

CITY OF BAKERSFIELD

Audit Report

CRIME STATISTICS REPORTS FOR THE DEPARTMENT OF JUSTICE PROGRAM

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

July 1, 2001, through June 30, 2012



BETTY T. YEE
California State Controller

December 2020



BETTY T. YEE
California State Controller

December 30, 2020

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Randy McKeegan, Finance Director
City of Bakersfield
1600 Truxtun Avenue, 2nd Floor
Bakersfield, CA 93301

Dear Mr. McKeegan:

The State Controller's Office (SCO) audited the costs claimed by the City of Bakersfield for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012.

The city claimed \$819,072 for costs of the mandated program. Our audit found that \$542,137 is allowable, and \$276,935 is unallowable because the city overstated salary and benefit costs and indirect cost rates. The State made no payments to the city. The State will pay \$542,137, 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.

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: Karen Goh, Mayor
City of Bakersfield
Sarah Hunley, Accounting Supervisor
City of Bakersfield
Chief Greg Terry
Bakersfield 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
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 Bakersfield for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012.

The city claimed \$819,072 for costs of the mandated program. Our audit found that \$542,137 is allowable, and \$276,935 is unallowable because the city overstated salary and benefit costs and indirect cost rates. The State made no payments to the city. The State will pay \$542,137, contingent upon available appropriations.

Background

Penal Code (PC) sections 12025 (h)(1) and (h)(3), 12031 (m)(1) and (m)(3), 13014, 13023, and 13730 (a) require local agencies to report information related to certain specified criminal acts to the California Department of Justice (DOJ). 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 (GC) section 17514.

On July 31, 2009, the Commission heard an amended test claim on PC 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 DOJ 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 (PC 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 (PC 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 PC 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 (PC sections 12025[h][1] and [h][3], and 12031 [m][1] and [m][3]);
- For local law enforcement agencies to support all domestic-violence related calls for assistance with a written incident report (PC 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 PC 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; and
 - Any information that may be required relative to hate crimes, defined in PC 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 GC section 17558, 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 legislatively mandated Crime Statistics Reports for the Department of Justice 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, 2001, through June 30, 2012.

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

To achieve our objective, we:

- Reviewed 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 claimed activities 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. Discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used;
- Interviewed city staff to determine what employee classifications were involved in performing the reimbursable activities during the audit period;
- Traced productive hourly rate (PHR) and benefit rate calculations for all employee classifications performing the mandated activities to supporting information in the city's payroll system (see Finding 1);
- Assessed whether the average time increments (ATIs) claimed for each fiscal year in the audit period to perform the reimbursable activities were reasonable per the requirements of the program, and supported by source documentation (see Finding 1);
- Reviewed and analyzed the claimed domestic violence incident report counts and homicide report counts for consistency and possible exclusions, and verified that counts were supported by the reports that the city submitted to the DOJ (see Finding 1);
- Traced a non-statistical sample of 200 (20 reports for fiscal year [FY] 2002-03 through FY 2011-12) out of 13,651 domestic violence calls for assistance to written incident reports. Errors found were not projected to the population;
- Verified whether indirect costs claimed for each fiscal year in the audit period were for common or joint purposes and whether indirect cost rates were properly supported and applied (see Finding 2); and
- Reviewed potential sources of offsetting revenues and reimbursements for the audit period. We inquired with city staff, reviewed single audit reports (with accompanying financial statements), and reviewed revenue reports for other sources of funding. Determined that claimed costs were not funded by another source.

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 did not find that the city claimed costs that were funded by another source; however, we did find that the unallowable costs are unsupported and ineligible, as quantified in the Schedules and described in the Findings and Recommendations section of this audit report.

For the audit period, the City of Bakersfield claimed \$819,072 for costs of the legislatively mandated Crime Statistics Reports for the Department of Justice Program. Our audit found that \$542,137 is allowable and \$276,935 is unallowable. The State made no payments to the city. The State will pay \$542,137, 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 Crime Statistics Reports for the Department of Justice Program.

