

SAN BERNARDINO COUNTY

Reissued Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013



BETTY T. YEE
California State Controller

June 2022



BETTY T. YEE
California State Controller

June 22, 2022

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Ensen Mason, CPA, CFA, Auditor-Controller/Treasurer/Tax Collector
San Bernardino County
268 West Hospitality Lane, 4th Floor
San Bernardino, CA 92415

Dear Mr. Mason:

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

This report is a reissue of the April 20, 2022 final audit report. Subsequent to issuance of that report, we discovered that the "Allowable per Audit" amounts identified in the Schedule were incorrect for FY 2002-03 through FY 2010-11. We are re-issuing the final audit report to correct those amounts. Total allowable and unallowable amounts for the audit period were not affected, nor were the amounts identified within the Finding.

The county claimed \$4,615,429 for costs of the mandated program. Our audit found that \$606,540 is allowable (\$662,432 less a \$55,892 penalty for filing late claims) and \$4,008,889 is unallowable, primarily because the county overstated the number of identity theft reports and the time increments required to perform the reimbursable activities, and misstated the job classifications for the county employees who performed the reimbursable activities. The State made no payments to the county. The State will pay \$606,540, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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/lis

cc: Sakura Younger, Manager
Management Services Section
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Jai Prasad, CPA, SB 90 Coordinator
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Reissued Audit Report

Summary

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

The county claimed \$4,615,429 for costs of the mandated program. Our audit found that \$606,540 is allowable (\$662,432 less a \$55,892 penalty for filing late claims) and \$4,008,889 is unallowable, primarily because the county overstated the number of identity theft reports and the time increments required to perform the reimbursable activities, and misstated the job classifications for the county employees who performed the reimbursable activities. The State made no payments to the county. The State will pay \$606,540, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6, subdivision (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 on 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 online 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 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 county'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 reviewed the annual mandated cost claims filed by the county 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 county staff. We discussed the claim preparation process with county 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 county's Tiburon computer-aided dispatch (CAD) system to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period. We found that the county claimed cases for both contract cities and unincorporated areas of the county. The county did not report on its mandated cost claims offsetting reimbursements for the contract city cases. We determined that the contract city cases are ineligible for reimbursement; each of the contract cities must file its own mandated cost claim in order to receive reimbursement for its contract costs related to the Identity Theft Program. We recalculated the costs based on the allowable number of cases for each of the reimbursable activities and found that the county overstated the claimed costs that were funded by other sources (see the Finding).

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

- To determine the number of allowable identity theft cases, we obtained copies of the county's contracts for law enforcement services. We excluded cases originating within contract jurisdictions (cities, towns, and a casino, as indicated by jurisdiction codes), as the county was reimbursed a set fee for providing these services.
- We designed a statistical sampling plan to test approximately 25–50% of claimed costs, based on a moderate level of detection (audit) risk. We judgmentally selected the county's filed claims for fiscal year (FY) 2010-11 through FY 2012-13 for testing; these fiscal years comprised claimed costs totaling \$1,174,700 (or 25.5%) of the total costs claimed (\$4,615,249). The sampling plan is described in the Finding and Recommendation section.
- We used a random number table to select 436 out of 946 identity theft reports from the three fiscal years sampled. We tested the identity theft reports as follows:
 - We determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 occurred;
 - We obtained employee numbers, names, and classifications from sampled police reports documenting who performed the reimbursable activities. Compared the employee classifications obtained from the police reports to those claimed by the county;
 - We obtained system-generated time stamps from the county's CAD system for the "Time On Scene" and "Time Close" associated with each report to determine the time spent to begin an investigation. For reports with unreasonable and excessive time spent, we reviewed the detailed history of time stamps from the CAD system for the incident number related to the sampled police report, and adjusted for ineligible time spent on arrests and other incident numbers.
- We interviewed sworn and non-sworn county employees who performed the mandated activities documented in the sampled police reports about their time spent performing reimbursable activities not captured by the CAD system.
- We projected the audit results of the three fiscal years tested by multiplying the allowable case counts by the audited average time increments needed to perform the reimbursable activities, and multiplying the product by the productive hourly rates (PHRs) of employees who performed them. We applied the weighted three-year average error rate of identity theft cases from the results of testing our samples to the remaining eight years of the audit period due to the homogeneity of the population.
- We reviewed the county's Single Audit Reports to identify potential sources of offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. The county certified in its claims that it did not receive such 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 county'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 found that the county claimed overstated and ineligible costs and overstated the claimed costs that were funded by other sources; as quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, San Bernardino County claimed \$4,615,429 for costs of the legislatively mandated Identity Theft Program. Our audit found that \$606,540 is allowable (\$662,432 less a \$55,892 penalty for filing late claims) and \$4,008,889 is unallowable. The State made no payments to the county. The State will pay \$606,540, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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 county's legislatively mandated Identity Theft Program.

