

CITY OF CONCORD

Audit Report

CRIME STATISTICS REPORTS FOR THE DEPARTMENT OF JUSTICE PROGRAM

Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992;
Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998;
Chapter 571, Statutes 1999; Chapter 626, Statutes 2000; and
Chapter 700, Statutes 2004

*July 1, 2001, through June 30, 2010;
and July 1, 2011, through June 30, 2012*



BETTY T. YEE
California State Controller

July 2022



BETTY T. YEE
California State Controller

July 13, 2022

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Karan Reid, Finance Director
City of Concord
1950 Parkside Drive, Building C
Concord, CA 94519

Dear Ms. Reid:

The State Controller's Office (SCO) audited the costs claimed by the City of Concord for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the periods of July 1, 2001, through June 30, 2010; and July 1, 2011, through June 30, 2012. The city did not file a reimbursement claim for the period of July 1, 2010, through June 30, 2011.

The city claimed \$983,733 for the costs of the mandated program. Our audit found that \$736,452 is allowable, and \$247,281 is unallowable because the city overstated salary and benefit costs, related indirect costs, and indirect cost rates. The State made no payments to the city. The State will pay \$736,452, 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/ls

cc: The Honorable Dominic Aliano, Mayor
City of Concord
Suzanne McDonald, Financial Operations Manager
Concord Finance Department
George Villa, SB-90 Coordinator
Concord Finance Department
Mark Bustillos, Chief
Concord Police Department
Nick Gartner, Lieutenant
Concord Police Department
Kay Carzoli, Program Manager
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Concord for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the periods of July 1, 2001, through June 30, 2010; and July 1, 2011, through June 30, 2012. The city did not file a reimbursement claim for the period of July 1, 2010, through June 30, 2011.

The city claimed \$983,733 for the costs of the mandated program. Our audit found that \$736,452 is allowable, and \$247,281 is unallowable because the city overstated salary and benefit costs, related indirect costs, and indirect cost rates. The State made no payments to the city. The State will pay \$736,452, contingent upon available appropriations.

Background

Penal Code (PC) sections 12025 (h)(1) and (h)(3), 12031 (m)(1) and (m)(3), 13014, 13023, and 13730 (a) require local agencies to report information related to certain specified criminal acts to the California Department of Justice (DOJ). These sections were added and/or amended by Chapter 1172, Statutes of 1989; Chapter 1338, Statutes of 1992; Chapter 1230, Statutes of 1993; Chapter 933, Statutes of 1998; Chapter 571, Statutes of 1999; Chapter 626, Statutes of 2000; and Chapter 700, Statutes of 2004.

On June 26, 2008, the Commission on State Mandates (Commission) adopted a statement of decision for the Crime Statistics Reports for the Department of Justice Program. The Commission found that the test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program on city and county claimants beginning on July 1, 2001, within the meaning of Article XII B, section 6 of the California Constitution and Government Code (GC) section 17514.

On July 31, 2009, the Commission heard an amended test claim on PC section 13023 (added by Chapter 700, Statutes of 2004), which imposed additional crime reporting requirements. The Commission also found that this test claim legislation constitutes a new program or higher level of service, and imposes a reimbursable state-mandated program for city and county claimants beginning on January 1, 2004. On April 10, 2010, the Commission issued a corrected statement of decision to correctly identify the operative and effective date of the reimbursable state-mandated program as January 1, 2005.

The Commission found that the following activities are reimbursable (Section I., "Summary of the Mandate"):

- [For] a local government entity responsible for the investigation and prosecution of a homicide case to provide the [DOJ] with demographic information about the victim and the person or persons charged with the crime, including the victim's and person's age, gender, race, and ethnic background [PC section 13014].

