

CITY OF SAN JUAN CAPISTRANO

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

May 2026



STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS

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MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

May 15, 2026

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Mr. Ken Al-Imam, CPA, Chief Financial Officer
City of San Juan Capistrano
32400 Paseo Adelanto
San Juan Capistrano, CA 92675

Dear Mr. Al-Imam:

The State Controller's Office reviewed the costs claimed by the City of San Juan Capistrano (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 \$294,653 for costs of the Racial and Identity Profiling Program. Our review found that \$112,418 is allowable and \$182,235 is unallowable. The costs are unallowable because the city claimed overstated contract hourly rates and unallowable contract services costs.

This letter report contains an adjustment to costs claimed by the city. If you disagree with the review finding, you may file an Incorrect Reduction Claim with the Commission on State Mandates. Pursuant to Title 3, California Code of Regulations, section 1185(c), an Incorrect Reduction Claim challenging this adjustment must be filed with the Commission on State Mandates no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain

Mr. Ken Al-Imam

May 15, 2026

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Incorrect Reduction Claim information on the Commission on State Mandates' website at www.csm.ca.gov/forms/IRCFForm.pdf.

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

Attachments:

Attachment 1—Summary of Program Costs

Attachment 2—Review Results

Copy: The Honorable John Campbell, Mayor

City of San Juan Capistrano

Chris Hill, Principal Program Budget Analyst

Local Government Unit

California Department of Finance

Kaily Yap, Finance Budget Analyst

Local Government Unit

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ATTACHMENT 1—SUMMARY OF PROGRAM COSTS

July 1, 2018, through June 30, 2024

Payment amounts shown below are current as of March 26, 2026.

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 2018, through June 30, 2019</u>			
Direct costs:			
Contract services:			
Train peace officers and supervisors	\$2,697	\$1,959	-\$738
Collect and report data	29,720	10,787	-18,933
Total program costs	<u>\$32,417</u>	12,746	<u>-\$19,671</u>
Less amount paid by the state		<u>-32,417</u>	
Amount paid in excess of allowable costs		<u><u>-\$19,671</u></u>	
<u>July 1, 2019, through June 30, 2020</u>			
Direct costs:			
Contract services:			
Collect and report data	\$40,060	\$15,408	-\$24,652
Total program costs	<u>\$40,060</u>	15,408	<u>-\$24,652</u>
Less amount paid by the state		<u>-40,060</u>	
Amount paid in excess of allowable costs		<u><u>-\$24,652</u></u>	
<u>July 1, 2020, through June 30, 2021</u>			
Direct costs:			
Contract services:			
Collect and report data	\$60,404	\$23,336	-\$37,068
Total program costs	<u>\$60,404</u>	23,336	<u>-\$37,068</u>
Less amount paid by the state		<u>-60,404</u>	
Amount paid in excess of allowable costs		<u><u>-\$37,068</u></u>	

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 2021, through June 30, 2022</u>			
Direct costs:			
Contract services:			
Collect and report data	\$53,659	\$20,857	-\$32,802
Total program costs	<u>\$53,659</u>	<u>20,857</u>	<u>-\$32,802</u>
Less amount paid by the state		<u>-53,659</u>	
Allowable costs claimed in excess of amount paid		<u><u>-\$32,802</u></u>	
<u>July 1, 2022, through June 30, 2023</u>			
Direct costs:			
Contract services:			
Collect and report data	\$47,697	\$19,022	-\$28,675
Total program costs	<u>\$47,697</u>	<u>19,022</u>	<u>-\$28,675</u>
Less amount paid by the state		<u>-47,697</u>	
Amount paid in excess of allowable costs		<u><u>-\$28,675</u></u>	
<u>July 1, 2023, through June 30, 2024</u>			
Direct costs:			
Contract services:			
Collect and report data	\$35,386	\$21,049	-\$14,337
Audits and validation of data	25,030	0	-25,030
Total program costs	<u>\$60,416</u>	<u>21,049</u>	<u>-\$39,367</u>
Less amount paid by the state		<u>-60,416</u>	
Amount paid in excess of allowable costs		<u><u>-\$39,367</u></u>	
<u>Summary: July 1, 2018, through June 30, 2024</u>			
Direct costs:			
Contract services:			
Train peace officers and supervisors	\$2,697	\$1,959	-\$738
Collect and report data	266,926	110,459	-156,467
Audits and validation of data	25,030	0	-25,030
Total program costs	<u>\$294,653</u>	<u>112,418</u>	<u>-\$182,235</u>
Less amount paid by the state		<u>-294,653</u>	
Amount paid in excess of allowable costs		<u><u>-\$182,235</u></u>	

ATTACHMENT 2—REVIEW RESULTS

Background

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

The RID 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 RID Program, “peace officer” does not include probation officers and officers in custodial settings.

