ (6,161)	\$ (7,049)	\$ (23,425)
2003-04	71,212	17,136	(13,103)	(10,125)	(9,172)	(32,400)
2004-05	67,159	19,264	(11,857)	(8,156)	(6,818)	(26,831)
2005-06	76,786	19,597	(11,465)	(12,363)	(6,810)	(30,638)
2006-07	83,362	24,967	(16,816)	(10,908)	(6,929)	(34,653)
2007-08	97,051	29,606	(19,549)	(12,425)	(7,827)	(39,801)
2008-09	74,618	33,036	(4,519)	(4,191)	(1,884)	(10,594)
2009-10	115,585	33,036	(25,297)	(17,310)	(8,652)	(51,259)
2010-11	74,924	25,683	(10,434)	(7,696)	(4,215)	(22,345)
2011-12	74,119	29,997	342	333	294	969
2012-13	125,138	31,901	(16,120)	(10,819)	(15,169)	(42,108)
Total	\$ 912,573	\$ 276,955	\$(139,033)	\$ (99,821)	\$ (74,231)	\$ (313,085)

¹ The Amount Claimed includes salaries, benefits, and related indirect costs

¹ For FY 2011-12, our audit found that \$75,088 is allowable, which is \$969 in excess of claimed costs. GC 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; and that deadline has expired for FY 2011-12.

As such, total allowable costs for the audit period is \$598,519 (\$599,488 less \$969 in excess of claimed costs for FY 2011-12).

Overstated counts of identity theft police reports

The city claimed costs incurred for taking police reports related to 8,177 identity theft cases during the audit period. The city provided us with system-generated unduplicated lists from its Records Management System supporting 7,575 identity theft police reports filed for violations of PC section 530.5.

We determined the accuracy of the unduplicated counts of initial police reports by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

We developed a statistical sampling plan to test at least 25% of claimed costs based on a low level of detection risk. We generated statistical samples of identity theft cases for these two procedures so that we could project our sample results to the population of identity theft cases. We selected our statistical samples of identity theft cases originating from the city based on a 95% confidence level, a sampling error of $\pm 8\%$, and an expected (true) error rate of 50%. We judgmentally selected FY 2009-10 and FY 2012-13 for testing because the city claimed costs totaling \$240,722—which constitutes 26.4% of the total claimed during the audit period—for these two fiscal years.

Our testing disclosed the following:

- For FY 2009-10, we selected 128 cases from the population of 868 reported cases for testing. We found that 32 cases were unallowable (10 police reports were not found and 22 were courtesy reports originating from another police department), which represents a 25% error rate.
- For FY 2012-13, we selected 126 cases from the population of 805 reported cases for testing. We found that 25 cases were unallowable (two police reports were not found and 23 were courtesy reports), which represents a 19.8% error rate.

Based on these results, we calculated a 22.4% average error rate for the two fiscal years that we tested. We extrapolated this average error rate to the other nine fiscal years of the audit period (FY 2002-03 through FY 2008-09 and FY 2010-11 through FY 2011-12) to determine the number of allowable and unallowable identity theft incident reports for the entire eleven-year audit period.

The following table summarizes the counts of claimed, supported, and allowable identity theft cases and the difference by fiscal year:

<u>Fiscal Year</u>	<u>Claimed</u>	<u>Supported</u>	<u>Allowable</u>	<u>Difference</u>
2002-03	505	406	315	(190)
2003-04	650	532	413	(237)
2004-05	653	583	452	(201)
2005-06	636	576	447	(189)
2006-07	793	687	533	(260)
2007-08	898	786	610	(288)
2008-09	686	868	674	(12)
2009-10	1,066	868	674	(392)
2010-11	660	675	524	(136)
2011-12	789	789	612	(177)
2012-13	841	805	646	(195)
Total	<u>8,177</u>	<u>7,575</u>	<u>5,900</u>	<u>(2,277)</u>

Unsupported time increments

Claimed Time Increments

The city claimed time increments spent by PPD sworn officers who performed the following reimbursable activities during the audit period:

- Drafting, reviewing, and editing the identity theft police reports for violations of PC section 530.5 (Activity 1a – Taking a police report); and
- Determining where the crime occurred and what pieces of personal identifying information was used for unlawful purposes (Activity 2 – Beginning an investigation of the facts).

We determined the claimed time increments for FY 2002-03 through FY 2010-11 by dividing the number of hours claimed per employee classification by the number of police reports claimed. However, for FY 2011-12 and FY 2012-13, the city's claims did not indicate the number of police reports filed for identity theft. In addition, the city did not provide documentation supporting the time increments claimed. The parameters and guidelines for the mandated program state that "costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the mandated activities." As the city did not provide support that complies with this requirement, we determined that the time increments claimed are estimated and unsupported.

