

CITY OF FULLERTON

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013



BETTY T. YEE
California State Controller

March 2021



BETTY T. YEE
California State Controller

March 17, 2021

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Ellis Chang, Director of Administrative Services
City of Fullerton
303 West Commonwealth Avenue
Fullerton, CA 92832

Dear Ms. Chang:

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

The city claimed \$1,175,737 for costs of the mandated program. Our audit found that \$294,650 is allowable and \$881,087 is unallowable, primarily because the city overstated the number of identity theft reports and the time increments required to perform the reimbursable activities. The State made no payments to the city. The State will pay \$294,650, contingent upon available appropriations.

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

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

Sincerely,

Original signed by

MICHAEL REEVES, CPA
Acting Chief, Division of Audits

MR/ac

cc: The Honorable Bruce Whitaker, Mayor
City of Fullerton
Robert Dunn, Chief of Police
Fullerton Police Department
Ramona Castañeda, Revenue Manager
City of Fullerton
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 Reimbursement Section
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 Fullerton for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The city claimed \$1,175,737 for costs of the mandated program. Our audit found that \$294,650 is allowable and \$881,087 is unallowable, primarily because the city overstated the number of identity theft reports and the time increments required to perform the reimbursable activities. The State made no payments to the city. The State will pay \$294,650, contingent upon available appropriations.

Background

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

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

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

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

The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency in the jurisdiction where the suspected crime was committed for further investigation of the facts are not reimbursable activities.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the city's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general audit authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Identity Theft Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.¹

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

To achieve our objective, we:

- Analyzed the annual mandated cost claims filed by the city for the audit period and identified the significant cost components of each claim as salaries, benefits, and indirect costs. 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;
- Obtained system-generated lists of identity theft cases from the city's Records Management System 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 15-25% of claimed salary costs, based on a moderate level of detection (audit) risk. Judgmentally selected three of the city's filed claims during the audit period (fiscal year [FY] 2006-07, FY 2009-10, and FY 2010-11), which comprised salary costs totaling \$191,388 of the \$1,175,737 claimed (16%). The sampling plan is described in the Finding and Recommendation section;

¹ Unreasonable and/or excessive costs include ineligible costs that are not identified in the programs parameters and guidelines as a reimbursable cost.

- Used a random number table to select 256 identity theft cases out of 2,264 officer-reported cases. 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;
 - Obtained the employee numbers, names, and classifications from the sampled officer-reported cases documenting who performed the reimbursable activities;
 - Compared the employee classifications obtained from the police reports to those claimed by the city;
 - Interviewed sworn officers at the Fullerton Police Department, which revealed the average number of minutes spent drafting, reviewing, editing, and approving a police report supporting a violation of PC section 530.5. We determined allowable time increments for these reimbursable activities 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 multiplying the product by the weighted average PHRs of the employees who performed them. We applied the weighted three-year average of the sampling results to the remaining eight years of the audit period due to the homogeneity of the population;
- Traced the city's claimed benefit and indirect cost rates to supporting documentation for each fiscal year in the audit period and verified that the rates claimed were not unreasonable or excessive; and
- Reviewed the city's Single Audit Reports to identify any offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. The city also certified in its claims that it did not receive any offsetting revenues applicable to this mandated program.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our 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 found that the city did not claim costs funded by another source; however, the unallowable costs are ineligible and unsupported, as quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, the City of Fullerton claimed \$1,175,737 for costs of the legislatively mandated Identity Theft Program. Our audit found that \$294,650 is allowable and \$881,087 is unallowable. The State made no payments to the city. The State will pay \$294,650, contingent upon available appropriations.

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

**Follow-up on
Prior Audit
Findings**

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

**Views of
Responsible
Officials**

We issued a draft report on February 17, 2021. Ellis Chang, Director of Administrative Services, responded by letter dated February 26, 2021 (Attachment), agreeing with the audit results. This final audit report includes the city's response.

