



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 26, 2024

Casey Brooksher, Assistant City Manager
Hesperia Finance Division
9700 Seventh Avenue
Hesperia, CA 92345

Dear Mr. Brooksher:

The State Controller's Office performed a review of costs claimed by the City of Hesperia for the legislatively mandated Racial and Identity Profiling Program (Chapter 466, Statutes of 2015; and Chapter 328, Statutes of 2017) for the period of July 1, 2018, through June 30, 2023. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to calculating its contract hourly rates correctly and validating the contract costs claimed.

The city claimed \$417,378 for the mandated program. Our review found that \$294,718 is allowable and \$122,660 is unallowable. The costs are unallowable because the city overstated its contract hourly rates, as described in the attached Summary of Program Costs and the Review Results. The State paid the city \$326,613.

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 (IRC) with the Commission on the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (California Code of Regulations, Title 3), an IRC challenging this adjustment must be filed with the Commission 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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 IRC information on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

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

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

Mr. Casey Brooksher

July 26, 2024

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KAT/ac

Attachments

RE: S24-MCC-9024

Copy: The Honorable Brigit Bennington, Mayor

City of Hesperia

Chris Hill, Principal Program Budget Analyst

Local Government Unit, California Department of Finance

Kaily Yap, Finance Budget Analyst

Local Government Unit, California Department of Finance

Darryl Mar, Manager

Local Government Programs and Services Division

State Controller's Office

Everett Luc, Supervisor

Local Government Programs and Services Division

State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2018, through June 30, 2023

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments ¹
<u>July 1, 2018, through June 30, 2019</u>			
Direct costs:			
Contract Services			
Collect and report data	\$ 85,267	\$ 58,323	\$ (26,944)
Audit and validate data	<u>26,255</u>	<u>17,959</u>	<u>(8,296)</u>
Total program costs	<u>\$ 111,522</u>	76,282	<u>\$ (35,240)</u>
Less amount paid by the State ²		<u>(111,522)</u>	
Allowable costs claimed less than amount paid		<u>\$ (35,240)</u>	
<u>July 1, 2019, through June 30, 2020</u>			
Direct costs:			
Contract Services			
Collect and report data	\$ 55,664	\$ 37,944	\$ (17,720)
Audit and validate data	<u>17,372</u>	<u>12,364</u>	<u>(5,008)</u>
Total direct costs	73,036	50,308	(22,728)
Rounding Error ³	<u>(1)</u>	<u>-</u>	<u>1</u>
Total program costs	<u>\$ 73,035</u>	50,308	<u>\$ (22,727)</u>
Less amount paid by the State ²		<u>(73,035)</u>	
Allowable costs claimed less than amount paid		<u>\$ (73,035)</u>	
<u>July 1, 2020, through June 30, 2021</u>			
Direct costs:			
Contract Services			
Collect and report data	\$ 54,389	\$ 38,660	\$ (15,729)
Audit and validate data	<u>19,575</u>	<u>13,912</u>	<u>(5,663)</u>
Total program costs	<u>\$ 73,964</u>	52,572	<u>\$ (21,392)</u>
Less amount paid by the State ²		<u>(73,964)</u>	
Allowable costs claimed less than amount paid		<u>\$ (21,392)</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustments ¹
<u>July 1, 2021, through June 30, 2022</u>			
Direct costs:			
Contract Services			
Collect and report data	\$ 49,784	\$ 35,687	\$ (14,097)
Audit and validate data	18,308	15,434	(2,874)
Total program costs	<u>\$ 68,092</u>	51,121	<u>\$ (16,971)</u>
Less amount paid by the State ²		<u>(68,092)</u>	
Allowable costs claimed in excess of amount paid		<u>\$ (16,971)</u>	
<u>July 1, 2022, through June 30, 2023</u>			
Direct costs:			
Contract Services			
Collect and report data	\$ 68,619	\$ 48,714	\$ (19,905)
Audit and validate data	22,146	15,721	(6,425)
Total program costs	<u>\$ 90,765</u>	64,435	<u>\$ (26,330)</u>
Less amount paid by the State ²		<u>-</u>	
Allowable costs claimed less than amount paid		<u>\$ 64,435</u>	
<u>Summary: July 1, 2018, through June 30, 2023</u>			
Direct costs:			
Contract services	\$417,379	\$ 294,718	\$ (122,661)
Total direct costs	417,379	294,718	(122,661)
Rounding error ³	<u>(1)</u>	-	<u>1</u>
Total program costs	<u>\$417,378</u>	294,718	<u>\$ (122,660)</u>
Less amount paid by the State ²		<u>(326,613)</u>	
Allowable costs claimed less than amount paid		<u>\$ (31,895)</u>	

