

ORANGE COUNTY

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013



BETTY T. YEE
California State Controller

January 2020



BETTY T. YEE
California State Controller

January 23, 2020

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Frank Davies, CPA, Auditor-Controller
Orange County
12 Civic Center Plaza, Room 200
Santa Ana, CA 92702

Dear Mr. Davies:

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

The county claimed \$3,177,007 for costs of the mandated program. Our audit found that \$1,236,867 is allowable and \$1,940,140 is unallowable because the county understated the number of identity theft cases and overstated the time increments required to perform the reimbursable activities. The State made no payments to the county. The State will pay \$1,236,867, contingent upon available appropriations.

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

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

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

cc: Noma M. Crook, Director
Financial/Administrative Services
Orange County Sheriff's Department
Kirk Wilkerson, Director
Support Services
Orange County Sheriff's Department
Robert Beaver, Senior Director
Administrative Services
Orange County Sheriff's Department
Brian Wayt, Executive Director
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Orange County Sheriff's Department
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Audit Report

Summary

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

The county claimed \$3,177,007 for costs of the mandated program. Our audit found that \$1,236,867 is allowable and \$1,940,140 is unallowable because the county understated the number of identity theft cases and overstated the time increments required to perform the reimbursable activities. The State made no payments to the county. The State will pay \$1,236,867, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6, subdivision (a), as added by the Statutes of 2000, Chapter 956, requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission on State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is allowed to claim and be reimbursed only for the following ongoing activities identified in the parameters and guidelines (Section IV., Reimbursable Activities):

1. Either a) or b) below:
 - a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
 - b) Reviewing the identity theft report completed online by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency where the suspected crime was committed for further investigation 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.

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.

The audit period was July 1, 2002, through June 30, 2013.

To achieve our objective, we:

- Analyzed the annual mandated cost claims filed by the county during the audit period and identified the significant cost components of each claim as salaries, benefits, and indirect costs. Determined whether there were any errors or unusual or unexpected variances from year to year. Determined whether the activities claimed adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key county staff. Discussed the claim preparation process with county staff to determine what information was obtained, who obtained it, and how it was used;
- Obtained system-generated lists of identity theft cases from the county's Vision Air/TriTech Computer Aided Dispatch and Records Management System (CAD/RMS) to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period;
- Designed a statistical sampling plan to test approximately 50% of claimed salary costs. Judgmentally selected three of the county's filed claims during the audit period (fiscal year [FY] 2005-06, FY 2011-12, and FY 2012-13), which comprised salary costs totaling \$730,009, or 53%, of the \$1,393,082 claimed. The sampling plan is described in the Finding and Recommendation section;
- Used a random number table to select 372 identity theft cases out of 2,751 from the three years sampled. Tested the identity theft cases as follows:
 - Determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 had occurred.
 - Calculated the average time required to gather facts sufficient to determine where the identity theft occurred and what pieces of personal information were used for an unlawful purpose (begin an investigation) using data obtained from the county's CAD/RMS, and compared the results to the time increments claimed by the county.

- Compared the employee classifications that performed the mandated activities, as identified in the county's CAD/RMS, to the employee classifications claimed by the county. Calculated weighted average productive hourly rates (PHRs) for the employee classifications that actually performed the activities.
- Interviewed sworn officers at the Orange County Sheriff's Department (OCSD), which revealed that time spent drafting, editing, reviewing, and approving a police report (taking a police report supporting a violation of PC section 530.5) is not included in the contemporaneous time increments recorded in the county's CAD/RMS. We concluded that the claimed time increments for these reimbursable activities were reasonable based on the results of these interviews;
- Projected the audit results of the three years tested by multiplying the actual case counts by the actual average time increments to perform the activities and then multiplying the product by the weighted average PHRs of the employees who performed them. As the population was homogeneous, we applied a weighted three-year average of the sampling results to the remaining eight years of the audit period;
- Traced the county's claimed benefit and indirect cost rates to supporting documentation for each fiscal year in the audit period and determined that the rates claimed were not unreasonable or excessive; and
- Analyzed the county's Single Audit Reports to identify any offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. We also obtained an email from the county confirming that it did not receive any offsetting revenues applicable to this mandated program.

GC sections 12410, 17558.5, and 17561 provide the legal authority to conduct this audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We limited our examination of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the county's financial statements.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We did not find that the county claimed costs that were funded by other sources; however, we did find that it claimed unsupported costs, as quantified in the Schedule and described in the Finding and Recommendation section of this audit report. To the extent that the county claimed unsupported costs, such costs are also unreasonable and excessive.