Views of Responsible Officials

We issued a draft audit report on December 2, 2020. Sarah Hunley, Accounting Supervisor, responded by letter, dated December 15, 2020 (Attachment), to state that the city concurs with the audit findings. This audit report includes the city's complete response.

Restricted Use

This audit report is solely for the information and use of the City of Bakersfield, 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

December 30, 2020

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Revise existing policies and procedures	\$ 36	\$ 36	\$ -	
Domestic violence related calls for assistance	47,839	14,674	(33,165)	Finding 1
Total direct costs	47,875	14,710	(33,165)	
Indirect costs	3,302	1,124	(2,178)	Finding 1
Total program costs	<u>\$ 51,177</u>	15,834	<u>\$ (35,343)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 15,834</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Domestic violence related calls for assistance	\$ 57,572	\$ 16,440	\$ (41,132)	Finding 1
Total direct costs	57,572	16,440	(41,132)	
Indirect costs	3,970	1,256	(2,714)	Finding 1
Total program costs	<u>\$ 61,542</u>	17,696	<u>\$ (43,846)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 17,696</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Homicide reports	\$ 647	\$ 647	\$ -	
Domestic violence related calls for assistance	38,913	33,074	(5,839)	Finding 1
Total direct costs	39,560	33,721	(5,839)	
Indirect costs	2,728	2,411	(317)	Finding 1
Total program costs	<u>\$ 42,288</u>	36,132	<u>\$ (6,156)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 36,132</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Homicide reports	\$ 795	\$ 795	\$ -	
Hate crime reports	97	97	-	
Domestic violence related calls for assistance	44,374	37,853	(6,521)	Finding 1
Total direct costs	45,266	38,745	(6,521)	
Indirect costs	5,084	2,698	(2,386)	Finding 1, 2
Total program costs	<u>\$ 50,350</u>	41,443	<u>\$ (8,907)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 41,443</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Homicide reports	\$ 1,157	\$ 1,157	\$ -	
Hate crime reports	83	83	-	
Domestic violence related calls for assistance	61,051	41,890	(19,161)	Finding 1
Total direct costs	62,291	43,130	(19,161)	
Indirect costs	11,369	3,057	(8,312)	Finding 1, 2
Total program costs	<u>\$ 73,660</u>	46,187	<u>\$ (27,473)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 46,187</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Homicide reports	\$ 782	\$ 782	\$ -	
Hate crime reports	138	138	-	
Domestic violence related calls for assistance	64,102	55,139	(8,963)	Finding 1
Total direct costs	65,022	56,059	(8,963)	
Indirect costs	11,245	4,444	(6,801)	Finding 1, 2
Total program costs	<u>\$ 76,267</u>	60,503	<u>\$ (15,764)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 60,503</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Homicide reports	\$ 762	\$ 762	\$ -	
Hate crime reports	42	42	-	
Domestic violence related calls for assistance	87,096	59,404	(27,692)	Finding 1
Total direct costs	87,900	60,208	(27,692)	
Indirect costs	8,801	4,448	(4,353)	Finding 1, 2
Total program costs	<u>\$ 96,701</u>	64,656	<u>\$ (32,045)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 64,656</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Homicide reports	\$ 785	\$ 785	\$ -	
Hate crime reports	66	66	-	
Domestic violence related calls for assistance	73,989	65,827	(8,162)	Finding 1
Total direct costs	74,840	66,678	(8,162)	
Indirect costs	6,226	4,690	(1,536)	Finding 1, 2
Total program costs	<u>\$ 81,066</u>	71,368	<u>\$ (9,698)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 71,368</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Homicide reports	\$ 969	\$ 969	\$ -	
Hate crime reports	18	18	-	
Domestic violence related calls for assistance	65,214	61,019	(4,195)	Finding 1
Total direct costs	66,201	62,006	(4,195)	
Indirect costs	5,261	4,991	(270)	Finding 1
Total program costs	<u>\$ 71,462</u>	66,997	<u>\$ (4,465)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 66,997</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Homicide reports	\$ 168	\$ 168	\$ -	
Hate crime reports	38	38	-	
Domestic violence related calls for assistance	105,789	58,057	(47,732)	Finding 1
Total direct costs	105,995	58,263	(47,732)	
Indirect costs	8,540	4,673	(3,867)	Finding 1
Total program costs	<u>\$ 114,535</u>	\$ 62,936	<u>\$ (51,599)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 62,936</u>		
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Homicide reports	\$ 184	\$ 184	\$ -	
Hate crime reports	132	132	-	
Domestic violence related calls for assistance	91,628	53,314	(38,314)	Finding 1
Total direct costs	91,944	53,630	(38,314)	
Indirect costs	8,080	4,755	(3,325)	Finding 1
Total program costs	<u>\$ 100,024</u>	\$ 58,385	<u>\$ (41,639)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 58,385</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2001, through June 30, 2012</u>				
Direct costs:				
Revise existing policies and procedures	\$ 36	\$ 36	\$ -	
Homicide reports	6,249	6,249	-	
Hate crime reports	614	614	-	
Domestic violence related calls for assistance	<u>737,567</u>	<u>496,691</u>	<u>(240,876)</u>	Finding 1
Total direct costs	744,466	503,590	(240,876)	
Indirect costs	<u>74,606</u>	<u>38,547</u>	<u>(36,059)</u>	Finding 1, 2
Total program costs	<u>\$ 819,072</u>	<u>\$ 542,137</u>	<u>\$ (276,935)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 542,137</u>		