Restricted Use

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

Original signed by

MICHAEL REEVES, CPA
Acting Chief, Division of Audits

March 17, 2021

**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 in violation of Penal Code § 530.5	\$ 5,713	\$ 5,238	\$ (475)
Begin an investigation of facts	45,664	6,862	(38,802)
Total salaries	51,377	12,100	(39,277)
Benefits	15,670	3,691	(11,979)
Total direct costs	67,047	15,791	(51,256)
Indirect costs	10,660	2,511	(8,149)
Total program costs	<u>\$ 77,707</u>	18,302	<u>\$ (59,405)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 18,302</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries			
Taking police report in violation of Penal Code § 530.5	\$ 5,105	\$ 4,690	\$ (415)
Begin an investigation of facts	42,272	6,494	(35,778)
Total salaries	47,377	11,184	(36,193)
Benefits	17,766	4,194	(13,572)
Total direct costs	65,143	15,378	(49,765)
Indirect costs	10,748	2,537	(8,211)
Total program costs	<u>\$ 75,891</u>	17,915	<u>\$ (57,976)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 17,915</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries			
Taking police report in violation of Penal Code § 530.5	\$ 4,803	\$ 4,409	\$ (394)
Begin an investigation of facts	37,459	5,837	(31,622)
Total salaries	42,262	10,246	(32,016)
Benefits	20,540	4,980	(15,560)
Total direct costs	62,802	15,226	(47,576)
Indirect costs	9,420	2,284	(7,136)
Total program costs	<u>\$ 72,222</u>	17,510	<u>\$ (54,712)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 17,510</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 in violation of Penal Code § 530.5	\$ 5,503	\$ 5,041	\$ (462)
Begin an investigation of facts	45,838	6,896	(38,942)
Total salaries	51,341	11,937	(39,404)
Benefits	28,340	6,589	(21,751)
Total direct costs	79,681	18,526	(61,155)
Indirect costs	13,144	3,056	(10,088)
Total program costs	<u>\$ 92,825</u>	21,582	<u>\$ (71,243)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 21,582</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries			
Taking police report in violation of Penal Code § 530.5	\$ 7,217	\$ 6,949	\$ (268)
Begin an investigation of facts	61,270	9,688	(51,582)
Total salaries	68,487	16,637	(51,850)
Benefits	39,586	9,616	(29,970)
Total direct costs	108,073	26,253	(81,820)
Indirect costs	17,807	4,326	(13,481)
Total program costs	<u>\$ 125,880</u>	30,579	<u>\$ (95,301)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 30,579</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries			
Taking police report in violation of Penal Code § 530.5	\$ 8,834	\$ 8,083	\$ (751)
Begin an investigation of facts	75,654	11,369	(64,285)
Total salaries	84,488	19,452	(65,036)
Benefits	48,327	11,127	(37,200)
Total direct costs	132,815	30,579	(102,236)
Indirect costs	25,347	5,836	(19,511)
Total program costs	<u>\$ 158,162</u>	36,415	<u>\$ (121,747)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 36,415</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 in violation of Penal Code § 530.5	\$ 10,900	\$ 10,010	\$ (890)
Begin an investigation of facts	92,168	13,901	(78,267)
Total salaries	103,068	23,911	(79,157)
Benefits	60,088	13,940	(46,148)
Total direct costs	163,156	37,851	(125,305)
Indirect costs	29,993	6,958	(23,035)
Total program costs	<u>\$ 193,149</u>	44,809	<u>\$ (148,340)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 44,809</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries			
Taking police report in violation of Penal Code § 530.5	\$ 7,118	\$ 6,556	\$ (562)
Begin an investigation of facts	60,185	9,104	(51,081)
Total salaries	67,303	15,660	(51,643)
Benefits	39,238	9,130	(30,108)
Total direct costs	106,541	24,790	(81,751)
Indirect costs	19,585	4,557	(15,028)
Total program costs	<u>\$ 126,126</u>	29,347	<u>\$ (96,779)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 29,347</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries			
Taking police report in violation of Penal Code § 530.5	\$ 5,880	\$ 5,103	\$ (777)
Begin an investigation of facts	49,718	7,087	(42,631)
Total salaries	55,598	12,190	(43,408)
Benefits	31,524	6,912	(24,612)
Total direct costs	87,122	19,102	(68,020)
Indirect costs	17,180	3,767	(13,413)
Total program costs	<u>\$ 104,302</u>	22,869	<u>\$ (81,433)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 22,869</u>	