Allowable Time Increments

In order to determine a reasonable average amount of time spent by PPD staff on the reimbursable activities, we held discussions with PPD representatives to determine the average amount of time needed to perform the reimbursable activities. Based on the discussions, the average time to complete Activity 1a totaled 25.93 minutes for Police Record Technicians to take the reports and 4.07 minutes for Police Officers to review and edit the reports (30 minutes total).

The city claimed 45 minutes to complete Activity 2 – Beginning an investigation of the facts. Based on our discussions with PPD representatives, we found that the claimed time increment appears reasonable and that Police Officers performed the activity for all years of the audit period.

The following table summarizes the total time increments claimed and allowable for the reimbursable activities by fiscal year:

Fiscal Year	Claimed Minutes			Allowable Minutes		
	1a Taking a Police Report	1a Reviewing a Police Report	2 Beginning an Investigation	1a Taking a Police Report	1a Reviewing a Police Report	2 Beginning an Investigation
2002-03	26.32	3.69	45	25.93	4.07	45
2003-04	26.31	3.69	45	25.93	4.07	45
2004-05	26.28	3.72	45	25.93	4.07	45
2005-06	26.27	3.73	45	25.93	4.07	45
2006-07	25.73	4.27	45	25.93	4.07	45
2007-08	25.86	4.14	45	25.93	4.07	45
2008-09	25.58	4.42	45	25.93	4.07	45
2009-10	25.50	4.50	45	25.93	4.07	45
2010-11	25.50	4.50	45	25.93	4.07	45
2011-12 *	unknown	unknown	unknown	25.93	4.07	45
2012-13 *	unknown	unknown	unknown	25.93	4.07	45

*Claims for FY 2011-12 and FY 2012-13 did not indicate the number of police reports filed.

Allowable productive hourly rates

The city claimed that Police Officers performed the reimbursable activity of taking police reports for all fiscal years of the audit period and that Police Cadets assisted during FY 2011-12 and FY 2012-13. The city claimed that the Police Specialist III and IV classifications performed the activity of reviewing police reports for all fiscal years of the audit period. The city also claimed that Police Officers performed the reimbursable activity of beginning an investigation for FY 2002-03 through FY 2010-11, and that Sergeants performed this activity during FY 2011-12 and FY 2012-13.

Based on our discussions with PPD representatives during the audit, we found that Police Records Technicians took police reports at the front counter of the police station and that Police Officers reviewed and edited the reports. Police Officers also began investigations.

The city provided the requested salary information for all employee classifications within PPD by fiscal year. We used this information to determine allowable PHRs for all fiscal years of the audit period.

The following table summarizes the PHRs claimed and allowable for the audit period:

Fiscal Year	PHRs Claimed					PHRs Allowable	
	Police Officer	Police Specialist III	Police Specialist IV	Police Cadet	Police Sergeant	Police Records Technician	Police Officer
2002-03	\$ 36.92	\$ 24.51	\$ 26.84	\$ -	\$ -	\$ 23.64	\$ 36.92
2003-04	37.80	25.09	27.48	-	-	24.47	37.80
2004-05	38.73	25.70	28.15	-	-	25.33	38.73
2005-06	39.69	26.34	28.85	-	-	26.34	39.69
2006-07	42.94	27.81	30.46	-	-	27.13	42.94
2007-08	44.65	27.81	30.46	-	-	27.81	44.65
2008-09	44.65	28.92	31.68	-	-	28.92	44.65
2009-10	44.65	28.92	31.68	-	-	28.92	44.65
2010-11	44.65	28.92	31.68	-	-	28.92	44.65
2011-12	43.01	28.85	31.68	16.08	58.89	28.92	44.65
2012-13	43.39	30.96	-	18.69	58.47	28.92	45.10

Using this salary rate information, the corrected number of case counts, the corrected time increments, and the classifications of the employees who performed the reimbursable activities during the audit period, we determined allowable salaries for each fiscal year. For example, the following table shows the calculation of allowable salary costs for FY 2009-10:

Activity Number	Reimbursable Activity	Employee Classification	[1] Number of Cases	[2] Time Increment (Minutes)	[3] Time Increment (Hours) (cols. ([1]*[2])/60)	[4] PHR (\$)	Allowable Costs (\$) (cols.[3] × [4])
1a	Take a police report	Police Records Technician	674	25.93	291.28	\$28.92	\$ 8,424
1b	Review a police report	Police Officer	674	4.07	45.72	\$44.65	2,041
2	Begin an investigation	Police Officer	674	45.00	505.50	\$44.65	22,571
Total							<u>\$ 33,036</u>

Allowable related employee benefits

The city claimed employee benefit costs totaling \$264,633 during the audit period. We determined that \$164,812 is allowable and \$99,821 is unallowable. The costs are primarily unallowable due to the unallowable salaries found during each fiscal year of the audit period. The city also misstated the claimed benefit rates for all fiscal years of the audit period for sworn officers.