¹ See the Findings and Recommendations section.

² Payment amount current as of December 15, 2020.

**Schedule 2—
Summary of Indirect Cost Rate Adjustments
July 1, 2004, through June 30, 2009¹**

Cost Component	Claimed Indirect Cost Rate	Allowable Indirect Cost Rate	Indirect Cost Rate Adjustment ³
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Salaries	\$ 25,579,139	\$ 27,203,965	\$ 1,624,826
Indirect costs:			
Salaries and benefits	323,983	310,055	(13,928)
Sevices and supplies	4,059,462	2,525,232	(1,534,230)
Cost allocation cost / Use allowance	367,506	169,971	(197,535)
Total indirect costs	\$ 4,750,951	\$ 3,005,258	\$ (1,745,693)
Indirect cost rate ²	18.60%	11.05%	(7.55%)
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Salaries	\$ 26,318,243	\$ 30,151,062	\$ 3,832,819
Indirect costs:			
Salaries and benefits	358,601	328,882	(29,719)
Sevices and supplies	5,366,924	3,080,407	(2,286,517)
Cost allocation cost / Use allowance	3,186,503	-	(3,186,503)
Total indirect costs	\$ 8,912,028	\$ 3,409,289	\$ (5,502,739)
Indirect cost rate ²	33.90%	11.30%	(22.60%)
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Salaries	\$ 30,356,656	\$ 33,415,291	\$ 3,058,635
Indirect costs:			
Salaries and benefits	231,663	221,996	(9,667)
Sevices and supplies	5,504,147	3,844,676	(1,659,471)
Cost allocation cost / Use allowance	3,537,094	-	(3,537,094)
Total indirect costs	\$ 9,272,904	\$ 4,066,672	\$ (5,206,232)
Indirect cost rate ²	30.50%	12.20%	(18.30%)

Schedule 2 (continued)

