CITY OF MISSION VIEJO

Review Report

RACIAL AND IDENTITY PROFILING PROGRAM

Chapter 466, Statutes of 2015;

and Chapter 328, Statutes of 2017

July 1, 2018, through June 30, 2024

MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

March 2026

S25-MCC-9016

STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS

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MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 5, 2026

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Ms. Ellis Chang, Director of Administrative Services
City of Mission Viejo
200 Civic Center
Mission Viejo, CA 92691

Dear Ms. Chang:

The State Controller's Office performed a review of costs claimed by the City of Mission Viejo (the city) for the legislatively mandated Racial and Identity Profiling Program for the period of July 1, 2018, through June 30, 2024. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to validating the claimed contract services and hourly rates.

The city claimed and was paid $464,470 for costs of the mandated program. Our review found that $332,663 is allowable and $131,807 is unallowable. The costs are unallowable because the city understated its contract hourly rates and overstated the minutes claimed for each stop.

If you have any questions regarding this report, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at 916-327-3138 or email at lkurokawa@sco.ca.gov. Thank you.

Sincerely,

Original signed by
Kimberly A. Tarvin, CPA
Chief, Division of Audits

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Attachments:

Attachment 1—Summary of Program Costs
Attachment 2—Review Results

Copy: The Honorable Wendy Bucknum, Mayor
City of Mission Viejo
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
Kaily Yap, Finance Budget Analyst
Local Government Unit
California Department of Finance
Darryl Mar, Manager
Local Reimbursements Section
State Controller's Office
Everett Luc, Supervisor
Local Reimbursements Section
State Controller's Office

ATTACHMENT 1—SUMMARY OF PROGRAM COSTS

July 1, 2018, through June 30, 2024

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
July 1, 2018, through June 30, 2019			
Direct costs:			
Contract services:			
Collect and report data	$33,612	$21,933	-$11,679
Total program costs	$33,612	21,933	-$11,679
Less amount paid by the State		-33,612	
Amount paid in excess of allowable costs		-$11,679	
July 1, 2019, through June 30, 2020			
Direct costs:			
Contract services:			
Collect and report data	$41,918	$27,397	-$14,521
Total program costs	$41,918	27,397	-$14,521
Less amount paid by the State		-41,918	
Amount paid in excess of allowable costs		-$14,521	

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
July 1, 2020, through June 30, 2021			
Direct costs:			
Contract services:			
Collect and report data	$45,329	$29,266	-$16,063
Total program costs	$45,329	29,266	-$16,063
Less amount paid by the State		-45,329	
Amount paid in excess of allowable costs		-$16,063	
July 1, 2021, through June 30, 2022			
Direct costs:			
Contract services:			
Collect and report data	$146,185	$93,532	-$52,653
Total program costs	$146,185	93,532	-$52,653
Less amount paid by the State		-146,185	
Allowable costs claimed in excess of amount paid		-$52,653	
July 1, 2022, through June 30, 2023			
Direct costs:			
Contract services:			
Collect and report data	$149,582	$97,564	-$52,018
Total program costs	$149,582	97,564	-$52,018
Less amount paid by the State		-149,582	
Amount paid in excess of allowable costs		-$52,018	

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
July 1, 2023, through June 30, 2024			
Direct costs:			
Contract services:			
Collect and report data	$47,844	$62,971	$15,127
Total program costs	$47,844	62,971	$15,127
Less amount paid by the State		-47,844	
Amount paid in excess of allowable costs		$15,127	
Summary: July 1, 2018, through June 30, 2024			
Direct costs:			
Contract services:			
Collect and report data	$464,470	$332,663	-$131,807
Total program costs	$464,470	332,663	-$131,807
Less amount paid by the State		-464,470	
Amount paid in excess of allowable costs		-$131,807	

ATTACHMENT 2—REVIEW RESULTS

Background

Government Code section 12525.5, as added and amended by the Statutes of 2015, Chapter 466 and the Statutes of 2017, Chapter 328; and Title 11, California Code of Regulations, sections 999.224 through 999.229 established the state-mandated Racial and Identity Profiling Program.

