



## Cost Recovery Systems, Inc.

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**RECEIVED**  
November 6, 2020  
**Commission on  
State Mandates**

November 5, 2020

Ms. Heather Halsey  
Executive Director  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814

**Response to Draft Proposed Decision**

*Crime Statistics Reports for the Department of Justice (DOJ), 17-0240-I-01  
City of San Marcos, Claimant*

Dear Ms. Halsey,

Please accept the attached response to the Commissions Draft Proposed Decision.

Please feel free to contact me at (916) 939-7901 with any questions or concerns. Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Annette S. Chinn'.

Annette S. Chinn  
Cost Recovery Systems, Inc.  
Representative for City of San Marcos

I, Annette S. Chinn, do hereby declare as follows:

I am a consultant of Cost Recovery Systems, Inc. and representative to the City of San Marcos in this Incorrect Reduction Claim. I have been involved in the preparation of the City of San Marco's Claims for State Reimbursement since 2000, including the preparation of the Crime Statistics Reports for the Department of Justice claims, now subject to this Incorrect Reduction Claim.

I have personal knowledge of the facts stated in this document/declaration and if called as a witness, I could and would testify to the statements made herein.

**Issue 1: Number of Related Calls for Assistance**

**“the number of incidents claimed were misstated (over stated in some years and understated in other years).**

This variation was due to the fact that the State Department of Justice (DOJ) statistics used to prepare the claims were based on calendar year reporting whereas the ARJIS statistics were reported by fiscal year. When the data is examined in total for the time period audited, the variation is extremely small. During the 5 years audited, the State found that the variation during this period was less than 10 cases out of an average of over 1,300 cases examined (a negligible amount).

It should be noted that the DOJ also audits the data provided to them by local law enforcement to verify its accuracy. This should add credibility and confidence to State DOJ and Automated Regional Justice Information System (ARJIS) statistics.

In addition, the State Controller's Office (SCO) noted that “we concluded that the SDSO did a sufficient and appropriate job of generating the data from ARJIS (Automated Regional Justice Information System). Therefore, we concluded that the query reports provided for FY 2007-08 through FY 2011-12 were reliable.” (page 10, State Audit Report)

The data the City provided met the requirements of the Parameters and Guidelines – they were prepared using actual data “traceable and supported by actual source documents which were created at the same time the costs were incurred”. The data's “validity” was proven to be related to the mandated activities as five years of data sampled by the State (almost 50% of the time frame and data claimed) was reviewed and found to be reliable and accurate.

Claiming instructions do not specify to what level of detail documentation is required – only that the data used to prepare the claim be based on actual, contemporaneous “source documents”. The City believes that it satisfied these requirements and that data's accuracy was proven to be valid, justified, and reasonable.

It took the State over 10 years to review the test claim, adopt Parameters and Guidelines, and release claiming instructions for this program. Then an additional 6 years for the State Controller's Office (SCO) to initiate an audit of the program. It can be no surprise that “detailed” actual reports of each and every case are no longer available nor maintained by local agencies for State Controller to do their full review by case level. To expect that the same computer systems are still operational and full reports available after almost twenty years is beyond reasonable.

The City believes that it satisfied the Claiming Instructions requirements for records retention in an aggregate format, which was shown to be valid and reasonable and therefore, should not be reduced by the approximately 10% proposed by the SCO by using their averaging methodology.

## **Issue 2 – Contract Hourly Rates for FY 2001-02 through FY 2006-07**

**“If contract services were used for purposes other than the reimbursable activities, only the pro rate portion of the services used to implement the reimbursable activities be claimed”**

The contracts with San Diego County Sheriff’s Department/Office (SCSO) detail all costs by activity, and by direct and indirect costs for: PATROL – or general law enforcement activities; TRAFFIC enforcement activities; and CUSTOM units – broken down further by “Special Purpose Details” and “Special Purposes Officers”. This ensures that costs for TRAFFIC or CUSTOM or Special units are not comingled with the General Law Enforcement (PATROL) costs.

