

CITY OF LANCASTER

Audit Report

CRIME STATISTICS REPORTS FOR THE DEPARTMENT OF JUSTICE PROGRAM

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

July 1, 2001, through June 30, 2012



BETTY T. YEE
California State Controller

February 2020



BETTY T. YEE
California State Controller

February 10, 2020

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Pam Statsmann, Finance Director
City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534

Dear Ms. Statsmann:

The State Controller's Office (SCO) audited the costs claimed by the City of Lancaster for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012.

The city claimed \$1,948,983 for costs of the mandated program. Our audit found that \$766,903 is allowable (\$833,478 less a \$66,575 penalty for filing late claims) and \$1,182,080 is unallowable because the city overstated the number of domestic violence related calls for assistance, contract hourly rates, and time increments that it used to calculate costs to write, review, and edit reports on domestic violence related calls for assistance; and claimed unallowable activities for the Hate Crime Reports and Homicide Reports cost components. The State made no payments to the city. The State will pay \$766,903, 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.

This final audit report contains an adjustment to costs claimed by the city. If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to the Commission's regulations, outlined in Title 2, California Code of Regulations, section 1185.1, subdivision (c), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. IRC information is available on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

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: The Honorable R. Rex Parris, Mayor
City of Lancaster
Lee D'Errico, Public Safety Manager
City of Lancaster
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
Steven Pavlov, Finance Budget Analyst
Local Government Unit
California Department of Finance
Debra Morton, Manager
Local Government Programs and Services Division
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 Lancaster for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012.

The city claimed \$1,948,983 for costs of the mandated program. Our audit found that \$766,903 is allowable (\$833,478 less a \$66,575 penalty for filing late claims) and \$1,182,080 is unallowable because the city overstated the number of domestic violence related calls for assistance, contract hourly rates, and time increments that it used to calculate costs to write, review, and edit reports on domestic violence related calls for assistance; and claimed unallowable activities for the Hate Crime Reports and Homicide Reports cost components. The State made no payments to the city. The State will pay \$766,903, 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 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:

- A local government entity responsible for the investigation and prosecution of a homicide case to provide the California Department of Justice 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);

- 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, or physical or mental disability, or 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 PC section 12025 (carrying a concealed firearm) or section 12031 (carrying a loaded firearm in a public place), and any other offense charged in the same complaint, indictment, or information. The Commission found 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 agencies 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; and
 - 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 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 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.

The audit period was July 1, 2001, through June 30, 2012.

To achieve our objective, we:

- Reviewed the annual mandated cost claims filed by the city for the audit period and identified the significant cost components of each claim as Homicide Reports, Domestic Violence Related Calls for Assistance, and Hate Crime Reports. Determined whether there were any errors or unusual or unexpected variances from year to year. Reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key city staff members. Discussed the claim preparation process with city staff members to determine what information was obtained, who obtained it, and how it was used;
- Reviewed the contract service agreements and related Attachment A, LASD SH-AD 575 Deployment of Personnel forms (LASD SH-AD 575) executed between the Los Angeles Sheriff Department (LASD) and the city to determine the contracted employee classifications involved in performing the activities. We found that the Operations Assistant II classification claimed to perform the Homicide Reports and Hate Crime Reports activities is unallowable;
- Reviewed and analyzed the monthly reports to the DOJ for fiscal year (FY) 2001-02 through FY 2008-09 and the contracted agency's detailed listings of incident report counts for FY 2009-10 through FY 2011-12. Our review disclosed that the city overstated the number of domestic violence related calls for assistance during the audit period;
- Traced a judgmentally selected non-statistical sample (59 out of 865 in FY 2009-10, 53 out of 816 in FY 2010-11, and 53 out of 794 in FY 2011-12) of domestic violence calls for assistance to written incident reports. No errors were identified;
- Reviewed the contracted agency's time study documentation to assess whether the average time increments claimed to perform the reimbursable activities were reasonable per the requirements of the program. Based on our review, we found that the city overstated the time increments that were used to calculate the costs to write, review, and edit reports on the domestic violence related calls for assistance;
- Traced the contracted salary amounts and the contract hours to the LASD SH-AD 575 between LASD and the city. We recomputed the contracted hourly rates using the contract salary amounts and productive hours. We found that the city overstated the contract hourly rates for the audit period; and
- Verified that costs claimed were not funded by another source, based on discussions with the city's Finance Director.

