

CITY OF SAN BERNARDINO

Audit Report

CRIME STATISTICS REPORTS FOR THE DEPARTMENT OF JUSTICE PROGRAM

Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992;
Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998;
Chapter 571, Statutes 1999; Chapter 626, Statutes 2000; and
Chapter 700, Statutes 2004

July 1, 2001, through June 30, 2012



BETTY T. YEE
California State Controller

October 2016



BETTY T. YEE
California State Controller

October 21, 2016

The Honorable R. Carey Davis
Mayor of the City of San Bernardino
300 North D Street, Sixth Floor
San Bernardino, CA 92418

Dear Mayor Davis:

The State Controller's Office audited the costs claimed by the City of San Bernardino for the legislatively mandated Crime Statistics Reports for the Department of Justice Program (Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992; Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998; Chapter 571, Statutes 1999; Chapter 626, Statutes 2000; and Chapter 700, Statutes 2004) for the period of July 1, 2001, through June 30, 2012.

The city claimed \$3,596,653 for the mandated program. Our audit found that \$1,580,342 is allowable and \$2,016,311 is unallowable. The costs are unallowable because the city claimed overstated salary and benefit costs and overstated indirect cost rates. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,580,342, contingent upon available appropriations.

This final audit report contains an adjustment to costs claimed by the city. If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), 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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: Brent Mason, Director of Finance
City of San Bernardino
Jarrod Burguan, Acting Chief of Police
San Bernardino Police Department
Susan Stevens, Administrative Analyst II
San Bernardino Police Department
Mary Halterman, Principal Program Budget Analyst
Local Government Unit, California Department of Finance
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of San Bernardino for the legislatively mandated Crime Statistics Reports for the Department of Justice Program (Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992; Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998; Chapter 571, Statutes 1999; Chapter 626, Statutes 2000; and Chapter 700, Statutes 2004) for the period of July 1, 2001, through June 30, 2012.

The city claimed \$3,596,653 for the mandated program. Our audit found that \$1,580,342 is allowable and \$2,016,311 is unallowable. The costs are unallowable primarily because the city claimed overstated salary and benefit costs and overstated indirect cost rates. The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,580,342, contingent upon available appropriations.

Background

Penal Code sections 12025, subdivisions (h)(1) and (h)(3), 12031, subdivisions (m)(1) and (m)(3), 13014, 13023, and 13730, subdivision (a), require local agencies to report information related to certain specified criminal acts to the California Department of Justice. These sections were added and/or amended by Chapter 1172, Statutes of 1989; Chapter 1338, Statutes of 1992; Chapter 1230, Statutes of 1993; Chapter 933, Statutes of 1998; Chapter 571, Statutes of 1999; Chapter 626, Statutes of 2000; and Chapter 700, Statutes of 2004.

On June 26, 2008, the Commission on State Mandates (Commission) adopted a statement of decision for the Crime Statistics Reports for the Department of Justice Program. The Commission found that the test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program on city and county claimants beginning on July 1, 2001, within the meaning of Article XII B, section 6 of the California Constitution and Government Code section 17514.

On July 31, 2009, the Commission heard an amended test claim on Penal Code section 13023 (added by Chapter 700, Statutes of 2004), which imposed additional crime reporting requirements. The Commission also found that this test claim legislation constitutes a new program or higher level of service and imposes a reimbursable state-mandated program for city and county claimants beginning on January 1, 2004. On April 10, 2010, the Commission issued a corrected statement of decision to correctly identify the operative and effective date of the reimbursable state-mandated program as January 1, 2005.

