

# CITY OF SACRAMENTO

## Audit Report

### **RACIAL AND IDENTITY PROFILING PROGRAM**

Chapter 466, Statutes of 2015;  
and Chapter 328, Statutes of 2017

*July 1, 2018, through June 30, 2020; and  
July 1, 2021, through June 30, 2022*



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

June 2025



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

June 20, 2025

**CERTIFIED MAIL—RETURN RECEIPT REQUESTED**

Mr. Peter Coletto, Director of Finance  
City of Sacramento  
915 I Street, 5<sup>th</sup> Floor  
Sacramento, CA 95814

Dear Mr. Coletto:

The State Controller's Office audited the costs claimed by the City of Sacramento (the city) for the legislatively mandated Racial and Identity Profiling Program for the period of July 1, 2018, through June 30, 2020; and July 1, 2021, through June 30, 2022. The city did not file a reimbursement claim for the period of July 1, 2020, through June 30, 2021.

The city claimed and was paid \$1,551,624 for costs of the mandated program. Our audit found that \$755,971 is allowable and \$795,653 is unallowable. The costs are unallowable primarily because the city overstated costs for collecting and reporting stop data and claimed unallowable related indirect costs.

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

If you have any questions regarding this report, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at 916-327-3138. Thank you.

Sincerely,

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

KAT/ac

Mr. Peter Coletto

June 20, 2025

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Copy: The Honorable Kevin McCarty, Mayor  
City of Sacramento  
Captain Rudolph Chan  
Acting Deputy Chief, Special Projects  
Sacramento Police Department  
Leyne Milstein, Interim City Manager  
City of Sacramento  
Julie Coffen, SB90 Coordinator  
City of Sacramento  
Chris Hill, Principal Program Budget Analyst  
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Darryl Mar, Manager  
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State Controller's Office  
Everett Luc, Supervisor  
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State Controller's Office

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# Audit Report

## Summary

The State Controller’s Office (SCO) audited the costs claimed by the City of Sacramento (the city) for the legislatively mandated Racial and Identity Profiling Program for the period of July 1, 2018, through June 30, 2020; and July 1, 2021, through June 30, 2022. The city did not file a reimbursement claim for the period of July 1, 2020, through June 30, 2021.

The city claimed and was paid \$1,551,624 for costs of the mandated program. Our audit found that \$755,971 is allowable and \$795,653 is unallowable. The costs are unallowable primarily because the city overstated costs for collecting and reporting stop data and claimed unallowable related indirect costs.

## Background

Government Code (GC) 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 local law enforcement agencies that employ peace officers—or that contract 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 by the agency’s peace officers within their jurisdictions. For purposes of the program, “peace officer” does not include probation officers and officers in custodial settings.

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

The Commission determined that each claimant is allowed to claim and be reimbursed for the following activities identified in the program’s 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 [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 were not 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 required of all persons before they enter a building or special event;
- Interactions during traffic control of vehicles due to a traffic accident or emergency, any type of crowd control requiring pedestrians to remain in a fixed location for public safety reasons, when persons are detained at residences so that officers can check for proof of age while investigating underage drinking, and at checkpoints and roadblocks where officers detain a person based on a blanket activity or neutral formula;
- 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 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 mandated program reimbursable costs.

## Audit Authority

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

## Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Racial and Identity Profiling 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.

The audit period was July 1, 2018, through June 30, 2020; and July 1, 2021, through June 30, 2022.

