

CITY OF SACRAMENTO

Audit Report

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS PROGRAM

Chapter 246, Statutes of 1995

July 1, 2010, through June 30, 2013



BETTY T. YEE
California State Controller

January 2016



BETTY T. YEE
California State Controller

January 4, 2016

The Honorable Kevin Johnson, Mayor
City of Sacramento
915 I Street, 5th Floor
Sacramento, CA 95814

Dear Mayor Johnson:

The State Controller's Office audited the costs claimed by the City of Sacramento for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995 for the period of July 1, 2010, through June 30, 2013).

The city claimed and was paid \$594,605 for the mandated program. Our audit found that \$286,890 is allowable and \$307,715 is unallowable. The costs are unallowable primarily because the city claimed unsupported and non-mandate-related costs. The State will offset \$307,715 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

Attachment

cc: Leyne Milstein, Finance Director
City of Sacramento
Sam Somers, Chief of Police
City of Sacramento
Scott Pettingell, Administrative Officer
Sacramento Police Department
Julie Coffeen, SB-90 Coordinator
City of Sacramento
Evelyn Suess, Principal Program Budget Analyst
Mandates Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Sacramento for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2010, through June 30, 2013.

The city claimed and was paid \$594,605 for the mandated program. Our audit found that \$286,890 is allowable and \$307,715 is unallowable. The costs are unallowable primarily because the city claimed unsupported and non-mandate-related costs. The State will offset \$307,715 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Background

Penal Code section 13701, subdivision (b) (added by Chapter 246, Statutes of 1995), required local law enforcement agencies to develop, adopt, and implement written arrest policies for domestic violence offenders by July 1, 1996. The legislation also required local law enforcement agencies to obtain input from local domestic violence agencies in developing the arrest policies. Under previous law, local law enforcement agencies were required to develop, adopt, and implement written policies for response to domestic violence calls and were encouraged, but not obligated, to consult with domestic violence experts.

On September 25, 1997, the Commission on State Mandates (Commission) determined that Chapter 246, Statutes of 1995, imposed a state mandated program reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on August 20, 1998 and amended them on October 30, 2009. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Domestic Violence Arrest Policies and Standards Program for the period of July 1, 2010, through June 30, 2013.

The objectives of our audit were 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 legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the city'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.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.
- Tested transactions selected through auditor professional judgement for the relevant cost elements.

Conclusion

Our audit found instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Schedule (Summary of Program Costs) and in the Findings and Recommendations section of this report.

For the audit period, the City of Sacramento claimed \$594,605 for costs of the Domestic Violence Arrest Policies and Standards Program. Our audit found that \$286,890 is allowable and \$307,715 is unallowable.

For the fiscal year (FY) 2010-11 claim, the State paid the city \$126,362. Our audit found that \$106,262 is allowable. The State will offset \$20,100 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2011-12 claim, the State paid the city \$196,408. Our audit found that \$87,863 is allowable. The State will offset \$108,545 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2012-13 claim, the State paid the city \$271,835. Our audit found that \$92,765 is allowable. The State will offset \$179,070 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Views of Responsible Officials

We issued a draft audit report on November 24, 2015. Leyne Milstein, Director of Finance, responded by letter dated December 8, 2015 (Attachment), agreeing with the audit results. This final audit report includes the city's response.

Restricted Use

This report is solely for the information and use of the City of Sacramento, 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.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

January 4, 2016

Schedule—
Summary of Program Costs
July 1, 2010, through June 30, 2013

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 87,309	\$ 74,680	\$ (12,629)	Findings 1, 2
Indirect costs	39,053	31,582	(7,471)	Findings 1, 2, 3, 4
Total program costs	<u>\$ 126,362</u>	106,262	<u>\$ (20,100)</u>	
Less amount paid by the State		(126,362)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (20,100)</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Salaries and benefits	\$ 147,128	\$ 67,055	\$ (80,073)	Findings 1, 2
Indirect costs	49,280	20,808	(28,472)	Findings 1, 2, 4
Total program costs	<u>\$ 196,408</u>	87,863	<u>\$ (108,545)</u>	
Less amount paid by the State		(196,408)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (108,545)</u>		
<u>July 1, 2012, through June 30, 2013</u>				
Direct costs:				
Salaries and benefits ²	\$ 193,334	\$ 66,494	\$ (126,840)	Findings 1, 2
Indirect costs ²	78,501	26,271	(52,230)	Findings 1, 2, 4
Total program costs	<u>\$ 271,835</u>	92,765	<u>\$ (179,070)</u>	
Less amount paid by the State		(271,835)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (179,070)</u>		
<u>Summary: July 1, 2010, through June 30, 2013</u>				
Direct costs:				
Salaries and benefits	\$ 427,771	\$ 208,229	\$ (219,542)	
Indirect costs	166,834	78,661	(88,173)	
Total program costs	<u>\$ 594,605</u>	286,890	<u>\$ (307,715)</u>	
Less amount paid by the State		(594,605)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (307,715)</u>		

¹ See the Findings and Recommendations section.

