

CITY OF SAN JOSE

Audit Report

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS PROGRAM

Chapter 246, Statutes of 1995

July 1, 2012, through June 30, 2015



BETTY T. YEE
California State Controller

October 2017



BETTY T. YEE
California State Controller

October 20, 2017

The Honorable Sam Liccardo, Mayor
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Dear Mayor Liccardo:

The State Controller's Office (SCO) audited the costs claimed by the City of San Jose for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2012, through June 30, 2015.

The city claimed and was paid \$481,762 for the mandated program. Our audit found that \$346,916 is allowable and \$134,846 is unallowable. The costs are unallowable primarily because the city claimed understated and non-reimbursable costs. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve the amount paid in excess of allowable costs totaling \$134,846. The letter will be sent within 30 days from the issuance date of this report.

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ljs

cc: Julia H. Cooper, Director of Finance
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City of San Jose
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of San Jose for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2012, through June 30, 2015.

The city claimed and was paid \$481,762 for the mandated program. Our audit found that \$346,916 is allowable and \$134,846 is unallowable. The costs are unallowable primarily because the city claimed understated and non-reimbursable costs. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve the amount paid in excess of allowable costs totaling \$134,846. The letter will be sent within 30 days from the issuance date of this report.

Background

Penal Code (PC) section 13701, subdivision (b) (added by Chapter 246, Statutes of 1995), required local law enforcement agencies to develop, adopt, and implement written arrest policies for domestic violence offenders by July 1, 1996. The legislation also required local law enforcement agencies to obtain input from local domestic violence agencies in developing the arrest policies. Under previous law, local law enforcement agencies were required to develop, adopt, and implement written policies for response to domestic violence calls and were encouraged, but not obligated, to consult with domestic violence experts.

On September 25, 1997, the Commission on State Mandates (Commission) determined that Chapter 246, Statutes of 1995, imposed a state mandated program reimbursable under Government Code (GC) section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission adopted the parameters and guidelines on August 20, 1998 and amended them on October 30, 2009. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies and school districts 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 Domestic Violence Arrest Policies and Standards 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, 2012, through June 30, 2015.

To achieve our audit objective, we:

- Reviewed annual mandated cost claims filed by the city for the audit period to identify the material cost components of each claim, and determine whether there were any errors or any unusual or unexpected

variances from year to year. We also reviewed 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 performed a walk-through of the claim preparation process to determine what information was obtained, who obtained it, and how it was used;
- Interviewed city staff to determine which employee classifications were involved in performing the reimbursable activities;
- Traced all average productive hourly rate calculations to supporting information in the auditee's payroll system;
- Reviewed indirect costs claimed to determine whether they were for common or joint purposes and whether indirect cost rates were properly supported and applied;
- Verified that the city used the uniform time allowance and applied it properly;
- Reviewed and analyzed the claimed domestic violence incident report counts and verified that counts were supported by the city's report management system;
- Performed a statistical sample of 427 out of 8,316 domestic violence incident reports. Reviewed sampled incident reports to verify that the reports met the mandated criteria and to ensure that the mandated activities were documented. Errors found were projected to the intended population.

We selected a statistical sample because the population contains a large number of homogenous items, and we wished to project the results of testing the incident report attributes to the intended population. Sample parameters are discussed in detail in Finding 2; and

- Recalculated allowable costs claimed using our audited incident report counts.

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 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.

Conclusion

Our audit found instances of noncompliance with the requirements outlined in the Objective section. 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 Jose claimed \$481,762 for costs of the Domestic Violence Arrest Policies and Standards Program. Our audit found that \$346,916 is allowable and \$134,846 is unallowable.

The State paid the city \$481,762. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve the amount paid in excess of allowable costs totaling \$134,846. The letter will be sent within 30 days from the issuance date of this report.

**Views of
Responsible
Officials**

We issued a draft audit report on August 4, 2017. Lisa Taitano, Assistant Director of Finance, responded by letter dated August 15, 2017 (Attachment), agreeing with the audit results. This final audit includes the city's response.