To achieve our objective, we performed the following procedures:

- We reviewed the annual mandated cost claims filed by the city for the audit period and identified the significant cost components of each claim as salaries, benefits, and indirect costs. We determined whether there were any errors or unusual or unexpected variances from year to year. We reviewed the claimed activities to determine whether they adhered to the SCO's *Mandated Cost Manual* and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key city staff members. We discussed the claim preparation process with city staff members to determine what information was obtained, who obtained it, and how it was used.
- We assessed the reliability of data (stop data, productive hourly rate [PHR] support, and expenditure records) generated by the city's records management system by interviewing city staff members and examining the supporting documentation. We determined that the data provided was sufficiently reliable to address the audit objective.
- We obtained the city's system-generated lists of stop data—which the city had collected and reported to the DOJ—from its Racial and Identity Profiling Act (RIPA) application to verify the existence, completeness, and accuracy of counts for each fiscal year of the audit period. We recalculated the costs based on the allowable number of stops reported for each fiscal year in the audit period.
- We designed a statistical sampling plan to test salary and benefit costs claimed under the collection and reporting of data cost category of the city's claims for each year of the audit period, based on a moderate level of detection (audit) risk. The sampling plan is described in the Finding and Recommendation section.

- We used a random number table to select 448 out of 118,888 stops identified by the city for the three fiscal years sampled. We tested the stop data as follows:
  - We determined whether data collected for each stop included all of the required elements to be reported to the DOJ according to the program's parameters and guidelines.
  - We determined whether sampled stops tested were performed by peace officers who were covered by a law enforcement services agreement, other memorandum of understanding, or funded by an outside funding source.
  - We determined whether any stops occurred at the residence of a known felon with an outstanding arrest warrant; and
  - We obtained employee ID numbers and ranks of peace officers from the sampled stop data documenting who performed the reimbursable activities. We then compared the employee classifications obtained from the stop data to those that the city claimed.
- We obtained updated average time spent performing the reimbursable activities calculated from the city's RIPA application.
- We projected the audit results for each of the three years tested by multiplying the allowable counts of stops by the audited average time increments needed to perform the reimbursable activities and multiplied the product by the PHRs of the city employees who performed them.
- We reviewed the city's Single Audit Reports to identify any offsetting savings or reimbursements from federal or pass-through programs applicable to the Racial and Identity Profiling Program. We identified several programs and discussed those with the city. A city representative confirmed that it did not receive offsetting revenues applicable to this mandated program during the audit period.

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.

## Conclusion

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

For the audit period, the city claimed and was paid \$1,551,624 for costs of the legislatively mandated Racial and Identity Profiling Program. Our audit found that \$755,971 is allowable and \$795,653 is unallowable.

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

**Follow-up on  
Prior Audit  
Findings**

We have not previously conducted an audit of the city's legislatively mandated Racial and Identity Profiling Program.

**Views of  
Responsible  
Officials**

We issued a draft audit report on April 7, 2025. The city's representative responded by email dated April 16, 2025, agreeing with the audit results.

**Restricted Use**

This audit report is solely for the information and use of the city, 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](http://www.sco.ca.gov).

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

June 20, 2025

**Schedule—**  
**Summary of Program Costs**  
**July 1, 2018, through June 30, 2020;**  
**and July 1, 2021, through June 30, 2022**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2018, through June 30, 2019</u>			
Direct costs:			
Salaries and benefits:			
Train peace officers and supervisors	\$ 21,397	\$ 24,475	\$ 3,078
Install and test software	117,532	38,825	(78,707)
Collect and report data	249,555	121,881	(127,674)
Submit to DOJ and retain data collected	1,714	1,667	(47)
Total direct costs	390,198	186,848	(203,350)
Indirect costs	222,217	106,410	(115,807)
Total program costs	<u>\$ 612,415</u>	293,258	<u>\$ (319,157)</u>
Less amount paid by the State <sup>2</sup>		(612,415)	
Amount paid in excess of claimed costs		<u>\$ (319,157)</u>	
<u>July 1, 2019, through June 30, 2020</u>			
Direct costs:			
Salaries and benefits:			
Train peace officers and supervisors	\$ 4,429	\$ 456	\$ (3,973)
Collect and report data	449,228	174,308	(274,920)
Submit to DOJ and retain data collected	1,771	1,710	(61)
Total direct costs	455,428	176,474	(278,954)
Indirect costs	246,022	95,331	(150,691)
Total program costs	<u>\$ 701,450</u>	271,805	<u>\$ (429,645)</u>
Less amount paid by the State <sup>2</sup>		(701,450)	
Amount paid in excess of claimed costs		<u>\$ (429,645)</u>	
<u>July 1, 2021, through June 30, 2022</u>			
Direct costs:			
Salaries and benefits:			
Collect and report data	\$ 161,752	\$ 129,878	\$ (31,874)
Total direct costs	161,752	129,878	(31,874)
Indirect costs	76,007	61,030	(14,977)
Total program costs	<u>\$ 237,759</u>	190,908	<u>\$ (46,851)</u>
Less amount paid by the State <sup>2</sup>		(237,759)	
Amount paid in excess of claimed costs		<u>\$ (46,851)</u>	

## Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>Summary: July 1, 2018, through June 30, 2020;</u> <u>and July 1, 2021, through June 30, 2022</u>			
Direct costs	\$ 1,007,378	\$ 493,200	\$ (514,178)
Indirect costs	544,246	262,771	(281,475)
Total program costs	<u>\$ 1,551,624</u>	755,971	<u>\$ (795,653)</u>
Less amount paid by the State <sup>2</sup>		<u>(1,551,624)</u>	
Amount paid in excess of claimed costs		<u>\$ (795,653)</u>	

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> Payment amount current as of May 7, 2025.

# Finding and Recommendation

## **FINDING— Overstated Racial and Identity Profiling Program costs**

The city claimed and was paid \$1,551,624 for the mandated program. We found that \$755,971 is allowable and \$795,653 is unallowable.

The costs are unallowable primarily because the city overstated costs for collecting and reporting stop data, understated the number of stops conducted, overstated costs for training, claimed unsupported costs for software installation and testing, and claimed unallowable related indirect costs.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year for the audit period:

Fiscal Year	Direct Costs			Related Indirect Cost Adjustment	Total Audit Adjustment
	Amount Claimed	Amount Allowable	Audit Adjustment		
2018-19	\$ 390,198	\$ 186,848	\$ (203,350)	\$ (115,807)	\$ (319,157)
2019-20	455,428	176,474	(278,954)	(150,691)	(429,645)
2021-22	161,752	129,878	(31,874)	(14,977)	(46,851)
Total	<u>\$ 1,007,378</u>	<u>\$ 493,200</u>	<u>\$ (514,178)</u>	<u>\$ (281,475)</u>	<u>\$ (795,653)</u>

### **One-time Activities**

The parameters and guidelines identify the following one-time activities:

- Activity A.1. – One-time training for each peace officer employee and supervisor assigned to perform the reimbursable activities; and
- Activity A.2. – One-time installation and testing of software necessary to comply with the requirements for collecting and reporting stop data.

### *Training*

The city claimed salary and benefit costs totaling \$25,826 for one-time staff training. We found that \$24,931 is allowable and \$895 is unallowable. The costs are unallowable because the city claimed costs for city employees who were not assigned to perform the reimbursable activities.

The city did not provide any documentation with its claims to support training costs that it claimed for 745 peace officers. During the audit, the city provided documentation supporting 15 minutes of RIPA training that it provided to 804 city employees. Based on our review of the supporting documentation, we found that the city's listing of 804 employees included training provided to 109 city employees who did not perform the reimbursable activities and one peace officer who completed the training prior to the audit period. The 109 employees included 32 peace officers, 66 non-sworn police department employees, and 11 other city employees. Therefore, training provided to 695 employees was allowable

(674 employees during fiscal year [FY] 2018-19 and 21 employees during FY 2019-20).

We identified the following 32 peace officers in executive or management functions who did not supervise the sworn officers who were assigned to collect stop data, as required by the parameters and guidelines:

- One Police Chief;
- Three Deputy Police Chiefs;
- 10 Police Captains; and
- 18 Police Lieutenants.

We also identified the following 66 non-sworn police department employees who were not assigned to perform the reimbursable activities:

- 43 Community Service Officers;
- 10 Dispatchers;
- Six Forensic Investigators;
- One Pilot;
- One Administrative Officer;
- Two Police Records Supervisors;
- One Police Clerk;
- One Program Analyst; and
- One Custodian.

