

CITY OF RANCHO PALOS VERDES

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013



BETTY T. YEE
California State Controller

April 2020



BETTY T. YEE
California State Controller

April 8, 2020

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Angelina Garcia, Interim Director of Finance
City of Rancho Palos Verdes
30940 Hawthorne Boulevard
Rancho Palos Verdes, CA 90275

Dear Ms. Garcia:

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

The city claimed \$447,763 for costs of the mandated program. Our audit found that \$142,637 is allowable and \$305,126 is unallowable because the city misclassified contract services costs as salary costs, overstated the time increments required to perform the reimbursable activities, and overstated indirect costs. The State made no payments to the city. The State will pay \$142,637, contingent upon available appropriations.

Following issuance of this audit report, the State Controller's Office 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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 John Cruikshank, Mayor
City of Rancho Palos Verdes
Captain James C. Powers, Lomita Station
Los Angeles County Sheriff's Department
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 Rancho Palos Verdes for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The city claimed \$447,763 for costs of the mandated program. Our audit found that \$142,637 is allowable and \$305,126 is unallowable because the city misclassified contract services costs as salary costs, overstated the time increments required to perform the reimbursable activities, and overstated indirect costs. The State made no payments to the city. The State will pay \$142,637, 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 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.

Objective, Scope, and Methodology

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

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

To achieve our objective, we:

- Analyzed the annual mandated cost claims filed by the city for the audit period and identified the significant cost components of each claim as salaries and indirect costs. Determined whether there were any errors or unusual or unexpected variances from year to year. Determined whether the activities claimed adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key city staff. Discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used;
- Obtained system-generated lists of identity theft cases from the Los Angeles County Sheriff's Department (LASD) Crime Analysis Program, Criminal Intelligence Bureau that originated within the city during the audit period based on information obtained from LASD's Los Angeles Regional Crime Information System (LARCIS) to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period;
- Designed a statistical sampling plan to test approximately 15-25% of claimed salary costs, based on a moderate level of detection (audit) risk. Judgmentally selected two of the city's filed claims during the audit period (fiscal year [FY] 2011-12 and FY 2012-13), which comprised salary costs totaling \$75,106 of the \$447,762 claimed (19%). The sampling plan is described in the Finding and Recommendation section;
- Used a random number table to select 149 identity theft cases out of 296 from the two years sampled. Tested the identity theft cases as follows:
 - Determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 occurred;
 - Obtained from sampled police reports the LASD employee numbers, names, and employee classifications of staff members who performed the reimbursable activities pursuant to a contract

- between the city and Los Angeles County for the city's law enforcement services; and
- Compared the employee classifications obtained from the police reports to those claimed by the city.
 - Obtained the contract rates from LASD's Contract Law Enforcement Bureau for the specific LASD staffing levels in effect during the audit period for the law enforcement services that LASD provided to the city;
 - Used audited time increments required to perform the reimbursable activities from a time study previously conducted by LASD, as LASD staff performed all of the city's mandated identity theft activities. LASD's audited identity theft time increments were directly related to the Identity Theft Program's reimbursable activities and were properly supported;
 - Projected the audit results of the two years tested by multiplying the actual case counts by the audited average time increments to perform the activities and then by the contract rates of LASD employees who performed them. We applied a weighted two-year average of the sampling results to the remaining eight years of the audit period due to the homogeneity of the population; 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.

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

For the audit period, the City of Rancho Palos Verdes claimed \$447,763 for costs of the legislatively mandated Identity Theft Program. Our audit

found that \$142,637 is allowable and \$305,126 is unallowable. The State made no payments to the city. The State will pay \$142,637, 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 Identity Theft Program.