Restricted Use

This report is solely for the information and use of the City of San Jose, 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 20, 2017

Schedule—
Summary of Program Costs
July 1, 2012, through June 30, 2015

| Cost Elements | Costs Claimed | Allowable per Audit | Audit Adjustment | Reference ¹ |
|--|-------------------|------------------------|---------------------|------------------------|
| <u>July 1, 2012, through June 30, 2013</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 100,327 | \$ 80,707 | \$ (19,620) | Findings 1, 2 |
| Indirect costs | 24,391 | 19,621 | (4,770) | Findings 1, 2 |
| Total program costs | <u>124,718</u> | 100,328 | <u>(24,390)</u> | |
| Less amount paid by the State | | <u>(124,718)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (24,390)</u> | | |
| <u>July 1, 2013, through June 30, 2014</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 131,806 | \$ 92,892 | \$ (38,914) | Findings 1, 2 |
| Indirect costs | 29,666 | 20,907 | (8,759) | Findings 1, 2 |
| Total program costs | <u>\$ 161,472</u> | 113,799 | <u>\$ (47,673)</u> | |
| Less amount paid by the State | | <u>(161,472)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (47,673)</u> | | |
| <u>July 1, 2014, through June 30, 2015</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 159,327 | \$ 108,179 | \$ (51,148) | Findings 1, 2 |
| Indirect costs | 36,245 | 24,610 | (11,635) | Findings 1, 2 |
| Total program costs | <u>\$ 195,572</u> | 132,789 | <u>\$ (62,783)</u> | |
| Less amount paid by the State | | <u>(195,572)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (62,783)</u> | | |
| <u>Summary: July 1, 2012, through June 30, 2015</u> | | | | |
| Direct costs: | | | | |
| Salaries and benefits | \$ 391,460 | \$ 281,778 | \$ (109,682) | |
| Indirect costs | 90,302 | 65,138 | (25,164) | |
| Total program costs | <u>\$ 481,762</u> | 346,916 | <u>\$ (134,846)</u> | |
| Less amount paid by the State | | <u>(481,762)</u> | | |
| Allowable costs claimed in excess of (less than) amount paid | | <u>\$ (134,846)</u> | | |

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Understated costs

The city understated salaries and benefits costs by \$14,293; the related indirect costs total \$3,400.

For each fiscal year, the city provided a summary report to support the claimed number of domestic violence incident reports. The city created the summary reports using its records management system (RMS). The RMS information did not support the number of domestic violence incident reports that the city claimed. The number of incident reports was understated in fiscal year (FY) 2012-13 and FY 2013-14, and overstated in FY 2014-15.

The following table summarizes the audit adjustment for the understated or overstated number of incident reports:

| | Fiscal Year | | | Total |
|--|------------------|------------------|------------------|------------------|
| | 2012-13 | 2013-14 | 2014-15 | |
| Number of domestic violence incident reports per RMS | 2,371 | 2,832 | 3,113 | |
| Less number of domestic violence incident reports claimed | <u>(2,152)</u> | <u>(2,745)</u> | <u>(3,115)</u> | |
| Understated/(overstated) number of reports | 219 | 87 | (2) | |
| Uniform time allowance (hours) | × 0.48 | × 0.48 | × 0.48 | |
| Understated/overstated hours | 105 | 42 | (1) | |
| Claimed productive hourly rate, salaries ¹ | × <u>\$52.66</u> | × <u>\$52.63</u> | × <u>\$55.43</u> | |
| Understated/(overstated) salaries (A) ² | \$ 5,529 | \$ 2,210 | \$ (55) | |
| Benefit rate ¹ | × <u>84.44%</u> | × <u>90.07%</u> | × <u>92.24%</u> | |
| Understated/(overstated) benefits (B) ² | <u>4,669</u> | <u>1,991</u> | <u>(51)</u> | |
| Understated/(overstated) salaries and benefits ((C) = (A) + (B)) | 10,198 | 4,201 | (106) | \$ 14,293 |
| Indirect cost rate claimed (D) | × <u>44.84%</u> | × <u>42.78%</u> | × <u>43.73%</u> | |
| Related indirect costs ((E) = (A) x (D)) ² | <u>2,479</u> | <u>945</u> | <u>(24)</u> | <u>3,400</u> |
| Audit adjustment ((F) = (C) + (E)) | <u>\$ 12,677</u> | <u>\$ 5,146</u> | <u>\$ (130)</u> | <u>\$ 17,693</u> |

¹The average productive hourly rates claimed for FY 2012-13, FY 2013-14 and FY 2014-15 combined salaries, benefits, and indirect costs. We calculated salaries, benefits, and indirect costs separately to show that indirect cost rates were properly applied to the correct base of salaries.