We could not determine whether 11 other city employees, for whom no job classifications were provided, were assigned to perform the reimbursable activities. We received only their names, transcript ID numbers, completion dates, and time spent for the online Racial and Identity Profiling Act Compliance Training.

The city claimed 187.25 hours for employee training during FY 2018-19. We determined that 173.75 hours are allowable (168.5 hours in FY 2018-19 and 5.25 hours in FY 2019-20).

The city also claimed 34 hours in FY 2018-19 for a Lieutenant and 50 hours for a Sergeant in FY 2019-20 to prepare training materials. However, our communication with city representatives and documentation provided during the audit supported salaries and benefits totaling \$10,075 for a Police Sergeant who spent 130 hours preparing online training materials during FY 2018-19.

The following table presents the claimed, allowable, and audit adjustment amounts for Activity A.1. by fiscal year:

Fiscal Year	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
2018-19	\$ 21,397	\$ 24,475	\$ 3,078
2019-20	4,429	456	(3,973)
Totals	\$ 25,826	\$ 24,931	\$ (895)

### ***Installing and Testing Software***

The city claimed salary and benefit costs totaling \$117,532 for installing and testing software (Activity A.2.) in its claim for FY 2018-19. We found that \$38,825 is allowable and \$78,707 is unallowable. The costs are unallowable because the city claimed unsupported hours.

The city did not provide any documentation with its claims to support the 1,606 hours claimed for Activity A.2. During the audit, the city initially provided a worksheet containing hours spent by the city's IT personnel over the period of November 1, 2018, through February 29, 2019, [sic] (700 hours for one Applications Developer, 640 hours for a second Applications Developer, and 40 hours for an IT Supervisor) and 100 hours spent by two Police Officers over the period of February 7, 2018, through January 1, 2019. The city did not provide support for an additional two Police Officers and a Police Sergeant who were included in the claims for this activity.

We asked the city how it determined the number of hours presented on these worksheets covering such a wide range of dates. The city provided additional documentation for the two Application Developers showing hours spent by month on the reimbursable activities from June 2018 through November 2019, and a list of Microsoft Outlook calendar meeting invitations for the IT Supervisor. The city did not provide any additional documentation to support hours spent by the Police Officers. Documentation provided for the Police Sergeant showed unallowable hours spent after the city completed developing and testing its software and began reporting stop data to the DOJ.

The city completed the installation and testing of its software and began reporting the required stop data to the DOJ on January 1, 2019. In its decision adopting the parameters and guidelines, the Commission denied the test claimant's request to include updating software, as necessary, as a reimbursable activity. Therefore, costs claimed for Activity A.2. to further update the software after January 1, 2019, are unallowable. In addition, supported hours for the Application Developers included time spent during June 2018, which is outside of the audit period and, therefore, unallowable.

The following table documents the hours claimed, hours supported, unallowable hours, and hours allowable:

Classification	Claimed	Supported	Hours claimed in FY 17/18	Hours claimed after 1/1/2019	Allowable Hours
Application Developer (1)	700	273.0	(63.5)	(10)	199.5
Application Developer (2)	640	569.5	(60.5)	(45)	464.0
IT Supervisor	40	40.0	-	-	40.0
Police Officer (1)	50	-	-	-	-
Police Officer (2)	50	-	-	-	-
Police Officer (3)	80	-	-	-	-
Police Officer (4)	1	-	-	-	-
Police Sergeant	45	-	-	-	-
Totals	<u>1,606</u>	<u>882.5</u>	<u>(124.0)</u>	<u>(55)</u>	<u>703.5</u>

The following table presents the claimed, allowable, and audit adjustment amounts:

Fiscal Year	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
2018-19	<u>\$ 117,532</u>	<u>\$ 38,825</u>	<u>\$ (78,707)</u>

### Ongoing Activities

The parameters and guidelines identify the following ongoing activities:

- Activity B.1. – Identifying the peace officers required to report stops, and maintaining a system to match individual officers to their Officer I.D. numbers;
- Activity B.2. – Collecting and reporting data on all reportable stops;
- Activity B.3. – Submitting electronic stop data to the DOJ and retaining collected stop data;
- Activity B.4. – Audits and validation of data collected; and
- Activity B.5. – Ensuring that personally identifiable information of the individuals stopped, and unique identifying information of the peace officers involved are not transmitted to the DOJ in an open text field.