- [For] local law enforcement agencies to report, in a manner to be prescribed by the Attorney General, any information that may be required relative to any criminal acts or attempted criminal acts to cause physical injury, emotional suffering, or property damage where there is a reasonable cause to believe that the crime was motivated, in whole or in part, by the victim's race, ethnicity, religion, sexual orientation, . . . physical or mental disability, . . . gender, or national origin [PC section 13023].
- For district attorneys to report annually on or before June 30, to the Attorney General, on profiles by race, age, gender, and ethnicity any person charged with a felony or misdemeanor under section 12025 (carrying a concealed firearm) or section 12031 (carrying a loaded firearm in a public place) of the Penal Code, and any other offense charged in the same complaint, indictment, or information. The Commission finds that this activity is a reimbursable mandate from July 1, 2001 . . . through January 1, 2005 [PC sections 12025 (h)(1) and (h)(3), and 12031 (m)(1) and (m)(3)].
- For local law enforcement agencies to support all domestic violence related calls for assistance with a written incident report [PC section 13730 (a), Chapter 1230, Statutes of 1993]. . . .
- [For] local law enforcement agency to report the following in a manner to be prescribed by the Attorney General:
 - Any information that may be required relative to hate crimes, as defined in [PC] section 422.55 as criminal acts committed, in whole or in part, because of one or more of the following *perceived* characteristics of the victim: (1) disability, (2) gender, (3) nationality, (4) race or ethnicity, (5) religion, (6) sexual orientation.
 - Any information that may be required relative to hate crimes, defined in [PC] section 422.55 as criminal acts committed, in whole or in part, because of *association with a person or group with one or more of the following actual or perceived characteristics*: (1) disability, (2) gender, (3) nationality, (4) race or ethnicity, (5) religion, (6) sexual orientation.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on September 30, 2010, and amended them on January 24, 2014, to clarify reimbursable costs related to domestic violence related calls for assistance. In compliance with Government Code section 17558, the SCO issues the *Mandated Cost Manual for Local Agencies (Mandated Cost Manual)* to assist local agencies and school districts 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 Crime Statistics Reports for the Department of Justice 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 periods were July 1, 2001, through June 30, 2010; and July 1, 2011, through June 30, 2012.

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 generated by the city's information management system (salary, expenditure, and revenue reports) and the city's record management system by interviewing city staff members and examining supporting records. We determined that the data was sufficiently reliable to address the audit objectives.
- We interviewed city staff members to determine what employee classifications were involved in performing the reimbursable activities during the audit period.
- We traced productive hourly rate (PHR) and benefit rate calculations for all employee classifications performing the mandated activities to supporting information in the city's payroll system (see Finding 1).
- We assessed whether the average time increments (ATIs) claimed for each fiscal year in the audit period to perform the reimbursable activities were reasonable per the requirements of the program, and supported by source documentation (see Finding 1).
- We reviewed and analyzed the claimed domestic violence incident report counts for consistency and possible exclusions, and verified that counts were supported by the reports that the city submitted to the DOJ (see Finding 1).
- We traced a non-statistical sample of 200 (20 reports per year for fiscal year [FY] 2001-02 through FY 2009-10, and 20 reports for FY 2011-12) out of 8,271 domestic violence calls for assistance to written incident reports. Errors found were not projected to the intended (total) population.

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

- We verified that indirect costs claimed for each fiscal year in the audit period were for common or joint purposes, and that indirect cost rates were properly supported and applied (see Finding 2).
- We inquired with city staff members, reviewed single audit reports (with accompanying financial statements), and reviewed revenue reports to identify potential sources of offsetting revenues and reimbursements for the audit period. We determined that the claimed costs were not funded by another source.

We did not audit the city's financial statements.

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 audit 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 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 Findings and Recommendations section of this audit report.

For the audit period, the City of Concord claimed \$983,733 for costs of the legislatively mandated Crime Statistics Reports for the Department of Justice Program. Our audit found that \$736,452 is allowable and \$247,281 is unallowable. The State made no payments to the city. The State will pay \$736,452, 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.

Follow-up on Prior Audit Findings

We have not previously conducted an audit of the city's legislatively mandated Crime Statistics Reports for the Department of Justice Program.

Views of Responsible Officials

We discussed our audit results with the City of Concord's representatives during an exit conference conducted on March 29, 2022. The city's representatives agreed with the audit results, and further agreed that we could issue the audit report as final.