²Calculation differences due to rounding.

Section IV of the program's parameters and guidelines states:

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.

Section IV (E) of the parameters and guidelines authorizes a uniform time allowance of 29 minutes (0.48 hours) for responding officers to interview both parties (17 minutes) and consider various specified factors (12 minutes) in a domestic violence incident.

Recommendation

We recommend that the city claim the number of domestic violence incident reports that its RMS supports.

City’s Response

The City concurs with this finding. The City will develop certain review procedures to ensure that the number of domestic violence incident reports claimed will be supported by information in the Police Department’s records management system (RMS).

**FINDING 2—
Non-reimbursable
costs**

The city claimed non-reimbursable salaries and benefits totaling \$123,975; the related indirect costs total \$28,564.

As noted in Finding 1, the city understated or overstated the claimed number of domestic violence incident reports for the audit period. The following table summarizes the audited population of incident reports and the claimed hours attributable to the audited population:

| | Fiscal Year | | |
|---|--------------|--------------|--------------|
| | 2012-13 | 2013-14 | 2014-15 |
| Documented number of domestic violence incident reports | 2,371 | 2,832 | 3,113 |
| Uniform time allowance (hours) | × 0.48 | × 0.48 | × 0.48 |
| Claimed hours attributable to documented incident reports | <u>1,138</u> | <u>1,359</u> | <u>1,494</u> |

For each fiscal year, we selected a statistical sample from the documented number of domestic violence incident reports (the population) based on a 95% confidence level, a precision rate of +/- 8%, and an expected error rate of 50%. We used statistical samples so that the results could be projected to the population for each fiscal year. We selected a random sample of 141 incident reports for FY 2012-13 and 143 incident reports each for FY 2013-14 and FY 2014-15. We reviewed the sample incident reports to determine whether the city performed the required mandated program activities. Our review found the following:

- One hundred ninety-four incident reports were fully reimbursable under the mandated program. These reports are reimbursable at 29 minutes (0.48 hours) per report.
- One hundred forty-six incident reports were partially reimbursable because the officers did not interview both parties involved in the domestic violence incident. These reports are reimbursable at 20.5 minutes (0.34 hours) per report, based on 8.5 minutes to interview one party and 12 minutes to consider the various factors identified in the parameters and guidelines.

- One incident report was partially reimbursable because it was a follow-up report included in the population under a separate case number, indicating that the suspect had been subsequently interviewed. No new domestic violence occurred during this incident. This report is reimbursable at 8.5 minutes (0.14 hours).
- Eighty-six incident reports were not reimbursable because the incidents did not meet the definition of domestic violence, as defined by PC section 13700. The incidents involved issues such as verbal disputes.

The following table summarizes the results of our statistical samples:

| | Fiscal Year | | | Total |
|---|-------------|---------|---------|-------|
| | 2012-13 | 2013-14 | 2014-15 | |
| Allowable incident reports | 63 | 65 | 66 | 194 |
| Partially reimbursable incident reports - only one party interviewed | 56 | 46 | 44 | 146 |
| Partially reimbursable incident report - subsequently interviewed suspect | 1 | - | - | 1 |
| Non-mandate-related incident reports | 21 | 32 | 33 | 86 |
| Total reports sampled | 141 | 143 | 143 | 427 |

The following table shows the calculation of unallowable hours based on the results of the statistical samples:

| | Fiscal Year | | | Total |
|---|-------------|---------|---------|-------|
| | 2010-11 | 2011-12 | 2012-13 | |
| Allowable incident reports | 63 | 65 | 66 | 194 |
| Uniform time allowance (hours) | × 0.48 | × 0.48 | × 0.48 | |
| Subtotal (G) | 30.24 | 31.20 | 31.68 | |
| Partially reimbursable incident reports - only one party interviewed | 56 | 46 | 44 | 146 |
| Allowable uniform time allowance (hours) | × 0.34 | × 0.34 | × 0.34 | |
| Subtotal (H) | 19.04 | 15.64 | 14.96 | |
| Partially reimbursable incident report - suspect subsequently interviewed | 1 | - | - | 1 |
| Allowable uniform time allowance (hours) | × 0.14 | × 0.14 | × 0.14 | |
| Subtotal (I) | 0.14 | - | - | |
| Total reimbursable hours for sampled reports ((G) + (H) + (I)) | 49.42 | 46.84 | 46.64 | |
| Statistical sample size | ÷ 141 | ÷ 143 | ÷ 143 | |
| Reimbursable hours per report | 0.3505 | 0.3276 | 0.3262 | |
| Number of documented incident reports | × 2,371 | × 2,832 | × 3,113 | |
| Total reimbursable hours | 831 | 928 | 1,015 | |
| Less claimed hours attributable to documented incident reports | (1,138) | (1,359) | (1,494) | |
| Unallowable hours | (307) | (431) | (479) | |

