Hearing Date: October 9, 2026

ITEM 4
INCORRECT REDUCTION CLAIM
PROPOSED DECISION

Penal Code Section 530.6(a)

Statutes of 2000, Chapter 956

Identity Theft

Fiscal Years 2002-2003 – 2012-2013

25-0308-I-01

City of Rancho Cucamonga, Claimant

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For CSM Use Only	
Filing Date:	Commission on State Mandates Filed Date September 2, 2025
IRC #:	25-0308-I-01

STATE of CALIFORNIA
COMMISSION ON STATE MANDATES

INCORRECT REDUCTION CLAIM FORM

Section 1

Proposed Incorrect Reduction Claim Title:
IDENTITY THEFT PROGRAM

Section 2

Local Government (Local Agency/School District) Name:
City of Rancho Cucamonga

Name and Title of Claimant's Authorized Official pursuant to CCR. tit. 2, § 1185.1(a)(1-5):
Jevin Kaye, Finance Director

Street Address, City, State, and Zip:
10500 Civic Center Drive, Rancho Cucamonga, CA 91729

Telephone Number	Email Address
909-774-2403	jevin.kaye@cityofrc.us

Section 3 – Claimant designates the following person to act as its sole representative in this incorrect reduction claim. All correspondence and communications regarding this claim shall be forwarded to this representative. Any change in representation must be authorized by the claimant in writing, and sent to the Commission on State Mandates. (CCR, tit.2, § 1185.1(a)(1-5).)

Name and Title of Claimant Representative:
Annette Chinn, President

Organization:
Cost Recovery Systems, Inc.

Street Address, City, State, Zip:
705-2 East Bidwell Street #294, Folsom, CA 95630

Telephone Number	Email Address
916-939-7901	achinncrs@aol.com

Section 4 – Identification of Statutes or Executive Orders

Please specify the subject statute or executive order that claimant alleges is not being fully reimbursed pursuant to the adopted parameters and guidelines.

Penal Code Section 530.6(a) as added by Statutes of 2000, Chapter 956
Identity Theft Program

☑ Incorrect Reduction Claim is Timely Filed on [Insert Filing Date]: 09 / 02 / 2025

☑ Which is not later than three years following the date [Insert Receipt Date of Notice that Complies with Government Code section 17558.5(c)]: 11 / 20 / 2023 the claimant first received from the Office of State Controller a final state audit report, letter, or other written notice of adjustment to a reimbursement claim, which complies with Government Code section 17558.5(c) by specifying the claim components adjusted, the amounts adjusted, interest charges on claims adjusted to reduce the overall reimbursement to the claimant, and the reason for the adjustment. The filing shall be returned to the claimant for lack of jurisdiction if this requirement is not met.

(Gov. Code section 17558.5(c); Cal. Code Regs., tit.2, sections 1185.1(c) and 1187.5.)

Section 5 – Amount of Incorrect Reduction

Please specify the fiscal year and amount of reduction. More than one fiscal year may be claimed.

FY 2002-03 $26,267
FY 2003-04 $24,818
FY 2004-05 $29,499
FY 2005-06 $31,542
FY 2006-07 $19,312
FY 2007-08 $12,718
FY 2008-09 $9,282
FY 2009-10 $10,876
FY 2010-11 $12,697
FY 2011-12 $16,214
FY 2012-13 $30,552

Section 6 – Written Detailed Narrative

Under the heading "6. Written Detailed Narrative," please describe the alleged incorrect reduction(s). The narrative shall include a comprehensive description of the reduced or disallowed area(s) of cost(s). Pages 2 to 26.

☑ This incorrect reduction claim includes a description of the alleged incorrect reduction(s) and includes a comprehensive description of the reduced or disallowed area(s) of cost(s). (*Cal. Code Regs., tit. 2, § 1185.1(f)(2)*.)

Section 7 – Documentary Evidence and Declarations

If the narrative describing the alleged incorrect reduction(s) involves more than discussion of statutes or regulations or legal argument and utilizes assertions or representations of fact, such assertions or representations shall be supported by testimonial or documentary evidence and shall be submitted with the claim under the heading "7. Documentary Evidence and Declarations." All documentary evidence must be authenticated by declarations under penalty of perjury signed by persons who are authorized and competent to do so and be based on the declarant's personal knowledge or information or belief.
Pages 27 **to** 1063**.**

☑ This incorrect reduction claim's narrative describing the alleged incorrect reduction(s) involves more than discussion of statutes or regulations or legal argument and utilizes assertions or representations of fact that are supported by testimonial or documentary evidence and are included with the incorrect reduction claim. (*Cal. Code Regs., tit. 2, § 1185.1(f)(3)*.)

☑ All documentary evidence must be authenticated by declarations under penalty of perjury signed by persons who are authorized and competent to do so and be based on the declarant's personal knowledge, information, or belief. *Assertions or representations of fact shall be supported by testimonial or documentary evidence. Hearsay evidence may be used for the purpose of supplementing or explaining other evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions. (Cal. Code Regs., tit. 2, § 1187.5.)*

Section 8 – Claiming Instructions

Under the heading "8. Claiming Instructions," please include a copy of the Office of the State Controller's claiming instructions that were in effect during the fiscal year(s) of the reimbursement claim(s). Pages 1064 **to** 1101**.**

☑ The incorrect reduction claim includes a copy of the Office of the State Controller's claiming instructions that were in effect during the fiscal year(s) of the reimbursement claims. (*Cal. Code Regs., tit. 2, § 1185.1(f)(1)*.)

Section 9 – Final State Audit Report or Other Written Notice of Adjustment

Under the heading "9. Final State Audit Report or other Written Notice of Adjustment," please include a copy of the final state audit report, letter, or other written notice of adjustment from the Office of the State Controller that explains the reason(s) for the reduction or disallowance. Pages 1102 **to** 1181**.**

☑ The incorrect reduction claim includes a copy of any final state audit report, letter, or other written notice of adjustment from the Office of State Controller that explains the claim components adjusted, amounts reduced, and the reasons for the reduction or disallowance. (*Cal. Code Regs., tit. 2, § 1185.1(f)(4)*.)

Section 10 – Reimbursement Claims

Under the heading "10. Reimbursement Claims," please include a copy of the subject reimbursement claims the claimant submitted to the Office of State Controller. Pages 1182 **to** 1273**.**

☑ The incorrect reduction claims includes a copy of the subject reimbursement claims the claimant submitted to the Office of State Controller. (*Cal. Code Regs., tit. 2, § 1185.1(f)(5)*.)

Section 11 – Notice of Intent to File a Consolidated Incorrect Reduction Claim
This claim is being filed with the intent of acting as lead-claimant to consolidate on behalf of other claimants. (*Cal. Code Regs., tit. 2, § 1185.3*.): Yes ☑ or No ☐

If yes is checked, the claimant certifies the following:

(1) The method, act, or practice that the claimant alleges led to the reduction has led to similar reductions of other parties' claims, and all of the claims involve common questions or law or fact.
(2) The common questions of law or fact among the claims predominate over any matter affecting only an individual claim.
(3) The consolidation of similar claims by individual claimants would result in consistent decision making by the Commission.
(4) The claimant filing the consolidated claim would fairly and adequately protect the interests of the other claimants: Yes ☑ or No ☐

Section 12 - Notice of Intent to Join a Consolidated Incorrect Reduction Claim

I intend to join a consolidated claim: Yes ☐ or No ☑

If yes is checked, please complete the following:

Title of Consolidated Incorrect Reduction Claim:

_____

Lead-Claimant Local Government (Local Agency/School District) Name:

_____

Name and Title of Lead-Claimant's Authorized Official pursuant to CCR. tit. 2, § 1185.1(a)(1-5):

_____

Street Address, City, State, and Zip:

_____

Telephone Number Email Address

_____ _____

The claimant certifies that (1) The method, act, or practice that the claimant alleges led to the reduction is similar to that for the reductions of lead-claimant's claim, and involves common questions or law or fact; (2) The common questions of law or fact predominate over any matter affecting only an individual claim; (3) The consolidation of these claims by would result in consistent decision making by the Commission; (4) The lead-claimant in the consolidated claim would fairly and adequately protect the interests of the claimants; and authorizes the lead-claimant in the above-named incorrect reduction claim to act as its sole representative in this consolidated incorrect reduction claim, which is filed pursuant to Government Code section 17558.7:

Yes ☐ or No ☐

Section 13 – INCORRECT REDUCTION CLAIM CERTIFICATION Pursuant to *Government Code section 17553*

☑ The incorrect reduction claim form is signed and dated at the end of the document, under penalty of perjury by the eligible claimant, with the declaration that the incorrect reduction claim is true and complete to the best of the declarant's personal knowledge, information, or belief.

Read, sign, and date this section. Incorrect reduction claims that are not signed by authorized claimant officials pursuant to California Code of Regulations, title 2, section 1185.1(a)(1-5) will be returned as incomplete. In addition, please note that this form also serves to designate a claimant representative for the matter (if desired) and for that reason may only be signed by an authorized local government official as defined in section 1185.1(a)(1-5) of the Commission's regulations, and not by the representative.

This incorrect reduction claim alleges an incorrect reduction of a reimbursement claim filed with the State Controller's Office pursuant to Government Code section 17561. This incorrect reduction claim is filed pursuant to Government Code section 17551, subdivision (d). I hereby declare, under penalty of perjury under the laws of the State of California, that the information in this incorrect reduction claim is true and complete to the best of my own personal knowledge, information, or belief. All representations of fact are supported by documentary or testimonial evidence and are submitted in accordance with the Commission's regulations. (Cal. Code Regs., tit. 2 sections 1185.1 and 1187.5.)

Jevin Kaye	Finance Director
Name of Authorized Local Government Official pursuant to Cal. Code Regs., tit. 2 section 1185.1	**Print or Type Title**

Jevin Kaye (Oct 20, 2025 16:10:07 PDT)

Signature of Authorized Local Government Official
pursuant to Cal. Code Regs., tit. 2 section 1185.1

IRC Form

Final Audit Report 2025-10-20

Created:	2025-10-14
By:	CSM Sign (csmsign@csm.ca.gov)
Status:	Signed
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2025-10-14 - 10:48:47 PM GMT

Signer jevin.kaye@cityofrc.us entered name at signing as Jevin Kaye
2025-10-20 - 11:10:05 PM GMT

Document e-signed by Jevin Kaye (jevin.kaye@cityofrc.us)
Signature Date: 2025-10-20 - 11:10:07 PM GMT - Time Source: server

Agreement completed.
2025-10-20 - 11:10:07 PM GMT

Section 6 –

Written Detailed Narrative

SECTION 6: NARRATIVE STATEMENT IN SUPPORT OF FUTURE CONSOLIDATION AND SERVING AS LEAD INCORRECT REDUCTION CLAIM (IRC) CLAIMANT FOR FUTURE IRC CLAIMS

I. Introduction

Pursuant to:

California Code of Regulations tit. 2, § 1185.3

(b) If a claimant intends to pursue an incorrect reduction claim on behalf of a class of claimants, it must notify the Commission of its intent to do so at the time it files its incorrect reduction claim and meet the requirements of section 1185.3 of these regulations.

Government Code section 17558.7

(b) A claimant eligible to file an incorrect reduction claim may file a consolidated incorrect reduction claim on behalf of other claimants whose claims for reimbursement under the same mandate are alleged to have been incorrectly reduced if all of the following apply:

(1) The method, act, or practice that the claimant alleges led to the reduction has led to similar reductions of other parties' claims, and all of the claims involve common questions of law or fact.
(2) The common questions of law or fact among the claims predominate over any matter affecting only an individual claim.
(3) The consolidation of similar claims by individual claimants would result in consistent decision making by the commission.
(4) The claimant filing the consolidated claim would fairly and adequately protect the interests of the other claimants.

(c) A claimant that seeks to file a consolidated incorrect reduction claim shall, at the time it files an incorrect reduction claim, on a form provided by the commission, notify the commission of its intent to file a consolidated incorrect reduction claim.

The City of Rancho Cucamonga ("City") has checked the box in Section 11 of the IRC claim form indicating that the claim is being filed with the intent to consolidate on behalf of other claimants.

Consolidation would satisfy all of the requirements of Government Code 17558.7. The City respectfully states that it intends to act as lead IRC claimant for future IRCs to be filed by other cities that contract for law enforcement services ("contract cities") arising from the State Controller's Office (SCO) interpretation they are not able to compute overhead/Indirect Cost Rates (ICRPs) for their contract police departments utilizing existing Parameters and Guidelines (Ps and Gs), Claiming Instructions, and Indirect

Cost Rate Proposal (ICRP) Methodologies (subject to Federal CFR/(formerly OMB A-87 Guidelines) as specified in existing, State approved documents.

The SCO's creation and use of an alternate methodology to compute indirect/overhead costs demonstrates inconsistent treatment of cities that contract for law enforcement services versus cities with their own in-house police departments. This inconsistent treatment penalizes the City of Rancho Cucamonga (as well as other contract cities) because it uses **inconsistent criteria in determining eligibility of indirect costs and creates and applies an alternate methodology for computing the indirect cost rates which are less advantageous to contract cities**.

II. Consolidation of the Listed IRCs is Appropriate Here

A. All of the IRCs Raise Common Questions of Law or Fact related to SCO interpretation regarding departmental overhead/indirect cost (ICRP) rate eligibility and proper computational methodology for cities that contract for law enforcement services.

As set forth in the Declaration of Annette Chinn in support hereof, each of the SCO final audits raised the same main legal issue: that the SCO argues that if a city contracts for law enforcement services, the existing Ps and Gs and claiming methodologies do not apply to them and that they are not entitled to obtaining reimbursement of all departmental indirect costs as they would be had they provided the services via their own in-house police departments.

B. Common Questions of Law or Fact Among the Claims Predominate Over any Matter Affecting Only an Individual Claim

As discussed above, each of the IRCs with which the City wishes to consolidate this IRC raise the same issues of law and fact. Each IRC involves application of the same claiming instruction and Parameters and Guidelines (Ps and Gs) sections related to the computation of indirect costs and whether these existing guidelines apply to cities that contract for law enforcement services.

SCO lack of adherence to existing Ps and Gs, instructions, and Indirect Cost Rate Proposal (ICRP) methodologies results in an after-the-fact and unilateral creation of new, alternate overhead rate computational methodologies which improper substituted Commission adopted Ps and Gs with a new, unwritten overhead computational methodology. These new methodologies, created solely by the SCO without allowing appropriate Commission review and approval, and without providing the opportunity for interested party comment, violate Due Process principles.

C. The Consolidation of Similar Claims by Individual Claimants Would Result in Consistent Decision Making by the Commission

The decisions to be reached by the Commission should be consistent among these IRCs. Consolidation would allow consistency and would save Commission, claimant and SCO resources by allowing a single proceeding to determine these common issues.

D. The Claimant Filing the Consolidated Claim Would Fairly and Adequately Protect the Interests of the Other Claimants

The City submits that it would fairly and adequately protect the interests of the other claimants on the common issues, since they are identical to those of the City. As noted above, the legal and factual issues on the main legal issue are the same.

III. Conclusion

For all of the above reasons, the City respectfully requests the Commission to allow the City of Rancho Cucamonga to service as the lead IRC claimant for future claim consolidations related to the SCO divergence from the plain language of the Ps and Gs and claiming instructions and creation of alternate overhead/ICRP computational methodologies for cities that contract for law enforcement services.

Contract cities are requesting the same reimbursement rights as cities with in-house police departments. If the SCO believes that alternate rules and guidelines exist for cities that contract for law enforcement services to compute overhead rates, they should be required to notify and provide those instructions and guidelines in advance of claim submission and audit.

DECLARATION OF ANNETTE S. CHINN

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

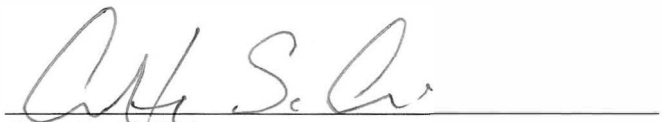
1) I have personal knowledge of the facts stated in this Declaration and if called as a witness, I could and would testify to the statements made herein.

2) I have been a consultant in the field of State Mandate Reimbursement claim preparation since 1992 and have personal knowledge and experience in the preparation of Indirect Costs Rate Proposals (ICRPs) and have prepared thousands of ICRPs for hundreds of local agencies, including preparation of ICRPs for contract city's law enforcement overhead costs.

3) I am a consultant/President of Cost Recovery Systems, Inc. and representative of the City of Rancho Cucamonga (City) for this Incorrect Reduction Claim (IRC). I was directly involved in the preparation of the City's State Mandate claims since FY 1999-2000, including the Identity Theft claims subject to this IRC. The law enforcement ICRP rates were prepared in compliance with written State Parameters and Guidelines, Claiming Manuals and Instructions, and Federal OMB/CFR Guidelines.

4) I have also represented and filed claims for other comparable contract cities (cities that contract for law enforcement services), including the Town of Apple Valley and the City of Hesperia; two other cities that also contract with San Bernardino County Sheriff's Department for law enforcement services, and who also prepared indirect/overhead costs similar to how the City of Rancho Cucamonga did and which also had their Indirect Cost Rate Proposals (ICRPs) denied and subsequently recalculated (resulting in substantially reductions) by the State Controller's Office utilizing their new, unwritten, alternate overhead/administrative cost percentage methodology created at the time of the audit.

5) 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 October 14, 2025 in El Dorado Hills, California.



Annette S. Chinn
President
Cost Recovery Systems, Inc.

Background

"Rather than having a traditional, municipal police department, nearly 30 percent of the 478 cities in California contract with their county sheriff for police services." (Source: U.S. Office of Justice, https://www.ojp.gov/ncjrs/virtual-library/abstracts/municipal-contracting-county-sheriffs-police-services-california#:~:text=Rather%20than%20having%20a%20traditional%2C%20municipal%20police%20department,contract%20with%20their%20county%20sheriff%20for%20police%20services)

The City of Rancho Cucamonga (City) has contracted with the San Bernardino County Sheriff's Department (SBCSD) since its incorporation in 1977. The City pays for those County contracts (using general funds) to provide a complete Police Department equivalent to what is provided by a full-service city; legally and functionally.

The City of Rancho Cucamonga has no in-house Police Department other than the one provided through its contract with SBCSD. This contract includes all costs (both direct and indirect) associated with operating a police department. Those costs are itemized by the County in a detailed format, similar to city departmental expenditure report.

The City began submitting claims for State Mandate Reimbursement in 2000 which included law enforcement program claims dating back to FY 1996-97. These claims including indirect costs billed within those law enforcement contracts with the County. The overhead/indirect costs were supported with Indirect Cost Rate Proposals (ICRPs) prepared in accordance with State Parameters and Guidelines, Claiming Manuals, and Instructions and following the required methodology established in those documents.

The indirect costs we included in the City's ICRP rates were allowable under Federal OMB/CFR guidelines and matched those being claimed (and allowed by the SCO) by other local agencies, including San Bernardino County (our contracting agency). The indirect costs were denied solely because our costs were incurred via a contract rather than our own in-house/full-service Police Department.

Until this Audit, the City had been fully paid by the State Controller's Office (SCO) for all other funded law enforcement programs for over twenty years, including the ICRP/ overhead costs. The City has never been aware that there was a question or issue regarding the validity of claiming indirect/overhead costs or that using existing written ICRP methodologies/guidelines did not apply to cities which contracted for law enforcement services (contract cities).

Given that the City has consistently included and has been paid for overhead costs billed within our law enforcement contracts for the past twenty-five years, it was reasonable to believe that indirect costs were eligible and that using the existing

ICRP methodology found in Parameters and Guidelines and State Manuals, was the correct methodology.

In the City of Rancho Cucamonga's Identity Theft Audit, the SCO audit found that direct costs of the mandate (primarily take and prepare a report, and conduct a preliminary investigation) were performed by San Bernardino contract Deputies and Sergeants we purchased via the contract (not in-house or "city staff") and these direct costs were allowable for the City of Rancho Cucamonga to claim.

However, when it came to indirect costs (also billed within the same contract), the State Controller's Auditors came to a different conclusion. Initially, the SCO completely denied all overhead costs claimed saying that it was the County Sheriff Department's staff, not "city staff members performing the reimbursable activities", and therefore it was the County incurring the indirect costs and not the city.

When we disagreed and showed them the many overhead items the county charged us for within the contract [captain/our police chief, lieutenants, clerical positions, vehicle usage & dispatch support charges…] ; pointing out that these items would have been eligible for inclusion in the ICRP had we been a full-service city --the SCO agreed the costs were included and paid for, but still denied the costs (see the May 12, 2023 SCO email) saying: "Yes -- San Bernardino County includes its indirect costs as separate line items in its contracts. However… that does not also make those costs incurred by Rancho Cucamonga."

We did not follow that logic: if the City paid for indirect costs billed in the contract – how can they not have been "incurred" by the City of Rancho Cucamonga? The SCO themselves determined that the County was not allowed to submit reimbursement claims for costs paid for by the city. Thus, all eligible costs paid for by the contracting cities should be allowable for the cities to claim.

The SCO explained that, "the only indirect costs incurred by the City of Rancho Cucamonga for law enforcement services are its internal costs incurred by various city departments for negotiation and administering its contract with San Bernardino County." They said that because we were a contract city, all costs relating to the law enforcement function within our contract police department were "direct" costs and requesting reimbursement for this overhead or preparing an ICRP was not an option.

The SCO explained that had these costs been incurred via our own **in-house** police department, they could have been considered eligible for indirect/overhead reimbursement. However, since we were a contract city/had a contract police department, we were told preparing an ICRP using existing methodology and OMB/CRR guidelines was not permitted, nor applicable.

We questioned why contract cities are not entitled to claim their "law enforcement function"/ departmental overhead costs. Why are different definitions and criteria being applied depending on whether the service was provided by an in-house Police

Department vs. via a contract Police Department? Why, in one situation, are the same costs considered an allowable indirect cost, but in the other, they are not?

By the SCO labeling everything in a law enforcement contract supporting the law enforcement function a "direct" cost and not allowing any means/method for obtaining reimbursement for a share of those reasonably necessary costs, it is unfair to contracting cities by denying them reimbursement of like/equivalent costs.

We pointed out to the SCO their inconsistent audit findings and treatment of costs. For example, in their audit of the 2017 City of San Marcos (an agency that contracts with San Diego County Sheriff's Office for law enforcement service) Crime Statistics and Reporting claim and other city audits (see table below summarizing audits findings and Section 7- Documentary Evidence for audit copies) the SCO allowed inclusion of indirect costs such as dispatch, vehicle charges, command staff, clerical support etc. Costs completely denied to our city. In addition, the SCO utilized the existing ICRP methodology to compute the overhead rates/ICRPs for the City of San Marcos – including "law enforcement" related charges.

Table 1

Comparison of Positions and Costs Allowed by SCO in Other Audited ICRP Rates

	City of Rancho Cucamonga	County of San Bernardino	City of Rialto	City of Fresno	City of San Marcos (Contract w/ San Diego Co.)
Captain	0%	100.0%	100.0%	95.0%	allowed under Station Staff
Lieutenant	0%	92.3%	90.0%	90.0%	allowed under Station Staff
Sergeant	0%	14.6%	60.0%	50.0%	Admin Sgt Allowed, other Sgts not allow
Sheriff Services Specialist	0%	100.0%	80.0%	n/a	allowed under Station Staff
Office Specialist	0%	92.4%	100.0%	100.0%	allowed under Station Staff
Secretary	0%	95.4%	100.0%	100.0%	allowed under Station Staff
Supervising Office Specialis	0%	100.0%	90.0%	100.0%	allowed under Station Staff
Motor Pool Assistant	0%	82.8%	n/a	100.0%	allowed under Station Staff
Crime Analyst	0%	88.1%	85.0%	n/a	allowed under Station Staff
Dispatchers	0%	100.0%	94.0%	100.0%	allowed under ancilary Support
Vehicle Usage & Fuel	0%	allowed	allowed	allowed	allowed

By the SCO denying contract cities the ability to include comparable overhead costs utilizing the same methodology permitted to other agencies resulted in a grossly understated allowable hourly rate, stripped of many indirect costs that would have been considered allowable had we had our own in-house police department. The table below shows the impact of these new SCO interpretations by comparing the SCO's audit of San Bernardino County for their Identity Theft claims vs. our claims for the same program.

Table 2

Comparison of SCO Allowable DEPUTY SHERIFF Houly Rates:

San Bernardino County vs Rancho Cucamonga (Contracting City)

	ALLOWED BY SCO TO COUNTY				ALLOWED BY SCO TO CITY			
	Hourly PHR		ICRP Rate	Total Hour Rate including benefits and Overhead	County Contract Billing Rates		SCO New Allowable Administrative Percentage	Total Hour Rate including benefits and Overhead
FY 2011-12	$	82.81	42.67%	**$ 118.15**	$	78.98	5.42%	**$ 83.26**
FY 2012-13	$	80.80	42.02%	**$ 114.75**	$	82.41	6.14%	**$ 87.47**

In FY 2011-12, the SCO allowed San Bernardino County a billable Deputy hourly rate of $118.15 ($82.81 for salaries and benefits plus a 42.67% allowable overhead/ICRP rate). Conversely, the SCO denied all costs they deemed "departmental" overhead costs to Rancho Cucamonga which resulted in an allowable hourly billing rate of $83.26 (a rate about 40% less than that allowed to the agency it contracted with for law enforcement services).

Since the SCO was insistent that we could not utilize the ICRP methodology and that our "administrative costs" (Captains, Lieutenants, Sergeants, Clerical and Support staff) "did not fit the definition of indirect costs". (Despite the fact that the SCO routinely allowed those same costs/positions to be allowed in full-service agency claims; (See Table 1) we suggested methods by which these costs could be reimbursed to us "directly". The SCO declined either approach – so we remain unreimbursed for these "reasonably necessary" departmental indirect costs.

After much discussion, the SCO conceded that there "could be" some overhead cost that were "clearly administrative" billed within the contract that they would consider. They explained that in other audits of Los Angeles County Sheriff's (LA) contract cities, they allowed a "liability" surcharge that was an add-on to the staff billing rates, thus they would consider doing something similar for us.

We explained that each county structured their contracts differently and that LA County already had most overhead costs already included in their Deputy Hourly rates. (see Section 7 under Los Angeles Contracts and Billing Rates)

For example, in FY 2011-12 LA County charged their contract cities $119.41/hour for their Deputies (including the extra 4% liability percentage surcharge). If one reviews Los Angeles County's own Identity Theft claims, one can see LA County claimed $80.30/hour for their own Deputy's salary and benefit costs, plus 46.5% for their

overhead/ICRP rate, bringing their total billable and claimed hourly rate for a Deputy to $117.64. A rate comparable to the what other claimants were allowed. Again – over 40% lower because we were denied inclusion of departmental overhead costs. (see Section 7 for copies of LA County claims as well as actual contracts with contract cities with their rate sheets).

To "help us" obtain reimbursement for at least "some" of the cost the SCO deemed "clearly administrative" they computed a rate using a new and unwritten computational methodology they named the "Administrative Cost Rate". When we asked why they weren't using the existing ICRP methodology presented in the claiming instructions they stated that they were compelled to create this new, alternate methodology because the existing methods and guidelines didn't apply to cities that contract for law enforcement services.

Table 3

Comparison of SCO Audited Deputy Hourly Rates: FY 2011-12

	Salaries and Benefits	Overhead	allowed overhead rate	Total Productive Hourly Rate With overhead
Rancho Cucamonga (San Bernardino Co. Sheriff)	**$78.98**	**$4.28**	**5.42%**	**$83.26**
San Bernardino County Sheriff	$82.81	$35.34	42.67%	$118.15
Los Angeles County Sheriff	$80.30	$37.34	46.50%	$117.64
Los Angeles County Sheriff - Contract City	$114.82	$4.59	4.00%	$119.41
City of San Marcos (San Diego Sheriff)	$79.32	$37.44	47.20%	$116.76
City of Rialto (San Bernardino County)	$74.14	$46.24	103.84%	$120.38
City of Fresno	$71.49	$50.15	102.50%	$121.64

(See Section 7- Documentary Evidence, for details including supporting audits and claims – note that some overhead rates were based on salaries only and other on salaries + benefits)

The SCO's new "Administrative Cost Rate or Percentage" methodology was unfair for a number of reasons. First, without any written guidelines, their selection of what they deemed clearly "administrative" costs appeared to be inconsistent and arbitrary, not following Federal CFR/ (former OMB) Guidelines nor what other agencies with in-house police departments were being allowed. It is unclear how they were determining and defining what was consider a "clearly administrative" cost.

For example, the SCO allowed Vehicle Insurance costs in their new allowable "Administrative Percentage", but not actual vehicle and equipment usage charges. We asked how our Deputies could respond to Identity Theft (or any) calls for service

without use of a vehicle or radios? Clearly, these are reasonably necessary indirect costs we should be entitled to some type of reimbursement.

Additionally, we asked why costs such as our management and support personnel (Captain/Police Chief, Lieutenants, clerical staff, etc.) were not allowable in their "Administrative Cost Percentage", when, by definition, the Police chief/command staff and clerical positions were "clearly administrative"? Under the existing ICRP Methodology and Federal CFF/OMB A-87 Guidelines these would have been allowable indirect costs.

Second, we pointed out that their findings contradicted their prior audit of another contract city: the 2017 City of San Marcos Crime Statistics and Reporting claim (attached in Section 7). In that audit, the SCO not only ALLOWED the use of the EXISTING ICRP methodology, they allowed costs they were denying us: such as vehicle usage charges, management support, and clerical costs/station support, and dispatch support/ancillary support costs. (See Table 1).

Third, the new methodology the SCO developed in our audit: the new "Administrative Percentage" used **Total** Contract Cost as the base for distributing their selected indirect cost pool. This is inconsistent with Federal and State Guidelines and Principles (2 CFR Section 200.414) because using total costs incorrectly comingles indirect costs with direct costs (See items SCO identified as "administrative" or indirect). This is specifically prohibited. Only a direct cost base is allowed to distribute overhead/ indirect/ administrative costs. Using total costs is contrary to ICRP and OMB/CFR methodologies because it unfairly includes distorting items.

Additionally, the SCO's new "Administrative Percentage" computational method is non-compliant because it conflicts with Section V.B. of Parameters and Guidelines which states that the overhead "distribution base may be: (1) total direct costs (excluding capital expenditures and other distorting items…" [emphasis added]. The City's contract includes vehicle costs (amortized amount), which are a capital expenditure.

SCO said they had no way of knowing if and what overhead costs SBCSD may have included in the city's hourly billing rates. This should not have made a difference because the contract shows that there was clearly additional overhead costs included and itemized in addition to the position hourly rates charge.

The SCO demonstrated in their own prior audits (2017 Audit of the City of San Marcos and LA County contract city audits), that there could be additional overhead charges not included in the hourly billing rates which could still be factored into the reimbursable hourly rates.

SCO audits of LA County contract cities routinely allowed (see attached City of Palmdale Audit), additional overhead charges (liability costs) to be factored into

Deputy hourly rates that already containing most overhead costs. (see Table 3: LA County claimed $80.30/hr. for their own Deputy's salary and benefits, yet billed their contract cities $114.82/hr. for the same position). This shows that LA County rates charged to their contracting agencies included overhead.

In San Bernardino County's case, additional overhead was not charged in the Deputy billing rates. The SCO could have verified this by: 1) asking the County during the audit; 2) comparing the Identity Theft claims submitted by County vs the City (see Section 7 – Documentary Evidence for agency claim copies); or 3) checking actual salary and benefit cost from the State Controller's own 'Government Compensation in California" transparency database. https://publicpay.ca.gov/.

The rates claimed by both the San Bernardino County and Rancho Cucamonga (contract city) track with actual salary and benefit costs only. (claim copies of both agencies are included in Section 7).

Table 4

	SBCSD Claimed DEPUTY Hourly PHR	SBCSD Charged DEPUTY Hourly PHR billed to City
FY 2011-12	$ 82.81	$ 78.98
FY 2012-13	$ 80.80	$ 82.41

The SCO's application of disparate methodologies and inconsistent treatment of similar overhead cost items (sometimes allowing them, sometimes not); then the creation of a new, unwritten "Administrative Allocation Rate" overhead methodology (again – sometimes used for a contract cities, sometimes not) – puts cities which contract for police services in a position where they can never know how to "properly" compute overhead/ICRP or administrative allocation rates and allows the SCO to treat agencies inconsistently and arbitrarily.