**Views of
Responsible
Officials**

We issued a draft audit report on February 19, 2020. Angelina Garcia, Interim Finance Director, responded by letter dated February 27, 2020 (Attachment), disagreeing 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 Rancho Palos Verdes, 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

April 8, 2020

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 26,671	\$ -	\$ (26,671)
Begin an investigation of facts	3,901	-	(3,901)
Total salaries	30,572	-	(30,572)
Contract services			
Taking police report on violation of PC section 530.5	-	5,264	5,264
Begin an investigation of facts	-	4,701	4,701
Total contract services	-	9,965	9,965
Total direct costs	30,572	9,965	(20,607)
Indirect costs	3,057	-	(3,057)
Total program costs	<u>\$ 33,629</u>	9,965	<u>\$ (23,664)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 9,965</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 16,366	\$ -	\$ (16,366)
Begin an investigation of facts	2,390	-	(2,390)
Total salaries	18,756	-	(18,756)
Contract services			
Taking police report on violation of PC section 530.5	-	3,223	3,223
Begin an investigation of facts	-	2,879	2,879
Total contract services	-	6,102	6,102
Total direct costs	18,756	6,102	(12,654)
Indirect costs	1,876	-	(1,876)
Total program costs	<u>\$ 20,632</u>	6,102	<u>\$ (14,530)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 6,102</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 26,967	\$ -	\$ (26,967)
Begin an investigation of facts	3,942	-	(3,942)
Total salaries	<u>30,909</u>	<u>-</u>	<u>(30,909)</u>
Contract services			
Taking police report on violation of PC section 530.5	-	5,316	5,316
Begin an investigation of facts	-	4,748	4,748
Total contract services	<u>-</u>	<u>10,064</u>	<u>10,064</u>
Total direct costs	30,909	10,064	(20,845)
Indirect costs	3,090	-	(3,090)
Total program costs	<u>\$ 33,999</u>	10,064	<u>\$ (23,935)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 10,064</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 32,617	\$ -	\$ (32,617)
Begin an investigation of facts	4,744	-	(4,744)
Total salaries	<u>37,361</u>	<u>-</u>	<u>(37,361)</u>
Contract services			
Taking police report on violation of PC section 530.5	-	6,396	6,396
Begin an investigation of facts	-	5,712	5,712
Total contract services	<u>-</u>	<u>12,108</u>	<u>12,108</u>
Total direct costs	37,361	12,108	(25,253)
Indirect costs	3,736	-	(3,736)
Total program costs	<u>\$ 41,097</u>	12,108	<u>\$ (28,989)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 12,108</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 38,760	\$ -	\$ (38,760)
Begin an investigation of facts	5,622	-	(5,622)
Total salaries	<u>44,382</u>	<u>-</u>	<u>(44,382)</u>
Contract services			
Taking police report on violation of PC section 530.5	-	7,579	7,579
Begin an investigation of facts	-	6,768	6,768
Total contract services	<u>-</u>	<u>14,347</u>	<u>14,347</u>
Total direct costs	44,382	14,347	(30,035)
Indirect costs	4,438	-	(4,438)
Total program costs	<u>\$ 48,820</u>	14,347	<u>\$ (34,473)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 14,347</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 40,671	\$ -	\$ (40,671)
Begin an investigation of facts	5,898	-	(5,898)
Total salaries	46,569	-	(46,569)
Contract services			
Taking police report on violation of PC section 530.5	-	7,944	7,944
Begin an investigation of facts	-	7,095	7,095
Total contract services	-	15,039	15,039
Total direct costs	46,569	15,039	(31,530)
Indirect costs	4,657	-	(4,657)
Total program costs	<u>\$ 51,226</u>	15,039	<u>\$ (36,187)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 15,039</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 37,553	\$ -	\$ (37,553)
Begin an investigation of facts	5,405	-	(5,405)
Total salaries	42,958	-	(42,958)
Contract services			
Taking police report on violation of PC section 530.5	-	7,717	7,717
Begin an investigation of facts	-	6,892	6,892
Total contract services	-	14,609	14,609
Total direct costs	42,958	14,609	(28,349)
Indirect costs	4,296	-	(4,296)
Total program costs	<u>\$ 47,254</u>	14,609	<u>\$ (32,645)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 14,609</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 34,801	\$ -	\$ (34,801)
Begin an investigation of facts	5,014	-	(5,014)
Total salaries	39,815	-	(39,815)
Contract services			
Taking police report on violation of PC section 530.5	-	7,157	7,157
Begin an investigation of facts	-	6,392	6,392
Total contract services	-	13,549	13,549
Total direct costs	39,815	13,549	(26,266)
Indirect costs	3,982	-	(3,982)
Total program costs	<u>\$ 43,797</u>	13,549	<u>\$ (30,248)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 13,549</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 35,480	\$ -	\$ (35,480)
Begin an investigation of facts	5,150	-	(5,150)
Total salaries	40,630	-	(40,630)
Contract services			
Taking police report on violation of PC section 530.5	-	6,935	6,935
Begin an investigation of facts	-	6,194	6,194
Total contract services	-	13,129	13,129
Total direct costs	40,630	13,129	(27,501)
Indirect costs	4,063	-	(4,063)
Total program costs	<u>\$ 44,693</u>	13,129	<u>\$ (31,564)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 13,129</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 40,935	\$ -	\$ (40,935)
Begin an investigation of facts	5,931	-	(5,931)
Total salaries	46,866	-	(46,866)
Contract services			
Taking police report on violation of PC section 530.5	-	8,020	8,020
Begin an investigation of facts	-	7,162	7,162
Total contract services	-	15,182	15,182
Total direct costs	46,866	15,182	(31,684)
Indirect costs	4,686	-	(4,686)
Total program costs	<u>\$ 51,552</u>	15,182	<u>\$ (36,370)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 15,182</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries			
Taking police report on violation of PC section 530.5	\$ 20,997	\$ -	\$ (20,997)
Begin an investigation of facts	7,243	-	(7,243)
Total salaries	28,240	-	(28,240)
Contract services			
Taking police report on violation of PC section 530.5	-	9,795	9,795
Begin an investigation of facts	-	8,748	8,748
Total contract services	-	18,543	18,543
Total direct costs	28,240	18,543	(9,697)
Indirect costs	2,824	-	(2,824)
Total program costs	<u>\$ 31,064</u>	18,543	<u>\$ (12,521)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 18,543</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>Summary: July 1, 2002, through June 30, 2013</u>			
Direct costs:			
Salaries	\$ 407,058	\$ -	\$ (407,058)
Contract services	-	142,637	142,637
Total direct costs	407,058	142,637	(264,421)
Indirect costs	40,705	-	(40,705)
Total program costs	<u>\$ 447,763</u>	142,637	<u>\$ (305,126)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 142,637</u>	