Views of Responsible Officials

This report is a reissue of the April 20, 2022 final audit report. We informed Jai Prasad, SB 90 Coordinator, of the revisions to this audit report via email on April 22, 2022. Mr. Prasad responded by email on April 22, 2022, acknowledging the changes to the audit report.

Reason for Reissuance

Subsequent to issuance of the final audit report on April 20, 2022, we discovered errors in the calculation of "Allowable per Audit" amounts for FY 2002-03 through FY 2010-11 in the Schedule. We are re-issuing the final audit report to correct those amounts. Total allowable and unallowable amounts for the audit period were not affected, nor were the amounts identified within the Finding.

Restricted Use

This audit report is solely for the information and use of San Bernardino County, 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

June 22, 2022

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 115,450	\$ 19,345	\$ (96,105)
Beginning an investigation of the facts	101,539	14,985	(86,554)
Total direct costs	216,989	34,330	(182,659)
Indirect costs	155,125	24,543	(130,582)
Total direct and indirect costs	372,114	58,873	(313,241)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	372,114	58,873	(313,241)
Less late filing penalty ⁴	-	(5,887)	(5,887)
Total program costs	<u>\$ 372,114</u>	52,986	<u>\$ (319,128)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 52,986</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 121,132	\$ 19,170	\$ (101,962)
Beginning an investigation of the facts	105,932	14,953	(90,979)
Total direct costs	227,064	34,123	(192,941)
Indirect costs	139,508	20,965	(118,543)
Total direct and indirect costs	366,572	55,088	(311,484)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	366,572	55,088	(311,484)
Less late filing penalty ⁴	-	(5,509)	(5,509)
Total program costs	<u>\$ 366,572</u>	49,579	<u>\$ (316,993)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 49,579</u>	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 156,111	\$ 24,671	\$ (131,440)
Beginning an investigation of the facts	136,874	19,506	(117,368)
Total direct costs	292,985	44,177	(248,808)
Indirect costs	180,010	27,142	(152,868)
Total direct and indirect costs	472,995	71,319	(401,676)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	472,995	71,319	(401,676)
Less late filing penalty ⁴	-	(7,132)	(7,132)
Total program costs	<u>\$ 472,995</u>	64,187	<u>\$ (408,808)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 64,187</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 166,499	\$ 24,878	\$ (141,621)
Beginning an investigation of the facts	147,192	19,310	(127,882)
Total direct costs	313,691	44,188	(269,503)
Indirect costs	148,187	20,874	(127,313)
Total direct and indirect costs	461,878	65,062	(396,816)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	461,878	65,062	(396,816)
Less late filing penalty ⁴	-	(6,506)	(6,506)
Total program costs	<u>\$ 461,878</u>	58,556	<u>\$ (403,322)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 58,556</u>	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 180,759	\$ 27,697	\$ (153,062)
Beginning an investigation of the facts	162,080	21,314	(140,766)
Total direct costs	342,839	49,011	(293,828)
Indirect costs	151,980	21,727	(130,253)
Total direct and indirect costs	494,819	70,738	(424,081)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	494,819	70,738	(424,081)
Less late filing penalty ⁴	-	(7,074)	(7,074)
Total program costs	<u>\$ 494,819</u>	63,664	<u>\$ (431,155)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 63,664</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 162,871	\$ 28,740	\$ (134,131)
Beginning an investigation of the facts	147,781	22,136	(125,645)
Total direct costs	310,652	50,876	(259,776)
Indirect costs	169,398	27,743	(141,655)
Total direct and indirect costs	480,050	78,619	(401,431)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	480,050	78,619	(401,431)
Less late filing penalty ⁴	-	(7,862)	(7,862)
Total program costs	<u>\$ 480,050</u>	70,757	<u>\$ (409,293)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 70,757</u>	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 152,340	\$ 24,470	\$ (127,870)
Beginning an investigation of the facts	137,563	18,818	(118,745)
Total direct costs	289,903	43,288	(246,615)
Indirect costs	137,936	20,596	(117,340)
