

CITY OF LOS ANGELES

Audit Report

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS PROGRAM

Chapter 246, Statutes of 1995

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

December 2004



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California State Controller

December 22, 2004

Laura N. Chick, Controller
City of Los Angeles
200 N. Main Street, Room 300
Los Angeles, CA 90012

Dear Ms. Chick:

The State Controller's Office audited the claims filed by the City of Los Angeles for costs of the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 1999, through June 30, 2002.

The city claimed \$3,334,543 (\$3,335,543 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$3,217,792 is allowable and \$116,751 is unallowable. The unallowable costs occurred primarily because the city overstated indirect costs and understated salary and benefit costs. The State paid the city \$3,294,092. The amount paid exceeds allowable costs claimed by \$76,300.

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

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/ams

cc: Laura R. Filatoff
Commanding Officer
Los Angeles Police Department
Fiscal Operations Division
William T. Fujioka
City Administrative Officer
City of Los Angeles
James Tilton, Program Budget Manager
Corrections and General Government
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	1
Conclusion	2
Views of Responsible Officials	2
Restricted Use	2
Schedule 1—Summary of Program Costs.....	3
Findings and Recommendations	4

Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by the City of Los Angeles for costs of the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was November 17, 2004.

The city claimed \$3,334,543 (\$3,335,543 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$3,217,792 is allowable and \$116,751 is unallowable. The unallowable costs occurred primarily because the city overstated indirect costs and understated salary and benefit costs. The State paid the city \$3,294,092. The amount paid exceeds allowable costs claimed by \$76,300.

Background

Penal Code Section 13701 (added by Chapter 246, Statutes of 1995) requires local law enforcement agencies to develop, adopt, and implement written arrest policies for domestic violence offenders by July 1, 1996. The legislation also requires 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 (COSM) determined that Chapter 246, Statutes of 1995, imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on August 20, 1998. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Domestic Violence Arrest Policies and Standards Program for the period of July 1, 1999, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the city's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the City of Los Angeles claimed \$3,334,543 (\$3,335,543 less a \$1,000 penalty for filing a late claim) for Domestic Violence Arrest Policies and Standards Program costs. Our audit disclosed that \$3,217,792 is allowable and \$116,751 is unallowable.

For fiscal year (FY) 1999-2000, the State paid the city \$1,161,083. Our audit disclosed that \$1,101,157 is allowable. The city should return \$59,926 to the State.

For FY 2000-01, the State paid the city \$1,133,009. Our audit disclosed that \$1,076,184 is allowable. The city should return \$56,825 to the State.

For FY 2001-02, the State paid the city \$1,000,000. Our audit disclosed that \$1,040,451 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$40,451, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the city's representatives during a telephone exit conference conducted on November 17, 2004. Laura R. Filatoff, Commanding Officer, Los Angeles Police Department, Fiscal Operations Division; and Michael Crook, Management Analyst, Los Angeles Police Department, Fiscal Operations Division, agreed with the audit results. Ms. Filatoff declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the City of Los Angeles, 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
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Salaries	\$ 512,545	\$ 544,238	\$ 31,693	Finding 1
Benefits	190,205	201,967	11,762	Finding 1
Total direct costs	702,750	746,205	43,455	
Indirect costs	458,333	354,952	(103,381)	Findings 1, 2
Total program costs	<u>\$ 1,161,083</u>	1,101,157	<u>\$ (59,926)</u>	
Less amount paid by the State		(1,161,083)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (59,926)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries	\$ 465,393	\$ 553,251	\$ 87,858	Finding 1
Benefits	169,310	201,273	31,963	Finding 1
Total direct costs	634,703	754,524	119,821	
Indirect costs	498,306	321,660	(176,646)	Findings 1, 2
Total program costs	<u>\$ 1,133,009</u>	1,076,184	<u>\$ (56,825)</u>	
Less amount paid by the State		(1,133,009)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (56,825)</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 614,135	\$ 614,135	\$ —	
Benefits	183,995	183,995	—	
Total direct costs	798,130	798,130	—	
Indirect costs	243,321	243,321	—	
Less late filing penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 1,040,451</u>	1,040,451	<u>\$ —</u>	
Less amount paid by the State		(1,000,000)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 40,451</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Salaries	\$ 1,592,073	\$ 1,711,624	\$ 119,551	Finding 1
Benefits	543,510	587,235	43,725	Finding 1
Total direct costs	2,135,583	2,298,859	163,276	
Indirect costs	1,199,960	919,933	(280,027)	Findings 1, 2
Less late filing penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 3,334,543</u>	3,217,792	<u>\$ (116,751)</u>	
Less amount paid by the State		(3,294,092)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (76,300)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Understated salary and benefit costs

The city understated allowable salary, benefit, and related indirect costs claimed by \$285,689 for the audit period. The city claimed unsupported training time, but also understated productive hourly rates, which resulted in net understated costs.

