

CITY OF FONTANA

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2005, through June 30, 2013



BETTY T. YEE

California State Controller

November 2020



BETTY T. YEE
California State Controller

November 25, 2020

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Lisa Strong, Director of Management Services
City of Fontana
8353 Sierra Avenue
Fontana, CA 92335

Dear Ms. Strong:

The State Controller's Office audited the costs claimed by the City of Fontana for the legislatively mandated Identity Theft Program for the period of July 1, 2005, through June 30, 2013.

The city claimed \$819,073 for costs of the mandated program. Our audit found that \$241,759 is allowable; and \$577,314 is unallowable because the city overstated the number of identity theft reports and the time increments required to perform the reimbursable activities and misstated the job classifications and related productive hourly rates for the city employees who performed the reimbursable activities. The State made no payments to the city. The State will pay \$241,759, contingent upon available appropriations.

Following issuance of this audit report, the Local Government Programs and Services Division of the State Controller's Office 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/as

cc: The Honorable Acquanetta Warren, Mayor
City of Fontana
Steve McGuffey, Administrative Technician
Purchasing Department
City of Fontana
Lieutenant Brian Binks
Fontana 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
Debra Morton, Manager
Local Reimbursement Section
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 Fontana for the legislatively mandated Identity Theft Program for the period of July 1, 2005, through June 30, 2013.

The city claimed \$819,073 for costs of the mandated program. Our audit found that \$241,759 is allowable, and \$577,314 is unallowable because the city overstated the number of identity theft reports and the time increments required to perform the reimbursable activities and misstated the job classifications and related productive hourly rates (PHRs) for the city employees who performed the reimbursable activities. The State made no payments to the city. The State will pay \$241,759, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6, subdivision (a), as added by the Statutes of 2000, Chapter 956, requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission on State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following ongoing activities identified in parameters and guidelines (Section IV., Reimbursable Activities):

1. Either a) or b) below:
 - a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
 - b) Reviewing the identity theft report completed online by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency in the

jurisdiction where the suspected crime was committed for further investigation of the facts are not reimbursable activities.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Identity Theft Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.¹

The audit period was July 1, 2005, through June 30, 2013.

To achieve our objective, we:

- Analyzed the annual mandated cost claims filed by the city for the audit period and identified the significant cost components of each claim as salaries, benefits, and indirect costs. Determined whether there were any errors or unusual or unexpected variances 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 key city staff members. Discussed the claim preparation process with city staff members to determine what information was obtained, who obtained it, and how it was used;
- Obtained system-generated lists of identity theft cases from the city's Computer Aided Dispatch (CAD) Records Management System to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period;
- Designed a statistical sampling plan to test approximately 15-25% of claimed salary costs, based on a moderate level of detection (audit) risk. Judgmentally selected two of the city's filed claims during the audit period (fiscal year [FY] 2009-10, and FY 2012-13), which comprised salary costs totaling \$137,763 of the \$406,337 claimed (34%). The sampling plan is described in the Finding and Recommendation section;
- Used a random number table to select 179 identity theft cases out of 454 officer-reported cases and 236 out of 1,111 citizen-reported cases from the two years sampled. Tested the identity theft cases as follows:
 - Determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 occurred; and

¹ Unreasonable and/or excessive costs include ineligible costs that are not identified in the program's parameters and guidelines as a reimbursable cost.