ANALYSIS AND DISCUSSION:

Issue 1: Which local agency should submit claims for state reimbursement – the agency that provides the service (county) - or the agency that pays for (incurs the cost) for that service (city)?

All parties agree (the city/claimant, the SCO, and the Commission on State Mandate) that contracting cities are the entities which have incurred the mandated costs, not the Counties providing the services; thus, it is the contract cities which must submit claims for state reimbursement.

The Commission on State Mandates (CSM) agrees and has determined (see page 15-16 of the Commission on State Mandates Draft Decision and Parameters and Guidelines for the California Regional Water Quality Control Board, Santa Ana Region, Order No. R8-2009-0030) that the Government Code requires

> "each eligible claimant to file its own reimbursement claim and does not allow one local agency to file a combined claim for the costs incurred by other eligible local agencies[.]" and "[l]ikewise, the County is authorized to claim only for its own costs incurred to comply with the mandated activities, may not claim the cities' costs [Emphasis added], and must identify and deduct as offsetting revenues any funds received for its own state-mandated expenses that are not the County's proceeds of taxes."

The State Controller's Office also found that cities must claim for reimbursement – not counties - in its June 2022 audit of San Bernardino County's Interagency Child Abuse and Neglect Investigation Reports (ICAN):

> "…we [SCO] found that the county included costs for providing services to contract cities as part of its mandated cost claims for all activities. The parameters and guidelines state that any county, city, or city and county is eligible to submit a mandate reimbursement claim. Therefore, all counties and cities—including contract cities—are eligible to submit mandate reimbursement claims. Because contract cities are eligible to submit reimbursement claims, and the county received fees for law enforcement services from its contract cities, we determined that the county should only claim costs associated with the unincorporated areas of the county. We determined that the costs incurred by contract cities are unallowable because the county had already been compensated by contract fees. The county did not report offsetting reimbursements for the contract city cases in its mandated cost claims. Therefore, we found that the county overstated these claimed costs because it did not offset costs that were funded by other sources."

Since the contract cities are being charged for and are paying for both the direct and indirect costs within their contracts, and because the county has received compensation for not only the direct staff costs – but also the indirect costs – the

contract cities should be reimbursed for an equitable share of all those costs that were reasonably necessary for the provision of the mandated program.

The SCO is incorrect when they state that the Lieutenants, Sergeants and clerical positions including in our contract are providing an administrative function to the County. The positions included in the City's contract are to provide administrative and clerical support to the contract CITY'S contracted Police Department, not to the County.

Why can a full-service city claim (include in the ICRP) the administrative and support costs of Captains, Lieutenants, Admin Sergeants, and Clerical staff to support and administer their in-house Police Departments – but a "contract" city cannot?

The SCO's interpretation the contract cities must be treated differently and cannot claim for departmental indirect costs and cannot utilize the same methodology is unfair and treats contract cities inconsistently. SCO interpretation and application of different standards is flawed and not supported by the Parameters and Guidelines, claiming manuals, instructions as well as State Guidelines and Accounting Principles.

Issue 2: Are agencies that contract for law enforcement services entitled to computation of indirect/overhead costs using the existing Claiming Manuals/ instructions and Parameters and Guidelines or is it appropriate for the SCO to create alternate overhead claiming methodologies?

Contract cities DO incur overhead/indirect costs within their contracts. Costs which are necessary to support the law enforcement function/police department and to perform the mandated activities.

SCO's own prior audits as well as other Commission Decisions found that the agency that "incurs" the cost is the appropriate entity to submit for reimbursement. It is inconsistent and unfair to apply different standards: saying a contract city cannot include or be reimbursed for all their eligible costs.

The SCO's June 2022 Audit of SBCSD Interagency Child Abuse and Neglect Reports "found that the county included costs for providing services to contract cities as part of its mandated cost claims for all activities (Emphasis added)", therefore the eligible costs for all activities incurred by contract cities must be allowable because the cities were the one's paying for all the costs and the county had already been compensated by contract fees. Since contract fees included both direct and indirect costs –both direct and indirect costs should be allowable to the city who paid for those charges.

In their Draft Decision and Parameters and Guidelines for the California Regional Water Quality Control Board, Santa Ana Region, Order No. R8-2009-0030, the

Commission on State Mandates (CSM) referred to Section V. of the Parameters and Guidelines and explained that cities that contracted with counties to provide services and to comply with the state-mandated duties are the entities that must submit the claims as they incurred those costs: Section V. 3. Contract Services, states:

> "Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged (Emphasis added). If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. **If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed**. (Emphasis added) Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services."

By the SCO denying inclusion of "departmental" indirect costs eligible under the ICRP methodology, they are denying contract cities the allowable "**pro-rata portion of the services used to implement the reimbursable activities".** Services without which the contract law enforcement departments would not be able to function and provide law enforcement services.

The CSM analysis in its Draft Decision and Parameters and Guidelines for the California Regional Water Quality Control Board, Santa Ana Region, Order No. R8-2009-0030 finds that a contracting entity is eligible to receive reimbursement of all costs incurred to comply with a mandate:

> "Thus, **any** share of costs paid by an eligible city (Emphasis added) to the principal permittee [in this case, to the county sheriff's office] under the permittees' implementation agreement to comply with the state-mandated activities may be claimed by the city (Emphasis added) pursuant to Government Code section 17561(d)(1)(A) and Section V. of the Parameters and Guidelines."

The SCO requirement that "a city staff member perform reimbursable activities" in order to obtain reimbursement of indirect costs is contrary to the plain language of the Ps & Gs and would mean that no contract city would be able to obtain reimbursement for its full mandated overhead/indirect costs billed within the contracts.

Since law enforcement service contracts includes not only direct salaries and benefits of the law enforcement staff spending time on the eligible mandated activities, but also the support/overhead costs such as vehicles (equipment use charges), equipment (HTs or handheld talkies), administrative and support personnel, and dispatch services costs necessary to perform the mandate; therefore a "pro-rata portion of those services used to implement the reimbursable activity can be

claimed." (see Section V. Parameters and Guidelines). These costs would all have been allowable for a full-service city.

The CSM further states, "… the County is authorized to claim only for its own costs incurred to comply with the mandated activities, may not claim the cities' costs, and must identify and deduct as offsetting revenues any funds received for its own state-mandated expenses that are not the County's proceeds of taxes." (page 16, Draft Decision and Parameters and Guidelines for the California Regional Water Quality Control Board, Santa Ana Region, Order No. R8-2009-0030)

Since the cities have paid for law enforcement service contracts (contracts which contain both the direct and indirect costs) using their proceeds of tax to perform the mandated activities, therefore both types of costs – direct and indirect must be eligible for reimbursement, and by utilizing the same rules and guidelines applicable to a full-service city.

The County may NOT claim the cities costs. Therefore, if the county bills the city for indirect costs – then those indirect costs belong to and should be claimed by the city. The CSM makes a clear distinction that a cost that is paid – or incurred – by the city, must be claimed by the city.

Therefore, the SCO audit staff's argument (see page 24 of the Draft Audit Report) that "… **the entire amount [of indirect costs claimed] is unallowable <u>because no city staff member performed any of the reimbursable activities</u>**…" is contrary to parameters and guidelines and created a new, arbitrary restriction upon contract cites. Having an internal staff member perform the activity is not a necessary condition to obtain reimbursement for either the direct or the indirect costs. The criteria are simply that the party that paid for/incurred that cost should be entitled to the reimbursement using the same parameters and guidelines.

<u>Issue 3: Are there indirect costs within the City's Contract for law enforcement services?</u>

Both city and SCO agree that indirect costs do exist within the contract.

The SCO does not dispute the existence of overhead costs within the city's contract. The SCO's May 12, 2023 email response to the City under "Issue 3", stated, "Yes, San Bernardino County includes its indirect costs as separate line items in its contracts. However… that does not also make those costs incurred by Rancho Cucamonga." (If Rancho Cucamonga paid for those costs – how could we not have incurred them?)

The SCO argues that, "the only indirect costs incurred by the City of Rancho Cucamonga for law enforcement services are its internal costs incurred by various city departments for negotiation and administering its contract with San Bernardino County," are eligible.

Not only is this contradictory, it would disregard all costs in item (1) of the Parameters and Guidelines Section V.B. Indirect Cost Rate:

> "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 ad rational basis through a cost allocation plan."

The SCO's position (see August 30, 2022 email) is that costs under item (1) of the Ps and Gs definition would not apply to Rancho Cucamonga (contract cities) because the "unit performing the mandate…describes the San Bernardino County Sheriff's Department, not the city." The city disagrees. Once payment was made by the city, the city was entitled to the indirect cost they incurred for the "unit providing the mandate": their "contract" police department. By accepting payment, the County didn't incur those costs, the City did.

Contract departments should not be held to a different standard and denied equal reimbursement of similar costs. SCO implies that those indirect costs would have been allowed had the city had their own in-house police department. See SCO Audit Manager Jim Venneman's May 12, 2023 email response under Response to Issue 8. SCO states, "If city employees performed law enforcement services within a city Police Department, then the city would be eligible to claim indirect costs for personnel performing clerical and/or administrative functions."

Ps and Gs do not suggest different criteria are to be applied if the mandated activity is performed in-house with its own Police Department or via a contract. The "unit performing the mandate" was the County in both instances and "direct" cost incurred were eligible, but not an "indirect" cost incurred through the same contract and paid in the same invoices.

The plain language of State guidelines in The Mandated Cost Manual for Local Agencies Instructions states in Section 5:

> "Allowable costs are those direct and indirect costs [emphasis added], less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:
>
> - The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required in carrying out the overall responsibilities of government;
>
> - The cost is allocable to a particular cost objective identified in the Ps & Gs; and

- The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The Mandated Cost Manual for Local Agencies in Section 8. Indirect Costs states:

> "Indirect costs can originate in the department performing the mandate or in the departments that supply the department performing the mandate with good, services, and facilities."

Further, the "Mandated Cost Manual", Section 7, Direct Costs, d) Contract Services states:

> "The claimant must … support… the number of hours spent performing the mandate, the total hours spent performing the mandate, the hourly billing rate… and the total cost [emphasis added]."

"Parameters and Guidelines" in Section A. Direct Cost Reporting, 3. Contracted Services states:

> "If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged [emphasis added]."

CFR guidelines in Section 200.306 (f) of 2 CFR Part 200 state:

> "(f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved federally negotiated indirect cost rate or, a rate in accordance with § 200.414 Indirect (F&A) costs, paragraph (d), provided these services employ the same skill(s) for which the employee is normally paid.

Legally and functionally, the city does have a police department: one that provides the same services that an in-house department provides. Regardless of the method by which the services are provide, Parameters and Guidelines do not make a distinction and intended that all local agencies be entitled to obtain reimbursement for the actual direct and indirect costs necessary to comply with the mandate.

The plain language of State and Federal guidelines affirms that there can be eligible and reimbursable indirect costs within a contract. The City properly accounted for the indirect costs necessary to perform the reimbursable activities by computing an ICRP in accordance with the instructions and Parameters and Guidelines.

The Parameters and Guidelines and Claiming Manual make no distinction nor reference that different rules applying if the city has an in-house department versus

those that contract with a County Sheriff for law enforcement services. To allow only cities that have their own internal police departments to obtain full reimbursement of actual cost and not cities that contract for police departments would be unfair and inconsistent (arbitrary and capricious) and would violate State and Federal Guidelines and principles.

Issue 4: Was it correct for the SCO to replace the existing Indirect Cost Rate Proposal (ICRP) methodology and create a new alternate methodology for contract cities?

SCO's new "Administrative Percentage" methodology used in the computation of eligible overhead costs differs from that shown in State claiming instructions, manuals, and Parameters and Guidelines.

Distribution Base.

The ICRP Methodology in the Parameters and Guidelines (Ps & Gs) state that,

> "The distribution base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution."

SCO "Allowable Administrative Percentage" computation divides SCO determined "total administrative costs" by the "total contract amount."

The city's "total contract amount" includes indirect costs as well as capital expenditure charges (vehicle costs), which violates principle (1) of the ICRP Methodology as well as State and Federal OMB/CFR guidelines. Thus, the SCO computation results in an inequitable distribution of overhead costs.

Prior precedent supports the use of existing ICRP Methodologies.

For over 25 years the SCO has been accepting and paying contract cities law enforcement claims which used the existing ICRP methodology. In addition, their audits of other contract cities (See San Marcos 2017 Crime Statistics Audit Report) allowed computation of ICRP/overhead rates specifically allowed use of the existing methodology and format prescribed in the Claiming Instructions and manuals.

In those prior audits, the SCO not only used the existing ICRP methodology, but also used direct **contract** labor costs as the distribution base/denominator.

The City of San Marcos's 2017 Crime Statistics Audit Report states in the overhead cost computation section:

> "Contract Indirect Costs
>
> "We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided supplemental schedules and identified contracted labor costs and contracted

> overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. **We computed indirect cost rates for contract services for these years by dividing total contract overhead costs**, station support staff costs, and Sergeant Admin position costs, by the **contracted labor costs** [Emphasis added] identified in the contract supplemental schedules.

Prior precedent (twenty-plus years of claim and ICPR payment) and approval of the ICRP methodology in other contract cities claims validated the use of Ps and Gs and existing methodologies. Since no other written guidelines, methodology, examples, or discussion was provided to indicate another method of computing overhead costs existed; it was reasonable for contract city claimants to believe that existing instructions and methodologies were applicable.

If the SCO's allegation that using "contract" direct salary and wage costs was "inconsistent with generally accepted accounting principles as well as federal cost principles contained in 2 CFR Part 225" –this have been explained in the instructions, forms, and manuals. If it truly was inconsistent with generally accepted accounting principles, why did they allow it in the City of San Marcos Audit?

SCO's new overhead methodology differs from ICRP format

The format of the SCO's new "Administrative Percentage" overhead method for preparing an overhead does not match the ICRP format **specifically required** in the Claiming Manual, which states, "A method for preparing a departmental indirect cost rate proposal for programs is presented as Table 6. **Only this format is acceptable under the SCO reimbursement requirements."** The ICRPs the City of Rancho Cucamonga computed and submitted with our claims WAS in this format, while SCO proposed new "Allowable Administrative Percentage" audit methodology is not.

If local agencies are expected to compute claims and overhead costs in a consistent manner, then all claimants should be notified in advance of the State required and desired format and acceptable methodologies. It is not fair to create and apply new methodologies, and guidelines for determine eligible costs, without written notice and after the fact.

We believe that there was no reason for having to diverge from the instructions and methodologies presented in Parameters and Guidelines and the Claiming Manual. The only difference is that costs were incurred via a "contract" department rather than by an "in-house" police department.

The SCO audit report cites Section V.B. "Indirect Cost Rate" of the Ps and Gs which state:

> "Indirect costs may include both: (1) 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."

The unit performing the mandate is our Police Department, purchased via the contract with the San Bernardino County Sheriff's Department. Thus, the overhead costs billed to us via that contract (just as the direct labor charges were found to be eligible) are eligible for reimbursement as those are the overhead costs of the unit performing the mandate.

The instructions do not make a distinction between an in-house or contract department in the claiming instructions. ICRP Instructions state that indirect costs of the "unit performing the mandate" (our contract PD) not just city's central government services (cost to administer the contract) are eligible. Why would a contract department not be eligible for the same "departmental indirect costs" an in-house department is entitled to?

This section of the Ps & Gs continues: "Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 Code of Federal Regulations (CFR) part 225 (Office of Management and Budget (OMB) Circular A-87)." Thus, the plain language of the guidelines indicates that the same rules of what is and is not an eligible overhead cost applies to ALL local agencies (whether they be full-service or contract agencies).

Roughly thirty percent of all California cities contract for law enforcement services and have been using the State's Ps & Gs, claim forms, and instructions since the inception of this mandate reimbursement program. If the rules in the State's instructions were not applicable for this large segment of eligible claimants and there were some alternate methodology contract city departments were expected to use to compute overhead rates; then that should have been explained and provided in advance of the filings; not after the fact in audits decades later.

The city prepared its contract Police Department overhead rates/ICRPs using State rules and instructions in place at the time of filing and request that the SCO audit to those existing guidelines and standards; not some new, non-defined, alternate methodology.

Commission on State Mandates (CSM) prior decisions support the sufficiency and validity of existing Parameters and Guidelines and methodology in computation of Overhead/ICRP rates for contract cities:

In the City of Palmdale's Incorrect Reduction Claim (IRC) pertaining to the 2016 Audit of Interagency Child Abuse and Neglect Reporting claims (See November, 2018 CSM meeting transcript), the Commission reviewed whether the City of Palmdale, which contracted with Los Angeles County for law enforcement services, was entitled to the 10% default overhead rate they claimed in their reimbursement claims.

The Commission staff concluded that while it was not appropriate for a contracting agency to use the default 10% ICRP rate when computing overhead costs, since this rate was designed specifically for application to only salaries; a contract city would

have been eligible for indirect cost reimbursement if the city prepared a ICRP (which we did) demonstrating the validity of the indirect cost rate.

Commissioner Alex stated during the meeting (Page 46 of transcript, Lines 5-8 of hearing transcript) that he agreed that **"…there is overhead associated with a contract and I think that's typical**."

Mr. Jones of the Commission staff noted that "...the Parameters and Guidelines say you can – you can prepare an indirect cost rate proposal if the indirect cost rate exceeds 10%." (Page 44 lines 24-25 and page 45, lines 1-2 of hearing transcript)

Commission Member Adams asked, "**And under Parameters – Parameters and Guidelines, would there have been an appropriate way to claim these indirect costs?"** (Page 38 lines 14-21 of hearing transcript)

Mr. Jones of the Commission staff responds, "**Staff's position is that, yes, there was an appropriate way, and it was to develop an indirect cost rate proposal with documentation that the Controller could review.**" (Page 38 lines 24-25 and Page 39 lines 1-2)

Ms. Shelton of the Commission noted that**, "…you have to follow the plain language of the Parameters and Guidelines."** (Page 47, lines 21-23 of hearing transcript). The plain language being that indirect costs were eligible for inclusion in the reimbursement claims under the language and rules established in the Parameters and Guidelines.

Prior State Controller Audits of other contract cities allowed overhead costs using existing ICRPs methodologies.

In 2017, the SCO audited the City of San Marcos's (another city that contract for law enforcement service) Crime Statistics Reporting claims (see Section 7). The initial claiming instructions for this program were released the same year as the Identity Theft program claims.

In the San Marcos audit, State Controller's Office auditors recognized there were additional indirect/overhead costs and they allowed for reimbursement using the existing ICRP methodology. Below is an extract from the SCO Audit Report on page 23 that addressed the Contract Indirect Costs:

> "Contract Indirect Costs
>
> We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided schedules and identified supplemental contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing

total contract overhead costs, station support staff costs, and Sergeant Admin position costs**, by the contracted labor costs** identified in the contract supplemental schedules."

In the allowable ICRP/ **"contract overhead costs",** the audit permitted:

1) proration of support/admin costs including Station level Staff Support including: Captain, Admin Secretary, Lieutenant, Sergeants, Volunteer Coordinator, Senior Clerk, Department Aide, Receptionist, Intermediate Clerk.

3) Law Enforcement Support including Station Detectives, Communication Center (Central Dispatch support), Crime Prevention, Juvenile Intervention, Regional Services

4) Services and Supplies Costs

5) Support Costs including Vehicles, Facilities/Space, County Management Support (Admin, Fiscal, Data Services, Personnel & Other)

6) Liability

"No city staff member performed any of the reimbursable activities, they had no in-house "city" police department, their contract employees performed all its law enforcement services"; but, in that audit, the SCO acknowledged the existence of overhead/indirect costs within the contract and provided reimbursement of equivalent overhead costs.

These prior SCO audits recognized overhead costs within contract police departments and allowed reimbursement using the existing ICRP methodology. SCO's stance regarding Rancho Cucamonga's overhead costs demonstrated inconsistent and unequitable application of the guidelines.

Altering rules and eligibility of costs after the fact constitutes 'underground rule making' and violate Due Process principles

The City disagrees with SCO assertion that existing Federal CFR, "A-87 … is not applicable" to contract city overhead/indirect cost rate computations. Federal CFR guidelines are clear that the same rules and guidelines apply whether or not the work is performed by an in-house police department, or one which was purchased from another local governmental entity to provide those identical types of services.

The language of the Federal CRF Guidelines shows the intent that those same principals and guidelines were applicable to all entities. "**The term ''indirect costs,'' as used herein, applies to costs of this type *originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities*. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a**

number of pools of indirect costs within a governmental unit department *or in other agencies providing services to a governmental unit department".*

State mandate law and Parameters and Guidelines were created to allow the consistent and uniform computation of direct and indirect costs incurred to comply with reimbursable programs for all local agencies. The guidelines do not specify separate rules or guidance on computation of overhead costs to be applied for a full-service city or a city that contracts for services – there is only one ICRP methodology and only one manner of determining eligibility of indirect costs (those found in Federal OMB/CRF Guidelines). The SCO did not have the authority to unilaterally create and impose alternative indirect cost claiming methodologies and guidelines.

The City computed and submitted Indirect Cost Rate Proposals (ICRPs) prepared in accordance with State Parameters and Guidelines, Claiming Manuals, and Instructions and following the required methodology established in those documents.

Until this Audit, the City of Rancho Cucamonga had been paid by the State Controller's Office (SCO) for all other funded law enforcement programs for over the last twenty years, including the overhead costs, and has never been aware that there was a question or issue regarding the validity of requesting departmental indirect/overhead costs or that using existing written ICRP guidelines did not apply to cities which contracted for law enforcement services (contract cities).

The State Controller's Office is charged with drafting and developing claiming instructions that reflect the intention of the Parameters and Guidelines. They are also required to audit to and allow costs as specified by plain language of the Parameters and Guidelines and State Mandate law. All documents clearly allow agencies to be reimbursement for both direct and indirect costs.

The 2010 Claiming Manual in Section 9. Indirect Costs, states:

> "GC Section 17564(b) provides that claims for indirect costs must be filed in the manner prescribed by the SCO."
>
> "If a local agency elects not to utilize the 10% fixed rate method but wants to claim indirect costs, it must prepare an ICRP for the program. The proposal must follow the provisions of the Office of Management and Budget (0MB) Circular A-87 (Title 2 CFR Part 225), *Cost Principles for State, Local, and Indian Tribal Governments"*
>
> "A method for preparing a departmental indirect cost rate proposal for programs is presented as Exhibit 1. Only this format is acceptable under the SCO reimbursement requirements. If more than one department is involved in the reimbursement program, **each department must have their own indirect cost rate proposal** for the program."

The guidelines specifically state that “ONLY this format” and “ONLY in the manner prescribed” are acceptable methods to be used for computing indirect costs. The City complied and used this methodology. If the SCO felt there was some alternate, acceptable, methodology for contract cities to compute their overhead costs besides the ICRP methodology presented in the instructions they should have specified this in the instructions and guidelines.

If the SCO felt that contract cities needed additional direction as to:

- how those indirect costs were to be prepared (that there was some alternate, acceptable, methodology for computing indirect costs;
- what the correct “base” was to use to compute overhead costs
- what standards were to be used for determining eligible overhead costs (if not Federal OMB/CFR Guidelines);

that should have been provided to all parties when instructions were being drafted so all could comment and discuss; and claims could have been prepared in accordance to those instructions.

Creating and applying new, alternate, non-written standards of what is and what is not an eligible indirect cost (solely and unilaterally determined after-the-fact by the SCO), as well as developing an alternate indirect cost computational methodology that didn’t comply with Parameters and Guidelines and which were imposed after the fact without proper discussion and notification, is unfair to a large number of impacted local agencies that contract for law enforcement services.

Notifying 30% of eligible city claimants decades after the fact: after instructions were released, after contracts were entered into, after activities were performed, and after claims were prepare and submitted, that a major element of cost (departmental overhead billed within their contracts) is not allowable using the existing guidelines constitutes “underground rule making” and violates “Due Process” requirements by creating new rules and standards that were not enumerated in claiming manuals, parameters and guidelines, claiming instructions, and the OMB/CFR Guidelines.

Conclusion

The SCO’s creation and use of an alternate methodology to compute overhead costs demonstrates inconsistent treatment of cities that contract for law enforcement services. This inconsistent treatment penalizes the City of Rancho Cucamonga (as well as all other contract cities) because it uses **inconsistent criteria in determining eligibility of indirect costs and creates and applies an alternate methodology for computing the indirect cost rates which are less advantageous to contract cities**.

The City respectfully requests that the Commission on State Mandate allow the City of Rancho Cucamonga and all contract cities the same reimbursement rights as cities with in-house police departments. Existing guidelines should be applied consistently to ensure fair reimbursement for actual incurred costs. If the SCO believes that alternate rules and guidelines exist- it should be required to notify and provide these in advance.

Denying contract cities reimbursement for indirect costs they have legitimately paid for would be inconsistent, unfair, and in violation of Article XIII B, section 6 or the California Constitution which mandates full reimbursement of state-imposed costs.

Section 7 –

Documentary Evidence

&

Declarations

Correspondence with SCO

Mayor L. Dennis Michael | **Mayor Pro Tem** Lynne B. Kennedy
Council Members Ryan A. Hutchison, Kristine D. Scott, Ashley N. Stickler
City Manager John R. Gillison

CITY OF RANCHO CUCAMONGA

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June 28, 2023

Ms. Lisa Kurokawa, Audit Bureau Chief
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250

SENT VIA EMAIL

Dear Ms. Kurokawa:

We appreciate the time spent by SCO staff reviewing this State Mandate Program and for the opportunity to respond to the Draft Audit Report (DAR) findings. We have reviewed the DAR document and explanation of the findings.

The City of Rancho Cucamonga's disagreement with the DAR findings lies in the denial of various necessary costs within our contract with the San Bernardino County Sheriff's Department, including cost for our administrative command staff (our Police Chief and departmental supervisory staff), cost for our patrol cars and other vehicles, cost for our clerical staff, and cost for our city's share of dispatch support costs billed by the County.

As you know State mandate law and procedures were created to satisfy the requirements of Article XIII B of the California Constitution which state that, "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."

Government Code (GC) sections 17500 through 17617 provide for the reimbursement of costs incurred by local agencies for costs mandated by the State. Parameters and Guidelines (Ps and Gs) and Claiming Instructions assure that **all** actual costs – both direct **and indirect** related to the performance of the mandate be reimbursed to local agencies.

It is clear that this audit did not result in a fair reimbursement of those necessary costs as all that the State Controller's Office (SCO) staff recommends for reimbursement is the direct costs of Deputies and Sergeants working specifically/directly on mandated activities (salaries and benefits) plus an average of a 6% "Administrative Allocation Rate."

We were told the Indirect Cost Rate Proposal (ICRP) or overhead rate cannot be used because SCO audit staff contends that indirect costs are not eligible for reimbursement in our situation. Our situation being that we are a city that contracts for law enforcement services and that our service provider, San Bernardino County Sheriff's Department (SBCSD), charges us for overhead costs on a detailed basis

within our contract; thus, making it impossible according to SCO audit staff, for us to use the existing Indirect Cost Rate Proposal (ICRP) methodology prescribed in claiming instructions, claiming manuals and the Federal CFR/OMB guidelines to compute an overhead rate as other local agencies can.

SCO staff stated in the audit that they were sympathetic to our plight of not being able to recover any overhead costs, so they created a new methodology they named the "Administrative Cost Rate" (we'll refer to this new type of rate as the "ACR") to allow the recovery of some costs that they could identify as "clearly administrative" in nature. Thus, instead of allowing us the overhead rates that would have been allowed under existing Ps and Gs and Claiming Instructions which averaged about 70%, we were granted the "ACR" rate that averaged about 6%.

The primary activity that this State mandate program requires is that law enforcement personnel take an Identity Theft Report and begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

We agreed that this activity was performed by the Deputy Sheriff positions we pay for through our contract with the San Bernardino County Sheriff's Department (SBCSD). The City has no in-house Police Department other than the one it has purchased through its contract with the SBCSD. This contract includes all direct sworn staff, indirect support and administrative personnel, and overhead costs – such as vehicle expenses, and other costs associated with operating a police department. Schedule A of our contract lists all costs charged in detail by type of cost - similar to how a full- service city would account for these costs in an expenditure report.

SCO audit staff determined that the direct costs incurred through our contract -- the salary and benefits costs of the Deputies we purchase though our contract for service with the San Bernardino County Sheriff's Department (SBCSD) positions -- were eligible for reimbursement, however, not the vast majority of other necessary overhead costs billed within that contract. For example:

The mandate requires that our Deputy drive to the scene to take a report from the victim – yet SCO audit findings include no reimbursement of costs for the actual vehicles, fuel, and maintenance. A Deputy needs a vehicle to perform their law enforcement duties. Our Deputy would not be able to perform the mandate as they typically drive to the victim's location to take their Identity Theft Reports. This is a reasonable and necessary cost to perform the mandate, yet the DAR findings only allow costs for vehicle insurance but omit the cost of the vehicles themselves.

The mandate requires that our communications/dispatch staff transmit information about the call for service to the Deputy so that they are aware of what the nature of the call is and where the victim is located. Yet SCO staff reimbursement allows for no dispatch/communications staff to take the phone calls from the public and relay the request for service to the sworn Deputies who perform the direct law mandated enforcement duties.

The mandate requires that the Identity Theft report be typed, entered, and maintained in our records and computer system – yet there is no allotment of costs to reimburse us for the clerical personnel to do this activity that is required as a result of this mandate.

The mandate requires employment of sworn personnel to perform this activity. In order for an agency to provide sworn staff, it must supervise them and provide administrative support; yet no departmental

support costs such as our departmental command staff costs were allowed (including our Captain, who functions as our Department's Police Chief, his Lieutenant or second-in-command, or administrative time of Sergeants who are the first line supervisors).

It is clear that the Audit Report Findings are not reasonable, nor would they satisfy the intent of the State or Federal laws and guidelines. No reasonable person would agree that a Deputy could perform their law enforcement duties or perform the mandated activities without a vehicle, administrative/command staff support, or clerical and dispatch service support.

City staff and our consultant have spent many hours and numerous correspondences back and forth trying to resolve this issue. However, to avoid this correspondence from becoming overly lengthy or repetitive, we will only touch on a few main points in this response, and will include our past communications as an attachment to our future Incorrect Reduction Claim (IRC) to serve as back up and to provide greater detail to the Commission on State Mandates (Commission) when they review this matter.

CLARITY, DISCLOSURE, AND TRANSPARENCY IS NEEDED FROM THE SCO AND CLAIMING INSTRUCTIONS TO EXPLAIN WHICH ENTITY IS ELIGIBLE TO CLAIM WHAT REIMBURSABLE COST

Mr. Venneman's May 12, 2023 email attempts to explain to us why the indirect costs/ICRP costs we incurred are not eligible for reimbursement: "Those [our contract] salary and benefit costs belong solely to San Bernardino County, not the City of Rancho Cucamonga." And "Just because the county incurs indirect costs and bills the city for them does not mean that these are also indirect costs incurred by Rancho Cucamonga."

It appears that the crux of the argument to deny our city (and if audit precedent applies, all contract cities) law enforcement overhead costs is because SCO staff believes that technically the contracting entity (in this case San Bernardino County Sheriff's Department or SBCSD) whose employees perform the administrative and support tasks paid for in our contract [in our case the Captains, Lieutenants, Sergeants, Office Specialists, Secretaries, etc.] and support costs [such as vehicles, walkie-talkies, dispatch center charges, etc.] don't "belong" to us (the city who contracts for and pays for them) -- but to the agency that "provides" those personnel and services.

It was our understanding (and common accounting practice), that if you bought and paid for something (if you "incurred" that cost), then that cost/product becomes "yours", and that the agency "incurring" the costs should be the one to claim for State Reimbursement since you were the agency that ultimately "lost" that money from your budget to pay for the State Mandate program.

Since both direct and indirect costs are all a part of the same contract with SBCSD then it would stand to reason that both types of costs would be treated consistently – either the city is eligible to claim and receive reimbursement for both – or neither.

However, Page 24 of the Draft Audit Report states, "**We found that the entire amount [of indirect costs claimed] is unallowable because no city staff member performed any of the reimbursable activities…"**

How can this logic hold: that indirect costs are somehow not allowable "because no city staff member performed any of the reimbursable activities", when the opposite conclusion was arrived at regarding direct costs and activities. SCO Audit allows reimbursement for the direct contract staff performed by

SBCSD Deputies and Sergeants, even though those positions are also not "city staff members" and their costs are charged and incurred through the same exact contract.