² For FY 2012-13 the city combined direct and indirect costs on its claims. We identified the costs separately for consistency with the prior years.

Findings and Recommendations

FINDING 1— Overstated costs

The city overstated salaries and benefits by \$148,980; the related indirect costs total \$55,765.

For each fiscal year, the city provided a summary report to support the claimed number of domestic violence incident reports. The city created the summary reports using its records management system (RMS). The RMS information did not support the number of domestic violence incident reports that the city claimed.

The following table summarizes the audit adjustment for the understated or overstated number of incident reports:

	Fiscal Year			Total
	2010-11	2011-12	2012-13	
Number of domestic violence incident reports per RMS	3,330	3,180	3,052	
Less number of domestic violence incident reports claimed	(2,846)	(5,229)	(6,767)	
Understated/(overstated) number of reports	484	(2,049)	(3,715)	
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48	
Understated/overstated hours	232	(984)	(1,783)	
Claimed productive hourly rate, salaries ¹	x \$44.07	x \$38.81	x \$40.16	
Understated/(overstated) salaries (A) ²	\$ 10,224	\$ (38,189)	\$ (71,605)	
Benefit rate ¹	x 45.02%	x 51.04%	x 48.21%	
Understated/(overstated) benefits (B) ²	4,603	(19,492)	(34,521)	
Understated/(overstated) salaries and benefits ((C) = (A) + (B))	14,827	(57,681)	(106,126)	\$ (148,980)
Indirect cost rate claimed (D)	x 44.73%	x 50.59%	x 40.59%	
Related indirect costs ((E) = (A) x (D)) ¹		(19,320)		
((E) = (A+B) x (D)) ¹	6,632		(43,077)	(36,445)
Audit adjustment, ((F) = (C) + (E))	\$ 21,459	\$ (77,001)	\$ (149,203)	\$ (204,745)

¹ The average productive hourly rates claimed for fiscal year (FY) 2010-11, and FY 2011-12 combined salaries and benefits; however, the claimed average productive hourly rate for FY 2012-13 combined salaries, benefits, and indirect costs. We calculated salaries, benefits, and indirect costs separately, as the city developed the indirect cost rates using salaries and benefits for FY 2010-11 and FY 2012-13, and salaries for FY 2011-12.

² Calculation differences due to rounding.

The program's parameters and guidelines state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

The parameters and guidelines allow a uniform time allowance of 29 minutes (0.48 hours) for responding officers to interview both parties (17 minutes) and consider various specified factors (12 minutes) in a domestic violence incident.

Recommendation

We recommend that the city claim the number of domestic violence incident reports that its RMS supports.

City’s Response

The city agrees with the finding.

**FINDING 2—
Non-reimbursable
costs**

The city claimed non-reimbursable salaries and benefits totaling \$68,094; the related indirect costs total \$27,085.

As noted in Finding 1, the city understated or overstated the claimed number of domestic violence incident reports for the audit period. The following table summarizes the audited population of incident reports and the claimed hours attributable to the audited population:

	Fiscal Year		
	2010-11	2009-10	2010-11
Documented number of domestic violence incident reports	3,330	3,180	3,052
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48
Claimed hours attributable to documented incident reports	<u>1,598</u>	<u>1,526</u>	<u>1,465</u>

For each fiscal year, we selected a statistical sample from the documented number of domestic violence incident reports (the population) based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that the results could be projected to the population for each fiscal year. We selected a random sample of 144 incident reports for FY 2010-11 and 143 incident reports each for FY 2011-12 and FY 2012-13. We reviewed the sample incident reports to determine whether the city performed the required mandated program activities. Our review found the following:

- 213 incident reports were fully reimbursable under the mandated program. These reports are reimbursable at 29 minutes (0.48 hours) per report.
- 158 incident reports were only partially reimbursable because the officers did not interview both parties involved in the domestic violence incident. These reports are reimbursable at 20.5 minutes (0.34 hours) per report, based on 8.5 minutes to interview one party and 12 minutes to consider the various factors identified in the parameters and guidelines.

- 59 incident reports were not reimbursable because the incidents did not meet the definition of domestic violence, as defined by Penal Code section 13700. The ineligible reports involved other incidents like verbal disputes.

