

# CITY OF LOS ANGELES

Audit Report

## **ADMINISTRATIVE LICENSE SUSPENSION – PER SE PROGRAM**

Chapter 1460, Statutes of 1989; Chapter 431, Statutes of 1990;  
Chapter 1281, Statutes of 1992; Chapters 899 and 1244,  
Statutes of 1993; Chapter 938, Statutes of 1994;  
and Chapter 5, Statutes of 1997

*July 1, 2013, through June 30, 2017*



**BETTY T. YEE**  
California State Controller

April 2019



**BETTY T. YEE**  
California State Controller

April 25, 2019

The Honorable Eric Garcetti, Mayor  
City of Los Angeles  
200 North Main Street  
Los Angeles, CA 90012

Dear Mayor Garcetti:

The State Controller's Office (SCO) audited the costs claimed by the City of Los Angeles for the legislatively mandated Administrative License Suspension – Per Se Program for the period of July 1, 2013, through June 30, 2017.

The city claimed and was paid \$1,740,677 for the mandated program. Our audit found that \$889,463 is allowable and \$851,214 is unallowable. The costs are unallowable because the city claimed reimbursement for unsupported costs and costs it did not incur, and did not offset federal grant funds that it used to pay for mandated activities.

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.

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/hf

The Honorable Eric Garcetti,  
Mayor

-2-

April 25, 2019

cc: The Honorable Ron Galperin, City Controller  
City of Los Angeles  
Annemarie Sauer, Commanding Officer  
Fiscal Operations Division  
Los Angeles Police Department  
Allison Ogtong, Management Analyst  
Fiscal Operations Division  
Los Angeles Police 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  
Anita Dagan, 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 Los Angeles for the legislatively mandated Administrative License Suspension – Per Se Program for the period of July 1, 2013, through June 30, 2017.

The city claimed and was paid \$1,740,677 for the mandated program. Our audit found that \$889,463 is allowable and \$851,214 is unallowable. The costs are unallowable because the city claimed reimbursement for unsupported costs and costs it did not incur, and did not offset federal grant funds that it used to pay for mandated activities during the audit period.

## Background

The Administrative License Suspension legislation became effective on July 1, 1990. The legislation authorizes a peace officer, on behalf of the Department of Motor Vehicles (DMV), to immediately seize a valid California driver's license in the possession of a person arrested or detained for driving under the influence (DUI), serve an order of suspension or revocation, and issue a temporary driver's license to the driver.

Section I. (Summary of the Mandate) of the program's parameters and guidelines states:

- A. Minors (under the age of 21) that are detained but not ultimately arrested for violation of a DUI statute:
  - Admonishing those drivers that the failure to submit to, or the failure to complete, a preliminary alcohol-screening test or other chemical test as requested will result in the suspension or revocation of the driver's license.
  - Requesting and administering the alcohol-screening test pursuant to Vehicle Code (VC) sections 23136 and 23137.
  - Taking possession of any driver's license and serving the notice of order of suspension or revocation on the detained minor if the driver refuses or fails to complete the chemical test, or has been found to have a concentration of alcohol in the blood in violation of VC section 23136.
  - Completing a sworn report for those minors detained.
  - Submitting a copy of the completed notice of order of suspension, driver's license, and sworn report to the DMV.
- B. All drivers (adults and minors) that are arrested for violation of a DUI statute:
  - Taking possession of any driver's license and serving the notice of order of suspension or revocation on the driver refuses or fails to complete the chemical test, or has been found to have a concentration of alcohol in the blood in violation of VC sections 23140, 23152, and 23153.
  - Completing a sworn report for those drivers that are arrested with a blood alcohol concentration higher than that legal limit.
  - Submitting a copy of the completed notice of order of suspension, driver's license, and sworn report to the DMV.

The Commission also identified a uniform time allowance to account for employees' time spent performing mandated activities.

In addition, the Commission identified sources of offsetting reimbursements, including fees collected pursuant to VC section 14905 and grant money that passed through the State to local agencies.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on December 2, 2003. In compliance with Government Code (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 Administrative License Suspension – Per Se 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, 2013, through June 30, 2017.