- Obtained the employee numbers, names, and employee classifications from the sampled officer-reported cases documenting who performed the reimbursable activities;
- Compared the employee classifications obtained from the police reports to those claimed by the city;
- Interviewed a sworn officer at the Fontana Police Department (FPD) to determine which employee classifications reviewed citizen/online-reported cases;
- Interviewed a sworn officer at the FPD, which revealed that time spent drafting, editing, reviewing, and approving a police report (taking a police report supporting a violation of PC section 530.5) and time spent reviewing citizen/online reports is not included in the contemporaneous time increments recorded in the city's CAD. We determined allowable time increments for these reimbursable activities based on the results of this interview;
- Projected the audit results of the two years tested by multiplying the actual case counts by the actual average time increments to perform the activities, and multiplying the product by the weighted average PHRs of the employees who performed them. We applied the weighted two-year average of the sampling results to the remaining six years of the audit period due to the homogeneity of the population;
- Traced the city's claimed benefit and indirect cost rates to supporting documentation for each fiscal year in the audit period and verified that the rates claimed were not unreasonable or excessive; and
- Reviewed the city's Single Audit Reports to identify any offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. The city also certified in its claims that it did not receive any offsetting revenues applicable to this mandated program.

GC sections 12410, 17558.5, and 17561 provide the legal authority to conduct this audit. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We limited our review of the city's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the city's financial statements.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We found that the city did not claim costs that were funded by another source; however, the unallowable costs are unsupported, as quantified in the Schedule and described in the Finding and Recommendation section of

this audit report. To the extent that the city claimed costs not supported by appropriate source documents, such costs are also unreasonable and/or excessive.

For the audit period, the City of Fontana claimed \$819,073 for costs of the legislatively mandated Identity Theft Program. Our audit found that \$241,759 is allowable and \$577,314 is unallowable. The State made no payments to the city. The State will pay \$241,759, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

**Follow-up on
Prior Audit
Findings**

We have not previously conducted an audit of the city's legislatively mandated Identity Theft Program.

**Views of
Responsible
Officials**

We issued a draft audit report on October 21, 2020. We contacted Steve McGuffey, Administrative Technician, Purchasing Department, by email on November 2, 2020. Mr. McGuffey declined to respond to the draft report.

Restricted Use

This audit report is solely for the information and use of the City of Fontana, the California Department of Finance, and SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