The following table summarizes the results of our statistical samples:

	Fiscal Year			Total
	2010-11	2011-12	2012-13	
Allowable incident reports	67	71	75	213
Partially reimbursable incident reports - only one party interviewed	59	51	48	158
Non-mandate-related incident reports	18	21	20	59
Total reports sampled	144	143	143	430

The following table shows the calculation of unallowable hours based on the results of the statistical samples:

	Fiscal Year			Total
	2010-11	2011-12	2012-13	
Allowable incident reports	67	71	75	213
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48	
Subtotal (G)	32.16	34.08	36.00	
Partially reimbursable incident reports - only one party interviewed	59	51	48	158
Allowable uniform time allowance (hours)	x 0.34	x 0.34	x 0.34	
Subtotal (H)	20.06	17.34	16.32	
Total reimbursable hours for sampled reports ((G) + (H))	52.22	51.42	52.32	
Statistical sample size	÷ 144	÷ 143	÷ 143	
Reimbursable hours per report	0.3626	0.3596	0.3659	
Number of documented incident reports	x 3,330	x 3,180	x 3,052	
Total reimbursable hours	1,207	1,144	1,117	
Less claimed hours attributable to documented incident reports	(1,598)	(1,526)	(1,465)	
Unallowable hours	(391)	(382)	(348)	

The following table summarizes the unallowable costs based on the unallowable hours identified from the statistical samples:

	Fiscal Year			Total
	2010-11	2011-12	2012-13	
Unallowable hours	(391)	(382)	(348)	
Claimed average productive hourly rate (salary)	x \$44.07	x \$38.81	x \$40.16	
Unallowable salaries (J) ¹	\$ (17,231)	\$ (14,825)	\$ (13,976)	
Benefit rate	x 45.02%	x 51.04%	x 48.21%	
Unallowable benefits (K) ¹	(7,757)	(7,567)	(6,738)	
Unallowable salary and benefits ((L) = (J) + (K))	(24,988)	(22,392)	(20,714)	\$ (68,094)
Indirect cost rate claimed	x 44.73%	x 50.59%	x 40.59%	
Related indirect costs (M) ¹	(11,177)	(7,500)	(8,408)	(27,085)
Audit adjustment ((L) + (M))	\$ (36,165)	\$ (29,892)	\$ (29,122)	\$ (95,179)

¹ The average productive hourly rate claimed for FY 2010-11 and FY 2011-12 combined salaries and benefits; while the claimed average productive hourly rate for FY 2012-13 combined salaries, benefits, and indirect costs. We calculated salaries, benefits, and indirect costs separately as the city developed the indirect cost rates using salaries and benefits for FY 2010-11 and FY 2012-13, and salaries for FY 2011-12.

² Calculation differences due to rounding.

The parameters and guidelines state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

The parameters and guidelines allow a total uniform time allowance of 29 minutes (0.48 hours) for responding officers to interview both parties (17 minutes) and consider various specified factors (12 minutes) in a domestic violence incident.

Recommendation

We recommend that the city claim costs for only those reports that document incidents meeting the definition of domestic violence as provided by Penal Code section 13700. In addition, we recommend that the city claim the portion of the uniform time allowance that is attributable to the mandated activities actually performed.

City’s Response

The city agrees with the finding.

**FINDING 3—
Overstated productive
hourly rate**

The city overstated the average productive hourly rate it used to claim mandated-related costs in one fiscal year. As a result, the city overstated salaries, benefits, and related indirect costs in that fiscal year. For the audit period, the city claimed unallowable salaries and benefits totaling \$2,468; the related indirect cost is \$1,104.

The city overstated the average productive hourly rate for FY 2010-11. During the audit process, the city representative disclosed the average productive hourly rate was calculated using the actual salaries of police officer who perform the mandated activities; however, the documentation provided did not support the claimed average productive hourly rate.

The following table summarizes the audit adjustment:

	<u>Fiscal Year</u> <u>2010-11</u>
Annual average salary	\$ 76,794
Supported annual productive hours	÷ 1,800
Allowable average productive hourly rate (salary) ¹	42.66
Less claimed average productive hourly rate	<u>(44.07)</u>
(Overstated)/understated) average productive hourly rate	(1.41)
Total reimbursable hours (from Finding 2)	x <u>1,207</u>
(Overstated)/understated) salaries (N)	\$ (1,702)
Claimed benefit rate	x <u>45.02%</u>
(Overstated)/understated) benefits (O)	(766)
(Overstated)/understated) salaries and benefits (P) = (N) + (O)	(2,468)
Indirect cost rate claimed	x <u>44.73%</u>
Related indirect costs (Q)	<u>(1,104)</u>
Audit adjustment ((P) + (Q))	<u>\$ (3,572)</u>

The parameters and guidelines state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

Recommendation

We recommend that the city calculate the average productive hourly rate based on the actual salaries and benefits attributable to those officers who respond to domestic violence incidents.

City’s Response

The city agrees with the finding.

**FINDING 4—
Overstated Indirect
cost rates**

The city overstated its indirect cost by \$4,219 for the audit period because it overstated its indirect cost rates during the audit period. This resulted because reimbursements and credits applicable to the indirect departments were not allocated to the indirect cost pool when calculating the Indirect Cost Rate Proposal.