When the city requested clarification, Mr. Venneman's May 12, 2023 email response explains, **"the city did not incur any indirect overhead costs within its contract with San Bernardino County"**. Then he goes on to say, seemingly contradicting himself, **"[j]ust because the county incurs indirect costs and bills the city for them doesn't mean that these are also indirect costs incurred by Rancho Cucamonga**."

How does this make sense? SCO staff agrees that the costs are indirect when they "belonged" to the County; but if the county who incurs those indirect costs, bills the city for them, then they are no longer indirect costs or costs "incurred" by the city?

If contract cities do not "incur" indirect costs and cannot claim indirect costs billed within their contracts – does this mean that the counties that provide/incur those cost are eligible for the reimbursement of those costs? In this case, would SBCSD receive reimbursement for those costs?

Prior State Controller audits have found this is not the case. The following is a quote from page 19 of the SCO's June 2022 audit of San Bernardino County's Interagency Child Abuse and Neglect Investigation Reports (ICAN)):

> "…we [SCO] found that the county included costs for providing services to contract cities as part of its mandated cost claims for all activities. The parameters and guidelines state that any county, city, or city and county is eligible to submit a mandate reimbursement claim. Therefore, all counties and cities—including contract cities—are eligible to submit mandate reimbursement claims. Because contract cities are eligible to submit reimbursement claims, and the county received fees for law enforcement services from its contract cities, we determined that the county should only claim costs associated with the unincorporated areas of the county. We determined that the costs incurred by contract cities are unallowable because the county had already been compensated by contract fees. The county did not report offsetting reimbursements for the contract city cases in its mandated cost claims. Therefore, we found that the county overstated these claimed costs because it did not offset costs that were funded by other sources."

This audit is not unique. There are numerous other audits of county law enforcement claims where the SCO comes to the same conclusion: that the contracting entity - the city, not the county -- is eligible to request or receive reimbursement of mandated costs because those costs are incurred/paid for by the contracting cities. A sampling of other similar audits includes San Bernardino County April 2022, Identity Theft Program, Los Angeles County September 2019, Crime Statists Reports for the Department of Justice Program, and Los Angeles County November 2019, Domestic Violence Arrest Policies and Standards Program.

So, which is it? Who is entitled to claim the costs –the city that pays for the service, or the county that provides the service? Based on this audit analysis, neither the contract city nor the county would be able to obtain reimbursement of indirect costs charged to cities.

State instructions say indirect costs that are incurred by the agency <u>incurring</u> the direct costs are to submit the claims for reimbursement. The SCO requirement that "a city staff member perform reimbursable activities" in order to obtain reimbursement of both direct and indirect costs is contrary to

the plain language of the Ps & Gs and would mean that no contract city would be able to obtain reimbursement for mandate overhead costs.

Since counties did not receive any State Mandate reimbursement for indirect costs that were paid for via city contracts and now this Audit indicates that contracting cities cannot claim for the indirect costs, this creates a loophole where only the State gains unfairly by not having to pay either party for those State Mandated costs. Claimants deserve clear, written guidelines/instructions provided to them prior to claim preparation and submission, and consistent treatment/interpretation of those rules. The State Controller's Office cannot use different metrics and methodologies from audit to audit.

DID THESE ISSUES ARISE DUE TO A DEFICIENCY IN STATE CLAIMING FORMS?

Early in this audit in August of 2022, SCO auditor, Josephina (Joji) Tyree, issued her first set of findings which stated that indirect costs could not be claimed because the Claiming Instructions "Form 1" and "Form 2" precluded reimbursement of indirect costs because those forms "differentiate contract services" from salaries or (direct labor) for purposes of calculating indirect costs."

Our responds to this was if the SCO didn't like the way forms looked or how costs were displayed or presented on those forms, that they had the authority to format the forms to their liking. However, having an issue with form format or how costs should be presented/displayed was not a legitimate reason for the SCO to ignore the underlying principles and direction of the Parameters and Guidelines and Claiming Instructions and deny reimbursement of eligible costs.

SCO audit report on page 20 notes that "The SCO's Mandated Cost Manual states that costs of contract services are allowable. Costs for contract services can be claimed using an hourly billing rate." However, the Manual does not provide specific guidelines on how to calculate an hourly billing rate.

The issue in this audit was not how direct salary costs were computed. The City of Rancho Cucamonga used the prescribed method allowed in instructions by dividing total salaries and benefits by 1,800 annual productive hours – which the SCO auditor agreed was appropriate.

The issue was how the indirect cost component should be calculated.

Mr. Venneman informed us in his January 5th email that "[o]ur position has always been that using the A-87 methodology contained in Subpart E to claim administrative costs using contract services as a base is a non-starter for our office." And in the May 13th email, "Indirect costs cannot be claimed against contract services."

Our consultant provided him with evidence that this was not the case citing the 2017 City of San Marcos Crime Statistics Reporting Audit.

In the City of San Marcos audit (which contracts with the San Diego Sheriff's Office (SDSO) for law enforcement services, the following indirect costs were allowed (See City of San Marcos 2017 – Crime Statistics Reporting Audit Report on page 23). State Controller's Office auditors recognized there were additional indirect/overhead costs and those costs were allowed as valid overhead charges. Below is an extract from the Audit Report on page 23 that addressed the Contract Indirect Costs:

"Contract Indirect Costs

We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided schedules and identified supplemental contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing **total contract overhead costs**, station support staff costs, and Sergeant Admin position costs**, by the contracted labor costs** identified in the contract supplemental schedules."

In the allowable ICRP/ **"contract overhead costs",** the audit permitted:

1) proration of support/admin costs including Station Level Staff Support including: Captain, Admin Secretary, Lieutenant, Sergeants, Volunteer Coordinator, Senior Clerk, Department Aide, Receptionist, Intermediate Clerk.

3) Law Enforcement Support including Station Detectives, Communication Center (Central Dispatch support), Crime Prevention, Juvenile Intervention, Regional Services

4) Services and Supplies Costs

5) Support Costs including Vehicles, Facilities/Space, County Management Support (Admin, Fiscal, Data Services, Personnel & Other)

6) Liability (charged separately)

The items we included in our ICRP are all similar, if not identical items: Administrative support, such as Captains, Lieutenants, and Sergeants; Clerical support; Vehicles; and Communication Center (Central Dispatch Services, etc.) but in our case they were NOT allowed as indirect costs.

In addition, in the case of San Marcos' Audit, the prescribed ICRP format/computational methodology was employed; using contract salaries and benefits as the denominator for determining the overhead rate, and not total contract costs as the SCO uses in their new "ACR" methodology rate computation.

Please explain why Rancho Cucamonga is being treated differently and why the interpretations and methodologies are different for two similar contract cities.

EXISTING PARAMETERS AND GUIDELINES AND CLAIMING INSTRUCTIONS PERMIT CITIES THAT CONTRACT FOR LAW ENFORCEMENT SERVICES TO OBTAIN REIMBURSEMENT FOR THEIR FULL INDIRECT COSTS AS DEFINED UNDER FEDERAL CFR/OMB STANDARDS.

Existing claiming instructions and claiming manuals under Contract Services state that "all costs charged" can be claimed.

Identity Theft Claiming Instructions
Section V. A. 3. Contracted Services:

"Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities **and all costs charged**. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the

reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services."

The Claiming Manual adds that the claimant should provide: "… the mandated activities performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost."

The City complied with these instructions and provided a copy of the contract and detailed costs related to the reimbursable activities, time studies to show number of hours spent performing the mandate, the hourly billing rates – including how direct and indirect/overhead costs were computed. We accounted for all costs charged. Total costs include the necessary overhead [vehicles, dispatch support, command staff, clerical staff, etc.] to perform the mandated activities.

There is nothing in the Ps and Gs, Claiming Instructions, or the Claiming Manual that would suggest that the Commission intended that cities that contract for law enforcement would not be eligible for indirect costs or that contract cities would have to use a different set of rules or standards to compute allowable indirect costs. We see nothing that would indicate that Federal CFR/OMB guidelines would not apply.

USE OF A NEW METHODOLOGY TO COMPUTE OVERHEAD/ICRP COSTS IS NOT SUPPORTED BY CLAIMING INSTRUCTIONS, PARAMETERS AND GUIDELINES, OR THE CLAIMING MANUAL

In our correspondence, SCO staff provided many reasons why our Indirect Cost Rate Proposals (ICRPs) – rates derived using the exact format and guidelines prescribed by the Claiming Manual, Parameters and Guidelines, and in compliance with Federal CRF Guidelines - could not be used and instead why audit staff had to create and apply a new alternate methodology and format to compute indirect costs, which you have entitled: "The Allowable Administrative Percentage" or the "Administrative Cost Rate" (see page 21 of SCO Draft Audit Report).

One of the issues with this "new methodology" is that it does not allow for the inclusion of all the costs that would have been allowable under existing claiming instructions and Federal CFR/OMB Guidelines. Cost such as vehicle usage costs, command staff administrative costs, secretarial support, etc. Mr. Venneman tried to explain why CFR/OMB Guidelines do not apply, but his explanations do not seem to be grounded in established written guidelines. Denying that existing written rules apply and then creating and applying new, unwritten methodologies without any prior notice or explanation in fact creates new rules that have not been vetted by the Commission and other interested parties.

Page 20 of the Audit narrative explains that this new methodology developed by the SCO's staff, the "Administrative Cost Percentage," was calculated by…dividing the costs of the following items "Administrative Support, Office Automation, Services and Supplies, Vehicle Insurance, Personnel Liability and Bonding, Telephone Reporting Unit, County Administrative Cost (COWCAP), COWCAP subsidy, and Start-up Costs" by the total contract cost.

Claiming Instructions pages 4-5 and the Claiming Manual on pages 11-12 states:

A. Indirect Cost Rate Proposal Method

If a local agency elects not to utilize the 10% fixed rate method but wants to claim indirect costs, it

> **must prepare an ICRP for the program. The proposal must follow the provisions of the OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al**., formerly OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments. The development of the indirect cost rate proposal requires that the indirect cost pool include only those costs which are incurred for a common or joint purpose that benefit more than one cost objective. The indirect cost pool may include only costs that can be shown to provide benefits to the program. In addition, total allocable indirect costs may include only costs that cannot be directly charged to an identifiable cost center (i.e., program).
>
> **A method for preparing a departmental indirect cost rate proposal for programs is presented as Table 6. Only this format is acceptable under the SCO reimbursement requirements.** If more than one department is involved in the reimbursement program, each department must have its own indirect cost rate proposal for the program.

We followed these rules and guidelines in preparing overhead/ICRP rates, and find no language in the Claiming Manual, the Claiming Instructions, Parameters and Guidelines, or Federal CFR Guidelines to describe or support SCO staff's alternate and newly created "Administrative Cost Percentage" method of computing overhead costs. There is no distinction made in the instructions or alternate methodology described for cities that contract for law enforcement services.

There is no reason why the existing instructions and ICRP format presented in Table 6 of the Claiming Manual cannot be used and that would necessitate the creation of an alternate indirect cost rate methodology (as we have demonstrated by preparing and submitted ICRPs in the required format with our claims – and numerous other contract city claims - over the last twenty years with no issue). Our law enforcement contract with SBCSD (See Schedule A) clearly lists and segregates all direct and indirect costs in a level of detail which is similar to how a full-service city's Actual Expenditure Report is organized and how the example in Table 6 is presented.

This new approach proposed by staff is flawed in a number of aspects. First, and most importantly, it is not described in any manual or instructions provided to us at the time of filing of these claims. How is a local agency expected to be able to compute allowable overhead costs correctly and in a consistent, uniform manner if those methods and guidelines are not described or provided in advance in any documents or manuals? Why are there different rules of eligibility for determining indirect costs for contract cities?

Creating a new procedure and methodology, after the fact, without any notice to local agencies or review by the Commission on State Mandates violates Due Process guidelines and has not been properly vetted through the State's required procedures. In addition, by creating a new methodology just for agencies that contract for Law Enforcement Services and saying they are not entitled to use the same, existing Instructions and Parameters and Guidelines constitutes "Underground Rule Making". We request that you comply with written Claiming Instructions and Guidelines and use the same ICRP methodology prescribed in the existing Parameters and Guidelines and the Federal CFR/OMB standards to audit our claims' overhead rates.

Secondly, SCO's new "Allowable Administrative Cost Percentage" or "Administrative Cost Rate" methodology which uses total contract services costs as the denominator instead of salaries and wages, is flawed because it does NOT exclude capital expenditures (see all the equipment usage charges in our contract) and other distorting items such as pass-through funds (See Countywide Cost Allocation or COWCAP costs in the contract).

The Claiming Manual states:

> "The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

Claiming Manual, Section 8. Indirect Costs (Example)

> " f) Distribution base for the computation of the indirect cost rate is total salaries and wages.

ICRP =	Allowable Indirect Costs	=	$300,000	= 30.00%
	Total Salaries and Wages		$1,000,000	

The contract with SBCSD itemized salaries and benefits separately, so there is no reason why this could not have been used as the base for distributing indirect costs as is required in the Claiming Instructions.

The "administrative cost rate" methodology proposed appears to contradict SCO Audit's own statements on page 20 which says, "OMB A-87… does not allow for the recovery of administrative costs using contract services as a base". Yet it appears that is exactly what SCO staff's newly created "ACR" "rate" does. Page 21 of the Audit report states, "…we divided the cost of the following line items…[administrative support, office automation, etc.] that we identified as being "clearly administrative" by the "total contract amount".

We thought using total contract costs as a base not allowed. Our rate was prepared using total actual salaries and benefits, as specified in the instructions.

FY 2012-13 Rate Comparison

City computed ICRP =	$12,167,160 = Total Allowable Indirect Costs = 76.5% $15,907,114 **Total Direct Salaries & Benefits**
SCO computed "ACR" =	$1,731,698, = Total "Allowable Admin. Costs" = 6.1% $28,209,685 **TOTAL CONTRACT SERVICE AMOUNT**

SCO JUSTIFICATION FOR DENYING INDIRECT COSTS ARE FLAWED

We agree with SCO staff's statement that there are clearly administrative costs in the contract, but why didn't you include our administrative command and clerical staff, who are clearly administrative and clerical, in SCO's version of the ICRP or their "Administrative Cost Rate"?

2 CFR Ch. II Part 200 Appendix IV:

> "(4) General administration and general expenses. The expenses under this heading are those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization. This

category must also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation, and interest costs. Examples of this category include central offices, such as the director's office, the office of finance, business services, budget and planning, personnel, safety and risk management, general counsel, management information systems, and library costs. "

2 CFR Ch. II

"The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity."

Command/administrative staff. Can you please explain why none of our command staff costs, including our Captain, who is our city's Police Chief; the Lieutenants who oversee administration and operations of the entire unit; and our Sergeants, who are the first line supervisors of the Deputies; were not included in SCO overhead rate computations? These staff perform the "executive and administrative" functions of the department.

Every Deputy requires command staff oversight – supervisors must perform annual reviews of employee performance, deal with disciplinary issues, decide on pay increases, schedule time off and ensure there is always adequate coverage and staffing, perform department budgeting functions, schedule training, offer guidance and support on difficult cases, etc. In prior correspondence we provided copies of the job descriptions for these positions so you can confirm that their duties are indeed administrative and necessary support to the entire department.
(https://www.governmentjobs.com/careers/sanbernardino/promotionaljobs)

1) Captain – serves as our department Police Chief. The job description for this position (attached) states under "Distinguishing Characteristics: Sheriff's Captain is characterized by the administrative responsibility for an assigned major division, facility or station."

2) Lieutenant - is also an administrative position, whose job description states, "Positions in this class are characterized by their status as second in command with authority to assume full administrative and supervisory responsibilities during the absence of the commanding officer."

3) Sergeants - "The class of Sheriff's Sergeant represents the first full level of supervision."

Clerical staff all are costs incurred for a common or joint purpose (supporting the entire department and law enforcement staff), and they provide necessary administrative, supervisory and clerical support that is necessary to operate a police department. They provide benefits to more than one cost objective, benefit the program, and cannot be directly charged to an identifiable cost center (i.e., program). Secretaries and dispatchers don't provide direct law enforcement service. **2 CFR Ch. II §200.414 (c**) specifically identifies clerical staff as an administrative cost: The salaries of administrative and **clerical staff** should normally be treated as indirect (F&A) costs."

OMB/CFR guidelines also specify that clerical staff are a part of the administrative function. Thus, our Secretaries, Office Specialists, and Supervising Office Specialists should have also been included in the SCO computation as they provide necessary clerical support to the department. Please explain the rational for excluding these necessary clerical staff both directly and indirectly from our claims.

How are these positions not administrative? Except for a portion of the Sergeant positions (who review and approve Identity Theft reports directly), these individuals are not providing direct law enforcement services, but supporting and administering the department. These positions oversee not just one program, but the entire law enforcement department and all staff. This is no different from the function of command staff in a full-service (non-contracting city) which the SCO office has routinely allowed to be included in the computation of their overhead rates. These same positions were allowed by the SCO in the SBCSD's audited Identity Theft claims overhead ICRP rates.

We previously provided SCO staff with the full job descriptions for these positions to support our contention that these are administrative positions that support the entire department (and not just one program) and are necessary administrative support to the entire department. Your staff declined numerous offers to schedule a meeting with county command staff to answer any questions your staff may have about these positions' duties so they could feel confident that these positions do indeed perform eligible administrative functions that support the entire department.

Below we have provided the citation from Federal 2 CFR Part 225 Guideline that supports allowability of the indirect costs the City of Rancho Cucamonga incurred through our contract with SBCSD – not just the eight items SCO staff included in their "ACR" rate:

Contract Cost Items NOT Included by SCO as allowable Indirect cost	Federal CFR Citation supporting the allowability of the cost
Captain, Lieutenant, Sergeants	**2 CFR Ch. II §200.414 (c)** "The salaries of **administrative** and clerical staff should normally be treated as indirect (F&A) costs." **2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity.
Office Specialists & Secretaries	**2 CFR Ch. II §200.414 (c)** "The salaries of administrative and **clerical staff** should normally be treated as indirect (F&A) costs." (See additional narrative above)
Dispatch Support	**Appendix B to Part 225—Selected Items of Cost** 7. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable. [the County charges a share of the dispatch/communications division costs with contracting cities] **Also see above- 2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs.
Vehicle Usage Charges: Marked units, Unmarked Units, Marked Citizen Patrol Sedan, Pickup Trucks, & Motorcycles Also, Handheld Talkies (HTs), Radar Units, Tasers	**Multiple Sections of OMB/CFR Guidelines address eligibility of equipment charges and usage:** **Appendix B to Part 225—Selected Items of Cost** 11. Depreciation and use allowances. a) use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.) 15. *Equipment and other capital expenditures.* (2)''Equipment'' means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or $5000. 43. *Travel costs.* a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred,

OTHER ALLOWABLE AND NECESSARY SUPPORT COSTS PURSUANT TO CFR / OMB

2 CFR §200.403 Factors affecting allowability of costs.

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles"

CFR Guidelines do not limit indirect costs to only "administrative" items. The language is written broadly to take various programs into account. For example, if a "program" requires waste pick up and disposal (like in the Los Angeles County Municipal Storm Water Claim), then in addition to the direct costs of staff who do the waste pickups, the departmental support and equipment usage (garbage truck usage costs), would be considered necessary and reasonable and allowable in the overhead rate.

Similarly, in a mandate that requires "law enforcement" services – then the departmental costs that are needed to ensure a Deputy can provide law enforcement services are eligible for inclusion in the overhead rate. Those eligible overhead costs include:

Necessary Support Costs

Without vehicles, radios, and dispatch services the Deputies could not provide law enforcement services. They could not receive any calls for service or communicate with either the public or with the department command staff; they could not drive to the scene of any call for service; and there would be no clerical support to process, store, and access any of the police reports (including these mandated Identity Theft Reports) and records as required by law. No law enforcement agency could function without these support functions.

SCO ACTIONS TO DENY APPLICABILITY OF OMB/CFR GUIDELINES AND ESTABLISH NEW CLAIMING METHODOLOGIES (Administrative Cost Rates in lieu of Indirect Cost Rates) CONSTITUTES UNDERGROUND RULE MAKING.

If it is the SCO's position that in order for a contracting city to be able to obtain full reimbursement of all direct and indirect overhead costs, a County Sheriff's Department MUST show a billable rate that includes all overhead in its direct staff's (Deputy Rate) cost – then shouldn't that be stated very clearly somewhere in the instructions? It would be very easy for the SBCSD to alter their format and show all charged costs in the direct staff/Deputy Rate, similar to how Los Angeles County does. Since SCO staff interpretation makes a very material difference in reimbursement amounts – this should have been very explicitly stated in the claiming manuals and instructions. By having our costs presented by San Bernardino County individually vs. aggregately, as Los Angeles County did, we stand to be denied over $200,000 in indirect costs which would have been eligible if we were allowed to use existing claiming instructions and OMB/CFR guidelines.

Local agencies which contract for law enforcement services have been claiming overhead costs computed based on OMB/CFR standards for over 25 years now with no issue, but suddenly this has become a new avenue for SCO staff to think it is a legitimate way of cutting State costs. SCO appears to be making up rules as you go and doing so inconsistently for that matter from audit to audit.

In the SCO's audits of Los Angeles County contract cities, overhead costs built into the Deputy hourly rates (as well as liability charges) were allowed. In the SCO audit of San Marcos (San Diego County Sheriff contracting agency) most overhead costs were allowed and computed "using contract services costs improperly identified as salaries and benefits as a base for claiming indirect costs" – the exact same method we used and that you are now saying is invalid. Each of these audits show inconsistent

treatment of overhead costs in cities that contract for law enforcement services and failure to adhere to written State and Federal instructions and guidelines.

The DAR states (on page 20) that the SCO acknowledged that different counties include different costs in their rates – for example, Los Angeles (LA) County contract cities include overhead in their hourly billing rates, plus a percentage for insurance and liability charges. SCO narrative stated the desire to "be equitable with other California cities contracting for law enforcement services" so allowed us an average 6% "administrative cost rate". However, that "ACR" rate is vastly lower than what the true ICRP rate prepared in compliance with CFR/OMB standard (76.5% for FY 12-13) would have been. It is evident from the table below how "fair" the "administrative allocation rate" is.

SCO approved rate for LA County contract cities was $124/hour vs. $87/hour for us and other contract cities in San Bernardino County, a rate that is substantially lower than was approved for cities in LA County and even more than the city of Rialto (a comparable full-service city in our same county).

FY 2012-13 Deputy Sheriff Hourly Rate Comparison

LA COUNTY CONTRACT CITIES HOURLY RATE **CITY REQUESTED*** (Including additional 10% overhead requested, but denied by SCO) *	$136.40*
LA COUNTY CONTRACT CITIES AUDITED SCO HOURLY RATE **SCO APPROVED***	$124.00*
SAN BERNARDINO COUNTY CONTRACT CITIES HOURLY RATE **CITY REQUESTED** (including "ICRP/OMB A-87" rate)	$145.45
CITY OF RIALTO AUDITED OFFICER HOURLY RATE **SCO APPROVED**** (including "ICRP/OMB A-87" rate)	$126.84**
SAN BERNARDINO COUNTY CONTRACT CITIES SCO HOURLY RATE **SCO RECOMMENDED PER PRELIM. AUDIT REPORT** (including SCO new "ACR" Rate)	$87.47

*See City of West Hollywood Identity Theft Audit and City of Palmdale Child Abuse and Neglect Audits
**This is the FY 11-12 SCO Officer audited hourly rate for the City of Rialto, a full-service city in the same county.

These hourly rates were computed in the following manner – first, just as SCO staff computed them on page 21 of the SCO DAR, and, second, just as we computed for the claims we originally submitted.

FY 2012-13: Billable Hourly Rate Computation for the San Bernardino County Deputy Sheriff:

SCO Allowed Hourly Billing Rate using SCO created "Administrative Cost Rate" (ACR)

FY 12-13 based rate with only salaries and benefits per contract = $82.41
+ overhead per SCO allowed "ACR" = $82.41 x 6.14% rate = + $5.06
SCO allowed hourly billing rate = $87.47

vs

City Claimed Hourly Billing Allowed Rate using existing ICRP Methodology/Claiming Instructions

FY 12-13 based rate with only salaries and benefits per contract = $82.41
+ overhead per Ps&Gs ICRP guidelines = $82.41 x 76.5% ICRP rate = + $63.04
Actual hourly billing rate = $145.45

If the SCO wishes to change the rules, head in this new direction, and apply this new interpretation – that OMB A-87/CFR methodology does not apply for computation of law enforcement overhead/Indirect Cost Rate Proposal (ICRP) rates paid through contracts with county law enforcement agencies – then this should be explicitly stated in the written rules and guidelines and all parties should be able to review and participate in the adoption of those rules. Further, it is not fair to retroactively apply new standards and impose new rules on local agencies without providing advanced notice to them.

If OMB/CFR guidelines are inapplicable and SCO's newly developed "ACR" methodology must be used, there is no written explanation of how this new overhead/"ACR" rate is to be computed and how to determine which costs are "*clearly* administrative in nature". It may be "clear" to SCO staff what costs apply, but we would also have included our command staff as we believe the costs are clearly administrative in nature: costs for our "Captains, Lieutenants, and Sergeants, as well as various other line- item charges" which SCO auditors concede "**may** [emphasis added] or may not **be administrative in nature** dependent on the functions that each classification performs" can qualify for inclusion in the overhead rate.

Finally, we believe SCO staff actions violate "Due Process" requirements by creating new rules and standards that are not enumerated in written claiming manuals, parameters and guidelines, claiming instructions, and the OMB/CFR Guidelines. There is no statement that Ps and Gs do not apply to cities contracting for law enforcement services: that contract cities don't qualify for reimbursement of indirect costs. There is no explanation that indirect costs are not allowable if they are itemized in the contract with the county; but are allowable if they are already built into direct staff (Deputy) hourly billing rates. There is no description, explanation, or examples provided in any manual of how local agencies that contract for law enforcement services are supposed to claim their allowable indirect or "administrative"/"ACR"costs in a manner acceptable to the SCO.

Given SCO staff response that 1) OMB/CFR Guidelines do not apply to the computation of indirect costs for cities that contract for law enforcement agencies with county agencies; 2) that indirect costs for contract cities are in fact completely unallowable costs or are subject to some alternate, non-written standards that only SCO staff can determine or dictate at their sole discretion, 3) that there is no explanation or written guidelines provided to claimants in the instructions that explain what costs are and are not eligible; 4) that SCO findings that city contract agencies (like those in LA County) can obtain reimbursement for all direct and indirect charges included in their hourly rates, but those contracts that do not already have overhead pre-built into their Deputy rates forfeit their right to obtain indirect costs computed in the same manner suggests that the SCO is engaged in underground rule making.

THERE ARE NO SEPARATE RULES AND GUIDELINES FOR CONTRACT CITIES (CITIES WHO PURCHASE THEIR LAW ENFORCEMENT SERVICES VIA A CONTRACT) TO CLAIM ALLOWABLE OVERHEAD COSTS:

On page 13 of the SCO's DAR that correctly states "the city contracts with San Bernardino County to have the SBCSD (San Bernardino County Sheriff's Department) to provide all its law enforcement services." The City website (https://www.cityofrc.us/RCPD) states, "**Police Department**: Since incorporation in 1977, law enforcement services in the City have been provided through a contract with

the San Bernardino County Sheriff's Department. Rancho Cucamonga continues to be one of Southern California's most family-oriented, safe, and prosperous cities. The low crime rate that the City continues to enjoy, is a direct result of not only the hard work and dedication of the men and women of the **Police Department**, but the positive interaction and participation by the community in crime prevention activities."

The agreements and the annual Schedule of Costs shows that the city is purchasing all the components of a Police Department, including direct and indirect (overhead) costs. The expenditures listed in the contract under Schedule A is in a similar level of detail and format to a full-service city's departmental expenditure report. San Bernardino County segregates each line item of cost separately and the billing rates of each position ONLY include salary and benefit costs (see Contract, Schedule A, Footnote 1). All necessary overhead is included separately in the contract and is described in detail. Many of those costs are eligible indirect costs that are necessary to support the function of the department and to allow the Deputies to perform their primary duty of providing law enforcement services.

There are no alternate or separate guidelines for computing overhead rates in claiming instructions or in Federal CFR Guidelines, to be used for contract cities, as you are proposing. The city calculated and provided Departmental Indirect Cost rates, computed exactly as shown in the State's guidelines and in compliance with Federal CFR/OMB Guidelines.

We agree with the Parameters and Guidelines (Ps and Gs), Claiming Instructions, and the Claiming Manual where it explains how indirect costs are to be prepared; however, the instructions must be read in their entirety to determine their intent.

Parameters and Guidelines V.B. Indirect Cost Rates:

> "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."

In this case the UNIT performing the mandate is the law enforcement unit purchased by the City of Rancho Cucamonga from the San Bernardino County Sheriff's Department (SBCSD) as outlined in detail in their contract showing all cost components charged to the city. The Schedule A shows that in addition to the Direct Salaries and Benefits of Law Enforcement Personnel, salaries of support and administrative staff for positions such as Captain, Lieutenants, Clerical Support positions, as well as other necessary and eligible (compliant with CFR guidelines) overhead costs such as vehicle and equipment usage charges which were billed to the city.

Claiming Manual, Section 8 states,

> "Indirect costs are (a) Incurred for a common or joint purpose benefiting more than one **cost objective**, and (b) not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate **or in departments that supply the department performing the mandate with goods, services, and facilities**. To be allowable, a cost must be allocable to a particular cost objective. Indirect costs must be distributed to benefiting cost objectives on bases, which produce an equitable result, related to the benefits derived by the mandate.

DAR states on page 24 that "**none** of the costs that the city incurred for law enforcement services provided by the SBCSD were indirect costs" and appears to argue that because ALL costs in the contract are assignable to the law enforcement contract or City Police Department, then ALL costs must be direct.

If SCO staff interpretation was correct, there would be no such thing as a Departmental Indirect Cost Rate as shown in State claiming manuals, examples, and instructions because every cost "assignable" to that department would be a direct cost. Nothing would be indirect except for costs outside of that department that were allocated to the department through the City or County-wide cost allocation plans. That is clearly not the case as "Departmental" Indirect Cost rates are the standard.

Staff's statement "if it's assignable to the department, then it's direct" is disproved by SCO's own analysis as you acknowledged that over eight items "assigned" to our "Department"/ law enforcement services contract were indeed allowable indirect (administrative) costs and included in SCO staff's "Administrative Cost Rate". Since these costs were also "assignable to the department", then that would make those costs also direct costs by SCO's definition.

The wording in the instructions and guidelines shows that the terminology between: "program", "department", and "cost objective" are used interchangeably to allow maximum flexibility to apply to various situations. The entire instructions must be read in context, not abbreviated and cherry picked. Claiming Manual, 8. Indirect Costs states: "Indirect costs can originate in the department performing the mandate **or in departments that supply the department performing the mandate with goods, services, and facilities**." Clearly indirect costs can originate in the law enforcement unit purchased from SBCSD.

COMMISSION ON STATE MANDATES PRIOR DECISIONS SUPPORT THE VALIDITY OF EXISTING PARAMETERS AND GUIDELINES AND EXISTING METHODOLOGY IN COMPUTATION OF OVERHEAD/ICRP RATES FOR CONTRACT CITIES:

Prior Commission on State Mandates (CSM) decisions also provided insight on the topic of overhead for cities contracting for law enforcement services.

In the City of Palmdale's Incorrect Reduction Claim (IRC) of the SCO's 2016 Audit of their Interagency Child Abuse and Neglect Reporting claims (See November, 2018 CSM meeting transcript) the Commission reviewed whether the City of Palmdale, which contracted with Los Angeles County for law enforcement services, was entitled to the 10% default overhead rate they claimed in their requests for reimbursement.

The Commission staff concluded that while it was not appropriate for a contracting agency to use the default 10% ICRP rate when computing overhead costs since this rate was designed specifically for application to only salaries (not salaries and benefits); a contract city would have been eligible for indirect cost reimbursement if the city prepared their own ICRP rate demonstrating valid indirect costs. The city did prepare and submit their ICRPs showing overhead cost computations.