Restricted Use

This audit report is solely for the information and use of the City of Concord, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

July 13, 2022

Schedule—
Summary of Program Costs
July 1, 2001, through June 30, 2010;
and July 1, 2011, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 44,851	\$ 38,440	\$ (6,411)	Finding 1
Total direct costs	44,851	38,440	(6,411)	
Indirect costs	3,312	2,838	(474)	Finding 1
Total direct and indirect costs	48,163	41,278	(6,885)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 48,163</u>	41,278	<u>\$ (6,885)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 41,278</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 46,412	\$ 38,431	\$ (7,981)	Finding 1
Total direct costs	46,412	38,431	(7,981)	
Indirect costs	22,278	11,797	(10,481)	Findings 1 and 2
Total direct and indirect costs	68,690	50,228	(18,462)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 68,690</u>	50,228	<u>\$ (18,462)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 50,228</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 52,361	\$ 26,260	\$ (26,101)	Finding 1
Total direct costs	52,361	26,260	(26,101)	
Indirect costs	19,687	5,619	(14,068)	Findings 1 and 2
Total direct and indirect costs	72,048	31,879	(40,169)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 72,048</u>	31,879	<u>\$ (40,169)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 31,879</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 62,674	\$ 58,326	\$ (4,348)	Finding 1
Total direct costs	62,674	58,326	(4,348)	
Indirect costs	37,416	19,948	(17,468)	Findings 1 and 2
Total direct and indirect costs	100,090	78,274	(21,816)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 100,090</u>	78,274	<u>\$ (21,816)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 78,274</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 76,240	\$ 66,688	\$ (9,552)	Finding 1
Total direct costs	76,240	66,688	(9,552)	
Indirect costs	34,688	14,870	(19,818)	Findings 1 and 2
Total direct and indirect costs	110,928	81,558	(29,370)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 110,928</u>	81,558	<u>\$ (29,370)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 81,558</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 79,046	\$ 63,388	\$ (15,658)	Finding 1
Total direct costs	79,046	63,388	(15,658)	
Indirect costs	52,487	22,058	(30,429)	Findings 1 and 2
Total direct and indirect costs	131,533	85,446	(46,087)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 131,533</u>	85,446	<u>\$ (46,087)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 85,446</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 73,123	\$ 58,393	\$ (14,730)	Finding 1
Total direct costs	73,123	58,393	(14,730)	
Indirect costs	48,553	20,321	(28,232)	Findings 1 and 2
Total direct and indirect costs	121,676	78,714	(42,962)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 121,676</u>	78,714	<u>\$ (42,962)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 78,714</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 61,136	\$ 60,305	\$ (831)	Finding 1
Total direct costs	61,136	60,305	(831)	
Indirect costs	32,525	22,133	(10,392)	Findings 1 and 2
Total direct and indirect costs	93,661	82,438	(11,223)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 93,661</u>	82,438	<u>\$ (11,223)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 82,438</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 80,863	\$ 80,029	\$ (834)	Finding 1
Total direct costs	80,863	80,029	(834)	
Indirect costs	36,057	19,823	(16,234)	Findings 1 and 2
Total direct and indirect costs	116,920	99,852	(17,068)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 116,920</u>	99,852	<u>\$ (17,068)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 99,852</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 82,804	\$ 81,422	\$ (1,382)	Finding 1
Total direct costs	82,804	81,422	(1,382)	
Indirect costs	37,220	25,363	(11,857)	Findings 1 and 2
Total direct and indirect costs	120,024	106,785	(13,239)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 120,024</u>	106,785	<u>\$ (13,239)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 106,785</u>		
 <u>Summary: July 1, 2001, through June 30, 2010; and July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 659,510	\$ 571,682	\$ (87,828)	Finding 1
Total direct costs	659,510	571,682	(87,828)	
Indirect costs	324,223	164,770	(159,453)	Findings 1 and 2
Total direct and indirect costs	983,733	736,452	(247,281)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 983,733</u>	736,452	<u>\$ (247,281)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 736,452</u>		

¹ See the Findings and Recommendations section.

² We determined that the claimed costs were not funded by any other sources.

³ Payment amount current as of June 9, 2022.

Findings and Recommendations

**FINDING 1—
Overstated salary
and benefit costs**

The city claimed \$659,510 in salaries and benefits for the Domestic Violence Related Calls for Assistance cost component. We found that \$571,682 is allowable and \$87,828 is unallowable. Unallowable related indirect costs total \$42,674, for a total finding of \$130,502.

Reimbursable activities for this cost component consist of writing, reviewing, and editing incident reports. The parameters and guidelines require that a written incident report support each domestic violence related call for assistance.

To calculate the claimed salaries and benefits, the city multiplied the number of written incident reports by the average time increments (ATIs) necessary to process a report, then multiplied the resulting hours by a PHR and a related benefit rate.