To achieve our audit objective, we:

- Reviewed the annual mandated cost claims filed by the city for the audit period and identified the material cost component of each claim as salaries, benefits, and indirect costs. Determined whether there were any errors or any unusual or unexpected variances in amounts claimed 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 city staff, and discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used;
- Selected a statistical sample of system-generated reports that included DUI cases based on data from the Los Angeles Police Department's (LAPD) online Arrest Database (AD) for each year of the audit period. After analyzing the data and consulting with the city, we found that the LAPD provided AD information to the public for statistical purposes. LAPD representatives stated that the LAPD's internal Integrated Crime and Arrest System (ICARS) and Network Communication System (NECS) databases provided better data for auditing purposes. Both databases list actual arrests conducted by arresting agency. When we compared the number of arrest cases from the AD to the ICARS database, we found small variances. We used the ICARS case lists to verify the existence, completeness, and accuracy of the case counts claimed. This included:
  - Reconciling the number of cases on the ICARS lists to the number of cases claimed for reimbursement under the Drivers Arrested for Violation of a DUI Statute cost component;

- Verifying that the cases involved violations of DUI statutes by using the reconciled case counts to select a sample for testing. We used a statistical sample to select cases for each year in the audit period, as follows:
  - 148 out of 14,255 cases for FY 2013-14
  - 148 out of 13,361 cases for FY 2014-15
  - 148 out of 10,829 cases for FY 2015-16
  - 148 out of 9,144 cases for FY 2016-17

We selected our sample size based on a system generated District Report (DR) using unique Case ID numbers that LAPD recycles every ten years. We calculated the sample size from the total population of cases based on an error rate of +/- 8%, an expected error rate of 50%, and a 95% confidence level. During testing, we found a great number of DUI cases resulting from an arrest made by an outside agency. We confirmed with city representatives that the outside agencies prepared all arrest documents utilizing the City of Los Angeles' booking facilities. We completed our testing by:

- Reconciling the number of cases again based on the revised case listings to the number of cases claimed for reimbursement under the Drivers Arrested for Violation of a DUI Statute cost component (see Finding 1); and
- Determining from the revised case listings the arresting division for each case to exclude all ineligible and unsupported cases and only include the arrest cases conducted by the LAPD (see Finding 1).
- Reviewed the Schedule of Expenditures of Federal Awards for each fiscal year in the audit period, and confirmed with city staff that the city received federal grant funds that it used to pay for mandated activities. However, the city did not report these funds as offsetting revenues on its claim forms during the audit period; and
- Reviewed source documents the city provided supporting the grant programs used to fund a portion of the mandated activities (see Finding 2).

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 found that the city claimed unsupported costs, costs that it did not incur, and costs that were funded by other sources, as quantified in the accompanying Schedule and described in the Findings and Recommendations section of this report.

For the audit period, the City of Los Angeles claimed and was paid \$1,740,677 for costs of the legislatively mandated Administrative License Suspension – Per Se Program. Our audit found that \$889,463 is allowable and \$851,214 is unallowable.

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 Administrative License Suspension – Per Se Program.

**Views of  
Responsible  
Officials**

We issued a draft audit report on January 29, 2019. Annemarie Sauer, Commanding Officer, responded by email dated February 8, 2019 (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 Los Angeles, 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](http://www.sco.ca.gov).