¹ See the Finding and Recommendation section.

² Payment amount current as of March 10, 2020.

Finding and Recommendation

FINDING— Overstated Identity Theft Program costs

The city claimed \$447,763 (\$407,058 in salary costs with no related benefits and \$40,705 in related indirect costs) for the Identity Theft Program. We found that \$142,637 of contract services is allowable and all of the salary and related indirect costs claimed are unallowable. The unallowable costs occurred because the city overstated salary costs by \$407,058, overstated indirect costs by \$40,705, and understated contract services costs by \$142,637.

Salary costs are determined by multiplying the number of identity theft police reports by the time required to perform the reimbursable activities, and then by the weighted average productive hourly rates (PHRs) of the employee classifications that performed the reimbursable activities. Contract services costs are calculated in the same manner, except that weighted average contract rates are used for the employees that performed the reimbursable activities.

The costs are unallowable because the city misinterpreted the program's parameters and guidelines. As a result, the city misclassified contract services costs as salary costs, overstated the time increments required to perform the reimbursable activities, and overstated indirect costs.

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

Fiscal Year	Salaries		Audit Adjustment	Related Indirect Cost Adjustment	Contract Services Adjustment	Total Audit Adjustment
	Amount Claimed	Amount Allowable				
2002-03	\$ 30,572	\$ -	\$ (30,572)	\$ (3,057)	\$ 9,965	\$ (23,664)
2003-04	18,756	-	(18,756)	(1,876)	6,102	(14,530)
2004-05	30,909	-	(30,909)	(3,090)	10,064	(23,935)
2005-06	37,361	-	(37,361)	(3,736)	12,108	(28,989)
2006-07	44,382	-	(44,382)	(4,438)	14,347	(34,473)
2007-08	46,569	-	(46,569)	(4,657)	15,039	(36,187)
2008-09	42,958	-	(42,958)	(4,296)	14,609	(32,645)
2009-10	39,815	-	(39,815)	(3,982)	13,549	(30,248)
2010-11	40,630	-	(40,630)	(4,063)	13,129	(31,564)
2011-12	46,866	-	(46,866)	(4,686)	15,182	(36,370)
2012-13	28,240	-	(28,240)	(2,824)	18,543	(12,521)
Total	\$ 407,058	\$ -	\$ (407,058)	\$ (40,705)	\$ 142,637	\$ (305,126)

Counts of identity theft police reports

Under a contract between the city and Los Angeles County, LASD provided law enforcement services to Rancho Palos Verdes during the audit period. LASD's Lomita Station provided law enforcement services to residents of the city under a Municipal Law Enforcement Service Agreement, which included identity theft cases. The city claimed costs incurred for taking police reports related to 1,575 identity theft cases during the audit period. LASD had supporting documentation for the identity theft case counts related to the city.