On May 22, 2020, the Commission on State Mandates found that GC 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. One-Time Activities

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 [California Department of Justice] 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 due 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 that 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.

The RID Program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues the *Mandated Cost Manual for Local Agencies (Mandated Cost Manual)* to assist local agencies in claiming reimbursable costs.

Finding—Overstated Racial and Identity Profiling Program Costs

The City of San Juan Capistrano (the city) claimed \$294,653 in costs for the RID Program. We found that \$112,418 is allowable and \$182,235 is unallowable. The costs are unallowable because the city claimed overstated contract hourly rates and unallowable contract services costs.

We found that the city correctly classified claimed costs as contract services costs, as it contracted with Orange County (the county) for municipal law enforcement services provided by the Orange County Sheriff's Department (OCSD) 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 county. The county's contracts included staff 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. In addition, the city overstated its contract hourly rates by including a contract overhead amount, based on unallowable indirect costs, in its hourly rate calculations. The indirect costs are unallowable because they are based on salary and wage costs that the city did not incur. The city also claimed unallowable contract services costs.

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

Fiscal Year	Reimbursable Activity	Amount Claimed [A]	Amount Allowable [B]	Review Adjustment [C] = [B] – [A]
2018-19	Training	\$2,697	\$1,959	-\$738
2018-19	Stops	29,720	10,787	-18,933
2019-20	Stops	40,060	15,408	-24,652
2020-21	Stops	60,404	23,336	-37,068
2021-22	Stops	53,659	20,857	-32,802
2022-23	Stops	47,697	19,022	-28,675
2023-24	Stops	35,386	21,049	-14,337
2023-24	Data validation	25,030	0	-25,030
Total		\$294,653	\$112,418	-\$182,235

Contract Services Costs

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

The City of San Juan Capistrano has been contracting its primary law enforcement services from the Orange County Sheriff's Department since April 19, 1961.

These services included the reimbursable activities claimed for the RID Program. Each year, the city contracted with the OCSD for various staff positions and paid the OCSD annual contract rates for each position. These positions included, but were not limited to, Lieutenants, Investigators, Sheriffs, and Sergeants. No city staff members performed any of the reimbursable activities under the RID Program; therefore, the city did not incur salary and related indirect costs. Furthermore, the city's contract with the county states that the county's employees should not be considered "in any manner" to be the city's employees.

We recalculated allowable contract services costs for the review period based on the claimed number of stops reported and the revised time increments to perform the reimbursable activities, multiplied by the revised contract hourly rates.

Contract Hourly Rates

The city's claims included copies of the law enforcement contracts that it negotiated with the county 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.

We used this information to determine the contract hourly billing rates for various employee classifications. We recalculated the contract hourly rates for the Lieutenant, Investigator, Deputy Sheriff, and Sergeant classifications using information from Attachment C. The city's contracts specify the cost of services provided, the quantity of each classification, and the cost of services for each classification. For example, the city's contract for fiscal year (FY) 2022-23 indicates that the following employee classifications provided law enforcement services, which included the reimbursable activities, for the city during the year: four Sergeants (Patrol), 15 Deputy Sheriffs II (Patrol), two Deputy Sheriffs II (Motorcycle), and two Deputy Sheriffs II (Direct Enforcement Team and Community Support [DET/CS]).

The following table shows the base contract hourly rate calculation for Deputy Sheriffs and Sergeants during FY 2022-23:

Employee Classification	Total Cost of Service [A]	Level of Service [B]	Cost per Classification [C] = [A] ÷ [B]	Annual Productive Hours [D]	Base Contract Hourly Rate [E] = [C] ÷ [D]
Sergeant (Patrol)	\$1,481,632	4	\$370,408	1,800	\$205.78
Deputy Sheriff II (Patrol)	4,613,175	15	307,545	1,800	170.86
Deputy Sheriff II (Motorcycle)	625,114	2	312,557	1,800	173.64
Deputy Sheriff II (DET/CS)	615,090	2	307,545	1,800	170.86

We used similar calculations for the other years of the review period to determine the contract hourly rates for the various OCSD employee classifications included in the city's claims.

The SCO's *Mandated Cost Manual* also states that the cost of contract services is allowable, and that those costs can be claimed using an hourly billing rate. However, the SCO's *Mandated Cost Manual* does not provide specific guidance on how to calculate an hourly billing rate. Generally speaking, an hourly rate for a specific employee classification is determined by dividing the contract cost for an individual employee who performs reimbursable activities by 1,800 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 other costs, classified in Attachment C as "Other Charges and Credits," 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 the cost of the line item "Other Charges and Credits" by the total contract cost.