Commissioner Alex stated during the meeting (Page 46 of transcript, Lines 5-8 of hearing transcript) that he agreed that **"…there is overhead associated with a contract and I think that's typical**."

Mr. Jones of the Commission staff noted that "...the Parameters and Guidelines say you can – you can prepare an indirect cost rate proposal if the indirect cost rate exceeds 10%." (Page 44 lines 24-25 and page 45, lines 1-2 of hearing transcript)

Commission Member Adams asked, "**And under Parameters – Parameters and Guidelines, would there have been an appropriate way to claim these indirect costs?"** (Page 38 lines 14-21 of hearing transcript)

Mr. Jones of the Commission staff responds, "**Staff's position is that, yes, there was an appropriate way, and it was to develop an indirect cost rate proposal with documentation that the Controller could review.**" (Page 38 lines 24-25 and Page 39 lines 1-2)

Ms. Shelton of the Commission noted that**, "…you have to follow the plain language of the Parameters and Guidelines."** (Page 47, lines 21-23 of hearing transcript). The plain language being that indirect costs were eligible for inclusion in the reimbursement claims under the language and rules established in the Parameters and Guidelines.

SCO FINDINGS THAT OUR ADMINISTRATIVE STAFF (CAPTAINS, LIEUTENANTS, SERGEANTS); SUPPORT STAFF (STATION CLERKS, SECRETARIES, AND SHERIFF'S SERVICE SPECIALISTS); AND SUPPORT COSTS (DISPATCH SERVICES, VEHICLE AND EQUIPMENT USAGE CHARGES) ARE NOT ALLOWABLE ARE INCONSISTENT WITH PRIOR AUDITS OF BOTH OTHER CONTRACT SERVICE CITIES AND FULL SERVICE CITIES:

We already cited the City of San Marcos Audit, another contract city in a similar situation. But there are many examples of full-service (non-contract) cities SCO audited where identical indirect costs (Captains, Lieutenants, Sergeants, Clerical Support, Vehicle and Equipment usage, etc.) were found to be allowable overhead/indirect costs. This list is only a small sample, listing audits our consultant was directly involved in and has personal information of:

- County of San Bernardino: Identity Theft Audit
- City of Rialto: Child Abuse and Neglect Reporting Audit
- City of South Lake Tahoe: Child Abuse and Neglect Reporting Audit
- City of Fresno: Administrative License Suspension Audit
- City of Fresno: Domestic Violence Audit
- City of Fresno: Identity Theft Audit
- City of Fresno: Peace Officer Bill of Rights Audits

Please let us know if you'd like us to send you a copy of the audits or ICRPs allowed in these reviews.

Like costs must be treated consistently to have a fair and non-arbitrary audit.

1) **SCO audits of San Bernardino County Sheriff's Department:**

The SCO has already audited and approved indirect cost rates for the San Bernardino County Sheriff's Department (our contracting agency) for this same program (Identity Theft) and for the same years. Since SCO approved indirect cost rates for this same organization, for activities which were performed by the same class of employees, paid at the same rates, for the same program and for the same years,

our allowable overhead rates which are sourced from the same agency should not be less than those approved rates.

San Bernardino County : Identity Theft Audit Report, Release April 2022

Allowable	Direct	Indirect	Approved ICRP Rate:
2002-03	$34,330	$24,543	=$24,543/$34,330= 71.5%
2003-04	$34,123	$20,965	= 61.4%
2004-05	$44,177	$27,142	= 61.4%
2005-06	$44,188	$20,875	= 47.2%
2006-07	$49,011	$21,727	= 46.2%
2007-08	$50,876	$27,743	= 54.5%
2008-09	$43,288	$20,596	= 47.6%
2009-10	$34,516	$15,770	= 45.7%
2010-11	$30,836	$14,215	= 46.1%
2011-12	$38,594	$16,468	= 42.7%
2012-13	$34,115	$14,335	= 42.0%

Allowing the City only an average of 6% overhead or "administrative cost allocation rate" when SCO audit of the San Bernardino County Sheriff's Department that provides us with law enforcement services is about 7 to 10 times that, shows the inequity and erroneous basis of staff computations.

CFR guidelines state in Section 200.306 (f) of 2 CFR Part 200:

> (f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, **and indirect costs** at either the third-party organization's approved federally negotiated indirect cost rate or**, a rate in accordance with § 200.414 Indirect (F&A) costs, paragraph (d),** provided these services employ the same skill(s) for which the employee is normally paid.

OMB/CFR clearly states that in addition to third-party salaries and benefits (which you properly allowed), **indirect costs,** at either the third-party organizations approved federally negotiated indirect cost rate, or a rate in accordance with 2 CFR Part 200 § 200.414 are eligible. OMB A-87/CFR guidelines do not distinguish or provide alternate indirect cost rate methodologies between first- and third-parties. The same rules would apply.

If SCO staff believe Federal CFR/(prior OMB A-87 methodology) does not apply to or allow for the recovery of full indirect costs for contract cities, or that some alternate methodology exists for contract cities, please provide evidence and references to the pertinent sections of Claiming Instructions, Parameters and Guidelines, or OMB/CFR Guidelines that support this. Other than State and Federal CFR guidelines, we are not aware of any alternate rules or guidelines that dictate how indirect costs are to be computed for contract cities. Therefore, we believe the existing rules would be applicable in the computation of our ICRP rates.

IF COSTS ARE DIRECT, AS THE DAR IMPLIES, THEN WHY DOESN'T THE SCO PAY FOR THOSE COSTS DIRECTLY?

Page 20 of the DAR narrative states, "The city's contracts with the SBCSD also includes additional employee classifications and items – such as vehicles, dispatch services, and equipment – that are all a part of the direct costs incurred to provide law enforcement for the city."

If it is SCO's position that these costs are not allowable in the Indirect Cost Rate, or in the SCO's newly created "Allowable Cost Rate" (ACR), then because a portion of these costs were legitimately necessary to perform the mandate program these costs should be reimbursed. Simply brushing them off and saying that they are all a part of the direct costs to provide law enforcement to the city does not satisfy mandate law or parameters and guidelines which state all direct and indirect costs must be reimbursed.

Under Section 5 of the Claiming Manual, it states:

> "Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:
>
> 1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required in carrying out the overall responsibilities of government;
> 2. The cost is allocable to a particular cost objective identified in the Ps & Gs; and
> 3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate"

It would not be possible to provide law enforcement services or comply with the mandate without vehicles, dispatch services, and equipment. Vehicles, equipment and dispatch services meet these criteria. The State Mandate Claiming Manual in the ICRP Example Table 6, page 13 states that "(Each line item should be reviewed to see if it benefits the mandate to insure a fair and equitable distribution.)"

Vehicle/Equipment Use: SCO proposed "ACR" rates do not include costs for the actual vehicles/ transportation costs. Also, handheld ratios or talkies were also omitted. Deputies would not be able to get the information from Dispatch without their handheld radios (HTs) or drive to the scene of the Identity Theft case. Both travel and vehicle/equipment usage are allowable as direct or indirect costs based on the instructions, so they could be claimed either way.

Appendix E to Part 225—State and Local Indirect Cost Rate Proposals Section A. 4. states:

> "… typical examples of indirect costs may include certain State/local-wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation or **use allowances on** buildings and **equipment**, the costs of operating and maintaining facilities, etc."

The State Controller Claiming Manual in Section 7. Direct Costs, (6) Travel Expenses states:

> "Travel expenses are normally reimbursable in accordance with the travel rules and regulations of the local jurisdiction..."

Based on these State and Federal Guidelines, we felt it was more appropriate to include the vehicle/equipment usage and related travel expenses in the overhead rate/ICRP. However, it could be claimed directly as you seem to be suggesting.

The City could be provided with a reimbursement for these costs using the allowable Federal vehicle mileage reimbursement rates by fiscal year, for example, in FY 2012-13 the rate was $.555 per mile. We could compute the total mileage for all ID Theft cases and apply this rate to reimburse us for our travel expenses. For example, if each ID Theft victim is an average of 10 miles from the station, that would be 20 miles round trip per case (304 cases) x $.555 per mile, or $3,374 reimbursement for travel costs in FY 2012-13.

Dispatch Services. The Audit report state that dispatch services are a direct function. Clearly the dispatcher/communications function "benefits the mandate" and is necessary support to the entire law enforcement function of the department. As dispatch support is necessary support to the Deputies for this mandate and for all law enforcement services, the "fair and equitable distribution" (see Claiming Instructions Manual, ICRP Example, Table 6, page 13) of costs related to this mandated program must be allowed.

We could take the total number of calls for service in a year, then, using the total number of Identity Theft cases, charge that same percentage of "Dispatch Services" costs to the mandate

Administrative and Clerical Support. A similar computation can be performed to distribute a fair allocable share of administrative support costs directly. We can take the total number of Deputies (the staff who provides the direct services of the law enforcement department) and then distribute the costs of the Captain/Police Chief and other administrative personnel for their necessary supervision and support.

Direct costing can certainly be done, but in the SCO audit, the city was not reimbursed for the cost either directly or indirectly. This omission violates the California Constitution and Parameters and Guidelines by denying us actual, increased costs that were necessary to perform the mandate.

"ALL COSTS SUBMITTED TO THE SCO ARE SUBJECT TO REVIEW TO DETERMINE IF THE COSTS ARE RELATED TO THE MANDATE":

Page 2 of Mandated Cost Manual, Section: Audit of Costs, "All claims submitted to the SCO are subject to review to determine if costs are related to the mandate…and are prepared in accordance with SCO's Claiming Instructions." We believe we have complied with the instructions and shown that the items we requested reimbursement for were necessary and are supported by Parameters and Guidelines, State Instructions, and Federal CFR Guidelines.

Not allowing reimbursement of those costs for vehicles, administrative personal such as our Police Chief, clerical staff, and the dispatch charges billed to us from the county when they are clearly necessary for the provision of the mandated services would be contrary to Claiming Instructions, Parameters and Guidelines, as well as Federal CFR-200 standards which all specifically allow for the inclusion and reimbursement of both direct AND indirect costs. To simply exclude or not allow legitimate costs is contrary to State and Federal rules, and also would be inconsistent with SCO's own office's prior audit determinations.

Please let us know if we you have any questions or if we can provide any additional information. We believe that the costs shown by the city are the proper and allowable costs, in compliance with State and Federal rules and guidelines.

Thank you for your time and consideration,

Tamara L. Oatman
Finance Director
City of Rancho Cucamonga

Annette S. Chinn
Consultant
Cost Recovery Systems Inc.

From: Tamara.Oatman@cityofrc.us,
To: achinncrs@aol.com,
Subject: FW: S22MCC0009 RANCHO CUCAMONGA, CITY OF
Date: Thu, May 18, 2023 2:13 pm
Attachments: Rancho Cucamonga - Audit Manager Response to Identity Theft Audit Issues.pdf (163K),

---

Hi, Annette.

Please review and let me know how I should respond. Thanks 😊

-Tamara

From: Venneman, Jim <jvenneman@sco.ca.gov>
Sent: Friday, May 12, 2023 3:06 PM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>; Kurokawa, Lisa <LKurokawa@sco.ca.gov>
Cc: Tyree, Joji <JTyree@sco.ca.gov>
Subject: RE: S22MCC0009 RANCHO CUCAMONGA, CITY OF

Good afternoon Tamara,

Thanks for your previous e-mail. My apologies, as I thought that the wording within the narratives for the finding within our Status Update, various email messages, and the draft report addressed the various issues raised by your consultant. I see now that more specifics were needed.

That said, we considered and discussed the issues identified by your consultant in the January 12, 2023, email included with your message. Attached is our response to each issue raised.

We will soon begin processing our final report for this audit. If the city intends to provide a formal response to the draft report on city letterhead, please send it to us by May 22nd. We will then include a copy of the city's response within the audit report. If possible, please include an MS Word version of the response so our report processing unit can more easily include the responses within the report.

If you have any additional questions or comments, please let me know.

Thanks,

Jim Venneman, CPA | Audit Manager
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Audit Manager Response

Issue 1

"If we understand your response correctly, it appears that your rationale for denying the City of Rancho Cucamonga indirect costs hinges on the fact that the format in which costs are presented by the contracting agency determines whether or not a city would be entitled to obtain full reimbursement of their indirect/overhead costs."

Response – That is incorrect. The format is not the issue. Indirect costs cannot be claimed against contract services. And, the city did not incur any indirect/overhead costs within its contracts with San Bernardino County. Indirect costs are defined in the Parameters and Guidelines as:

> ...costs that are incurred for a common or joint purpose benefitting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the results 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 other departments based on a systematic and rational basis through a cost allocation plan.

Since Rancho Cucamonga contracts out for its law enforcement services, there is only one program (contracted law enforcement services) and there are no city departments. The "overhead costs of the *unit* performing the mandate" describes the San Bernardino County Sheriff's Department, not the city. Just because the county incurs indirect costs and bills the city for them does not mean that these are also indirect costs incurred by Rancho Cucamonga. That is why we state that the city does not incur indirect costs through its contracts with San Bernardino County.

Issue 2

"So, Los Angeles (LA) County contracting cities can obtain full reimbursement of their direct and indirect costs because LA County contract format presents their deputy hourly rate with overhead costs already built into the rate. But cities that contract with San Bernardino County are not entitled to their full indirect overhead costs because the format of the contract separates costs in more detail listing salaries and benefits separate from the other contract line items, many of which would be considered allowable overhead items using OMB/CFR Guidelines?"

Response – We recognized that cities contracting with San Bernardino County for law enforcement services cannot recover "administrative" costs that the county includes as specific line item costs by claiming a productive hourly rate based solely on personnel costs for various county staff. That is why we determined, in this instance, that it is appropriate to calculate an allowable administrative percentage and add it to the PHR calculation. This is similar to the methodology that Los Angeles County uses for its contract cities, which is an issue your consultant raised in response to audit issues we communicated earlier. And, we agreed. We recognize that this may not meet your definition of "full reimbursement." From our standpoint, it does.

Issue 3

"If Parameters and Guidelines (Ps and Gs) and State law require the reimbursement of full actual costs – including direct and INDIRECT costs, how are local agencies that contract with County Sheriff's Departments that itemize and show those costs separately supposed to compute and get reimbursed for the allowable indirect costs if federal OMB/CFR and state guidelines are "not applicable", as you contend?"

Response – The only indirect costs incurred by the City of Rancho Cucamonga for law enforcement services are its internal costs incurred by various city departments for negotiating and administering its contracts with San Bernardino County. Yes – San Bernardino County includes its indirect costs as

separate line items in its contracts. However, as explained in Issue 1, that does not also make those costs indirect costs incurred by Rancho Cucamonga. There is a clear distinction. That is why we refer to these line item costs as "administrative costs," in order to differentiate them from indirect costs.

Issue 4

"Your statement that we used "contract services costs improperly identified as salaries and benefits as a base" to compute indirect costs is inaccurate –we used contract SALARIES AND BENEFITS as the base. Please explain how salaries and benefits that are paid via a contract are different from salaries and benefits paid by a full-service city and why this would nullify OMB/CFR guidelines? We see no such statements in any of the claiming instructions, claiming manuals, or Parameters or Guidelines that make a distinction on how salaries and benefits are paid regarding eligibility of costs or how this would alter the application of claiming instructions and OMB/CFR guidelines.

Response – We describe in our response to Issue 1 why Rancho Cucamonga did not incur any indirect costs within its contracts with San Bernardino County, so this argument is moot, from our standpoint. That said, what this argument proposes is a clear violation of the GASB's Statements of Government Accounting Standards. Re-classifying contract services costs incurred by the city as salaries and benefit costs just because they appear as salary and benefit costs in San Bernardino County's contracts is incorrect. Those salary and benefit costs belong solely to San Bernardino County, not the City of Rancho Cucamonga. This issue has come up in previous Incorrect Reduction Claims before the Commission on State Mandates and rejected.

Issue 5

In addition, may we remind you that your own office used "contract service salaries and benefits as a base" to compute the overhead for the City of San Marcos, a city that contracts with San Diego County and who also has a situation where overhead items are charged separately through the contract (see the City of San Marcos 2017 Crime Statistic Reports for the Department of Justice Audit, page 23), "We [SCO] determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, **by the contracted labor costs** identified in the contract supplemental schedules."

Response – Yes, that is correct. However, the Commission on State Mandates stated within previously adjudicated Incorrect Reduction Claims that each audit stands alone. Therefore, references to issues raised and conclusions reached in previous audits are irrelevant for the purposes of this audit.

Issue 6

"If it is your position that a County Sheriff's Department MUST show a billable rate that includes all overhead in the rate in order to obtain reimbursement for overhead costs is correct – then shouldn't that be stated very clearly somewhere in the instructions? It would be very easy for the County Sheriff's Department to alter their format and show costs in one rate which includes all overhead vs. showing the detailed itemized list of charges. Since your interpretation makes a very material difference in reimbursement amounts – this should have been very explicitly stated in the claiming manuals and instructions. By having our costs presented by San Bernardino County individually vs. aggregately, as LA County did, we stand to be denied over $1.3 million in indirect costs which would have been eligible if we were allowed to use existing claiming instructions and OMB/CFR guidelines."

Response – The SCO's Mandated Cost Manuals cannot be expected to provide direct instructions for every possible scenario under which claimants incur mandated costs. The reference in Issue 6 to "contract services salaries and benefits" used to calculate indirect costs for the City of San Marcos was also not an instruction appearing in the SCO's Mandated Cost Manuals. Further, for this audit, the allowance of administrative costs within the PHR calculations is an additional allowable cost, not a reduction of claimed costs. Instead, the reduction in the audit is for indirect costs, which were improperly claimed.

Issue 7

"Local agencies which contract for law enforcement services have been claiming overhead costs computed based on OMB/CFR standards for over 25 years now with no issue, but suddenly this has become a new avenue your office which seems to think it is a legitimate way of cutting State costs. It appears to us that you are simply making up rules as you go. And doing so inconsistently for that matter from audit to audit. In your LA County contact city audits, overhead costs built into the Deputy hourly rates (as well as liability charges) were allowed. In your audit of San Marcos (San Diego County Sheriff contracting agency) most overhead costs were allowed and computed "using contract services costs improperly identified as salaries and benefits as a base for claiming indirect costs" – the exact same method we used and that you are now saying is invalid. Each of your audits show inconsistent treatment of overhead costs in cities that contract for law enforcement services and failure to adhere to written State and Federal instructions and guidelines.

If your office wishes to change the rules, head in this new direction, and apply your new interpretation – that OMB A-87/CFR methodology does not apply for computation of law enforcement overhead/Indirect Cost Rate Proposal (ICRP) rates paid through contracts with county law enforcement agencies – then this should be explicitly stated in the written rules and guidelines and all parties should be able to review and participate in the adoption of those rules. Further, it is not fair to retroactively apply new standards and impose new rules on local agencies without providing advanced notice to them."

Response – There has been no "changing of the rules" on our part. The parameters and guidelines provide a definition of indirect costs that reiterate OMB/A-87 cost principles. The costs that the city claimed as indirect costs do not meet this definition. If you believe otherwise, the City can certainly file an Incorrect Reduction Claim with the Commission on State Mandates and have the matter adjudicated there.

Issue 8

"Under your new methodology – if OMB/CFR guidelines are inapplicable - how is overhead to be computed and how do you determine which costs are "*clearly* administrative in nature"? We also deserve an explanation of how we can prove that the costs for our "Captains, Lieutenants, and Sergeants, as well as various other line- item charges" which you concede "**may** [emphasis added] or may not **be administrative in nature** dependent on the functions that each classification performs" can qualify for inclusion in the overhead rate.

How do we prove to you that our clerical staff performs necessary support functions to our sworn staff? We provided job descriptions – but they seem to have been completely ignored. You stated that they "may" be administrative in nature, yet you denied everything without asking us a single question. Would it help to set up a meeting with command staff so your auditor could ask about the job duties, as they have for other audits, to determine allowable percentages? What guidelines are we supposed to be following if not OMB/CFR guidelines and written instructions? What format are we to use to show allowable overhead costs?"

Response – This argument is confusing administrative costs with indirect costs. Our determination of calculating additional allowable costs based on administrative costs within the city's contracts has nothing to do with OMB/A-87 cost principles. While activities performed by certain San Bernardino County law enforcement staff may be for an administrative function, the costs are still direct contract services costs incurred by the city for law enforcement services. If city employees performed law enforcement services within a city Police Department, then the city would be eligible to claim indirect costs for personnel performing clerical and/or administrative functions. We based our determination that certain contract costs are "clearly" administrative costs on auditor judgment that such costs are not directly related to providing law enforcement services for the city. We believe that the line item descriptions describe various types of indirect costs that San Bernardino County incurs to provide law enforcement services pursuant to its contracts with the city. As already explained, just because the city is reimbursing the county for its indirect costs does not also make those indirect costs incurred by Rancho Cucamonga.

Further, there is no purpose holding a discussion to determine the percentage of time certain San Bernardino County Sheriff Department staff spend performing administrative activities. This will not change our position that such costs are a portion of the direct costs incurred by the city for its law enforcement services and are not "administrative" costs." Reimbursable personnel costs are those costs incurred by the city for county staff directly performing the reimbursable activities.

Issue 9

"Finally, we believe your actions violate "Due Process" requirements by creating new rules and standards that are not enumerated in written claiming manuals, parameters and guidelines, claiming instructions, and the OMB/CFR Guidelines. There is no statement that Ps and Gs do not apply to cities contracting for law enforcement services. There is no explanation that indirect costs are not allowable if they are itemized, but they are allowable if they are already built into staff hourly rates. There is no description of how local agencies that contract for law enforcement services are supposed to claim their allowable indirect costs in a manner acceptable to the SCO.

Given your response that OMB/CFR Guidelines do not apply to the computation of indirect costs for cities that contract for law enforcement agencies with county agencies; that indirect costs for contract cities are in fact completely unallowable costs or are subject to some alternate, non-written standards that only your office can determine or dictate at your sole discretion and without any explanation as to how you conclude what is or is not an allowable cost because you've unilaterally determined that Federal OMB/CFR guidelines are inapplicable; that your conclusion that those agencies whose law enforcement contracts do not already have overhead pre-built into their Deputy rates, like LA county does, somehow forfeits their right to compute and claim the same allowable, actual overhead costs based on existing federal and State principals indicates that your office is engaged in underground rule making and that higher level discussion is required.

Because this issue is of Statewide consequence, impacting approximately 30% of California cities that contract for law enforcement services, in order to avoid flooding the Commission on State Mandates with many similar Incorrect Reduction Claims, I believe it would be prudent to pause this Audit temporarily and have an informal conference with the Commission on State Mandates and with other interested parties to further address this issue. Perhaps there needs to be some amendment to the boilerplate language included in the SCO's Mandated Cost Manual for Local Agencies so there are clear and coherent written guidelines for these thousands of law enforcement claims that involve contract cities.

Because this impacts other agencies and consultants who work on State mandate claims, I believe all interested parties should be invited to meet to discuss and resolve these issues before we go further. It is

not fair to local agencies to say that Federal OMB/CFR guidelines do not apply and to have no other written instructions on how local agencies that contract for law enforcement services are supposed to compute and claim for legitimate and blatantly allowable overhead costs (such as in our case: administrative support- Police Chief/Captain, Lieutenants, Sergeants; vehicles and fuel for deputies; and clerical support staff).

I am cc'ing Heather Halsey, Camille Shelton, and your supervisor on this email so that they can advise us on how best to proceed."

Response –We responded positively to an argument raised during the audit that cities contracting with San Bernardino County for law enforcement services cannot recover the mandated cost portion of administrative costs appearing within the county's contracts solely because of the way that the county prepares those contracts. To support that argument, we were asked to consider the methodology that Los Angeles County uses to bill its contracting cities for law enforcement services, specifically in the way it includes administrative costs within the productive hourly rate calculations for county personnel. We concurred with that argument and used a similar methodology to include the costs we identified as administrative costs within the city's contracts and re-calculated allowable productive hourly rates for county staff. This resulted in additional allowable costs for the city.

We stand by our audit finding that indirect costs are not claimable against contract services costs. Our answer to Issue 1 explains why this is a violation of OMB/A-87 guidelines and guidance also provided within the Parameters and Guidelines for the Identity Theft Program. The Commission on State Mandates previously agreed to this conclusion within prior Incorrect Reduction Claims. However, the City can certainly file an Incorrect Reduction Claim with the Commission on State Mandates and have the matter adjudicated there once again.

From: Tamara.Oatman@cityofrc.us,
To: LKurokawa@sco.ca.gov, jvenneman@sco.ca.gov,
Cc: achinncrs@aol.com,
Subject: S22MCC0009 RANCHO CUCAMONGA, CITY OF
Date: Fri, Apr 28, 2023 3:00 pm
Attachments: Response to Jim Venneman re exit conf info Jan 12 email.docx (19K), Response to Jim Venneman (April 28 2023).docx (49K)

Good afternoon, Ms. Kurokawa.

According to our records we were still awaiting Mr. Venneman's response to our consultant's January 12th correspondence.

In addition, we had a few more questions that we'd appreciate further explanation (see two attached documents) before this audit is finalized. We would request that you allow us 10 days after we receive your response to these two correspondences before we send you our formal response.

Again, we would request a meeting with you and our command staff to answer questions about job duties so we can prove that our Captain (who acts as our Police Chief), our Lieutenants, and a portion of our Sergeants perform eligible administrative functions that should be allowed in the overhead rate.

Thank you.

-Tamara Oatman

Tamara L. Oatman
Finance Director
City of Rancho Cucamonga
Email: Tamara.Oatman@cityofrc.us
Phone: (909) 774-2430

Have a joyful day 😊

Response to Jim Vennemon re exit conf info Jan 12 email.docx

Jim,

If we understand your response correctly, it appears that your rationale for denying the City of Rancho Cucamonga indirect costs hinges on the fact that the format in which costs are presented by the contracting agency determines whether or not a city would be entitled to obtain full reimbursement of their indirect/overhead costs.

So, Los Angeles (LA) County contracting cities can obtain full reimbursement of their direct and indirect costs because LA County contract format presents their deputy hourly rate with overhead costs already built into the rate. But cities that contract with San Bernardino County are not entitled to their full indirect overhead costs because the format of the contract separates costs in more detail listing salaries and benefits separate from the other contract line items, many of which would be considered allowable overhead items using OMB/CFR Guidelines?

If Parameters and Guidelines (Ps and Gs) and State law require the reimbursement of full actual costs – including direct and INDIRECT costs, how are local agencies that contract with County Sheriff's Departments that itemize and show those costs separately supposed to compute and get reimbursed for the allowable indirect costs if federal OMB/CFR and state guidelines are "not applicable", as you contend?

Your statement that we used "contract services costs improperly identified as salaries and benefits as a base" to compute indirect costs is inaccurate –we used contract SALARIES AND BENEFITS as the base. Please explain how salaries and benefits that are paid via a contract are different from salaries and benefits paid by a full-service city and why this would nullify OMB/CFR guidelines? We see no such statements in any of the claiming instructions, claiming manuals, or Parameters or Guidelines that make a distinction on how salaries and benefits are paid regarding eligibility of costs or how this would alter the application of claiming instructions and OMB/CFR guidelines.

In addition, may we remind you that your own office used "contract service salaries and benefits as a base" to compute the overhead for the City of San Marcos, a city that contracts with San Diego County and who also has a situation where overhead items are charged separately through the contract (see the City of San Marcos 2017 Crime Statistic Reports for the Department of Justice Audit, page 23), "We [SCO] determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, **by the contracted labor costs** identified in the contract supplemental schedules."

So, your January 5th email statement that "Our position has always been that using the A-87 methodology contained in Subpart E to claim administrative costs using contract services as a base is a non-starter for our office" is not supported by or consistent with your own prior audit record.

Please explain what other guidelines or manuals exist that explain how overhead costs are to be computed if claiming instructions and OMB/CFR guidelines are not applicable. According to the Claiming Manual pertaining to indirect costs it states that, "Only this format is acceptable under the SCO reimbursement requirements." We used exactly this format. We used Salaries and Benefits as the base.

Please explain how your office computed allowable overhead costs for our claims. You do not show your computational methodology, nor is there any guidance in the written manuals and instructions to

show agencies how to compute overhead in the manner you deem acceptable. o. How is this not a "new" or "hybrid" approach if it is not described in the instructions?

If it is your position that a County Sheriff's Department MUST show a billable rate that includes all overhead in the rate in order to obtain reimbursement for overhead costs is correct – then shouldn't that be stated very clearly somewhere in the instructions? It would be very easy for the County Sheriff's Department to alter their format and show costs in one rate which includes all overhead vs. showing the detailed itemized list of charges. Since your interpretation makes a very material difference in reimbursement amounts – this should have been very explicitly stated in the claiming manuals and instructions. By having our costs presented by San Bernardino County individually vs. aggregately, as LA County did, we stand to be denied over $1.3 million in indirect costs which would have been eligible if we were allowed to use existing claiming instructions and OMB/CFR guidelines.

Local agencies which contract for law enforcement services have been claiming overhead costs computed based on OMB/CFR standards for over 25 years now with no issue, but suddenly this has become a new avenue your office which seems to think it is a legitimate way of cutting State costs. It appears to us that you are simply making up rules as you go. And doing so inconsistently for that matter from audit to audit. In your LA County contact city audits, overhead costs built into the Deputy hourly rates (as well as liability charges) were allowed. In your audit of San Marcos (San Diego County Sheriff contracting agency) most overhead costs were allowed and computed "using contract services costs improperly identified as salaries and benefits as a base for claiming indirect costs" – the exact same method we used and that you are now saying is invalid. Each of your audits show inconsistent treatment of overhead costs in cities that contract for law enforcement services and failure to adhere to written State and Federal instructions and guidelines.

If your office wishes to change the rules, head in this new direction, and apply your new interpretation – that OMB A-87/CFR methodology does not apply for computation of law enforcement overhead/Indirect Cost Rate Proposal (ICRP) rates paid through contracts with county law enforcement agencies – then this should be explicitly stated in the written rules and guidelines and all parties should be able to review and participate in the adoption of those rules. Further, it is not fair to retroactively apply new standards and impose new rules on local agencies without providing advanced notice to them.

Under your new methodology – if OMB/CFR guidelines are inapplicable - how is overhead to be computed and how do you determine which costs are "*clearly* administrative in nature"? We also deserve an explanation of how we can prove that the costs for our "Captains, Lieutenants, and Sergeants, as well as various other line- item charges" which you concede "**may** [emphasis added] or may not **be administrative in nature** dependent on the functions that each classification performs" can qualify for inclusion in the overhead rate.

How do we prove to you that our clerical staff performs necessary support functions to our sworn staff? We provided job descriptions – but they seem to have been completely ignored. You stated that they "may" be administrative in nature, yet you denied everything without asking us a single question. Would it help to set up a meeting with command staff so your auditor could ask about the job duties, as they have for other audits, to determine allowable percentages? What guidelines are we supposed to be following if not OMB/CFR guidelines and written instructions? What format are we to use to show allowable overhead costs?

Finally, we believe your actions violate "Due Process" requirements by creating new rules and standards that are not enumerated in written claiming manuals, parameters and guidelines, claiming instructions, and the OMB/CFR Guidelines. There is no statement that Ps and Gs do not apply to cities contracting for law enforcement services. There is no explanation that indirect costs are not allowable if they are itemized, but they are allowable if they are already built into staff hourly rates. There is no description of how local agencies that contract for law enforcement services are supposed to claim their allowable indirect costs in a manner acceptable to the SCO.

Given your response that OMB/CFR Guidelines do not apply to the computation of indirect costs for cities that contract for law enforcement agencies with county agencies; that indirect costs for contract cities are in fact completely unallowable costs or are subject to some alternate, non-written standards that only your office can determine or dictate at your sole discretion and without any explanation as to how you conclude what is or is not an allowable cost because you've unilaterally determined that Federal OMB/CFR guidelines are inapplicable; that your conclusion that those agencies whose law enforcement contracts do not already have overhead pre-built into their Deputy rates, like LA county does, somehow forfeits their right to compute and claim the same allowable, actual overhead costs based on existing federal and State principals indicates that your office is engaged in underground rule making and that higher level discussion is required.

Because this issue is of Statewide consequence, impacting approximately 30% of California cities that contract for law enforcement services, in order to avoid flooding the Commission on State Mandates with many similar Incorrect Reduction Claims, I believe it would be prudent to pause this Audit temporarily and have an informal conference with the Commission on State Mandates and with other interested parties to further address this issue. Perhaps there needs to be some amendment to the boilerplate language included in the SCO's Mandated Cost Manual for Local Agencies so there are clear and coherent written guidelines for these thousands of law enforcement claims that involve contract cities.