Benefit costs are determined by multiplying each fiscal year’s allowable salary costs by each fiscal year’s benefit rate. Employee benefits related to the allowable salaries previously discussed are also allowable. The city provided benefit rate information from its payroll system for sworn and non-sworn personnel for each fiscal year in the audit period. We used this information to recalculate allowable employee benefit costs.

The following table summarizes the claimed, allowable and audit adjustment amounts for related employee benefit costs by fiscal year:

Fiscal Year	Allowable Salaries		Claimed Benefit Rate	Allowable Benefit Rates		Claimed Benefit Costs	Allowable Benefit Costs
	Civilian	Sworn		Civilian	Sworn		
2002-03	\$ 3,218	\$ 9,514	69.00%	60.30%	60.30%	\$ 13,838	\$ 7,677
2003-04	4,368	12,768	70.00%	30.18%	65.50%	19,806	9,681
2004-05	4,948	14,316	57.50%	33.17%	58.30%	18,143	9,987
2005-06	5,088	14,509	59.40%	42.68%	87.80%	27,273	14,910
2006-07	6,249	18,718	41.20%	39.02%	58.86%	24,364	13,456
2007-08	7,331	22,275	41.70%	33.60%	56.16%	27,398	14,973
2008-09	8,424	24,612	41.70%	36.33%	57.50%	21,403	17,212
2009-10	8,424	24,612	34.20%	48.55%	64.61%	37,302	19,992
2010-11	6,549	19,134	40.40%	54.80%	67.58%	24,216	16,520
2011-12	7,649	22,348	86.00%	54.80%	67.58%	18,961	19,294
2012-13	8,074	23,827	94.10%	61.84%	67.64%	31,929	21,110
Total	<u>\$ 70,322</u>	<u>\$ 206,633</u>				<u>\$ 264,633</u>	<u>\$ 164,812</u>

Allowable related indirect costs

Indirect costs are determined by multiplying each fiscal year's indirect cost base by each fiscal year's indirect cost rate. The city claimed indirect costs totaling \$231,952 during the audit period based on direct salaries. We found that \$157,721 is allowable and \$74,231 is unallowable. The costs are unallowable primarily due to the unallowable salaries found during the audit. We did not have any findings regarding the claimed indirect cost rates.

The following table summarizes the claimed, allowable and audit adjustments related to indirect costs for PPD employees by fiscal year:

Fiscal Year	Claimed Rate	Allowable Rate	Allowable Salaries	Related Indirect Costs		
				Claimed	Allowable	Adjustment
2002-03	69.00%	69.00%	\$ 12,732	\$ 15,834	\$ 8,785	\$ (7,049)
2003-04	70.00%	70.00%	17,136	21,167	11,995	(9,172)
2004-05	57.50%	57.50%	19,264	17,895	11,077	(6,818)
2005-06	59.40%	59.40%	19,597	18,451	11,641	(6,810)
2006-07	41.20%	41.20%	24,967	17,215	10,286	(6,929)
2007-08	42.80%	42.80%	29,606	20,498	12,671	(7,827)
2008-09	41.70%	41.70%	33,036	15,660	13,776	(1,884)
2009-10	34.20%	34.20%	33,036	19,950	11,298	(8,652)
2010-11	40.40%	40.40%	25,683	14,591	10,376	(4,215)
2011-12	86.00%	86.00%	29,997	25,503	25,797	294
2012-13	94.10%	94.10%	31,901	45,188	30,019	(15,169)
Total			<u>\$ 276,955</u>	<u>\$ 231,952</u>	<u>\$ 157,721</u>	<u>\$ (74,231)</u>

Criteria

Section III. (Period of Reimbursement) of the parameters and guidelines states, in part, "Actual costs for one fiscal year shall be included in each claim."

Section IV. (Reimbursable Activities) of the parameters and guidelines begins:

To be eligible for mandated cost reimbursement for any given fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable to 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.

Section IV. (Reimbursable Activities) of the parameters and guidelines also states:

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:
 - a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
 - b) Reviewing the identity theft report completed on-line by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Section V. A. 1, "Salaries and Benefits," of the parameters and guidelines states:

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.

Section V. B, "Indirect Cost Rates," of the parameters and guidelines begins:

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: (1) the 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.

Recommendation

The California State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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