

CITY OF SAN BERNARDINO

Audit Report

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS PROGRAM

Chapter 246, Statutes of 1995

July 1, 2007, through June 30, 2011



JOHN CHIANG
California State Controller

March 2014



JOHN CHIANG
California State Controller

March 20, 2014

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

Dear Mayor Davis:

The State Controller's Office audited the costs claimed by the City of San Bernardino for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2007, through June 30, 2011.

The city claimed \$714,531 for the mandated program. Our audit found that \$122,517 is allowable (\$124,438 less a \$1,921 penalty for filing a late claim) and \$592,014 is unallowable. The costs are unallowable because the city claimed unsupported and non-mandate-related costs. The State paid the city \$704,531. The State will offset \$582,014 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/mh

Attachment

cc: David Cain, Director of Finance
City of San Bernardino
Jarrod Burguan, Acting Chief of Police
San Bernardino Police Department
Susan Stevens, Administrative Analyst II
San Bernardino Police Department
Michael Byrne, Principal Program Budget Analyst
Mandates Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
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 San Bernardino for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2007, through June 30, 2011.

The city claimed \$714,531 for the mandated program. Our audit found that \$122,517 is allowable (\$124,438 less a \$1,921 penalty for filing a late claim) and \$592,014 is unallowable. The costs are unallowable because the city claimed unsupported and non-mandate-related costs. The State paid the city \$704,531. The State will offset \$582,014 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Background

Penal Code 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 (CSM) determined that Chapter 246, Statutes of 1995, imposed a state mandated program reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on August 20, 1998 and amended them on October 30, 2009. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

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, 2007, through June 30, 2011.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted the 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.

Conclusion

Our audit found 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 San Bernardino claimed \$714,531 for costs of the Domestic Violence Arrest Policies and Standards Program. Our audit found that \$122,517 is allowable (\$124,438 less a \$1,921 penalty for filing a late claim) and \$592,014 is unallowable. The State paid the city \$704,531. The State will offset \$582,014 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Views of Responsible Official

We issued a draft audit report on January 31, 2014. Jarrod Burguan, Acting Chief of Police, responded by letter dated March 3, 2014 (Attachment), indicating that the city does not dispute the audit findings. This final audit report includes the city's response.

Restricted Use

This report is solely for the information and use of the City of San Bernardino, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

March 20, 2014

**Schedule 1—
Summary of Program Costs
July 1, 2007, through June 30, 2011**

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2007, through June 30, 2008</u>				
Salaries and benefits	\$ 163,208	\$ 15,634	\$ (147,574)	Findings 1, 2
Indirect costs	55,269	3,572	(51,697)	Findings 1, 2, 3
Total direct and indirect costs	218,477	19,206	(199,271)	
Less late filing penalty ²	—	(1,921)	(1,921)	
Total program costs	<u>\$ 218,477</u>	17,285	<u>\$ (201,192)</u>	
Less amount paid by the state		(208,477)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (191,192)</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Salaries and benefits	\$ 166,603	\$ 14,151	\$ (152,452)	Findings 1, 2
Indirect costs	22,466	1,908	(20,558)	Findings 1, 2
Total program costs	<u>\$ 189,069</u>	16,059	<u>\$ (173,010)</u>	
Less amount paid by the state		(189,069)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (173,010)</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Salaries and benefits	\$ 220,229	\$ 37,181	\$ (183,048)	Findings 1, 2
Indirect costs	31,044	5,241	(25,803)	Findings 1, 2
Total program costs	<u>\$ 251,273</u>	42,422	<u>\$ (208,851)</u>	
Less amount paid by the state		(251,273)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (208,851)</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Salaries and benefits	\$ 45,660	\$ 38,316	\$ (7,344)	Findings 1, 2
Indirect costs	10,052	8,435	(1,617)	Findings 1, 2
Total program costs	<u>\$ 55,712</u>	46,751	<u>\$ (8,961)</u>	
Less amount paid by the state		(55,712)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (8,961)</u>		

Schedule 1 (continued)

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2007, through June 30, 2011</u>				
Salaries and benefits	\$ 595,700	\$ 105,282	\$ (490,418)	
Indirect costs	118,831	19,156	(99,675)	
Total direct and indirect costs	714,531	124,438	(590,093)	
Less late filing penalty ²	—	(1,921)	(1,921)	
Total program costs	<u>\$ 714,531</u>	122,517	<u>\$ (592,014)</u>	
Less amount paid by the state		(704,531)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (582,014)</u>		

¹ See the Findings and Recommendations section.

² The city filed its FY 2007-08 annual reimbursement claim after the due date specified in Government Code section 17560. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs, not to exceed \$10,000 (for claims filed on or after August 24, 2007).