Only time for reimbursable activities was claimed. This time was supported by a time study and agreed to by both SCO and City. Therefore, there was no duplication of direct and indirect charges or overstatement of cost to the State

The County had different overhead rates/charges for each type of unit; thus, only related applicable overhead would be included in the computation of the claim and Commission staff’s concerns that, “hourly contract rates used by the claimant for fiscal years 2001-02 through 2006-07 are not specific to the mandated activities” are unfounded.

The City did not request reimbursement for the Sergeant and the Detective Sergeant positions during FY 2001-02 though FY 2006-07, therefore there is no issue of overbilling the State.

The Contract with San Diego County specifically assures:

- “the Sheriff’s Department’s status as an accredited law enforcement agency” (See IRC, bates page 323).
- general law enforcement services are to be provided and billed via the “unit configurations of Patrol Service Options listed under Attachment A which include all normal back-up auxiliary services related thereto...”(See IRC, bates page 316)
- “The contract costs for services provided by the COUNTY shall be based on the COUNTY’S actual cost for such services...in accordance with Attachment A.” (see IRC, bates page 319) and
- “The County shall provide all labor, supplies, equipment, services, and materials required for its performance of the foregoing law enforcement services...”(see IRC, bates page 320)

In addition, County job descriptions specifically enumerate that the Sergeant class represents the first level of supervision of deputies and/or professional in the Sheriff’s Department. (See IRC, bates pages 14-18 also San Diego County website for job description)

<https://www.governmentjobs.com/careers/sdcounty/classspecs/81067?keywords=sergeant&page=1&pagetype=classSpecifications>

Therefore, the overhead cost that were included in the contract and billed in the Sheriff Patrol Deputy rate are allowable “actual”, “normal back-up”, and “required” for the performance of the Patrol Deputy’s direct law enforcement duties and thus should be eligible for State reimbursement.

SCO “deconstruction” of rates to extract Sergeant and Detective positions was unnecessary as a portion of their costs was already included in the contractual overhead rate.

**“ To recalculate hourly rates, the Controller obtained from the SDSO salary and benefit rates segregated for each peace officer classification that performed the reimbursable activities and confirmed they were accurate.”**

SCO's "new methodology" to "obtaining salaries and benefits" **from the contracting entity** and compute an hourly rate that was not the actual "hourly billing rate" is not supported by Parameters and Guidelines, the Claiming Instructions, or the Claiming Manual. It must be noted that this information was not transparent or documented in the contract, but had to be obtained directly from the contracting entity (San Diego County Sheriff's Department or Office).

**State of California, Local Agencies Mandated Cost Manual, Section 2; Filing a Claim, Page 10, Revised 11/10 state:**

**“(3) Contract Services**

The cost of contract services is allowable if the local agency lacks the staff resources or necessary expertise, or it is economically feasible to hire a contractor to perform the mandated activity. The claimant must give the name of the contractor; explain the reason for having to hire a contractor; describe the mandated activities performed; give the dates when the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate shall not exceed the rate specified in the claiming instructions for the mandated program. The contractor's invoice, or statement, which includes an itemized list of costs for activities performed, must accompany the claim.”

The claiming instructions state that the number of hours spent performing the mandate activity be identified (time was agreed to by both parties) then multiplied by the actual "hourly billing rate". This is exactly what the city did.

There is no evidence in the record that the SCO felt that San Diego County Sheriff's Office (SDSO) rates charged "exceeded the rate specified in claiming instructions" or that the rates charged by SDSO were unreasonable or excessive.

The rates that Controller used were not the actual "hourly billing rate" as specified by Claiming Instructions and the contract, but a stripped-down rate that included no actual overhead costs. The overhead applied by the Controller was based on an average rate from other contract years. The city also alleges that this average overhead rate used by the SCO was understated.

It is the City's position that since this is a new methodology for computing contract costs, not enumerated in the Parameters and Guideline or Claiming Instructions, it cannot be applied retroactively. Provisions that impose new, additional, or different liabilities based on past conduct are deemed unlawfully retroactively. (City of Modesto v. National Med, Inc. (2005) Cal. App. 4<sup>th</sup> 518, 527)

If this new methodology is to be allowed in the future, then there should be new instructions and discussion explaining when is it required and appropriate to contact vendors for more details in order to "deconstruct" actual contractual billing rates.