The program requires a local law enforcement agency that employs peace officers—or that contracts for peace officers from another city or county for police protection services—to electronically report to the Attorney General, on an annual basis, data on all "stops" conducted within its jurisdiction. For purposes of the program, "peace officer" does not include probation officers and officers in custodial settings.

On May 22, 2020, the Commission on State Mandates found that Government Code section 12525.5 constitutes a reimbursable state-mandated program, beginning November 7, 2017, for local law enforcement agencies.

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

A. <u>One-Time Activities</u>

1. One-time training per peace officer employee and supervisor assigned to perform the reimbursable activities listed in Section IV.B. of these Parameters and Guidelines.

2. One-time installation and testing of software necessary to comply with the state-mandated requirements for the collection and reporting of data on all applicable stops.

B. Ongoing Activities

1. Identification of the peace officers required to report stops, and maintenance of a system to match individual officers to their Officer I.D. number. . . .

2. Collection and reporting data on all stops, as defined, conducted by that agency's peace officers for the preceding calendar year in accordance with sections 999.226(a) and 999.227 of the regulations. . . .

3. Electronic submission of data to DOJ and retention of stop data collected. . . .

4. Audits and validation of data collected. . . .

5. For stop data collected, ensure that the name, address, social security number, or other unique personally identifiable information of the individual stopped, searched, or subjected to property seizure, and the badge number or other unique identifying information of the peace officer involved, is not transmitted to the Attorney General in an open text field. . . .

The parameters and guidelines describe the 16 types of stop data and all applicable data elements, data fields, and narrative explanation fields that peace officers must collect for every stop.

The following stops are not reportable:

- Interactions with passengers in a stopped vehicle who have not been observed or suspected of violating the law;
- Stops made during public safety mass evacuations;

- Stops made during active shooter incidents;
- Stops resulting from routine security screenings to enter a building or special event;
- Interactions during traffic control of vehicles in response to a traffic accident or emergency, crowd control requiring pedestrians to remain in a fixed location for public safety reasons, persons detained at residences so officers can check for proof of age while investigating underage drinking, and checkpoints and roadblocks where officers detain a person as the result of regulatory activity that is general and not based on individualized suspicion or personal characteristics;
- Interactions with a person who is subject to a warrant or search condition at his or her residence;
- Interactions with a person who is subject to home detention or house arrest;
- Stops in a custodial setting; and
- Stops that occur while an officer is off-duty.

Finding—Overstated Racial and Identity Profiling Program Costs

The City of Mission Viejo (the city) claimed $464,470 in contract services costs for the Racial and Identity Profiling Program. We found that $332,663 is allowable and $131,807 is unallowable. The costs are unallowable because the city understated its contract hourly rates and overstated the minutes claimed for each stop.

We found that the city correctly classified claimed costs as contract services costs because it contracted with the Orange County Sheriff's Department (OCSD) for all of its law enforcement services during the review period. The city used the correct methodology to calculate its contract services costs: it multiplied the number of stops recorded by the time required to perform the reimbursable activities, then multiplied the total by the hourly rates obtained from

the city's contract with the OCSD for law enforcement services. The contracts include personnel costs for various OCSD employee classifications, as well as additional administrative costs.

However, the city overstated the time required to perform the reimbursable activity of collecting and reporting stop data for all years of the review period. The city also understated its contract hourly rates by overstating annual productive hours and not including allowable administrative costs in its hourly rate calculations.