The Commission found that the following activities are reimbursable:

- A local government entity responsible for the investigation and prosecution of a homicide case to provide the California Department of Justice with demographic information about the victim and the person or persons charged with the crime, including the victim's and person's age, gender, race, and ethnic background (Penal Code section 13014).
- Local law enforcement agencies to report, in a manner to be prescribed by the Attorney General, any information that may be required relative to any criminal acts or attempted criminal acts to cause physical injury, emotional suffering, or property damage where there is a reasonable cause to believe that the crime was motivated, in whole or in part, by the victim's race, ethnicity, religion, sexual orientation, or physical or mental disability, or gender or national origin (Penal Code section 13023).
- For district attorneys to report annually on or before June 30, to the Attorney General, on profiles by race, age, gender, and ethnicity any person charged with a felony or misdemeanor under Penal Code section 12025 (carrying a concealed firearm) or section 12031 (carrying a loaded firearm in a public place), and any other offense charged in the same complaint, indictment, or information. The Commission found that this activity is a reimbursable mandate from July 1, 2001, through January 1, 2005. (Penal Code sections 12025, subdivisions (h)(1) and (h)(3), and 12031 subdivisions (m)(1) and (m)(3)).
- For local law enforcement agencies to support all domestic-violence related calls for assistance with a written incident report (Penal Code section 13730, subdivision (a), Chapter 1230, Statutes of 1993).
- For local law enforcement agency to report the following in a manner to be prescribed by the Attorney General:
 - Any information that may be required relative to hate crimes, as defined in Penal Code section 422.55 as criminal acts committed, in whole or in part, because of one or more of the following perceived characteristics of the victim: (1) disability, (2) gender, (3) nationality, (4) race or ethnicity, (5) religion, (6) sexual orientation.
 - Any information that may be required relative to hate crimes, defined in Penal Code section 422.55 as criminal acts committed, in whole or in part, because of association with a person or group with one or more of the following actual or perceived characteristics: (1) disability, (2) gender, (3) nationality, (4) race or ethnicity, (5) religion, (6) sexual orientation.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on September 30, 2010, and amended them on January 24, 2014, to clarify reimbursable costs related to domestic-violence related calls for assistance. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed claims to identify the material cost components of each claim, any errors, and any unusual or unexpected variances from year-to-year
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained
- Assessed whether computer-processed data provided by the claimant to support claimed costs was complete and accurate and could be relied upon
- Interviewed city staff to determine the employee classifications involved in performing the reimbursable activities during the audit period
- Traced productive hourly rate calculations for auditee employees to supporting information in the auditee's payroll system
Determined whether indirect costs claimed were for common or joint purposes and whether indirect cost rates were properly supported and applied
- Assessed whether average time increments claimed to perform the reimbursable activities were reasonable per the requirements of the program
- Reviewed and analyzed the claimed domestic violence incident report counts for consistency and possible exclusions, and verified that counts were supported by the city's system generated reports

- Verified incident report counts by tracing a sample of domestic violence calls for assistance to case files to ensure that the calls for assistance were supported by written incident reports
- Recalculated allowable costs claimed using audited data

Conclusion

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

For the audit period, the City of San Bernardino claimed \$3,596,653 for costs of the Crime Statistics Reports for the Department of Justice Program. Our audit found that \$1,580,342 is allowable and \$2,016,311 is unallowable.

The State made no payments to the city. Our audit found that \$1,580,342 is allowable. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the city's representatives during an exit conference conducted on September 13, 2016, with Jarrod Burguan, Chief of Police; Eric McBride, Assistant Chief; Brent Mason, Director of Finance; and Susan Stevens, Senior Management Analyst. Brent A. Mason, Director of Finance, responded by letter dated September 20, 2016 (attachment), agreeing with Finding 2 and indicating that the city understands the basis for Finding 1. This final report includes the city's response.