November 25, 2020

**Schedule—
Summary of Program Costs
July 1, 2005, through June 30, 2013**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries			
Taking police report in violation of PC § 530.5	\$ 7,664	\$ 3,766	\$ (3,898)
Begin an investigation of facts	10,204	3,197	(7,007)
Total salaries	17,868	6,963	(10,905)
Benefits	9,327	3,471	(5,856)
Total direct costs	27,195	10,434	(16,761)
Indirect costs	9,300	2,922	(6,378)
Total program costs	<u>\$ 36,495</u>	13,356	<u>\$ (23,139)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 13,356</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries			
Taking police report in violation of PC § 530.5	\$ 14,319	\$ 7,084	\$ (7,235)
Begin an investigation of facts	19,546	5,968	(13,578)
Total salaries	33,865	13,052	(20,813)
Benefits	17,779	6,377	(11,402)
Total direct costs	51,644	19,429	(32,215)
Indirect costs	14,718	5,091	(9,627)
Total program costs	<u>\$ 66,362</u>	24,520	<u>\$ (41,842)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 24,520</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries			
Taking police report in violation of PC § 530.5	\$ 19,148	\$ 9,465	\$ (9,683)
Begin an investigation of facts	26,271	7,951	(18,320)
Total salaries	45,419	17,416	(28,003)
Benefits	25,072	9,237	(15,835)
Total direct costs	70,491	26,653	(43,838)
Indirect costs	19,738	6,929	(12,809)
Total program costs	<u>\$ 90,229</u>	33,582	<u>\$ (56,647)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 33,582</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries			
Taking police report in violation of PC § 530.5	\$ 29,140	\$ 7,787	\$ (21,353)
Reviewing online ID theft report	-	4,718	4,718
Begin an investigation of facts	41,390	6,497	(34,893)
Total salaries	70,530	19,002	(51,528)
Benefits	39,355	10,295	(29,060)
Total direct costs	109,885	29,297	(80,588)
Indirect costs	30,328	7,852	(22,476)
Total program costs	<u>\$ 140,213</u>	37,149	<u>\$ (103,064)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 37,149</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Salaries			
Taking police report in violation of PC § 530.5	\$ 34,116	\$ 6,314	\$ (27,802)
Reviewing online ID theft report	-	7,706	7,706
Begin an investigation of facts	48,602	4,507	(44,095)
Total salaries	82,718	18,527	(64,191)
Benefits	46,901	9,666	(37,235)
Total direct costs	129,619	28,193	(101,426)
Indirect costs	24,627	6,259	(18,368)
Total program costs	<u>\$ 154,246</u>	34,452	<u>\$ (119,794)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 34,452</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Salaries			
Taking police report in violation of PC § 530.5	\$ 25,796	\$ 8,164	\$ (17,632)
Reviewing online ID theft report	-	3,238	3,238
Begin an investigation of facts	36,749	6,785	(29,964)
Total salaries	62,545	18,187	(44,358)
Benefits	33,274	10,367	(22,907)
Total direct costs	95,819	28,554	(67,265)
Indirect costs	31,525	6,482	(25,043)
Total program costs	<u>\$ 127,344</u>	35,036	<u>\$ (92,308)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 35,036</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Salaries			
Taking police report in violation of PC § 530.5	\$ 10,904	\$ 6,145	\$ (4,759)
Reviewing online ID theft report	-	4,857	4,857
Begin an investigation of facts	27,083	5,107	(21,976)
Total salaries	37,987	16,109	(21,878)
Benefits	21,686	8,865	(12,821)
Total direct costs	59,673	24,974	(34,699)
Indirect costs	22,914	5,894	(17,020)
Total program costs	<u>\$ 82,587</u>	30,868	<u>\$ (51,719)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 30,868</u>	
<u>July 1, 2012, through June 30, 2013</u>			
Direct costs:			
Salaries			
Taking police report in violation of PC § 530.5	\$ 17,054	\$ 3,623	\$ (13,431)
Reviewing online ID theft report	-	9,727	9,727
Begin an investigation of facts	38,351	3,370	(34,981)
Total salaries	55,405	16,720	(38,685)
Benefits	32,075	9,538	(22,537)
Total direct costs	87,480	26,258	(61,222)
Indirect costs	34,117	6,538	(27,579)
Total program costs	<u>\$ 121,597</u>	32,796	<u>\$ (88,801)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 32,796</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>Summary: July 1, 2005, through June 30, 2013</u>			
Salaries	\$ 406,337	\$ 125,976	\$ (280,361)
Benefits	225,469	67,816	(157,653)
Indirect costs	187,267	47,967	(139,300)
Total program costs	<u>\$ 819,073</u>	241,759	<u>\$ (577,314)</u>
Less amount paid by the State ²		-	
Allowable costs claimed in excess of amount paid		<u>\$ 241,759</u>	

¹ See the Finding and Recommendation section.

² Payment information is current as of November 3, 2020.

Finding and Recommendation

**FINDING—
Overstated Identity
Theft Program costs**

The city claimed \$819,073 (\$406,337 in salaries, \$225,469 in related benefits, and \$187,267 in related indirect costs) for the Identity Theft Program. We found that \$241,759 is allowable and \$577,314 is unallowable.

To calculate the claimed salaries and benefits, the city multiplied the number of written incident reports by the average time increments necessary to process a report, then multiplied the resulting hours by the PHR of the employee classifications that performed the reimbursable activities and related benefit rate.

The costs are unallowable because the city misinterpreted the program’s parameters and guidelines, which resulted in an overstated number of identity theft reports, overstated time increments required to perform the reimbursable activities, and misstated job classifications and related PHRs for the city employees who performed the reimbursable activities.