Because this impacts other agencies and consultants who work on State mandate claims, I believe all interested parties should be invited to meet to discuss and resolve these issues before we go further. It is not fair to local agencies to say that Federal OMB/CFR guidelines do not apply and to have no other written instructions on how local agencies that contract for law enforcement services are supposed to compute and claim for legitimate and blatantly allowable overhead costs (such as in our case: administrative support- Police Chief/Captain, Lieutenants, Sergeants; vehicles and fuel for deputies; and clerical support staff).

I am cc'ing Heather Halsey, Camille Shelton, and your supervisor on this email so that they can advise us on how best to proceed.

Thank you,

Annette Chinn

Response to Jim Venneman (April 28 2023) - docx

Dear Mr. Venneman,

As you noted, the Commission often upholds your office's finding in Incorrect Reduction Claims (IRCs) citing your "expertise". As experts – we'd really appreciate your clear explanation of these issues along with citations to written instructions, so going forward we are aware of the methods to correctly compute these types of costs since reliance on claiming instructions and 200 CFR Guidelines/former OMB A-87 rules are apparently not applicable based on your statements.

You agreed that the San Bernardino County's contract itemized all costs (direct and indirect) separately and that the Deputy Hourly costs shown in the contract only included salaries and benefits – and zero overhead costs.

You agreed that this format differed from other counties, such as Los Angeles (LA) County Sheriff's, that provide law enforcement services to contract cities and already have indirect costs included in the Deputy hourly billing rate. You noted that you didn't know what types of overhead costs were included in LA County rates, but allowed 100% of those costs that were already billed into the Deputy rates in prior claims.

We showed you that the rates you allowed for cities that contracted with LA County for law enforcement services in prior audits, which did include indirect costs pre-built into their rates, were significantly higher than those you were allowing for cities that contract with San Bernardino County, where no overhead costs were included in the base Deputy rates. ($124/hr. for LA County contract cities vs. $82/hr. for San Bernardino County contract cities – 48% less than what was approved for cities in LA County)

FY 2012-13 Deputy Sheriff Hourly Rate Comparison

LA COUNTY CONTRACT CITIES HRLY RATE **CITY REQUESTED*** (Including additional 10% overhead requested, but denied by SCO) *	$136.40*
LA COUNTY CONTRACT CITIES AUDITED SCO HRLY RATE SCI==- **SCO APPROVED***	$124.00*
SAN BERNARDINO COUNTY CONTRACT CITIES HRLY RATE **CITY REQUESTED** (including "ICRP/OMB A-87" rate)	$145.45
CITY OF RIALTO AUDITED OFFICER HRLY RATE **SCO APPROVED**** (including "ICRP/OMB A-87" rate)	$126.84**
SAN BERNARDINO COUNTY CONTRACT CITIES SCO HRLY RATE **SCO RECOMMENDED PER PRELIM. AUDIT REPORT** (including SCO new "ACR" Rate)	$87.47

*See City of West Hollywood Identity Theft Audit and City of Palmdale Child Abuse and Neglect Audits
**This is the FY 11-12 SCO Officer audited hourly rate for the City of Rialto, a full-service city in the same county.

These rates were computed in the following manner:

FY 2012-13: Billable Hourly Rate Computation for the San Bernardino County Deputy Sheriff:

SCO Allowed Hourly Billing Rate using SCO created "Administrative Cost Rate" (ACR)

FY 12-13 based rate with only salaries and benefits per contract = $82.41
+ overhead per SCO allowed "ACR" = $82.41 x 6.14% rate = + $5.06

SCO allowed hourly billing rate = $87.47

vs

City Claimed Hourly Billing Allowed Rate using existing ICRP Methodology/Claiming Instructions

FY 12-13 based rate with only salaries and benefits per contract = $82.41
+ overhead per Ps&Gs ICRP guidelines = $82.41 x 76.5% ICRP rate = + $63.04
Actual hourly billing rate = $145.45

In regards to your January 5th email, we would like to state for the record that when we said that you had developed an alternate or "hybrid methodology" we were referring to the computation of your alternate ICRP/overhead or your "Administrative Cost Rate" (ACR). We had no issue with how you computed the hourly billing rate, which is simply adding the salaries and benefits to the allowable overhead, same as how our hourly rate would be computed.

You acknowledged that because our contract rates didn't include any overhead costs at all – you felt that it was reasonable to allow us "some" overhead, but because you stated "OMB A-87/CFR Guidelines don't apply" (because we were a contract city), your office had to use another methodology to compute overhead costs. This is what we feel was done improperly.

The Claiming Manual in Section 8. Indirect Costs states that indirect costs "must be prepared in accordance with the provision of OMB Circular 2 CFR, Chapter 1 and Chapter II, Part 200 et al.", thus we were not aware that an alternate methodology existed for contract cities and would appreciate a detailed explanation and support for your position and any references to instructions. Since you said your "ACR" was not a "new methodology", could you please direct us to where those written guidelines are located in the instructions so we too know how to compute the correct rates in the future?

You stated on page 7 of your Preliminary Audit Report narrative that our ICRP rates were not eligible because "using the A-87 methodology contained in Subpart E to claim administrative costs **using contract services as a base is a non-starter for our office.**"

This is confusing because **your** "ACR" rate is computed using **total contract services** as a base, our ICRP rate did not - we used salaries and benefits as shown in the claiming instructions. Please explain your contradictory statement.

FY 2012-13 Deputy Sheriff Rate Comparison

City computed ICRP =	$12,167,160 = Total Allowable Indirect Costs = 76.5% $15,907,114 **Total Direct Salaries & Benefits**
SCO computed "ACR" =	$1,731,698, = Total "Administrative Costs" = 6.1% $28,209,685 **TOTAL CONTRACT SERVICE AMOUNT**

According to the Claiming Manual in Indirect Costs, Section 8 in the last paragraph it states that, "[O]nly this [ICRP] format [shown in Table 6] is acceptable under the SCO reimbursement requirements"; however, your new methodology does not use the ICRP format.

Your "ACR" methodology also limits eligible costs to only "administrative" type costs while OMB/CFR Guidelines list numerous eligible items. If we are not to use OMB/CFR Guidelines to determine cost eligibility, then please direct us to where a description of what exact costs are eligible can be found.

The following costs/items would have been allowable indirect costs under existing CFR/OMB A-87 rules:

Contract Cost Items NOT Included by SCO as allowable Indirect cost	Federal CFR Citation supporting the allowability of the cost
Captain, Lieutenant, Sergeants	**2 CFR Ch. II §200.414 (c)** "The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs." **2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity.
Office Specialists & Secretaries	**2 CFR Ch. II §200.414 (c)** "The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs." (See additional narrative above)
Dispatch Support	**Appendix B to Part 225—Selected Items of Cost** 7. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable. [the County charges a share of the dispatch/communications division costs with contracting cities] **Also see above- 2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs.
Vehicle Usage Charges: Marked units, Unmarked Units, Marked Citizen Patrol Sedan, Pickup Trucks, & Motorcycles Also, Handheld Talkies (HTs), Radar Units, Tasers	**Multiple Sections of OMB/CFR Guidelines address eligibility of equipment charges and usage:** **Appendix B to Part 225—Selected Items of Cost** 11. Depreciation and use allowances. a) use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.) 15. *Equipment and other capital expenditures.* (2)"Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or $5000. 43. *Travel costs.* a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred,

Below are references to which support our method used. Can you please provide references that support your position?

2 CFR §200.403 Factors affecting allowability of costs:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles"

FEDERAL CFR GUIDELINES: APPENDIX A TO PART 225—GENERAL PRINCIPLES FOR DETERMINING ALLOWABLE COSTS

" A. *Purpose and Scope*

Objectives. This Appendix establishes principles for determining the allowable costs incurred by State, local, and federally- recognized Indian tribal governments (governmental units) under grants, **cost reimbursement contracts**, and other agreements with the Federal Government (collectively referred to in this appendix and other appendices to 2 CFR part 225 as "Federal awards"). The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal or governmental unit participation in the financing of a particular program or project. *The principles are designed to provide that Federal* ***awards bear their fair share of cost recognized under these principles*** except where restricted or prohibited by law.

1. Policy guides.

a. The application of these principles is based on the fundamental premises that:

(1) Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.

(2) Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

(3) **Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards.**

3. Application.

a. These principles will be applied by all Federal agencies in determining costs incurred by governmental units under Federal awards ***(including subawards)*** except those with (1) publicly-financed educational institutions subject to, 2 CFR part 220, Cost Principles for Educational Institutions (OMB Circular A–21), and (2) programs administered by publicly-owned hospitals and other providers of medical care that are subject to requirements promulgated by the sponsoring Federal agencies. However, 2 CFR part 225 does apply to all central service and department/agency costs that are allocated or billed to those educational institutions, hospitals, and other providers of medical care or services by other State and local government departments and agencies.

b. **All subawards are subject to those Federal cost principles applicable to the particular organization concerned. Thus, if a subaward is to a governmental unit** (other than a college, university or hospital), ***2 CFR part 225 shall apply;*** if a subaward is to a commercial organization, the cost principles applicable to commercial organizations shall apply; if a subaward is to a college or university, 2 CFR part 220 (Circular A–21) shall apply; if a subaward is to a hospital, the cost

principles used by the Federal awarding agency for awards to hospitals shall apply, subject to the provisions of subsection A.3.a. of this Appendix; if a subaward is to some other non-profit organization, 2 CFR part 230, Cost Principles for Non-Profit Organizations (Circular A–122), shall apply.

"F. *Indirect Costs*

1. General. Indirect costs are those: Incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. **The term "indirect costs," as used herein, applies to costs of this *type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities*. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department *or in other agencies providing services to a governmental unit department.*** Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

2. Cost allocation plans and indirect cost proposals. Requirements for development and submission of cost allocation plans and indirect cost rate proposals are contained in Appendices C, D, and E to this part.

3. Limitation on indirect or administrative costs.

a. In addition to restrictions contained in 2 CFR part 225, there may be laws that further limit the amount of administrative or indirect cost allowed.

b. Amounts not recoverable as indirect costs or administrative costs under one Federal award may not be shifted to another Federal award, unless specifically authorized by Federal legislation or regulation.

G. ***Interagency Services. The cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro rate share of indirect costs.*** A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) may be used in lieu of determining the actual indirect costs of the service. These services do not include centralized services included in central service cost allocation plans as described in Appendix C to this part. "

The Claiming Manual Section 8. A shows examples of when one local agency provides services to another local agency or "On Behalf of" another local agency. These examples show that not only are the direct salaries of the staff performing the eligible activity eligible for reimbursement, so are the departmental indirect costs (see examples: of Auditor Dept providing "Warrant Writing" services and Building and Grounds Dept providing Building Maintenance services to other departments.

The section immediately following states that if the local agency wants to utilize a rate over the 10% fixed rate, they must prepare an Indirect Cost Rate Proposal (ICRP) for the program following the provisions of Federal CFR Guidelines. This is exactly what we did but if your position is that ICPR format and CFR/OMB A-87 rules are not applicable - what rules are we to follow?

We disagree with your assertion that existing Federal CFR, "A-87 ... is not applicable". Federal CFR guidelines seem quite clear that the same rules and guidelines apply whether or not the work is performed by an in-house police department, or one which was purchased from another local governmental entity to provide those identical types of services. A county organization is subject to the same CFR/OMB methodology, as is validated by your own audit of San Bernardino County's Identity

Theft claims. We don't see the need to create your alterative "ACR" methodology to compute overhead costs nor your decision to say A-87 guidelines are not applicable.

The language of the Federal CFR Guidelines seems to show the intent that those same principals and guidelines were applicable to all governmental entities. **"The term "indirect costs," as used herein, applies to costs of this type *originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities*. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department *or in other agencies providing services to a governmental unit department".*** In our opinion, creating your "new" or alternate methodology – with your unique set of definitions, limitations, and guidelines- is not required, supported, or permitted by the plain language of the Ps and Gs nor the Federal CFR Guidelines.

DIRECT COSTS:

State Mandate Government Codes and Parameters and Guidelines state that we are to be reimbursed for all the direct and indirect costs of the program. Section 1 of the Claiming Manual states, "Government Code (GC) sections 17500 through 17617 provide for the reimbursement of costs incurred by local agencies for costs mandated by the State."

State and Federal instructions and guidelines state that direct costs are those that "can be identified specifically for the performance" of the "award" or "cost objective". Your Draft Audit Report identified the Deputy and Sheriff Services Specialists as the direct staff that performs the "award/cost objective/mandate" in the amount of 79 minutes to take the ID Theft Report and begin the investigation and Sergeants to review and approve those reports at 13 mins each.

Ps and Gs, claiming instructions, and CFR/OMB Guidelines state a direct cost is:

"E. **Direct Costs**

1. General. **Direct Costs are those that can be identified specifically with a particular final cost objective."**

2. Application. Typical **direct costs chargeable to *Federal awards* are**:

a. Compensation of employees for the **time devoted and identified *specifically to the performance of those awards.***

b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

c. Equipment and other approved capital expenditures.

d. Travel expenses incurred specifically to carry out the award.

e. Minor items. Any direct costs of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives."

CFR Part §200.44 Final cost objective.

"Final cost objective means a cost objective which has allocated to it both direct and indirect costs and, in the non-Federal entity's accumulation system, is one of the final accumulation points, such as a particular award, internal project, or other direct activity of a non-Federal entity. See also §§200.28 Cost objective and 200.60 Intermediate cost objective. "

The Claiming Manual states:

"5. **Payment of Claims**

"Unless specified in the statutes, regulations, or Parameters and Guidelines (Ps & Gs), the determination of allowable and unallowable costs for mandates is based on the Ps & Gs adopted by the CSM. **Allowable costs are those direct and indirect costs**, less applicable credits, **considered eligible for reimbursement.** In order for costs to be allowable and thus eligible for reimbursement, **the costs must meet the following general criteria:**

1. "The cost is **necessary and reasonable for proper and efficient administration of the mandate** and not a general expense required in carrying out the overall responsibilities of government;"
2. The cost is allocable to a particular **cost objective identified in the Ps & Gs;**

A "**final cost objective**" is defined by 2 CFR Part 200

"g. Cost Objective means a function, organizational subdivision, contract, Federal award, or other work unit **for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs, and capitalized projects**."

The "cost objective" is to determine the direct and indirect costs for the "award" or the mandate program activities identified in Parameters and Guidelines: to take an identity theft report and begin an investigation of the facts - not to determine all the all-inclusive costs of **"providing law enforcement services for the city's residents"** as you broadly define in your January 5th email. If this was our "cost objective" the entire police departmental budget/contract would be a direct cost then there would be no such thing as a departmental indirect cost rate proposal since no cost would be indirect. This is clearly not the case as the examples in the claiming manual show departmental indirect costs as well as Cost Allocation Plan costs originating outside of the department.

Are you saying that there is an alternate definition of a "direct cost" for contract cities? Because in your other audits of other agencies' Identity Theft claims, as well as other law enforcement claims, you have not used this broad definition to exclude command staff, vehicles, clerical and dispatch support costs from their indirect cost rates.

On the one hand you state that the costs of our administrative/supervisory staff (Captains, Lieutenants, Sergeants), county Sheriff vehicle usage charges, office clerical support staff, and county dispatch service charges are direct costs, but then fail to pay for them directly, though we showed that their support is required to perform the mandate and proposed various methods of how it would be possible to pay directly (by using federal mileage rates to pay for transportation/vehicle usage, for example).

Then when we point out that you haven't paid for any share of those costs directly and request that they be included in the indirect costs because they are necessary for the performance and support of the mandate, you again decline to include them in the overhead or your "ACR" rate. This violates the

principals of State Mandate law which requires payment of all direct and indirect costs. Performance of the mandate would not be possible without these costs and functions, and thus a share of those costs must be reimbursed.

The Indirect costs, are according to the instructions, "costs incurred for a common or joint purpose, benefiting more than one cost objective and not readily assignable to the cost objectives without effort disproportionate to the results achieved."

Your preliminary findings incorrectly identify VEHICLE USAGE CHARGES, DISPATCH SUPPORT COSTS, and CLERICAL and COMMAND staff as direct costs - yet, these groups of employees and support functions do not directly perform the cost objective / mandate program which is to take or investigate Identity Theft Reports. Captains, Lieutenants, clerical and dispatch staff time is not, **"devoted and identified *specifically to the performance of those awards*."** However, they do provide support that is **"necessary and reasonable for proper and efficient administration of the mandate".** They support/benefit the Identity Theft COST OBJECTIVE by providing support to this program, as well as other programs performed by sworn staff in the entire department. Their activities do not benefit only one cost objective.

> 2 CFR Part 200 (on page 136) Sect. 200.413 (c) The salaries of administrative and **clerical** staff should normally be treated as indirect costs."

Records staff are clerical staff preparing and maintaining reports generated by all sworn staff on more than one direct cost objective or program.

DISPATCH DIVISION CHARGES: The County Sheriff bills a share of Dispatch support costs (Communication Division) to provide necessary support to the Deputies who are the direct labor of the cost objective /mandate (Identity Theft Report taking and preliminary investigations). The Deputy would not be able to obtain the call for service, communicated with, or be tracked in the field without the efforts of the Dispatch division. They assign and track the case number and monitor the sworn staff in the field in their commission of their all their direct duties –including the activities under these Ps & Gs.

While responding to the Identity Theft case, the Deputy is in constant contact with the Dispatch division – receiving the information/case from Dispatch, notifying Dispatch of their location, arrival time, departure time from the call and notifying them of the status of the investigation or if any additional assistance is needed. The Dispatcher Unit – or Communications Division – is not there to provide a direct service to the public (the Public does not call Dispatch to request assistance from a Dispatcher, the dispatch staff cannot provide law enforcement services). Their job is to act as the communication interface and the division exists only to support the Deputies who are performing the direct law enforcement services and the mandate program.

CLERICAL STAFF: Records staff process and store the paperwork that is generated from the direct law enforcement programs performed by the officers. They log, prepare and file all crime reports and statistics (including Identity Theft cases). They are the clerical branch of the department, only there to process the direct work and programs performed by the Officers. They are support only – not managing an independent program or performing a direct function to the public.

The positions in these divisions are necessary support staff to the sworn staff. They do not provide direct law enforcement services to the public, nor do they take Identity Theft Reports from the public. Thus, their clerical support costs should be included into the ICRP or overhead rate as permitted by the instructions, OMB A-87, and 2 CFR Part 200.

We certainly agree with you that there can be some positions in a police department that are neither directly chargeable to the "award"/mandate program and are also not indirect costs because they do not provide benefit/support to the department, or the cost objective/mandate program. For example, positions such as parking enforcement officers or Animal Control staff do not provide support/benefit to the entire department, or the mandate program, but perform a specific direct function unrelated to the support of the entire department. The Deputies who are performing the direct function of providing law enforcement service, including the mandate program, do not rely on the support of these positions to perform their law enforcement duties.

This is not true of our Captains, Lieutenants, Sergeants, Vehicle usage charges, dispatch division costs, and clerical support. These positions and costs are necessary to support the Deputies who provide the law enforcement services – the core function of the entire police department, and are necessary for the performance of the cost objective/mandated program. The Deputy would not be able to properly perform the mandated program without these expenses; thus, a share of their cost should be included for reimbursement – either directly or indirectly as required in the Claiming Manual Section 5,

1. "The cost is **necessary and reasonable for proper and efficient administration of the mandate** and not a general expense required in carrying out the overall responsibilities of government;"

2. The cost is allocable to a particular **cost objective identified in the Ps & Gs;**

We believe these costs should be included in the overhead rate – either in your "ACR" version, or preferably in the ICRP format as we requested in our claims. However, if you believe these costs are direct, then you should pay for those costs that are necessary for the performance of the mandate directly. Currently, in your Draft Findings, you have neither paid for these necessary costs either directly or indirectly, which violates the intent of Mandate Government Code and Parameters and Guidelines.

Thank you and please let us know what times/dates work best with your schedule to discuss these issues further.

Sincerely,

Tamara Oatman
Finance Director
City of Rancho Cucamonga

Annette S. Chinn
Consultant
Cost Recovery Systems Inc.

From: Tamara.Oatman@cityofrc.us,
To: achinncrs@aol.com,
Subject: FW: S22MCC0009 RANCHO CUCAMONGA, CITY OF
Date: Wed, Apr 19, 2023 10:37 am
Attachments: S22MCC0009 DRAFT OSB.pdf (1265K)

Good morning, Annette.

I'm not sure if you received a copy of this as well or not. I haven't reviewed it yet, but I will by the end of the week. Can you assist me with drafting our response to the report? Thanks for your help 😊

-Tamara

From: AUD CPU <audcpu@sco.ca.gov>
Sent: Wednesday, April 19, 2023 8:32 AM
Subject: S22MCC0009 RANCHO CUCAMONGA, CITY OF

CAUTION: This email is from outside our Corporate network. Do not click links or open attachments unless you recognize the sender and know the content is safe.

*Please **DO NOT** respond to this email.*

Please find attached the draft audit report for the costs claimed by the City of Rancho Cucamonga for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

Please respond to the draft report within 10 calendar days of receipt. In particular, you should address the accuracy of the audit finding and include your views concerning the conclusion, finding, and recommendation, as well as any planned corrective actions. We may modify the report based on your comments or additional information that develops. We will also include your comments in the final audit report. If we do not receive your comments within the specified time, we will release the report as final.

Please send your response via email to lkurokawa@sco.ca.gov, or to Lisa Kurokawa, Chief, Compliance Audits Bureau, Division of Audits, State Controller's Office, Post Office Box 942850, Sacramento, California 94250. If your response is a hard copy with a wet signature or a PDF attachment submitted via email, we request that you also provide your response in Microsoft Word format to help us comply with Web Content Accessibility Guidelines.

This draft audit report is confidential. We limit report access and distribution to those referenced in the letter. However, when we issue the final audit report, it becomes a public record.

If you have any questions, please contact Ms. Kurokawa by telephone at (916) 327-3138. If you would also like a hard copy of this report, please email your request to audcpu@sco.ca.gov.

CONFIDENTIALITY NOTICE: This communication with its contents as well as any attachments may contain confidential and/or legally privileged information. It is solely for the use of the intended recipient(s). Unauthorized interception, review, use or disclosure is prohibited and may violate applicable laws including the Electronic Communications Privacy Act. If you are not the intended recipient, please contact the sender and destroy all copies of the communication.

MALIA M. COHEN
California State Controller

April 19, 2023

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Tamara Oatman, Finance Director
City of Rancho Cucamonga
10500 Civic Center Drive
Rancho Cucamonga, CA 91729

Dear Ms. Oatman:

The State Controller's Office audited the costs claimed by the City of Rancho Cucamonga for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The city claimed $500,098 for costs of the mandated program. Our audit found that $195,540 is allowable and $304,558 is unallowable. The costs are unallowable because the city claimed misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs. The State made no payments to the city. The State will pay $195,540, contingent upon available appropriations.

Following issuance of the final audit report, the Local Government Programs and Services Division of the State Controller's Office will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

Please respond to the draft report within 10 calendar days of receipt. In particular, you should address the accuracy of the audit findings; include your views concerning the conclusion, finding, and recommendation. We may modify the report based on your comments or additional information that develops. We will also include your comments in the final audit report. If we do not receive your comments within the specified time, we will release the report as final.

Please send your response via email to lkurokawa@sco.ca.gov, or via mail to Lisa Kurokawa, Chief, Compliance Audits Bureau, Division of Audits, State Controller's Office, Post Office Box 942850, Sacramento, California 94250. If your response is a hard copy with a wet signature or a PDF attachment submitted via email, we request that you also provide your response in Microsoft Word format to help us comply with Web Content Accessibility Guidelines.

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If you have any questions, please contact Ms. Kurokawa by telephone at (916) 327-3138.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ac

Attachment

CITY OF RANCHO CUCAMONGA

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013

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MALIA M. COHEN
California State Controller

April 2023

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Rancho Cucamonga for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The city claimed $500,098 for costs of the mandated program. Our audit found that $195,540 is allowable and $304,558 is unallowable. The costs are unallowable primarily because the city claimed misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs. The State made no payments to the city. The State will pay $195,540, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6(a), as added by the Statutes of 2000, Chapter 956, requires a local law enforcement agency to take a police report and begin an investigation when a complainant residing within its jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission on State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following ongoing activities identified in parameters and guidelines (Section IV., "Reimbursable Activities"):

1. Either a) or b) below:
   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
   b) Reviewing the identity theft report completed on-line by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

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The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency in the location where the suspected crime was committed for further investigation are not reimbursable activities.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues the *Mandated Cost Manual for Local Agencies (Mandated Cost Manual)* to assist local agencies in claiming mandated program reimbursable costs.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the city's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

Objective, Scope, and Methodology

The objective of our audit was to determine whether claimed costs represent increased costs resulting from the legislatively mandated Identity Theft Program. Specifically, we conducted this audit to determine whether claimed costs were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

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

The audit period was July 1, 2002, through June 30, 2013.

To achieve our objective, we performed the following procedures:

- We analyzed 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. We determined whether there were any errors or unusual or unexpected variances from year to year. We also reviewed the claimed activities to determine whether they adhered to the SCO's *Mandated Cost Manual* and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key city staff. We discussed the claim preparation process with city staff members to determine what information was obtained, who obtained it, and how it was used.
- We obtained system-generated lists of identity-theft cases with jurisdiction codes for the City of Rancho Cucamonga from the San Bernardino County Sheriff's Department's (SBCSD) computer-aided dispatch (CAD) system to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period. We recalculated the costs based on the allowable number of cases for each of the reimbursable activities.

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- We designed a statistical sampling plan to test approximately 25-50% of claimed costs, based on a moderate level of detection (audit) risk. We judgmentally selected the city's filed claims for fiscal year (FY) 2010-11 through FY 2012-13 for testing, which comprised claimed costs totaling $138,470 (or 27.7%) of the total costs claimed ($500,098). The sampling plan is described in the Finding and Recommendation section.
- We used a random number table to select 264 out of 695 identity theft reports from the three fiscal years sampled. We tested the identity theft report as follows:
  - We determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 occurred.
  - We determined whether the initial police reports were courtesy reports from other law enforcement agencies that had been forwarded to SBCSD's Rancho Cucamonga Patrol Station for further investigation.
  - We determined whether the victim of identity theft contacted the SBCSD to initiate the law enforcement investigation.
  - We obtained employee numbers, names, and classifications from sampled police reports documenting who performed the reimbursable activities. We compared the employee classifications obtained from the police reports to those claimed by the city.
  - We obtained system-generated time stamps from SBCSD's CAD system for the "Time On Scene" and "Time Closed" associated with each report to determine the time spent to begin an investigation. For reports with unreasonable and excessive time spent, we reviewed the detailed history of time stamps from the CAD system for the incident number related to the sampled police report, and adjusted for ineligible time spent on arrests and other incident numbers.
- We interviewed sworn and non-sworn county employees who performed the mandated activities, as documented in the sampled police reports, about their time spent performing reimbursable activities not captured by the CAD system.
- As no city staff members performed the reimbursable activities, we used copies of the city's annual law enforcement services contracts with the county during the audit period to obtain the annual contract services costs incurred by the city. The contract services costs included salary and benefit costs for various employee classifications, administrative costs, and various other additional costs related to providing law enforcement services for the city.
- We projected the audit results of the three years tested by multiplying the allowable case counts by the audited average time increments needed to perform the reimbursable activities, and multiplying the product by the contract hourly rates of county employees who performed them. Due to the homogeneity of the population, we applied the weighted three-year average error rate that we derived

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from testing our samples to the remaining eight years of the audit period.

- We reviewed the city's Single Audit Reports to identify potential sources of offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. We did not identify any applicable offsetting revenues. The city certified in its claims that it did not receive such offsetting revenues applicable to this mandated program.

We did not audit the city's financial statements.

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.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We found that the city did not claim costs that are funded by another source; however, we did find that it claimed unsupported and ineligible costs, as quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, the City of Rancho Cucamonga claimed $500,098 for costs of the legislatively mandated Identity Theft Program. Our audit found that $195,540 is allowable and $304,558 is unallowable. The State made no payments to the city. The State will pay $195,540, contingent upon available appropriations.

Following issuance of the final 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 Identity Theft Program.

Views of Responsible Officials

We discussed our audit results with the city's representative at an exit conference conducted on January 5, 2023. At the exit conference, we stated that the final audit report will include the views of responsible officials.

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Restricted Use

This audit report is solely for the information and use of the City of Rancho Cucamonga, 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 the final audit report, which is a matter of public record and will be available on the SCO website at www.sco.ca.gov.

KIMBERLY TARVIN, CPA
Chief, Division of Audits

_____, 2023

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Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 20,587	$ -	$ (20,587)
Beginning an investigation of facts	7,356	-	(7,356)
Total salaries	27,943	-	(27,943)
Contract services:			
Taking police report on a violation of PC § 530.5	-	10,999	10,999
Beginning an investigation of facts	-	9,057	9,057
Total contract services	-	20,056	20,056
Total direct costs	27,943	20,056	(7,887)
Indirect costs	26,267	-	(26,267)
Total program costs	$ 54,210	20,056	$ (34,154)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,056	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 20,865	$ -	$ (20,865)
Beginning an investigation of facts	7,456	-	(7,456)
Total salaries	28,321	-	(28,321)
Contract services:			
Taking police report on a violation of PC § 530.5	-	11,098	11,098
Beginning an investigation of facts	-	9,161	9,161
Total contract services	-	20,259	20,259
Total direct costs	28,321	20,259	(8,062)
Indirect costs	24,838	-	(24,838)
Total program costs	$ 53,159	20,259	$ (32,900)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,259	

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Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 27,093	$ -	$ (27,093)
Beginning an investigation of facts	9,688	-	(9,688)
Total salaries	36,781	-	(36,781)
Contract services:			
Taking police report on a violation of PC § 530.5	-	12,910	12,910
Beginning an investigation of facts	-	10,674	10,674
Total contract services	-	23,584	23,584
Total direct costs	36,781	23,584	(13,197)
Indirect costs	29,499	-	(29,499)
Total program costs	$ 66,280	23,584	$ (42,696)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 23,584	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 28,650	$ -	$ (28,650)
Beginning an investigation of facts	10,147	-	(10,147)
Total salaries	38,796	-	(38,796)
Contract services:			
Taking police report on a violation of PC § 530.5	-	14,241	14,241
Beginning an investigation of facts	-	11,569	11,569
Total contract services	-	25,810	25,810
Total direct costs	38,796	25,810	(12,986)
Indirect costs	31,542	-	(31,542)
Total program costs	$ 70,338	25,810	$ (44,528)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 25,810	

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Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 18,065	$ -	$ (18,065)
Beginning an investigation of facts	6,443	-	(6,443)
Total salaries	24,508	-	(24,508)
Contract services:			
Taking police report on a violation of PC § 530.5	-	8,696	8,696
Beginning an investigation of facts	-	7,124	7,124
Total contract services	-	15,820	15,820
Total direct costs	24,508	15,820	(8,688)
Indirect costs	19,312	-	(19,312)
Total program costs	$ 43,820	15,820	$ (28,000)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 15,820	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 11,859	$ -	$ (11,859)
Beginning an investigation of facts	4,218	-	(4,218)
Total salaries	16,077	-	(16,077)
Contract services:			
Taking police report on a violation of PC § 530.5	-	5,993	5,993
Beginning an investigation of facts	-	4,884	4,884
Total contract services	-	10,877	10,877
Total direct costs	16,077	10,877	(5,200)
Indirect costs	12,718	-	(12,718)
Total program costs	$ 28,795	10,877	$ (17,918)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,877	

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Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 8,615	$ -	$ (8,615)
Beginning an investigation of facts	3,060	-	(3,060)
Total salaries	11,675	-	(11,675)
Contract services:			
Taking police report on a violation of PC § 530.5	-	4,473	4,473
Beginning an investigation of facts	-	3,629	3,629
Total contract services	-	8,102	8,102
Total direct costs	11,675	8,102	(3,573)
Indirect costs	9,282	-	(9,282)
Total program costs	$ 20,957	8,102	$ (12,855)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 8,102	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 9,803	$ -	$ (9,803)
Beginning an investigation of facts	3,480	-	(3,480)
Total salaries	13,283	-	(13,283)
Contract services:			
Taking police report on a violation of PC § 530.5	-	5,557	5,557
Beginning an investigation of facts	-	4,508	4,508
Total contract services	-	10,065	10,065
Total direct costs	13,283	10,065	(3,218)
Indirect costs	10,786	-	(10,786)
Total program costs	$ 24,069	10,065	$ (14,004)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,065	

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Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 12,662	$ -	$ (12,662)
Beginning an investigation of facts	4,495	-	(4,495)
Total salaries	17,157	-	(17,157)
Contract services:			
Taking police report on a violation of PC § 530.5	-	5,948	5,948
Beginning an investigation of facts	-	4,150	4,150
Total contract services	-	10,098	10,098
Total direct costs	17,157	10,098	(7,059)
Indirect costs	12,697	-	(12,697)
Total program costs	$ 29,854	10,098	$ (19,756)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,098	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 21,912	$ -	$ (21,912)
Beginning an investigation of facts	-	-	-
Total salaries	21,912	-	(21,912)
Contract services:			
Taking police report on a violation of PC § 530.5	-	7,385	7,385
Beginning an investigation of facts	-	6,803	6,803
Total contract services	-	14,188	14,188
Total direct costs	21,912	14,188	(7,724)
Indirect costs	16,214	-	(16,214)
Total program costs	$ 38,126	14,188	$ (23,938)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 14,188	

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Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries:			
Taking police report on a violation of PC § 530.5	$ 39,938	$ -	$ (39,938)
Beginning an investigation of facts	-	-	-
Total salaries	39,938	-	(39,938)
Contract services:			
Taking police report on a violation of PC § 530.5	-	20,474	20,474
Beginning an investigation of facts	-	16,207	16,207
Total contract services	-	36,681	36,681
Total direct costs	39,938	36,681	(3,257)
Indirect costs	30,552	-	(30,552)
Total program costs	$ 70,490	36,681	$ (33,809)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 36,681	
Summary: July 1, 2002, through June 30, 2013			
Direct costs			
Salaries	$ 276,391	$ -	$ (276,391)
Contract services	-	195,540	195,540
Total direct costs	276,391	195,540	(80,851)
Indirect costs	223,707	-	(223,707)
Total program costs	$ 500,098	195,540	$ (304,558)
Less amount paid by the State[2]			
Allowable costs claimed in excess of amount paid		$ 195,540	

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[1] See the Finding and Recommendation section.