For the audit period, Orange County claimed \$3,177,007 for costs of the legislatively mandated Identity Theft Program. Our audit found that \$1,236,867 is allowable and \$1,940,140 is unallowable. The State made no payments to the county. The State will pay \$1,236,867, contingent upon available appropriations.

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

**Follow-up on
Prior Audit
Findings**

We have not previously conducted an audit of the county's legislatively mandated Identity Theft Program claims.

**Views of
Responsible
Officials**

We issued a draft audit report on December 11, 2019. Noma M. Crook, Director, Financial/Administrative Services, responded by letter dated December 19, 2019 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

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

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

January 23, 2020

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 10,978	\$ 4,858	\$ (6,120)
Begin an investigation of facts	26,132	11,798	(14,334)
Total salaries	37,110	16,656	(20,454)
Benefits	16,490	7,400	(9,090)
Total direct costs	53,600	24,056	(29,544)
Indirect costs	13,480	4,189	(9,291)
Total program costs	<u>\$ 67,080</u>	<u>28,245</u>	<u>\$ (38,835)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 28,245</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 10,153	\$ 4,028	\$ (6,125)
Begin an investigation of facts	21,624	8,995	(12,629)
Total salaries	31,777	13,023	(18,754)
Benefits	18,195	7,456	(10,739)
Total direct costs	49,972	20,479	(29,493)
Indirect costs	15,671	4,084	(11,587)
Total program costs	<u>\$ 65,643</u>	<u>24,563</u>	<u>\$ (41,080)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 24,563</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 5,001	\$ 2,872	\$ (2,129)
Begin an investigation of facts	18,608	8,121	(10,487)
Total salaries	23,609	10,993	(12,616)
Benefits	14,357	6,686	(7,671)
Total direct costs	37,966	17,679	(20,287)
Indirect costs	12,050	3,489	(8,561)
Total program costs	<u>\$ 50,016</u>	<u>21,168</u>	<u>\$ (28,848)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 21,168</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 26,914	\$ 10,458	\$ (16,456)
Begin an investigation of facts	58,428	24,115	(34,313)
Total salaries	85,342	34,573	(50,769)
Benefits	53,285	21,585	(31,700)
Total direct costs	138,627	56,158	(82,469)
Indirect costs	42,808	10,676	(32,132)
Total program costs	<u>\$ 181,435</u>	<u>66,834</u>	<u>\$ (114,601)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 66,834</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 41,092	\$ 18,025	\$ (23,067)
Begin an investigation of facts	93,852	37,298	(56,554)
Total salaries	134,944	55,323	(79,621)
Benefits	82,867	33,974	(48,893)
Total direct costs	217,811	89,297	(128,514)
Indirect costs	72,074	18,306	(53,768)
Total program costs	<u>\$ 289,885</u>	<u>107,603</u>	<u>\$ (182,282)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 107,603</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 29,889	\$ 18,623	\$ (11,266)
Begin an investigation of facts	65,285	36,266	(29,019)
Total salaries	95,174	54,889	(40,285)
Benefits	58,980	34,012	(24,968)
Total direct costs	154,154	88,901	(65,253)
Indirect costs	49,021	17,455	(31,566)
Total program costs	<u>\$ 203,175</u>	<u>106,356</u>	<u>\$ (96,819)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 106,356</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 30,991	\$ 28,778	\$ (2,213)
Begin an investigation of facts	67,014	46,956	(20,058)
Total salaries	98,005	75,734	(22,271)
Benefits	59,409	45,907	(13,502)
Total direct costs	157,414	121,641	(35,773)
Indirect costs	62,588	30,112	(32,476)
Total program costs	\$ 220,002	151,753	\$ (68,249)
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		\$ 151,753	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 41,587	\$ 34,369	\$ (7,218)
Begin an investigation of facts	92,388	46,150	(46,238)
Total salaries	133,975	80,519	(53,456)
Benefits	79,935	51,324	(28,611)
Total direct costs	213,910	131,843	(82,067)
Indirect costs	78,120	29,406	(48,714)
Total program costs	\$ 292,030	161,249	\$ (130,781)
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		\$ 161,249	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 32,698	\$ 29,004	\$ (3,694)
Begin an investigation of facts	75,781	42,534	(33,247)
Total salaries	108,479	71,538	(36,941)
Benefits	75,447	49,754	(25,693)
Total direct costs	183,926	121,292	(62,634)
Indirect costs	70,462	27,406	(43,056)
Total program costs	\$ 254,388	148,698	\$ (105,690)
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		\$ 148,698	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 79,317	\$ 34,417	\$ (44,900)
Begin an investigation of facts	182,929	50,372	(132,557)
Total salaries	262,246	84,789	(177,457)
Benefits	182,922	59,146	(123,776)
Total direct costs	445,168	143,935	(301,233)
Indirect costs	177,043	33,721	(143,322)
Total program costs	<u>\$ 622,211</u>	177,656	<u>\$ (444,555)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 177,656</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 114,367	\$ 50,358	\$ (64,009)
Begin an investigation of facts	268,054	63,176	(204,878)
Total salaries	382,421	113,534	(268,887)
Benefits	280,408	83,249	(197,159)
Total direct costs	662,829	196,783	(466,046)
Indirect costs	268,313	45,959	(222,354)
Total program costs	<u>\$ 931,142</u>	242,742	<u>\$ (688,400)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 242,742</u>	
<u>Summary: July 1, 2002, through June 30, 2013</u>			
Direct costs:			
Salaries	\$ 1,393,082	\$ 611,571	\$ (781,511)
Benefits	922,295	400,493	(521,802)
Total direct costs	2,315,377	1,012,064	(1,303,313)
Indirect costs	861,630	224,803	(636,827)
Total program costs	<u>\$ 3,177,007</u>	1,236,867	<u>\$ (1,940,140)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 1,236,867</u>	