¹ See the Finding and Recommendation section.

² Payment information is current as of March 12, 2024.

³ We identified a claim rounding error of \$1 in the claim for fiscal year 2019-20.

Attachment 2— Review Results July 1, 2018, through June 30, 2023

BACKGROUND—

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

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

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

The Commission 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 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 occurring during traffic control of vehicles in response to a traffic accident or emergency, crowd control requiring pedestrians to remain in a fixed location for public-safety reasons, persons detained at residences so that officers can check for proof of age while investigating underage drinking, and checkpoints and roadblocks at which 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 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.

**FINDING—
Overstated Racial and
Identity Profiling
Program Costs**

The City of Hesperia (the city) claimed \$417,378 in contract services costs for the Racial and Identity Profiling Program. We found that \$294,718 is allowable and \$122,660 is unallowable. The costs are unallowable because the city overstated its contract hourly rates.

We found that the city correctly classified claimed costs as contract services costs, as it contracted with San Bernardino County (the county) for municipal law enforcement services provided by the San Bernardino County Sheriff's Department (SBCSD) 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 costs for salaries and benefits, as well as additional administrative costs.

However, the contract hourly rates were overstated because the city included a contract overhead amount in its hourly rate calculations based on unallowable indirect costs. The indirect costs are unallowable because they are based on salary and wage costs that the city did not incur.

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

Fiscal Year	Amount Claimed [a]	Amount Allowable [b]	Review Adjustment [c] = [b] - [a]
2018-19	\$ 111,522	\$ 76,282	\$ (35,240)
2019-20	73,035	50,308	(22,727)
2020-21	73,964	52,572	(21,392)
2021-22	68,092	51,121	(16,971)
2022-23	90,765	64,435	(26,330)
Total	<u>417,378</u>	<u>294,718</u>	<u>(122,660)</u>

Contract Services Costs

The city contracted with the county to have the SBCSD perform its law enforcement services during the review period.

According to the city's website, the city has contracted with the SBCSD for its police services since 1988. These services have included the reimbursable activities claimed for the mandated program. The city contracted for various SBCSD staff positions each fiscal year; these included, but were not limited to, Detectives/Corporals, Sergeants, Deputy Sheriffs, Lieutenants, and Captains.

No city staff member performed any of the reimbursable activities under the Racial and Identity Profiling Program; therefore, the city did not incur salary and related indirect costs. For the review period, we recalculated allowable contract services costs based on the claimed number of stops and the claimed time increments to perform the reimbursable activities multiplied by the revised contract hourly rates.

Contract Hourly Rates

The city provided copies of the "Schedule A Law Enforcement Services Contract" it negotiated with the SBCSD for each year of the review period. Each schedule specifies the level of service provided to the city, indicating the number of employees (the *level of service*) in various law enforcement classifications and the county's costs for providing these employees. The county uses this schedule to indicate the authorized SBCSD staffing level for each year of the review period.

We used this information to determine the contract hourly billing rates for various employee classifications by using the total contract cost for each employee classification divided by the number of personnel that the county provided. For example, the city's contract for fiscal year (FY) 2018-19 indicates that 44 Deputy Sheriffs, five Detectives/

Corporals, seven Sergeants, one Lieutenant, and one Captain provided law enforcement services for the city during the year.