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 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. We did not audit the city's financial statements.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We did not find that the city claimed costs that were funded by other sources; however, we did find that it claimed costs that were not supported by appropriate source documents and costs that were unreasonable and/or excessive, as quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, the City of Lancaster claimed \$1,948,983 for costs of the legislatively mandated Crime Statistics Reports for the Department of Justice Program. Our audit found that \$766,903 is allowable (\$833,478 less a \$66,575 penalty for filing late claims) and \$1,182,080 is unallowable. The State made no payment to the city. The State will pay \$766,903, 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 issued the draft audit report on December 23, 2019. Pam Statsmann, Finance Director, responded by letter dated January 8, 2020 (Attachment), agreeing with some components of the audit finding and disagreeing with others.

Restricted Use

This audit report is solely for the information and use of the City of Lancaster, 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

JIM L. SPANO, CPA
Chief, Division of Audits

February 10, 2020

Schedule—
Summary of Program Costs
July 1, 2001, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 3,315	\$ -	\$ (3,315)
Domestic violence related calls for assistance	131,175	59,151	(72,024)
Hate crime reports	581	-	(581)
Total direct costs	135,071	59,151	(75,920)
Less late filing penalty ³	-	(5,915)	(5,915)
Total program costs	<u>\$ 135,071</u>	53,236	<u>\$ (81,835)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 53,236</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 8,470	\$ -	\$ (8,470)
Domestic violence related calls for assistance	111,780	50,821	(60,959)
Hate crime reports	784	-	(784)
Total direct costs	121,034	50,821	(70,213)
Less late filing penalty ³	-	(5,082)	(5,082)
Total program costs	<u>\$ 121,034</u>	45,739	<u>\$ (75,295)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 45,739</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 8,729	\$ -	\$ (8,729)
Domestic violence related calls for assistance	123,300	54,920	(68,380)
Hate crime reports	730	-	(730)
Total direct costs	132,759	54,920	(77,839)
Less late filing penalty ³	-	(5,492)	(5,492)
Total program costs	<u>\$ 132,759</u>	49,428	<u>\$ (83,331)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 49,428</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 4,652	\$ -	\$ (4,652)
Domestic violence related calls for assistance	115,696	55,571	(60,125)
Hate crime reports	639	-	(639)
Total direct costs	120,987	55,571	(65,416)
Less late filing penalty ³	-	(5,557)	(5,557)
Total program costs	<u>\$ 120,987</u>	50,014	<u>\$ (70,973)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 50,014</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 6,700	\$ -	\$ (6,700)
Domestic violence related calls for assistance	140,020	65,127	(74,893)
Hate crime reports	576	-	(576)
Total direct costs	147,296	65,127	(82,169)
Less late filing penalty ³	-	(6,513)	(6,513)
Total program costs	<u>\$ 147,296</u>	58,614	<u>\$ (88,682)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 58,614</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 8,919	\$ -	\$ (8,919)
Domestic violence related calls for assistance	172,416	77,808	(94,608)
Hate crime reports	467	-	(467)
Total direct costs	181,802	77,808	(103,994)
Less late filing penalty ³	-	(7,781)	(7,781)
Total program costs	<u>\$ 181,802</u>	70,027	<u>\$ (111,775)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 70,027</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 7,240	\$ -	\$ (7,240)
Domestic violence related calls for assistance	224,150	101,193	(122,957)
Hate crime reports	<u>467</u>	<u>-</u>	<u>(467)</u>
Total direct costs	231,857	101,193	(130,664)
Less late filing penalty ³	<u>-</u>	<u>(10,119)</u>	<u>(10,119)</u>
Total program costs	<u>\$ 231,857</u>	91,074	<u>\$ (140,783)</u>
Less amount paid by the State ⁴		<u>-</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 91,074</u>	
 <u>July 1, 2008, through June 30, 2009</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 6,122	\$ -	\$ (6,122)
Domestic violence related calls for assistance	247,469	112,376	(135,093)
Hate crime reports	<u>454</u>	<u>-</u>	<u>(454)</u>
Total direct costs	254,045	112,376	(141,669)
Less late filing penalty ³	<u>-</u>	<u>(11,238)</u>	<u>(11,238)</u>
Total program costs	<u>\$ 254,045</u>	101,138	<u>\$ (152,907)</u>
Less amount paid by the State ⁴		<u>-</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 101,138</u>	
 <u>July 1, 2009, through June 30, 2010</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 5,946	\$ -	\$ (5,946)
Domestic violence related calls for assistance	207,366	88,781	(118,585)
Hate crime reports	<u>630</u>	<u>-</u>	<u>(630)</u>
Total direct costs	213,942	88,781	(125,161)
Less late filing penalty ³	<u>-</u>	<u>(8,878)</u>	<u>(8,878)</u>
Total program costs	<u>\$ 213,942</u>	79,903	<u>\$ (134,039)</u>
Less amount paid by the State ⁴		<u>-</u>	
Allowable costs claimed in excess of amount paid		<u>\$ 79,903</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 5,858	\$ -	\$ (5,858)
Domestic violence related calls for assistance	207,766	83,790	(123,976)
Hate crime reports	641	-	(641)
Total program costs	<u>\$ 214,265</u>	83,790	<u>\$ (130,475)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 83,790</u>	
 <u>July 1, 2011, through June 30, 2012</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 522	\$ -	\$ (522)
Domestic violence related calls for assistance	195,198	83,940	(111,258)
Hate crime reports	205	-	(205)
Total program costs	<u>\$ 195,925</u>	83,940	<u>\$ (111,985)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 83,940</u>	
 <u>Summary: July 1, 2001, through June 30, 2012</u>			
Direct costs – contract services ² :			
Homicide reports	\$ 66,473	\$ -	\$ (66,473)
Domestic violence related calls for assistance	1,876,336	833,478	(1,042,858)
Hate crime reports	6,174	-	(6,174)
Total direct costs	1,948,983	833,478	(1,115,505)
Less late filing penalty ³	-	(66,575)	(66,575)
Total program costs	<u>\$ 1,948,983</u>	766,903	<u>\$ (1,182,080)</u>
Less amount paid by the State ⁴		-	
Allowable costs claimed in excess of amount paid		<u>\$ 766,903</u>	