Restricted Use

This report is solely for the information and use of, the City of San Bernardino, 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

October 21, 2016

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

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Homicide reports	\$ 370	\$ 370	\$ -	
Domestic violence related calls for assistance	98,596	93,917	(4,679)	Finding 1
Total direct costs	98,966	94,287	(4,679)	
Indirect costs	12,766	7,756	(5,010)	Findings 1, 2
Total program costs	<u>\$ 111,732</u>	102,043	<u>\$ (9,689)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 102,043</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Homicide reports	\$ 476	\$ 476	\$ -	
Domestic violence related calls for assistance	128,494	105,712	(22,782)	Finding 1
Total direct costs	128,970	106,188	(22,782)	
Indirect costs	38,821	26,972	(11,849)	Findings 1, 2
Total program costs	<u>\$ 167,791</u>	133,160	<u>\$ (34,631)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 133,160</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Homicide reports	\$ 623	\$ 623	\$ -	
Domestic violence related calls for assistance	159,225	108,545	(50,680)	Finding 1
Total direct costs	159,848	109,168	(50,680)	
Indirect costs	34,208	23,362	(10,846)	Finding 1
Total program costs	<u>\$ 194,056</u>	132,530	<u>\$ (61,526)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 132,530</u>		

Schedule (continued)

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Homicide reports	\$ 887	\$ 887	\$ -	
Domestic violence related calls for assistance	137,101	110,158	(26,943)	Finding 1
Total direct costs	137,988	111,045	(26,943)	
Indirect costs	47,607	23,320	(24,287)	Findings 1, 2
Total program costs	<u>\$ 185,595</u>	134,365	<u>\$ (51,230)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 134,365</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Homicide reports	\$ 847	\$ 847	\$ -	
Hate crime reports	26	26	-	
Domestic violence related calls for assistance	218,835	106,227	(112,608)	Finding 1
Total direct costs	219,708	107,100	(112,608)	
Indirect costs	48,664	23,723	(24,941)	Finding 1
Total program costs	<u>\$ 268,372</u>	130,823	<u>\$ (137,549)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 130,823</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Homicide reports	\$ 501	\$ 501	\$ -	
Hate crime reports	52	52	-	
Domestic violence related calls for assistance	114,380	114,380	-	
Total direct costs	114,933	114,933	-	
Indirect costs	38,864	24,890	(13,974)	Finding 2
Total program costs	<u>\$ 153,797</u>	139,823	<u>\$ (13,974)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 139,823</u>		

Schedule (continued)

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Homicide reports	\$ 590	\$ 590	\$ -	
Hate crime reports	70	70	-	
Domestic violence related calls for assistance	534,475	128,336	(406,139)	Finding 1
Total direct costs	535,135	128,996	(406,139)	
Indirect costs	181,223	29,502	(151,721)	Findings 1, 2
Total program costs	<u>\$ 716,358</u>	158,498	<u>\$ (557,860)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 158,498</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Homicide reports	\$ 404	\$ 404	\$ -	
Hate crime reports	103	103	-	
Domestic violence related calls for assistance	551,624	124,603	(427,021)	Finding 1
Total direct costs	552,131	125,110	(427,021)	
Indirect costs	74,454	16,871	(57,583)	Finding 1
Total program costs	<u>\$ 626,585</u>	141,981	<u>\$ (484,604)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 141,981</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Homicide reports	\$ 464	\$ 464	\$ -	
Hate crime reports	58	58	-	
Domestic violence related calls for assistance	723,282	140,396	(582,886)	Finding 1
Total direct costs	723,804	140,918	(582,886)	
Indirect costs	102,273	19,911	(82,362)	Finding 1
Total program costs	<u>\$ 826,077</u>	160,829	<u>\$ (665,248)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 160,829</u>		

Schedule (continued)

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Homicide reports	\$ 488	\$ 488	\$ -	
Domestic violence related calls for assistance	149,611	149,611	-	
Total direct costs	150,099	150,099	-	
Indirect costs	33,108	33,108	-	
Total program costs	<u>\$ 183,207</u>	183,207	<u>\$ -</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 183,207</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Homicide reports	\$ 275	\$ 275	\$ -	
Hate crime reports	243	243	-	
Domestic violence related calls for assistance	140,612	140,612	-	
Total direct costs	141,130	141,130	-	
Indirect costs	21,953	21,953	-	
Total program costs	<u>\$ 163,083</u>	163,083	<u>\$ -</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 163,083</u>		
<u>Summary: July 1, 2001, through June 30, 2012</u>				
Direct costs:				
Homicide reports	\$ 5,925	\$ 5,925	\$ -	
Hate crime reports	552	552	-	
Domestic violence related calls for assistance	2,956,235	1,322,497	(1,633,738)	
Total direct cost	2,962,712	1,328,974	(1,633,738)	
Indirect costs	633,941	251,368	(382,573)	
Total program costs	<u>\$ 3,596,653</u>	1,580,342	<u>\$ (2,016,311)</u>	
Less amount paid by the state		-		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,580,342</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overstated salaries and benefits costs