¹ See the Finding and Recommendation section.

² Payment amount current as of December 24, 2019.

Finding and Recommendation

FINDING— Overstated Identity Theft Program costs

The county claimed \$3,177,007 (\$1,393,082 in salaries, \$922,295 in benefits, and \$861,630 in related indirect costs) for the Identity Theft Program. We found that \$1,236,867 is allowable and \$1,940,140 is unallowable.

Salary costs are determined by multiplying the number of identity theft police reports by the time required to perform the reimbursable activities by the weighted average PHR of the employee classifications that performed the reimbursable activities.

The costs are unallowable because the county misinterpreted the program's parameters and guidelines, which resulted in an understated number of identity theft reports and overstated time increments required to perform the reimbursable activities.

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

Fiscal Year	Salaries			Related Benefit Adjustment	Related Indirect Cost Adjustment	Total Audit Adjustment
	Amount Claimed	Amount Allowable	Audit Adjustment			
2002-03	\$ 37,110	\$ 16,656	\$ (20,454)	\$ (9,090)	\$ (9,291)	\$ (38,835)
2003-04	31,777	13,023	(18,754)	(10,739)	(11,587)	(41,080)
2004-05	23,609	10,993	(12,616)	(7,671)	(8,561)	(28,848)
2005-06	85,342	34,573	(50,769)	(31,700)	(32,132)	(114,601)
2006-07	134,944	55,323	(79,621)	(48,893)	(53,768)	(182,282)
2007-08	95,174	54,889	(40,285)	(24,968)	(31,566)	(96,819)
2008-09	98,005	75,734	(22,271)	(13,502)	(32,476)	(68,249)
2009-10	133,975	80,519	(53,456)	(28,611)	(48,714)	(130,781)
2010-11	108,479	71,538	(36,941)	(25,693)	(43,056)	(105,690)
2011-12	262,246	84,789	(177,457)	(123,776)	(143,322)	(444,555)
2012-13	382,421	113,534	(268,887)	(197,159)	(222,354)	(688,400)
Total	<u>\$ 1,393,082</u>	<u>\$ 611,571</u>	<u>\$ (781,511)</u>	<u>\$ (521,802)</u>	<u>\$ (636,827)</u>	<u>\$ (1,940,140)</u>

Understated counts of identity theft police reports

The county reported costs incurred for taking police reports related to 5,528 identity theft cases.

We interviewed OCSD Support Services Division (SSD) staff to assess the reliability of available computer-processed data relevant to the county's claims. SSD staff members informed us that they could provide unduplicated identity theft case numbers by jurisdiction from the CAD/RMS. The county provided us with detailed system-generated lists of identity theft cases originating in the county's unincorporated area for the entire 11-year audit period. These lists provided sufficient and appropriate data to obtain complete, accurate, and unduplicated populations of identity theft police reports to support the county's claimed costs.