¹ See the Finding and Recommendation section.

² The city claimed contract services costs that were misclassified as salaries during the audit period. We reallocated the claimed costs to the appropriate cost category of contract services.

³ The city filed its initial reimbursement claims for FY 2001-02 through FY 2009-10 after the due date specified in GC Section 17560. Pursuant to GC section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10%.

⁴ Payment amount current as of January 9, 2020.

Finding and Recommendation

**FINDING—
Overstated contract
services costs**

The city claimed \$1,948,983 in salary costs. During testing, we found that the city incorrectly classified claimed costs as salary costs. For the audit period, the city did not incur any salary costs, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services. Of the amount claimed, we found that \$833,478 is allowable and \$1,115,505 is unallowable.

Costs are unallowable because the city misinterpreted the program’s parameters and guidelines when preparing the mandated cost claims. As a result, the city overstated the number of domestic violence related calls for assistance, contract hourly rates, and time increments that were used to calculate the costs to write, review, and edit reports on domestic violence related calls for assistance; and claimed unallowable activities for the Hate Crime Reports and Homicide Reports cost components.

The following table summarizes the claimed, allowable, and overstated contract services costs by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 135,071	\$ 59,151	\$ (75,920)
2002-03	121,034	50,821	(70,213)
2003-04	132,759	54,920	(77,839)
2004-05	120,987	55,571	(65,416)
2005-06	147,296	65,127	(82,169)
2006-07	181,802	77,808	(103,994)
2007-08	231,857	101,193	(130,664)
2008-09	254,045	112,376	(141,669)
2009-10	213,942	88,781	(125,161)
2010-11	214,265	83,790	(130,475)
2011-12	195,925	83,940	(111,985)
Total	\$ 1,948,983	\$ 833,478	\$ (1,115,505)

Contract Service Costs

The city contracts with the LASD to perform all law enforcement duties for the city. These duties include activities claimed for the mandated program. The city contracts for various LASD staff positions (Deputy and Sergeant) each fiscal year and pays the LASD annual contract rates for the positions. No city staff member performed any of the reimbursable activities under this program; therefore, the city did not incur salary costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services Costs.