The city overstated salaries and benefits costs for the Domestic Violence Related Calls for Assistance cost component by \$1,633,738 for the audit period. The related indirect costs total \$330,027. The costs for this component include supporting each related call for assistance with a written incident report. Reimbursable activities consist of writing, reviewing, and editing the incident reports. Costs claimed were calculated by multiplying the number of incident reports by a time increment to process a report, then multiplying the resulting total hours by a productive hourly rate. The costs are overstated because the city overstated the number of incident reports it prepared to support domestic violence-related calls for assistance. As a result, we recalculated claimed costs based on the supported number of incident reports.

The following table summarizes the overstated salaries and benefits costs:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
2001-02	\$ 98,596	\$ 93,917	\$ (4,679)
2002-03	128,494	105,712	(22,782)
2003-04	159,225	108,545	(50,680)
2004-05	137,101	110,158	(26,943)
2005-06	218,835	106,227	(112,608)
2006-07	114,380	114,380	-
2007-08	534,475	128,336	(406,139)
2008-09	551,624	124,603	(427,021)
2009-10	723,282	140,396	(582,886)
2010-11	149,611	149,611	-
2011-12	140,612	140,612	-
Total	<u>\$ 2,956,235</u>	<u>\$ 1,322,497</u>	<u>\$ (1,633,738)</u>

Incident Reports

For each fiscal year, the city provided a summary report to support the claimed number of domestic violence related calls for assistance that were supported by written incident reports. The city created the summary reports using its Records Management System (RMS) database. The RMS information did not support the number of domestic violence incident reports that the city claimed. The city claimed costs based on the number of incidents in its computer-aided dispatch system, rather than the number incidents in its RMS that actually resulted in a written report.

The following table summarizes the overstated number of incident reports:

<u>Fiscal Year</u>	<u>Claimed Incident Reports</u>	<u>Incident Reports Identified in the City's System</u>	<u>Difference</u>
2001-02	1,699	1,618	(81)
2002-03	2,072	1,705	(367)
2003-04	2,434	1,660	(774)
2004-05	1,910	1,535	(375)
2005-06	2,975	1,448	(1,527)
2006-07	1,487	1,487	-
2007-08	6,288	1,508	(4,780)
2008-09	6,459	1,459	(5,000)
2009-10	6,953	1,350	(5,603)
2010-11	1,347	1,347	-
2011-12	1,267	1,267	-
Total	<u>34,891</u>	<u>16,384</u>	<u>(18,507)</u>

Criteria

The program's parameters and guidelines (section IV) state, in part:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

The parameters and guidelines (section IV-Ongoing Activities D. Domestic Violence Related Calls for Assistance) allow ongoing activities related to costs supporting domestic violence related calls for assistance with a written incident report, and reviewing and editing the report.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the fiscal year (FY) 2012-13 through FY 2015-16 Budget Acts. If the program becomes active, we recommend that the city claim costs that are based on actual costs to implement the mandated cost program and maintain source documentation that can be used to verify such costs.

City's Response

The city understands the basis for the audit finding.

**FINDING 2—
Overstated indirect costs**

The city overstated indirect costs by \$52,546 for the audit period. The overstatement results primarily from the application of overstated indirect cost rates during the audit period. Also, over the course of the audit period the city used different methods to compute its indirect costs. For each of the effected fiscal years we recalculated the indirect cost rates and applied them to the corresponding eligible direct costs.