It is unclear if this new methodology employed by the SCO is intended to only applicable to situations involving contracts with other governmental agencies or if it is to apply to private firms as well. If both - is a private firm obligated to share their actual salary and benefit rates they pay their employees? Who is responsible for verifying the accuracy of information provided by non-governmental agencies?

Secondly, if this "new methodology" is deemed to be valid in the future, then there should also be revisions made to the section of Claiming Instructions that pertain to computation of Indirect Costs.

The SCO stated in their January, 2018 IRC Comments letter that they were not able to compute actual overhead/ ICRP rates for FY 2001-02 through FY 2006-07 because such information was not available in the format necessary since the contracts for those years did not segregate overhead items in the same manner. Therefore, they had to use average rates developed from other years. (See State Controller's January 22, 2018 IRC Comment Letter, bates page 25, Paragraph 1)

If the State Controller's Office was not able to obtain appropriate records and to compute actual overhead (ICRP rates), then how can local agencies be expected to do so? Instructions are specific that actual costs are required.

We disagree with the Commission Proposed Decision that SCO reduction of contracted hourly rates for fiscal years 2001-02 through 2006-07 is correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support.

The SCO did not demonstrate that the contractual rates claimed were unreasonable or excessive, nor exceeded parameters of claiming instructions. The rates the Controller computed were not based on actual costs or actual billing rates as specified in Claiming Instructions or in Parameters and Guidelines. The city believes this new methodology used by the SCO to compute deconstructed contract billing rates constituted underground rule-making by the State Controller's Office and was erroneous.

Based on the foregoing, the City request restoration of its hourly rates to the actual, contractually agreed upon hourly billing rates.

***If the Commission were to adopted the Proposed Decision and support SCO new rules/methodology for computing contract billing rates, it would set a new precedent that will impact other mandate programs***

With this new precedent and methodology, local agencies will likewise be able to employ similar methods to dig deeper into their contracts to obtain hourly rates for administrative and support staff costs, such as Captains, Lieutenants, Dispatchers, Clerks, etc. and submit for those previously unclaimed costs.

For example, the Rape Victim Counseling program will now be open for contract cities to delve deeper into their contracts to obtain rates for dispatchers and clerical staff and for the administrative staff time for Lieutenant, Captain, and support staff that perform eligible activities for the UVISA: Victims of Crime, Peace Officer Bill of Rights I, Peace Officer Bill of Rights II, Peace Officer Personnel Records claims, previously unclaimed because their rates were built into ("comingled" as described by the SCO) Deputy unit costs.

While we disagree with the Commission recommendation supporting the SCO's deconstruction of contract rates, we would request that this new methodology not be allowed until new instructions are drafted and clarification is provided on how to implement this new "contract rate deconstruction methodology".

**Issue 3: Misstated Indirect Costs for FY 2007-08 though FY 2011-12**

**SCO did not include all allowable indirect costs, which resulted in a reduced overhead rate that denied the city over 30-40% of its actual, allowable costs. The SCO decision to exclude all but one Sergeant Positions from Overhead was incorrect and inconsistent with Parameter's Guidelines as well State and Federal Overhead Guidelines:**

We disagree with the Commission staff conclusion that the Controller "adequate(ly) consider(ed) the claimant's position, all relevant factors, and demonstrated a rational connection between those factors and the choices made, and calculated an indirect cost rate proposal consistent with the Parameters and Guidelines and the contracts with SDSO".

**1. ALL RELEVANT FACTORS NOT CONSIDERED AND IMPROPERLY EVALUATED:**

***The SCO's decision on whether or not to include the Sergeant positions in the overhead rate/Indirect Cost Rate was based on irrelevant factors resulting in an unreasonable and erroneous conclusion.***

The SCO's rationale to deny the city's request to include all Sergeant positions in the ICRP is described in the April 17, 2017 mail to Ms. Stacey Tang of the San Marcos Finance Department. (see State Controller's January 22, 2018 IRC Comment Letter, Tab 21, bates page 427):

"We reviewed the contract language in relation to indirect costs and looked for any clues that would help us identify which positions might have been costed out as direct or indirect."