Homicide Reports

The city claimed \$66,473 in contract services costs for the Homicide Reports cost component during the audit period. We found that the entire amount is unallowable. The city claimed costs for an Operations Assistant II classification to extract demographic information from local

records, report the information to the DOJ monthly, verify information contained in the report, and provide additional explanation when specifically requested by the DOJ. The costs are unallowable because the contract fee includes all costs for law enforcement officers and administrative functions. The administrative functions are included in the contract fee so that they city may recover the overhead costs. This is consistent with the contract service agreements between the LASD and the city, as documented in LASD SH-AD 575, which shows that no Operations Assistant II classification service units were purchased during the audit period.

The following table summarizes the claimed, allowable, and overstated costs for the Homicide Reports cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 3,315	\$ -	\$ (3,315)
2002-03	8,470	-	(8,470)
2003-04	8,729	-	(8,729)
2004-05	4,652	-	(4,652)
2005-06	6,700	-	(6,700)
2006-07	8,919	-	(8,919)
2007-08	7,240	-	(7,240)
2008-09	6,122	-	(6,122)
2009-10	5,946	-	(5,946)
2010-11	5,858	-	(5,858)
2011-12	522	-	(522)
Total	<u>\$ 66,473</u>	<u>\$ -</u>	<u>\$ (66,473)</u>

Hate Crime Reports

The city claimed \$6,174 in contract services costs for the Hate Crime Reports cost component during the audit period. We found that the entire amount is unallowable. The city claimed costs for an Operations Assistant II classification to extract required information about hate crimes from existing law enforcement records in order to report to the DOJ on an annual and monthly basis in a manner prescribed by the Attorney General. The costs are unallowable because the contract fee includes all costs for law enforcement officers and administrative functions. The administrative functions are included in the contract fee so that the city may recover overhead costs. This is consistent with the contract service agreements between the LASD and the city, as documented in LASD SH-AD 575, which shows that no Operations Assistant II classification service units were purchased during the audit period.

The following table summarizes the claimed, allowable, and overstated costs for the Hate Crime Reports cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 581	\$ -	\$ (581)
2002-03	784	-	(784)
2003-04	730	-	(730)
2004-05	639	-	(639)
2005-06	576	-	(576)
2006-07	467	-	(467)
2007-08	467	-	(467)
2008-09	454	-	(454)
2009-10	630	-	(630)
2010-11	641	-	(641)
2011-12	205	-	(205)
Total	<u>\$ 6,174</u>	<u>\$ -</u>	<u>\$ (6,174)</u>

Domestic Violence Related Calls for Assistance

The costs for this component include supporting each domestic violence related call for assistance with a written incident report. Reimbursable activities consist of writing, reviewing, and editing the incident reports. Claimed costs were calculated by multiplying the number of incident reports by a time increment to process a report, then multiplying the resulting hours by a productive hourly rate.

The city claimed \$1,876,336 in contract services costs for the domestic violence related calls for assistance cost component during the audit period. We found that \$833,478 is allowable and \$1,042,858 is unallowable. The costs are unallowable because the city overstated the domestic violence related calls for assistance, time increments per activity, and contract hourly rates claimed.

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	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 131,175	\$ 59,151	\$ (72,024)
2002-03	111,780	50,821	(60,959)
2003-04	123,300	54,920	(68,380)
2004-05	115,696	55,571	(60,125)
2005-06	140,020	65,127	(74,893)
2006-07	172,416	77,808	(94,608)
2007-08	224,150	101,193	(122,957)
2008-09	247,469	112,376	(135,093)
2009-10	207,366	88,781	(118,585)
2010-11	207,766	83,790	(123,976)
2011-12	195,198	83,940	(111,258)
Total	<u>\$ 1,876,336</u>	<u>\$ 833,478</u>	<u>\$ (1,042,858)</u>

Incident Reports

The city overstated the number of domestic violence related calls for assistance during the audit period. We reviewed the monthly reports to the DOJ for the audit period and the summary reports obtained from the LASD case management system for FY 2009-10 through FY 2011-12. Our review disclosed that the monthly reports to the DOJ for FY 2001-02 through FY 2008-09, and the summary report information for FY 2009-10 through FY 2011-12, did not support the claimed number of domestic violence related calls for assistance. Based on our review, we found that for the audit period, the city claimed calls that did not result in written incident reports.