The unduplicated lists of cases by fiscal year supported 8,110 identity theft cases during the audit period. Our initial review of the case lists disclosed a significant number of cases with no time increments reported because OCSD did not perform the mandated activities. Instead, Police or Sheriff's Department personnel from other local governments performed the activities at no cost to the county. These cases appeared in the CAD/RMS because the other local agencies forwarded them to OCSD for further investigation.

We adjusted the population to remove all cases forwarded by law enforcement agencies other than the OCSD. The adjusted population of unduplicated police cases applicable only to Orange County totaled 6,949 during the audit period. This adjusted case count constitutes 1,421 police reports (or 26%) more than the county claimed, a material difference.

We verified the accuracy of OCSD's CAD/RMS by:

- Verifying that each identity theft case was supported by a contemporaneously prepared and approved police report; and
- Verifying that the police report supported a violation of PC section 530.5.

We developed a statistical sampling plan and generated statistical samples of identity theft cases for these two procedures so that we could project sample results to the population of identity theft cases. We selected statistical samples of identity theft cases originating from the county based on a 95% confidence level, a sampling error of +/-8%, and an expected (true) error rate of 50%. We judgmentally selected FY 2005-06, FY 2011-12, and FY 2012-13 for testing.

Our testing (based on the above plan) disclosed the following:

- For FY 2005-06, we selected 106 cases from the population of 359 cases. We found that 3.77% of the cases were unallowable because they did not support a violation of PC section 530.5 (four instances);
- For FY 2011-12, we selected 130 cases from the population of 953 cases. We found that 0.77% of the cases were unallowable because they did not support a violation of PC section 530.5 (one instance); and
- For FY 2012-13, we selected 136 cases from the population of 1,439 cases. We found that 1.47% of the cases were unallowable because they did not support a violation of PC section 530.5 (two instances).

We extrapolated and projected the results of our substantive tests of statistical samples to determine the number of allowable and unallowable identity theft incident reports for the entire 11-year audit period. As shown in the table on the next page, we found that 6,824 incident reports are allowable (6,949 less a 2% average error rate), because 1,296 incident reports for the audit period did not support violations of PC section 530.5.

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

<u>Fiscal Year</u>	<u>Claimed</u>	<u>Per CAD/RMS</u>	<u>Allowable</u>	<u>Difference</u>
2002-03	179	174	171	(8)
2003-04	143	140	137	(6)
2004-05	126	102	100	(26)
2005-06	373	359	345	(28)
2006-07	563	569	558	(5)
2007-08	375	562	551	176
2008-09	377	841	824	447
2009-10	510	994	974	464
2010-11	411	816	800	389
2011-12	985	953	946	(39)
2012-13	1,486	1,439	1,418	(68)
Total	<u>5,528</u>	<u>6,949</u>	<u>6,824</u>	<u>1,296</u>

Case Counts for Beginning Investigations at Contract Cities

Subsequent to the audit exit conference, OCSD representatives informed us that its Investigators and Investigative Assistants spent time on the reimbursable activity of Beginning an investigation (Activity 2) for identity theft cases originating in its contract cities. The county provided documentation showing that it offered these investigative services at no charge. The county also provided case counts to calculate the time spent by Investigators and Investigative Assistants on reimbursable Activity 2 based on identity theft cases originating within its contract cities.

The following table summarizes the case counts of these identity theft cases for which Investigators and Investigative Assistants performed reimbursable Activity 2:

<u>Fiscal Year</u>	<u>Investigators</u>	<u>Investigative Assistants</u>	<u>Total</u>
2002-03	232	287	519
2003-04	169	175	344
2004-05	227	135	362
2005-06	511	540	1,051
2006-07	384	1,119	1,503
2007-08	188	1,157	1,345
2008-09	122	1,163	1,285
2009-10	59	604	663
2010-11	88	748	836
2011-12	49	716	765
2012-13	55	350	405
Total	<u>2,084</u>	<u>6,994</u>	<u>9,078</u>

Overstated time increments

Claimed Time Increments

The county claimed salary costs during the audit period for OCSD staff to perform the reimbursable activities of:

- Taking a police report (drafting, reviewing, and editing) (Activity 1a); and
- Beginning an investigation (Activity 2).

The county's claims divide reimbursable Activity 1a into three parts, which we will identify as Activity 1a.1 (Writing a police report), Activity 1a.2 (Reviewing a police report), and Activity 1a.3 (Interview victim, gather information, and obtain documents). We determined that time claimed for Activity 1a.3 should be part of reimbursable Activity 2 (Beginning an investigation).

