

CITY OF LONG BEACH

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, 2016



BETTY T. YEE
California State Controller

August 2018



BETTY T. YEE
California State Controller

August 13, 2018

The Honorable Robert Garcia, Mayor
City of Long Beach
333 West Ocean Boulevard, 14th Floor
Long Beach, CA 90802

Dear Mayor Garcia:

The State Controller's Office (SCO) audited the costs claimed by the City of Long Beach for the legislatively mandated Administrative License Suspension – Per Se Program for the period of July 1, 2013, through June 30, 2016.

The city claimed and was paid \$140,324 for the mandated program. Our audit found that \$68,265 is allowable and \$72,059 is unallowable. The costs are unallowable because the city claimed reimbursement for costs not incurred and for ineligible cases, and did not offset federal grant funds that were used to pay for the mandated activities. Following issuance of this report, the SCO's Local Government Programs and Services Division will notify the city of the adjustments 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

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

cc: John Gross, Director of Financial Management
City of Long Beach
Geraldine Alejo, Revenue Management Officer
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City of Long Beach
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Long Beach for the legislatively mandated Administrative License Suspension – Per Se Program for the period of July 1, 2013, through June 30, 2016.

The city claimed and was paid \$140,324 for the mandated program. Our audit found that \$68,265 is allowable and \$72,059 is unallowable. The costs are unallowable because the city claimed reimbursement for costs not incurred and for ineligible cases, and did not offset federal grant funds that were used to pay for the mandated activities.

Background

The Administrative License Suspension legislation became effective on July 1, 1990. The test claim 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), immediately serve an order of suspension or revocation, and issue a temporary driver's license to the driver.

The Commission on State Mandates (Commission) partially approved this test claim pursuant to Article XIII B, section 6, of the California Constitution, and Government Code (GC) section 17514, for the increased costs in performing the following activities:

- 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 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 sections 23140, 23152, and 23153.

- Completing a sworn report for those drivers that are arrested with a blood alcohol concentration higher than the 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 the mandated activities.

In addition, the Commission identified sources of offsetting reimbursements, including fees collected pursuant to VC section 14905 and grant monies received by the state and passed through 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 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 from July 1, 2013, through June 30, 2016.

To achieve our audit objective, we:

- Reviewed the annual mandated costs claims filed by the city for the audit period to verify that the material cost component of each claim was salaries. Determined whether there were any errors or unusual or unexpected variances from year to year, and 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, and 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 DUI cases from the city to verify the existence, completeness, and accuracy of the unduplicated case counts for each fiscal year in the audit period:
 - Reconciled the number of cases on the listing to the number of cases claimed for reimbursement.
 - Reviewed the case listing to determine eligibility and duplication (see Finding 1); and
- 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 were used to pay for mandated activities, but were not offset from claimed costs (see Finding 2).

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. 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

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

For the audit period, the City of Long Beach claimed and was paid \$140,324 for costs of the legislatively mandated Administrative License Suspension – Per Se Program. Our audit found that \$68,265 is allowable and \$72,059 is unallowable.

Following issuance of this report, the SCO's Local Government Programs and Services Division will notify the city of the adjustments 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 June 29, 2018. John Gross, Director of Financial Management, responded by letter dated July 2, 2018 (Attachment), agreeing with the audit results. This final audit report includes the city's response.

Restricted Use

This report is solely for the information and use of the City of Long Beach, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

August 13, 2018

Schedule—
Summary of Program Costs
July 1, 2013, through June 30, 2016

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2013, through June 30, 2014</u>				
Salaries	\$ 29,450	\$ 15,017	\$ (14,433)	
Benefits	12,469	6,358	(6,111)	
Total salaries and benefits	41,919	21,375	(20,544)	
Indirect costs	20,477	10,442	(10,035)	
Total direct and indirect costs	62,396	31,817	(30,579)	Finding 1
Less offsetting revenues and reimbursements	-	(2,591)	(2,591)	Finding 2
Total program costs	<u>\$ 62,396</u>	29,226	<u>\$ (33,170)</u>	
Less amount paid by the State ²		(62,396)		
Amount paid in excess of allowable costs claimed		<u>\$ (33,170)</u>		
<u>July 1, 2014, through June 30, 2015</u>				
Salaries	\$ 19,739	\$ 10,715	\$ (9,024)	
Benefits	11,524	6,255	(5,269)	
Total salaries and benefits	31,263	16,970	(14,293)	
Indirect costs	12,509	6,790	(5,719)	
Total direct and indirect costs	43,772	23,760	(20,012)	Finding 1
Less offsetting revenues and reimbursements	-	(2,171)	(2,171)	Finding 2
Total program costs	<u>\$ 43,772</u>	21,589	<u>\$ (22,183)</u>	
Less amount paid by the State ²		(43,772)		
Amount paid in excess of allowable costs claimed		<u>\$ (22,183)</u>		
<u>July 1, 2015, through June 30, 2016</u>				
Salaries	\$ 15,579	\$ 8,375	\$ (7,204)	
Benefits	9,369	5,037	(4,332)	
Total salaries and benefits	24,948	13,412	(11,536)	
Indirect costs	9,208	4,950	(4,258)	
Total direct and indirect costs	34,156	18,362	(15,794)	Finding 1
Less offsetting revenues and reimbursements	-	(912)	(912)	Finding 2
Total program costs	<u>\$ 34,156</u>	17,450	<u>\$ (16,706)</u>	
Less amount paid by the State ²		(34,156)		
Amount paid in excess of allowable costs claimed		<u>\$ (16,706)</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2013, through June 30, 2016</u>				
Salaries	\$ 64,768	\$ 34,107	\$ (30,661)	
Benefits	33,362	17,650	(15,712)	
Total salaries and benefits	98,130	51,757	(46,373)	
Indirect costs	42,194	22,182	(20,012)	
Total direct and indirect costs	140,324	73,939	(66,385)	Finding 1
Less offsetting revenues and reimbursements	-	(5,674)	(5,674)	Finding 2
Total program costs	<u>\$ 140,324</u>	68,265	<u>\$ (72,059)</u>	
Less amount paid by the State ²		(140,324)		
Amount paid in excess of allowable costs claimed		<u>\$ (72,059)</u>		