The following table shows the contract hourly rate calculations for Deputy Sheriffs, Detectives/Corporals, Sergeants, Lieutenants, and Captains for FY 2018-19:

Employee Classification	Annual Cost [a]	Level of Service [b]	Cost per Employee [c] = [a] × [b]	Annual Productive Hours [d]	Base Contract Hourly Rate [e] = [c] ÷ [d]
Deputy Sheriff	\$ 8,165,501	44	\$ 185,580	1,800	\$ 103.10
Detective/Corporal	1,035,935	5	207,187	1,800	115.10
Sergeant	1,724,954	7	246,422	1,800	136.90
Lieutenant	287,214	1	287,214	1,800	159.56
Captain	366,316	1	366,316	1,800	203.68

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

As a result of recalculating contract hourly rates, we determined that the city used 1,800 annual productive hours for all SBCSD employees in its claims for all years of the review period, as specified in the SCO's *Mandated Cost Manual*.

The SCO's *Mandated Cost Manual* also states that the cost of contract services is allowable. Costs for contract services can be claimed using an hourly billing rate. However, the manual does not provide specific guidance on how to calculate an hourly billing rate. Generally speaking, an hourly rate for a specific employee classification would be determined by dividing the contract cost for an individual employee who performs reimbursable activities by 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.

For additional guidance, we reviewed the report issued on June 21, 2023, for our review of the city's mandated cost claims submitted for the Identity Theft Program. In that report, we noted that the county includes administrative costs and indirect costs as separately billed line items in its contracts for law enforcement services. To treat the city equitably with other California cities contracting for law enforcement services, we concluded that it was appropriate to allow the city to claim its administrative costs as an addition to the contract hourly rate for employee classifications included in its contracts with the SBCSD.

We calculated an administrative cost percentage for each fiscal year of the review period based on the city's contracts with the SBCSD. To calculate the percentage, we divided the cost of the following line items by the total contract cost:

- Taser Replacement
- Administrative Support
- Office Automation

- Services and Supplies
- Vehicle Insurance
- Personnel Liability and Bonding
- Worker’s Comp Experience Modification
- Law Enforcement Experience Modification (all years except FY 2018-19)
- County Administrative Costs
- Startup Cost (all years except FY 2018-19 and FY 2019-20)

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	10.40%
2019-20	11.66%
2020-21	11.52%
2021-22	11.05%
2022-23	11.81%

As stated previously, we added the items within each contract that we determined were clearly administrative in nature and divided the total by each year’s total contract cost to determine the extent that administrative costs were represented within each year’s contract. The following table shows how we made this calculation for FY 2018-19:

Cost Category	Contract Amount
Taser Replacement	\$ 18,816
Administrative Support	67,688
Office Automation	227,018
Services and Supplies	128,200
Vehicle Insurance	210,785
Personnel Liability and Bonding	415,085
Worker’s Comp Experience Modification	53,346
Law Enforcement Experience Modification	-
County Administrative Costs	560,540
Startup Cost	-
Total administrative costs	\$ 1,681,478
Divided by total contract amount	16,166,486
Administrative cost percentage	<u>10.40%</u>

Contract hourly rates for Detective/Corporals, Sergeants, Deputy Sheriffs, Lieutenants, and Captains increased as follows for FY 2018-19:

Employee Classification	Contract Hourly Rate [a]	Administrative Percentage [b]	Revised Hourly Rate [c] = [a] × [b]
Detective/Corporal	\$ 115.10	10.40%	\$ 127.07
Sergeant	136.90	10.40%	151.14
Deputy Sheriff	103.10	10.40%	113.82
Lieutenant	159.56	10.40%	176.15
Captain	203.68	10.40%	224.86

To calculate the average contract hourly rate for each fiscal year, we divided the annual unit cost for each SBCSD employee by 1,800 annual productive hours and multiplied the product by the appropriate administrative cost percentage.