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 in violation of Penal Code § 530.5	\$ 5,246	\$ 6,397	\$ 1,151
Begin an investigation of facts	34,854	8,724	(26,130)
Total salaries	40,100	15,121	(24,979)
Benefits	25,543	9,632	(15,911)
Total direct costs	65,643	24,753	(40,890)
Indirect costs	13,153	4,960	(8,193)
Total program costs	<u>\$ 78,796</u>	29,713	<u>\$ (49,083)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 29,713</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries			
Taking police report in violation of Penal Code § 530.5	\$ 7,533	\$ 6,051	\$ (1,482)
Begin an investigation of facts	28,918	7,156	(21,762)
Total salaries	36,451	13,207	(23,244)
Benefits	21,615	7,832	(13,783)
Total direct costs	58,066	21,039	(37,027)
Indirect costs	12,611	4,570	(8,041)
Total program costs	<u>\$ 70,677</u>	25,609	<u>\$ (45,068)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 25,609</u>	
<u>Summary: July 1, 2002, through June 30, 2013</u>			
Salaries	\$ 647,852	\$ 161,645	\$ (486,207)
Benefits	348,237	87,643	(260,594)
Indirect costs	179,648	45,362	(134,286)
Total program costs	<u>\$ 1,175,737</u>	294,650	<u>\$ (881,087)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 294,650</u>	

¹ See the Finding and Recommendation section.

² Payment amounts current as of March 8, 2021.

Finding and Recommendation

**FINDING —
Overstated Identity
Theft Program costs**

The city claimed \$1,175,737 (\$647,852 in salaries, \$348,237 in related benefits, and \$179,648 in related indirect costs) for the Identity Theft Program. We found that \$294,650 is allowable and \$881,087 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 productive hourly rates (PHRs) of the city’s employee classifications that performed the reimbursable activities.

The costs are unallowable because the city misinterpreted the program’s parameters and guidelines, which resulted in an overstated number of identity theft reports and overstated time increments required to perform the reimbursable activities. We accepted the job classifications as claimed and the percentage of each classification’s involvement in the reimbursable activities.

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

Fiscal Year	Amount Claimed	Salaries		Related Benefit Adjustment	Related Indirect Cost Adjustment	Total Audit Adjustment
		Amount Allowable	Audit Adjustment			
2002-03	\$ 51,377	\$ 12,100	\$ (39,277)	\$ (11,979)	\$ (8,149)	\$ (59,405)
2003-04	47,377	11,184	(36,193)	(13,572)	(8,211)	(57,976)
2004-05	42,262	10,246	(32,016)	(15,560)	(7,136)	(54,712)
2005-06	51,341	11,937	(39,404)	(21,751)	(10,088)	(71,243)
2006-07	68,487	16,637	(51,850)	(29,970)	(13,481)	(95,301)
2007-08	84,488	19,452	(65,036)	(37,200)	(19,511)	(121,747)
2008-09	103,068	23,911	(79,157)	(46,148)	(23,035)	(148,340)
2009-10	67,303	15,660	(51,643)	(30,108)	(15,028)	(96,779)
2010-11	55,598	12,190	(43,408)	(24,612)	(13,413)	(81,433)
2011-12	40,100	15,121	(24,979)	(15,911)	(8,193)	(49,083)
2012-13	36,451	13,207	(23,244)	(13,783)	(8,041)	(45,068)
Total	\$ 647,852	\$ 161,645	\$ (486,207)	\$ (260,594)	\$ (134,286)	\$ (881,087)

Overstated counts of identity theft police reports

The city claimed costs incurred for taking police reports related to 2,264 identity theft cases during the audit period. The city provided us with system-generated unduplicated lists of identity theft case numbers of police reports filed for violations of PC section 530.5.