The county's claims during the audit period included time estimates to perform reimbursable Activity 1a ranging from 86 minutes to 100 minutes, and a time estimate of 200 minutes to perform reimbursable Activity 2. The county provided two declarations to support the time increments claimed, one prepared during FY 2011-12 and the second prepared during FY 2012-13. Both declarations provided the same estimates for the time required by OCSD employees to perform the reimbursable activities. The county did not support either declaration with a time study or any other contemporaneously prepared documentation. Therefore, we determined that these time increments were estimated and unsupported.

Both declarations identified the following activities, employee classifications, and estimated time increments:

Reimbursable Activity	Employee Classification	Description	Minutes Required
1a.1 Take a police report	Deputy II	Review notes, write report, impound evidence	30
1a.2 Take a police report	Sergeant	Review, edit, and approve report	10
1a.3 Take a police report	Deputy II	Interview victim, gather information, obtain documents	45
Total Activity 1a			85
2 Begin an investigation	Investigator	Review report, contact victim and witnesses	20
2 Begin an investigation	Investigator	Contact financial institutions and businesses	30
2 Begin an investigation	Investigator	Obtain documents, statements, and videos	30
2 Begin an investigation	Investigator	Obtain search warrants, conduct photo line-ups, and book evidence	60
2 Begin an investigation	Investigator	Write report, submit packet to DA's Office	60
Total Activity 2			200

Allowable Time Increments

We found that the county overstated the time increments that it claimed to perform the reimbursable activities because it did not use available contemporaneous time increments from its CAD/RMS. The county also misinterpreted the program's parameters and guidelines by claiming time spent by Investigators on activities that are not reimbursable.

Beginning an Investigation

During our audit, OCSD SSD staff members informed us that they could download contemporaneous timestamps for case numbers from the CAD/RMS. The CAD/RMS has one call log per case; to differentiate initial reports from supplemental reports, the report date must be verified. SSD staff stated that PDF copies of approved police reports are available at OCSD Headquarters, as these reports are retained permanently.

We received CAD/RMS time reports for the years that we tested (FY 2005-06, FY 2011-12, and FY 2012-13). The CAD/RMS time reports included the following information:

- DR # (Case No.);
- Incident Date (Includes Time);
- Complaint (530.5-ID Theft);
- How Received (Phone, Radio, 911);
- Time Transmitted;
- Time Dispatched;
- Time Enroute;
- Time OnScene; and
- Time Complete.

Time OnScene is the time of day that the Deputy Sheriff arrives at the victim's residence or business and Time Complete is the time of day that the Deputy Sheriff leaves the victim's residence or business. We concluded that Time Enroute is drive time, which is not a reimbursable activity.

Based on our calculations of time from Time OnScene to Time Complete, we determined the following average time increments for reimbursable Activity 2:

- 33 minutes for 106 sampled identity theft cases for FY 2005-06;
- 39 minutes for 130 sampled identity theft cases for FY 2011-12; and
- 36 minutes for 136 sampled identity theft cases for FY 2012-13.

Based on these results, we calculated the average time increment for the three-year period as 36 minutes spent by Deputy Sheriffs to begin an investigation for the 372 identity theft cases that we tested. We applied the average time increment of 36 minutes for the years that we did not test, which included FY 2002-03 through FY 2010-11 (excluding FY 2005-06).

OCSD representatives stated that, in addition to Deputy Sheriffs, OCSD Investigators also worked on identity theft cases after receiving police reports from the originating OCSD patrol stations. OCSD representatives stated that an approved initial police report is forwarded to the Sergeant of the Economic Crimes Detail. The Sergeant then assigns the case to either an Investigator or an Investigative Assistant to obtain additional information from the victim that was not provided to the Deputy Sheriff when the report was taken. As Sergeants did not forward all identity theft

cases for follow-up, we requested and the county provided the number of cases forwarded to Investigators and Investigative Assistants during the audit period.

Based on this additional information provided by the county, we determined that Investigators spent an additional 20 minutes working on 830 cases and Investigative Assistants spent an additional 20 minutes working on 5,696 cases during the audit period. Therefore, we determined that the county spent a total of 56 minutes on reimbursable Activity 2: 36 minutes for Deputy Sheriffs and 20 minutes for Investigators and/or Investigative Assistants.

