



EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 18, 2012

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

Dear Ms. Halsey:

The Department of Finance (Finance) has reviewed the Los Angeles County proposed reasonable reimbursement methodology amending the parameters and guidelines of the Peace Officers Procedural Bill of Rights (POBOR) mandate program (11-PGA-09).

Specifically, Finance notes the following concerns that affect the formulas Los Angeles County (claimant) used to develop the proposed reasonable reimbursement methodology (RRM) rates of \$152.77 for sworn peace officers (general) and \$111.99 for probation sworn peace officers.

1. The claimant's proposed RRM excludes eight eligible local agencies that did not have any allowable costs due to audit exceptions from the formula used to calculate the proposed RRM rate per sworn peace officer (general). The claimant's methodology differs from the Commission on State Mandates' (Commission) methodology adopted in the POBOR parameters and guidelines in 2008. The Commission established an **average percentage** of allowable costs that considers the variation of costs among eligible local agencies who implement the mandate in a cost efficient manner. (See Table 1 in the Parameters and Guidelines on page 18.) Finance notes that the average percentage of allowable costs would be approximately 14.97 percent based on the State Controller's (Controller) Report, *Analysis of Published Mandated Cost Audits; Related to the Peace Officers Procedural Bill of Rights Program; As of June 21, 2010*. Please review the *Department of Finance's Average Percentage of Allowable Costs* report for the actual calculations of the average percentage.

Finance also notes that the claimant used the Controller's report to calculate the proposed general RRM rate per sworn peace officer. However, the claimant used an average of actual allowable costs, which excluded the audits that resulted in "no allowed costs", not an **average percentage** of the allowable costs. Finance believes that the average percentage methodology captures the variation of costs among eligible local agencies and ensures costs are not unreasonable and/or excessive.

2. The claimant's proposed RRM does not clearly address why sworn peace officers, who are classified as probation officers, should have a separate rate proposal. According to the POBOR parameters and guidelines, reimbursement is determined by multiplying the rate per full time sworn peace officer for the appropriate fiscal year by the number of full time sworn peace officers employed by the agency and reported to the Department of Justice. Therefore, the total costs and numbers for probation officers, who are classified as sworn peace officers, can be included in the claimant's general sworn peace officer RRM. Under

Ms. Heather Halsey
May 18, 2012
Page 2


Government Code section 3301, the "term public safety officer means all peace officers specified in Sections 830.1, 830.2, ... and 830.5 of the Penal Code." Penal Code section 830.5 extends the peace officer authority to probation officers. As a result, Finance believes that the total cost and number calculations related to probation officers should be included in the general RRM for sworn peace officers, which in effect may reduce the claimant's general RRM rate.

Finance believes that the claimant's methodology to calculate the proposed RRM rates are not consistent with the methodology of POBOR's current parameter and guideline RRM rate, and therefore, may not be cost-efficient RRM rates pursuant to Government Code section 17518.5.

Pursuant to section 1181.2, subdivision (c)(1)(E) of the California Code of Regulations, "documents e-filed with the Commission need not be otherwise served on persons that have provided an e-mail address for the mailing list."

If you have any questions regarding this letter, please contact Carla Shelton, Associate Finance Budget Analyst at (916) 445-3274.

Sincerely,



TOM DYER
Assistant Program Budget Manager

Enclosure

Enclosure A

DECLARATION OF CARLA SHELTON
DEPARTMENT OF FINANCE
CLAIM NO. 11-PGA-09 (CSM—4499, 05RL-4499-01, 06-PGA-06)

1. I am currently employed by the State of California, Department of Finance (Finance), am familiar with the duties of Finance, and am authorized to make this declaration on behalf of Finance.

I certify under penalty of perjury that the facts set forth in the foregoing are true and correct of my own knowledge except as to the matters therein stated as information or belief and, as to those matters, I believe them to be true.

May 18, 2012
at Sacramento, CA

Carla Shelton
Carla Shelton

Analysis of Published Mandated Cost Audits Related to the Peace Officers Procedural Bill of Rights Program As of June 21, 2010