The following table summarizes the claimed, allowable, and overstated number of domestic violence related calls for assistance written incident reports by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	913	774	(139)
2002-03	778	665	(113)
2003-04	833	699	(134)
2004-05	771	700	(71)
2005-06	879	774	(105)
2006-07	1,023	877	(146)
2007-08	1,237	1,061	(176)
2008-09	1,312	1,128	(184)
2009-10	1,065	865	(200)
2010-11	1,065	816	(249)
2011-12	973	794	(179)
Total	10,849	9,153	(1,696)

Time Increments

For the audit period, the city estimated that it took 60 minutes per incident for a Deputy Sheriff classification to support all domestic violence related calls for assistance with a written incident report and 30 minutes for a Sergeant classification to review and edit the report. The city did not provide any source documentation based on actual data to support the estimated time increments.

The city contracted with LASD for its law enforcement services. Therefore, LASD performed the mandated activities of supporting all domestic violence related calls for assistance with a written incident report, reviewing, and editing the reports. The LASD conducted a time study in March 2011 to support the time spent by the Deputy Sheriff and Sergeant classifications in performing these reimbursable mandated activities. The time study identifies the time it took the Deputy Sheriff to support all domestic violence related calls for assistance with a written incident report, and the time it took a Sergeant to review and edit the reports.

Based on our review of the LASD time study, we found it took a Deputy Sheriff 45 minutes (0.75 hours) to support all domestic violence related calls for assistance with a written incident report, and a Sergeant nine minutes (0.15 hours) to review and edit the reports.

The time increments of 45 minutes (0.75 hours) for a Deputy Sheriff to support all domestic violence related calls for assistance with a written incident report and nine minutes (0.15 hours) for a Sergeant to review and edit the reports were previously audited and were determined to be allowable in the final audit report of the Los Angeles County for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012, issued on September 11, 2019. We traced the time increments claimed to the previously audited time increments and found that the city overstated the time increments for the audit period. We recalculated the allowable costs based on the previously audited time increments.

The following table summarizes the claimed, allowable, and overstated hours for the Deputy Sheriff classification for writing the reports by fiscal year:

Fiscal Year	Hours Claimed	Hours Allowable	Audit Adjustment
2001-02	913.00	580.50	(332.50)
2002-03	778.00	498.75	(279.25)
2003-04	833.00	524.25	(308.75)
2004-05	771.00	525.00	(246.00)
2005-06	879.00	580.50	(298.50)
2006-07	1,023.00	657.75	(365.25)
2007-08	1,237.00	795.75	(441.25)
2008-09	1,312.00	846.00	(466.00)
2009-10	1,065.00	648.75	(416.25)
2010-11	1,065.00	612.00	(453.00)
2011-12	973.00	595.50	(377.50)
Total	10,849.00	6,864.75	(3,984.25)

The following table summarizes the claimed, allowable, and overstated hours for the Sergeant classification to review and edit the reports by fiscal year:

Fiscal Year	Hours Claimed	Hours Allowable	Audit Adjustment
2001-02	456.50	116.10	(340.40)
2002-03	389.00	99.75	(289.25)
2003-04	416.50	104.85	(311.65)
2004-05	385.50	105.00	(280.50)
2005-06	439.50	116.10	(323.40)
2006-07	511.50	131.55	(379.95)
2007-08	618.50	159.15	(459.35)
2008-09	656.00	169.20	(486.80)
2009-10	532.50	129.75	(402.75)
2010-11	532.50	122.40	(410.10)
2011-12	486.50	119.10	(367.40)
Total	5,424.50	1,372.95	(4,051.55)

Contract Hourly Rates

We reviewed the contract service agreements between the LASD and the city, including LASD SH-AD 575, as established by the County Auditor-Controller. The city is required to pay the county for services provided under the terms of the agreement at the rates set forth in LASD SH-AD 575. Based on our review of the contract service agreement, including LASD SH-AD 575, we found that the city overstated the claimed contract hourly rates for the audit period. The rates were overstated because the city did not use the unit cost, liability percentage applicable to the Deputy Sheriff classification, or the yearly hours per service unit identified in LASD SH-AD 575 to calculate the claimed contract hourly rates.

Contract Salary Amounts

For the audit period, we found that the city did not use the yearly unit cost identified in LASD SH-AD 575 to calculate the contract hourly rates for the Deputy Sheriff and Sergeant classifications. Therefore, we found that the city overstated the contract salary amounts for the audit period.