### Collecting and Reporting Data

The city claimed salary and benefit costs totaling \$860,535 for collecting and reporting stop data (Activity B.2.). We found that \$426,067 is allowable and \$434,468 is unallowable. The costs are unallowable because the city claimed costs based on unsupported time increments to report stops; and claimed stops performed by officers assigned in jurisdictions covered by law enforcement services agreements or funded by federal or

state grants, and stops performed in residences of known felons with outstanding arrest warrants, which are unallowable.

We reviewed the city's claims to determine whether claimed salaries and benefits costs were related to the mandate and were properly supported.

#### *Number of Stops Reported*

The city reported 135,655 stops in its claims during the audit period (34,952 stops during FY 2018-19, 60,864 stops during FY 2019-20, and 39,839 stops during FY 2021-22).

During the audit we requested, and the city generated, Excel spreadsheets showing stop data downloaded from its RIPA application to support the number of stops. These spreadsheets contained the following information:

- Officer Assignment;
- Date and Time; and
- Computer Aided Dispatch call number.

The spreadsheets supported 118,888 stops during the audit period (28,200 stops during FY 2018-19, 50,828 stops during FY 2019-20, and 39,860 stops during FY 2021-22).

We verified the accuracy of the stop data recorded in the RIPA application by determining whether each stop:

- Included all required elements according to the program's parameters and guidelines;
- Was not performed by a peace officer in a jurisdiction covered by a law enforcement-services agreement or other agreement, or funded by outside funding sources such as federal grants; and
- Did not occur at the residence of a known felon with an outstanding arrest warrant.

For each fiscal year, we selected a statistical sample of stop data from the documented number of stops reported by peace officers (the adjusted unduplicated population) based on a 95% confidence level, a precision rate of  $\pm 8\%$ , and an expected error rate of 50%. We used statistical sampling in order to project the results to the population for each fiscal year. We randomly selected 448 out of 118,888 reported stops.

Our review of the sampled stop data disclosed the following:

#### FY 2018-19

We found that 13 out of 149 reported stops were unallowable for the following reasons:

- Seven stops were performed by peace officers funded by federal or state grants; and

- Six stops were conducted by sworn officers under contract to provide law enforcement services.

We calculated an error rate of 8.72% for FY 2018-19. After the audit exit conference, the city provided updated stop data and we increased the population of stops by 912 stops, from 28,200 to 29,112 stops for FY 2018-19. We then multiplied the audited population of 29,112 stops by the 8.72% error rate to arrive at 2,539 unallowable stops and 26,573 allowable stops.

#### FY 2019-20

We found that nine of 150 reported stops were unallowable for the following reasons:

- Eight stops were performed by peace officers funded by federal or state grants; and
- One stop was conducted by a sworn officer under contract to provide law enforcement services.

We calculated an error rate of 6.00% for FY 2019-20. After the audit exit conference, the city provided updated stop data, and we increased the population of stops by 1,228 stops, from 50,828 to 52,056 stops for FY 2019-20. We then multiplied the audited population of 52,056 by the 6.00% error rate to arrive at 3,123 unallowable stops and 48,933 allowable stops.

#### FY 2021-22

We found that 10 out of 149 stops reported are unallowable for the following reasons:

- Eight stops were performed by peace officers funded by federal or state grants;
- One stop was conducted by a sworn officer under contract to provide law enforcement services; and
- One stop occurred at the residence of a known felon with an outstanding arrest warrant.