Cost Component	Claimed Indirect Cost Rate	Allowable Indirect Cost Rate	Indirect Cost Rate Adjustment ³
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Salaries	\$ 28,746,979	\$ 35,634,866	\$ 6,887,887
Indirect costs:			
Salaries and benefits	558,426	511,615	(46,811)
Sevices and supplies	3,243,639	3,126,433	(117,206)
Cost allocation cost / Use allowance	990,043	406,242	(583,801)
Total indirect costs	<u>\$ 4,792,108</u>	<u>\$ 4,044,290</u>	<u>\$ (747,818)</u>
Indirect cost rate ²	<u>16.70%</u>	<u>11.30%</u>	<u>(5.40%)</u>
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Salaries	\$ 31,746,711	\$ 34,280,204	\$ 2,533,493
Indirect costs:			
Salaries and benefits	581,717	539,141	(42,576)
Sevices and supplies	2,872,697	2,790,679	(82,018)
Cost allocation cost / Use allowance	947,636	390,636	(557,000)
Total indirect costs	<u>\$ 4,402,050</u>	<u>\$ 3,720,456</u>	<u>\$ (681,594)</u>
Indirect cost rate ²	<u>13.90%</u>	<u>10.90%</u>	<u>(3.00%)</u>

¹ We identified only the fiscal years that resulted in an audit adjustment.

² The indirect cost rate is determined by dividing total indirect costs by direct salaries.

³ See Finding 2, Overstated indirect cost rates.

Findings and Recommendations

FINDING 1— Overstated salary and benefit costs

The city claimed \$737,567 in salaries and benefits for the Domestic Violence Related Calls for Assistance cost component. We found that \$496,691 is allowable and \$240,876 is unallowable. Unallowable related indirect costs total \$18,017, for a total finding of \$258,893.

Reimbursable activities for this cost component consist of writing, reviewing, and editing incident reports. The parameters and guidelines require that a written incident report support each domestic violence related call for assistance.

To calculate the claimed salaries and benefits, the city multiplied the number of written incident reports by the ATIs necessary to process a report, then multiplied the resulting hours by a PHR and related benefit rate.

During testing, we found that the city had overstated the number of domestic violence related calls for assistance, overstated the ATIs used to perform the mandated activities in two fiscal years, overstated PHRs and benefit rates in some fiscal years, and overstated related indirect costs. These overstatements occurred because the city did not claim costs in accordance with the program's parameters and guidelines or the *State Controller's Office Mandated Cost Manual for Local Agencies*.

The following table summarizes the claimed, allowable, and overstated costs for the Domestic Violence Related Calls for Assistance cost component by fiscal year:

Fiscal Year	Salaries and Benefits			Unallowable Indirect Costs	Total Audit Adjustment
	Amount Claimed	Amount Allowable	Audit Adjustment		
2001-02	\$ 47,839	\$ 14,674	\$ (33,165)	\$ (2,178)	\$ (35,343)
2002-03	57,572	16,440	(41,132)	(2,714)	(43,846)
2003-04	38,913	33,074	(5,839)	(317)	(6,156)
2004-05	44,374	37,853	(6,521)	(542)	(7,063)
2005-06	61,051	41,890	(19,161)	(2,196)	(21,357)
2006-07	64,102	55,139	(8,963)	(136)	(9,099)
2007-08	87,096	59,404	(27,692)	(2,227)	(29,919)
2008-09	73,989	65,827	(8,162)	(245)	(8,407)
2009-10	65,214	61,019	(4,195)	(270)	(4,465)
2010-11	105,789	58,057	(47,732)	(3,867)	(51,599)
2011-12	91,628	53,314	(38,314)	(3,325)	(41,639)
Total	<u>\$ 737,567</u>	<u>\$ 496,691</u>	<u>\$ (240,876)</u>	<u>\$ (18,017)</u>	<u>\$ (258,893)</u>

Incident Reports

The city overstated the number of domestic violence related calls for assistance, which resulted in net overstated salary and benefit costs totaling \$109,748. Unallowable related indirect costs total \$9,065, for a total adjustment of \$118,813.

The city provided us with copies of the monthly reports to DOJ and summary reports generated by the city's Records Management System (RMS) for the audit period. During our review of the RMS summary reports, we found that the claimed number of domestic violence related calls for assistance were not supported by the city's RMS. We also found that the number of calls claimed in the RMS summary reports was overstated when compared to the number of calls claimed in the monthly report submitted to DOJ. The city overstated the number of domestic violence related calls for assistance because the city claimed calls that were not supported with a written report. We recalculated the allowable costs using the supported incident report counts.