Findings and Recommendations

**FINDING 1—
Overstated costs**

The city overstated salaries and benefits by \$439,075. The related indirect costs total \$86,772.

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) database. The RMS information did not support the number of domestic violence incident reports that the city claimed. The following table summarizes the audit adjustment for the understated or overstated number of incident reports:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Number of domestic violence incident reports per RMS	1,270	1,345	1,356	1,352	
Less number of domestic violence incident reports claimed	<u>(6,288)</u>	<u>(6,459)</u>	<u>(6,953)</u>	<u>(1,347)</u>	
Understated/(overstated) number of reports	(5,018)	(5,114)	(5,597)	5	
Uniform time allowance (hours)	× 0.48	× 0.48	× 0.48	× 0.48	
Understated/overstated hours	(2,409)	(2,455)	(2,687)	2	
Claimed productive hourly rate, salaries ¹	× \$40.97	× \$40.71	× \$50.28	× \$51.82	
Understated/(overstated) salaries (A) ²	\$ (98,697)	\$ (99,943)	\$ (135,102)	\$ 104	
Benefit rate ¹	× 31.70%	× 32.00%	× 31.24%	× 36.28%	
Understated/(overstated) benefits (B) ²	<u>(31,287)</u>	<u>(31,982)</u>	<u>(42,206)</u>	<u>38</u>	
Understated/(overstated) salaries and benefits ((C) = (A) + (B))	(129,984)	(131,925)	(177,308)	142	\$ (439,075)
Indirect cost rate claimed (D)	× 44.60%	× 17.80%	× 18.50%	× 30.00%	
Related indirect costs ((E) = (A) x (D)) ²	<u>(44,019)</u>	<u>(17,790)</u>	<u>(24,994)</u>	<u>31</u>	<u>(86,772)</u>
Audit adjustment, ((F) = (C) + (E))	<u>\$ (174,003)</u>	<u>\$ (149,715)</u>	<u>\$ (202,302)</u>	<u>\$ 173</u>	<u>\$ (525,847)</u>

¹ The average productive hourly rates claimed for fiscal year (FY) 2008-09, FY 2009-10, and FY 2010-11 combined salaries and benefits. We calculated salaries and benefits separately to show that indirect cost rates were properly applied to salaries only.

² Calculation differences due to rounding

The program’s parameters and guidelines state:

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

The parameters and guidelines allow 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 Records Management Systems supports.

City’s Response

The city does not dispute the finding.

**FINDING 2—
Non-reimbursable
costs**

The city claimed non-reimbursable salaries and benefits totaling \$51,343. The related indirect costs total \$11,182.

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

	Fiscal Year			
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Documented number of domestic violence incident reports	1,270	1,345	1,356	1,352
Uniform time allowance (hours)	× 0.48	× 0.48	× 0.48	× 0.48
Claimed hours attributable to documented incident reports	<u>610</u>	<u>646</u>	<u>651</u>	<u>649</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 134 incident reports for FY 2007-08 and 135 incident reports for the remaining fiscal years. We reviewed the sample incident reports to determine whether the city performed the required mandated program activities. Our review found the following:

- 240 incident reports were fully reimbursable under the mandated program. These reports are reimbursable at 29 minutes (0.48 hours) per report.
- 152 incident reports were only 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.
- 147 incident reports were not reimbursable because the incidents did not meet the definition of domestic violence, as defined by Penal Code section 13700. The incidents involved issues such as verbal disputes, child custody orders, vandalism, and intoxication reports.

The following table summarizes the results of our statistical samples:

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Allowable incident reports	49	39	83	69	240
Partially reimbursable incident reports - only one party interviewed	19	23	48	62	152
Non-mandate-related incident reports	66	73	4	4	147
Total reports sampled	134	135	135	135	539

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

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Allowable incident reports	49	39	83	69	240
Uniform time allowance (hours)	× 0.48	× 0.48	× 0.48	× 0.48	
Subtotal (G)	23.52	18.72	39.84	33.12	
Partially reimbursable incident reports - only one party interviewed	19	23	48	62	152
Allowable uniform time allowance (hours)	× 0.34	× 0.34	× 0.34	× 0.34	
Subtotal (H)	6.46	7.82	16.32	21.08	
Total reimbursable hours for sampled reports ((G) + (H))	29.98	26.54	56.16	54.20	
Statistical sample size	÷ 134	÷ 135	÷ 135	÷ 135	
Reimbursable hours per report	0.2237	0.1966	0.4160	0.4015	
Number of documented incident reports	× 1,270	× 1,345	× 1,356	× 1,352	
Total reimbursable hours	284	264	564	543	
Less claimed hours attributable to documented incident reports	(610)	(646)	(651)	(649)	
Unallowable hours	(326)	(382)	(87)	(106)	