During testing, we found that the city overstated the claimed hours; overstated the PHRs in some of the fiscal years; and overstated related indirect costs. The city overstated these costs because it did not claim costs in accordance with the program’s parameters and guidelines or the SCO’s *Mandated Cost Manual*.

The following table summarizes the claimed, allowable, and overstated costs for the Domestic Violence Related Calls for Assistance cost component by fiscal year:

Fiscal Year	Salaries and Benefits			Unallowable Indirect Costs	Total Audit Adjustment
	Amount Claimed	Amount Allowable	Audit Adjustment		
2001-02	\$ 44,851	\$ 38,440	\$ (6,411)	\$ (474)	\$ (6,885)
2002-03	46,412	38,431	(7,981)	(3,832)	(11,813)
2003-04	52,361	26,260	(26,101)	(9,814)	(35,915)
2004-05	62,674	58,326	(4,348)	(2,595)	(6,943)
2005-06	76,240	66,688	(9,552)	(4,346)	(13,898)
2006-07	79,046	63,388	(15,658)	(10,398)	(26,056)
2007-08	73,123	58,393	(14,730)	(9,780)	(24,510)
2008-09	61,136	60,305	(831)	(442)	(1,273)
2009-10	80,863	80,029	(834)	(372)	(1,206)
2011-12	82,804	81,422	(1,382)	(621)	(2,003)
Total	\$ 659,510	\$ 571,682	\$ (87,828)	\$ (42,674)	\$ (130,502)

Overstated hours/unsupported incident reports

The city overstated claimed hours for the Domestic Violence Related Calls for Assistance cost component.

As a result, the city overstated salary and benefit costs totaling \$59,837. Unallowable related indirect costs total \$26,376, for a total adjustment of \$86,213. The claimed hours are derived by multiplying the time it takes employees to complete the mandated activity (average time increment) by the number of domestic violence incident reports that were reported to the DOJ. We reviewed each component separately.

Incident Reports

For FY 2001-02 through FY 2009-10, the city's claims did not identify the total number of domestic violence related calls for assistance incident reports claimed. However, the city's claim identified 660 incident reports for FY 2011-12. For FY 2001-02 through FY 2009-10, we calculated the claimed number of domestic violence related calls for assistance incident reports by dividing the claimed hours by the claimed average time increments in order to compare the information with the city's records.

During testing, we requested that the city provide copies of monthly reports that had been submitted to the DOJ. The city provided the monthly reports for FY 2003-04 through FY 2009-10 and FY 2011-12. We analyzed the information and found that the claimed number of domestic violence related calls for assistance incident reports did not reconcile to the numbers in the monthly reports that were submitted to the DOJ. We found that the city claimed more incidents than were reported to DOJ in most fiscal years.

The parameters and guidelines require that all domestic violence related calls for assistance be supported by a written report. Therefore, we requested a summary report of domestic violence incident reports for each fiscal year to verify the number of calls for assistance based on the city's Records Management System. The city provided and we analyzed the summary reports for FY 2001-02 through FY 2009-10 and FY 2011-12. During our review of the Records Management System summary reports and the monthly reports that were submitted to DOJ, we compared the information in both documents for FY 2003-04 through FY 2009-10 and FY 2011-12 to determine the allowable number of incident reports. We selected and reviewed a sample of incident reports to verify the existence of the written report and to determine whether the incident report was the result of a domestic violence related call for assistance. Our review disclosed that the summary reports included incident reports that did not meet the mandate criteria. However, errors found were not projected to the population.

For FY 2001-02 and FY 2002-03, the city was unable to provide the monthly reports to determine the number of domestic violence related calls for assistance incident reports that were reported to DOJ. City staff members stated that the records for these fiscal years were no longer available. As a result, we were unable to determine the number of domestic violence related calls for assistance that were reported to DOJ. Instead of disallowing all costs for these fiscal years, we calculated an average incident report count based on the allowable incident reports determined for FY 2003-04 through FY 2009-10 and FY 2011-12. We applied the average incident report count to FY 2001-02 and FY 2002-03.