Agency	Beginning Period	Ending Period	Published Date	Claimed Costs	Allowable Costs	Audit Adjustment	Cost Avoidance
Alameda County	07/01/2002	06/30/2005	11/16/2007	\$ 388,851	\$ 79,594	\$ 309,257	\$ 293,306
Beverly Hills City	07/01/2002	06/30/2005	11/07/2008	499,444	38,326	461,118	482,201
Buena Park City	07/01/2002	06/30/2003	11/30/2007	493,444	0	493,444	1,933,891
Cathedral City	07/01/2003	06/30/2006	06/18/2008	1,248,990	0	1,248,990	1,246,601
Contra Costa County	07/01/2001	06/30/2004	03/30/2007	532,160	40,636	491,524	789,699
Covina City	07/01/2004	06/30/2006	06/30/2009	491,548	25,604	465,944	732,613
El Monte City	07/01/2003	06/30/2006	02/18/2009	230,030	42,137	187,893	217,000
Fresno City	07/01/2003	06/30/2006	06/30/2008	1,194,502	205,281	989,221	744,785
Fresno County	07/01/2001	06/30/2005	03/21/2008	742,995	188,729	554,266	641,911
Glendale City	07/01/2002	06/30/2005	03/21/2008	459,272	0	459,272	537,606
Huntington Beach City	07/01/2003	06/30/2006	06/24/2009	209,708	4,061	205,647	125,717
Huntington Park City	07/01/2002	06/30/2004	06/18/2008	397,364	0	397,364	985,710
Inglewood City	07/01/2002	06/30/2005	08/29/2007	838,740	0	838,740	968,799
Kern County	07/01/2004	06/30/2006	12/31/2008	454,768	17,566	437,202	636,679
Long Beach City	07/01/1994	06/30/2002	12/30/2004	13,640,845	0	13,640,845	9,822,049
Long Beach City	07/01/2002	06/30/2003	02/06/2008	1,307,923	0	1,307,923	
Los Angeles City	07/01/1994	06/30/2002	03/30/2007	60,660,765	550,345	60,110,420	—
Los Angeles City	07/01/2003	06/30/2008	09/29/2009	50,281,773	20,131,194	30,150,579	
Los Angeles County	07/01/1994	06/30/2003	02/24/2010	31,152,062	2,037,198	29,114,864	7,697,952
Los Angeles County	07/01/2003	06/30/2006	01/13/2010	3,900,774	810,076	3,090,698	
Oakland City	07/01/2001	06/30/2004	02/13/2009	3,497,273	432,158	3,065,115	2,974,064
Oceanside City	07/01/2002	06/30/2005	08/24/2007	951,689	12,551	939,138	1,217,580
Orange County	07/01/2001	06/30/2004	06/29/2007	1,676,796	95,984	1,580,812	2,292,626
Palo Alto City	07/01/2003	06/30/2006	08/13/2008	273,503	111,213	162,290	260,482
Riverside City	07/01/2001	06/30/2005	04/23/2008	924,052	464,118	459,934	726,806
Riverside County	07/01/2002	06/30/2005	04/23/2008	2,064,236	711,922	1,352,314	1,251,871
Rocklin City	07/01/2002	06/30/2005	12/10/2008	321,165	4,499	316,666	421,904
Sacramento City	07/01/2001	06/30/2004	07/25/2006	1,323,971	469,058	854,913	1,933,846
Sacramento County	07/01/2001	06/30/2004	11/21/2007	1,186,488	380,710	805,778	1,556,742
San Bernardino County	07/01/2001	06/30/2004	06/29/2007	1,222,606	62,857	1,159,749	1,109,863
San Diego County	07/01/2001	06/30/2004	05/18/2007	1,848,251	0	1,848,251	3,080,418
San Francisco City & County	07/01/1994	06/30/2003	02/22/2008	24,014,018	1,557,587	22,456,431	5,288,211
San Francisco City & County	07/01/2003	06/30/2007	04/10/2009	11,973,575	1,338,701	10,634,874	
San Jose City	07/01/2003	06/30/2006	08/05/2009	235,320	135,158	100,162	73,287
Santa Clara County	07/01/2003	06/30/2006	05/14/2008	748,888	222,086	526,802	347,469
Siskiyou County	07/01/2001	06/30/2005	10/17/2008	410,541	2,196	408,345	390,263
Stockton City	07/01/1994	06/30/2002	03/30/2005	2,344,211	681,799	1,662,412	1,550,551
Ventura County	07/01/2002	06/30/2005	11/28/2007	587,525	245,230	342,295	458,843
Walnut Creek City	07/01/2003	06/30/2006	04/30/2009	381,841	50,031	331,810	375,616
Total				\$ 225,111,907	\$ 31,148,605	\$ 193,963,302	\$ 53,166,961



JOHN CHIANG
California State Controller

August 9, 2010

PC 830.1
pg. 5

Elaine H. Howle, CPA
State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Re: Follow Up to Bureau of State Audits' Recommendation Related
to the Peace Officers Procedural Bill of Rights Program

Dear Ms. Howle:

I want to share with you the results of our audit effort to implement one of the recommendations in your audit report concerning mandated cost claims. In your audit report, *State Mandates: The High Level of Questionable Costs Claimed Highlights the Need for Structural Reforms of the Process*, dated October 15, 2003, you recommended that the State Controller's Office audit claims already paid under the Peace Officers Procedural Bill of Rights Program. While conducting these audits, we were to ensure the activities were consistent with the Commission on State Mandates' intent. In addition, we were asked to pay particular attention to the types of problems noted in your report. We took your recommendation seriously, which ultimately resulted in significant State savings.