The following table summarizes the overstated indirect costs:

	<u>FY 2001-02</u>		<u>Audit Adjustment</u>
Allowable salaries costs ¹	\$ 83,586		
Allowable indirect cost rate	<u>10%</u>		
Allowable indirect costs	8,359		
Less claimed indirect costs	<u>(12,766)</u>		
Total	<u>\$ (4,407)</u>	\$	(4,407)
	<u>FY 2002-03</u>	<u>FY 2004-05</u>	
Allowable indirect cost rate	25.4%	21.0%	
Less claimed indirect cost rate	<u>(30.1)%</u>	<u>(34.5)%</u>	
Unallowable indirect cost rate	(4.7)%	(13.5)%	
Allowable salaries and benefits ²	<u>x \$ 106,188</u>	<u>x \$ 111,045</u>	
Total	<u>\$ (4,991)</u>	<u>\$ (14,991)</u>	(19,982)
	<u>FY 2006-07</u>	<u>FY 2007-08</u>	
Allowable indirect cost rate	28.4%	30.12%	
Less claimed indirect cost rate	<u>(44.4)%</u>	<u>(44.60)%</u>	
Unallowable indirect cost rate	(16.0)%	(14.48)%	
Allowable salaries ³	<u>x \$ 87,335</u>	<u>x \$ 97,947</u>	
Total	<u>\$ (13,974)</u>	<u>\$ (14,183)</u>	(28,157)
Total			<u>\$ (52,546)</u>

¹FY 2001-02 calculated based on 10% of allowable salaries.

²FY 2002-03 and FY 2004-05 calculated based on allowable salaries and benefits.

³FY 2006-07 and FY 2007-08 calculated based on allowable salaries.

The overstatements resulted from the following reasons, by fiscal year:

For FY 2001-02, the city calculated indirect costs for the Police Department using the indirect cost rate proposal (ICRP) prepared for its Fire Department. We discussed the issue with city representatives, in lieu of providing an ICRP the city opted to use the standard 10% of direct labor to calculate indirect costs.

For FY 2002-03, the city included duplicated costs in the ICRP calculation. We removed the duplicated costs and recalculated the indirect cost rate.

For FY 2004-05, the city included Office of Management and Budget (OMB) A-87 cost allocation plan costs totaling \$4,978,671 in the indirect cost pool used to calculate the indirect cost rate. The city did not provide the FY 2004-05 Cost Allocation Plan to support that amount. We removed the cost allocation plan costs from the ICRP calculation and recalculated the indirect cost rate.

For FY 2006-07, the city included OMB A-87 cost allocation plan costs totaling \$4,978,671 in the indirect cost pool used to calculate the indirect cost rate. The city did not provide the FY 2006-07 Cost Allocation Plan to support that amount. Therefore, we removed the cost allocation plan costs from the ICRP calculation. In addition, the city overstated costs by including unallowable advertising costs in the indirect cost pool. We removed the unsupported and unallowable costs, and recalculated the indirect cost rate.

For FY 2007-08, a prior audit disclosed that the indirect cost rate is 30.12%. The city did not provide any documentation to support the claimed indirect cost rate. Therefore, we applied the audited indirect cost rate to allowable salaries costs.

The following table summarizes the calculation of the allowable indirect cost rates for the effected fiscal years:

	Costs Reported	Allowable Costs	Audit Adjustment
<u>FY 2002-03</u>			
Direct costs:			
Salaries and benefits (A)	\$ 33,342,333	\$ 33,342,333	\$ -
Indirect Costs:			
Salaries and benefits	3,222,177	3,222,177	-
Sevices and supplies	6,790,712	5,241,937	(1,548,775)
Total indirect costs (B)	<u>\$ 10,012,889</u>	<u>\$ 8,464,114</u>	<u>\$ (1,548,775)</u>
Allowable indirect cost rate ((B) ÷ (A)) ¹		<u>25.4%</u>	
<u>FY 2004-05</u>			
Direct costs:			
Salaries and benefits (C)	\$ 36,700,954	\$ 36,700,954	\$ -
Indirect Costs:			
Salaries and benefits	3,366,052	3,366,052	-
Sevices and supplies	4,312,658	4,312,658	-
Cost plan allocation	4,978,671	-	(4,978,671)
Total indirect costs (D)	<u>\$ 12,657,381</u>	<u>\$ 7,678,710</u>	<u>\$ (4,978,671)</u>
Allowable indirect cost rate ((D) ÷ (C)) ¹		<u>21.0%</u>	
<u>FY 2006-07</u>			
Direct costs:			
Salaries and benefits (E)	\$ 31,186,579	\$ 31,186,579	\$ -
Indirect Costs:			
Salaries and benefits	3,691,137	3,691,137	-
Sevices and supplies	5,218,005	5,171,477	(46,528)
Cost plan allocation	4,978,671	-	(4,978,671)
Total indirect costs (F)	<u>\$ 13,887,813</u>	<u>\$ 8,862,614</u>	<u>\$ (5,025,199)</u>
Allowable indirect cost rate ((F) ÷ (E)) ¹		<u>28.4%</u>	

¹Differences due to rounding.

The parameters and guidelines (section IV) state, in part:

Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

Further, the parameters and guidelines (section VI) require that all documents used to support reimbursable activities must be retained during the period subject to audit.

The parameters and guidelines (section V B) provide claimants with the option of using 10% of labor, excluding fringe benefit costs, or preparing an ICRP if indirect costs exceeds 10%. The ICRP is prepared utilizing the procedure provided in OMB A-87.

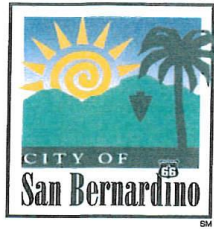
Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2015-16 Budget Acts. If the program becomes active, we recommend that the city claim costs that are based on actual costs to implement the mandated cost program and maintain source documentation that can be used to verify such costs.

City's Response

The city understands and agrees with the audit finding.

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



300 North "D" Street • San Bernardino • CA 92418-0001
www.sbcity.org

September 20, 2016

State Controller's Office
Division of Audits
PO Box 942850
Sacramento, CA 94250-5874
Attn: Elaine Scott

RE: Audit of SB90 Claim for Domestic Violence Related Calls for Assistance – Management's Response to Findings

Dear Ms. Scott:

Thank you for taking the time last week to review the results of your recent audit of our SB90 Claim for Domestic Violence Related Calls for Assistance. The time was helpful in understanding your audit, its results and what you need from the City to close out the audit.

Per our understanding, you need Management Responses from the City to each of the two findings noted in the audit. Those are provided below. Should you need anything more from the City, please do not hesitate to contact my office at (909) 384-5242.

Management's Response to Finding #1 –

The City understands the basis on which the adjustment was made for the number of incidents reported, from which the claim reimbursement is then calculated. In future filings, staff will use the more appropriate count mechanism for purposes of making the reimbursement calculation. This being the first filing for this specific reimbursable mandated cost, the audit proved very helpful in understanding how to better make this filing in the future.

Management's Response to Finding #2 –

The City understands the basis on which the adjustment was made relative to indirect costs claimed for reimbursement and agrees with the revised calculated amount. The City is in the process of completing a cost allocation plan, which will include an A-87 compliant calculation which will be approved by the City's lead granting agency for approval and eventual use in making such allocations to reimbursements from state or federal funds.

Again, the City appreciates the effort and professionalism with which the audit was conducted and does not anticipate having these findings on future audits of the SB90 claim filings.

Respectfully,

A handwritten signature in blue ink that reads "Brent A. Mason".

Brent A. Mason
Director of Finance
City of San Bernardino

Cc: Chief Jarrod Burguan
Susan Stevens

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

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