The LASD's LARCIS is a database system that provides unduplicated counts of initial police reports filed for violations of PC section 530.5 and identifies the specific origin of each report.

We determined the accuracy of LASD's LARCIS unduplicated counts of initial police reports by:

- Determining whether each identity theft case was supported by a contemporaneously prepared and approved police report; and
- Determining whether 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 for the entire audit period. We selected our statistical samples of identity theft cases originating in 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 2011-12 and FY 2012-13 for testing. Our sampling plan required that we test 74 reports from FY 2011-12 and 75 reports from FY 2012-13.

Our testing disclosed the following:

- For FY 2011-12, we selected 74 cases from the population of 147 cases for testing by using a random number table. Our testing disclosed that 1.35% of the cases was unallowable because the cases were not supported by a contemporaneously prepared and approved police report (one instance).
- For FY 2012-13, we selected 75 cases from the population of 149 cases for testing by using a random number table. Our testing disclosed that 1.33% of the cases was unallowable because the cases were not a violation of PC section 530.5 (one instance).

We calculated a 1.34% average percentage of unallowable incident reports for both years tested. As this error rate is immaterial, we determined that the case counts claimed by the city were reasonable and not excessive and, therefore, were allowable as claimed.

Overstated time increments

Claimed Time Increments

The city claimed time increments spent by LASD Deputy Sheriffs to perform the following reimbursable activities:

- Taking and drafting the police report on violation of PC section 530.5 (Activity 1a); and
- Began an investigation of the facts of the Identity Theft cases (Activity 2).

The city also claimed time for LASD Sergeants to perform the reimbursable activity of reviewing and approving police reports (Activity 1a).

The city provided an unsigned and undated declaration to support the time increments claimed. The city's declaration identified the following activities, employee classifications, and time increments:

Reimbursable Activity	Employee Classification	Description	Minutes Required
1a – Take a police report	Deputy Sheriff	Gather information and draft identity theft report	120
1a – Take a police report	Secretary	Type, transcribe, or provide clerical support *	60
1a – Take a police report	Sergeant	Review, edit, and approve the report	20
		Total – Activity 1a	200
2 – Begin an investigation	Detective **	Gather facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose	20
		Total – Activity 2	20

Notes

* – The city did not claim time for Secretaries

** – The city claimed time for an LASD Deputy Sheriff, not a Detective

The parameters and guidelines for the mandated program require that costs “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 support its declaration with any contemporaneously prepared documentation that complies with this requirement, we determined that the time increments claimed are estimated and unsupported.

Allowable Time Increments

During audit fieldwork, LASD's Lomita Station provided system-generated summary reports of handling time in minutes for time spent by LASD sworn officers performing the reimbursable activities during the audit period. The city prepared these reports using LASD's Regional Allocation of Police Services (RAPS) system based on three identity theft statistical codes. LASD stated that the RAPS report is intended to track all law enforcement personnel that worked on a case. The totals for each of the three identity theft statistical codes identified an average handling time of 58 minutes spent by LASD officers preparing police reports for all identity theft cases per fiscal year. However, as these were summary reports, we could not trace the reported handling time to any individual approved police report supporting violations of PC section 530.5.

Sworn officers within LASD's Field Operations Support Services (FOSS) Unit advised that the statistical codes on each case number within the RAPS system could change after approval of the initial report or upon further investigation. FOSS Unit officers also stated that an incident report with an identity theft statistical code could disclose a violation of Penal Code sections other than 530.5 (identity theft). Therefore, we concluded

that these summary reports alone did not provide sufficient evidence supporting time increments spent by LASD officers performing the reimbursable activities.