¹ See the Findings and Recommendations section.

² Payment amount current as of May 21, 2018.

Findings and Recommendations

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

The city claimed \$140,324 for the Arrested Drivers for Violation of DUI Statute cost component for the audit period. We found that \$73,939 is allowable and \$66,385 is unallowable because the city overstated salaries.

Salary costs are determined by multiplying the number of drivers arrested for violation of the DUI statute by the uniform time allowance and the arresting officer’s hourly rate. The city overstated the salary costs by \$30,661 because it misinterpreted the program’s parameters and guidelines requirement that it claim only actual costs incurred, which resulted in the city claiming reimbursement for costs not incurred and for ineligible cases. In addition, unallowable related benefit costs total \$15,712 and unallowable related indirect costs total \$20,012.

The following table summarizes the case adjustment by fiscal year:

Fiscal Year	Salary Adjustment								
	Number of Drivers Arrested for Violation of DUI Statute			Uniform Time	Salary Rate	Salary Adjustment	Related Benefit Adjustment ²	Related Indirect Cost Adjustment ⁴	Total Audit Adjustment
	Claimed	Allowable	Difference	Allowance ¹	Rate	Adjustment	Adjustment	Adjustment	Adjustment
2013-14	2,167	1,105	(1,062)	0.25	\$ 54.36	\$ (14,433)	\$ (6,111)	\$ (10,035) ³	\$ (30,579)
2014-15	1,553	843	(710)	0.25	\$ 50.84	(9,024)	(5,269)	(5,719) ³	(20,012)
2015-16	1,423	765	(658)	0.25	\$ 43.79	(7,204)	(4,332)	(4,258) ⁴	(15,794)
Total	<u>5,143</u>	<u>2,713</u>	<u>(2,430)</u>			<u>\$ (30,661)</u>	<u>\$ (15,712)</u>	<u>\$ (20,012)</u>	<u>\$ (66,385)</u>

¹ The uniform time allowance of 0.25 is equivalent to 15 minutes.

² The benefit rate is 42.34% for FY 2013-14, 58.38% for FY 2014-15, and 60.14% for FY 2015-16

³ The indirect cost rate is 69.53% for FY 2013-14 and 63.37% for FY 2014-15. Both rates are applied to salaries only.

⁴ The indirect cost rate is 36.91% for FY 2015-16 and is applied to both salaries and benefits.

Costs Not Incurred

We reviewed the case listing provided by the city and found that the city claimed reimbursement for arrests conducted by the California Highway Patrol (CHP), the Signal Hill Police Department (SHPD), Long Beach State University (LBSU), and miscellaneous arrests coded as AOTH. These agencies do not have their own booking facilities, and therefore use the City of Long Beach’s facilities; however, the arresting departments’ field offices complete all of the paperwork, including the sworn reports and other necessary documents, and the City of Long Beach does not incur a cost. In total, we determined that the city claimed 1,903 ineligible cases for the audit period (815 for FY 2013-14, 568 for FY 2014-15, and 520 for FY 2015-16).

Section IV. (Reimbursable Activities) of the parameters and guidelines states, in part, “The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below.”

Ineligible Cases

Our review of the case listing also showed that the city claimed cases with the same booking number multiple times. After reading the officer’s statement, we noted several cases where the individual detained was arrested with two incidents (e.g., DUI-alcohol and possession of drugs). In this example, reimbursement is limited to the DUI-alcohol violation (and not for the drug possession violation). In total, we determined that the city claimed 527 ineligible cases for the audit period (247 for FY 2013-14, 142 for FY 2014-15, and 138 for FY 2015-16).

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.”

Recommendation

We recommend that the city:

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

City’s Response

For Finding #1, the City concurs with the SCO’s finding that the City unintentionally overstated the number of cases claimed for the audit period. This is due to the City inadvertently including arrests made by outside agencies (e.g., City of Signal, California Highway Patrol) who utilize the City’s booking facilities and claiming duplicate case numbers. Upon completion of our work with your audit staff and all parties involved in the City’s claim preparation process, the Long Beach Police Department will implement a more detailed process to ensure accuracy in its claimed case counts.