The following table summarizes the indirect cost rate audit adjustments:

	Costs Reported	Allowable Costs	Audit Adjustment
<u>FY 2010-11</u>			
Direct costs:			
Salaries and benefits (A)	\$ 92,469,503	\$ 92,469,503	\$ -
Indirect costs:			
Salaries and benefits	\$ 21,901,607	\$ 21,901,607	\$ -
Services and supplies	9,843,354	9,843,354	
Countywide cost allocation	9,612,872	9,612,872	
Credits Received	-	(2,252,982)	(2,252,982)
Total indirect costs (B)	<u>\$ 41,357,833</u>	<u>\$ 39,104,851</u>	<u>\$ (2,252,982)</u>
Indirect cost rate, FY 2010-11 (B ÷ A)		<u>42.29%</u>	
<u>FY 2011-12</u>			
Direct costs:			
Salaries (C)	\$ 65,653,276	\$ 65,653,276	\$ -
Indirect costs:			
Salaries and benefits	\$ 15,668,493	\$ 15,668,493	\$ -
Services and supplies	4,220,903	4,220,903	
Countywide cost allocation	13,321,947	13,321,947	
Credits Received		(2,440,951)	(2,440,951)
Total indirect costs (D)	<u>\$ 33,211,343</u>	<u>\$ 30,770,392</u>	<u>\$ (2,440,951)</u>
Indirect cost rate, FY 2011-12 (D ÷ C)		<u>46.87%</u>	
<u>FY 2012-13</u>			
Direct costs:			
Salaries and benefits (E)	\$ 98,393,376	\$ 98,393,376	\$ -
Indirect costs:			
Salaries and benefits	\$ 16,556,024	\$ 16,556,024	\$ -
Services and supplies	10,066,718	10,066,718	
Countywide cost allocation	13,310,348	13,310,348	
Credits Received		(1,094,139)	(1,094,139)
Total indirect costs (F)	<u>\$ 39,933,090</u>	<u>\$ 38,838,951</u>	<u>\$ (1,094,139)</u>
Indirect cost rate, FY 2012-13 (F ÷ E)		<u>39.47%</u>	

The following table summarizes the audit adjustment:

	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>Total</u>
Allowable indirect cost rate	42.29%	46.87%	39.47%	
Less claimed indirect cost rate	<u>(44.73)%</u>	<u>(50.59)%</u>	<u>(40.59)%</u>	
Unallowable indirect cost rate	(2.44)%	(3.72)%	(1.12)%	
Allowable salaries ¹		\$ 44,396		
Allowable salaries and benefits ¹	x \$ 74,680	x	x \$ 66,494	
Audit adjustment	<u>\$ (1,822)</u>	<u>\$ (1,652)</u>	<u>\$ (745)</u>	<u>\$ (4,219)</u>

¹ The city calculated indirect cost using direct salaries for FY 2010-11 and FY 2012-13, and using salaries for FY 2011-12.

The parameters and guidelines state, “Actual costs must be traceable and supported by source documents that show the validity of such costs. . . .” The parameters and guidelines also state that local agencies may claim indirect costs using the procedures provided in OMB Circular A-87.

Title 2, *Code of Federal Regulations*, Part 225 (Office of Management and Budget (OMB) Circular A-87), Appendix A, Part C, subdivision 3.b. states, “All activities which benefit from the governmental unit’s indirect cost . . . will receive an appropriate allocation of indirect costs.”

In addition Appendix E, Part C, subdivision 2.a states that when calculating the indirect cost rate, indirect costs, less applicable credits, are divided by an equitable base.

Recommendation

We recommend that the city offset the indirect cost pool by all reimbursements or credits it receives that are applicable to expenses included in the indirect cost pool.

City’s Response

The city agrees with the finding.

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

City of
SACRAMENTO
Finance Department

December 8, 2015

Jeffery V. Brownfield, CPA
Chief, Division of Audits
P.O. Box 942850
Sacramento, CA 94250

Dear Mr. Brownfield:

Subject: City of Sacramento - State Mandated Cost Audit -- Domestic Violence Arrest Policies and Standards Program (Chapter 246/Statutes of 1995)

Thank you for providing the City of Sacramento with the draft findings for your audit on the Domestic Violence Arrest Policies state mandated program.

The City understands and agrees with all four findings. Upon completion of our work with your audit staff and all parties involved in the City's claims preparation process, the Sacramento Police Department is developing documented processes and procedures to ensure proper case counts, time allowance, productive hourly rates and indirect costs are claimed accurately in the future.

We appreciate the information and recommendations provided by your audit. Thank you for this opportunity to submit our comments on your draft report. If you have any questions about this response, please do not hesitate to contact me at (916) 808-8491.

Sincerely,



Leyne Milstein *for*
Director, Department of Finance

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