We determined the accuracy of the unduplicated counts of initial police reports by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

We developed a statistical sampling plan and generated statistical samples of identity theft cases for these two procedures so that we could project our sample results to the population of identity theft cases. We selected our statistical samples of identity theft cases originating from the city based on a 95% confidence level, a sampling error of +/-8%, and an expected (true) error rate of 50%. We judgmentally selected FY 2006-07, FY 2009-10, and FY 2010-11 for testing.

Our testing disclosed the following:

- For FY 2006-07, we selected 89 cases from the population of 217 reported cases for testing. We found that 14 cases were unallowable (12 reports taken by another police department, and two reports involving a secondary offense) (15.7% error rate).
- For FY 2009-10, we selected 87 cases from the population of 207 reported cases for testing. We found that 17 cases were unallowable (15 reports taken by another police department and two reports involving a secondary offense) (19.5% error rate).
- For FY 2010-11, we selected 80 cases from the population of 171 reported cases for testing. We found that 19 cases were unallowable (17 reports taken by another police department and two reports involving a secondary offense) (23.8% error rate) .

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 below, as a result of our extrapolated testing results over the audit period, we found that 1,818 incident reports are allowable and 446 are unallowable.

We calculated a 19.7% average error rate for the three years that we tested (FY 2006-07, FY 2009-10, and FY 2010-11). We applied this average error rate to the other eight years of the audit period (FY 2002-03 through FY 2005-06, FY 2007-08 through FY 2008-09, and FY 2011-12 through FY 2012-13).

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>Allowable</u>	<u>Difference</u>
2002-03	193	155	(38)
2003-04	169	136	(33)
2004-05	153	123	(30)
2005-06	172	138	(34)
2006-07	217	183	(34)
2007-08	267	214	(53)
2008-09	317	255	(62)
2009-10	207	167	(40)
2010-11	171	130	(41)
2011-12	201	161	(40)
2012-13	197	156	(41)
Total	<u>2,264</u>	<u>1,818</u>	<u>(446)</u>

Overstated time increments

Claimed Time Increments

The city claimed time increments spent by Fullerton Police Department sworn officers who performed the following reimbursable activities:

- Drafting, editing, reviewing, and approving the identity theft police report (Taking a police report supporting a violation of PC section 530.5 - Activity 1a); and
- Determining where the crime occurred and what pieces of personal identifying information were used for unlawful purposes (Investigation of the facts of the ID Theft cases - Activity 2).

The city claimed that Police Officers and Community Service Officers equally performed the reimbursable activity of taking a police report in violation of PC section 530.5 for all years of the audit period. The city claimed that Sergeants performed the reimbursable activity of beginning an investigation of the facts for all years of the audit period except FY 2012-13, during which the city claimed that Detectives performed this activity. We accepted the employee classifications as claimed.

However, the city did not provide any support for the time increments claimed. The parameters and guidelines for the mandated program require that “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 mandated activities.” As the city did not provide support that complies with this requirement, we determined that the time increments claimed are estimated and unsupported.

Allowable Time Increments

In order to determine a reasonable average amount of time spent by Police Department staff on the reimbursable activities, we conducted interviews with four officers who routinely perform the duties of report-taking. We requested that each officer to determine the average amount of time they spent in writing and editing initial PC section 530.5 police reports. The following result is based on our interviews:

- Activity 1a - Taking a police report in violation of PC section 530.5 (average time): 68.5 minutes.

We also interviewed officers four who routinely performed the duties of reviewing and approving police reports and conducting initial investigations for identity theft violations. The following result is based on our interviews:

- Activity 2 - Investigation of facts (average time): 56.25 minutes.

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

Fiscal Year	Claimed Minutes		Allowable Minutes	
	1a Taking a Police Report	2 Beginning an Investigation	1a Taking a Police Report	2 Beginning an Investigation
2002-03	60	300	68.5	56.25
2003-04	60	295	68.5	56.25
2004-05	60	290	68.5	56.25
2005-06	60	300	68.5	56.25
2006-07	60	300	68.5	56.25
2007-08	60	300	68.5	56.25
2008-09	60	300	68.5	56.25
2009-10	60	300	68.5	56.25
2010-11	60	300	68.5	56.25
2011-12	45	180	68.5	56.25
2012-13	60	180	68.5	56.25

Allowable related employee benefits

Benefit costs are determined by multiplying each year's allowable salary costs by each year's benefit rate. Employee benefits related to the allowable salaries identified above are also allowable. The city provided and we accepted the benefit rates for each job classification that performed the reimbursable activities for each fiscal year in the audit period.

