

CITY OF SANTA CLARITA

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013



BETTY T. YEE
California State Controller

October 2021



BETTY T. YEE
California State Controller

October 27, 2021

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Carmen Magaña, Director
Administrative Services
City of Santa Clarita
23920 Valencia Boulevard, Suite 295
Santa Clarita, CA 91355

Dear Ms. Magaña:

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

The city claimed \$535,834 for costs of the mandated program. Our audit found that \$318,809 is allowable and \$217,025 is unallowable, primarily because the city overstated the number of identity theft reports taken and the time increments spent by law enforcement personnel performing the reimbursable activities. The State made no payments to the city. The State will pay \$318,809, contingent upon available appropriations.

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.

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: Bill Miranda, Mayor
City of Santa Clarita
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Audit Report

Summary

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

The city claimed \$535,834 for costs of the mandated program. Our audit found that \$318,809 is allowable and \$217,025 is unallowable, primarily because the city overstated the number of identity theft reports taken and the time increments spent by law enforcement personnel performing the reimbursable activities. The State made no payments to the city. The State will pay \$318,809, 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 of 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 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 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.

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:

- 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. Determined whether there were any errors or unusual or unexpected variances from year to year. Reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key city staff. Discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used;
- Reviewed the contract service agreements and related SH-AD 575 Deployment of Personnel forms (SH-AD 575 forms) executed between the Los Angeles County Sheriff's Department (LASD) and the city to determine the contracted employee classifications involved in performing the reimbursable activities. We found that the Deputy Sheriff Generalist and Sergeant classifications performed the reimbursable activities;
- Obtained the contract salary rates and contract hours from the SH-AD 575 forms. We calculated an average contract hourly rate for the Deputy Sheriff Generalist and Sergeant classifications;
- Obtained system-generated lists of identity theft cases that originated within the city during the audit period to verify the existence,

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

completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period;²

- Designed a statistical sampling plan to test approximately 25–50% costs claimed as salaries, based on a moderate level of detection (audit) risk. Judgmentally selected the city’s filed claims for fiscal year (FY) 2008-09 through FY 2012-13, which comprised salary costs totaling \$236,932 (or 44%) of the \$535,834 claimed. The sampling plan is described in the Finding and Recommendation section;
- Used a random number table to select 492 out of 1,766 identity theft reports from the five fiscal years sampled. Tested the identity theft reports as follows:
 - Determined whether a contemporaneously prepared and approved police report supported a violation of PC section 530.5;
 - Determined whether the initial police reports were courtesy reports from other law enforcement agencies that had been forwarded to the Santa Clarita Valley Station for further investigation; and
 - Obtained from sampled police reports the LASD employee numbers, names, and classifications of employees who performed the reimbursable activities pursuant to a contract between the city and Los Angeles County for the city’s law enforcement services. Compared the employee classifications obtained from the police reports to those claimed by the city;
- Used the audited time increments required to perform the reimbursable activities from a time study previously conducted by LASD.³ LASD’s audited identity theft time increments were directly related to the Identity Theft Program’s reimbursable activities and were properly supported;
- Projected the audit results of the five years tested by multiplying the actual case counts by the audited average time increments needed to perform the activities, and then by the contract rates of LASD employees who performed them. We applied a weighted five-year average to the remaining six years of the audit period due to the homogeneity of the population; and
- Reviewed the city’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 city certified in its claims that it did not receive any 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

² The LASD Crime Analysis Unit provided system-generated case lists based on information obtained from LASD’s Los Angeles Regional Crime Information System (LARCIS).

³ LASD conducted a time study in 2012 at its Lakewood, Palmdale, and Santa Clarita Valley Sheriff’s Stations. We chose this time study because LASD staff performed all of the city’s mandated identity theft activities. For the purposes of this audit, we only used time study data created by LASD staff at the Santa Clarita Valley Station.

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 city'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 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 of Santa Clarita claimed \$535,834 for costs of the legislatively mandated Identity Theft Program. Our audit found that \$318,809 is allowable and \$217,025 is unallowable. The State made no payments to the city. The State will pay \$318,809, contingent upon available appropriations.