FY 1999-2000

The city claimed training time of eight hours for 260 trainees. The city claimed four hours for classroom instruction and four hours for trainees' study time. The city did not provide documentation supporting the four hours of study time. Therefore, the study time cost claimed is unallowable, which totals \$57,131 (\$25,220 in salary costs, \$9,359 in benefit costs, and \$22,552 in indirect costs). We previously reported this issue in our audit report dated July 5, 2001, related to our audit of costs claimed for FY 1995-96 through FY 1998-99. In its response to our prior audit report, the city agreed with this finding.

In addition, the city understated the average productive hourly rate used to claim classroom instruction time. The city claimed an average productive hourly rate of \$24.25; however, the city's documentation supports an average productive hourly rate of \$27.09. Therefore, the city understated classroom instruction costs by \$6,701 (\$2,958 in salary costs, \$1,098 in benefit costs, and \$2,645 in indirect costs).

Furthermore, the city understated the average productive hourly rate used to claim costs for implementation of written arrest policies. The city claimed an average productive hourly rate of \$29.24; however, the city's documentation supports an average productive hourly rate of \$32.67. Therefore, the city understated implementation costs by \$122,227 (\$53,955 in salary costs, \$20,023 in benefit costs, and \$48,249 in indirect costs).

FY 2000-01

The city understated the average productive hourly rate used to claim costs for implementation of written arrest policies. The city claimed an average productive hourly rate of \$29.24; however, the city's documentation supports an average productive hourly rate of \$34.76. Therefore, the city understated implementation costs by \$213,892 (\$87,858 in salary costs, \$31,963 in benefit costs, and \$94,071 in indirect costs).

The following table summarizes the audit adjustment:

	Salary Costs	Benefit Costs	Indirect Costs	Total
FY 1999-2000				
Unallowable study time	\$ (25,220)	\$ (9,359)	\$ (22,552)	
Understated productive hourly rate for training	2,958	1,098	2,645	
Understated productive hourly rate for implementation	<u>53,955</u>	<u>20,023</u>	<u>48,249</u>	
Totals, FY 1999-2000	31,693	11,762	28,342	
FY 2000-01				
Understated productive hourly rate for implementation	<u>87,858</u>	<u>31,963</u>	<u>94,071</u>	
Audit adjustment	<u>\$ 119,551</u>	<u>\$ 43,725</u>	<u>\$ 122,413</u>	<u>\$ 285,689</u>

Parameters and Guidelines states that costs claimed shall be traceable to source documents that show evidence of the validity of such costs. For salary and benefit costs, source documents may include time sheets, payroll records, pay rate schedules, and other documents evidencing the expenditure.

Recommendation

We recommend the city maintain adequate source documentation to support costs claimed. In addition, we recommend the city claim average productive hourly rates supported by its source documentation.

FINDING 2— Unallowable indirect costs

The city claimed unallowable indirect costs totaling \$402,440 for the audit period. The city incorrectly applied the indirect cost rate in FY 1999-2000 and FY 2000-01, and applied an overstated indirect cost rate in FY 2000-01.

In FY 1999-2000 and FY 2000-01, the city claimed indirect costs by applying its indirect cost rates to both salary and benefit costs. However, the city calculated the approved indirect cost rates using a direct cost base of salary costs only. We previously reported this issue in our audit report dated July 5, 2001, related to our audit of costs claimed for FY 1995-96 through FY 1998-99. In its response to our prior audit report, the city agreed with this finding.

In addition, the city overstated the indirect cost rate used to claim FY 2000-01 indirect costs. The city incorrectly included the employee fringe benefit rate and excluded the “field support rate” applicable to sworn Police Department positions in field operations. The city claimed an indirect cost rate of 78.51%; however, the city’s documentation supports an indirect cost rate of 58.14%.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	1999-2000	2000-01	
Allowable salary costs claimed	\$ 544,238	\$ 553,251	
Overstated indirect cost rate	× —	×(20.37)%	
Subtotals	—	(112,697)	
Allowable benefit costs claimed	201,967	201,273	
Unallowable indirect cost rate	×(65.22)%	×(78.51)%	
Subtotals	(131,723)	(158,020)	
Audit adjustment	<u>\$ (131,723)</u>	<u>\$ (270,717)</u>	<u>\$ (402,440)</u>

Parameters and Guidelines states that costs claimed shall be traceable to source documents that show evidence of the validity of such costs.

Recommendation

We recommend the city ensure that indirect costs claimed are based on the city's approved indirect cost rates.

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