Total direct and indirect costs	427,839	63,884	(363,955)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	427,839	63,884	(363,955)
Less late filing penalty ⁴	-	(6,388)	(6,388)
Total program costs	<u>\$ 427,839</u>	57,496	<u>\$ (370,343)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 57,496</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 132,442	\$ 19,475	\$ (112,967)
Beginning an investigation of the facts	117,967	15,041	(102,926)
Total direct costs	250,409	34,516	(215,893)
Indirect costs	114,412	15,770	(98,642)
Total direct and indirect costs	364,821	50,286	(314,535)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	364,821	50,286	(314,535)
Less late filing penalty ⁴	-	(5,029)	(5,029)
Total program costs	<u>\$ 364,821</u>	45,257	<u>\$ (319,564)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 45,257</u>	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 152,340	\$ 24,470	\$ (127,870)
Beginning an investigation of the facts	137,563	18,818	(118,745)
Total direct costs	289,903	43,288	(246,615)
Indirect costs	137,936	20,596	(117,340)
Total direct and indirect costs	427,839	63,884	(363,955)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	427,839	63,884	(363,955)
Less late filing penalty ⁴	-	(6,388)	(6,388)
Total program costs	<u>\$ 427,839</u>	57,496	<u>\$ (370,343)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 57,496</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 132,442	\$ 19,475	\$ (112,967)
Beginning an investigation of the facts	117,967	15,041	(102,926)
Total direct costs	250,409	34,516	(215,893)
Indirect costs	114,412	15,770	(98,642)
Total direct and indirect costs	364,821	50,286	(314,535)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	364,821	50,286	(314,535)
Less late filing penalty ⁴	-	(5,029)	(5,029)
Total program costs	<u>\$ 364,821</u>	45,257	<u>\$ (319,564)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 45,257</u>	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 126,907	\$ 17,379	\$ (109,528)
Beginning an investigation of the facts	110,246	13,457	(96,789)
Total direct costs	237,153	30,836	(206,317)
Indirect costs	109,328	14,215	(95,113)
Total direct and indirect costs	346,481	45,051	(301,430)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	346,481	45,051	(301,430)
Less late filing penalty ⁴	-	(4,505)	(4,505)
Total program costs	<u>\$ 346,481</u>	40,546	<u>\$ (305,935)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 40,546</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 153,413	\$ 21,590	\$ (131,823)
Beginning an investigation of the facts	132,182	17,004	(115,178)
Total direct costs	285,595	38,594	(247,001)
Indirect costs	121,863	16,468	(105,395)
Total direct and indirect costs	407,458	55,062	(352,396)
Less offsetting revenues and reimbursements ³	-	-	-
Total program costs	<u>\$ 407,458</u>	55,062	<u>\$ (352,396)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 55,062</u>	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries and benefits ²			
Taking a police report on a violation of PC §530.5	\$ 159,499	\$ 19,070	\$ (140,429)
Beginning an investigation of the facts	136,516	15,045	(121,471)
Total direct costs	296,015	34,115	(261,900)
Indirect costs	124,386	14,335	(110,051)
Total direct and indirect costs	420,401	48,450	(371,951)
Less offsetting revenues and reimbursements ³	-	-	-
Total program costs	<u>\$ 420,401</u>	48,450	<u>\$ (371,951)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 48,450</u>	
<u>Summary: July 1, 2002, through June 30, 2013</u>			
Direct costs	\$ 3,063,295	\$ 438,054	\$ (2,625,241)
Indirect costs	1,552,134	224,378	(1,327,756)
Total direct and indirect costs	4,615,429	662,432	(3,952,997)
Less offsetting revenues and reimbursements ³	-	-	-
Subtotal	4,615,429	662,432	(3,952,997)
Less late filing penalty ⁴	-	(55,892)	(55,892)
Total program costs	<u>\$ 4,615,429</u>	606,540	<u>\$ (4,008,889)</u>
Less amount paid by the State ⁵		-	
Allowable costs claimed in excess of amount paid		<u>\$ 606,540</u>	

¹ See the Finding and Recommendation section.

² The county claimed salaries based on PHRs that included salaries and benefits.

³ The offsets relating to the contract city cases have been accounted for in the direct and indirect cost audit adjustments.

⁴ The SCO assesses late penalties on allowable costs for claims filed after the filing deadline specified in GC section 17568, equal to 10% of claimed costs, not to exceed \$10,000.