Following issuance of the final 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 Identity Theft Program.

Views of Responsible Officials

We issued a draft audit report on September 23, 2021. Carmen Magaña, Director of Administrative Services, responded by letter dated October 1, 2021 (Attachment), agreeing with the audit results.

Restricted Use

This audit report is solely for the information and use of the City of Santa Clarita, the California Department of Finance, and 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

_____, 2021

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ^a
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 10,778	\$ 14,682	\$ 3,904
Beginning an investigation of facts	2,629	10,273	7,644
Total direct costs	13,407	24,955	11,548
Less allowable costs that exceed costs claimed ^c	-	(11,548)	(11,548)
Total program costs	<u>\$ 13,407</u>	13,407	<u>\$ -</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 13,407</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 13,466	\$ 12,700	\$ (766)
Beginning an investigation of facts	3,425	8,874	5,449
Total direct costs	16,891	21,574	4,683
Less allowable costs that exceed costs claimed ^c	-	(4,683)	(4,683)
Total program costs	<u>\$ 16,891</u>	16,891	<u>\$ -</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 16,891</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 43,785	\$ 13,918	\$ (29,867)
Beginning an investigation of facts	12,320	9,690	(2,630)
Total program costs	<u>\$ 56,105</u>	23,608	<u>\$ (32,497)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 23,608</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 72,497	\$ 14,854	\$ (57,643)
Beginning an investigation of facts	17,315	10,322	(6,993)
Total program costs	<u>\$ 89,812</u>	25,176	<u>\$ (64,636)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 25,176</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ^a
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 51,054	\$ 23,673	\$ (27,381)
Beginning an investigation of facts	11,931	16,402	4,471
Total program costs	<u>\$ 62,985</u>	40,075	<u>\$ (22,910)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 40,075</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 47,908	\$ 21,426	\$ (26,482)
Beginning an investigation of facts	11,794	14,842	3,048
Total program costs	<u>\$ 59,702</u>	36,268	<u>\$ (23,434)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 36,268</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 42,527	\$ 20,461	\$ (22,066)
Beginning an investigation of facts	9,121	14,217	5,096
Total program costs	<u>\$ 51,648</u>	34,678	<u>\$ (16,970)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 34,678</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 33,285	\$ 17,423	\$ (15,862)
Beginning an investigation of facts	8,458	12,099	3,641
Total program costs	<u>\$ 41,743</u>	29,522	<u>\$ (12,221)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 29,522</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 29,369	\$ 16,642	\$ (12,727)
Beginning an investigation of facts	8,337	11,526	3,189
Total program costs	<u>\$ 37,706</u>	28,168	<u>\$ (9,538)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 28,168</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ^a
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 37,607	\$ 16,755	\$ (20,852)
Beginning an investigation of facts	18,803	11,620	(7,183)
Total program costs	<u>\$ 56,410</u>	28,375	<u>\$ (28,035)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 28,375</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 28,243	\$ 25,157	\$ (3,086)
Beginning an investigation of facts	21,182	17,484	(3,698)
Total program costs	<u>\$ 49,425</u>	42,641	<u>\$ (6,784)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 42,641</u>	
<u>Summary: July 1, 2002, through June 30, 2013</u>			
Direct costs:			
Contract services ^b			
Taking a police report on violation of PC §530.5	\$ 410,519	\$ 197,691	\$ (212,828)
Beginning an investigation of facts	125,315	137,349	12,034
Total direct costs	535,834	335,040	(200,794)
Less allowable costs that exceed costs claimed ^c	-	(16,231)	(16,231)
Total program costs	<u>\$ 535,834</u>	318,809	<u>\$ (217,025)</u>
Less amount paid by the State ^d		-	
Allowable costs claimed in excess of amount paid		<u>\$ 318,809</u>	

^a See the Finding and Recommendation section.

^b The city misclassified Contract Services costs as salaries during the audit period. We reallocated the claimed costs to the appropriate cost category.

^c GC section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2002-03 and FY 2003-04.

^d Payment amount current as of October 21 2021.