Contract Hours

We found that the city misstated the productive hours used to calculate both the Deputy Sheriff and the Sergeant classifications for each fiscal year in the audit period. The city used 1,800 productive hours to compute the claimed hourly rates; however, LASD SH-AD 575 identifies a different “yearly hours per service unit” as follows:

- Deputy Sheriff – 2,920 hours for FY 2001-02 through FY 2011-12;
- Sergeant – 1,778 hours for FY 2001-02 through FY 2007-08;
- Sergeant – 1,815 hours for FY 2008-09; and
- Sergeant – 1,789 hours for FY 2009-10 through FY 2011-12.

Misstated Contract Hourly Rates

We recomputed the contract hourly rates for the Deputy Sheriff and Sergeant classifications using the information identified in LASD SH-AD 575. For the Deputy Sheriff classification, a liability percentage of 6% in FY 2001-02 through FY 2009-10, and 4% for FY 2010-11 and FY 2011-12, is applicable to the Deputy Sheriff classification and is added to the yearly unit cost to determine the total cost including liability. We then divided the total cost including liability by the yearly hours per service unit to calculate the contract hourly rates for the audit period. The liability percentage does not apply to the Sergeant classification. Therefore, we recalculated the contract hourly rate for the Sergeant classification by dividing the yearly unit cost by the total yearly hours per service unit.

Deputy Sheriff

The following table summarizes the claimed, allowable, and adjusted hourly contract rate for the audit period:

<u>Fiscal Year</u>	<u>Claimed Hourly Rate</u>	<u>Allowable Hourly Rate</u>	<u>Rate Difference</u>
2001-02	100.93	87.10	(13.83)
2002-03	100.93	87.10	(13.83)
2003-04	103.56	89.37	(14.19)
2004-05	104.30	90.01	(14.29)
2005-06	110.36	95.25	(15.11)
2006-07	116.01	100.11	(15.90)
2007-08	124.68	107.60	(17.08)
2008-09	130.69	112.78	(17.91)
2009-10	134.68	116.07	(18.61)
2010-11	134.24	115.85	(18.39)
2011-12	138.37	119.41	(18.96)

Sergeant

The following table summarizes the claimed, allowable, and adjusted hourly contract rate for the audit period:

<u>Fiscal Year</u>	<u>Claimed Hourly Rate</u>	<u>Allowable Hourly Rate</u>	<u>Rate Difference</u>
2001-02	85.49	73.98	(11.51)
2002-03	85.49	73.98	(11.51)
2003-04	88.92	76.95	(11.97)
2004-05	91.52	79.20	(12.32)
2005-06	97.87	84.70	(13.17)
2006-07	105.06	90.92	(14.14)
2007-08	113.05	97.83	(15.22)
2008-09	115.86	100.26	(15.60)
2009-10	120.06	103.90	(16.16)
2010-11	121.69	105.31	(16.38)
2011-12	124.49	107.73	(16.76)

Criteria

Section IV of the parameters and guidelines states, in part:

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.

Section IV of the parameters and guidelines also states, in part:

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.

This section continues to state that claimants may use time studies to support salary and benefit costs when an activity is task repetitive.

Section IV (D) of the parameters and guidelines allows ongoing activities related to costs associated with supporting domestic violence related calls for assistance with a written incident report, and reviewing and editing the report.

Section V of the parameters and guidelines states that cost elements must be identified for the reimbursable activities identified for the reimbursable activities identified in section IV of the parameters and guidelines. Each reimbursable cost must be supported by source documentation. For salaries and benefit costs, claimants are to report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2018-19 Budget Acts. If the program becomes active again, we recommend that the city:

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

City's Response

Overstated Contract Services Costs – We agree the Deputy, Sergeant, and Operations Assistant II costs were incorrectly claimed as salary costs, rather than contract services costs. We appreciate the reallocation of the costs to the proper category of Contract Services.

Homicide and Hate Crime Reports – Upon review of the report and the LASD SH-AD 575 Deployment of Personnel form, we agree there were no Operations Assistant II classification service units purchased during the audit period. However, as the report, notes, “the administrative functions are included in the contract fee **so that the city may recover overhead costs.**” As the preparation of these two mandated reports has an impact on our contract fee, we respectfully request advice on how to recover those overhead costs related to these two types of reports.