⁵ Payment amount current as of June 9, 2022.

Finding and Recommendation

FINDING — Overstated Identity Theft Program costs

The county claimed \$4,615,429 (\$3,063,295 in salaries and benefits and \$1,552,134 in related indirect costs) for the Identity Theft Program. We found that \$662,432 in direct and indirect costs is allowable and \$3,952,997 is unallowable.²

Salary and benefit costs are determined by multiplying the number of identity theft police reports by the time increments required to perform the reimbursable activities, and then multiplying the product by the weighted average PHRs for the employee classifications that performed the reimbursable activities.

The costs are unallowable because the county misinterpreted the program's parameters and guidelines. As a result, the county overstated the number of identity theft reports, overstated the time increments required to perform the reimbursable activities, and misstated the job classifications and PHRs for the county employees who performed the reimbursable activities.

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

Fiscal Year	Salaries and Benefits			Related Indirect Cost Adjustment	Total Audit Adjustment
	Amount Claimed	Amount Allowable	Audit Adjustment		
2002-03	\$ 216,989	\$ 34,330	\$ (182,659)	\$ (130,582)	\$ (313,241)
2003-04	227,064	34,123	(192,941)	(118,543)	(311,484)
2004-05	292,985	44,177	(248,808)	(152,868)	(401,676)
2005-06	313,691	44,188	(269,503)	(127,313)	(396,816)
2006-07	342,839	49,011	(293,828)	(130,253)	(424,081)
2007-08	310,652	50,876	(259,776)	(141,655)	(401,431)
2008-09	289,903	43,288	(246,615)	(117,340)	(363,955)
2009-10	250,409	34,516	(215,893)	(98,642)	(314,535)
2010-11	237,153	30,836	(206,317)	(95,113)	(301,430)
2011-12	285,595	38,594	(247,001)	(105,395)	(352,396)
2012-13	296,015	34,115	(261,900)	(110,051)	(371,951)
Total	\$ 3,063,295	\$ 438,054	\$ (2,625,241)	\$ (1,327,756)	\$ (3,952,997)

Overstated counts of identity theft police reports

Claimed and Allowable Case Counts

The county claimed costs incurred for taking police reports related to 18,572 identity theft cases during the audit period. During fieldwork, the county provided us with an internally generated summary report of claimed counts, actual counts, and estimated time increments by

² Our audit found that \$662,432 in direct and indirect costs is allowable and \$3,952,997 is unallowable. However, the county filed its FY 2002-03 through FY 2010-11 claims after the filing deadline specified in the SCO's claiming instructions and those late claims are subject to late filing penalties pursuant to GC section 17568, which is equal to 10% of allowable costs, not to exceed \$10,000 per fiscal year.

Therefore, allowable costs for the audit period totals \$606,540 (\$662,432 less \$55,892 in late filing penalties).

reimbursable activity per case for each fiscal year of the audit period. County representatives stated that this report was the county's basis for the costs claimed. However, the county did not have support from its CAD system for this report. The report disclosed that the county claimed 19,444 total cases and understated its case count by 872 cases for the audit period.

A Crime Analysis Supervisor within the Sheriff's Department provided us with an unduplicated list from the county's CAD system of initial police reports that supported violations of PC section 530.5. The county's CAD system showed that the county completed 18,968 police reports during the audit period.

This list of police reports identified the county jurisdiction code, the year of the report, and the report number. The county also provided a Jurisdiction Reference Chart, which disclosed county jurisdiction codes and jurisdiction codes for the cities that contracted with the county for law enforcement services. After examining the county's list of police reports, we found that 14,104 reports (74%) were from contract city jurisdictions and 4,864 reports (26%) were from county jurisdictions.

The county provided copies of its contracts for law enforcement services; during our analysis of the contracts, we noted that the county provided such services for a set fee to the following 13 cities, two towns, and one casino located in San Bernardino County:

- City of Adelanto;
- City of Big Bear Lake;
- City of Chino Hills;
- City of Colton;
- City of Grand Terrace;
- City of Hesperia;
- City of Highland;
- City of Loma Linda;
- City of Needles;
- City of Rancho Cucamonga;
- City of Twenty-Nine Palms;
- City of Victorville;
- City of Yucaipa;
- Town of Apple Valley;
- Town of Yucca Valley; and
- Yaamava' Resort and Casino at San Manuel (formerly San Manuel Casino).