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

Fiscal Year	Salaries		Audit Adjustment	Related Benefit Adjustment	Related Indirect Cost Adjustment	Total Audit Adjustment
	Amount Claimed	Amount Allowable				
2005-06	\$ 17,868	\$ 6,963	\$ (10,905)	\$ (5,856)	\$ (6,378)	\$ (23,139)
2006-07	33,865	13,052	(20,813)	(11,402)	(9,627)	(41,842)
2007-08	45,419	17,416	(28,003)	(15,835)	(12,809)	(56,647)
2008-09	70,530	19,002	(51,528)	(29,060)	(22,476)	(103,064)
2009-10	82,718	18,527	(64,191)	(37,235)	(18,368)	(119,794)
2010-11	62,545	18,187	(44,358)	(22,907)	(25,043)	(92,308)
2011-12	37,987	16,109	(21,878)	(12,821)	(17,020)	(51,719)
2012-13	55,405	16,720	(38,685)	(22,537)	(27,579)	(88,801)
Total	\$ 406,337	\$ 125,976	\$ (280,361)	\$ (157,653)	\$ (139,300)	\$ (577,314)

Overstated counts of identity theft police reports

The city claimed costs incurred for taking police reports related to 4,790 identity theft cases during the audit period. The city provided us with system-generated unduplicated lists of identity theft case numbers of police reports filed for violations of PC section 530.5. The lists differentiated officer-reported cases from citizen-reported (online) cases each fiscal year.

We determined the accuracy of the unduplicated counts of initial police reports by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

We developed a statistical sampling plan and generated statistical samples of identity theft cases for these two procedures so that we could project our sample results to the population of identity theft cases. We selected our statistical samples of identity theft cases originating within the city based on a 95% confidence level, a sampling error of $\pm 8\%$, and an expected (true) error rate of 50%. We judgmentally selected FY 2009-10, and FY 2012-13 for testing.

Our testing disclosed the following:

- For FY 2009-10, we selected 98 cases from the population of 279 officer-reported cases for testing. We found that 20 cases were unallowable because they did not support violations of PC section 530.5 (20.41% exception rate).
- For FY 2009-10, we selected 115 cases from the population of 496 citizen-reported (online) cases for testing. We found that all of the citizen-reported cases were allowable because they supported violations of PC section 530.5.
- For FY 2012-13, we selected 81 cases from the population of 175 officer-reported cases for testing. We found that 24 cases were unallowable because they did not support violations of PC section 530.5 (29.63% exception rate).
- For FY 2012-13, we also selected 121 cases from the population of 615 citizen-reported cases for testing. We found that all of the citizen-reported (online) cases were allowable because they supported violations of PC section 530.5.

We extrapolated and projected the results of our substantive tests of statistical samples to determine the number of allowable and unallowable identity theft incident reports for the entire eight-year audit period. As shown in the table below, we found that 3,880 incident reports are allowable because 910 officer-reported incident reports did not support violations of PC section 530.5. We calculated a 25.02% average error rate for the two years that we tested (FY 2009-10 and FY 2012-13). We applied this average error rate to the other six years of the audit period (FY 2005-06 through FY 2008-09, FY 2010-11, and FY 2011-12).

The following table summarizes the counts of claimed, supported, and allowable identity theft cases, and the difference by fiscal year:

Fiscal Year	Claimed	Per FPD CAD			Allowable			Difference
		Officer Reported	Citizen Reported	Total	Officer Reported	Citizen Reported	Total	
2005-06	216	216	-	216	162	-	162	(54)
2006-07	382	382	-	382	286	-	286	(96)
2007-08	486	486	-	486	364	-	364	(122)
2008-09	690	374	316	690	280	316	596	(94)
2009-10	775	279	496	775	222	496	718	(57)
2010-11	586	378	208	586	283	208	491	(95)
2011-12	685	284	312	596	213	312	525	(160)
2012-13	970	175	615	790	123	615	738	(232)
Total	4,790	2,574	1,947	4,521	1,933	1,947	3,880	(910)

Overstated time increments

Claimed Time Increments

The city claimed time increments spent by FPD sworn officers who performed the following reimbursable activities:

- Drafting, reviewing, and editing the identity theft police report (Take a police report supporting a violation of PC section 530.5 – Activity 1a.); and
- Determining where the crime occurred and what pieces of personal identifying information were used for an unlawful purpose (Begin an investigation of the facts – Activity 2).