After the release of your report, we conducted Peace Officers Procedural Bill of Rights Program claims from 39 local agencies. Of the \$225 million in claimed costs audited for this mandated cost program, we identified \$194 million (86%) in unallowable costs.

A significant portion of our audit findings have been under the cost component of Interrogations. Most local agencies and their consultants still assert that all costs related to conducting interrogations of peace officers—including costs to conduct investigations—are reimbursable. In actuality, reimbursement under this cost component is limited to very specific activities. Local agencies apparently have been taking the language within the original statement of decision out of context rather than relying on the specific language within the parameters and guidelines as to what is actually reimbursable. In addition, the language contained in the December 2006 and March 2008 versions of the amended parameters and guidelines provides clarifying information as to what is and what is not reimbursable.

Elaine H. Howle, CPA
August 9, 2010
Page 2

While disputing our audit findings, none of the local agencies has formally appealed our audits by filing an Incorrect Reduction Claim with the Commission on State Mandates.

In addition, we analyzed the claims filed by the same 39 local agencies audited and found that, except for the City of Los Angeles, the amounts claimed under this mandated program have dropped substantially. We conducted this analysis by calculating the average amount claimed per year by each local agency in each of our audits and then compared this average with the average amount claimed in each of the subsequent years. Accordingly, we determined that the State has realized savings through cost avoidance totaling \$53 million over the past seven years.

Attached is a schedule summarizing the results of our audits of Peace Officers Procedural Bill of Rights Program claims for each of the 39 local agencies. The schedule identifies the dollar amount of audit adjustments taken and the subsequent reduction in claims filed by each local agency previously audited.

The above results clearly demonstrate that audits can be an effective tool to achieve State savings.

If you have any questions or wish to discuss this issue further, please call me at (916) 323-1696.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk:wm