As the county received reimbursement from its contract cities for preparing their police reports, the 14,104 reports originating from these locations are unallowable for reimbursement. For this audit, the relevant population is the 4,864 reports with county jurisdiction codes completed during the audit period.

Testing Police Reports

We determined the accuracy of the unduplicated counts of 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 total claimed costs. 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 county based on a 95% confidence level, a sampling error of $\pm 8\%$, and an expected (true) error rate of 50%. We judgmentally selected FY 2010-11, FY 2011-12, and FY 2012-13 for testing because the county claimed costs totaling \$1,174,340—which constitutes 25.5% of the total claimed during the audit period (\$4,615,429)—for these three fiscal years.

We discovered that San Bernardino County Sheriff's Department (SBCSD) staff took police reports from citizens at the front counter of the department's patrol stations as well as in the field. Therefore, we stratified our testing to differentiate between non-counter (field) reports and those taken at patrol stations (counter reports).

Our testing disclosed the following:

Counter Reports

- For FY 2010-11, we selected for testing 52 reports from the population of 80 counter reports. We found that two cases were unallowable (a 3.85% exception rate) because they did not support a violation of PC section 530.5.
- For FY 2011-12, we selected for testing 63 reports from the population of 108 counter reports. We found that five cases were unallowable (a 7.94% exception rate). Two cases did not support a violation of PC section 530.5, two cases were supplemental reports, and the complainant in the other case was a resident of Henderson, Nevada.
- For FY 2012-13, we selected for testing 49 reports from the population of 72 counter reports. We found that three cases were unallowable (a 6.12% exception rate) because the cases did not support a violation of PC section 530.5.

Field Reports

- For FY 2010-11, we selected for testing 90 reports from the population of 228 field reports. We found that 14 cases were unallowable (a 15.56% exception rate). Six cases did not support a violation of PC section 530.5, and eight cases were follow-up reports written by Detectives (of which six were based on courtesy reports received from other police or sheriff departments, and two were follow-up requests from SBCSD patrol stations).

- For FY 2011-12, we selected for testing 92 reports from the population of 236 field reports. We found that 10 cases were unallowable (a 10.87% exception rate). Five cases did not support a violation of PC section 530.5, one case was a courtesy report, and four cases were follow-up reports written by Detectives.
- For FY 2012-13, we selected for testing 90 reports from the population of 222 field reports. We found that four cases were unallowable (a 4.44% exception rate) because one case did not support a violation of PC section 530.5 and three cases were follow-up reports written by Detectives based on courtesy reports received from other police or sheriff departments.

We extrapolated and projected the results of our substantive tests of statistical samples to determine the number of allowable and unallowable identity theft reports for the entire 11-year audit period. We found that 4,413 police reports are allowable. For the three years that we tested (FY 2010-11, FY 2011-12, and FY 2012-13), we calculated a 5.97% average error rate for the counter reports and a 10.29% average error rate for the field reports. We applied these average error rates to the other eight years of the audit period (FY 2002-03 through FY 2009-10).

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

Fiscal Year	Claimed	Supported	Contracting Entities	County Reports	Allowable		Total	Difference
					Counter Reports	Field Reports		
2002-03	1,694	1,822	(1,332)	490	97	347	444	(1,250)
2003-04	1,702	1,830	(1,363)	467	91	332	423	(1,279)
2004-05	1,939	2,042	(1,509)	533	107	376	483	(1,456)
2005-06	2,010	2,010	(1,497)	513	86	379	465	(1,545)
2006-07	2,090	2,090	(1,545)	545	120	374	494	(1,596)
2007-08	1,824	1,824	(1,278)	546	130	366	496	(1,328)
2008-09	1,678	1,676	(1,219)	457	115	301	416	(1,262)
2009-10	1,458	1,456	(1,090)	366	99	234	333	(1,125)
2010-11	1,271	1,325	(1,016)	309	77	193	270	(1,001)
2011-12	1,405	1,397	(1,053)	344	99	210	309	(1,096)
2012-13	1,501	1,496	(1,202)	294	68	212	280	(1,221)
Total	18,572	18,968	(14,104)	4,864	1,089	3,324	4,413	(14,159)

Overstated time increments

Claimed Time Increments

The county claimed time increments spent by various employee classifications within SBCSD to perform the following reimbursable activities:

- Drafting, reviewing, and editing identity theft police reports taken by Officers, and reviewing identity theft police reports taken at the police station counter (Activity 1a – Take a police report supporting a violation of PC section 530.5); and
- Determining where the crime occurred and what pieces of personal identifying information were used for unlawful purposes (Activity 2 – Begin an investigation of the facts).