*Original signed by*

JIM L. SPANO, CPA  
Chief, Division of Audits

April 25, 2019



**Schedule—**  
**Summary of Program Costs**  
**July 1, 2013, through June 30, 2017**

Cost Elements	Amount Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2013, through June 30, 2014</u>				
Salaries	\$ 213,678	\$ 128,235	\$ (85,443)	
Benefits	141,370	84,841	(56,529)	
Total salaries and benefits	355,048	213,076	(141,972)	
Indirect costs	138,528	83,135	(55,393)	
Total direct and indirect costs	493,576	296,211	(197,365)	Finding 1
Less offsetting revenues and reimbursements	-	(55,117)	(55,117)	Finding 2
Total program costs	<u>\$ 493,576</u>	241,094	<u>\$ (252,482)</u>	
Less amount paid by the State <sup>2</sup>		(493,576)		
Amount paid in excess of allowable costs claimed		<u>\$ (252,482)</u>		
<u>July 1, 2014, through June 30, 2015</u>				
Salaries	\$ 197,131	\$ 132,539	\$ (64,592)	
Benefits	144,635	97,244	(47,391)	
Total salaries and benefits	341,766	229,783	(111,983)	
Indirect costs	150,766	101,366	(49,400)	
Total direct and indirect costs	492,532	331,149	(161,383)	Finding 1
Less offsetting revenues and reimbursements	-	(75,095)	(75,095)	Finding 2
Total program costs	<u>\$ 492,532</u>	256,054	<u>\$ (236,478)</u>	
Less amount paid by the State <sup>2</sup>		(492,532)		
Amount paid in excess of allowable costs claimed		<u>\$ (236,478)</u>		
<u>July 1, 2015, through June 30, 2016</u>				
Salaries	\$ 154,009	\$ 102,677	\$ (51,332)	
Benefits	112,996	75,334	(37,662)	
Total salaries and benefits	267,005	178,011	(88,994)	
Indirect costs	117,786	78,527	(39,259)	
Total direct and indirect costs	384,791	256,538	(128,253)	Finding 1
Less offsetting revenues and reimbursements	-	(59,572)	(59,572)	Finding 2
Total program costs	<u>\$ 384,791</u>	196,966	<u>\$ (187,825)</u>	
Less amount paid by the State <sup>2</sup>		(384,791)		
Amount paid in excess of allowable costs claimed		<u>\$ (187,825)</u>		

## Schedule (continued)

Cost Elements	Amount Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2016, through June 30, 2017</u>				
Salaries	\$ 138,421	\$ 95,665	\$ (42,756)	
Benefits	90,832	62,776	(28,056)	
Total salaries and benefits	229,253	158,441	(70,812)	
Indirect costs	140,525	97,119	(43,406)	
Total direct and indirect costs	369,778	255,560	(114,218)	Finding 1
Less offsetting revenues and reimbursements	-	(60,211)	(60,211)	Finding 2
Total program costs	<u>\$ 369,778</u>	195,349	<u>\$ (174,429)</u>	
Less amount paid by the State <sup>2</sup>		(369,778)		
Amount paid in excess of allowable costs claimed		<u>\$ (174,429)</u>		
<u>Summary: July 1, 2013, through June 30, 2017</u>				
Salaries	\$ 703,239	\$ 459,116	\$ (244,123)	
Benefits	489,833	320,195	(169,638)	
Total salaries and benefits	1,193,072	779,311	(413,761)	
Indirect costs	547,605	360,147	(187,458)	
Total direct and indirect costs	1,740,677	1,139,458	(601,219)	Finding 1
Less offsetting revenues and reimbursements	-	(249,995)	(249,995)	Finding 2
Total program costs	<u>\$ 1,740,677</u>	889,463	<u>\$ (851,214)</u>	
Less amount paid by the State <sup>2</sup>		(1,740,677)		
Amount paid in excess of allowable costs claimed		<u>\$ (851,214)</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Payment amount current as of February 22, 2019.

# Findings and Recommendations

**FINDING 1—  
Overstated salaries  
and related benefits  
and related indirect  
costs**

The city claimed \$1,740,677 for the Drivers Arrested for Violation of DUI Statute cost component during the audit period (\$703,239 for salaries, \$489,833 for employee benefits, and \$547,605 for related indirect costs). During testing of this cost component, we found that \$1,139,458 is allowable and \$601,219 is unallowable because the city overstated salary costs.

Salary costs are determined by multiplying the number of drivers arrested for violation of a DUI statute by the uniform time allowance and the arresting officer’s hourly rate. The city overstated salary costs by \$244,123 because it misinterpreted the program’s parameters and guidelines requirement that it claim only actual costs incurred. As a result, the city claimed reimbursement for activities conducted by various law enforcement agencies outside of the city and for DUI cases it could not support. In addition, unallowable related employee benefit costs total \$169,638 and unallowable related indirect costs total \$187,458, for a total audit finding of \$601,219.