The following table summarizes unallowable costs based on the unallowable hours identified from the statistical samples:

| | Fiscal Year | | | Total |
|---|-------------|-------------|-------------|--------------|
| | 2010-11 | 2011-12 | 2012-13 | |
| Unallowable hours | (307) | (431) | (479) | |
| Claimed average productive hourly rate (salary) | × \$52.66 | × \$52.63 | × \$55.43 | |
| Unallowable salaries (J) ¹ | \$ (16,167) | \$ (22,684) | \$ (26,551) | |
| Benefit rate | × 84.44% | × 90.07% | × 92.24% | |
| Unallowable benefits (K) ¹ | (13,651) | (20,431) | (24,491) | |
| Unallowable salary and benefits ((L) = (J) + (K)) | (29,818) | (43,115) | (51,042) | \$ (123,975) |
| Indirect cost rate claimed | × 44.84% | × 42.78% | × 43.73% | |
| Related indirect costs (M) ² | (7,249) | (9,704) | (11,611) | (28,564) |
| Audit adjustment ((L) + (M)) | \$ (37,067) | \$ (52,819) | \$ (62,653) | \$ (152,539) |

¹ The average productive hourly rate claimed for FY 2012-13 through FY 2014-15 combined salaries, benefits, and indirect costs. We calculated salaries, benefits, and indirect costs separately to show that the indirect costs rates were applied to the correct cost base of salaries for each fiscal year.

² Calculation differences due to rounding.

Section IV of the parameters and guidelines states:

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.

Section IV (E) of the parameters and guidelines authorizes a total uniform time allowance of 29 minutes (0.48 hours) for responding officers to interview both parties (17 minutes) and consider various specified factors (12 minutes) in a domestic violence incident.

Recommendation

We recommend that the city claim costs for only those reports that document incidents meeting the definition of domestic violence as provided by PC section 13700. In addition, we recommend that the city claim the portion of the uniform time allowance that is attributable to the mandated activities actually performed.

City’s Response

The City concurs with this finding. The City will ensure that the City claims costs based on the time increment to perform the mandated cost activity and the productive hourly rates corresponding to the time period, by completing an updated time analysis based on a statistical sample. Cost claimed by the City will only include allowable hours based on the results of the time analysis and actual costs of the classification that performed the mandated activity.

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

August 15, 2017

Jim L. Spano, CPA
Assistant Division Chief
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

RE: Domestic Violence Arrest Policies and Standards Program Audit

Dear Mr. Spano,

Thank you for the audit report of the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2012 through June 30, 2015. Regarding the audit findings and recommendations, the City of San José (City) response is listed below:

FINDING I: Understated Salary and Benefit Costs, and Related Indirect Costs

RESPONSE:

The City concurs with this finding. The City will develop certain review procedures to ensure that the number of domestic violence incident reports claimed will be supported by information in the Police Department's records management system (RMS).

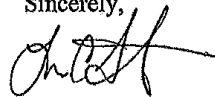
FINDING II: Claimed Non-Reimbursable Salaries, Benefits, and Related Indirect Costs

RESPONSE:

The City concurs with this finding. The City will ensure that the City claims costs based on the time increment to perform the mandated cost activity and the productive hourly rates corresponding to the time period, by completing an updated time analysis based on a statistical sample. Cost claimed by the City will only include allowable hours based on the results of the time analysis and actual costs of the classification that performed the mandated activity.

If you have any questions, please contact Grace Martinez at (408) 535-7034 or Jennifer Ye at (408) 535-7072.

Sincerely,



Lisa Taitano
Assistant Director of Finance

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

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