The following table summarizes the claimed, allowable, and overstated number of domestic violence related calls for assistance written incident reports:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
2001-02	1,535	551	(984)
2002-03	1,792	608	(1,184)
2003-04	1,175	1,110	(65)
2004-05	1,138	1,070	(68)
2005-06	1,210	1,122	(88)
2006-07	1,461	1,444	(17)
2007-08	2,059	1,560	(499)
2008-09	1,746	1,711	(35)
2009-10	1,841	1,745	(96)
2010-11	1,806	1,732	(74)
2011-12	1,644	1,549	(95)
Total	<u>17,407</u>	<u>14,202</u>	<u>(3,205)</u>

The following table summarizes the audit adjustment:

<u>Fiscal Year</u>	<u>Salaries and Benefits</u>	<u>Related Indirect Costs</u>	<u>Audit Adjustment</u>
2001-02	\$ (30,388)	\$ (2,096)	\$ (32,484)
2002-03	(37,686)	(2,599)	(40,285)
2003-04	(2,087)	(144)	(2,231)
2004-05	(2,573)	(289)	(2,862)
2005-06	(4,390)	(800)	(5,190)
2006-07	(790)	(136)	(926)
2007-08	(20,940)	(2,097)	(23,037)
2008-09	(1,526)	(127)	(1,653)
2009-10	(3,401)	(270)	(3,671)
2010-11	(2,697)	(217)	(2,914)
2011-12	(3,270)	(290)	(3,560)
Total	<u>\$ (109,748)</u>	<u>\$ (9,065)</u>	<u>\$ (118,813)</u>

Time Increments

The city overstated the ATIs for Police Officers who performed the mandated activities in FY 2010-11 and FY 2011-12. This resulted in overstated salary and benefit costs totaling \$75,386. Unallowable related indirect costs total \$6,308, for a total adjustment of \$81,694.

Between FY 2001-02 and FY 2009-10, the city estimated that it took Police Officers 20 minutes to write an incident report. In FY 2010-11 and FY 2011-12, the city increased its estimated time increments for this activity to 45 minutes. The city did not maintain documentation to support the time increments claimed for Police Department staff members performing the mandated activities. In addition, the city did not provide any support for the increased time increment.

We interviewed key personnel and performed a walk-through of the city’s report-writing process. The interviews disclosed that there was no change in the city’s report-writing process during the audit period. Based on the interviews and the walk-through, we concluded that 20 minutes to write an incident report is reasonable.

The city claimed overstated salaries and benefit costs as a result of overstated ATIs. We recalculated the allowable costs based on the allowable ATI. The following table summarizes the audit adjustment:

Fiscal Year ¹	Salaries and Benefits	Related Indirect Costs	Audit Adjustment
2010-11	\$ (40,342)	\$ (3,273)	\$ (43,615)
2011-12	(35,044)	(3,035)	(38,079)
Total	<u>\$ (75,386)</u>	<u>\$ (6,308)</u>	<u>\$ (81,694)</u>

¹ We identified only the fiscal years that resulted in an audit adjustment.

Productive hourly rates

The city overstated the average PHRs for the Police Officer and Sergeant classifications, which resulted in net overstated salary and benefit costs totaling \$22,681. Unallowable related indirect costs total \$2,644, for a total adjustment of \$25,325.

For FY 2001-02 through FY 2009-10, city staff informed us that it calculated average PHRs for the Police Officer and Sergeant classifications using the mid-step salary identified in the salary schedules for each classification. We reviewed the salary schedules and found that the city did not use the same methodology in all fiscal years. Furthermore, we were unable to determine how the city had derived the claimed PHRs for some years. Therefore, we recalculated the PHRs by averaging the salaries of all salary steps for each classification and found that the city overstated the PHRs for FY 2001-02 through FY 2009-10.