[2] Payment amount current as of March 6, 2023.

Finding and Recommendation

FINDING—
Overstated Identity Theft Program costs

The city claimed $500,098 ($276,391 in salary costs and $223,707 in related indirect costs) for the Identity Theft Program. We found that $195,540 is allowable and $304,558 is unallowable. The costs are unallowable primarily because the city claimed misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs.

The city used the correct methodology to calculate its salary costs. It multiplied the number of identity theft police reports by the time required to perform the reimbursable activities, and it multiplied the product by the hourly rates obtained from the city's contracts with SBCSD. The SBCSD's contracts included costs for salaries and benefits, as well as additional administrative costs.

However, the city should have classified its salary costs as contract services costs, because no city staff members performed the reimbursable activities. The city contracted with San Bernardino County to have the SBCSD perform all of its law enforcement services during the audit period. Therefore, the city did not incur any salary costs—or indirect costs related to salary costs—but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

		Salaries	(A)	(B)	(C)	(D)=(A)+(B)+(C)
Fiscal Year	Amount Claimed [1]	Amount Allowable	Audit Adjustment	Related Indirect Cost Adjustment	Contract Services Adjustment	Total Audit Adjustment
2002-03	$ 27,943	$ -	$ (27,943)	$ (26,267)	$ 20,056	$ (34,154)
2003-04	28,321	-	(28,321)	(24,838)	20,259	(32,900)
2004-05	36,781	-	(36,781)	(29,499)	23,584	(42,696)
2005-06	38,796	-	(38,796)	(31,542)	25,810	(44,528)
2006-07	24,508	-	(24,508)	(19,312)	15,820	(28,000)
2007-08	16,077	-	(16,077)	(12,718)	10,877	(17,918)
2008-09	11,675	-	(11,675)	(9,282)	8,102	(12,855)
2009-10	13,283	-	(13,283)	(10,786)	10,065	(14,004)
2010-11	17,157	-	(17,157)	(12,697)	10,098	(19,756)
2011-12	21,912	-	(21,912)	(16,214)	14,188	(23,938)
2012-13	39,938	-	(39,938)	(30,552)	36,681	(33,809)
Total	$ 276,391	$ -	$ (276,391)	$ (223,707)	$ 195,540	$ (304,558)

[1] Amounts claimed for FY 2004-05, FY 2007-08, FY 2010-11, and FY 2011-12 adjusted by $1 due to claim rounding errors

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Contract Services Costs

The city contracted with San Bernardino County to have the SBCSD provide all of its law enforcement services during the audit period. These services included reimbursable activities claimed for the mandated program. The city contracted for various SBCSD staff positions each fiscal year and paid the SBCSD annual contract billing rates for the positions. These positions included, but were not limited to, Deputy Sheriffs, Office Specialists, Service Specialists, and Sergeants. No city staff members performed any of the reimbursable activities under this program; therefore, the city did not incur salary and related indirect costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

Identity Theft Incident Reports

The city stated in its claims that it took 2,749 identity theft incident reports during the audit period. We found that the city overstated the number of reports taken by 715, and that allowable reports totaled 2,034.

The following table summarizes the counts of claimed, supported, and allowable identity theft cases, and the audit adjustment by fiscal year:

Fiscal Year	(A) Claimed Reports	(B) Audited Population	(C) Allowable Reports	(D)=(C)-(A) Audit Adjustment
2002-03	370	386	269	(101)
2003-04	375	376	262	(113)
2004-05	397	393	274	(123)
2005-06	404	408	284	(120)
2006-07	232	228	159	(73)
2007-08	144	148	103	(41)
2008-09	103	109	76	(27)
2009-10	120	135	94	(26)
2010-11	155	156	96	(59)
2011-12	163	181	113	(50)
2012-13	286	358	304	18
Total	2,749	2,878	2,034	(715)

For each fiscal year, the SBCSD provided Excel spreadsheets, generated from its CAD system, to support the claimed number of initial police reports for violations of PC section 530.5. This list of police reports identified the county jurisdiction code, the year of the report, and the report number. The SBCSD also provided a Jurisdiction Reference Chart, which disclosed county jurisdiction codes and jurisdiction codes for the cities that contract with the county for law enforcement services. The spreadsheets supported 2,878 identity theft police reports filed for the City of Rancho Cucamonga during the audit period.

We verified the accuracy of the unduplicated counts of initial police reports recorded in the CAD system by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and

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- The police report supported a violation of PC section 530.5.

We selected FY 2010-11 through FY 2012-13 for testing purposes, as claimed costs for these three fiscal years totaled $79,007 ($17,158, $21,911, and $39,938 respectively), which represents 28.6% of the $276,392 amount claimed for salaries during the audit period.

For the three years, we selected a statistical sample from the documented number of identity theft 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 in order to project the results to the population for each fiscal year. We randomly selected 264 out of 695 identity theft incident reports for review.

Our review of sample incident reports disclosed the following:

- For FY 2010-11, we found that 29 out of 76 identity theft incident reports were unallowable because:
  - Seven reports did not meet the requirements of PC section 530.6(a), because the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency;
  - Two reports were not for violations of PC section 530.5;
  - One report did not indicate that a crime occurred; and
  - Nineteen reports were courtesy reports (police reports taken and prepared by other law enforcement agencies).

  Therefore, we calculated an error rate of 38.16% for FY 2010-11.
- For FY 2011-12, we found that 31 out of 82 identity theft incident reports were unallowable because:
  - Nine reports did not meet the requirements of PC section 530.6(a), because the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency;
  - Two reports did not indicate that a crime occurred;
  - Two reports were incident reports that did not specify violation of any specific code section;
  - Four reports did not include violations of PC section 530.5 as an offense;
  - Two reports were for victims who did not reside in the City of Rancho Cucamonga; and
  - Twelve reports were courtesy reports.

  Therefore, we calculated an error rate of 37.80% for FY 2011-12.
- For FY 2012-13, we found that 16 out of 106 identity theft incident reports were unallowable because:
  - Two reports were not for violations of PC section 530.5;
  - Three reports did not indicate that a crime occurred;
  - Five reports were for victims who did not reside in the City of

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Rancho Cucamonga; and

- Six reports were courtesy reports.

Therefore, we calculated an error rate of 15.09% for FY 2012-13.

The following table shows the average error rates for FY 2010-11 through FY 2012-13:

Fiscal Year	(A) Number of Unallowable Cases Sampled	(B) Sample Size	(C)=(A)÷(B) Error Rate
2010-11	29	76	38.16%
2011-12	31	82	37.80%
2012-13	16	106	15.09%
		Total	91.05%
	Number of fiscal years sampled		÷ 3
		Average Error Rate	30.35%

We extrapolated the average error rate to the audited population of reports for FY 2002-03 through FY 2009-10, and applied the actual audited error rate for each of the other fiscal years to determine the allowable and unallowable number of incident reports taken.

The following table shows the number of allowable and unallowable incident reports by fiscal year:

Fiscal Year	(A) Audited Population	(B) Error Rate	(B) Average Error Rate	(C)=(A)×(B) Total Unallowable Reports	(D)=(A)-(C) Total Allowable Reports
2002-03	386	N/A	30.35%	117	269
2003-04	376	N/A	30.35%	114	262
2004-05	393	N/A	30.35%	119	274
2005-06	408	N/A	30.35%	124	284
2006-07	228	N/A	30.35%	69	159
2007-08	148	N/A	30.35%	45	103
2008-09	109	N/A	30.35%	33	76
2009-10	135	N/A	30.35%	41	94
2010-11	156	38.16%	N/A	60	96
2011-12	181	37.80%	N/A	68	113
2012-13	358	15.09%	N/A	54	304
Total	2,878			844	2,034

Time Increments

The parameters and guidelines identify the following reimbursable activities:

- Activity 1a – Taking a police report on a violation of PC section 530.5;
- Activity 1b – Reviewing an online identity theft report completed by a victim; and
- Activity 2 – Beginning an investigation.

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The parameters and guidelines specify that Activity 1a "includes drafting, reviewing, and editing the identity theft police report."

For convenience, we separated Activity 1a into two sub-activities:

- Activity 1a.1 – Taking a police report; and
- Activity 1a.2 – Reviewing, editing, and approving a police report.

The city claimed the following time increments for Activity 1a.1 during the audit period:

- 55 minutes for a Deputy Sheriff for FY 2002-03 through FY 2010-11;
- 74 minutes for a Deputy Sheriff for FY 2011-12 and FY 2012-13; and
- 15 minutes for an Office Specialist to provide related clerical support for FY 2011-12 and FY 2012-13.

The city claimed the following time increments for Activity 1a.2 during the audit period:

- 12 minutes for a Sergeant for FY 2002-03 through FY 2010-11; and
- 16.5 minutes for a Sergeant for FY 2011-12 and FY 2012-13.

The city claimed 25 minutes for a Deputy Sheriff to perform Activity 2 for FY 2002-03 through FY 2010-11. It did not claim costs related to this activity for FY 2011-12 and FY 2012-13.

The city based its time increments for FY 2002-03 through FY 2010-11 on a 2011 phone interview with an SBCSD Sergeant, who estimated the amount of time required to perform the mandated activities. The city also included a time log signed on October 9, 2011, by a Service Specialist for an unspecified activity that took place from March 9 through May 20, presumably in 2011, although the year is unspecified. The activity is described only as "PC 530.5," with time increments ranging from "2" to "4.5" and no indication whether those are minutes or hours.

For FY 2011-12 and FY 2012-13, an SBCSD Office Specialist estimated that staff members in the Office Specialist classification spent 15 minutes per case providing clerical support related to Activity 1a.1 – taking or editing a police report. In addition, the city conducted a time study in 2012 and provided two summary time logs containing time entries for 16 cases. The entries were dated from January 5, 2012, through August 21, 2012, and were completed by various employees performing Activity 1a.1 – taking or editing a police report and Activity 1a.2 – reviewing and approving a police report. An SBCSD Office Specialist signed and dated the summary time log for-Activity 1a.1 – taking or editing a police report, certifying the accuracy of the entries. An SBCSD Sergeant signed and dated the summary time log for Activity 1a.2 – reviewing and approving a police report, certifying the accuracy of the results.

However, the city did not provide any contemporaneously prepared documentation supporting the time log entries, such as the related police reports or information from the SBCSD's CAD system. In addition, the

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city did not provide a time study plan or any other information explaining how it acquired and analyzed this data. Therefore, we could not determine whether the city based these time entries on actual time or on estimates.

Allowable Time Increments

The county's CAD system did not record time on Activity 1a., taking a police report on a violation of PC section 530.5; or on Activity 1a.2, reviewing and approving a police report. We interviewed various SBCSD employees, who provided testimonial evidence of the approximate time spent on reimbursable activities not recorded by the CAD system. We found that this information provided a reasonable representation of the time needed to perform these reimbursable activities.

For Activity 1a.1, we interviewed three Deputy Sheriffs, three Service Specialists, and one Sergeant about drafting and editing identity theft police reports taken by Officers. Based on these interviews, we determined that SBCSD staff members spent an average of 35 minutes drafting and editing identity theft police reports taken by SBCSD Deputies.

For Activity 1a.2, we interviewed three Detectives and three Sergeants about reviewing identity theft police reports. Based on these interviews, we determined that SBCSD staff members spent an average of 13 minutes reviewing police reports.

For Activity 2, the SBCSD's Rancho Cucamonga Patrol Station provided, at our request, copies of CAD reports for the same police reports that we sampled for FY 2010-11, FY 2011-12, and FY 2012-13. These reports provided time stamps detailing when an Officer arrived on scene and departed, and the time spent on the specific incident. The reports also identified the employee classification (Deputy Sheriff or Service Specialist) that performed the activity of beginning an investigation by interviewing the victim to determine where the crime occurred and what pieces of personal identifying information were used for an unlawful purpose. We used these contemporaneously prepared time reports as support for the time spent on beginning an investigation.

Based on our analysis, we determined the following time increments for each allowable police report that originated in the City of Rancho Cucamonga:

- 35 minutes (0.58 hours) for Deputy Sheriffs or Service Specialists to perform Activity 1a.1 – taking a police report on violations of PC section 530.5;
- 13 minutes (0.22 hours) for Sergeants to perform Activity 1a.2 – reviewing and approving a police report; and
- 44 minutes (0.73 hours) for Deputy Sheriffs or Service Specialists to begin an investigation (Activity 2) for FY 2002-03 through FY 2009-10, 38 minutes (0.63 hours) for FY 2010-11, 50 minutes (0.83 hours) for FY 2011-12, and 43 minutes (0.72 hours) for FY 2012-13.

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The following table summarizes the time increments claimed and allowable for the reimbursable activities by fiscal year:

	Claimed Minutes				Allowable Minutes		
	Activity 1a.1	Activity 1a.1	Activity 1a.2	Activity 2	Activity 1a.1	Activity 1a.2	Activity 2
	Taking a Report	Clerical Support	Reviwing a Police Report	Beginning an Investigation	Taking a Police Report *	Reviwing a Police Report	Beginning an Investigation *
Fiscal Year	Deputy Sheriff	Office Specialist	Sergeant	Deputy Sheriff	Deputy Sheriff and Service Specialist	Sergeant	Deputy Sheriff and Service Specialist
2002-03	55	-	12	25	35	13	44
2003-04	55	-	12	25	35	13	44
2004-05	55	-	12	25	35	13	44
2005-06	55	-	12	25	35	13	44
2006-07	55	-	12	25	35	13	44
2007-08	55	-	12	25	35	13	44
2008-09	55	-	12	25	35	13	44
2009-10	55	-	12	25	35	13	44
2010-11	55	-	12	25	35	13	38
2011-12	74	15	16.5	-	35	13	50
2012-13	74	15	16.5	-	35	13	43

* As stated in the narrative, Deputy Sheriffs took police reports and began investygations for 74% of cases during FY 2002-03 through FY 2010-11, 75% for FY 2011-12, and 72% for FY 2012-13. Service Specialists took police reports for 26% of cases for FY 2002-03 through FY 2010-11, 25% for FY 2011-12, and 28% for FY 2012-13.

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Claimed Job Classifications

As noted previously, the city claims for FY 2002-03 through FY 2010-11 included costs for Deputy Sheriffs to perform Activity 1a.1 – taking or editing a police report), for Sergeants to perform Activity 1a.2 – review and approve a police report, and for Deputy Sheriffs to perform Activity 2 – beginning an investigation. The city's claims for FY 2011-12 and FY 2012-13 only included costs for Deputy Sheriffs and Office Specialists to perform Activity 1a.1 and for Sergeants to perform Activity 1a.2. However, the city did not claim any costs for Activity 2 in its claims for FY 2011-12 and FY 2012-13.

Staff Allowable

In order to clarify which SBCSD staff members performed the mandated activities, we:

- Prepared a schedule of the police reports selected for testing;
- Reviewed the police reports for each case to determine the actual employee classification of the staff member who prepared each report; and
- Calculated the extent (percentage of involvement) that staff members in various employee classifications performed the mandated activities for the sampled identity theft cases.

Although the city claimed time for Deputy Sheriffs, Office Specialists, and Sergeants to perform the mandated activities, we found that Deputy Sheriffs and Sheriff Service Specialists prepared and edited police reports (actions included in Activity 1a.1) and began investigations (Activity 2). We also found that Sergeants reviewed and approved the

police reports (Activity 1a.2). We based this conclusion on our review of the copies of the uniform crime reports (police reports) that SBCSD's Rancho Cucamonga Patrol station provided for our sample selections of identity theft cases from FY 2011-11 through FY 2012-13. Using this information, we analyzed the extent to which staff members in these employee classifications performed the mandated activities and reached the following conclusions:

- Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 74% for FY 2002-03 through FY 2010-11, while Service Specialists averaged 26% performing these activities;
- For FY 2011-12, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 75%, while Service Specialists averaged 25% performing these activities;
- For FY 2012-13, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 72%, while Service Specialists averaged 28% performing these activities;
- Sergeants performed 100% of Activity 1a.2 for all years of the audit period; and
- We found no corroborating evidence that SBCSD Office Specialists provided clerical support for Activity 1a.1.

Contract Hourly Rates

The city's claims included copies of its annual contract that it negotiated with the SBCSD for each year of the audit period. Each contract specifies the level of service performed for the city, indicating the number of various employee classifications involved in the city's law enforcement (the *level of service*) and the county's cost for providing these employees. The county uses this contract to indicate the authorized SBCSD staffing level for each year of the audit period. However, none of the contracts identified the total annual hours per service level. As a result of recalculating contract hourly rates, we determined that the city used 1,800 annual productive hours, as specified in the SCO's *Mandated Cost Manual,* for all SBCSD employees.

We used this information to determine the contract hourly billing rates for various employee classifications by using the total contract cost for each employee classification divided by the number of personnel that the county provided. For example, the city's contract for FY 2012-13 indicates that 96.75 Deputy Sheriffs and 12 Sergeants provided law enforcement for the city during the year.[1]

The following table shows the contract hourly rate calculation for Deputy Sheriffs and Sergeants during FY 2012-13:

Employee Classification	Annual Cost	Level of Service	Cost per Employee	Productive Hours	Hourly Rate
Deputy Sheriff	$ 14,351,923	96.75	$ 148,340	1,800	$ 82.41
Sergeant	$ 2,250,050	12.00	$ 187,504	1,800	$ 104.17

[1] The 0.75 Deputy Sheriff designation refers to one Deputy that only provided law enforcement services for the city during nine months of FY 2012-13 (75% of the fiscal year).

The city used this same methodology to calculate hourly billing rates in all of its claims for the audit period.

The city's contracts with SBCSD also include additional employee classifications and items—such as vehicles, dispatch services, and equipment—that are part of the direct costs incurred to provide law enforcement for the city. However, the city explained during the audit that its contracts also include items that are clearly administrative in nature. During the audit, we discussed with city representatives the issue of recovering these administrative costs. The city believes that it should be able to prepare Indirect Cost Rate Proposals to recover these costs. However, OMB A-87 Office of Management and Budget guidance does not allow for the recovery of administrative costs using contract services as a base and classifying the administrative costs as indirect costs. The administrative costs included within the city's contracts for law enforcement services do not fit the definition of indirect costs.

The SCO's *Mandated Cost Manual* states that the costs of contract services are allowable. Costs for contract services can be claimed using an hourly billing rate. However, the Manual does not provide specific guidance on how to calculate an hourly billing rate. Generally speaking, an hourly rate for a specific employee classification would be determined by dividing the contract cost for an individual employee by 1,800 annual productive hours. However, this approach does not allow claimants to recover any additional contract costs, such as administrative costs, that could be reimbursable. For additional guidance, we reviewed law enforcement service contracts for cities contracting with Los Angeles County. Having previously audited a number of these cities, we noted that the county's billing rates included the costs for various employee classifications. However, the total costs for those classifications included salaries and benefits plus an additional "liability percentage," which was added to the contract hourly rate at a specific percentage amount. It is our understanding that this liability percentage covers costs for administrative items, such as various forms of insurance and amounts for countywide cost allocation plans.

However, San Bernardino County does not structure its contracts this way and, instead, includes administrative costs and indirect costs as separately billed line items in its contracts for law enforcement services. In order to be equitable with other California cities contracting for law enforcement services, we concluded that it was appropriate to allow the city to claim costs for line items included in San Bernardino County's contracts that are clearly administrative in nature.

We calculated an administrative cost percentage for each fiscal year of the audit period based on the city's Law Enforcement Services Contract. To calculate the percentage, we divided the cost of the following line items by the total contract cost:

- Administrative support
- Office automation
- Vehicle insurance

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- Personnel liability and bonding
- TRU – Telephone Reporting Unit (FY 2002-03 through FY 2004-05)
- County-wide Cost Allocation Plan (COWCAP) – Administrative and Indirect Costs
- Board approved COWCAP subsidy (one-time for FY 2012-13 only)
- Startup costs (FY 2002-03 through FY 2009-10)

The following table shows the allowable administrative cost percentage for each fiscal year during the audit period:

Fiscal Year	Administrative Cost Rate
2002-03	9.45%
2003-04	6.18%
2004-05	5.18%
2005-06	4.56%
2006-07	4.86%
2007-08	5.51%
2008-09	5.39%
2009-10	8.19%
2010-11	5.33%
2011-12	5.42%
2012-13	6.14%

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As mentioned previously, we added all of the items within each contract that we determined to be administrative in nature (based on the descriptions provided in the contracts) and then divided the total by each year's total contract cost to determine the extent that administrative costs were represented in each year's contract. The following table shows this calculation for FY 2012-13:

Cost Category	Contract Amount
Administrative support	$ 124,976
Office automation	65,223
Vehicle insurance	110,792
Personnel liability & bonding	407,133
Countywide administrative cost plan (COWCAP)	1,270,734
Board approved COWCAP subsidy	(254,147)
Startup costs	6,987
Total administrative costs	$ 1,731,698
Divided by total contract amount	28,209,685
Administrative cost percentage	6.14%

Therefore, claimed hourly rates for Deputy Sheriffs and Sergeants increased as follows for FY 2012-13:

Employee Classification	Hourly Rate	Administrative Percentage	Revised Rate
Deputy Sheriff	$ 82.41	6.14%	$ 87.47
Sergeant	$ 104.17	6.14%	$ 110.57

:

The following table summarizes the claimed and allowable contract hourly billing rates for Deputy Sheriffs during the audit period, and the difference between those rates:

	Deputy Sheriff					
Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 47.72	$ 47.72	$ -	9.45%	$ 52.10	$ 4.38
2003-04	47.72	51.14	3.42	6.18%	54.30	6.58
2004-05	58.57	56.97	(1.60)	5.18%	59.92	1.35
2005-06	60.28	60.28	-	4.56%	63.03	2.75
2006-07	66.65	66.65	-	4.86%	69.89	3.24
2007-08	70.31	70.30	(0.01)	5.51%	74.17	3.86
2008-09	71.31	71.31	-	5.39%	75.15	3.84
2009-10	69.60	69.60	-	8.19%	75.30	5.70
2010-11	69.60	75.03	5.43	5.33%	79.03	9.43
2011-12	78.98	78.98	-	5.42%	83.26	4.28
2012-13	82.41	82.43	0.02	6.14%	87.49	5.08

The following table summarizes the claimed and allowable contract hourly billing rates for Service Specialists during the audit period, and the difference between those rates:

	Service Specialists					
Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ -	$ 25.81	$ 25.81	9.45%	$ 28.25	$ 2.44
2003-04	-	28.25	28.25	6.18%	30.00	1.75
2004-05	-	32.42	32.42	5.18%	34.10	1.68
2005-06	-	33.13	33.13	4.56%	34.64	1.51
2006-07	-	34.80	34.80	4.86%	36.49	1.69
2007-08	-	36.12	36.12	5.51%	38.11	1.99
2008-09	-	35.18	35.18	5.39%	37.08	1.90
2009-10	-	34.87	34.87	8.19%	37.73	2.86
2010-11	-	35.74	35.74	5.33%	37.64	1.90
2011-12	-	37.16	37.16	5.42%	39.17	2.01
2012-13	-	38.34	38.34	6.14%	40.69	2.35

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The following table summarizes the claimed and allowable contract hourly billing rates for Sergeants during the audit period, and the difference between those rates:

	Sergeant					
Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 59.50	$ 59.50	$ -	9.45%	$ 63.18	$ 3.68
2003-04	59.50	63.52	4.02	6.18%	67.45	7.95
2004-05	72.80	70.77	(2.03)	5.18%	74.44	1.64
2005-06	78.31	78.31	-	4.56%	81.88	3.57
2006-07	83.83	83.83	-	4.86%	87.90	4.07
2007-08	89.50	89.52	0.02	5.51%	94.45	4.95
2008-09	91.35	91.35	-	5.39%	96.27	4.92
2009-10	89.44	89.44	-	8.19%	96.77	7.33
2010-11	89.44	96.99	7.55	5.33%	102.16	12.72
2011-12	101.63	101.63	-	5.42%	107.14	5.51
2012-13	104.17	104.17	-	6.14%	110.57	6.40

For the audit period, we calculated allowable contract services costs based on the audited counts of PC section 530.5 identity theft reports, audited time increments, audited contract hourly billing rates, and the additional allowable percentage to allow for administrative costs.

The following table shows the calculation of allowable contract services costs for FY 2012-13:

Employee Classification	Contract PHR [a]	Number of cases [b]	Minutes [c]	Hours [d=(b*g)/60]	Activity % [e]	Allowable costs [f=a*i*k]
Prepare a report:						
Deputy Sheriff	$ 87.49	304	35	177.33	72.0%	11,171
Service Specialist	40.69	304	35	177.33	28.0%	2,020
Total, prepare a report						$ 13,191
Review a report:						
Sergeant	110.57	304	13	65.87	100.0%	7,283
Total, review a report						$ 7,283
Begin an investigation:						
Deputy Sheriff	$ 87.49	304	43	217.87	72.0%	13,724
Service Specialist	40.69	304	43	217.87	28.0%	2,482
Total, begin an investigation						$ 16,206
Total allowable contract services costs						$ 36,681

We performed similar calculations of allowable contract services costs for all the other fiscal years of the audit period.

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Indirect Costs

For the audit period, the city included copies of its Indirect Cost Rate Proposals with its mandated cost claims. The city claimed related indirect costs totaling $223,707 for the audit period, based on $276,393 in claimed salaries. We found that the entire amount is unallowable, because no city staff member performed any of the reimbursable activities under this program during the audit period. Instead, the city contracted with the county to have the SBCSD perform all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs or related indirect costs.

Furthermore, none of the costs that the city incurred for law enforcement services provided by the SBCSD were indirect costs. The parameters and guidelines (Section V.B., "Indirect Cost Rates") provide that indirect costs are "incurred for a common or joint purpose, benefiting more than one program, and . . . not directly assignable to a particular department or program." In this instance, there is only one program (law enforcement services provided by a contractor) and there are no city departments.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs by fiscal year:

		Claimed	(A)	(B)	(C)=(B)-(A)
Fiscal Year	Salaries Claimed	Indirect Cost Rate	Indirect Costs [1]	Indirect Costs Allowable	Audit Adjustment
2002-03	$ 27,943	94.00%	$ 26,267	$ -	$ (26,267)
2003-04	28,321	87.70%	24,838	-	(24,838)
2004-05	36,781	80.20%	29,499	-	(29,499)
2005-06	38,796	81.30%	31,542	-	(31,542)
2006-07	24,508	78.80%	19,312	-	(19,312)
2007-08	16,077	79.10%	12,718	-	(12,718)
2008-09	11,675	79.50%	9,282	-	(9,282)
2009-10	13,283	81.20%	10,786	-	(10,786)
2010-11	17,158	74.00%	12,697	-	(12,697)
2011-12	21,912	74.00%	16,214	-	(16,214)
2012-13	39,938	76.50%	30,552	-	(30,552)
Total	$ 276,392		$ 223,707	$ -	$ (223,707)

[1] Differences in Indirect Costs column are due to rounding.

Criteria

Section III, "Period of Reimbursement," of the parameters and guidelines states, "Actual costs for one fiscal year shall be included in each claim."

Section IV, "Reimbursable Activities," of the parameters and guidelines begins:

> To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity

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in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

Section IV continues:

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

   b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Section IV concludes, "Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program."

Section V.A.1, "Salaries and Benefits," of the parameters and guidelines states:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to these activities.

Section V.B, "Claim Preparation and Submission – Indirect Costs," of the parameters and guidelines states, in part:

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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10%.

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The SCO's *Mandated Cost Manual* ("Filing a Claim," part 7.3, "Contract Services"), dated July 1, 2013, states:

> 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 keep documentation on hand to support 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 must not exceed the rate specified in the P's & G's for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed. **A copy of the contract must be included with the submitted claim**.

Recommendation

The State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2022-23 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and the SCO's *Mandated Cost Manual* when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

DRAFT

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250

www.sco.ca.gov

From: Tamara.Oatman@cityofrc.us,
To: achinncrs@aol.com,
Subject: FW: City of Rancho Cucamonga - Identity Theft Program Audit Exit Conference Information
Date: Tue, Mar 21, 2023 10:26 am
Attachments: City of Rancho Cucamonga Exit Conference Information.docx (22K),
City of Rancho Cucamonga - Summary of Program Costs Schedule.xlsx (24K),
CIty of Rancho Cucamonga - Identity Theft Program - Exit Narrative.docx (273K),
Response to SCO re Exit Conference Information.pdf (118K)

Is this what you wanted me to send you?

From: Oatman, Tamara
Sent: Thursday, January 12, 2023 5:46 PM
To: Venneman, Jim <jvenneman@sco.ca.gov>
Cc: Kurokawa, Lisa <LKurokawa@sco.ca.gov>; Tyree, Joji <JTyree@sco.ca.gov>; Annette Chinn <achinncrs@aol.com>; heather.halsey@csm.ca.gov; camille.shelton@csm.ca.gov
Subject: FW: City of Rancho Cucamonga - Identity Theft Program Audit Exit Conference Information

Good evening, Jim.

Please see attached response from our consultant, Annette Chinn, on behalf of the City of Rancho Cucamonga regarding your draft Identity Theft Program Audit Exit Conference Information (forwarded with this email) that was sent to us on January 5th. As is noted in our response, I am cc'ing Heather Halsey and Camille Shelton with the Commission on State Mandates as well as your supervisor so that they can advise us on how best to proceed with this matter. Thank you.

-Tamara

Tamara L. Oatman
Finance Director
City of Rancho Cucamonga
Email: Tamara.Oatman@cityofrc.us
Phone: (909) 774-2430

Have a joyful day 😊

From: Venneman, Jim <jvenneman@sco.ca.gov>
Sent: Thursday, January 5, 2023 3:45 PM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Cc: Tyree, Joji <JTyree@sco.ca.gov>
Subject: City of Rancho Cucamonga - Identity Theft Program Audit Exit Conference Information

CAUTION: This email is from outside our Corporate network. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good afternoon Tamara,

Thanks for providing a response to our preliminary status update. We reviewed the information provided. However, our finding and recommendation remain unchanged.