We calculated allowable benefit costs using the benefit rates the city provided for each job classification for each fiscal year in the audit period.

The following table summarizes the claimed, allowable and audit adjustment related employee benefit costs by fiscal year:

Fiscal Year	Related Benefits		
	Claimed	Allowable	Audit Adjustment
2002-03	\$ 15,670	\$ 3,691	\$ (11,979)
2003-04	17,766	4,194	(13,572)
2004-05	20,540	4,980	(15,560)
2005-06	28,340	6,589	(21,751)
2006-07	39,586	9,616	(29,970)
2007-08	48,327	11,127	(37,200)
2008-09	60,088	13,940	(46,148)
2009-10	39,238	9,130	(30,108)
2010-11	31,524	6,912	(24,612)
2011-12	25,543	9,632	(15,911)
2012-13	21,615	7,832	(13,783)
Total	\$ 348,237	\$ 87,643	\$ (260,594)

Allowable related indirect costs

The city claimed indirect costs based on salaries and benefits for FY 2002-03 through FY 2004-05 and on direct labor for the remaining

fiscal years of the audit period. Indirect costs are determined by multiplying each year's indirect cost base by each year's indirect cost rates. The city provided and we accepted the indirect cost rates claimed during the audit period. Unallowable indirect costs are related to the unallowable salaries and benefits previously identified.

The following table summarizes the claimed, allowable and audit adjustment related to indirect costs by fiscal year:

Fiscal Year	Related Indirect Costs		
	Amount Claimed	Amount Allowable	Audit Adjustment
2002-03	\$ 10,660	\$ 2,511	\$ (8,149)
2003-04	10,748	2,537	(8,211)
2004-05	9,420	2,284	(7,136)
2005-06	13,144	3,056	(10,088)
2006-07	17,807	4,326	(13,481)
2007-08	25,347	5,836	(19,511)
2008-09	29,993	6,958	(23,035)
2009-10	19,585	4,557	(15,028)
2010-11	17,180	3,767	(13,413)
2011-12	13,153	4,960	(8,193)
2012-13	12,611	4,570	(8,041)
Total	<u>\$ 179,648</u>	<u>\$ 45,362</u>	<u>\$ (134,286)</u>

Criteria

Section III. (Period of Reimbursement) of the parameters and guidelines states, in part, "Actual costs for one fiscal year shall be included in each claim."

Section IV. (Reimbursable Activities) of the parameters and guidelines states:

To be eligible for mandated cost reimbursement for any given fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

Section IV. (Reimbursable Activities) of the parameters and guidelines also states:

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.

Section V. (Claim Preparation and Submission) of the parameters and guidelines states:

1. Salaries and benefits

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

Recommendation

The State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2020-21 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

The City of Fullerton is in receipt of the State's Audit Report concerning the legislatively mandated Identify Theft Program for the period of July 1, 2002 through June 30, 2013. We have reviewed the report and agree with the findings. The City appreciates your examination of the costs claimed for this program.

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



CITY OF FULLERTON

Administrative Services Department

February 26, 2021

State Controller's Office
Division of Audits
Michael Reeves, CPA
Acting Chief, Division of Audits
P.O. Box 942850
Sacramento, CA 94250

Dear Mr. Reeves,

The City of Fullerton is in receipt of the State's Audit Report concerning the legislatively mandated Identify Theft Program for the period of July 1, 2002 through June 30, 2013. We have reviewed the report and agree with the findings. The City appreciates your examination of the costs claimed for this program.

Please contact me if you have any further questions at (714) 738-6522.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ellis Chang".

Ellis Chang
Director of Administrative Services

cc Kenneth A. Domer, City Manager
Robert Dunn, Chief of Police
Ramona Castañeda, Revenue Manager
Lauren Burtz, Administrative Analyst II

THE EDUCATION COMMUNITY

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