The following table summarizes the allowable number of written incident reports for domestic violence related calls for assistance:

Fiscal Year	Written Incident Reports Allowable
2001-02	689
2002-03	689
2003-04	419
2004-05	805
2005-06	773
2006-07	726
2007-08	631
2008-09	603
2009-10	759
2011-12	649
Total	<u><u>6,743</u></u>

Average Time Increments

For the audit period, the city estimated that it took Police Officers 45 minutes to write an incident report and 10 minutes to edit incident reports. In addition, the city estimated that it took Sergeants 15 minutes to review incident reports. The city did not maintain a time study to support time increments claimed for Police Department staff members performing the mandated activities. We interviewed key personnel and performed a walk-through of the city's report writing process. Based on our interviews, we concluded that the claimed ATIs are reasonable.

The city claimed overstated costs as a result of overstated hours and unsupported incident reports. The following table summarizes the fiscal years that resulted in an audit adjustment:

Fiscal Year	Salaries and Benefits	Related Indirect Costs	Audit Adjustment
2001-02	\$ (6,411)	\$ (474)	\$ (6,885)
2002-03	(7,981)	(3,832)	(11,813)
2003-04	(26,101)	(9,814)	(35,915)
2004-05	(4,348)	(2,595)	(6,943)
2006-07	(4,978)	(3,306)	(8,284)
2007-08	(8,636)	(5,734)	(14,370)
2011-12	(1,382)	(621)	(2,003)
Total	<u><u>\$ (59,837)</u></u>	<u><u>\$ (26,376)</u></u>	<u><u>\$ (86,213)</u></u>

Productive hourly rates

The city overstated the average PHRs claimed for the Police Officer and Sergeant classifications, which resulted in overstated salary and benefit costs totaling \$27,991. Unallowable related indirect costs total \$16,298, for a total adjustment of \$44,289.

For the audit period, the city calculated average PHRs for the Police Officer and Sergeant classifications using information from the Police Department's salary reports. For FY 2001-02 through 2004-05 and FY 2011-12, the city calculated the average PHRs using salaries only. However, for FY 2005-06 through FY 2009-10, the city calculated average PHRs using salary and benefit costs.

The city provided salary reports for FY 2002-03 through FY 2009-10 and FY 2011-12. We recalculated the PHRs using the salary reports, and found that the claimed PHRs for FY 2005-06 through FY 2009-10 were overstated. The overstatement occurred because the claimed PHRs were not supported by the city's records. We calculated an error rate and applied it to the allowable hours to determine the unallowable costs.

The city claimed overstated costs as a result of overstated PHRs. The following table summarizes the fiscal years that resulted in an audit adjustment:

Fiscal Year	Salaries and Benefits	Related Indirect Costs	Audit Adjustment
2005-06	\$ (9,552)	\$ (4,346)	\$ (13,898)
2006-07	(10,680)	(7,092)	(17,772)
2007-08	(6,094)	(4,046)	(10,140)
2008-09	(831)	(442)	(1,273)
2009-10	(834)	(372)	(1,206)
Total	<u>\$ (27,991)</u>	<u>\$ (16,298)</u>	<u>\$ (44,289)</u>

Criteria

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 and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. . . .

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities. . . . Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

"Ongoing Activities," paragraph D (Section IV, page 6) of the parameters and guidelines allows costs related to supporting domestic violence related calls for assistance with a written incident report, and reviewing and editing the report.

Section V, "Claim Preparation and Submission," of the parameters and guidelines states that cost elements must be identified for the reimbursable activities identified in Section IV of the parameters and guidelines. Section V also states that all reimbursable costs must be supported by

source documentation; and that for salary and benefit costs, claimants must report each employee implementing the reimbursable activities by name, job classification, and PHR.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the city:

- Follow the program's parameters and guidelines and the *Mandated Cost Manual* when claiming reimbursement for mandated costs;
- Claim costs based on the actual time increment required to perform the mandated cost activity;
- Claim costs based on the number of domestic violence related calls for assistance that are supported with a written report; and
- Calculate PHRs and benefit rates based on the employee classification that perform the mandated activities using documentation for the corresponding fiscal year.

FINDING 2— Overstated indirect cost rates

The city overstated indirect cost rates, which resulted in overstated indirect costs totaling \$116,779. The overstatement occurred because the indirect cost pool in the city's indirect cost rate proposal (ICRP) calculations included overstated benefit costs, unsupported A-87 Cost Allocation plan costs, unallowable equipment and building costs, and direct service costs.