Finding and Recommendation

**FINDING —
Overstated contract
services costs**

The city claimed \$535,834 in salary costs. We found that \$318,809 is allowable and \$217,025 is unallowable. We found that the city incorrectly classified claimed costs as salary costs. For the audit period, the city did not incur any salary costs, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

The city used the correct methodology to calculate its salary costs: it multiplied the number of identity theft police reports by the estimated time required to perform the reimbursable activities, and then by the hourly rates obtained from the city’s contract with the county. The hourly rates in the contract include salaries, benefits, and indirect costs. However, because no city staff members performed the reimbursable activities, these costs should have been classified as contract services costs, not as salaries.

The costs are unallowable because the city misinterpreted the requirements of the program’s parameters and guidelines when preparing its mandated cost claims. As a result, the city misclassified contract services costs as salary costs, overstated the number of identity theft reports taken, and overstated the time increments needed to perform the reimbursable activities. The city overstated the number of identity theft reports taken because it claimed courtesy reports, which are unallowable because other law enforcement agencies conducted the initial investigations, wrote the reports, and forwarded them to the Santa Clarita Valley Station. The city also did not provide the initial reports for some of the cases that were selected from our statistical sample.

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

Fiscal Year	Contract Services		Audit Adjustment
	Amount Claimed	Amount Allowable	
2002-03	\$ 13,407	\$ 13,407	\$ -
2003-04	16,891	16,891	-
2004-05	56,105	23,608	(32,497)
2005-06	89,812	25,176	(64,636)
2006-07	62,985	40,075	(22,910)
2007-08	59,702	36,268	(23,434)
2008-09	51,648	34,678	(16,970)
2009-10	41,743	29,522	(12,221)
2010-11	37,706	28,168	(9,538)
2011-12	56,410	28,375	(28,035)
2012-13	49,425	42,641	(6,784)
Total	\$ 535,834	\$ 318,809	\$ (217,025)

Contract Services Costs

The city contracts with the LASD to perform all law enforcement services for the city. These services include activities claimed for the mandated

program. The city contracts for various LASD staff positions each fiscal year and pays the LASD annual contract rates for the positions.¹ No city staff member performed any of the reimbursable activities under this program; therefore, the city did not incur salary costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

Taking a Police Report Supporting a Violation of PC section 530.5 (Activity 1a)

The city claimed \$410,519 in salary costs for taking a police report supporting a violation of PC section 530.5. The reimbursable activities consist of writing, reviewing, and editing the incident reports. We found that \$197,691 is allowable and \$212,828 is unallowable. The costs are unallowable, primarily because the city overstated the number of identity theft reports taken and overstated its time increments. We also noted that the city did not claim any costs related to Sergeants for reviewing the initial police reports. Therefore, we included and calculated the allowable costs for Sergeants who performed the reimbursable activities.

The following table summarizes the claimed, allowable, and audit adjustment amounts for taking a police report on violations of PC section 530.5 by fiscal year:

Fiscal Year	Taking Police Report		Audit Adjustment
	Amount Claimed	Amount Allowable	
2002-03	\$ 10,778	\$ 14,682	\$ 3,904
2003-04	13,466	12,700	(766)
2004-05	43,785	13,918	(29,867)
2005-06	72,497	14,854	(57,643)
2006-07	51,054	23,673	(27,381)
2007-08	47,908	21,426	(26,482)
2008-09	42,527	20,461	(22,066)
2009-10	33,285	17,423	(15,862)
2010-11	29,369	16,642	(12,727)
2011-12	37,607	16,755	(20,852)
2012-13	28,243	25,157	(3,086)
Total	\$ 410,519	\$ 197,691	\$ (212,828)

Beginning an Investigation of the Facts (Activity 2)

The city claimed \$125,315 in contract services for beginning an investigation of the facts. We found that \$137,349 is allowable. The city understated its claimed costs by \$12,034 for the audit period, primarily because the city understated the number of investigations and understated its contract hourly rates.

¹ These positions include, but are not limited to, Deputy Sheriffs and Sergeants.