The city did not provide support for the time increments claimed. The parameters and guidelines for the mandated program state, “costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the mandated activities.” As the city did not provide support that complies with this requirement, we determined that the time increments claimed are estimated and unsupported.

Allowable Time Increments

During audit fieldwork, FPD CAD provided system-generated contemporaneous records of time, in minutes, spent by officers from the time they arrived at a victim’s residence or business located in the city (Time On Scene) to the time they completed the initial call for service (Time Completed). The responding officer is responsible for determining where the crime occurred and what pieces of personal information were used for unlawful purposes (Activity 2).

CAD did not record time spent drafting, reviewing, and editing officer-reported identity theft police reports (Activity 1a). Additionally, CAD did not record time spent reviewing citizen-reported (online) identity theft police reports (Activity 1b). The city did not claim costs for reviewing citizen-reported (online) identity theft police reports. FPD provided testimonial evidence of the approximate time spent for reimbursable activities not recorded by its CAD.

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

Fiscal Year	Claimed Minutes		Allowable Minutes			
	1a Taking a Police Report	2 Beginning an Investigation	1a Taking a Police Report	1a Review and Approve a Police Report	1b Review Online Police Reports	2 Beginning an Investigation
2005-06	55.29	60	30	9	18	37
2006-07	55.29	60	30	9	18	37
2007-08	55.29	60	30	9	18	37
2008-09	55.29	60	30	9	18	37
2009-10	55.29	60	30	9	18	32
2010-11	55.29	60	30	9	18	37
2011-12	19.99	45	30	9	18	37
2012-13	20.01	45	30	9	18	41

Misstated job classifications and productive hourly rates

Claimed Job Classifications

The city claimed the following job classifications by reimbursable activity:

- Activity 1a – Taking a police report (Drafting, reviewing, and editing the identity theft police reports)
 - Officer Advanced – FY 2005-06 through FY 2011-12; and
 - Corporal Advanced – FY 2012-13.
- Activity 2 – Beginning an investigation (Determining where the identity theft crime occurred and what pieces of personal identifying information were used for an unlawful purpose)
 - Sergeant Intermediate – FY 2005-06 through FY 2007-08;
 - Sergeant Advanced – FY 2008-09 through FY 2010-11; and
 - Corporal Advanced – FY 2011-12 and FY 2012-13.

Staff Allowable

In order to clarify which FPD staff members performed the mandated activities, we:

- Prepared a schedule of employee numbers and names from copies of the sampled police reports;
- Requested information from the city supporting the actual job classifications for the employees identified;
- Calculated the extent (percentage of involvement) that various employees performed the mandated activities for the city's identity theft cases; and
- Verified with the city the results of the above steps to confirm the actual job classifications that performed the reimbursable activities.

The following table summarizes the actual job classifications of the employees who performed the reimbursable activities for FY 2009-10 and FY 2012-13, their percentages of involvement in the reimbursable activities, and the weighted average percentages for the two fiscal years:

Classification	Fiscal Year		Weighted Average
	2009-10	2012-13	
<u>Officer-reported cases</u>			
CSO I	37%	11%	26%
CSO II	0%	16%	7%
Officer Basic	15%	26%	20%
Officer Intermediate	13%	24%	17%
Officer Advanced	35%	23%	30%
Sergeant Advanced	0%	0%	0%
	<u>100%</u>	<u>100%</u>	<u>100%</u>
<u>Citizen-reported (online) cases</u>			
Corporal Intermediate	37%	29%	33%
Corporal Advanced	63%	71%	67%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

The approved officer-reported identity theft police reports that we reviewed showed that CSO and Officer job classifications write and edit reports (Activity 1a) after they determine where the identity theft crime occurred and what pieces of personal identifying information were used for an unlawful purpose (Activity 2). Sergeants review and approve all officer-reported identity theft police reports (Activity 1a).