The following table shows how we made this calculation for FY 2022-23:

Cost Category	Contract Amount
Other charges and credits	\$2,098,231
Divide by: total contract amount	11,750,062
Administrative charge percentage	17.86%

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

Fiscal Year	Allowable Administrative Percentage
2018-19	16.95%
2019-20	17.37%
2020-21	17.13%
2021-22	15.81%
2022-23	17.86%
2023-24	19.30%

The following table summarizes contract hourly rates for Deputies and Sergeants for FY 2022-23:

Classification	Base Contract Hourly Rate [A]	Administrative Percentage [B]	Revised Hourly Rate [C] = [A] + ([A] × [B])
Sergeant (Patrol)	\$205.78	17.86%	\$242.53
Deputy Sheriff II (Patrol)	170.86	17.86%	201.38
Deputy Sheriff II (Motorcycle)	173.64	17.86%	204.65
Deputy Sheriff II (DET/CS)	170.86	17.86%	201.38

The following table summarizes the claimed hourly rates and allowable contract hourly rates for each of the employee classifications appearing in the city's claims during the review period, and the difference between those rates:

Employee Classification	Claimed Contract Hourly Rate [A]	Allowable Contract Hourly Rate [B]	Rate Difference [C] = [B] – [A]
<u>FY 2018-19</u>			
Lieutenant	\$339.31	\$246.32	-\$92.99
Sergeant (Administrative)	292.28	212.18	-80.10
Sergeant (Patrol)	292.28	212.18	-80.10
Investigator	286.81	208.21	-78.60
Deputy Sheriff II (Patrol)	240.53	174.61	-65.92
Deputy Sheriff II (Motorcycle)	245.39	178.14	-67.25
Deputy Sheriff II (DET/CS)	240.53	174.61	-65.92
<u>FY 2019-20</u>			
Sergeant (Patrol)	\$282.55	\$217.32	-\$65.23
Deputy Sheriff II (Patrol)	232.83	179.08	-53.75
Deputy Sheriff II (Motorcycle)	237.24	182.48	-54.76
Deputy Sheriff II (DET/CS)	232.83	179.08	-53.75
<u>FY 2020-21</u>			
Sergeant (Patrol)	\$290.52	\$224.44	-\$66.08
Deputy Sheriff II (Patrol)	239.44	185.00	-54.44
Deputy Sheriff II (Motorcycle)	243.73	188.31	-55.42
Deputy II (DET/CS)	239.44	206.08	-33.36
<u>FY 2021-22</u>			
Sergeant (Patrol)	\$301.94	\$234.69	-\$67.25
Deputy Sheriff II (Patrol)	250.41	194.63	-55.78
Deputy Sheriff II (Motorcycle)	254.67	197.94	-56.73
Deputy Sheriff II (DET/CS)	250.41	194.63	-55.78
<u>FY 2022-23</u>			
Sergeant (Patrol)	\$304.15	\$242.53	-\$61.62
Deputy Sheriff II (Patrol)	252.53	201.38	-51.15
Deputy Sheriff II (Motorcycle)	256.64	204.65	-51.99
Deputy Sheriff II (DET/CS)	252.53	201.38	-51.15

Employee Classification	Claimed Contract Hourly Rate [A]	Allowable Contract Hourly Rate [B]	Rate Difference [C] = [B] – [A]
<u>FY 2023-24</u>			
Sergeant (Patrol)	\$298.10	\$242.53	-\$55.57
Deputy Sheriff II (Patrol)	248.08	201.38	-46.70
Deputy Sheriff II (Motorcycle)	252.11	204.65	-47.46
Deputy Sheriff II (DET/CS)	248.08	201.38	-46.70

Ongoing Activity B.2 – Collecting and Reporting Data

The city claimed a total of \$266,926 for collecting and reporting data on all stops during the review period. We found that \$110,459 is allowable and \$156,467 is unallowable. The costs are unallowable because the city overstated the average time increments to perform the reimbursable activity and overstated its contract hourly rates.

The following table shows the amount claimed, amount allowable, and review adjustment by fiscal year:

Fiscal Year	Amount Claimed [A]	Amount Allowable [B]	Review Adjustment [C] = [B] – [A]
2018-19	\$29,720	\$10,787	-\$18,933
2019-20	40,060	15,408	-24,652
2020-21	60,404	23,336	-37,068
2021-22	53,659	20,857	-32,802
2022-23	47,697	19,022	-28,675
2023-24	35,386	21,049	-14,337
Total	\$266,926	\$110,459	-\$156,467

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 DOJ 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 the RID 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 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.