For FY 2010-11, the city calculated the hourly rates using the actual salaries of officers. We verified the salary rates using the salary schedule and recalculated the average PHRs. We found that the claimed PHR for

this fiscal year was not supported by the city's records.

The city claimed overstated salaries and benefit costs as a result of overstated PHRs. We recalculated the unallowable costs based on the allowable PHRs. The following table summarizes the audit adjustment:

Fiscal Year ¹	Salaries and Benefits	Related Indirect Costs	Audit Adjustment
2001-02	\$ (1,186)	\$ (82)	\$ (1,268)
2002-03	(1,663)	(115)	(1,778)
2003-04	(2,510)	(173)	(2,683)
2004-05	(2,254)	(253)	(2,507)
2005-06	(7,660)	(1,396)	(9,056)
2007-08	(1,296)	(130)	(1,426)
2008-09	(1,419)	(118)	(1,537)
2010-11	(4,693)	(377)	(5,070)
Total	<u>\$ (22,681)</u>	<u>\$ (2,644)</u>	<u>\$ (25,325)</u>

¹ We identified only the fiscal years that resulted in an audit adjustment.

Benefit Rates

The city overstated benefit costs from FY 2001-02 through FY 2009-10, for a total of \$33,061. For FY 2001-02 through FY 2004-05, the city claimed a benefit rate of 45%. However, the city did not provide supporting documentation for this benefit rate. For FY 2005-06 through FY 2009-10, the city calculated the benefit rates by dividing the total departmental benefit costs by the total departmental salaries disclosed in the Police Department's expenditure reports. We reviewed the expenditure reports and recalculated the benefit rates based on departmental salaries and benefit costs.

The following table summarizes the audit adjustment:

Fiscal Year ¹	Benefit Costs
2001-02	\$ (1,591)
2002-03	(1,783)
2003-04	(1,242)
2004-05	(1,694)
2005-06	(7,111)
2006-07	(8,173)
2007-08	(5,456)
2008-09	(5,217)
2009-10	(794)
Total	<u>\$ (33,061)</u>

¹ We identified only the fiscal years that resulted in an audit adjustment.

Criteria

Section IV 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. 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 claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

Section IV – Ongoing Activities, subsection D, allows ongoing activities related to costs supporting domestic violence related calls for assistance with a written incident report, and reviewing and editing the report.

Section V of the parameters and guidelines states that cost elements must be identified for the reimbursable activities identified in section IV of the parameters and guidelines. Each reimbursable cost must be supported by source documentation. For salary and benefit costs, claimants are to report each employee implementing the reimbursable activities by name, job classification, and PHR.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2020-21 Budget Acts. If the program becomes active again, we recommend that the city:

- Follow the mandated program claiming instructions and parameters and guidelines when claiming reimbursement for mandated costs;
- Claim costs based on the actual time increments required to perform the mandated cost activities;
- Claim costs based on the number of domestic violence related calls for assistance that are supported with a written report; and
- Calculate PHRs and benefit rates based on the employee classification that perform the mandated activities, using the documentation for the corresponding fiscal year.

City's Response

The city concurs with the audit finding.

FINDING 2— Overstated indirect cost rates

The city overstated the indirect cost rates for FY 2004-05 through FY 2008-09, which resulted in overstated indirect costs totaling \$18,042.

The city provided expenditure reports to support the claimed indirect cost rates. During testing, we found that the expenses included in the city's indirect cost rate proposals (ICRPs) did not reconcile to the expenditure

reports. Our review disclosed the following issues:

- In some fiscal years, the city excluded grant salaries from the direct cost base in the ICRP calculation. The salaries (and benefit costs, if applicable) of the grant fund unit should be included in the base of the calculation, as all departmental units receive benefits from departmental administration.
- The city included equipment costs and contributions in the indirect cost pool. Title 2, Code of Federal Regulations, Part 225 (Office of Management and Budget [OMB] Circular A-87) identifies these types of costs as unallowable indirect costs. Therefore, we removed these costs from the indirect cost pool.
- The city included unsupported cost allocation plan costs in FY 2005-06 and FY 2006-07. Therefore, we removed these costs from the indirect cost pool.
- The city included overstated use allowances in the indirect cost pool when calculating the ICRP for FY 2004-05, FY 2007-08, and FY 2008-09. The city calculated the use allowance using rates of 20% and 14.29%. However, OMB Circular A-87 allows entities to claim a maximum of 6.67%.