The following table summarizes the claimed, allowable, and review adjustment amounts by fiscal year:

Fiscal Year	Amount Claimed [A]	Amount Allowable [B]	Review Adjustment (C = [B − A])
2018-19	$33,612	$21,933	-$11,679
2019-20	41,918	27,397	-14,521
2020-21	45,329	29,266	-16,063
2021-22	146,185	93,532	-52,653
2022-23	149,582	97,564	-52,018
2023-24	47,844	62,971	15,127
Total	$464,470	$332,663	-$131,807

Contract Services Costs

The city contracted with the OCSD to perform all of its law enforcement services during the review period. The "Police Services" page of the city's website states, in part:

> The City of Mission Viejo contracts with the Orange County Sheriff's Department for Police Services. The Sheriff's Department is responsible for the protection of citizens, enforcement of laws, and crime prevention. Law enforcement services include patrol, general and special crime investigations, a Special Enforcement Team (S.E.T.), five School Resource Officers (SROs), traffic enforcement, collision investigation, parking enforcement, and a crime prevention unit.

The OCSD provided law enforcement services that included the reimbursable activities claimed for the mandated program. The city contracted with the OCSD for various staff positions each fiscal year and paid the OCSD annual contract rates for each position. These positions included, but were not limited to, Deputy Sheriffs, Sergeants, and Investigators. For the review period, we recalculated allowable contract services costs based on the approved methodology.

Time Increments

The city computed its claimed costs based on OCSD officers conducting stops at an average of five minutes per stop. An OCSD representative explained that the five-minute average per stop was derived from a time study conducted by the OCSD in 2021. However, we noted that the OCSD, along with seven other law enforcement agencies in Southern California and the California Highway Patrol, participated in a field test conducted by the California Department of Justice in 2019 to assess the amount of officer time required to complete a stop data collection form. The field test is documented on pages 109 and 110 of the test claim for this mandated program (test claim number 18-TC-02, filed by the City of San Diego on June 14, 2019). The test claim included the field test results, which documented that officers spent an average of 2.5 minutes per stop. We asked the OCSD whether the average of 2.5 minutes is an accurate reflection of time spent by its officers to complete the reimbursable activity of collecting and reporting stop data. The OCSD agreed that the 2.5 minute-per-stop average from the field test is the correct average time to use for its officers collecting and reporting stop data during the review period.

An OCSD representative explained that there was no documentation supporting its 2021 time study. The representative also stated that the OCSD conducted another time study in October 2024, which showed that officers averaged three minutes per stop. That time study was based on 36 stops, all of which were undated. In addition, the OCSD had not prepared a time study plan, nor did it explain how the stops were selected or were representative of the entire population of stops. However, the weaknesses of that particular time study are irrelevant

because time study results cannot be applied retroactively. Therefore, we adjusted the city's claims to reflect an average time of 2.5 minutes for OCSD officers to conduct stops.

The following table shows the adjustments made to total hours spent on the reimbursable activity of collecting and reporting stop data during the review period:

Fiscal Year	Number of Stops Claimed	Total Hours Claimed for Stops [A]	Total Hours Allowable for Stops [B]	Review Adjustment Hours ([C] = [B] − [A])
2018-19	3,126	260.50	130.25	-130.25
2019-20	3,807	317.25	158.63	-158.62
2020-21	3,954	329.50	164.75	-164.75
2021-22	12,124	1,010.33	505.17	-505.16
2022-23	12,276	1,023.00	511.50	-511.50
2023-24	8,109	337.88	168.94	-168.94

Contract Hourly Rates

The city's claims included copies from the law enforcement contracts that it negotiated with the OCSD for each year of the review period. Attachment C, "Payment," of the contract lists the authorized OCSD staffing level for each year and the rates billed to the city for various OCSD staff members. These details contain the level of service provided to the city, indicating the quantity of employees in various law enforcement classifications and the OCSD's costs for providing these employees.

Annual Productive Hours

The city computed its contract hourly rates for OCSD contracted staff using 2,080 productive hours for all years of the review period. The "Filing a Claim" section of the SCO's *Mandated Cost Manual for Local Agencies (Mandated Cost Manual)* allows for 1,800 annual productive hours, which excludes employee time taken for paid holidays, vacation earned, used sick leave, informal time off, jury duty, and used military leave.