Taking a Police Report and Reviewing Police Reports

In order to understand what reimbursable activities OCSD's CAD/RMS was unable to capture in the contemporaneous time increments recorded, we interviewed OCSD Deputy Sheriffs and Sergeants. We found that time spent by Deputy Sheriffs writing a police report (reimbursable Activity 1a.1) and time spent by Sergeants reviewing and approving police reports (reimbursable Activity 1a.2) are reimbursable activities that the CAD/RMS did not capture. Based on our interviews, we concluded that the county's claim of 30 minutes for time spent by Deputy Sheriffs reviewing notes, writing reports, and impounding evidence, and 10 minutes for time spent by Sergeants reviewing and approving a police report were reasonable and allowable.

Based on our audit, we applied the following time increments (in minutes) for each allowable police report for the unincorporated areas of the county:

- Activity 1a.1 – Take a police report supporting a violation of Penal Code section 530.5: 30 minutes;
- Activity 1a.2 – Reviewing the identity theft report: 10 minutes; and
- Activity 2 – Beginning an investigation: 36 minutes for Deputy Sheriffs and 20 minutes for Investigators or Investigative Assistants.

The following table summarizes the time claimed and allowable in minutes for reimbursable Activities 1a and 2 by fiscal year:

Fiscal Year	Claimed Time Increments				Allowable Time Increments		
	Activity 1a.1	Activity 1a.2	Activity 1a.3	Activity 2	Activity 1a.1	Activity 1a.2	Activity 2
	Review notes and write police report	Review and approve police report	Interview victim and gather information	Beginning an investigation	Writing a police report	Reviewing a police report	Beginning an investigation
2002-03	30	10	49	200	30	10	36 + 20
2003-04	30	10	60	200	30	10	36 + 20
2004-05	30	10	46	200	30	10	36 + 20
2005-06	30	10	58	200	30	10	33 + 20
2006-07	30	10	53	200	30	10	36 + 20
2007-08	30	10	57	200	30	10	36 + 20
2008-09	30	10	58	200	30	10	36 + 20
2009-10	30	10	56	200	30	10	36 + 20
2010-11	30	10	51	200	30	10	36 + 20
2011-12	30	10	52	200	30	10	39 + 20
2012-13	30	10	50	200	30	10	36 + 20

Time Increments for Beginning Investigations at Contract Cities

As stated previously, OCSD Investigators and Investigative Assistants also spent time on reimbursable Activity 2 for identity theft cases originating in OCSD's contract cities. We verified that the county assigned 2,084 of these cases to Investigators and 6,994 of these cases to Investigative Assistants during the audit period. The calculations of allowable costs include 20 minutes per case for this activity.

Allowable salary costs

The county claimed \$1,393,082 for employee salaries. We determined that \$611,571 is allowable and \$781,511 is unallowable. The county overstated salaries because it overstated the time increments required to perform the reimbursable activities and understated its counts of identity theft cases. We determined allowable salaries by multiplying the allowable time increments by the number of allowable identity theft cases and then multiplying the product by the PHRs of county employees who performed the reimbursable activities.

Actual Employee Classifications

To verify which employee classifications actually performed the mandated activities, we:

- Obtained the employee numbers from the sampled police reports and employee names from OCSD's CAD/RMS;
- Requested information supporting the actual employee classifications and PHRs of the employees identified; and
- Calculated the percentage of involvement for the OCSD employees who performed the mandated activities.

We found that Deputy Sheriffs performed all of the mandated activities captured by the CAD/RMS time records (reimbursable Activities 1a.1 and 2). We also noted, from viewing copies of the filed police reports, that Sergeants approved all of the reports (reimbursable Activity 1a.2). The county identified Economic Crimes Detail Investigators and Investigative Assistants who spent additional time on reimbursable Activity 2 after receiving initial police reports approved by Patrol Station Sergeants. Investigators and Investigative Assistants also spent time to begin investigations for identity theft cases originating in the county's contract cities during the audit period.

PHRs

The county provided calculations of its annual productive hours and PHRs for the audit period. We reviewed the county's Employer Roster Listing (human resources and payroll records) at OCSD Headquarters to verify the PHRs for the authors of the sampled and approved police reports. The county proposed and we agreed to use OCSD's top step rates to compute the weighted average PHR in our computation of allowable salary costs.