For Activity 1a, the county tracked the time spent by Sergeants to review police reports separately from the time spent by other staff members to draft, review, and edit police reports. This time spent by Sergeants on the reimbursable activity is identified as “Activity 1a.1 – Sergeant review.”

The county claimed the following time increments to perform the reimbursable activities:

- 60 minutes for Deputy Sheriffs to perform Activity 1a;
- 15 minutes for employees in the Station Clerk and Office Assistant III classifications to assist with Activity 1a;
- 10 minutes for Sergeants to perform Activity 1a.1 – Sergeant review; and
- 60 minutes for Sheriff Detectives to perform Activity 2.

The county did not provide support for the claimed time increments. Section IV., “Reimbursable Activities,” of the program’s parameters and guidelines state that “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.” As the county did not provide support that complies with this requirement, we determined that the claimed time increments are estimated and unsupported.

Allowable Time Increments

Taking a police report

The county’s CAD system did not record time spent drafting, reviewing, and editing identity theft police reports (Activities 1a and 1a.1 – Sergeant review). We interviewed various SBCSD employees, who provided testimonial evidence of the approximate time spent on reimbursable activities not recorded by the CAD system. We found that this information provided a reasonable representation of the time needed to perform these reimbursable activities.

For Activity 1a, we interviewed three Deputy Sheriffs, three Service Specialists, and one Sergeant about drafting, reviewing, and editing identity theft police reports taken by Officers. Based on these interviews, we determined that SBCSD staff spent an average of 35 minutes drafting, reviewing, and editing identity theft police reports taken by Officers.

For Activity 1a.1 – Sergeant review, we interviewed four Detectives and three Sergeants about reviewing identity theft police reports taken at the police station counter. Based on these interviews, we determined that SBCSD staff spent an average of 13 minutes reviewing police reports taken at the police station counter.

The county did not have an online system during the audit period and did not claim any costs for reviewing identity theft reports that were completed online (Activity 1b).

Beginning an investigation

During audit fieldwork, the SBCSD provided system-generated contemporaneous records from its CAD system. These records showed the time, in minutes, from when SBCSD staff arrived at a victim’s residence or business located in the county, or began taking information from a resident at the counter of a patrol station (Time On Scene) to the time that the initial call for service was completed (Time Complete). The time elapsed represents the time that county employees spent on determining where the crime occurred and what pieces of personal information were used for unlawful purposes (Activity 2).

We tested the time increments reported for the 154 allowable counter cases and the 244 allowable field cases from our sample selection. We reviewed the CAD system reports to determine the average time spent performing Activity 2. During testing, we noted that certain cases showed unreasonable time increments, as follows:

- 14 counter cases and 11 field cases with reported time increments of 0 to 9 minutes, and
- 19 counter cases and 52 field cases with reported time increments of greater than 60 minutes.

For these reports, the county provided detailed CAD history information. We found that time increments were understated because SBCSD staff members failed to record the time that the employee began preparing the counter report or when the officer arrived on scene for field reports. We found that time increments were overstated because SBCSD staff members recorded time spent on other incident numbers for other major crimes and arrests. We excluded all time recorded for follow-up investigation, search, pursuit, arrest, and changing location or transporting the suspect to jail for booking until the suspect is in custody and incarcerated. Based on our testing, we found that SBCSD staff members spent an average of 41 minutes performing Activity 2.

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

Fiscal Year	Claimed Minutes				Allowable Minutes		
	1a – Take a Police Report*		1a.1 – Review Reports†	2 – Begin an Investigation ‡	1a – Take a Police Report	1a.1 – Review Reports	2 – Begin an Investigation
	Deputies	Clerks/ Assistants	Sergeants	Detectives			
2002-03	60	15	10	60	35	13	41
2003-04	60	15	10	60	35	13	41
2004-05	60	15	10	60	35	13	41
2005-06	60	15	10	60	35	13	41
2006-07	60	15	10	60	35	13	41
2007-08	60	15	10	60	35	13	41
2008-09	60	15	10	60	35	13	41
2009-10	60	15	10	60	35	13	41
2010-11	60	15	10	60	35	13	41
2011-12	60	15	10	60	35	13	41
2012-13	60	15	10	60	35	13	41

*The county claimed that the Deputy Sheriff classification took police reports, and the Station Clerk and Office Assistant III classifications assisted with taking police reports.