"Each CITY will pay for direct staff, which includes deputies, detectives, sergeants and Community Services Officer....

"The contract refers to deputies, detectives, sergeants, and community officers as direct position. Therefore, we believe our proposed computation of indirect costs is appropriate..."

The section of the contract where the SCO extracted these statements were from the section entitled "C. 1. Cost Center Development, A Cost Center model ***showing both the CITY and the COUNTY costs for each station will be developed.*** (emphasis added)" (See IRC, bates page 413-414) This was an erroneous methodology, inconsistent with State and Federal Guidelines).

The SCO determination that the Sergeant position was a "direct" cost was not based on State or Federal guidelines, but on vendor (San Diego County) billing methodology and description. SCO explains: "The contract refers to deputies, detectives, sergeants...as direct positions. Therefore, we believe our proposed computation of indirect costs is appropriate." (see State Controller's January 22, 2018 IRC Comment Letter, Tab 21, bates page 427)

Here, it is clear that the County contract is labeling a direct cost as one that is directly assignable to a particular CITY, "Each CITY will **pay** for direct staff..." and shared cost benefiting more than one agency "...will be pooled and allocated as overhead to all the cities based on the number of deputies..." (See IRC, bates page 413-414) This was an erroneous methodology, inconsistent with State and Federal Guidelines). SCO's decision to use these "labels" from the costing section of the contract to determine whether a cost was direct or indirect in the context of determining ICRP rates was erroneous and not in accordance with State Instructions and Federal guidelines.

The preparation of an ICRP and determination of costs for the State Mandated claims must comply with definitions and rules of the Claiming Instructions, Parameters and Guidelines, and “must follow the provisions of the Office of Management and Budget (OMB) Circular A-87 (Title 2 CFR Part 225), Cost Principles for State, Local, and Indian Tribal Governments,” not on vendor contract billing definitions and methodology.

**Parameters and Guidelines and Claiming Instructions define indirect costs:**

“Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87).”

**2 CFR Part 225 § 200.56 Indirect (facilities & administrative (F&A)) costs:**

Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect (F&A) costs. Indirect (F&A) cost pools should be distributed to benefitted cost objectives (emphasis added) on bases that will produce an equitable result in consideration of relative benefits derived.

**2 CFR Ch. II Pt. 200, App. III (1–1–14 Edition) 2. The Distribution Basis:**

Indirect costs must (emphasis added) be distributed to applicable Federal awards and other benefitting activities

**There is only one job description for the Sergeant classification for the County of San Diego** (see IRC, bates page 14-19 also found on the San Diego County website:

<https://www.governmentjobs.com/careers/sdcounty/classspecs/81067?keywords=sergeant&page=1&pagetype=classSpecifications> )

**Sheriff’s Sergeant, Purpose and Distinguishing Characteristics:**

“To provide supervision over the activities of a team, unit or division of deputies and/or professional staff; and to perform other law enforcement duties as assigned; and to perform related work as required.

Sheriff’s Sergeants are sworn peace officers allocated only to the Sheriff’s Department. This class represents the first level of supervision of sworn staff in the Sheriff’s Department (emphasis added). Positions in this class supervise Deputy Sheriff’s and/or professional staff engaged in department activities (emphasis added) within a team, unit or division on a daily operational basis. The next higher class, Sheriff’s Lieutenant, assists in the general supervision of a division and has more administrative responsibility.”