The following table summarizes the PHRs claimed and allowable for the audit period:

Fiscal Year	PHRs Claimed			PHRs Allowable			
	Deputy Sheriff II	Investigator	Sergeant	Deputy Sheriff II	Sergeant	Investigator	Investigative Assistant
2002-03	\$ 40.17	\$ 43.84	\$ 49.83	\$ 40.20	\$ 49.87	\$ 43.87	\$ 23.46
2003-04	41.60	45.41	51.61	41.60	51.61	45.41	24.86
2004-05	40.63	44.35	50.41	40.63	50.41	44.35	24.84
2005-06	43.13	47.04	52.52	42.89	53.20	46.81	24.84
2006-07	46.14	50.06	55.96	45.71	56.69	49.88	26.54
2007-08	48.19	52.28	58.97	47.82	59.33	52.20	29.92
2008-09	49.12	53.38	59.98	49.42	61.29	53.93	30.97
2009-10	49.83	54.40	60.85	49.93	61.93	54.49	31.08
2010-11	51.30	55.37	61.80	51.30	63.63	55.98	32.04
2011-12	51.48	55.77	63.06	51.48	63.85	56.18	32.10
2012-13	50.23	54.17	60.93	50.25	62.33	54.84	31.40

Using this salary rate information, the corrected number of case counts, the corrected time increments, and the employee classifications that performed the reimbursable activities during the audit period, we determined allowable salaries for each fiscal year. For example, the following table shows the calculation of allowable salary costs for FY 2012-13:

[1] Reimbursable Activity	[2] Employee Classification	[3] Number of Cases	[4] Time Increment (Minutes)	[5] Minutes (cols. [3] × [4])	[6] Hours (col. [5] ÷ 60)	[7] PHR (\$)	[8] Allowable Costs ¹ (\$) (cols. [6] × [7])
1a.1	Deputy Sheriff II	1,418	30	42,540	709.00	\$ 50.25	\$ 35,627
1a.2	Sergeant	1,418	10	14,180	236.33	\$ 62.33	14,731
2	Deputy Sheriff II	1,418	36	51,048	850.80	\$ 50.25	42,753
2	Investigator	102	20	2,040	34.00	\$ 54.84	1,865
2	Investigative Assistant	1,327	20	26,540	442.34	\$ 31.40	13,890
2	Investigator ²	55	20	1,100	18.33	\$ 54.84	1,005
2	Investigative Assistant ²	350	20	7,000	116.67	\$ 31.40	3,663
Total							\$ 113,534

¹ Immaterial differences due to rounding.

² Time spent on cases from contract cities.

Allowable related employee benefits

The county claimed \$922,295 for related employee benefits. We determined that \$400,493 is allowable and \$521,802 is unallowable. The county overstated related employee benefits because it overstated salary costs by \$781,511.

Benefits costs are determined by multiplying allowable salary costs by each year's benefit rate. Employee benefits related to allowable salaries are allowable. The county provided the employee benefit rates from its indirect cost rate proposals (ICRPs) for the audit period. Using this information, we calculated allowable benefit costs.

The following table summarizes the allowable related employee benefit costs by fiscal year:

Fiscal Year	Allowable Salaries	Allowable Benefit Rate	Allowable Benefit Costs
2002-03	\$ 16,656	44.430%	\$ 7,400
2003-04	13,023	57.250%	7,456
2004-05	10,993	60.820%	6,686
2005-06	34,573	62.433%	21,585
2006-07	55,323	61.410%	33,974
2007-08	54,889	61.965%	34,012
2008-09	75,734	60.616%	45,907
2009-10	80,519	63.742%	51,324
2010-11	71,538	69.549%	49,754
2011-12	84,789	69.757%	59,146
2012-13	113,534	73.325%	83,249
Total	<u>\$ 611,571</u>		<u>\$ 400,493</u>

Allowable related indirect costs

The county claimed \$861,630 for related indirect costs. We determined that \$224,803 is allowable and \$636,827 is unallowable. The county overstated indirect costs because it overstated salary costs by \$781,511.

Indirect costs are determined by multiplying each year's salary costs by each year's indirect cost rate. The program's parameters and guidelines offer two options for claiming indirect costs: (1) use 10% of labor, excluding fringe benefits; or (2) prepare an ICRP for each year of the audit period. The county provided ICRPs to support its claimed indirect costs for the audit period. We reviewed the supporting documentation that the county provided for its ICRPs and determined that the indirect cost rates were properly supported, reasonable, and not excessive.