As an alternative, we used previously audited LASD identity theft time increments for the following reasons:

- The city contracted with LASD for its law enforcement services. Therefore, LASD officers performed the reimbursable activities and LASD also retained supporting documentation related to performing these activities;
- We previously audited the time increments used by LASD staff to perform the reimbursable activities from FY 2004-05 through FY 2012-13. SCO issued its audit report for the Los Angeles County's Identity Theft Program claims on June 12, 2017; and
- LASD's audited time increments directly relate to the Identity Theft Program's reimbursable activities and are properly supported.

In our June 12, 2017 audit report, we noted that LASD conducted a one-month time study during June 2012 to determine how long it took to perform reimbursable activities directly related to the Identity Theft Program. LASD officers at sheriff's stations in Lakewood, Palmdale, and Santa Clarita participated in the time study. LASD chose these stations in order to provide time study results from contract cities representing both urban and rural unincorporated areas of Los Angeles County.

In that time study, LASD broke down reimbursable activity 1.a (Taking a police report) into two sub-activities. Those sub-activities included writing and editing the initial police report (activity 1a.1), and reviewing the police report (activity 1a.2). LASD separated these activities because various LASD staff performed activity 1a.1, while only Watch Sergeants performed activity 1a.2. The county's time study supported 58.31 minutes to perform the reimbursable activities (26.94 minutes to take a police report, 7.31 minutes to review the report, and 24.06 minutes to begin an investigation). We noted that these results matched the average time of 58 minutes identified in the RAPS reports previously provided by LASD's Lomita Station, as noted above.

Therefore, we applied the following time increments (in minutes) for each allowable police report that originated in the City of Rancho Palos Verdes:

- Activity 1a – Take a police report supporting a violation of PC section 530.5: 26.94 minutes for Deputy Sheriffs; and
- Activity 2 – Beginning an investigation of the facts (sufficient to determine where the crime occurred and the pieces of personal identifying information used for an unlawful purpose): 24.06 minutes for Deputy Sheriffs.

We did not include the 7.31 minutes spent by LASD Watch Sergeants to review the reports because the city's contract with LASD during the audit period included only costs for time spent by LASD Deputy Sheriffs and did not include costs for time spent by LASD Sergeants. Therefore, the city did not incur any costs for time spent by LASD Watch Sergeants on the reimbursable activities.

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

Fiscal Year	Claimed Minutes			Allowable Minutes		
	Activity 1a.1	Activity 1a.2	Activity 2	Activity 1a.1	Activity 1a.2	Activity 2
	Taking a police report	Reviewing a police report	Beginning an investigation	Taking a police report	Reviewing a police report	Beginning an investigation
2002-03	120.00	20.00	20.00	26.94	-	24.06
2003-04	120.00	20.00	20.00	26.94	-	24.06
2004-05	120.00	20.00	20.00	26.94	-	24.06
2005-06	120.00	20.00	20.00	26.94	-	24.06
2006-07	120.00	20.00	20.00	26.94	-	24.06
2007-08	120.00	20.00	20.00	26.94	-	24.06
2008-09	120.00	20.00	20.00	26.94	-	24.06
2009-10	120.00	20.00	20.00	26.94	-	24.06
2010-11	120.00	20.00	20.00	26.94	-	24.06
2011-12	120.00	20.00	20.00	26.94	-	24.06
2012-13	42.75	17.10	20.00	26.94	-	24.06

Misclassified costs

The city misclassified its claimed costs as employee salaries and related indirect costs although the costs were actually contract services. The city claimed salary costs for all years of the audit period based on PHRs for Deputy Sheriffs and Sergeants. However, these employees were LASD staff members who provided law enforcement services to the city pursuant to the city’s contract with LASD. Therefore, claimed salary costs totaling \$407,058 and related indirect costs totaling \$40,704 for the audit are unallowable as claimed. We performed an analysis to determine allowable contract services costs. We are presenting that analysis below, under the heading of Allowable Contract Services Costs.

Allowable Contract Services Costs

Understated contract services costs

As noted above, the city did not claim any costs for contract services during the audit period, although it contracted with Los Angeles County for its law enforcement services, including all activities related to identity theft.

During the audit, the city provided a copy of the signed Municipal Law Enforcement Services Agreement that it negotiated with Los Angeles County. The contract specifies that the services performed and requested by the city shall be “indicated on a Los Angeles County Sheriff’s Department SH-AD 575 Deployment of Personnel Form.” The county uses this form to indicate the authorized LASD staffing level for each year that the contract is in effect, and the rates billed to the city for various LASD staff. We considered these forms as sufficient and appropriate evidence to support the city’s contract services costs related to its Identity Theft Program claims.