The approved citizen-reported (online) identity theft police reports (Activity 1b) showed that Corporals review and approved these reports.

We requested and the city provided a schedule of the actual hourly billing rates by organization and title for the employee classifications that performed the reimbursable activities. The city also provided benefit and overhead rates.

The following table summarizes the auditor-recalculated weighted-average PHRs for each fiscal year in the audit period based on the percentages of employee involvement in the reimbursable activities, as shown in the table above and the hourly rates provided by the city:

Fiscal Year	Weighted Avg CSOs/Officers	100% Sergeants	Weighted Avg Corporals
2005-06	\$32.00	\$48.33	\$41.72
2006-07	\$33.84	\$52.34	\$44.07
2007-08	\$35.42	\$55.29	\$46.33
2008-09	\$37.63	\$59.98	\$49.77
2009-10	\$38.07	\$62.71	\$51.79
2010-11	\$38.88	\$62.71	\$51.89
2011-12	\$38.88	\$62.71	\$51.89
2012-13	\$40.10	\$62.71	\$52.72

Allowable related employee benefits

Benefit costs are determined by multiplying each year's allowable salary costs by each year's benefit rate. Employee benefits related to the allowable salaries identified above are also allowable. The city provided, and we accepted, the benefit rates for each job classification that performed the reimbursable activities for each fiscal year in the audit period.

We calculated allowable benefit costs using the benefit rates that the city provided for each job classification for each fiscal year in the audit period.

The following table summarizes the claimed and allowable amounts of related benefits, and audit adjustments by fiscal year:

Fiscal Year	Related Benefits		
	Claimed	Allowable	Audit Adjustment
2005-06	\$ 9,327	\$ 3,471	\$ (5,856)
2006-07	17,779	6,377	(11,402)
2007-08	25,072	9,237	(15,835)
2008-09	39,355	10,295	(29,060)
2009-10	46,901	9,666	(37,235)
2010-11	33,274	10,367	(22,907)
2011-12	21,686	8,865	(12,821)
2012-13	32,075	9,538	(22,537)
	<u>\$ 225,469</u>	<u>\$ 67,816</u>	<u>\$ (157,653)</u>

Allowable related indirect costs

Indirect costs are determined by multiplying each year's salary and benefit costs by each year's indirect cost rates. The city provided, and we accepted, the indirect cost rates claimed during the audit period. Unallowable indirect costs are related to the unallowable salaries and benefits previously identified.

The following table summarizes the claimed and allowable amounts of related indirect costs, and audit adjustments by fiscal year:

Fiscal Year	Related indirect costs		
	Claimed	Allowable	Adjustment
2005-06	\$ 9,300	\$ 2,922	\$ (6,378)
2006-07	14,718	5,091	(9,627)
2007-08	19,738	6,929	(12,809)
2008-09	30,328	7,852	(22,476)
2009-10	24,627	6,259	(18,368)
2010-11	31,525	6,482	(25,043)
2011-12	22,914	5,894	(17,020)
2012-13	34,117	6,538	(27,579)
	<u>\$ 187,267</u>	<u>\$ 47,967</u>	<u>\$ (139,300)</u>

Criteria

Section III. (Period of Reimbursement) of the parameters and guidelines states, in part, “Actual costs for one fiscal year shall be included in each claim.”

Section IV. (Reimbursable Activities) of the parameters and guidelines states:

To be eligible for mandated cost reimbursement for any given fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

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

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:
 - a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
 - b) Reviewing the identity theft report completed on-line by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Section V. (Claim Preparation and Submission) of the parameters and guidelines states:

1. Salaries and benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to these activities.

Recommendation

The State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2020-21 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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