† The county claimed that Sergeants reviewed police reports taken at the station counter.

‡ The county claimed that Detectives began investigations.

Misstated job classifications and PHRs

Claimed Job Classifications

As noted previously, the county claimed that Deputy Sheriffs and Office Assistant IIIs prepared police reports (Activity 1a), and that Sergeants reviewed the reports taken at the police station counter (Activity 1a.1 – Sergeant review). The county also claimed that Sheriff Detectives began investigations (Activity 2).

Staff Allowable

In order to clarify which SBCSD staff members performed the mandated activities, we:

1. Prepared a schedule of employee numbers and names from the sampled police reports;
2. Requested information from the county supporting the actual job classifications for the employees identified;
3. Calculated the extent (percentage of involvement) that various employees performed the mandated activities for the county’s sampled identity theft cases; and
4. Verified with the county the results of the above steps to confirm the actual job classifications that performed the reimbursable activities of drafting and editing a police report, reviewing police reports, and beginning an investigation.

The following table summarizes the actual job classifications of the employees who performed the reimbursable activities during FY 2010-11, FY 2011-12, and FY 2012-13, and the average percentage of their involvement in the reimbursable activities for the three fiscal years.

<u>Classification</u>	<u>Average Involvement Percentage</u>
<u>Prepare a report/Begin an investigation¹</u>	
Deputy Sheriffs	91.0%
Sheriff Sergeants	0.5%
Sheriff Detectives	0.5%
Captains	1.0%
Service Specialists	7.0%
	<u>100%</u>
<u>Review a police report</u>	
Sheriff Sergeants	92.0%
Sheriff Detectives	7.0%
Captains	1.0%
	<u>100%</u>

¹ The same staff members performed the activities of Prepare a Report (Activity 1a) and Begin an Investigation (Activity 2).

The county provided schedules of the actual hourly rates for the employee classifications that performed the reimbursable activities during the audit period. To calculate allowable costs, we used claimed PHRs for Deputy Sheriffs, Sheriff Detectives, and Sergeants. We used rates provided by the county for the employee classifications not claimed (Captains and Service Specialists).

The following table summarizes the auditor-recalculated weighted PHRs for each fiscal year in the audit period by reimbursable activities performed:

Fiscal Year	Prepare a Report	Review a Report	Begin an Investigation
2002-03	\$ 49.39	\$ 68.12	\$ 49.39
2003-04	51.73	69.90	51.73
2004-05	59.10	76.64	59.10
2005-06	60.77	83.32	60.77
2006-07	63.14	88.78	63.14
2007-08	65.31	91.60	65.31
2008-09	66.20	93.25	66.20
2009-10	66.10	91.96	66.10
2010-11	72.94	100.70	72.94
2011-12	80.53	105.66	80.53
2012-13	78.63	102.65	78.63

Using this salary rate information, the corrected number of case counts, the corrected time increments, and the employee classifications that 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 and benefit costs for FY 2011-12:

Employee Classification	PHR [a]	Number of cases [b]	Minutes [c]	Hours [d=(b*g)/60]	Activity % [e]	Allowable costs [f=a*i]*k]
<u>Prepare a report:</u>						
Deputy Sheriff	\$ 82.81	309	35	180.25	91.0%	13,583
Sergeant	106.12	309	35	180.25	0.5%	96
Detective	94.08	309	35	180.25	0.5%	85
Captain	144.32	309	35	180.25	1.0%	260
Service Specialist	38.96	309	35	180.25	7.0%	492
Total, prepare a report						\$ 14,516
<u>Review a report:</u>						
Sergeant	106.12	309	13	66.95	92.0%	6,536
Detective	94.08	309	13	66.95	7.0%	441
Captain	144.32	309	13	66.95	1.0%	97
Total, review a report						\$ 7,074
<u>Begin an investigation:</u>						
Deputy Sheriff	\$ 82.81	309	41	211.15	91.0%	15,912
Sergeant	106.12	309	41	211.15	0.5%	112
Detective	94.08	309	41	211.15	0.5%	99
Captain	144.32	309	41	211.15	1.0%	305
Service Specialist	38.96	309	41	211.15	7.0%	576
Total, begin an investigation						\$ 17,004
Total allowable salary and benefit costs						\$ 38,594

We performed similar calculations for each fiscal year of the audit period.