S10MCC913/8688

Attachment

Department of Finance
Average Percentage of Allowable Costs

Claimant	Beginning Period	Ending Period	# of Years	Published Date	Claimed Costs	Allowable Costs	Audit Adjustment	Avoidance	Avg. Cost/Year	Percent Allowed
Alameda County	7/1/2002	6/30/2005	3	11/16/2007	\$388,851	\$79,594	\$309,257	\$293,306	\$26,531.33	20.47%
Beverly Hills City	7/1/2002	6/30/2005	3	11/7/2008	499,444	38,326	461,118	482,201	\$12,775.33	7.67%
Buena Park City	7/1/2002	6/30/2003	3	11/30/2007	493,444	0	493,444	1,933,891	\$0.00	0.00%
Cathedral City	7/1/2003	6/30/2006	3	6/18/2008	1,248,990	0	1,248,990	1,246,601	\$0.00	0.00%
Contra Costa County	7/1/2001	6/30/2004	3	3/30/2007	532,160	40,636	491,524	789,699	\$13,545.33	7.64%
Covina City	7/1/2004	6/30/2006	2	6/30/2009	491,548	25,604	465,944	732,613	\$12,802.00	5.21%
El Monte City	7/1/2003	6/30/2006	3	2/18/2009	230,030	42,137	187,893	217,000	\$14,045.67	18.32%
Fresno City	7/1/2003	6/30/2006	3	6/30/2008	1,194,502	205,281	989,221	744,785	\$68,427.00	17.19%
Fresno County	7/1/2001	6/30/2005	4	3/21/2008	742,995	188,729	554,266	641,911	\$47,182.25	25.40%
Glendale City	7/1/2002	6/30/2005	3	6/24/2009	459,272	0	459,272	537,606	\$0.00	0.00%
Huntington Beach City	7/1/2003	6/30/2006	3	6/18/2008	209,708	4,061	205,647	125,717	\$1,353.67	1.94%
Huntington Park City	7/1/2002	6/30/2004	2	8/29/2007	397,364	0	397,364	985,710	\$0.00	0.00%
Inglewood City	7/1/2002	6/30/2005	3	8/29/2007	838,740	0	838,740	968,799	\$0.00	0.00%
Kern County	7/1/2004	6/30/2006	2	12/31/2008	454,768	17,566	437,202	636,679	\$8,783.00	3.86%
Long Beach City	7/1/1994	6/30/2002	8	12/30/2004	13,640,845	0	13,640,845	9,822,049	\$0.00	0.00%
Long Beach City	7/1/2002	6/30/2003	1	2/6/2008	1,307,923	0	1,307,923	—	\$0.00	0.00%
Los Angeles City	7/1/1994	6/30/2002	8	3/30/2007	60,660,765	550,345	60,110,420	—	\$68,793.13	0.91%
Los Angeles City	7/1/2003	6/30/2008	5	9/29/2009	50,281,773	20,131,194	30,150,579	—	\$4,026,238.80	40.04%
Los Angeles County	7/1/1994	6/30/2003	8	2/24/2010	31,152,062	2,037,198	29,114,864	7,697,952	\$254,649.75	6.54%
Los Angeles County	7/1/2003	6/30/2006	3	1/13/2010	3,900,774	810,076	3,090,698	—	\$270,025.33	20.77%
Oakland City	7/1/2001	6/30/2004	3	2/13/2009	3,497,273	432,158	3,065,115	2,974,064	\$144,052.67	12.36%
Oceanside City	7/1/2002	6/30/2005	3	8/24/2007	951,689	12,551	939,138	1,217,580	\$4,183.67	1.32%
Orange County	7/1/2001	6/30/2004	3	6/29/2007	1,676,796	95,984	1,580,812	2,292,626	\$31,994.67	5.72%
Palo Alto City	7/1/2003	6/30/2006	3	8/13/2008	273,503	111,213	162,290	260,482	\$37,071.00	40.66%
Riverside City	7/1/2001	6/30/2005	4	4/23/2008	924,052	464,118	459,934	726,806	\$116,029.50	50.23%
Riverside County	7/1/2002	6/30/2005	3	4/23/2008	2,064,236	711,922	1,352,314	1,251,871	\$237,307.33	34.49%
Rocklin City	7/1/2002	6/30/2005	3	12/10/2008	321,165	4,499	316,666	421,904	\$1,499.67	1.40%
Sacramento City	7/1/2001	6/30/2004	3	7/25/2006	1,323,971	469,058	854,913	1,933,846	\$156,352.67	35.43%
Sacramento County	7/1/2001	6/30/2004	3	11/21/2007	1,186,488	380,710	805,778	1,556,742	\$126,903.33	32.09%
San Bernardino County	7/1/2001	6/30/2004	3	6/29/2007	1,222,606	62,857	1,159,749	1,109,863	\$20,952.33	5.14%
San Diego County	7/1/2001	6/30/2004	3	5/18/2007	1,848,251	0	1,848,251	3,080,418	\$0.00	0.00%
San Francisco City & County	7/1/1994	6/30/2003	9	2/22/2008	24,014,018	1,557,587	22,456,431	5,288,211	\$173,065.22	6.49%
San Francisco City & County	7/1/2003	6/30/2007	4	4/10/2009	11,973,575	1,338,701	10,634,874	—	\$334,675.25	11.18%

Department of Finance
Average Percentage of Allowable Costs

City	Start Date	End Date	Count	Start Date	End Date	Cost 1	Cost 2	Cost 3	Cost 4	Cost 5	Total Cost	Percentage
Des Moines City	7/1/2003	6/30/2006	3	8/5/2009	235,320	135,158	100,162	73,287	\$45,052.67		57.44%	
Santa Clara County	7/1/2003	6/30/2006	3	5/14/2008	748,888	222,086	526,802	347,469	\$74,028.67		29.66%	
Siskiyou County	7/1/2001	6/30/2005	4	10/17/2008	410,541	2,196	408,345	390,263	\$549.00		0.53%	
Stockton City	7/1/1994	6/30/2002	8	3/30/2005	2,344,211	681,799	1,662,412	1,550,551	\$85,224.88		29.08%	
Ventura County	7/1/2002	6/30/2005	3	11/28/2007	587,525	245,230	342,295	458,843	\$81,743.33		41.74%	
Walnut Creek City	7/1/2003	6/30/2006	3	4/30/2009	381,841	50,031	331,810	375,616	\$16,677.00		13.10%	
Totals			144		225,111,907	31,148,605	193,963,302	53,166,961	\$6,512,515.44		584.00%	
Averages									\$166,987.58		14.97%	