The “Sergeant” position satisfies the definition of indirect costs as defined by Parameters and Guidelines, Claiming Instructions and Federal CFR Guidelines:

- The Sergeant position is incurred for a ”common or joint purpose” (“first level of supervision of sworn staff in the Sheriff’s Department”)
- The Sergeant position “benefits more than one program” (“To provide supervision over the activities of a team, unit or division of deputies and/or professional staff”. This class represent the first level of supervision to the entire department including those deputies performing the activities of this mandate.)
- The Sergeant position “benefit(s) (the) cost objectives. (The Sergeant position support the sworn deputies who performed the direct activities of the mandate program or the “cost objective”)
- “Indirect costs may include: (1) the overhead costs of the unit performing the mandate” (Sergeants provide “first level” of supervision and support of the unit performing this mandate and to the department as a whole.

County job descriptions/duty statement were further validated by the San Marcos commanding officer, Lieutenant Menzies, whose Declaration in the IRC states “All Sergeants are responsible for performing administrative/support functions in support of the Deputies in the commission of their direct law enforcement duties.” (IRC, bates page 3 and also see IRC, Section 10, Final State Audit Report, City Response, bates page 545)

Therefore, the SCO’s rationale to base their determination on how the County contractor **charged** the City under the contract “Cost of Services” is NOT how an indirect cost is to be determined based on State Instructions and Federal ICRP guidelines. These instructions state that a cost is an eligible indirect cost if it “supported” or “benefited” the program, as in this claim was clearly the case.

The SCO stated that their determination to exclude all but one Sergeant supported their ICRP rate which they felt “arriv(ed) at a contract-wide overhead rate that can be applied to claim costs for various mandate program.” (see SCO January 22, 2018 Comments to the IRC, Tab 21, bate page 427). Their conclusion demonstrates a clear error of judgment as all the evidence shows that ALL Sergeants perform some level of administrative and support function that benefited the entire department and “various mandate program(s).”

Since the SCO based their analysis on irrelevant contractual billing descriptions to classify costs rather than the actual functional criteria of those costs/positions as specified under Parameter and Guidelines, Claiming Instructions and Federal CFR, their analysis and conclusions reached were flawed and incorrect.

**The SCO’s used an incorrect definition of “direct” costs that did not match that in Federal CFR Guidelines nor Claiming Instructions.**

In the SCO’s January 22, 2018 Response to the IRC, they state, “Generally speaking, direct costs are those which can be identified specifically with a particular unit or function and accounted for separately.” (see SCO January 22, 2018 Comments to IRC, bates page 28, paragraph 3). This is not the definition of direct costs.



**Federal CFR guidelines § 200.413** [https://www.govregs.com/regulations/title2\\_chapterII\\_part200\\_subpartE](https://www.govregs.com/regulations/title2_chapterII_part200_subpartE) :

“Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect (F&A) costs. See also § 200.405 Allocable costs.”

**State Claiming Instructions in the State Controller’s” Local Agencies Mandated Cost Manual:**

“A direct cost is a cost that can be identified specifically with a particular program or activity.”

**Parameters and Guidelines for Crime Statistics Reports for the Department of Justice:**

“Direct costs are those costs incurred specifically for reimbursable activities...”

“Direct costs” for this programs eligible mandated activities - “final cost objective/externally funded activity”, were determined and agreed to by SCO and City and can be found on pages 11-13 of State Controller’s June 2017, Audit Report (See IRC, bates page 531) show that an average of 74 hours per year were allowed by the SCO for a Sergeant position to perform eligible “Direct” activities related to reviewing reports.

State Controller’s use of an incorrect definition of “Direct Costs” may have also led to their error in judgment in their classification of direct and indirect costs.

2. **SCO suggests in their narrative “The city reviewed the SCO methodology and proposed that we consider Station Support Staff and Administrative Sergeant position as part of the contract overhead pool....the SCO concluded it was reasonable.”** (SCO January 22, 2018 Response to IRC, FY 2007-08 through FY 2011-12 Indirect Costs, bates page 29)

This description makes it sound as if one Sergeant was all that the City requested for inclusion in the overhead/ICRP rate. This is not the case. The City, in fact, requested (repeatedly) that the SCO include ALL Sergeants in the overhead rate. However, the SCO repeatedly denied all the city’s request. Finally, the SCO agreed to allowing one Sergeant whose job assignment was 100%. This one very small “victory” does not make the SCO’s denial of all the other eligible Sergeant’s costs correct or reasonable, nor does it demonstrate “adequate consideration” of the City’s position or that their decision was “reasonable” and “in compliance with State guidelines”.