The city provided copies of its SH-AD 575 forms for all years of the audit period. The contract law enforcement staffing level in effect for the entire audit period included the sworn officer classifications of Sheriff Deputy Generalist and Sheriff Deputy Bonus I. As noted previously, the city’s contract with the county did not include costs for Sergeants.

Staff Allowable

In order to clarify which LASD staff performed the reimbursable activities, we:

- Obtained the LASD employee numbers from the sampled police reports and LASD employee names from LASD’s Lomita Station; and
- Calculated the extent that various contract LASD employees performed the reimbursable activities (percentage of involvement) for the city’s identity theft cases.

We found that Deputy Sheriffs performed reimbursable activity 1.a.1 (Taking a police report) and reimbursable activity 2 (Beginning an investigation). Specifically, employees in the Deputy Sheriff Generalist and the Deputy Sheriff Bonus I classifications performed these activities at a level of 91% and 9%, respectively. We also noted, from viewing copies of the filed police reports, that Sergeants reviewed and approved all of the reports (reimbursable activity 1.a.2.) However, as already noted, the approved staffing levels for the city did not include Sergeants during the audit period. Therefore, the city did not incur any costs for time spent by LASD Sergeants.

Contract Law Enforcement Rates

LASD’s Contract Law Enforcement Bureau provided contract rates for the specific LASD staffing levels in effect during the audit period for the law enforcement services that LASD provided to the city.

We noted that the salary rates included in the city’s claims are based on LASD contract rates for the classifications of LASD Deputies and Sergeants. The following table compares and summarizes the contract rates claimed as employee salary rates and the allowable contract rates for the audit period:

Fiscal Year	Employee Rates Claimed		Contract Rates Allowable	
	Deputy Sheriff/ Officer	Sergeant	Deputy Sheriff Generalist	Deputy Sheriff Bonus I
2002-03	\$ 87.34	\$ 73.07	\$ 87.01	\$ 92.28
2003-04	89.62	76.01	89.28	94.40
2004-05	90.26	76.01	89.92	95.08
2005-06	95.51	83.66	95.14	100.26
2006-07	100.39	89.81	100.01	105.16
2007-08	107.89	96.64	107.48	111.92
2008-09	106.68	101.10	112.66	117.20
2009-10	109.80	103.27	115.95	120.38
2010-11	116.17	103.27	115.72	120.36
2011-12	119.41	107.73	119.28	125.90
2012-13	122.07	108.72	121.94	128.86

We calculated allowable costs for contract services during the audit period based on the audited counts of PC section 530.5 identity theft reports, audited time increments, and hourly contract rates.

For example, the following table shows the calculation of allowable contract services costs for FY 2012-13:

Reimbursable Activity	LASD Classification	[A] Case Count	[B] Allowable Time Increment (Minutes)	[C] Allowable Hours (col [A] × [B]) / 60	[D] Contract Rates	[E] Percentage Involvement	[F] Allowable Costs (col [C] × [D] × [E])
1a	Deputy Sheriff Generalist	178	26.94	79.92	\$ 121.94	91%	\$ 8,868
1a	Deputy Sheriff Bonus 1	178	26.94	79.92	\$ 128.86	9%	927
2	Deputy Sheriff Generalist	178	24.06	71.38	\$ 121.94	91%	7,920
2	Deputy Sheriff Bonus 1	178	24.06	71.38	\$ 128.86	9%	828
							\$ 18,543

The following table summarizes the allowable contract services costs by fiscal year:

Fiscal Year	Allowable Contract Services Costs
2002-03	\$ 9,965
2003-04	6,102
2004-05	10,064
2005-06	12,108
2006-07	14,347
2007-08	15,039
2008-09	14,609
2009-10	13,549
2010-11	13,129
2011-12	15,182
2012-13	18,543
	\$ 142,637

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, in part:

To be eligible for mandated cost reimbursement for any given fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity

in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

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

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, in part:

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 2019-20 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 areas of disagreement we wish to re-state further relate to allowable time increments to:

1) **Begin Investigation: gather Information in order to take an ID Theft report**

Allowed = 24.06 minutes per case. Requested = 58 minutes per case.