FINDING 2— Unreported offsetting reimbursements

The city did not offset any reimbursements on its claim forms for the audit period. We found that the city should have offset \$5,674 in federal grant funds that were used by the city to pay for mandated activities.

The city received a federal grant titled “Minimum Penalties for Repeat Offenders for Driving While Intoxicated” that passed through the California Department of Transportation. These funds were used by the city 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 the city that 205 drivers were arrested for violation of the DUI statute at DUI checkpoints and during DUI saturation patrols for the audit period. As such, we determined that the city should have offset \$5,674, as follows:

Fiscal Year	No. of Drivers Arrested for Violation of DUI Statute	Uniform Time Allowance	Salary Rate	Salary Offset	Benefit Rate	Benefit Offset	Indirect Cost Rate	Indirect Cost Offset	Total Offset
2013-14	(90)	0.25 ¹	\$54.36	\$(1,223)	42.34%	\$ (518)	69.53% ²	\$ (850)	\$(2,591)
2014-15	(77)	0.25 ¹	\$50.84	(979)	58.38%	(572)	63.37% ²	(620)	(2,171)
2015-16	(38)	0.25 ¹	\$43.79	(416)	60.14%	(250)	36.91% ³	(246)	(912)
Total	(205)			\$(2,618)		\$(1,340)		\$(1,716)	\$(5,674)

¹ The uniform time allowance of 0.25 is equivalent to 15 minutes.

² For FY 2013-14 and FY 2014-15, the indirect cost rate is applied to salaries only.

³ For FY 2015-16, the indirect cost rate is applied to salaries and benefits.

Section VII. (Offsetting Savings and Reimbursements) of the parameters and guidelines states, 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 filing its reimbursement claims; and
- Deduct from its claims all federal grant funds that were used to pay for mandated activities.

City’s Response

For Finding #2, the City agrees with the SCO’s finding that the City did not offset claims for the “Minimum Penalties for Repeat Offenders for Driving While Intoxicated” grant. This is due to the City’s misunderstanding of the timing of when staff completed the mandated activities. Rather than completing the mandated activities following the conclusion of a DUI checkpoint operation, Police staff sometimes complete the mandated activities on-site at the DUI checkpoint. This resulted in the unintended overlap between the reimbursement claim and staff time offset by the grant. Through the audit process, the Long Beach Police Department will make certain that its claims are reviewed for any potential overlap with grant funding and that adjustments for grant funding is applied in all future claims.

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



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6th Floor • Long Beach, CA 90802 • (562) 570-6465 • Fax (562) 570-6780

July 2, 2018

Ms. Lisa Kurokawa, Chief
Division of Audits, Compliance Audits Bureau
State Controller's Office
3301 C Street, Suite 700
Sacramento, CA 95816

RE: State Mandated Cost Audit Program: Administrative License Suspension – Per Se Program

Dear Ms. Kurokawa:

Thank you for providing the City of Long Beach (City) with the draft findings for the State Controller's Office (SCO) audit on the Administrative License Suspension – Per Se Program for the period of July 1, 2013 through June 30, 2016. The City reviewed the draft report and agrees with the SCO's Findings #1 and #2.

For Finding #1, the City concurs with the SCO's finding that the City unintentionally overstated the number of cases claimed for the audit period. This is due to the City inadvertently including arrests made by outside agencies (e.g., City of Signal, California Highway Patrol) who utilize the City's booking facilities and claiming duplicate case numbers. Upon completion of our work with your audit staff and all parties involved in the City's claim preparation process, the Long Beach Police Department will implement a more detailed process to ensure accuracy in its claimed case counts.

For Finding #2, the City agrees with the SCO's finding that the City did not offset claims for the "Minimum Penalties for Repeat Offenders for Driving While Intoxicated" grant. This is due to the City's misunderstanding of the timing of when staff completed the mandated activities. Rather than completing the mandated activities following the conclusion of a DUI checkpoint operation, Police staff sometimes complete the mandated activities on-site at the DUI checkpoint. This resulted in the unintended overlap between the reimbursement claim and staff time offset by the grant. Through the audit process, the Long Beach Police Department will make certain that its claims are reviewed for any potential overlap with grant funding and that adjustments for grant funding is applied in all future claims.

Staff will carefully consider the issues raised by the SCO audit, and will adjust the approach for future claims accordingly. We appreciate the information and recommendations provided by the SCO audit. Thank you for this opportunity to submit our comments for the draft report. If you have any questions about this response, please do not hesitate to contact me at (562) 570-6427.

Sincerely,

JOHN GROSS
Director of Financial Management

Cc:
Robert G. Luna, Chief of Police, Long Beach Police Department
Maura Velasco-Ventura, Chief Financial Officer, Long Beach Police Department
Brandon Walker, Financial Services Officer, Long Beach Police Department

**State Controller's Office
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