Our continued position is that the city's claims were prepared incorrectly by including Indirect Cost Rate Proposals using contract services costs improperly identified as salaries and benefits as a base for claiming indirect costs. The entire premise of the December 19TH response focuses on allowing indirect costs claimed against contract services costs. Reliance for this position is placed on 2 CFR Part 200, Section 200.306(f). However, reliance on this section of 2 CFR Part 200 is misplaced. Section 200.306(f) is included within Subpart D of 2 CFR 200, which provides guidance for recipients of federal awards to account for cost sharing amounts. This guidance is not applicable to indirect costs.

The parameters and guidelines for the Identity Theft Program identify 2 CFR Part 225, Appendix A and B (OMB Circular A-87) as the controlling requirements applicable for claiming indirect costs. The Commission on State Mandates adopted the parameters and guidelines for the Identity Theft Program in 2011 and 2 CFR Part 225 was later codified in 2014 by the federal government within 2 CFR Part 200 as Subpart E. We noted previously that this guidance precludes claiming indirect costs using misclassified contract services costs as a base. Our position has always been that using the A-87 methodology contained in Subpart E to claim administrative costs using contract services as a base is a non-starter for our office. In addition, the Commission on State Mandates has upheld this position in various Incorrect Reduction Claims filed against our office.

That said, your consultant's previous email to us dated August 30, 2022, correctly identified that Los Angeles County includes salaries, benefits, and indirect costs within its contract hourly rates for law enforcement services applicable to the contract cities served by Los Angeles County (although we have no evidence relating to the specifics of how Los Angeles County calculates the indirect cost portion of its contract billing rates). In addition, that email also correctly noted that San Bernardino County includes salaries and benefits in amounts identified for SBCSD personnel within its law enforcement contracts, but, unlike Los Angeles County, San Bernardino County includes administrative costs as individual line items within its law enforcement contracts.

We were receptive to this line of reasoning. However, since using an A-87 methodology to recover these administrative costs is not applicable, we proposed recovering them by including such costs within the calculation of hourly billing rates for SBCSD personnel. This is not a new or "hybrid" methodology, as your consultant suggested in the response.

The SCO's Mandated Cost Manual for Local Agencies states.....

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 keep documentation on hand to support 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** [emphasis added], and the total cost. The hourly billing rate must not exceed the rate specified in the P's & G's for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed. **A copy of the contract must be included with the submitted claim.**

Our preliminary status narrative identified the line items in SBCSD's contracts that we believe are *clearly* administrative in nature, the percentage that these costs were represented in each year's contract, and how we increased the allowable contract hourly billing rates to include an allowance for these costs. The response mentions other items that may be administrative in nature, such as costs for the Captain, Lieutenants, and Sergeants, as well as various other line item charges. These costs may or may not be administrative in nature dependent, for example, on the functions that each classification performs. From our perspective, such costs are all the direct costs of providing law enforcement services for the city's residents. We realize that your consultant is not going to agree with this position, so we will need to agree to disagree on this issue.

I believe that we have addressed all of the items included in the city's response. Unless there are any other issues that we need to discuss, this exchange of email messages will constitute our exit conference for this audit. If you want to schedule a meeting with us to discuss the audit finding further, please let Joji or myself know.

I am including as an attachment our exit conference information, which describes, among other things, our reporting process along with a copy of our exit conference narrative, and a Summary of Program Costs Schedule.

Thanks again for your assistance during the conduct of this audit,

Jim Venneman, CPA | Audit Manager
Office of the State Controller Malia M. Cohen
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 735B
Sacramento, CA 95816 | (916) 501-8693
jvenneman@sco.ca.gov

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Response to SCO re Exit Conf. Info (sent 1/12/23)

Jim,

If we understand your response correctly, it appears that your rationale for denying the City of Rancho Cucamonga indirect costs hinges on the fact that the format in which costs are presented by the contracting agency determines whether or not a city would be entitled to obtain full reimbursement of their indirect/overhead costs.

So, Los Angeles (LA) County contracting cities can obtain full reimbursement of their direct and indirect costs because LA County contract format presents their deputy hourly rate with overhead costs already built into the rate. But cities that contract with San Bernardino County are not entitled to their full indirect overhead costs because the format of the contract separates costs in more detail listing salaries and benefits separate from the other contract line items, many of which would be considered allowable overhead items using OMB/CFR Guidelines?

If Parameters and Guidelines (Ps and Gs) and State law require the reimbursement of full actual costs – including direct and INDIRECT costs, how are local agencies that contract with County Sheriff's Departments that itemize and show those costs separately supposed to compute and get reimbursed for the allowable indirect costs if federal OMB/CFR and state guidelines are "not applicable", as you contend?

Your statement that we used "contract services costs improperly identified as salaries and benefits as a base" to compute indirect costs is inaccurate –we used contract SALARIES AND BENEFITS as the base. Please explain how salaries and benefits that are paid via a contract are different from salaries and benefits paid by a full-service city and why this would nullify OMB/CFR guidelines? We see no such statements in any of the claiming instructions, claiming manuals, or Parameters or Guidelines that make a distinction on how salaries and benefits are paid regarding eligibility of costs or how this would alter the application of claiming instructions and OMB/CFR guidelines.

In addition, may we remind you that your own office used "contract service salaries and benefits as a base" to compute the overhead for the City of San Marcos, a city that contracts with San Diego County and who also has a situation where overhead items are charged separately through the contract (see the City of San Marcos 2017 Crime Statistic Reports for the Department of Justice Audit, page 23), "We [SCO] determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, **by the contracted labor costs** identified in the contract supplemental schedules."

So, your January 5th email statement that "Our position has always been that using the A-87 methodology contained in Subpart E to claim administrative costs using contract services as a base is a non-starter for our office" is not supported by or consistent with your own prior audit record.

Please explain what other guidelines or manuals exist that explain how overhead costs are to be computed if claiming instructions and OMB/CFR guidelines are not applicable. According to the Claiming Manual pertaining to indirect costs it states that, "Only this format is acceptable under the SCO reimbursement requirements." We used exactly this format. We used Salaries and Benefits as the base.

Please explain how your office computed allowable overhead costs for our claims. You do not show your computational methodology, nor is there any guidance in the written manuals and instructions to

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Please explain how your office computed allowable overhead costs for our claims. You do not show your computational methodology, nor is there any guidance in the written manuals and instructions to

show agencies how to compute overhead in the manner you deem acceptable. o. How is this not a "new" or "hybrid" approach if it is not described in the instructions?

If it is your position that a County Sheriff's Department MUST show a billable rate that includes all overhead in the rate in order to obtain reimbursement for overhead costs is correct – then shouldn't that be stated very clearly somewhere in the instructions? It would be very easy for the County Sheriff's Department to alter their format and show costs in one rate which includes all overhead vs. showing the detailed itemized list of charges. Since your interpretation makes a very material difference in reimbursement amounts – this should have been very explicitly stated in the claiming manuals and instructions. By having our costs presented by San Bernardino County individually vs. aggregately, as LA County did, we stand to be denied over $1.3 million in indirect costs which would have been eligible if we were allowed to use existing claiming instructions and OMB/CFR guidelines.

Local agencies which contract for law enforcement services have been claiming overhead costs computed based on OMB/CFR standards for over 25 years now with no issue, but suddenly this has become a new avenue your office which seems to think it is a legitimate way of cutting State costs. It appears to us that you are simply making up rules as you go. And doing so inconsistently for that matter from audit to audit. In your LA County contact city audits, overhead costs built into the Deputy hourly rates (as well as liability charges) were allowed. In your audit of San Marcos (San Diego County Sheriff contracting agency) most overhead costs were allowed and computed "using contract services costs improperly identified as salaries and benefits as a base for claiming indirect costs" – the exact same method we used and that you are now saying is invalid. Each of your audits show inconsistent treatment of overhead costs in cities that contract for law enforcement services and failure to adhere to written State and Federal instructions and guidelines.

If your office wishes to change the rules, head in this new direction, and apply your new interpretation – that OMB A-87/CFR methodology does not apply for computation of law enforcement overhead/Indirect Cost Rate Proposal (ICRP) rates paid through contracts with county law enforcement agencies – then this should be explicitly stated in the written rules and guidelines and all parties should be able to review and participate in the adoption of those rules. Further, it is not fair to retroactively apply new standards and impose new rules on local agencies without providing advanced notice to them.

Under your new methodology – if OMB/CFR guidelines are inapplicable - how is overhead to be computed and how do you determine which costs are "*clearly* administrative in nature"? We also deserve an explanation of how we can prove that the costs for our "Captains, Lieutenants, and Sergeants, as well as various other line- item charges" which you concede "**may** [emphasis added] or may not **be administrative in nature** dependent on the functions that each classification performs" can qualify for inclusion in the overhead rate.

How do we prove to you that our clerical staff performs necessary support functions to our sworn staff? We provided job descriptions – but they seem to have been completely ignored. You stated that they "may" be administrative in nature, yet you denied everything without asking us a single question. Would it help to set up a meeting with command staff so your auditor could ask about the job duties, as they have for other audits, to determine allowable percentages? What guidelines are we supposed to be following if not OMB/CFR guidelines and written instructions? What format are we to use to show allowable overhead costs?

Finally, we believe your actions violate "Due Process" requirements by creating new rules and standards that are not enumerated in written claiming manuals, parameters and guidelines, claiming instructions, and the OMB/CFR Guidelines. There is no statement that Ps and Gs do not apply to cities contracting for law enforcement services. There is no explanation that indirect costs are not allowable if they are itemized, but they are allowable if they are already built into staff hourly rates. There is no description of how local agencies that contract for law enforcement services are supposed to claim their allowable indirect costs in a manner acceptable to the SCO.

Given your response that OMB/CFR Guidelines do not apply to the computation of indirect costs for cities that contract for law enforcement agencies with county agencies; that indirect costs for contract cities are in fact completely unallowable costs or are subject to some alternate, non-written standards that only your office can determine or dictate at your sole discretion and without any explanation as to how you conclude what is or is not an allowable cost because you've unilaterally determined that Federal OMB/CFR guidelines are inapplicable; that your conclusion that those agencies whose law enforcement contracts do not already have overhead pre-built into their Deputy rates, like LA county does, somehow forfeits their right to compute and claim the same allowable, actual overhead costs based on existing federal and State principals indicates that your office is engaged in underground rule making and that higher level discussion is required.

Because this issue is of Statewide consequence, impacting approximately 30% of California cities that contract for law enforcement services, in order to avoid flooding the Commission on State Mandates with many similar Incorrect Reduction Claims, I believe it would be prudent to pause this Audit temporarily and have an informal conference with the Commission on State Mandates and with other interested parties to further address this issue. Perhaps there needs to be some amendment to the boilerplate language included in the SCO's Mandated Cost Manual for Local Agencies so there are clear and coherent written guidelines for these thousands of law enforcement claims that involve contract cities.

Because this impacts other agencies and consultants who work on State mandate claims, I believe all interested parties should be invited to meet to discuss and resolve these issues before we go further. It is not fair to local agencies to say that Federal OMB/CFR guidelines do not apply and to have no other written instructions on how local agencies that contract for law enforcement services are supposed to compute and claim for legitimate and blatantly allowable overhead costs (such as in our case: administrative support- Police Chief/Captain, Lieutenants, Sergeants; vehicles and fuel for deputies; and clerical support staff).

I am cc'ing Heather Halsey, Camille Shelton, and your supervisor on this email so that they can advise us on how best to proceed.

Thank you,

Annette Chinn

City of Rancho Cucamonga
Legislatively Mandated Identity Theft Program
Exit Conference Information
July 1, 2002, through June 30, 2013
S22-MCC-0009

January 5, 2023
3:45 p.m. by email

SCO Staff Assigned to the Engagement:

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Audit Authority:
- Government Code sections 12410, 17558.5, and 17561 provide the legal authority for us to conduct this audit.

Audit Objective:
- The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Identity Theft Program. Specifically, we conducted this audit to determine whether costs claimed were supported by sufficient source documents, were not funded by another source, and were not unreasonable and/or excessive.

Audit Standards:
- Our audit was conducted in accordance with generally accepted government audit 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 recommendations based on our audit objective.

Audit Scope:
- The audit period was from July 1, 2002, through June 30, 2013.

Audit Criteria:
- Identity Theft Program's parameters and guidelines
- SCO's claiming instructions
- Title 2, Code of Federal Regulations, Part 200, Subpart E (formerly 2 CFR Part 225 (Office of Management and Budget Circular A-87) {for indirect costs}

Audit Report Process:
- On December 9, 2022, the SCO provided the city with the draft audit report finding, summary of program costs, and detailed work papers that support Finding – Overstated Identity Theft Program costs.
- Finding presented today reflect what will be presented in the draft audit report. The SCO will notify the city of any substantive changes made subsequent to the exit conference.

(11-28-2022)

- The audit report will disclose that the SCO conducted the audit in accordance with generally accepted government auditing standards.

- The city will receive a draft report in approximately 6-8 weeks. The draft report will be addressed to Tamara Oatman, Finance Director, City of Rancho Cucamonga. Please let us know if you want us to send a copy of the draft report to any other city staff.

- The city will have 10 calendar days from report receipt to submit a response to the draft audit report. Once the SCO has confirmed the report receipt date, the auditor will e-mail Tamara Oatman to confirm the due date for the response to the draft audit report.

- The SCO will incorporate the city's response into the final audit report.

- The city will receive the final audit report approximately 6-8 weeks after the SCO receives the city's response. The final audit report will be addressed to Tamara Oatman, Finance Director, City of Rancho Cucamonga; and a copy will be sent to:

    - The Honorable L. Dennis Michael, Mayor of the City of Rancho Cucamonga;
    - Ernie Perez, Captain, Rancho Cucamonga Patrol Station, San Bernardino County Sheriff's Department.
    - Sarkis Ohannessian, Deputy Chief, Field Support Services Bureau, San Bernardino County Sheriff's Department;
    - Chris Hill, Principal Program Budget Analyst, California Department of Finance; and
    - Ted Doan, Finance Budget Analyst, California Department of Finance.

- The final audit report is considered final. We will not consider additional documentation provided by the city at a later date.

- The SCO posts final audit reports to its website at: https://www.sco.ca.gov/ard_mancost.html

- Questions regarding SCO mandated program payments and collections may be directed to Steve Purser, Analyst, Local Government Programs and Services Division, at (916) 616-7441 or SPurser@sco.ca.gov.

Audit Confidentiality:

- The finding presented at this exit conference is for discussion purposes only. The finding is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final audit report is a matter of public record when it is issued.

Audit Findings and Summary of Program Costs (Schedule):

- See Attachments

Audit Resolution:

- The city may file an incorrect reduction claim (IRC) with the Commission on State Mandates (Commission).

- Information regarding the IRC process is available on the Commission's website at: http://www.csm.ca.gov/forms/IRCForm.pdf

Engagement Customer Service Survey:

- Upon issuance of the final audit report, our Quality Assurance Unit within the Division of Audits may send the audit liaison an electronic Engagement Customer Service Survey, using Survey Monkey®, which consists of 15 brief questions about the audit, customer service, and reporting.

Schedule--
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 20,587	$ -	$ (20,587)
Beginning an investigation of facts	7,356	-	(7,356)
Total salaries	27,943	-	(27,943)
Contract services			
Taking police report on a violation of PC § 530.5	-	10,999	10,999
Beginning an investigation of facts	-	9,057	9,057
Total contract services	-	20,056	20,056
Total direct costs	27,943	20,056	(7,887)
Indirect costs	26,267	-	(26,267)
Total program costs	$ 54,210	20,056	$ (34,154)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,056	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 20,865	$ -	$ (20,865)
Beginning an investigation of facts	7,456	-	(7,456)
Total salaries	28,321	-	(28,321)
Contract services			
Taking police report on a violation of PC § 530.5	-	11,098	11,098
Beginning an investigation of facts	-	9,161	9,161
Total contract services	-	20,259	20,259
Total direct costs	28,321	20,259	(8,062)
Indirect costs	24,838	-	(24,838)
Total program costs	$ 53,159	20,259	$ (32,900)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,259	
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 27,093	$ -	$ (27,093)
Beginning an investigation of facts	9,688	-	(9,688)
Total salaries	36,781	-	(36,781)
Contract services			
Taking police report on a violation of PC § 530.5	-	12,910	12,910
Beginning an investigation of facts	-	10,674	10,674
Total contract services	-	23,584	23,584
Total direct costs	36,781	23,584	(13,197)
Indirect costs	29,499	-	(29,499)
Total program costs	$ 66,280	23,584	$ (42,696)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 23,584	

Schedule--
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 28,650	$ -	$ (28,650)
Beginning an investigation of facts	10,147	-	(10,147)
Total salaries	38,796	-	(38,796)
Contract services			
Taking police report on a violation of PC § 530.5	-	14,241	14,241
Beginning an investigation of facts	-	11,569	11,569
Total contract services	-	25,810	25,810
Total direct costs	38,796	25,810	(12,986)
Indirect costs	31,542	-	(31,542)
Total program costs	$ 70,338	25,810	$ (44,528)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 25,810	
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 18,065	$ -	$ (18,065)
Beginning an investigation of facts	6,443	-	(6,443)
Total salaries	24,508	-	(24,508)
Contract services			
Taking police report on a violation of PC § 530.5	-	8,696	8,696
Beginning an investigation of facts	-	7,124	7,124
Total contract services	-	15,820	15,820
Total direct costs	24,508	15,820	(8,688)
Indirect costs	19,312	-	(19,312)
Total program costs	$ 43,820	15,820	$ (28,000)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 15,820	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 11,859	$ -	$ (11,859)
Beginning an investigation of facts	4,218	-	(4,218)
Total salaries	16,077	-	(16,077)
Contract services			
Taking police report on a violation of PC § 530.5	-	5,993	5,993
Beginning an investigation of facts	-	4,884	4,884
Total contract services	-	10,877	10,877
Total direct costs	16,077	10,877	(5,200)
Indirect costs	12,718	-	(12,718)
Total program costs	$ 28,795	10,877	$ (17,918)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,877	

Schedule--
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 8,615	$ -	$ (8,615)
Beginning an investigation of facts	3,060	-	(3,060)
Total salaries	11,675	-	(11,675)
Contract services			
Taking police report on a violation of PC § 530.5	-	4,473	4,473
Beginning an investigation of facts	-	3,629	3,629
Total contract services	-	8,102	8,102
Total direct costs	11,675	8,102	(3,573)
Indirect costs	9,282	-	(9,282)
Total program costs	$ 20,957	8,102	$ (12,855)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 8,102	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 9,803	$ -	$ (9,803)
Beginning an investigation of facts	3,480	-	(3,480)
Total salaries	13,283	-	(13,283)
Contract services			
Taking police report on a violation of PC § 530.5	-	5,557	5,557
Beginning an investigation of facts	-	4,508	4,508
Total contract services	-	10,065	10,065
Total direct costs	13,283	10,065	(3,218)
Indirect costs	10,786	-	(10,786)
Total program costs	$ 24,069	10,065	$ (14,004)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,065	
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 12,662	$ -	$ (12,662)
Beginning an investigation of facts	4,495	-	(4,495)
Total salaries	17,157	-	(17,157)
Contract services			
Taking police report on a violation of PC § 530.5	-	5,948	5,948
Beginning an investigation of facts	-	4,150	4,150
Total contract services	-	10,098	10,098
Total direct costs	17,157	10,098	(7,059)
Indirect costs	12,697	-	(12,697)
Total program costs	$ 29,854	10,098	$ (19,756)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,098	

Schedule--
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 21,912	$ -	$ (21,912)
Beginning an investigation of facts	-	-	-
Total salaries	21,912	-	(21,912)
Contract services			
Taking police report on a violation of PC § 530.5	-	7,385	7,385
Beginning an investigation of facts	-	6,803	6,803
Total contract services	-	14,188	14,188
Total direct costs	21,912	14,188	(7,724)
Indirect costs	16,214	-	(16,214)
Total program costs	$ 38,126	14,188	$ (23,938)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 14,188	
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries			
Taking police report on a violation of PC § 530.5	$ 39,938	$ -	$ (39,938)
Beginning an investigation of facts	-	-	-
Total salaries	39,938	-	(39,938)
Contract services			
Taking police report on a violation of PC § 530.5	-	20,474	20,474
Beginning an investigation of facts	-	16,207	16,207
Total contract services	-	36,681	36,681
Total direct costs	39,938	36,681	(3,257)
Indirect costs	30,552	-	(30,552)
Total program costs	$ 70,490	36,681	$ (33,809)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 36,681	
Summary: July 1, 2002, through June 30, 2013			
Direct costs			
Salaries	$ 276,391	$ -	$ (276,391)
Contract services	-	195,540	195,540
Total direct costs	276,391	195,540	(80,851)
Indirect costs	223,707	-	(223,707)
Total program costs	$ 500,098	195,540	(304,558)
Less amount paid by the State[2]			
Allowable costs claimed in excess of amount paid		$ 195,540	

[1] See the Finding and Recommendation section.

[2] Payment amount current as of January 3, 2023

City of Rancho Cucamonga
Identity Theft Program
Preliminary Audit Report Finding
July 1, 2002, through June 30, 2013
S22-MCC-0009

The following handout is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.

FINDING – Overstated Identity Theft Program costs

The city claimed $500,098 ($276,391 in salary costs and $223,707 in related indirect costs) for the Identity Theft Program. We found that $195,540 is allowable and $304,558 is unallowable.[1]

We found that the city incorrectly classified claimed costs as salary costs because it contracted with the San Bernardino County Sheriff's Department (SBCSD) for all of its law enforcement services during the audit period. Therefore, the city did not incur any salary costs, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

The city used the correct methodology to calculate its salary costs: it multiplied the number of identity theft police reports by the time required to perform the reimbursable activities, and then by the hourly rates obtained from the city's contracts with San Bernardino County. The county's contracts included costs for the salaries and benefits of its various employee classifications as well as additional administrative costs. However, because no city staff members performed the reimbursable activities, these costs should have been classified as contract services costs, not as salaries.

The costs are unallowable primarily due to the city claiming misclassified costs, overstating the number of identity theft reports taken, misstating the time increments needed to perform the reimbursable activities, and claiming unallowable indirect costs.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

Fiscal Year	Salaries			Related Indirect Cost Adjustment	Contract Services Adjustment	Total Audit Adjustment
	Amount Claimed [1]	Amount Allowable	Audit Adjustment			
2002-03	$ 27,943	$ -	$ (27,943)	$ (26,267)	$ 20,056	$ (34,154)
2003-04	28,321	-	(28,321)	(24,838)	20,259	(32,900)
2004-05	36,781	-	(36,781)	(29,499)	23,584	(42,696)
2005-06	38,796	-	(38,796)	(31,542)	25,810	(44,528)
2006-07	24,508	-	(24,508)	(19,312)	15,820	(28,000)
2007-08	16,077	-	(16,077)	(12,718)	10,877	(17,918)
2008-09	11,675	-	(11,675)	(9,282)	8,102	(12,855)
2009-10	13,283	-	(13,283)	(10,786)	10,065	(14,004)
2010-11	17,157	-	(17,157)	(12,697)	10,098	(19,756)
2011-12	21,912	-	(21,912)	(16,214)	14,188	(23,938)
2012-13	39,938	-	(39,938)	(30,552)	36,681	(33,809)
Total	$ 276,391	$ -	$ (276,391)	$ (223,707)	$ 195,540	$ (304,558)

[1] Amounts claimed for FY 2004-05, FY 2007-08, FY 2010-11, and FY 2011-12 adjusted by $1 due to claim rounding errors

Contract Services Costs

The city contracted with the SBCSD to perform all of its law enforcement services during the audit period. These services included the reimbursable activities claimed for the mandated program. The city contracted for various SBCSD staff positions each fiscal year, which included, but were not limited to, Deputy Sheriffs, Office Specialists, Service Specialists, and Sergeants, and paid the SBCSD annual contract billing rates for these positions. No city staff performed any of the reimbursable activities under this program; therefore, the city did not incur salary and related indirect costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

Identity Theft Incident Reports

The city claimed that it took 2,749 identity theft incident reports during the audit period. We found that the city overstated the number of reports taken by 715, and 2,034 reports are allowable.

The following table summarizes the counts of claimed, supported, and allowable identity theft cases, and the audit adjustment by fiscal year:

Fiscal Year	(A) Claimed Reports	(B) Audited Population	(C) Allowable Reports	(D)=(C)-(A) Audit Adjustment
2002-03	370	386	269	(101)
2003-04	375	376	262	(113)
2004-05	397	393	274	(123)
2005-06	404	408	284	(120)
2006-07	232	228	159	(73)
2007-08	144	148	103	(41)
2008-09	103	109	76	(27)
2009-10	120	135	94	(26)
2010-11	155	156	96	(59)
2011-12	163	181	113	(50)
2012-13	286	358	304	18
Total	2,749	2,878	2,034	(715)

For each fiscal year, the SBCSD provided Excel spreadsheets to support the claimed number of identity theft incident reports taken for the city. SBCSD generated these spreadsheets using its crime reports record management system (Tiburon). Tiburon provided unduplicated counts of initial police reports filed for violations of PC section 530.5 and identifies the specific origin of each report. The spreadsheets supported 2,878 identity theft police reports filed during the audit period for the City of Rancho Cucamonga.

We verified the accuracy of the unduplicated counts of initial police reports recorded in SBCSD's Tiburon by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

We selected FY 2010-11 through FY 2012-13 for testing purposes because our audit plan called for testing 25% of claimed costs at a minimum. Claimed costs for these three fiscal years totaled $79,007 ($17,158, $21,911, and $39,938 respectively) which represents 28.6% of the $276,392 amount claimed for the audit period.

Based on these three years, we selected a statistical sample from the documented number of identity theft 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 in order to project the results to the population for each fiscal year. We randomly selected 264 out of 695 identity theft incident reports for review.

Our review of sample incident reports disclosed the following:

- For FY 2010-11, we found that 29 out of 76 identity theft incident reports were unallowable because of the following reasons:

  - Seven reports did not meet the requirements of PC section 530.6(a), in which the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency,
  - Two reports were not for violations of PC section 530.5,
  - One report did not indicate that a crime occurred, and
  - Nineteen reports were courtesy reports (police reports taken and prepared by other law enforcement agencies).

Therefore, we calculated an error rate of 38.16% for FY 2010-11.

- For FY 2011-12, we found that 31 out of 82 identity theft incident reports were unallowable because of the following reasons:

  - Nine reports did not meet the requirements of PC section 530.6(a), in which the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency,
  - Two reports did not indicate that a crime occurred,
  - Two reports were incident reports only (not for violations of PC section 530.5),
  - Four reports did not include PC section 530.5 as an offense,
  - Two reports were for victims that were not residents of Rancho Cucamonga, and
  - Twelve reports were unallowable because they were courtesy reports.

Therefore, we calculated an error rate of 37.80% for FY 2011-12.

- For FY 2012-13, we found that 16 out of 106 identity theft incident reports were unallowable because of the following reasons:

  - Two reports were not for violations of PC section 530.5,
  - Three reports did not indicate that a crime occurred,
  - Five reports were for victims that were not residents of Rancho Cucamonga, and
  - Six reports were unallowable because they were courtesy reports.

Therefore, we calculated an error rate of 15.09% for FY 2012-13.

Using the testing results for these three fiscal years, we calculated an average error rate of 30.35%, which we applied to the untested years of FY 2002-03 through FY 2009-10.

The following table shows the average error rates for FY 2010-11 through FY 2012-13:

Fiscal Year	(A) Number of Unallowable Cases Sampled	(B) Sample Size	(C)=(A)÷(B) Error Rate
2010-11	29	76	38.16%
2011-12	31	82	37.80%
2012-13	16	106	15.09%
		Total	91.05%
	Number of FY's sampled		÷ 3
	Average Error Rate		30.35%

We extrapolated the average error rate to the audited population of reports for FY 2002-03 through FY 2009-10 and applied the actual audited error rate for each of the other fiscal years to determine the allowable and unallowable number of incident reports taken.

The following table shows the number of allowable and unallowable incident reports taken by fiscal year:

Fiscal Year	(A) Audited Population	(B) Error Rate	(B) Average Error Rate	(C)=(A)×(B) Total Unallowable Reports	(D)=(A)-(C) Total Allowable Reports
2002-03	386	N/A	30.35%	117	269
2003-04	376	N/A	30.35%	114	262
2004-05	393	N/A	30.35%	119	274
2005-06	408	N/A	30.35%	124	284
2006-07	228	N/A	30.35%	69	159
2007-08	148	N/A	30.35%	45	103
2008-09	109	N/A	30.35%	33	76
2009-10	135	N/A	30.35%	41	94
2010-11	156	38.16%	N/A	60	96
2011-12	181	37.80%	N/A	68	113
2012-13	358	15.09%	N/A	54	304
Total	2,878			844	2,034

Time increments

The city claimed the following time increments during the audit period:

- 55 minutes for a Deputy Sheriff taking/drafting a police report (Activity 1a.1) for FY 2002-03 through FY 2010-11 and 74 minutes for FY 2011-12 and FY 2012-13,
- 15 minutes for an Office Specialist to provide clerical support for taking/drafting a police report (Activity 1a.1) for FY 2011-12 and FY 2012-13,
- 12 minutes for a Sergeant to review and approve the police report for the audit period (Activity 1a.2) for FY 2022-03 through FY 2-10-11 and 16.5 minutes for FY 2011-12 and FY 2012-13, and
- 25 minutes for a Deputy Sheriff to begin an investigation (Activity 2) for FY 2002-03 through FY 2010-11 and 0 minutes for FY 2011-12 and FY 2012-13.

The city based its time increments for FY 2002-03 through FY 2010-11 on a phone interview in 2011 with an SBCSD Sergeant, who estimated the amount of time required to perform the mandated activities. The city also included a time log signed by a Service Specialist for an unspecified activity that took place from March 9th through May 20th of an unspecified year.

For FY 2011-12 and FY 2012-13, an SBCSD Office Specialist estimated that this employee classification spent 15 minutes per case providing clerical support related to taking/preparing police reports. In addition, the city conducted a time study in 2012 and provided two Summary Time Logs containing time entries for 16 cases dated from January 5, 2012 through August 21, 2012 for completion by various employees for the activities of taking/preparing police reports and reviewing/approving police reports. An SBSCD Office Specialist signed and dated the summary time log for taking/preparing a report, certifying the accuracy of the entries. An SBSCD Sergeant signed and dated the summary time log for reviewing/approving reports, certifying the accuracy of the results. However, the city did not provide any contemporaneously prepared documentation supporting any of the time log entries, such as the related police reports or information from the county's Computer-Aided Dispatch (CAD) system. In addition, the city did not provide a time study plan indicating how the city acquired and analyzed this data.. Therefore, we had no basis from which to determine whether the city based these time entries on actual time or estimates.

Allowable Time Increments

Taking a police report

The county's CAD system did not record time spent drafting, reviewing, and editing identity theft police reports (Activities 1a and 1a.1 – Sergeant review). We interviewed various SBCSD employees, who provided testimonial evidence of the approximate time spent on reimbursable activities not recorded by the CAD system. We found that this information provided a reasonable representation of the time needed to perform these reimbursable activities.

For Activity 1a, we interviewed three Deputy Sheriffs, three Service Specialists, and one Sergeant about drafting, reviewing, and editing identity theft police reports taken by Officers. Based on these interviews, we determined that SBCSD staff spent an average of 35 minutes drafting, reviewing, and editing identity theft police reports taken by Officers.

For Activity 1a.1 – Sergeant review, we interviewed three Detectives and three Sergeants about reviewing identity heft police reports taken at the police station counter. Based on these interviews, we determined that SBCSD staff spent an average of 13 minutes reviewing police reports taken at the police station counter.

For Activity 2 , the SBCSD's Rancho Cucamonga Patrol Station provided copies of CAD reports at our request for the same police reports that we sampled for FY 2010-11, FY 2011-12, and FY 2012-13. These reports provided time stamps detailing when an Officer arrived on scene and departed, and the time spent for the specific incident. The reports also identified the employee classification (Deputy Sheriff or Service Specialist) that performed the activity of beginning an investigation by interviewing the victim to determine where the crime occurred and what pieces of personal identifying information were used for an unlawful purpose. We used these contemporaneously prepared time reports as support for the time spent beginning an investigation.