Allowable related indirect costs

The county claimed \$1,552,134 in related indirect costs. We found that \$224,378 is allowable and \$1,327,756 is unallowable. The county used the indirect cost rates from the Indirect Cost Rate Proposals it prepared for each year of the audit period to claim indirect costs. Unallowable indirect costs are directly related to the previously identified unallowable salaries and benefits for each year of the audit period.

The following table summarizes the claimed and allowable amounts of indirect costs, and the audit adjustment by fiscal year:

Fiscal Year	Related indirect costs		
	Claimed	Allowable	Adjustment
2002-03	\$ 155,125	\$ 24,543	\$ (130,582)
2003-04	139,508	20,965	(118,543)
2004-05	180,010	27,142	(152,868)
2005-06	148,187	20,874	(127,313)
2006-07	151,980	21,727	(130,253)
2007-08	169,398	27,743	(141,655)
2008-09	137,936	20,596	(117,340)
2009-10	114,412	15,770	(98,642)
2010-11	109,328	14,215	(95,113)
2011-12	121,863	16,468	(105,395)
2012-13	124,386	14,335	(110,051)
	<u>\$ 1,552,134</u>	<u>\$ 224,378</u>	<u>\$(1,327,756)</u>

Criteria

Item 1 of Section III., “Period of Reimbursement,” of the parameters and guidelines states, “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 online 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.

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.II., “Offsetting Revenues and Reimbursements,” of the parameters and guidelines states:

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state, or non-local source shall be identified and deducted from this claim.

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 county:

- 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.

County’s Response

We have reviewed the State Controller’s Office draft audit report for the above-mandated program dated March 2, 2022. The County review has been completed and we concur with the findings and recommendations proposed in the *Identity Theft Program* draft audit for the period of July 1, 2002 through June 30, 2013.

Due to the amount of time that has elapsed between occurrence of the claimed reimbursable activities and the audit period (**spanning up to 19 years**), the County is unable to provide any additional supporting documentation. Had the field audit been performed closer to the actual

cost incurrence period, responsible claim preparation staff (who are retired or no longer employed) could have provided a much better response to audit inquiries, which would have resulted in favorable results for San Bernardino County.

SCO's Comment

The county states that it could have provided additional supporting documentation, had the audit been performed closer to the time period in which the reimbursable activities were performed. We would first point out that the county filed its claims for the first 11 years of the 12-year audit period on January 30, 2013. Except for documentation supporting the time increments claimed to perform the reimbursable activities, lack of supporting documentation was not the primary cause of the unallowable costs.

Instead, the initial 74% reduction in Identity Theft cases claimed (from 18,572 cases claimed to 4,864 cases) was the primary cause of the unallowable costs. As explained in the finding, we reduced the number of allowable cases because the county had claimed costs for taking police reports and beginning investigations for identity theft cases originating within its contract cities. As the county's contracting partners had already reimbursed the county for these costs, the costs were not reimbursable for the purposes of a State-mandated cost claim.

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



SHANNON D. DICUS, SHERIFF-CORONER

March 9, 2022

Lisa Kurokawa, Chief, Compliance Audits Bureau
State Controller's Office
Division of Audits
P. O. Box 942850
Sacramento, CA 94250

RE: **Response to Draft Audit Report**
Identity Theft Program
Audit period: July 1, 2002 through June 30, 2013

Dear Ms. Kurokawa:


We have reviewed the State Controller's Office draft audit report for the above-mandated program dated March 2, 2022. The County review has been completed and we concur with the findings and recommendations proposed in the *Identity Theft Program* draft audit for the period of July 1, 2002 through June 30, 2013.

Due to the amount of time that has elapsed between occurrence of the claimed reimbursable activities and the audit period (**spanning up to 19 years**), the County is unable to provide any additional supporting documentation. Had the field audit been performed closer to the actual cost incurrence period, responsible claim preparation staff (who are retired or no longer employed) could have provided a much better response to audit inquiries, which would have resulted in favorable results for San Bernardino County.

If you have any questions, please contact Jose L. Torres, Sheriff's Administrative Manager, at (909) 387-3465 or e-mail jtorres@sbcasd.org.

Sincerely,

Shannon D. Dicus
Sheriff/Coroner/Public Administrator
San Bernardino County

By: 
Kelly Welty
Chief Deputy Director
Sheriff's Bureau of Administration

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Division of Audits
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