An OCSD representative explained that there was no documentation supporting the OCSD's 2021 time study. The representative also stated that the county conducted another time study in October 2024, which showed that officers averaged three minutes per stop. That time study was based on only 36 stops, all of which were undated. In addition, the county did not prepare 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	Hours Claimed for Stops [A]	Allowable Hours for Stops [B]	Review Adjustment [C] = [B] - [A]
2018-19	122.00	61.00	-61.00
2019-20	169.92	84.97	-84.95
2020-21	249.17	124.59	-124.58
2021-22	211.76	105.89	-105.87
2022-23	186.67	93.35	-93.32
2023-24	141.06	104.95	-36.11

The following table summarizes how we calculated the review adjustment for FY 2022-23:

Employee Classification	Claimed Hours [A]	Claimed Hourly Rate [B]	Claimed Costs [C] = [A] × [B]	Allowable Hours [D]	Allowable Rate [E]	Allowable Costs [F] = [D] × [E]	Review Adjustment [G] = [F] – [C]
Sergeant (Patrol)	9.33	\$304.15	\$2,838	4.67	\$242.53	\$1,133	-\$1,705
Deputy Sheriff II (Patrol)	140.00	252.53	35,354	70.00	201.38	14,097	-21,257
Deputy Sheriff II (Motorcycle)	18.67	256.64	4,791	9.34	204.65	1,911	-2,880
Deputy Sheriff II (DET/CS)	18.67	252.53	4,715	9.34	201.38	1,881	-2,834
Rounding adjustment			-1				1
Total	186.67		\$47,697	93.35		\$19,022	-\$28,675

We performed the same calculation for the other years of the review period.

Contract Overhead Costs

When calculating its contract billing rates, the city included an additional amount for contract overhead in its computations. That amount was added to the contract hourly rate. The city based its contract overhead amount on an indirect cost rate proposal (ICRP) for each fiscal year prepared for the City of San Juan Capistrano Sheriff, which does not exist as a person or as an entity. The city's claims included copies of its ICRPs for FY 2018-19 through FY 2023-24. The city calculated the following indirect cost rates for those years:

Fiscal Year	Claimed Indirect Cost Rate
2018-19	61.1%
2019-20	52.6%
2020-21	51.6%
2021-22	49.0%
2022-23	47.8%
2023-24	49.2%

In addition to basing its indirect cost rates on ICRPs prepared for a non-existent entity, the city based its indirect cost rates on salaries and wages, which are costs that it did not incur.

Instead, the city incurred contract services costs for its law enforcement activities. Misclassifying contract services costs as employee salary and wage costs is neither consistent with generally accepted accounting principles, nor is it consistent with the guidance provided for indirect cost calculations listed in Section V.B. of the parameters and guidelines or the federal cost principles contained in Title 2, Code of Federal Regulations, Part 225, Appendices A and B. Therefore, these rates are unallowable.

Ongoing Activity B.4 – Audits and validation of data collected

The city claimed \$25,030 in contract costs for FY 2023-24 for auditing and validating collected data. We found that the entire amount is unallowable. Based on discussions with OCSD representatives, we found that an OCSD Sergeant performs the reimbursable activity of auditing and validating stop data. However, the activity is limited to correcting stop data that was originally transmitted to the DOJ and returned with errors needing correction. In addition, the errors needing correction consisted of stops occurring within the unincorporated areas of the county as well as stops within the county's contract cities. We noted that the number of stops corrected was minor compared to the total stops originally transmitted. Furthermore, as an OCSD Sergeant performed this activity for all stop data that the county submitted, there are no claimable costs for the county's contract cities. Therefore, costs claimed by the city for audits and validation of data are unallowable.

One-Time Activity A.1 – Training per peace officer and supervisor assigned to perform the reimbursable activities

In its claim for FY 2018-19, the city claimed \$2,697 in contract costs for the training of OCSD officers on the reimbursable activity. We found that \$1,959 is allowable and \$738 is unallowable. The costs are unallowable because the city overstated its contract hourly rates.

OCSD representatives agreed that the training of its officers assigned to contract cities occurred during normal duty hours and that the costs are claimable by its contract cities.

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

Classification	Amount Claimed [A]	Amount Allowable [B]	Review Adjustment [C] = [B] – [A]
Lieutenant	\$141	\$104	-\$37
Sergeant (Administrative)	122	89	-33
Sergeant (Patrol)	487	354	-133
Investigator	239	173	-66
Deputy II (Patrol)	1,503	1,091	-412
Deputy II (Motorcycle)	205	148	-57
Total	\$2,697	\$1,959	-\$738

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.

Section V.B., “Indirect Cost Rates,” of the parameters and guidelines states, in part:

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assigned to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include both: (1) overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement in accordance with the Office of Management and Budget Circular [Title] 2 CFR [Code of Federal Regulations], Chapter I and Chapter II, Part 200 et al. Claimants have the option of using 10 percent of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10 percent. . . .

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

Recommendation

We recommend the city:

- Adhere to the RID 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.