The following table summarizes the claimed, allowable, and audit adjustment amounts for beginning an investigation of the facts by fiscal year:

Fiscal Year	Beginning an Investigation		Audit Adjustment
	Amount Claimed	Amount Allowable	
2002-03	\$ 2,629	\$ 10,273	\$ 7,644
2003-04	3,425	8,874	5,449
2004-05	12,320	9,690	(2,630)
2005-06	17,315	10,322	(6,993)
2006-07	11,931	16,402	4,471
2007-08	11,794	14,842	3,048
2008-09	9,121	14,217	5,096
2009-10	8,458	12,099	3,641
2010-11	8,337	11,526	3,189
2011-12	18,803	11,620	(7,183)
2012-13	21,182	17,484	(3,698)
Total	<u>\$ 125,315</u>	<u>\$ 137,349</u>	<u>\$ 12,034</u>

Identity Theft Incident Reports

The city claimed that it took 4,086 identity theft incident reports for the audit period. We found that the city overstated the number of reports taken by 500, and only 3,586 reports are allowable.

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

Fiscal Year	(A)	(B)	(C)	(D)=(C)-(A)
	Claimed Reports	Audited Population (per LARCIS)	Allowable Reports	Audit Adjustment
2002-03	82	368	326	244
2003-04	135	308	273	138
2004-05	417	334	296	(121)
2005-06	508	336	298	(210)
2006-07	562	507	449	(113)
2007-08	501	427	378	(123)
2008-09	415	406	347	(68)
2009-10	324	314	286	(38)
2010-11	283	334	273	(10)
2011-12	413	300	267	(146)
2012-13	446	412	393	(53)
Total	<u>4,086</u>	<u>4,046</u>	<u>3,586</u>	<u>(500)</u>

For each fiscal year, the city provided a summary report to support the claimed number of identity theft incident reports taken. These summary reports were generated by LASD's crime reports record management system. LARCIS provides unduplicated counts of initial police reports filed for violations of PC section 530.5 and identifies the specific origin of each report.

Canyon Country, Saugus, Valencia, and Newhall merged in 1987 to create the city of Santa Clarita, and these areas are within the city's jurisdiction. We noted that the city's summary reports also included incidents that occurred in unincorporated/county areas. Based on the city's summary report for FY 2012-13, we verified that cases occurring in unincorporated areas had been included in the prior audit of Los Angeles County's Identity Theft Program case count. Therefore, we eliminated cases that occurred in unincorporated areas from the city's summary report for each fiscal year.

The following table summarizes the unduplicated case listing per LARCIS, the number of unallowable cases in unincorporated areas, and the audited population for each fiscal year:

Fiscal Year	(A)	(B)	(C)=(A)-(B)
	Unduplicated Case Listing Per LARCIS	Unallowable: Unincorporated Areas	Audited Population
2002-03	368	-	368
2003-04	308	-	308
2004-05	455	121	334
2005-06	442	106	336
2006-07	625	118	507
2007-08	538	111	427
2008-09	509	103	406
2009-10	421	107	314
2010-11	441	107	334
2011-12	415	115	300
2012-13	527	115	412
Total	5,049	1,003	4,046

We verified the accuracy of the unduplicated counts of initial police reports recorded in LASD's LARCIS 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.

Due to LASD's record retention policy, the county was unable to provide copies of the city's incident reports for FY 2002-03 through FY 2007-08. Therefore, for FY 2008-09 through FY 2012-13, we selected a statistical sample from the documented number of identity theft incident reports (the population) based on a 95% confidence level, a precision rate of $\pm 8\%$, and an expected error rate of 50%. We used statistical samples in order to project the results to the population for each fiscal year. We selected for review a total random sample of 492 out of 1,766 identity theft incident reports from the last five fiscal years of the audit period.

Our review of sample incident reports disclosed the following:

- For FY 2008-09, we found that 34 of the 110 identity theft incident reports selected had been purged due to LASD's record retention policy. As a result, we decreased our sample size to 76. We found that 11 of the 76 identity theft incident reports were unallowable. Six of these reports were unallowable because they were courtesy reports.

The remaining five reports were unallowable because they were not supported by a contemporaneously prepared and approved police report. Therefore, we calculated an error rate of 14.47% for FY 2008-09.