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

	Fiscal Year				Total
	2007-08	2008-09	2009-10	2010-11	
Unallowable hours	(326)	(382)	(87)	(106)	
Claimed average productive hourly rate	× \$40.97	× \$40.71	× \$50.28	× \$51.82	
Unallowable salaries (J) ¹	\$ (13,356)	\$ (15,551)	\$ (4,374)	\$ (5,493)	
Benefit rate	× 31.70%	× 32.00%	× 31.24%	× 36.28%	
Unallowable benefits (K) ¹	(4,234)	(4,976)	(1,366)	(1,993)	
Unallowable salary and benefits ((L) = (J) + (K))	(17,590)	(20,527)	(5,740)	(7,486)	\$ (51,343)
Indirect cost rate claimed	× 44.60%	× 17.80%	× 18.50%	× 30.00%	
Related indirect costs (M) ²	(5,957)	(2,768)	(809)	(1,648)	(11,182)
Audit adjustment ((L) + (M))	\$ (23,547)	\$ (23,295)	\$ (6,549)	\$ (9,134)	\$ (62,525)

¹ The city's claimed average productive hourly rate for FY 2008-09, FY 2009-10 and 2010-11 included salaries and benefit costs. We calculated salary and benefit costs separately in order to show that indirect cost rates were properly applied to salary cost.

² Calculation differences due to rounding.

The parameters and guidelines state:

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

The parameters and guidelines allow 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 Penal Code 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 does not dispute the finding.

**FINDING 3—
Overstated indirect costs**

The city claimed indirect costs based on indirect cost rate proposals (ICRPs) prepared for the city’s police department. For fiscal year (FY) 2007-08, the city’s indirect cost rate was overstated because the reported cost plan allocation costs were unsupported. As a result, the city overstated indirect costs claimed by \$1,721.

The following table summarizes the calculation of the allowable FY 2007-08 indirect cost rate:

<u>Cost Component</u>	<u>Costs Reported</u>	<u>Allowable Costs</u>	<u>Audit Adjustment</u>
<u>Fiscal Year 2007-08</u>			
Direct costs:			
Salaries and benefits (N)	\$ 34,392,883	\$ 34,392,883	\$ —
Indirect Costs:			
Salaries and benefits	4,045,586	4,045,586	—
Services and supplies	6,314,547	6,314,547	—
Cost plan allocation	4,978,671	—	(4,978,671)
Total indirect costs (P)	\$ 15,338,804	\$ 10,360,133	\$ (4,978,671)
Allowable indirect cost rate FY 2007-08 ((P) ÷ (N))		<u>30.1%</u>	

The following table summarizes the audit adjustment:

	<u>FY 2007-08</u>
Allowable indirect cost rate	30.10%
Less claimed indirect cost rate	<u>- (44.60)%</u>
Unallowable indirect cost rate	(14.50)%
Allowable salaries	<u>x \$11,871</u>
Audit adjustment	<u><u>\$(1,721)</u></u>

The parameters and guidelines state, “Actual costs must be traceable and supported by source documents that show the validity of such costs. . . .” The parameters and guidelines also state that local agencies may claim indirect costs using the procedures provided in Office of Management and Budget Circular A-87.

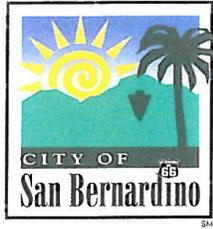
Recommendation

We recommend that the city maintain documentation that supports the cost allocation plan costs that it includes in its ICRPs.

City’s Response

The city does not dispute the finding.

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



POLICE DEPARTMENT
JARROD BURGUAÑ – ACTING CHIEF OF POLICE

P.O. Box 1559 • San Bernardino • CA 92402-1559
909.384.5742
www.sbcity.org

March 3, 2014

Jim L. Spano, Chief, Mandated Cost Audits Bureau
California State Controller's Office, Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

The City of San Bernardino has received the draft audit report for costs claimed on the Domestic Violence Arrest Policies and Standards Program for the period of July 1, 2007, through June 30, 2011.

The City of San Bernardino does not dispute the findings of this audit report. It should be noted that the unallowable claims filed were not intentional, but rather the unfortunate lack of training and knowledge of the mandate's requirements. Corrective actions have been taken to ensure all future claims are filed properly.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Burguan", is written over a light blue horizontal line.

Jarrold Burguan
Acting Chief of Police

cc: David Cain, Director of Administrative Services, City of San Bernardino
Susan Stevens, Administrative Analyst II, San Bernardino Police Department

LEADERS IN SETTING THE STANDARD OF EXCELLENCE

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