From the beginning, the City requested inclusion of ALL Sergeant positions be included in the ICRP rate. First, when the claims were submitted in the ICRPs/overhead rates attached to the original claims for State Reimbursement themselves. (see IRC, Exhibit 3 – Reimbursement Claims, bates pages 657 – 697)

Second, the City requested all Sergeant positions be included during the status meeting held on April 10, 2016 (See SCO January 22, 2018 Comments Letter on IRC, Tab 20, bates page 426). The request was denied by the SCO (again) via by mail April 17, 2017 (See SCO January 22, 2018 Comments letter on IRC, Tab 21, bates pages 426-427)

Third, the City again requested inclusion of a percentage of all Sergeants in their formal Response to the Audit Report, “The City appreciates that the SCO included one Administrative Sergeant as overhead costs in the computation of the contract indirect cost rates, however, the City requests the majority of the other Sergeant costs, which related to the administrative and or supervisory services, to also be considered as overhead costs to properly reflect actual overhead costs incurred.” (See IRC, bates page 552).

Throughout this process, the City presented the SCO with job descriptions, declarations from the supervising Lieutenant verifying the positions administrative duties, and repeatedly asked the SCO what other type of evidence we could present to allow the inclusion of all the Sergeants positions. This is evidenced in the city response in the Status Meeting held on April 10, 2016 (see SCO January 22, 2018 Comments letter on IRC, bates page 423)

Finally, the City requested the inclusion of a portion of ALL Sergeant positions in the ICRP rate in this Incorrect Reduction Claim. The City's inability to convince the SCO to allow all Sergeant's administrative and support time is one of the reasons for this IRC and does not validate the SCO's decision to allow only one position when all seven were eligible for inclusion in the overhead rate.

**The SCO is bound by its duty to comply with State and Federal guidelines and the Commission has to duty to ensure that these duties are met. The SCO action to deny inclusion of all Sergeants was not in accordance with the law.**

**Article XIII B , Section 6 of the California Constitutional explicitly states the intent of the State Mandate program:**

“Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to **reimburse that local government for the costs of the program or increased level of service**” (emphasis added).

**State Government Code which ensure full, actual costs are reimbursed, Government Code Section 17561 (a):**

“The state shall reimburse each local agency and school district for all (emphasis added) “costs mandated by the state,” as defined in Section 17514 and for legislatively determined mandates in accordance with Section 17573.”

State Claiming Instructions in the State Controller's “**Local Agencies Mandated Cost Manual, Filing a Claim**” Instructions, Section 3 (IRC, Exhibit 1):

“Claimants may file a reimbursement claim for actual (emphasis added) mandated costs incurred in the prior fiscal year. An entitlement claim may be filed for the purpose of establishing a base year entitlement amount for mandated programs included in SMAS. A claimant who has established a base year entitlement for a program would receive an automatic annual payment, which is reflective of the current costs for the program.

All claims received by the SCO will be reviewed to verify actual costs. (emphasis added) An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable.”

**State Guidelines: Audit of Costs**

“All claims submitted to the SCO are subject to review to determine if costs are related to the mandate, are reasonable and not excessive, and if the claim was prepared in accordance with the SCO's claiming instructions and the Ps & Gs adopted by the CSM. “

**2 CFR Ch. II Pt. 200, App. III (1–1–14 Edition) requires:**

“Indirect costs must be distributed to applicable Federal awards and other benefitting activities”

**Federal GAO-18-588G Government Auditing Standards” Section 8.19 state:**

“...to provide reasonable assurance that the description of the current status or condition of a program is accurate and reliable and does not omit significant information relevant to the audit objectives.” (GAO-18-588G Government Auditing Standards” Section 8.19.<https://www.gao.gov/assets/700/693136.pdf>)

**Government Code Section 17560. (i)**

“Audit the records of any local agency or school district to **verify the actual amount of the mandated costs**, the application of a reasonable reimbursement methodology, or application of a legislatively enacted reimbursement methodology under Section 17573.”