The city provided expenditure reports to support the claimed indirect cost rates. During testing, we found several issues with the city's ICRP calculations:

- In FY 2003-04 through FY 2006-07, the city included salary and benefit costs on the salary line item of its ICRPs, then calculated additional benefit costs based on the calculated departmental benefit rate. As a result, the city overstated benefit costs in the indirect cost pool. Therefore, we removed the overstated benefit costs from the indirect cost pool.
- For FY 2009-10 and FY 2011-12, the claimed indirect salary and benefit costs were not supported by city's records. We traced the information to the salary reports and found that the claimed salary and benefit costs were overstated. Therefore, we removed the overstated costs from the indirect cost pool.
- The city did not provide documentation to support the indirect salary and benefit costs for FY 2002-03 or FY 2007-08. Therefore, we applied the audit adjustments to these fiscal years based on our analysis.
- The city included equipment and building replacement costs in the indirect cost pool. Title 2, Code of Federal Regulations (2 CFR) part 225 (Office of Management and Budget Circular A-87) identifies these types of costs as unallowable indirect costs. Therefore, we removed these costs from the indirect cost pool.

- The city included unsupported cost allocation plan costs during the audit period. Therefore, we removed these costs from the indirect cost pool.
- For FY 2008-09 and FY 2009-10, the city included contract services costs in the indirect cost pool. In all other fiscal years, the city identified contact services as direct costs. The city did not provide additional documentation to support that these costs should have been indirect costs for these fiscal years. Therefore, we removed contract services from the indirect cost pool.

We recalculated the indirect cost rate and applied the error rate to allowable salaries and benefits to determine the audit adjustment.

The following table summarizes the fiscal years that resulted in an audit adjustment:

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Allowable indirect cost rate	30.70%	21.40%	34.20%	
Claimed indirect cost rate	(48.00)%	(37.60)%	(59.70)%	
Error rate	(17.30)%	(16.20)%	(25.50)%	
Allowable salaries and benefit costs	38,431	26,260	58,326	
Audit adjustment	\$ (6,649)	\$ (4,254)	\$ (14,873)	\$ (25,776)
<hr/>				
	2005-06	2006-07	2007-08	
Allowable indirect cost rate	22.30%	34.80%	34.80%	
Claimed indirect cost rate	(45.50)%	(66.40)%	(66.40)%	
Error rate	(23.20)%	(31.60)%	(31.60)%	
Allowable salaries and benefit costs	66,688	63,388	58,393	
Audit adjustment	\$ (15,472)	\$ (20,031)	\$ (18,452)	(53,955)
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	2008-09	2009-10	2011-12	
Allowable indirect cost rate	36.70%	24.77%	31.15%	
Claimed indirect cost rate	(53.20)%	(44.59)%	(44.95)%	
Error rate	(16.50)%	(19.82)%	(13.80)%	
Allowable salaries and benefit costs	60,305	80,029	81,422	
Audit adjustment	\$ (9,950)	\$ (15,862)	\$ (11,236)	(37,048)
Total Audit Adjustment				<u>\$ (116,779)</u>

Criteria

Paragraph 1 of Section IV, “Reimbursable Activities,” of the parameters and guidelines states, “Actual costs must be traceable and supported by source documents that show the validity of such costs. . . .”

Paragraph 2 of Section V.B, “Indirect Cost Rates,” of the parameters and guidelines states that agencies may claim indirect costs using the procedures identified in 2 CFR part 225.

2 CFR part 225 provides the following guidance:

- Appendix A, part C.3.a, states, “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.”
- Appendix A, part C.3.b, states, “All activities which benefit from the governmental unit’s indirect cost . . . will receive an appropriate allocation of indirect costs.”
- Appendix A, part C.3.c, states, “Any cost allocable to a particular Federal award or cost objective under the principles provided for in 2 CFR part 225 may not be charged to other Federal awards to overcome fund deficiencies. . . .”
- Appendix B, part 8.h, subsection (4) states that employees must maintain personnel activity reports or equivalent documentation when they work on both indirect and direct cost activities.
- Appendix B, part 15.b.5, states “Equipment and other capital expenditures are unallowable as indirect costs. . . .”
- Appendix E, part A.1, states, “. . . A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.”

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the city:

- Allocate expenditures between direct, indirect, and unallowable costs based on the guidance in 2 CFR part 225 when calculating ICRPs; and
- Maintain source documentation that can be used to verify such costs.

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