The following table summarizes the claimed and allowable contract hourly rates for Captains during the review period, and the difference between those rates:

Fiscal Year	Claimed Weighted Hourly Rate [a]	Allowable Weighted Hourly Rate [b]	Rate Difference [c] = [a] - [b]
2018-19	\$ 328.73	\$ 224.86	\$ (103.87)

The following table summarizes our analysis of the claimed, allowable, and review adjustment amounts for contract services costs applicable to the Captain classification for FY 2018-19:

Reimbursable Activity	Claimed Weighted Hourly Rate [a]	Claimed Hours [b]	Claimed Costs [c] = [a] × [b]	Allowable Weighted Hourly Rate [d]	Allowable Costs [e] = [b] × [d]	Review Adjustment [f] = [e] - [c]
Collect/report data	\$ 328.73	5.02	\$ 1,650	\$ 224.86	\$ 1,129	\$ (521)

The following table summarizes the claimed and allowable contract hourly rates for Detectives/Corporals during the review period, and the difference between those rates:

Fiscal Year	Claimed Weighted Hourly Rate [a]	Allowable Weighted Hourly Rate [b]	Rate Difference [c] = [a] - [b]
2018-19	\$ 185.78	\$ 127.07	\$ (58.71)
2019-20	198.41	135.25	(63.16)
2020-21	205.05	145.75	(59.30)
2021-22	217.60	154.50	(63.10)
2022-23	221.39	157.16	(64.23)

The following table summarizes our analysis of the claimed, allowable, and review adjustment amounts applicable to contract services costs for the Detective/Corporal classification for FY 2018-19:

Reimbursable Activity	Claimed Weighted Hourly Rate [a]	Claimed Hours [b]	Claimed Costs [c] = [a] × [b]	Allowable Weighted Hourly Rate [d]	Allowable Costs [e] = [b] × [d]	Review Adjustment [f] = [e] - [c]
Collect/report data	\$ 185.78	14.05	\$ 2,610	\$ 127.07	\$ 1,785	\$ (825)
Audit/validate data	\$ 185.78	1.48	275	127.07	188	(87)
			<u>\$ 2,885</u>		<u>\$ 1,973</u>	<u>\$ (912)</u>

The following table summarizes the claimed and allowable contract hourly rates for Sergeants during the review period, and the difference between those rates:

Fiscal Year	Claimed Weighted Hourly Rate [a]	Allowable Weighted Hourly Rate [b]	Rate Difference [c] = [a] - [b]
2018-19	\$ 220.96	\$ 151.14	\$ (69.82)
2019-20	235.36	160.43	(74.93)
2020-21	243.41	173.01	(70.40)
2021-22	217.60	183.45	(34.15)
2022-23	263.23	186.87	(76.36)

The following table summarizes our analysis of the claimed, allowable, and review adjustment amounts applicable to contract services costs for the Sergeant classification for FY 2018-19:

Reimbursable Activity	Claimed Weighted Hourly Rate [a]	Claimed Hours [b]	Claimed Costs [c] = [a] × [b]	Allowable Weighted Hourly Rate [d]	Allowable Costs [e] = [b] × [d]
Collect/report data	\$ 220.96	22.37	\$ 4,943 *	\$ 151.14	\$ 3,381
Audit/validate data	220.96	18.95	4,187	151.14	2,864
			<u>\$ 9,130</u>		<u>\$ 6,245</u>

* We identified a \$1 rounding error in claimed costs

The following table summarizes the claimed and allowable contract hourly rates for Deputy Sheriffs during the review period, and the difference between those rates:

Fiscal Year	Claimed Weighted Hourly Rate [a]	Allowable Weighted Hourly Rate [b]	Rate Difference [c] = [a] - [b]
2018-19	\$ 166.40	\$ 113.82	\$ (52.58)
2019-20 *	176.32	120.19	(56.13)
2019-20 *	168.88	120.19	(48.69)
2020-21	179.90	127.87	(52.03)
2021-22	186.12	132.15	(53.97)
2022-23	188.86	134.07	(54.79)

*For FY 2019-20, the city’s claim reported two different rates for the Deputy Sheriff classification. We found that the \$176.32 rate is correct based on the city’s contract with the SBCSD for FY 2019-20. However, the \$168.88 rate is based on contract costs for the Deputy Sheriff from the FY 2018-19 contract.