Contract Hourly Rate Calculations

We recalculated the contract hourly rate using 1,800 productive hours for the Deputy Patrol classification by using the total contract costs for the classification divided by the number of personnel that the OCSD provided.

The following table shows the recalculated base hourly rates for the audit period:

Fiscal Year	Employee Classification	Quantity [A]	Level of Service [B]	Cost Per Employee ([C] = [A] ÷ [B])	Annual Productive Hours [D]	Base Contract Hourly Rate ([E] = [C] ÷ [D])
2018-19	Deputy Patrol	$8,856,375	33	$268,375	1,800	$149.10
2019-20	Deputy Patrol	9,069,555	33	274,835	1,800	$152.69
2020-21	Deputy Patrol	9,156,352	32	286,136	1,800	$158.96
2021-22	Deputy Patrol	9,630,400	32	300,950	1,800	$167.19
2022-23	Deputy Patrol	9,732,352	32	304,136	1,800	$168.96
2023-24	Deputy Patrol	9,425,088	32	294,534	1,800	$163.63

The SCO's *Mandated Cost Manual* also states that costs for contract services can be claimed using an hourly billing rate. However, the manual does not provide specific guidance on how to calculate an hourly billing rate. Generally speaking, an hourly rate for a specific employee classification would be determined by dividing the contract cost for an individual employee who performs reimbursable activities by annual productive hours. However, this approach does not allow claimants to recover any additional contract costs, such as administrative costs, that could be reimbursable. We concluded that it was appropriate to allow the city to claim its administrative costs as an addition to the contract hourly rate for employee classifications included in its contracts with the OCSD.

We calculated an administrative cost percentage for each fiscal year of the review period based on the city's contracts with the OCSD. To calculate the percentage, we divided each annual contract's "Total Other Charges and Credits" amount by the total contract cost.

The following table shows the allowable administrative cost percentage and the allowable administrative cost that we calculated for each fiscal year of the review period:

Fiscal Year	Allowable Administrative Percentage
2018-19	12.94%
2019-20	13.11%
2020-21	11.75%
2021-22	10.74%
2022-23	12.89%
2023-24	13.90%

The following table shows the allowable contract hourly rates and adjustments that we calculated for each fiscal year of the review period:

Fiscal Year	Classification	Base Contract Hourly Rate [A]	Administrative Percentage [B]	Revised Contract Hourly Rate ([C] = [A] + ([A] × [B]))	Claimed Contract Hourly Rate [D]	Review Adjustment ([E] = [C] − [D])
2018-19	Deputy Patrol	$149.10	12.94%	$168.39	$129.03	$39.36
2019-20	Deputy Patrol	152.69	13.11%	172.71	132.13	40.58
2020-21	Deputy Patrol	158.96	11.75%	177.64	137.57	40.07
2021-22	Deputy Patrol	167.19	10.74%	185.15	144.69	40.46
2022-23	Deputy Patrol	168.96	12.89%	190.74	146.22	44.52
2023-24	Deputy Patrol	163.63	13.90%	186.37	141.60	44.77

The following table shows the calculation of the review adjustment for fiscal year 2022-23:

Classification	Allowable Hours [A]	Revised Hourly Rate [B]	Allowable Contract Costs ([C] = [A] × [B])	Claimed Contract Costs [D]	Review Adjustment ([E] = [C] − [D])
Deputy Patrol	511.50	$190.74	$97,564	$149,582	-$52,018

Criteria

Section IV., “Reimbursable Activities,” of the parameters and guidelines begins:

> To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. 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 V.A.3., "Contracted Services," of the parameters and guidelines states:

> Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

Recommendation

We recommend that the city:

- Adhere to the Racial and Identity Profiling Program's parameters and guidelines and the SCO's *Mandated Cost Manual* when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.