We calculated an error rate of 6.71% for FY 2021-22. After the audit exit conference, the city provided updated stop data, and we increased the population of stops by 706 stops, from 39,860 to 40,566 stops for FY 2021-22. We then multiplied the audited population of 40,566 by the 6.71% error rate to arrive at 2,722 unallowable stops and 37,844 allowable stops.

The following table summarizes the count of claimed, supported, and allowable stops, and the audit adjustment by fiscal year:

	(A)	(B)	(C)	(D)=(C)-(A)
		Stops		
Fiscal Year	Claimed Stops	Conducted per DOJ	Allowable Stops	Audit Adjustment
2018-19	34,952	29,112	26,573	(8,379)
2019-20	60,864	52,056	48,933	(11,931)
2021-22	39,839	40,566	37,844	(1,995)
Total stops	135,655	121,734	113,350	(22,305)

#### *Time Increments*

The city reported in its claims the following average time spent in minutes to perform Activity B.2.:

- FY 2018-19 – five minutes
- FY 2019-20 – five minutes
- FY 2021-22 – 2.4 minutes

During the audit, city representatives explained that the city's RIPA application calculates reporting time for stops by totaling the number of seconds starting when an officer begins to create a report and ends when it is completed. We excluded reports with reported time exceeding 15 minutes. City representatives explained that the exclusions skew the reasonable amount of time that it takes to enter RIPA information when:

- There are connectivity issues that lengthen report sessions;
- An entry is interrupted when the officer must respond to a priority call; or
- An internet browser is left open.

Based on information from its RIPA application, the city provided the following updated average time spent in minutes to perform Activity B.2.:

- FY 2018-19 – 3.3 minutes
- FY 2019-20 – 2.5 minutes
- FY 2021-22 – 2.1 minutes

### Job Classifications

The city's claims indicated that the employee classification of Police Officer performed Activity B.2. The city's RIPA application showed two additional job classifications (Sergeant and Reserve Officer) that performed stops. However, these classifications were not in the city's claims. The program's parameters and guidelines state that sworn peace officers are required to perform the reimbursable activities. To determine which employee classifications performed the reimbursable activities, we:

- Reviewed the lists of allowable stop data from our sample selections to determine the actual rank and job classification of the peace officers who performed Activity B.2.; and
- Calculated the percentage of involvement for each peace officer employee classifications that performed Activity B.2.

Our review revealed that the city's Police Officers performed a significant majority of the reimbursable activities, as the number of stops performed by other employee classifications were immaterial. Therefore, we agree that 100% of this mandated activity was performed by the city's Police Officers.

We obtained the PHRs and related benefit rates for the city's Police Officers for all years of the audit period in order to calculate allowable salary and benefit costs. We then multiplied the audited counts of stops by the PHRs and allowable benefit rates for the city's Police Officers and multiplied the product by the average time required to perform Activity B.2.

The following table summarizes how we calculated allowable costs for Activity B.2. by fiscal year:

Employee Classification	PHR (a)	Number of Stops (b)	Time Increment (c)	Total Minutes (d) = (b) × (c)	Hours (e) = (d)/60	Allowable Salaries (f) = (a) × (e)	Benefit Rates (g)	Allowable Benefits (h) = (f) × (g)	Total Allowable Costs (i) = (f) + (h)
<u>FY 2018-19</u>									
Police Officer	\$ 56.15	26,573	3.3	87,691	1,462	\$ 82,091	48.47%	\$ 39,790	\$ 121,881
<u>FY 2019-20</u>									
Police Officer	\$ 56.26	48,933	2.5	122,333	2,039	\$ 114,714	51.95%	\$ 59,594	\$ 174,308
<u>FY 2021-22</u>									
Police Officer	\$ 61.59	37,844	2.1	79,472	1,325	\$ 81,607	59.15%	\$ 48,271	\$ 129,878

The following table presents the claimed and allowable amounts for salaries and benefits and the audit adjustment by fiscal year:

Fiscal Year	Claimed			Audited					Audit Adjustment
	Salaries	Benefits	Total	Stops	Time (in minutes)	Salaries	Benefits	Total	
2018-19	\$ 163,546	\$ 86,009	\$ 249,555	26,573	3.3	\$ 82,091	\$ 39,790	\$ 121,881	\$ (127,674)
2019-20	285,351	163,877	449,228	48,933	2.5	114,714	59,594	174,308	(274,920)
2021-22	98,148	63,604	161,752	37,844	2.1	81,607	48,271	129,878	(31,874)
Totals	\$ 547,045	\$ 313,490	\$ 860,535	113,350		\$ 278,412	\$ 147,655	\$ 426,067	\$ (434,468)

#### *Electronic Submission to the DOJ and Retention of Stop Data Collected*

The city claimed \$3,485 (\$2,248 in salary costs and \$1,237 in related benefits) for electronic submission of stop data to the DOJ and the retention of stop data collected (Activity B.3.). We found that \$3,377 is allowable and \$108 is unallowable. The costs are unallowable because the city calculated employee benefit costs using benefit rates that did not agree with the benefit rates found in the city's Indirect Cost Rate Proposals (ICRP).

The city did not provide any documentation with its claims to support the costs for submitting electronic stop data to the DOJ and retaining collected stop data. Our review of the DOJ website during the audit confirmed that the city properly reported its stop data during the audit period. Therefore, we concluded that the city electronically submitted its stop data to the DOJ. We also concluded that the amount of time claimed (20 hours per year) appears reasonable and not excessive. However, we adjusted the salary and benefit costs by using the benefit rates supported in the city's ICRPs.

#### **Indirect Costs**

The city's ICRPs adequately supported its indirect cost rates for the audit period. Using those rates, the city claimed related indirect costs totaling \$544,246 for the audit period, based on \$1,007,378 in claimed salaries and benefits. We found that \$262,771 is allowable and \$281,475 is unallowable. The costs are unallowable because they are based on unallowable salaries and benefits for each year of the audit period. To recalculate indirect costs, we applied the claimed indirect cost rates to the corresponding eligible direct costs.

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

Fiscal Year	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Indirect Cost Rate	Indirect Costs Claimed	Indirect Costs Allowable	Audit Adjustment
2018-19	\$ 390,198	\$ 186,848	56.95%	\$ 222,217	\$ 106,410	\$ (115,807)
2019-20	455,428	176,474	54.02%	246,022	95,331	(150,691)
2021-22	161,752	129,878	46.99%	76,007	61,030	(14,977)
Totals				<u>\$ 544,246</u>	<u>\$ 262,771</u>	<u>\$ (281,475)</u>

### Criteria

Section II, “Eligible Claimants,” of the parameters and guidelines states:

Cities and counties may not claim the costs of their peace officers that are incurred while they are assigned out to work for other government or private entities based on a contract or memorandum of understanding. 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 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 sheet, invoices, and receipts.

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.A.5, “Training,” of the parameters and guidelines states, in part:

Report the cost of training an employee to perform the reimbursable activities, as specified in Section IV of this document. Report the name and job classification of each employee preparing for, attending, and/or conducting training necessary to implement the reimbursable activities. Provide the title, subject, and purpose (related to the mandate of the training session), dates attended, and location. . . .

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

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.

Section VII, “Offsetting Revenues and Reimbursements,” of the parameters and guidelines states:

Any offsetting revenue 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 from any source, including but not limited to, service fees collected, federal funds, and other applicable state funds, shall be identified and deducted from any claim submitted for reimbursement.

### Recommendation

We recommend that the city:

- Adhere to the 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.

### City’s Response

The City of Sacramento has reviewed the attached draft audit report and accepts the findings. We learned through this process that the State Controller’s Office (SCO) needs timesheets or calendar back-up versus spreadsheets to support cost reporting. The City has also retained a consultant to assist in improving our cost tracking for future claims. The City provided the best data it had available to support the claim, and as we now have a better understanding of what forms of justification are needed by the SCO, we will update our practices accordingly.

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