The following table summarizes the unallowable salaries and benefits, and related indirect costs by fiscal year:

Fiscal Year	Number of Drivers Arrested for Violation of DUI Statute			Uniform Time Allowance <sup>5</sup>	Salary Rate	Salary Adjustment	Related Benefit Adjustment <sup>6</sup>	Related Indirect Cost Adjustment <sup>7</sup>	Total Audit Adjustment
	Claimed	Allowable	Difference						
2013-14	15,125	9,077	(6,048) <sup>1</sup>	0.25	\$ 56.51	\$ (85,443)	\$ (56,529)	\$ (55,393)	\$ (197,365)
2014-15	13,465	9,053	(4,412) <sup>2</sup>	0.25	\$ 58.56	(64,592)	(47,391)	(49,400)	(161,383)
2015-16	10,942	7,295	(3,647) <sup>3</sup>	0.25	\$ 56.30	(51,332)	(37,662)	(39,259)	(128,253)
2016-17	9,476	6,549	(2,927) <sup>4</sup>	0.25	\$ 58.43	(42,756)	(28,056)	(43,406)	(114,218)
Total	49,008	31,974	(17,034)			\$ (244,123)	\$ (169,638)	\$ (187,458)	\$ (601,219)

<sup>1</sup>FY 2013-14 includes 5,279 ineligible cases and 769 unsupported cases.

<sup>2</sup>FY 2014-15 includes 4,408 ineligible cases and four unsupported cases.

<sup>3</sup>FY 2015-16 includes 3,643 ineligible cases and four unsupported cases.

<sup>4</sup>FY 2016-17 includes 2,924 ineligible cases and three unsupported cases.

<sup>5</sup>The uniform time allowance of 0.25 is equivalent to 15 minutes.

<sup>6</sup>The benefit rates are 66.16% for FY 2013-14, 73.37% for FY 2014-15 and FY 2015-16, and 65.62% for FY 2016-17.

<sup>7</sup>The indirect cost rates are 64.83% for FY 2013-14, 76.48% for FY 2014-15, 76.48% for FY 2015-16, and 101.52% for FY 2016-17. Rates are applied to salaries only.

## Costs Not Incurred

We reviewed the case listings provided by the city and found that the city claimed reimbursement for arrests conducted by various law enforcement agencies outside of the LAPD, including the California Highway Patrol, the Van Nuys Municipal Court, the Los Angeles Port Police, and others. These agencies do not have their own booking facilities, and therefore use LAPD’s facilities. However, the individual outside arresting agencies complete their own paperwork, including the sworn reports, Per Se forms, and other necessary documents, and the City of Los Angeles does not incur a cost for those activities. As a result, we found that the city claimed 16,254 ineligible cases for the audit period (5,279 for FY 2013-14, 4,408 for FY 2014-15, 3,643 for FY 2015-16, and 2,924 for FY 2016-17).

## Unsupported Cases

After excluding the DUI arrests conducted by the outside agencies, we also found that the city claimed 780 unsupported cases (769 for FY 2013-14, four for FY 2014-15, four for FY 2015-16, and three for FY 2016-17). These consisted of cases claimed by the city that the LAPD’s Application Development Support Division could not support.

## Criteria

Section IV. (Reimbursable Activities) 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.”

Section IV. (Reimbursable Activities) 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 identified below. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

## Recommendation

We recommend that the city:

- Follow the mandated program’s claiming instructions and the parameters and guidelines when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs incurred as a result of implementing the mandated activities and are properly supported.

## City’s Response

The city concurs with the finding and recommendation.

## **FINDING 2— Unreported offsetting revenues and reimbursements**

The city did not offset any revenues or reimbursements on its claim forms. During our review of the funding sources, we found that the city should have offset \$249,995 in federal grant funds that the city used to pay for mandated activities.

The city received the following federal grant funds passed through the State of California Office of Traffic and Safety:

- State and Community Highway Safety;
- Minimum Penalties for Repeat Offenders for Driving While Intoxicated;
- State and Community Highway Safety and Minimum Penalties for Repeat Offenders for Driving While Intoxicated; and
- State and Community Highway Safety, National Priority Safety Programs, and Minimum Penalties for Repeat Offenders for Driving While Intoxicated.

The city used these funds to pay for the salaries and benefits of peace officers at DUI checkpoints and during DUI saturation patrols. The city did not offset these funds because it was not aware of the requirement outlined in the parameters and guidelines to offset federal funding.