- For FY 2009-10, we found that nine out of 102 identity theft incident reports were unallowable because they were courtesy reports. Therefore, we calculated an error rate of 8.82% for FY 2009-10.
- For FY 2010-11, we found that 19 out of 104 identity theft incident reports were unallowable. The majority of these reports (18) were unallowable because they were courtesy reports. The remaining report was unallowable because it was not supported by a contemporaneously prepared and approved police report. Therefore, we calculated an error rate of 18.27% for FY 2010-11.
- For FY 2011-12, we found that 11 out of 100 identity theft incident reports were unallowable. The majority of these reports (10) were unallowable because they were courtesy reports. The remaining report was unallowable because it was not supported by a contemporaneously prepared and approved police report. Therefore, we calculated an error rate of 11.00% for FY 2011-12.
- For FY 2012-13, we found that five out of 110 identity theft incident reports were unallowable because they were courtesy reports. Therefore, we calculated an error rate of 4.55% for FY 2012-13.

As we were unable to sample the incident reports and determine the actual error rates for FY 2002-03 through FY 2007-08, we calculated an average error rate of 11.42% from the five fiscal years sampled. The following table shows the average error rates for FY 2002-03 through FY 2007-08:

Fiscal Year	(A) Number of Unallowable Cases Sampled	(B) Sample Size	(C)=(A)÷(B) Error Rate
2008-09	11	76	14.47%
2009-10	9	102	8.82%
2010-11	19	104	18.27%
2011-12	11	100	11.00%
2012-13	5	110	4.55%
		Total	57.11%
		Number of fiscal years sampled	÷ 5
		Average error rate	11.42%

We applied these error rates to the audited populations for the respective fiscal years to determine the allowable and unallowable number of incident reports taken.

The following table shows the number of allowable and unallowable incident reports taken by fiscal year:

Fiscal Year	(A)	(B)		(C)=(A)×(B)	(D)=(A)-(C)
	Audited Population	Error Rate	Average Error Rate	Total Unallowable Reports	Total Allowable Reports
2002-03	368	N/A	11.42%	42	326
2003-04	308	N/A	11.42%	35	273
2004-05	334	N/A	11.42%	38	296
2005-06	336	N/A	11.42%	38	298
2006-07	507	N/A	11.42%	58	449
2007-08	427	N/A	11.42%	49	378
2008-09	406	14.47%	N/A	59	347
2009-10	314	8.82%	N/A	28	286
2010-11	334	18.27%	N/A	61	273
2011-12	300	11.00%	N/A	33	267
2012-13	412	4.55%	N/A	19	393
Total	4,046			460	3,586

Case Counts for Beginning an Investigation of the Facts

The city claimed a total of 3,043 investigations for the audit period. We found that the city understated the number of investigations by 543, and 3,586 investigations are allowable.

The city confirmed that each of the police reports was investigated by the field deputy who took the report. We also verified that this reimbursable activity was performed for each of the police reports that we sampled and reviewed. Therefore, the number of reports taken and the number of cases investigated should be the same.

Fiscal Year	(A)	(B)	(C)=(B)-(A)
	Number of Investigations Claimed	Number of Investigations Supported	Audit Adjustment
2002-03	60	326	266
2003-04	103	273	170
2004-05	352	296	(56)
2005-06	364	298	(66)
2006-07	394	449	55
2007-08	370	378	8
2008-09	267	347	80
2009-10	247	286	39
2010-11	241	273	32
2011-12	310	267	(43)
2012-13	335	393	58
Total	3,043	3,586	543

Time increments

The city claimed the following time increments for taking a police report on violations of PC section 530.5 (Activity 1a):

- 90 minutes for FY 2002-03 through FY 2010-11;
- 45 minutes for FY 2011-12; and
- 30 minutes for FY 2012-13.

In addition, the city claimed 30 minutes to begin an investigation of the facts for the audit period (Activity 2). These reimbursable activities were performed by LASD Deputy Sheriffs. However, the city did not provide source documentation based on actual data to support the estimated time increments.

LASD conducted a one-month time study in June 2012 at its Lakewood, Palmdale, and Santa Clarita stations to determine how long it took to perform the reimbursable activities that directly relate to the Identity Theft Program. We determined that only the time study results from the Santa Clarita Valley Station were applicable to this audit.