We believe there is may be some confusion on what time and activities the RAPS system tracks. On page 4, paragraph 1, of the preliminary report, it states, "LASD stated that it intends the RAPS report to track all law enforcement personnel that worked on a case." RPV Sergeant DiGerlando has explained that this statement is not accurate. RAPS only tracked the Deputy's initial on-scene time: time when the deputy arrived on scene and when the Deputy notifies dispatch that they have left the scene/call for service.

As the RAPS system only records initial on-scene time, it would only track the Deputies initial time meeting with the victim to gather information in order to take the report. It does not include deputy report writing (which occurs after the deputy has notified dispatch that they have left the scene) and it would definitely not include Sergeant report review time which occurs much later.

Perhaps the RAPS systems were being mistaken during the review for the CLETS systems -which is used by Detectives to track their follow-up investigative time and activities. We did not claim Detective time or activities nor did we use times from the CLETS system.

The Preliminary Finding on the same pages stated you "could not trace the reported handling time to any approved police reports showing violations of PD Codes 530.5." We are confident that our RAPS case records can be traced to approved 530.5 police reports. The narrative seems to refer to records and analysis related to another entity (LA County audit). We believe that our Lomita Sheriff's office can provide you with the evidence needed to show the RAPS time can be traced to actual 530.5 reports and that the 58 minutes per case for this activity is accurate.

2) Allowable Time Increments: **Draft and Edit an ID Theft Report.**

Since our RAPS time (58 minutes per case) did not include time to draft and edit the ID Theft reports and in order to expedite the audit, we would be willing to accept the LA County average time of 26.94 minutes per case for the Deputy to write a police report.

SCO's Comments

Our finding and recommendation remain unchanged.

The city did not support the time increments identified in any of its Identity Theft Program claims with contemporaneously prepared documentation, as required by Section IV of the program's parameters and guidelines. Therefore, we could have concluded that the city's claims were unsupported and entirely unallowable as claimed. However, we recognized that the city incurred costs reimbursable under the mandated program and worked with the city to determine allowable costs. We also

recognized that all of the reimbursable costs incurred by the city resulted from work performed by LASD staff pursuant to the city's contract with Los Angeles County for law enforcement services.

The city's response requests allowable time increments of 26.94 minutes for LASD Deputy Sheriffs to write a police report for the city's identity theft cases and 58 minutes to begin an investigation of those cases. The city's response indicates that the support for these time increments comes from LASD's 2012 time study (for writing a police report) and LASD's RAPS system summary reports (for beginning an investigation).

We concur with the city that it took 26.94 minutes for LASD Deputy Sheriffs to write a police report for the city's identity theft cases and we identified the allowable costs for this activity in our audit report based on that time increment.

We do not agree with the city that it took LASD staff 58 minutes per case for the reimbursable activity of beginning an investigation. We noted that the total time increment of 58 minutes supported by LASD RAPS system reports generated by the Lomita Station represents the *total* handling time spent by all sworn officers for each of the three LASD statistical codes for theft of:

- 117 – goods/services/credits (felony);
- 118 – utilities/cellular phones (felony); and
- 119 – attempt/possession of profile information (misdemeanor).

However, representatives of LASD's FOSS Risk Management Bureau explained that the county's RAPS system reports do not provide sufficient evidence to determine time spent on identity theft cases, which is why LASD conducted its own time study in 2012 to determine the actual time that LASD Deputies and Sergeants spent on the reimbursable activities. Los Angeles County subsequently used the results of its time study to support its own Identity Theft Program claims during the same period. FOSS representatives explained that statistical codes for police reports could be changed from the code reported for the original call for service through subsequent supplemental reports or when a case is transferred, either to a detective within the same patrol station or to the commercial crimes or major crimes bureaus at LASD Headquarters. Because of these facts, and the fact that RAPS system reports were only in summary form, we did not rely on RAPS system information at all during our audit.

We used data taken from LASD's LARCIS to determine the actual number of identity theft cases filed during the audit period related to the city. As noted in our report, we accepted the case counts claimed by the city during the entire audit period. LARCIS also provides detail information for each specific identity theft report that is not available in the summary reports provided by the RAPS system.