The following table summarizes the related indirect cost audit adjustment by fiscal year:

Fiscal Year	Allowable Salaries	Allowable Indirect Cost Rates	Allowable Indirect Costs
2002-03	\$ 16,656	25.15%	\$ 4,189
2003-04	13,023	31.36%	4,084
2004-05	10,993	31.74%	3,489
2005-06	34,573	30.88%	10,676
2006-07	55,323	33.09%	18,306
2007-08	54,889	31.80%	17,455
2008-09	75,734	39.76%	30,112
2009-10	80,519	36.52%	29,406
2010-11	71,538	38.31%	27,406
2011-12	84,789	39.77%	33,721
2012-13	113,534	40.48%	45,959
Total	<u>\$ 611,571</u>		<u>\$ 224,803</u>

Criteria

The parameters and guidelines (section III. – Period of Reimbursement) state, in part, “Actual costs for one fiscal year shall be included in each claim.”

The parameters and guidelines (section IV. – Reimbursable Activities) state, in part:

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.

The parameters and guidelines (section IV. – Reimbursable Activities) state:

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.

The parameters and guidelines (section V.I. – Claim Preparation and Submission – salaries and benefits) state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2019-20 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the program's parameters and guidelines and the SCO's claiming instructions when preparing its mandated cost claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The OCSD filed claims for these mandated activities based on the time spent to accomplish those tasks; however, the Program Parameters and Guidelines are vague, and therefore, some of the work performed and time spent to complete the mandated tasks was disallowed by the State. OCSD has gained better clarity of the Parameters and Guidelines as a result of this audit. OCSD will ensure that claimed costs include only eligible costs that are based on properly supported actual costs.

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



ORANGE COUNTY SHERIFF'S DEPARTMENT

SHERIFF-CORONER DON BARNES

December 19, 2019

Ms. Lisa Kurokawa, Chief
State Controller's Office (SCO)
Compliance Audits Bureau, Division of Audits
3301 C Street, Suite 725
Sacramento, CA 95816

Re: Draft Report titled "Orange County Identity Theft Program, Chapter 956, Statutes of 2000

Dear Ms. Kurokawa:

The Orange County Sheriff's Department (OCSD) is in receipt of the above-referenced draft report for the Identity Theft Program. We appreciate the opportunity to review the draft report and provide a response.

We noted the following errors in the DRAFT report that should be corrected:

- Cover letter should be addressed to Auditor Controller Frank Davies
- Page 12 - Total Activity 1a should total 85
- Page 15 - The Fiscal Years should be sequential (2002-03, 2003-04, 2004-05, etc.)
- Page 16 - The reference to reimbursable activities 1.a.1 and 1.a.2 should be 1a.1 and 1a.2
- Page 16 - Please add the Fiscal Years to the PHR table

With respect to the Finding and Recommendation OCSD's response is as follows:

Finding:

- The county claimed \$3,177,007 for the Identity Theft Program. We found that \$1,236,867 is allowable and \$1,940,140 is unallowable.



ORANGE COUNTY SHERIFF'S DEPARTMENT

SHERIFF-CORONER DON BARNES

Recommendation:

The State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2019-20 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the program's parameters and guidelines and the SCO's claiming instructions when preparing its mandated cost claims.
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

OCSD Response:

The SB 90 Identity Theft Mandated Program Parameters and Guidelines state that a county law enforcement agency is eligible to claim costs for a) taking a police report supporting a violation of Penal Code 530.5 (Identity Theft) and b) begin an investigation of the facts. The OCSD filed claims for these mandated activities based on the time spent to accomplish those tasks, however the Program Parameters and Guidelines are vague and therefore, some of the work performed and time spent to complete the mandated tasks was disallowed by the State. OCSD has gained better clarity of the Parameters and Guidelines as a result of this audit. OCSD will ensure that claimed costs include only eligible costs that are based on properly supported actual costs.

We appreciate your flexibility and willingness to consider additional information once more clarity was determined regarding investigative functions, CAD/RMS data and various rates.

The Orange County Sheriff's Department is committed to providing excellent service to the residents of Orange County and will continue to perform the State mandated activities. Thank you for your consideration of our response.

Sincerely,

Norma M. Crook
Director, Financial/Administrative Services

- c: Mr. Jim Venneman, Audit Manager, Compliance Audits Bureau, Division of Audits
Auditor-Controller Frank Davies, County of Orange
Executive Director Brian Wayt, Administrative Services Command, OC Sheriff-Coroner
Senior Director Robert Beaver, Administrative Services Command, OC Sheriff-Coroner
Director Kirk Wilkerson, Support Services, OC Sheriff-Coroner
Sharon Tabata, Assistant Director, Financial/Administrative Services, OC Sheriff-Coroner
Linh Vuong, Manager, Cost/Audit, OC Sheriff-Coroner
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Susan Munoz, Manager, Financial Reporting & Mandated Costs, OC Auditor-Controller

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