In that time study, LASD separated reimbursable Activity 1a (taking a police report) into two sub-activities. Those sub-activities included writing and editing the initial police report (Activity 1a.1), and reviewing the police report (Activity 1a.2). LASD separated these activities because various LASD staff performed Activity 1a.1, while only Sergeants performed Activity 1a.2. The county's time study supported 53.34 minutes to conduct the reimbursable activities.

We applied the following time increments for each allowable police report that originated in the city of Santa Clarita:

- 25.79 minutes (0.43 hours) for Deputy Sheriffs to perform activity 1a.1 – taking a police report on violations of PC section 530.5;
- 6.09 minutes (0.10 hours) for Sergeants to perform activity 1a.2 – reviewing incident reports on violations of PC section 530.5; and
- 21.46 minutes (0.36 hours) for Deputy Sheriffs to perform activity 2 – beginning an investigation of the facts.

We included the time spent by LASD Sergeants reviewing the reports because the city's contract with LASD during the audit period included costs for LASD Sergeants. Therefore, the city incurred costs for time spent by LASD Sergeants on the reimbursable activities.

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

Fiscal Year	Claimed Minutes			Allowable Minutes		
	Activity 1a.1	Activity 1a.2	Activity 2	Activity 1a.1	Activity 1a.2	Activity 2
	Taking a Police Report	Reviewing a Police Report	Beginning an Investigation	Taking a Police Report	Reviewing a Police Report	Beginning an Investigation
2002-03	90.00	-	30.00	25.79	6.09	21.46
2003-04	90.00	-	30.00	25.79	6.09	21.46
2004-05	90.00	-	30.00	25.79	6.09	21.46
2005-06	90.00	-	30.00	25.79	6.09	21.46
2006-07	90.00	-	30.00	25.79	6.09	21.46
2007-08	90.00	-	30.00	25.79	6.09	21.46
2008-09	90.00	-	30.00	25.79	6.09	21.46
2009-10	90.00	-	30.00	25.79	6.09	21.46
2010-11	90.00	-	30.00	25.79	6.09	21.46
2011-12	45.00	-	30.00	25.79	6.09	21.46
2012-13	30.00	-	30.00	25.79	6.09	21.46

Contract Hourly Rates

For the audit period, the city provided a copy of the signed Municipal Law Enforcement Services Agreement that it negotiated with Los Angeles County. The contract specifies that the services performed and requested by the city must be “indicated on a LASD SH-AD 575 Deployment of Personnel form.” The county uses this form to indicate the authorized LASD staffing level for each year that the contract is in effect, and the rates billed to the city for various LASD staff.

The city provided copies of its SH-AD 575 forms for all fiscal years of the audit period. The contract law enforcement staffing level in effect for the entire audit period included the classifications of Deputy Sheriff Generalist and Sergeant.

Based on the sampled police reports, we found that Deputy Sheriff Generalists performed reimbursable Activity 1a.1 (Taking a Police Report) and reimbursable Activity 2 (Beginning an Investigation). We also found that Sergeants reviewed and approved all of the reports (reimbursable Activity 1a.2). As noted previously, the approved staffing levels for the city included Sergeants during the audit period. Therefore, the city incurred costs for time spent by LASD Sergeants on the reimbursable activities.

We recomputed the contract hourly rates for the Deputy Sheriff Generalist and Sergeant classifications using information from the SH-AD 575 forms and the city’s contract with LASD. The city’s contracts specify the number of service units, which vary from year to year, for the Deputy Sheriff Generalist classification and the Sergeant classification.²

² LASD’s agreements with contract cities define a “service unit” as one position of a certain classification.

For the Deputy Sheriff Generalists, the city's contract specifies a liability percentage of 6% for FY 2002-03 through FY 2009-10, and of 4% for FY 2010-11 through FY 2012-13.³ We applied the appropriate liability percentage to the contract costs for each fiscal year. To calculate the average contract hourly rate for each fiscal year, we divided the total annual unit cost (including the liability percentage) for all Deputy Sheriff Generalists by the total annual hours per service unit.