We recalculated the indirect cost rate and applied the error rate to allowable salaries to determine the audit adjustment. Schedule 2—Summary of Indirect Cost Rate Adjustments, quantifies the adjustment to the city’s indirect cost rates by fiscal year.

The following tables summarizes the adjustment to the city’s indirect costs:

	Fiscal Year ¹					Total
	2004-05	2005-06	2006-07	2007-08	2008-09	
Allowable indirect cost rate	11.05%	11.30%	12.20%	11.30%	10.90%	
Claimed indirect cost rate	(18.60)%	(33.90)%	(30.50)%	(16.70)%	(13.90)%	
Error rate	(7.6)%	(22.6)%	(18.3)%	(5.4)%	(3.0)%	
Allowable salaries	24,419	27,060	36,423	39,367	43,026	
Audit adjustment	\$ (1,844)	\$ (6,116)	\$ (6,665)	\$ (2,126)	\$ (1,291)	\$ (18,042)

¹ We identified only the fiscal years that resulted in an audit adjustment.

Criteria

Section IV of the parameters and guidelines states, “Actual Costs must be traceable and supported by source documents that show the validity of such costs.” The parameters and guidelines also state that agencies may claim indirect costs using the procedures identified in OMB Circular A-87.

OMB Circular A-87 provides guidance relative to local government ICRPs. It specifically states, “All activities which benefit from the governmental unit’s indirect costs ... will receive an appropriate allocation of indirect costs.”

OMB Circular A-87 also provides the following guidance:

- Attachment A, part C.3(a), states, “A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.”
- Attachment A, part C.3(c), states that any cost allocable to a particular cost objective under the principles provided for in the circular may not be charged to other cost objectives to overcome fund deficiencies.
- Attachment B, part 8(h), states that employees must maintain personnel activity reports or equivalent documentation when they work on both indirect and direct cost activities.
- Attachment B, part 11(f), states that the use allowance for equipment will be computed at an annual rate not to exceed $6\frac{2}{3}$ percent (6.67%) of the acquisition cost.
- Attachment B, part 12(a), states, “Contributions or donations, including cash, property, and services, made by the governmental unit, regardless of the recipient, are unallowable.”
- Attachment B, part 15(b)(5), states that equipment and other capital expenditures are unallowable as indirect costs.
- Attachment E, part A.1, states that a cost may not be allocated as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned as a direct cost.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2020-21 Budget Acts. If the program becomes active again, we recommend that the city ensure that it:

- Uses audited expenditure reports to calculate ICRPs, inclusive of all departmental costs;
- Allocates expenditures between direct, indirect, and unallowable costs based on the guidance in OMB Circular A-87 when calculating ICRPs; and
- Maintains source documentation that can be used to verify such costs.

City's Response

The city concurs with the audit finding.

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



BAKERSFIELD

THE SOUND OF *Something Better*

December 15, 2020

Lisa Kurokawa, Chief, Bureau of Compliance Audits
State Controller's Office
Division of Audits
PO Box 942850
Sacramento, CA 94250

Re: City of Bakersfield – Crime Statistics Draft Audit Report for the DOJ Program Response.

The City of Bakersfield concurs with the findings and will adjust reporting processes to prevent these errors.

If you have any questions, please contact me at (661)326-3058.

Sincerely,

Sarah Hunley
Accounting Supervisor
City of Bakersfield

Finance Department
1600 Truxtun Avenue, Bakersfield, CA 93301
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