Domestic Violence Related Calls for Assistance:

Incident Reports – As discussed with the audit team, our claims were based on the Regional Allocation of Police Services (RAPS) system, which summarizes cases based on the original call for service. By the time the case is recorded in LARCIS, the basis used by the SCO for the allowable case counts, the charges may have been changed and would not mirror those in the RAPS system. The RAPS and LARCIS counts are unduplicated, resulting in differences in report numbers.

Overstated Time Increments – Due to the City’s contracting police services with Los Angeles Sheriff Department (LASD), the SCO relied upon LASD’s time survey to determine how long it took to perform the reimbursable activities. The City finds this methodology problematic in that the 130 survey forms were not completed at like-sized patrol stations. The Lancaster station is the busiest station and covers the largest patrol area in the county system. We respectfully request a new time estimation be used.

The time estimate we developed was in collaboration with the Lancaster Sheriff Station Operations staff. We believe it is unfair to disregard our time estimates, as our estimates were obtained from our contracted sheriff station. We were not aware time estimates were obtained from an unknown source within the Sheriff’s Department. The times submitted by the City are a true and more realistic representation of the time involved with the processing of identity theft cases.

We recommend an audit of the actual deputies’ daily logs, as well as detectives’ logs, as it relates to actual contract minutes utilized for identity theft reports, investigations, and case filings. This process should also include overtime costs as well as testimony costs related to specific cases.

Contract Hourly Rates – We agree the hourly rates should have been calculated using the LASD SH-AD 575 Deployment of Personnel form, rather than the Contract City Law Enforcement Rates schedule published by the Auditor-Controller utilized by our consultant Maximus Inc. We agree with the recomputed hourly rates and contract hours.

SCO Comment

Our finding and recommendation remain unchanged.

The city agrees with the reallocation of the salary costs claimed to contract services costs. The city also agrees that the contract hourly rates should have been calculated using LASD SH-AD 575 and agrees with the recomputed hourly rates and contract hours. In addition, the city is aware of the cause of the differences between the number of written incident reports claimed and the number SCO determined is allowable.

The city requests guidance on recovering overhead costs related to the Homicide and Hate Crime Reports activities. As stated in the finding, the city contracts with LASD for staff positions (Deputy and Sergeant) to perform law enforcement services for the city. In turn, the city pays LASD the contracted rates for these positions and subsequently files reimbursement claims with the SCO for these legislatively mandated costs. Therefore, the city has recovered the overhead costs related to the mandated Homicide and Hate Crime Reports activities when it filed its reimbursement claims with the SCO.

The city disagrees with SCO relying upon the LASD’s time survey to determine the length of time it took a Deputy Sheriff classification to support all domestic violence related calls for assistance with a written incident report and a Sergeant classification to review and edit the report as the 130 survey forms were not completed by comparable patrol stations.

The city contends that it is unfair to disregard the city's time estimates, as the Lancaster station is the busiest station and covers the largest patrol area in the county. In addition, the city requests that a new time estimate be used, as the city believes that the time estimates it submitted are more realistic and representative of the time required to process the cases. The city also refers to identify theft time increments in its response.

Although our audit report had no findings related to identify theft, we determined that it is reasonable to respond to this point, as the city contests the time increments used for mandated activities related to writing, reviewing, and editing reports to support domestic violence related calls for assistance. The city contends that it developed its time estimates in collaboration with the Lancaster Sheriff Station and Operations staff and that the time estimates are representative of the time that staff members spent performing the mandated activities. The parameters and guidelines require that only actual costs be claimed and that costs be traceable to source documents supporting the validity of such costs and their relationship to this mandate. The city claimed time increments based on estimates and did not provide source documentation to support the time increments claimed.

The city contracts with the LASD to perform all law enforcement duties for the city. Therefore, LASD performed all mandated activities of supporting all domestic violence related calls for assistance with a written report, and reviewing and editing the reports. According to the Municipal Law Enforcement Services Agreement Renewal, dated August 27, 2009, which was provided by the city to SCO for review, the LASD contracts with a total of 40 cities and performs the law enforcement duties for these cities. The LASD conducted the time study in March 2011 to support the time spent by the Deputy Sheriff and Sergeant classifications in performing the reimbursable mandated activities.