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

Fiscal Year	Deputy Sheriff Generalist		Difference
	Claimed Hourly Rate	Allowable Hourly Rate	
2002-03	\$ 87.63	\$ 87.53	\$ (0.10)
2003-04	66.50	90.29	23.79
2004-05	70.00	90.93	20.93
2005-06	95.14	96.22	1.08
2006-07	60.56	101.47	40.91
2007-08	63.75	109.07	45.32
2008-09	68.32	113.81	45.49
2009-10	68.49	117.51	49.02
2010-11	69.19	117.28	48.09
2011-12	121.41	120.89	(0.52)
2012-13	126.65	123.58	(3.07)

To calculate the average contract hourly rate for Sergeants, we divided the total annual unit cost for all Sergeants by the total annual hours per service unit.

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

Fiscal Year	Sergeant		Difference
	Claimed Hourly Rate	Allowable Hourly Rate	
2002-03	\$ -	\$ 73.98	\$ 73.98
2003-04	-	76.95	76.95
2004-05	-	79.20	79.20
2005-06	-	84.70	84.70
2006-07	-	90.92	90.92
2007-08	-	97.83	97.83
2008-09	-	100.26	100.26
2009-10	-	103.90	103.90
2010-11	-	105.31	105.31
2011-12	-	107.73	107.73
2012-13	-	108.72	108.72

³ The liability percentage is an additional charge that the county adds to its calculated contract rates for staff based on salaries, benefits, and overhead costs.

For the audit period, we calculated allowable contract services costs based on the audited counts of PC 530.5 identity theft reports, audited time increments, and contract hourly rates.

For example, the following table shows the calculation of allowable contract services costs for FY 2012-13:

Reimbursable Activity	LASD Staff	(A)	(B)	(C)	(D)=(A)×(B)×(C)
		Total Allowable Reports	Allowable Time Increment (in hours)	Allowable Contract Hourly Rate	Allowable Costs
1a.1	Deputy Sheriff	393	0.43	\$ 123.58	\$ 20,884
1a.2	Sergeant	393	0.10	\$ 108.72	4,273
Subtotal, Reimbursable Activity 1a					25,157
2	Deputy Sheriff	393	0.36	\$ 123.58	17,484
Subtotal, Reimbursable Activity 2					17,484
Total allowable contract services costs					\$ 42,641

Criteria

Section III (Period of Reimbursement) of the parameters and guidelines states, in part, “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 sheet, invoices, and receipts.

Section IV of the parameters and guidelines continues:

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 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 on-line 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.

In addition, Section IV states that, “Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program.”

Section V (Claim Preparation and Submission) of the parameters and guidelines states, in part:

1. Salaries and benefits

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 these activities.

Recommendation

The 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 city:

- 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.

City’s Response

The City accepts this finding. Should the program become active again in the future, the City will adhere to the program’s parameters and guidelines and claiming instructions as clarified in the audit report. The City will also ensure claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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



City of
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October 1, 2021

Ms. Kimberly Tarvin, CPA
Chief, Division of Audits
California State Controller
P.O. Box 942850
Sacramento, California 94250

Dear Ms. Tarvin,

Subject: Identify Theft Program Audit Report for July 1, 2002 through June 30, 2013

This letter is in response to your draft audit report for the claims filed by the City of Santa Clarita for the Identity Theft Program. One audit finding was noted in your report:

1. *Overstated contract services cost:*

The city claimed \$535,834 in salary costs. We found that \$318,809 is allowable and \$217,025 is unallowable. We found that the city incorrectly classified claimed costs as salary costs. For the audit period, the city did not incur any salary costs, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

Management Response: The City accepts this finding. Should the program become active again in the future, the City will adhere to the program's parameters and guidelines and claiming instructions as clarified in the audit report. The City will also ensure claimed costs include only eligible costs, are based on actual costs, and are properly supported.

Should you have any questions related to our response, please contact Brittany Houston, Finance Manager, at bhouston@santa-clarita.com or 661-255-4996.

Respectfully,

Carmen Magaña
Director of Administrative Services

CM:BH:jb

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