By incorrectly excluding a class of employees whose main stated job duty is to provide first-line supervision from the overhead rate was erroneously determined. SCO failed in its duty to comply with audit standards and guidelines by omitting significant information which resulted in the omission of substantial eligible indirect costs. In addition, their action was arbitrary and did not reasonably explain why they did not treat all employees who performed in an identical job classification consistently.

SCO decision to excluded all but one Sergeant ignores the evidence presented and shows they lacked a “clear and reasonable basis for their findings and conclusions” as required by Federal GAO Governmental Auditing Standards (See GAO-18-568G Governmental Auditing Standards, section 8.12) <https://www.gao.gov/assets/700/693136.pdf>

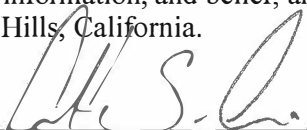
**Finally, the SCO’s conclusion is erroneous because it yields a clearly false and illogical result, showing a clear error in judgment.**

The final proof that SCO erred in excluding all but one Sergeant from the City’s ICRP rate is basic logic.

The County’s job description specifies one of the main duties for the Sergeant position is to provide first line supervision over ALL deputies and professional staff. With over 32 Patrol Deputies employed and working 24-hour shifts, it would be physically impossible for one single Sergeant working an eight-hour day to supervise multiple squads of officers working round the clock as well as the station’s entire professional staff.

The SCO’s error in judgment resulted in an illegal finding which denied the City constitutionally guaranteed cost reimbursements. The City respectfully request the Commission, as the “sole arbiter” of these State Mandate issues, to remedy these issues and ensure proper compliance with State laws and guidelines.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct to the best of my personal knowledge, information, and belief; and that this declaration was executed on November 5, 2020 in El Dorado Hills, California.



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Annette S. Chinn  
Cost Recovery Systems, Inc.  
Consultant Representative for the City of San Marcos

**DECLARATION OF SERVICE BY EMAIL**

I, the undersigned, declare as follows:

I am a resident of the County of Sacramento and I am over the age of 18 years, and not a party to the within action. My place of employment is 980 Ninth Street, Suite 300, Sacramento, California 95814.

On November 9, 2020, I served the:

- **Claimant's Comments on the Draft Proposed Decision filed November 6, 2020**

*Crime Statistics Reports for the Department of Justice (DOJ), 17-0240-I-01*  
Penal Code Sections 12025(h)(1), (h)(3); 12031(m)(1) and (m)(3); 13014; 13023;  
13730(a); Statutes 1989, Chapter 1172 (SB 202); Statutes 1992, Chapter 1338 (SB 1184);  
Statutes 1993, Chapter 1230 (AB 2250); Statutes 1998, Chapter 933 (AB 1999); Statutes  
1999, Chapter 571 (AB 491); Statutes 2000, Chapter 626 (AB 715); and Statutes 2004,  
Chapter 700 (SB 1234)  
Fiscal Years: 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007,  
2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012  
City of San Marcos, Claimant

by making it available on the Commission's website and providing notice of how to locate it to the email addresses provided on the attached mailing list.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on November 9, 2020 at Sacramento, California.



Jill L. Magee  
Commission on State Mandates  
980 Ninth Street, Suite 300  
Sacramento, CA 95814  
(916) 323-3562

# COMMISSION ON STATE MANDATES

## Mailing List

**Last Updated:** 8/4/20

**Claim Number:** 17-0240-I-01

**Matter:** Crime Statistics Reports for the Department of Justice

**Claimant:** City of San Marcos

### TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

Each commission mailing list is continuously updated as requests are received to include or remove any party or person on the mailing list. A current mailing list is provided with commission correspondence, and a copy of the current mailing list is available upon request at any time. Except as provided otherwise by commission rule, when a party or interested party files any written material with the commission concerning a claim, it shall simultaneously serve a copy of the written material on the parties and interested parties to the claim identified on the mailing list provided by the commission. (Cal. Code Regs., tit. 2, § 1181.3.)

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