We confirmed with LAPD representatives that the LAPD arrested 6,979 drivers for violation of a DUI statute at DUI checkpoints and during DUI saturation patrols during the audit period. Accordingly, we determined that the city should have offset \$249,995, as follows:

Fiscal Year	Number of Drivers Arrested for Violation of DUI Statute			Uniform Time Allowance <sup>1</sup>	Salary Rate	Salary Offset	Benefit Offset <sup>2</sup>	Indirect Costs Offset <sup>3</sup>	Total Amount Offset
	Checkpoints	Saturation Patrols	Total						
2013-14	1,172	517	(1,689)	0.25	\$ 56.51	\$ (23,861)	\$ (15,787)	\$ (15,469)	\$ (55,117)
2014-15	1,469	584	(2,053)	0.25	\$ 58.56	(30,056)	(22,052)	(22,987)	(75,095)
2015-16	1,247	447	(1,694)	0.25	\$ 56.30	(23,843)	(17,494)	(18,235)	(59,572)
2016-17	1,180	363	(1,543)	0.25	\$ 58.43	(22,539)	(14,790)	(22,882)	(60,211)
<b>Total</b>	<b>5,068</b>	<b>1,911</b>	<b>(6,979)</b>			<b>\$ (100,299)</b>	<b>\$ (70,123)</b>	<b>\$ (79,573)</b>	<b>\$ (249,995)</b>

<sup>1</sup>The uniform time allowance of 0.25 is equivalent to 15 minutes.

<sup>2</sup>The benefit rates are 66.16% for FY 2013-14, 73.37% for FY 2014-15 and FY 2015-16, and 65.62% for FY 2016-17.

<sup>3</sup>The indirect cost rates are 64.83% for FY 2013-14, 76.48% for FY 2014-15, 76.48% for FY 2015-16, and 101.52% for FY 2016-17. Rates are applied to salaries only.

**Criteria**

Section VII. (Offsetting Savings and Reimbursements) of the parameters and guidelines state, in part:

In addition, reimbursement for this mandate received from any source, including but not limited to, service fees collected, including fees collected pursuant to Vehicle Code section 14905; federal funds and other state funds; and grant monies received by the state and passed through to local agencies (obtained by Public Law 100-690, which added United States Code, title 23, sections 408 and 410), shall be identified and deducted from this claim.

Recommendation

We recommend that the city:

- Follow the mandated program’s claiming instructions and the parameters and guidelines when preparing its reimbursement claims; and
- Deduct from its claims all federal grant funds used to pay for mandated activities.

City’s Response

Per the SCO’s recommendations, the City has subsequently adjusted its methodology of reporting for the FY 17-18 reimbursement claim on the Administrative License Suspension Program. Such adjustments include a thorough review of listed arresting agencies and offsetting of federal grant costs proportionate to the State’s disallowed percentage for the years audited.

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

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LOS ANGELES POLICE DEPARTMENT

**MICHEL R. MOORE**  
Chief of Police



**ERIC GARCETTI**  
Mayor

P.O. Box 30158  
Los Angeles, CA 90030  
Telephone: (213) 486-0150  
TTY: (877) 275-5273  
Ref #: 3.5

February 8, 2019

Ms. Lisa Kurokawa  
Chief, Compliance Audits Bureau  
State Controller's Office (SCO)  
Division of Audits  
Post Office Box 942850  
Sacramento, California 94250

Re: Administrative License Suspension Program Audit for FY 14-17

Dear Ms. Kurokawa:

Thank you for the opportunity to comment on the draft Administrative License Suspension – Per Se Program Audit Report. We appreciate the professionalism and courtesy provided to the City by State Audit staff throughout the course of the audit, as well as the opportunity to develop and submit appropriate documentation in support of these claims. The City has reviewed the report and concurs with the State Controller's findings.

Per the SCO's recommendations, the City has subsequently adjusted its methodology of reporting for the FY 17-18 reimbursement claim on the Administrative License Suspension Program. Such adjustments include a thorough review of listed arresting agencies and offsetting of federal grant costs proportionate to the State's disallowed percentage for the years audited.

If you have any questions, please contact Police Administrator Annemarie Sauer, LAPD Fiscal Operations Division, at (213) 486-8598.

Respectfully,

A handwritten signature in black ink, appearing to be "AS", written over a horizontal line.

ANNEMARIE SAUER, Police Administrator II  
Commanding Officer  
Fiscal Operations Division

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250**

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