The following table summarizes our analysis of the claimed, allowable, and review adjustment amounts applicable to contract services costs for the Deputy Sheriff classification for FY 2018-19:

Reimbursable Activity	Claimed Weighted Hourly Rate [a]	Claimed Hours [b]	Claimed Costs [c] = [a] × [b]	Allowable Weighted Hourly Rate [d]	Allowable Costs [e] = [d] × [b]	Review Adjustment [f] = [e] - [c]
Collect/report data	\$ 166.40	466.95	\$ 77,700	\$ 113.82	\$ 53,148	\$ (24,552)
Audit/validate data	166.40	121.05	20,143	113.82	13,778	(6,365)
			<u>\$ 97,843</u>		<u>\$ 66,926</u>	<u>\$ (30,917)</u>

The following table summarizes the claimed and allowable contract hourly rates for Lieutenants during the review period, and the difference between those rates:

Fiscal Year	Claimed Weighted Hourly Rate [a]	Allowable Weighted Hourly Rate [b]	Rate Difference [c] = [a] - [b]
2018-19	\$ 257.54	\$ 176.15	\$ (81.39)
2020-21	285.04	202.60	(82.44)

The following table summarizes our analysis of the claimed, allowable, and review adjustment amounts applicable to the contract services costs for the Lieutenant classification for FY 2018-19:

Reimbursable Activity	Claimed Weighted Hourly Rate	Claimed Hours [b]	Claimed Costs [c] = [a] × [b]	Allowable Weighted Hourly Rate [d]	Allowable Costs [e] = [b] × [d]	Review Adjustment [f] = [e] - [c]
Collect/report data	\$ 257.54	0.05	\$ 13	\$ 176.15	\$ 9	\$ (4)

The following table shows the calculation of the review adjustment for FY 2018-19:

Classification	Hours Claimed [a]	Claimed Weighted Hourly Rate [b]	Claimed Costs [c] = [a] × [b]	Hours Allowable [d]	Allowable Weighted Hourly Rate [e]	Allowable Costs [f] = [d] × [e]	Review Adjustment [g] = [f] - [c]
Captain	5.02	\$ 328.73	\$ 1,650	5.02	\$ 224.86	\$ 1,129	\$ (521)
Detective/							
Corporal	15.53	185.78	2,885	15.53	127.07	1,973	(912)
Sergeant	41.32	220.96	9,130	41.32	151.14	6,245	(2,885)
Deputy Sheriff	588	166.40	97,843	588	113.82	66,926	(30,917)
Lieutenant	0.05	257.54	13	0.05	176.15	9	(4)
Rounding error			1			-	(1)
Totals			\$ 111,522			\$ 76,282	\$ (35,240)

Contract Overhead Costs

The city provided copies of its Indirect Cost Rate Proposals (ICRPs) for FY 2018-19 through FY 2022-23. The ICRPs were prepared for the City of Hesperia Sheriff, which does not exist as an entity or as a person. The city’s ICRPs used a distribution base of direct salaries and wages for SBCSD staff to calculate its indirect cost rates. However, as no city staff member performed any of the reimbursable activities, the city did not incur any salary and wage costs with which to calculate an indirect cost rate. Instead, the city incurred contract services costs. Substituting salary and wage costs for contract services costs is inconsistent with generally accepted accounting principles; therefore, these rates are unallowable.

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 sheet, invoices, and receipts.

Section V.A (Claim Preparation and Submission – Direct Cost Reporting) of the parameters and guidelines states, in part:

3. Contracted Services

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 Costs) of the parameters and guidelines states, in part:

Indirect costs are costs that are incurred for a common or joint purpose, benefitting 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 utilizing the procedure provided in 2 Code of Federal Regulations (CFR) part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% 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 that the city:

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