The LASD conducted time studies at four stations including Lancaster, Santa Clarita, Pico Rivera, and Lakewood. The time study identifies 13 of the 30 written incident reports that were time studied as having been completed by the Lancaster station, accounting for about 43% of the time study results. Therefore, it is unclear why the city refers to 130 survey forms, stating that none of them were completed at comparable stations. Additionally, if the time increments for the Lancaster station were calculated separately and not combined with the time study results of the three other stations, the time increments for writing an incident report, and for reviewing and editing the report, would remain unchanged. Nonetheless, the time study completed by LASD is sufficient evidence, as the LASD performed the mandated activities on the city's behalf, using the city's time-studied results. Therefore, it is reasonable to use the LASD's time study. These time increments were previously audited and determined to be allowable in the final audit report of the Los Angeles County for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012, issued on September 11, 2019.

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



R. Rex Parris Mayor
Marvin E. Crist Vice Mayor
Ken Mann Council Member
Raj Malhi Council Member
Darrell Dorris Council Member
Jason Caudle City Manager

January 8, 2020

Ms. Lisa Kurokawa
Chief, Compliance Audits Bureau
State Controller's Office
Division of Audits
PO Box 942850
Sacramento, CA 94250

Via email: lkurokawa@sco.ca.gov

Re: City of Lancaster Crime Statistics Report Audit, July 1, 2001 through June 30, 2012

Dear Ms. Kurokawa:

We are in receipt of the State Controller's draft Crime Statistics Report for the period of July 1, 2001 through June 30, 2012. We would like to use this opportunity to discuss some of the report findings.

With regard to the findings of:

Overstated Contract Services Costs – We agree the Deputy, Sergeant, and Operations Assistant II costs were incorrectly claimed as salary costs, rather than contract services costs. We appreciate the reallocation of the costs to the proper category of Contract Services.

Homicide and Hate Crime Reports – Upon review of the report and the LASD SH-AD 575 Deployment of Personnel form, we agree there were no Operations Assistant II classification service units purchased during the audit period. However, as the report notes, "the administrative functions are included in the contract fee so that the city may recover overhead costs". As the preparation of these two mandated reports has an impact on our contract fee, we respectfully request advice on how to recover those overhead costs related to these two types of reports.

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Overstated Time Increments – Due to the City's contracting police services with Los Angeles Sheriff Department (LASD), the SCO relied upon LASD's time survey to determine how long it took to perform the reimbursable activities. The City finds this methodology problematic in that the 130 survey forms were not completed at like-sized patrol stations. The Lancaster station is the busiest station and covers the largest patrol area in the county system. We respectfully request a new time estimation be used.

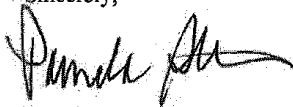
The time estimate we developed was in collaboration with the Lancaster Sheriff Station Operations staff. We believe it is unfair to disregard our time estimates, as our estimates were obtained from our contracted sheriff station. We were not aware time estimates were obtained from an unknown source within the Sheriff's Department. The times submitted by the City are a true and more realistic representation of the time involved with the processing of identity theft cases.

We recommend an audit of the actual deputies' daily logs, as well as detectives' logs, as it relates to actual contract minutes utilized for identity theft reports, investigations, and case filings. This process should also include overtime costs as well as testimony costs related to specific cases.

Contract Hourly Rates – We agree the hourly rates should have been calculated using the LASD SH-AD 575 Deployment of Personnel form, rather than the Contract City Law Enforcement Rates schedule published by the Auditor-Controller utilized by our consultant Maximus Inc. We agree with the recomputed hourly rates and contract hours.

In conclusion, we would like to express our appreciation for the courtesy and professionalism demonstrated by both Jack Rahmey and Lisa Kearney in the performance of this audit. While the Crime Statistics Report program has been suspended and should the program resume, we will definitely use this audit as a basis for strengthening our processes and assuring future claims are within parameters and guidelines outlined by the Department of Justice.

Sincerely,



Pamela Statsmann
Finance Director

cc: Jim L Spano, CPA, Chief, California State Controller's Office; jspano@sco.ca.gov
Lisa Kearney, Senior Management Auditor; lkearney@sco.ca.gov
Jack Rahmey, Auditor, California State Controller's Office; jrahmey@sco.ca.gov
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