LASD's Time Study

To determine the amount of time spent by LASD staff on the reimbursable activities for the city, we used data taken directly from the time study conducted by LASD personnel in June of 2012 at its Lakewood, Palmdale,

and Santa Clarita stations. The county chose these three stations because they represented both urban and rural areas of the county. Sworn officers within FOSS planned and executed the time study, which included 12 specific activities.

For the purposes of filing mandated cost claims, the time study supported an average of 58.31 minutes per identity theft case, as follows:

- 26.94 minutes – Handling Deputy takes a police report;
- 7.31 minutes – Watch Sergeant reviews and edits the report; and
- 24.06 minutes – Handling Deputy begins an investigation.

Taking a Police Report

The LASD time study identified three activities (activities 3, 8, and 10) that relate to taking a police report related to violations of PC section 530.5, as follows:

- Activity 3 – Handling Deputy reviewed and acknowledged the call;
- Activity 8 – Handling Deputy writes the incident report; and
- Activity 10 – Handling Deputy revises/edits the incident report.

The time study supported an average of 26.94 minutes for LASD Deputy Sheriffs to complete these three activities.

Reviewing a Police Report

LASD's time study identified two activities (activities 9 and 11) that relate to reviewing incident reports, as follows:

- Activity 9 – Watch Sergeant reviews the incident report; and
- Activity 11 – Watch Sergeant reviews the revised/edited incident report.

The time study supported an average of 7.31 minutes for LASD Sergeants to complete these two activities and we would have included this as an allowable cost. However, as noted in our audit report, the city's contract with the County did not include time spent by LASD Sergeants.

Beginning an Investigation

The time study identified two activities (activities 4 and 5) that relate to beginning an investigation, as follows:

- Activity 4 – Handling Deputy investigates/interviews victim; and
- Activity 5 – Handling Deputy collects/reviews evidence and documents.

The time study supported an average of 24.06 minutes for LASD Deputy Sheriffs to complete these two activities.

We determined (and LASD agreed) that time study activity 1, 2, 6, 7, and 12 were not activities recognized as reimbursable by the mandated program.

Conclusion

In its response to the draft report, the city attempts to make a distinction between one LASD report and another, under the assumptions that the data is somehow different and that LASD staff spent more time on the city's identity theft cases than it did on its own cases. We do not believe that this is a logical conclusion. From our perspective, LASD staff performed the reimbursable activities for the city and LASD conducted a time study covering the same period as the city's mandated cost claims to determine how much time it took to perform the reimbursable activities. Therefore, by using the county's time study and statements made by LASD's FOSS staff as audit evidence, distinguishing between one LASD report and another is irrelevant when determining the amount of time that LASD staff spent on the city's reimburseable activities.

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



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

Dear Ms. Kurokawa,

We appreciate the considerable time and effort that your office have dedicated to this review. As stated in my letter dated October 31, 2019 and during our Exit Conference on January 7, 2020, we found various findings that we disagreed with and that we requested that the City be provided the opportunity to submit further documentation to support our costs. On November 7, 2019, Mr. Venneman responded to our inquiry, provided additional information, and stated that the preliminary finding and recommendation remains unchanged. This letter is to re-state our disagreements as part of our response to the Draft Audit Report issued to the City on February 19, 2020.

The areas of disagreement we wish to re-state further relate to allowable time increments to:

- 1) **Begin Investigation: gather information in order to take an ID Theft report**
Allowed = 24.06 minutes per case. Requested = 58 minutes per case.

We believe there is may be some confusion on what time and activities the RAPS system tracks. On page 4, paragraph 1, of the preliminary report, it states, "LASD stated that it intends the RAPS report to track all law enforcement personnel that worked on a case." RPV Sergeant DiGerlando has explained that this statement is not accurate. RAPS only tracked the Deputy's initial on-scene time: time when the deputy arrived on scene and when the Deputy notifies dispatch that they have left the scene/call for service.


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2) Allowable Time Increments: **Draft and Edit an ID Theft Report.**

Since our RAPS time (58 minutes per case) did not include time to draft and edit the ID Theft reports and in order to expedite the audit, we would be willing to accept the LA County average time of 26.94 minutes per case for the Deputy to write a police report.

 Thank you,

Angelina Garcia
Interim Finance Director

Cc: Jim L. Spano, CPA, Chief, Division of Audits

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<http://www.sco.ca.gov>