Based on our analysis, we determined the following time increments for each allowable police report that originated in the City of Rancho Cucamonga:

- 35 minutes (0.58 hours) for Deputy Sheriffs or Service Specialists to perform Activity 1a.1 – taking a police report on violations of PC section 530.5;

- 13.minutes (0.22 hours) for Sergeants to perform Activity 1a.2 – reviewing incident reports on violations of PC section 530.5; and

- 44 minutes (0.73 hours) for Deputy Sheriffs or Service Specialists to begin an investigation of the facts (Activity 2) for FY 2002-03 through FY 2009-10, 38 minutes (0.63 hours) for FY 2010-11, 50 minutes (0.83 hours) for FY 2011-12, and 43 minutes (0.72 hours) for FY 2012-13.

The following table summarizes the time increments claimed and allowable for the reimbursable activities by fiscal year:

	Claimed Minutes				Allowable Minutes		
	Activity 1a.1	Activity 1a.1	Activity 1a.2	Activity 2	Activity 1a.1	Activity 1a.2	Activity 2
	Taking a Report	Clerical Support	Reviwing a Police Report	Beginning an Investigation	Taking a Police Report *	Reviwing a Police Report	Beginning an Investigation *
Fiscal Year	Deputy Sheriff	Office Specialist	Sergeant	Deputy Sheriff	Deputy Sheriff and Service Specialist	Sergeant	Deputy Sheriff and Service Specialist
2002-03	55	-	12	25	35	13	44
2003-04	55	-	12	25	35	13	44
2004-05	55	-	12	25	35	13	44
2005-06	55	-	12	25	35	13	44
2006-07	55	-	12	25	35	13	44
2007-08	55	-	12	25	35	13	44
2008-09	55	-	12	25	35	13	44
2009-10	55	-	12	25	35	13	44
2010-11	55	-	12	25	35	13	38
2011-12	74	15	16.5	-	35	13	50
2012-13	74	15	16.5	-	35	13	43

* As stated in the narrative, Deputy Sheriffs took police reports and began investygations for 74% of cases during FY 2002-03 through FY 2010-11, 75% for FY 2011-12, and 72% for FY 2012-13. Service Specialists took police reports for 26% of cases for FY 2002-03 through FY 2010-11, 25% for FY 2011-12, and 28% for FY 2012-13.

Classification of SBCSD Staff Who Performed the Reimbursable Activities

Claimed Job Classifications

As noted previously, the city claimed that Deputy Sheriffs and Office Specialists (for FY 2011-12 and FY 2012-13 only) prepared police reports (Activity 1a.1), Sergeants reviewed the reports (Activity 1a.1 – Sergeant review), and Deputy Sheriffs began investigations (Activity 2). However, the city did not claim any costs for beginning investigations in its claims for FY 2011-12 and FY 2012-13.

Staff Allowable

In order to clarify which SBCSD staff members performed the mandated activities, we:

1. Prepared a schedule of the police reports selected for testing;

2. Reviewed the police reports for each case to determine the actual job classification that prepared each report; and

3. Calculated the extent (percentage of involvement) that various employee classifications performed the mandated activities for the sampled identity theft cases.

While the city claimed time for Deputy Sheriffs, Office Specialists, and Sergeants to perform the mandated activities, we found that Deputy Sheriffs and Sheriff Service Specialists prepared and edited police reports (Activity 1a.1) and began investigations (Activity 2). We also found that Sergeants reviewed and approved the police reports (Activity 1a.2). We based this conclusion on the copies of the uniform crime reports (police reports) that SBCSD's Rancho Cucamonga station provided for the identity theft cases for our sample selections from FY 2011-11 through FY 2012-13. Using this information, we analyzed the extent to which these various employee classifications performed the mandated activities and concluded the following:

- Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 74% for FY 2002-03 through FY 2010-11 while Service Specialists averaged 26% performing these activities,
- For FY 2011-12, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 75%, while Service Specialists averaged 25% performing these activities,
- For FY 2012-13, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 72%, while Service Specialists averaged 28% performing these activities,
- Sergeants performed 100% of Activity 1a.2 for all years of the audit period, and
- We found no corroborating evidence that SBCSD Office Specialists provided clerical support for the taking of police reports.

Contract Hourly Rates

The city's claims included copies of its annual contract that it negotiated with San Bernardino County for each year of the audit period. Each contract specifies the level of services performed for the city by indicating the number of various employee classifications involved in the city's law enforcement (level of service) and the county's cost for providing these employees. The county uses this form to indicate the authorized SBCSD staffing level for each year of the audit period. We used this information to determine the contract hourly billing rates for various employee classifications by using the total contract cost for each employee classification divided by the number of personnel that the county provided. For example, the city's contract for FY 2012-13 indicates that 96.75 Deputy Sheriffs and 12 Sergeants provided law enforcement for the city during the year. The table below shows the contract hourly rate calculation for Deputy Sheriffs and Sergeants during FY 2012-13:

Employee Classification	Annual Cost	Level of Service	Cost per Employee	Productive Hours	Hourly Rate
Deputy Sheriff	$14,351,923	96.75	$ 148,340	1,800	$ 82.41
Sergeant	2,250,050	12.00	187,504	1,800	$ 104.17

The city used this same calculation of hourly billing rates for its FY 2012-13 claim.

The city's contracts with SBCSD also include additional employee classifications and other items, such as vehicles, dispatch services, and equipment that are all part of the direct costs incurred to provide law enforcement for the city. However, the city explained during the audit that its contracts also include items that are clearly administrative in nature. During the audit, we had discussions with city representatives concerning the issue of recovering costs for these administrative costs. The city argued that it should be able to prepare Indirect Cost Rate Proposals to recover

these costs. However, OMB A-87 methodology does not allow for the recovery of indirect costs using contract services as a base.

We concluded that it is appropriate to add an additional percentage to the calculation of contract hourly billing rates as a mechanism to account for the annual administrative costs related to the performance of the reimbursable activities. We made these calculations and used the following percentages as an add-on to the hourly contract billing rate calculations:

Fiscal Year	Administrative Cost Rate
2002-03	9.45%
2003-04	6.18%
2004-05	5.18%
2005-06	4.56%
2006-07	4.86%
2007-08	5.51%
2008-09	5.39%
2009-10	8.19%
2010-11	5.33%
2011-12	5.42%
2012-13	6.14%

In order to calculate these rates, we added all of the items within each contract that we determined were clearly administrative in nature and divided the total by each year's total contract cost to determine the extent that administrative costs were represented in each year's contract. The table below shows how we made this calculation for FY 2012-13:

Cost Category	Contract Amount
Administrative support	$ 124,976
Office automation	65,223
Vehicle insurance	110,792
Personnel liability & bonding	407,133
County administrative cost	1,270,734
Board approved COWCAP subsidy	(254,147)
Startup costs	6,987
Total administrative costs	$ 1,731,698
Divided by total contract amount	28,209,685
Administrative cost percentage	6.14%

Therefore, claimed hourly rates for Deputy Sheriffs and Sergeants increased as follows for FY 2012-13:

Employee Classification	Hourly Rate	Administrative Percentage	Revised Rate
Deputy Sheriff	$ 82.41	6.14%	$ 87.47
Sergeant	$ 104.17	6.14%	$ 110.57

City of Rancho Cucamonga
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The following table summarizes the claimed and allowable contract hourly billing rates for Deputy Sheriffs during the audit period, and the difference between those rates:

	Deputy Sheriff					
Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 47.72	$ 47.72	$ -	9.45%	$ 52.10	$ 4.38
2003-04	47.72	51.14	3.42	6.18%	54.30	6.58
2004-05	58.57	56.97	(1.60)	5.18%	59.92	1.35
2005-06	60.28	60.28	-	4.56%	63.03	2.75
2006-07	66.65	66.65	-	4.86%	69.89	3.24
2007-08	70.31	70.30	(0.01)	5.51%	74.17	3.86
2008-09	71.31	71.31	-	5.39%	75.15	3.84
2009-10	69.60	69.60	-	8.19%	75.30	5.70
2010-11	69.60	75.03	5.43	5.33%	79.03	9.43
2011-12	78.98	78.98	-	5.42%	83.26	4.28
2012-13	82.41	82.43	0.02	6.14%	87.49	5.08

The following table summarizes the claimed and allowable contract hourly billing rates for Service Specialists during the audit period, and the difference between those rates:

	Service Specialists					
Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ -	$ 25.81	$ 25.81	9.45%	$ 28.25	$ 2.44
2003-04	-	28.25	28.25	6.18%	30.00	1.75
2004-05	-	32.42	32.42	5.18%	34.10	1.68
2005-06	-	33.13	33.13	4.56%	34.64	1.51
2006-07	-	34.80	34.80	4.86%	36.49	1.69
2007-08	-	36.12	36.12	5.51%	38.11	1.99
2008-09	-	35.18	35.18	5.39%	37.08	1.90
2009-10	-	34.87	34.87	8.19%	37.73	2.86
2010-11	-	35.74	35.74	5.33%	37.64	1.90
2011-12	-	37.16	37.16	5.42%	39.17	2.01
2012-13	-	38.34	38.34	6.14%	40.69	2.35

The following table summarizes the claimed and allowable contract hourly billing rates for Sergeants during the audit period, and the difference between those rates:

City of Rancho Cucamonga
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Fiscal Year	Sergeant Claimed Hourly Rate	Sergeant Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 59.50	$ 59.50	$ -	9.45%	$ 63.18	$ 3.68
2003-04	59.50	63.52	4.02	6.18%	67.45	7.95
2004-05	72.80	70.77	(2.03)	5.18%	74.44	1.64
2005-06	78.31	78.31	-	4.56%	81.88	3.57
2006-07	83.83	83.83	-	4.86%	87.90	4.07
2007-08	89.50	89.52	0.02	5.51%	94.45	4.95
2008-09	91.35	91.35	-	5.39%	96.27	4.92
2009-10	89.44	89.44	-	8.19%	96.77	7.33
2010-11	89.44	96.99	7.55	5.33%	102.16	12.72
2011-12	101.63	101.63	-	5.42%	107.14	5.51
2012-13	104.17	104.17	-	6.14%	110.57	6.40

For the audit period, we calculated allowable contract services costs based on the audited counts of PC 530.5 identity theft reports, audited time increments, audited contract hourly billing rates, and the additional allowable percentage to allow for administrative costs.

For example, the following table shows the calculation of allowable contract services costs for FY 2012-13:

Employee Classification	Contract PHR [a]	Number of cases [b]	Minutes [c]	Hours [d=(b*g)/60]	Activity % [e]	Allowable costs [f=a*i*k]
Prepare a report:						
Deputy Sheriff	$ 87.49	304	35	177.33	72.0%	11,171
Service Specialist	40.69	304	35	177.33	28.0%	2,020
Total, prepare a report						$ 13,191
Review a report:						
Sergeant	110.57	304	13	65.87	100.0%	7,283
Total, review a report						$ 7,283
Begin an investigation:						
Deputy Sheriff	$ 87.49	304	43	217.87	72.0%	13,724
Service Specialist	40.69	304	43	217.87	28.0%	2,482
Total, begin an investigation						$ 16,206
Total allowable contract services costs						$ 36,681

We performed similar calculations of allowable contract services costs for each fiscal year of the audit period.

Indirect Costs

The city claimed related indirect costs totaling $223,707 for the audit period based on salaries claimed totaling $276,393. We found that the entire amount is unallowable because no city staff member performed any of the reimbursable activities under this program during the audit period. Instead, the city contracted with SBCSD for all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs, but rather incurred contract services costs.

The city provided copies of its Indirect Cost Rate Proposals for all years of the audit period. However, the city used a distribution base of direct salaries and wages for SBCSD staff to calculate its indirect cost rates. Since the city only incurred contract services costs, there are no related indirect costs.

We discussed this issue with the city during audit fieldwork. As mentioned previously, the city pointed out that its annual contract for law enforcement services with San Bernardino County included items that are clearly administrative in nature rather than directly related to the costs for providing law enforcement services. We were receptive to this argument and added an additional percentage to the calculation of contract hourly rates to allow for these costs, as noted above in the explanation of how we calculated contract hourly billing rates.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs by fiscal year:

		Claimed	(A)	(B)	(C)=(B)-(A)
Fiscal Year	Salaries Claimed	Indirect Cost Rate	Indirect Costs [1]	Indirect Costs Allowed	Audit Adjustment
2002-03	$ 27,943	94.00%	$ 26,267	$ -	$ (26,267)
2003-04	28,321	87.70%	24,838	-	(24,838)
2004-05	36,781	80.20%	29,499	-	(29,499)
2005-06	38,796	81.30%	31,542	-	(31,542)
2006-07	24,508	78.80%	19,312	-	(19,312)
2007-08	16,077	79.10%	12,718	-	(12,718)
2008-09	11,675	79.50%	9,282	-	(9,282)
2009-10	13,283	81.20%	10,786	-	(10,786)
2010-11	17,158	74.00%	12,697	-	(12,697)
2011-12	21,912	74.00%	16,214	-	(16,214)
2012-13	39,938	76.50%	30,552	-	(30,552)
Total	$ 276,392		$ 223,707	$ -	$ (223,707)

[1] Differences in Indirect Costs column are due to rounding.

Criteria

Section III (Period of Reimbursement) of the parameters and guidelines states, in part, "Actual costs for one fiscal year shall be included in each claim".

Section IV (Reimbursable Activities) of the parameters and guidelines begins:

To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

Section IV of the parameters and guidelines continues:

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

   b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

In addition, Section IV states that, "Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program."

Section V.A (Claim Preparation and Submission – Direct Cost Reporting) of the parameters and guidelines states, in part:

1. Salaries and benefits

   Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to these activities.

Section V.B (Claim Preparation and Submission – Indirect Costs) of the parameters and guidelines states, in part:

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.

The SCO's Mandated Cost Manual for Local Agencies, dated July 1, 2013, states the following in part 7 (Direct Costs), Subpart 3 (Contract Services) of the Filing A Claim section:

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 keep documentation on hand to support 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** [emphasis added], and the total cost. The hourly billing rate must not exceed the rate specified in the P's & G's for the mandated program. The contractor's invoice

or statement must include an itemized list of costs for activities performed. **A copy of the contract must be included with the submitted claim**.

Recommendation

The State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2022-23 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

From: Tamara.Oatman@cityofrc.us,
To: JTyree@sco.ca.gov,
Cc: achinncrs@aol.com, jvenneman@sco.ca.gov,
Subject: RE: Status Update
Date: Mon, Dec 19, 2022 3:47 pm
Attachments: Response to SCO Draft Prelim Audit Report.pdf (328K), San Bernardino Co ICRP.pdf (4328K), Job Descriptions (Indirect Costs).pdf (17791K)

Good afternoon, Joji.

Please see attached response from our consultant, Annette Chinn, regarding your preliminary audit report finding that was sent to us on December 9th. Thank you.

-Tamara

From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Monday, December 19, 2022 7:23 AM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Cc: Annette Chinn (achinncrs@aol.com) <achinncrs@aol.com>; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: RE: Status Update

That will be ok.

Thank you Tamara.

From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Sent: Friday, December 16, 2022 12:00 PM
To: Tyree, Joji <JTyree@sco.ca.gov>
Cc: Annette Chinn (achinncrs@aol.com) <achinncrs@aol.com>; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: RE: Status Update

CAUTION:
This email originated from outside of the organization.
Do not click links or open attachments unless you recognize the sender's email address and know the content is safe.

Good morning/afternoon, Joji 😊

Would it be acceptable to get you our response by end of day Monday? We need a little more time to complete the response. Please let me know at your earliest convenience.

-Tamara

From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Friday, December 9, 2022 9:30 AM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Cc: Annette Chinn (achinncrs@aol.com) <achinncrs@aol.com>; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: Status Update

CAUTION: This email is from outside our Corporate network. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good morning,

The attached status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.

You may send your comments/response by email next week.

Thank you and have a nice weekend.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 735B
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Response to SCO Draft Prelim Audit Report

Hello Joji,

Thank you for giving us an opportunity to review and comment on your Draft Preliminary Audit Report. Our main concern we have with your preliminary findings pertains to Indirect Costs.

On page 1 of your Preliminary Audit Report Finding, last paragraph, you state "The costs are unallowable primarily due to...unallowable indirect costs." Then on page 7 you state, "A-87 methodology does not allow for the recovery of indirect costs based on contract services".

In your August 30 email, you indicated that you believed a Contract City (a city that contracts with a county for law enforcement services) is not allowed to request reimbursement of Indirect Costs at all. Then after our September 27 response, you seem to have slightly modified your position to allow some, though not all, of the indirect costs from our contract that would normally be considered eligible under OMB/CFR rules.

It seems you have created some new hybrid standards or rules for claiming indirect costs for Contract Cities that we are struggling to understand and that don't seem to follow State or Federal Guidelines. Why were only the items you selected deemed eligible for inclusion in your computation of the ICRP? Your selections of items eligible and not eligible for inclusion appear inconsistent with CFR/OMB guidelines. Our specific areas of concern are enumerated below:

1) **Your statement (last sentence on page 7) that "A-87 methodology does not allow for the recovery of indirect costs based on contract services," is not supported by OMB/CFR guidelines which state:**

Section 200.306 (f) of 2 CFR Part 200:

> (f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, **and indirect costs** at either the third-party organization's approved federally negotiated indirect cost rate or, **a rate in accordance with § 200.414 Indirect (F&A) costs, paragraph (d),** provided these services employ the same skill(s) for which the employee is normally paid.

As shown by the above statement, OMB/CFR clearly states that in addition to third-party salaries and benefits (which you properly allowed), **indirect costs,** at either the third-party organizations approved federally negotiated indirect cost rate, or a rate in accordance with 2 CFR Part 200 § 200.414 are eligible. OMB A-87/CFR guidelines do not distinguish or provide alternate indirect cost rate methodologies between first- and third-parties. The same rules would apply.

The State Mandate Claiming Manual in Section 8 states: "Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services, and facilities."

In addition, your Office has already audited and approved indirect cost rates for the San Bernardino County Sheriff's Office for this same program and for the same years. Since you have approved indirect cost rates for this same organization, for activities which were performed by the same class of employees, paid at the same rates, for the same program and for the same years, our allowable overhead rates which are sourced from the same agency should not be less than those approved rates.

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In addition, your Office has already audited and approved indirect cost rates for the San Bernardino County Sheriff's Office for this same program and for the same years. Since you have approved indirect cost rates for this same organization, for activities which were performed by the same class of employees, paid at the same rates, for the same program and for the same years, our allowable overhead rates which are sourced from the same agency should not be less than those approved rates.

San Bernardino County : Identity Theft Audit Report, Release April 2022

Allowable	Direct	Indirect	Approved ICRP Rate:
2002-03	$34,330	$24,543	=$24,543/$34,330= 71.5%
2003-04	$34,123	$20,965	= 61.4%
2004-05	$44,177	$27,142	= 61.4%
2005-06	$44,188	$20,875	= 47.2%
2006-07	$49,011	$21,727	= 46.2%
2007-08	$50,876	$27,743	= 54.5%
2008-09	$43,288	$20,596	= 47.6%
2009-10	$34,516	$15,770	= 45.7%
2010-11	$30,836	$14,215	= 46.1%
2011-12	$38,594	$16,468	= 42.7%
2012-13	$34,115	$14,335	= 42.0%

Allowing us only an average of 6% overhead when your own audit of the San Bernardino County Sheriff's Office that provides us with law enforcement services is about 7 to 10 times that, shows the inequity and erroneous basis of your computations for Rancho Cucamonga.

In your draft report, you neither allowed Rancho Cucamonga the ICRP rates you allowed for San Bernardino County in their audit of this same program, nor did you allow us "a rate in accordance with § 200.414 Indirect (F&A) costs."

If you believe A-87 methodology does not allow the recovery of full indirect costs for contract cities, or that some alternate methodology exists for contract cities, please provide your evidence and references to the pertinent sections of OMB/CFR Guidelines. Other than State and Federal CFR guidelines, we are not aware of any alternate rules or guidelines on how indirect costs are to be computed for third party provided services. Therefore, the rules of OMB/CFR Guidelines would be applicable in the computation of our ICRP rates.

2) **We agree with your statement that "the contract includes items that are clearly administrative in nature".**
   So, why didn't you include our administrative command and clerical staff in your overhead rate computations?

You correctly identified ***some*** of the eligible administrative support costs:

2 CFR Ch. II Part 200 Appendix IV:

> (4) General administration and general expenses. The expenses under this heading are those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization. This category must also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation, and interest costs. Examples of this category include central offices, such as the director's office, the office of finance, business services, budget and planning, personnel, safety and risk management, general counsel, management information systems, and library costs.

And

2 CFR Ch. II (The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. *Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity*.

Command/administrative staff. Can you please explain why none of our command staff costs, including our Captain, who is our city's Chief of Police; the Lieutenants who oversee administration and operations of the entire unit; and our Sergeants, who are the first line supervisors of the Deputies; were not included in your overhead rate computations? These staff perform the "executive and administrative" function of the department. Every Deputy requires command staff oversight – supervisors must perform annual reviews of employee performance, deal with disciplinary issues, decide on pay increases, schedule time off and ensure there is always adequate coverage and staffing, perform department budgeting functions, schedule training, offer guidance and support on difficult cases, etc. Attached are copies of the job descriptions for these positions so you can confirm that their duties are indeed administrative and necessary support to the entire department. (https://www.governmentjobs.com/careers/sanbernardino/promotionaljobs)

These positions have always been included in other law enforcement agency overhead rates, and they were allowed in the San Bernardino County overhead rates, so please explain why those same costs paid for by Rancho Cucamonga wouldn't be eligible? As stated above, we believe that CFR Guidelines explicitly state that third party service providers are entitled to overhead using the same computation methodology outlined in the OMB/CFR Guidelines. If you have evidence to the contrary, please provide us with this material.

Our ICRPs included costs which follow these provisions: they were incurred for a common or joint purpose: Captains, Lieutenants, Sergeants (who are the first line supervisors of the Deputies) and clerical staff all are costs incurred for a common or joint purpose, and they provide necessary administrative, supervisory and clerical support that is absolutely necessary to operate a police department. They provide benefits to more than one cost objective, benefit the program, and cannot be directly charged to an identifiable cost center (i.e. program).

OMB/CRF guidelines also specify that clerical staff is includable in the administrative function: this includes our Secretaries, Office Specialists, and Supervising Office Specialists who should have also been included in your computation. Yet none of their costs were included in your allowable costs. Please explain your rational for excluding these necessary clerical staff both directly and indirectly from our claims. We'd appreciate it if you could provide citations from State and Federal Guidelines that support your position.

3) You stated, "Vehicles, dispatch services, and equipment are all a part of the direct costs to provide law enforcement for the city."

Certainly, it would not be possible to provide law enforcement services to the city without vehicles, dispatch services, and equipment. These costs benefit the entire police department/law enforcement agency and are necessary to respond to any calls for service.

Under Section 5 of the Claiming Manual, it states:

"Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required in carrying out the overall responsibilities of government;

2. The cost is allocable to a particular cost objective identified in the Ps & Gs; and

3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

Vehicles, equipment and dispatch services ARE necessary and reasonable for the proper and efficient administration of the mandate. How do you proposed to factor in these costs (directly as you appear to be suggesting) that are necessary components of the mandate? Clearly, the mandate program requires these services (benefit the mandate) so we should be allowed some of these costs. The State Mandate Claiming Manual in the ICRP Example Table 6, page 13 states that "(Each line item should be reviewed to see if it benefits the mandate to insure a fair and equitable distribution.)"

Vehicle/Equipment Use: While your proposed overhead rate included vehicle insurance, there is no allowance for the actual vehicles/transportation costs. How would the Deputies get the communication from Dispatch without their handheld radios (HTs)? How would the Deputy get to the Identity Theft victim/crime scene to take a report without a vehicle? Both travel and vehicle/equipment usage are allowable direct or indirect costs based on the instructions, so they could be claimed either way.

Appendix E to Part 225—State and Local Indirect Cost Rate Proposals Section A. 4. states:

"… typical examples of indirect costs may include certain State/local-wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation or **use allowances on** buildings and **equipment**, the costs of operating and maintaining facilities, etc."

§ 200.416 Cost allocation plans and indirect cost proposals states:

For states, local governments and Indian tribes, certain services, such as **motor pools**, computer centers, purchasing, accounting, etc., are provided to operating agencies on a centralized basis. Since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis.

The State Controller Claiming Manual in Section 7. Direct Costs, (6) Travel Expenses states:

"Travel expenses are normally reimbursable in accordance with the travel rules and regulations of the local jurisdiction..."

Based on these State and Federal Guidelines, we felt it was more appropriate to include the vehicle/equipment usage and related travel expenses in the ICRP. However, it could be claimed directly as you seem to be suggesting.

We could use allowable Federal vehicle mileage reimbursement rates by fiscal year, for example, in FY 2012-13 the rate was $.555 per mile. We could compute the total mileage for all ID Theft cases and apply this rate to reimburse us for our travel expenses. For example, if each ID Theft victim is an average of 8 miles from the station, that would be 16 miles round trip per case (300 cases) x $.555 per mile, or $2,664 reimbursement for travel costs in FY 2012-13.

Or, we could take total vehicle usage costs for FY 2012-13 of about $986,000, then divide this by total calls for service for the year at 120,000, that would be a cost of $8.21 of cost per vehicle cost for each call per service multiplied by eligible cases for the mandate of about 300 cases in FY 2012-13, which would be about $2,465 direct cost for the vehicle usage related to this state mandate program. But we'd also have to add some of the Motor Pool assistant's time, since they are the ones maintaining the vehicles.

Dispatch Services. You state that dispatch services are a direct function. So, how do you suggest we compute the direct costs related to this mandated program? Clearly the dispatcher/communications function "benefits the mandate" and is necessary support to the entire law enforcement function of the department. Without dispatch support, the Deputy would 1) have no way of knowing that someone called to report an identity theft incident, 2) have no way of knowing who the victim was or where they were located, 3) be unable to determine which Deputies were available and closest to the location to respond to the call, 4) have no one to provide them with pertinent information or explain the basic nature of the call, 5) have no one to contact for back up or support in case there was an issue or problem on scene, 6) have no one to record and enter the necessary information into the CAD system, and 7) have no one to notify to let them know they completed the call and left the scene and were available for other calls for service. As dispatch support is necessary support to the Deputies for this mandate and for all law enforcement services, the "fair and equitable distribution" (see Claiming Instructions Manual, ICRP Example, Table 6, page 13) of costs related to this mandated program must be allowed.

You said you reviewed our agency's CAD reports to examine documentation on each ID Theft incident showing when the Deputy arrived on scene, call status, location, crime code, and time of departure. These necessary tasks would not be possible without dispatch support and entry of that necessary information.

We could approach the equitable distribution of these costs as outlined above for Vehicle Usage charges: To compute a fair share of these costs directly, as you are suggesting, for this mandated Identity Theft program - we could take the total number of calls for service in a year, then, using the total number of Identity Theft cases, charge that same percentage of "Dispatch Services" costs to the mandate. For example, you found 304 allowable cases of ID Theft in FY 2012-13. If total number of incidents in FY 2012-13 was 120,000 calls for service (there were about 150,000 in FY 2021-22 based on the city's budget document), we would then take .25% of dispatch cost (300 ID Theft cases/120,000 total calls for service) line items billed by the county and apply it as a direct charge to this mandate or about $3,764 for dispatch support. Does that sound agreeable?

Administrative Support. We can do the same for administrative staff since you are excluding them from the overhead rate. We can distribute their costs on a similar basis and claim their costs directly. We take the total number of Deputies (in FY 2012-13 there were 108 regular patrol + Motorcycle Deputies – the staff who provides the direct services of the law enforcement department) and then distribute the costs of the Captain ($282,185) + Lieutenants ($436,200) + a share of the Sergeants ($2,250,050 x 60% admin allocation)? In FY 2012-13 there were about 300 allowable Deputy hours for this mandate. Since we have 108 deputies at 1,800 productive annual hours a year, that's 300 allowable mandate hours / 194,400 total deputy hours or .15% of those costs and bill directly to this mandate program, so another about $3,000 for supervisory support related to this mandate program. Sound fair?

Clerical Support. We can do a similar computation for clerical support, but would probably base the distribution on total reports taken in a year, because not all calls for service may result in an actual report being taken. Or we can do a time study of how long each clerical position spends in entering each case into their records management system, typing/transcribing, storing, maintaining each ID Theft record for the required time periods.

Direct costing, as you have suggested, can certainly be done. Let's discuss your preference so we can compute applicable charges to this mandated program.

4) We appreciate that you have attempted to compute an allowable indirect cost rate; however, we have some issues with your methodology.

The Claiming Manual related to Indirect Costs states:

> If a local agency elects not to utilize the 10% fixed rate method but wants to claim indirect costs, it must prepare an ICRP for the program. **The proposal must follow the provisions of the OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al., formerly OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments.** The development of the indirect cost rate proposal requires that the indirect cost pool include only those costs which are incurred for a common or joint purpose that benefit more than one cost objective. The indirect cost pool may include only costs that can be shown to provide benefits to the program. In addition, total allocable indirect costs may include only costs that cannot be directly charged to an identifiable cost center (i.e., program).

As discussed above, your proposed rates are non-compliant because they do not include all costs which were incurred for a common or joint purposed that benefit more than one cost objective, as discussed above.

Second, the Claiming Manual states:

> "A method for preparing a departmental indirect cost rate proposal for programs is presented as Table 6. Only this format is acceptable under the SCO reimbursement requirements."

We request to use the same format as is shown in your Table 6, on page 13 of the Manual, and as we submitted with our claims and in our ICRPs. We see no reason to use your proposed ICRP format, when all the components needed to prepare an ICRP rate as shown in the Claiming Instructions examples exist and are readily available to permit us to prepare a rate exactly in the format specified. The San Bernardino Contract Cost Schedule A is formatted almost exactly as a full-service city's Expenditure Report is; and, thus, all the same components exist to prepare the ICRP using the same format and methodology prescribed.

Third, the Claiming Manual states:

> "The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

And Section 8. Indirect Costs (Example)

" f) Distribution base for the computation of the indirect cost rate is total salaries and wages.

ICRP =	Allowable Indirect Costs	=	$300,000	= 30.00%
	Total Salaries and Wages		$1,000,000	

Your methodology which uses total expenditures as the denominator, is flawed in that it does not distribute costs on an equitable base – the rate's denominator should be Total Allowable Direct Salaries and Wages, just as your own Claiming Manual specifies on page 13 of the Sample ICPR rate computation. By including all expenditures, including equipment and vehicle usage charges, county wide Cost allocation charges (COWCAP), etc., these expenses distort the rate and do not result in an equitable distribution of cost. Expressing the rate based on "salaries' or "salaries and benefits" is the standard methodology used to compute ICRP rates and we request that this base be used.

Thank you for the opportunity to provide comments on your preliminary results of this audit. We appreciate your consideration and look forward to talking to you soon about these issues.

Annette Chinn
Cost Recovery Systems Inc.

State of California
State Controller's Office

Mandated Cost Manual for Local Agencies

FORM FAM-27	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM FOR PAYMENT FORM	For State Controller Use Only (19) Program Number 00167 (20) Date Filed FEB 16 2021 (21) LRS Input	PROGRAM 167

(01) Claimant Identification Number: 9936

(02) Claimant Name: San Bernardino County

County of Location: San Bernardino County

Street Address or P.O. Box: 268 West Hospitality Lane

Suite: 4th Floor

City: San Bernardino

State: CA

Zip Code: 92415-0018

		Type of Claim	
	(03)		
	(04)	(09) Reimbursement	X
	(05)	(10) Combined	
	(06)	(11) Amended	

Fiscal Year of Cost	(07)	(12)	2019-2020
Total Claimed Amount	(08)	(13)	$86,121
Less: 10% Late Penalty (refer to attached Instructions)		(14)	
Less: Prior Claim Payment Received		(15)	
Net Claimed Amount		(16)	$86,121
Due from State		(17)	$86,121 ✓
Due to State		(18)	TH

Reimbursement Claim Data

(22) FORM 1, (04)(a)	1,062
(23) FORM 1, (04)(b)	168
(24) FORM 1, (06)	86,121
(25) FORM 1, (07) A. (g)	
(26) FORM 1, (07) B. (g)	
(27) FORM-1, (07) C. (g)	
(28) FORM 1, (09)	54
(29) FORM 1, (10)	
(30) FORM 1, (12)	
(31) FORM 1, (13)	
(32)	
(33)	
(34)	
(35)	
(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 of the Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer: Sakura Younger

Date Signed: 2/3/21

Telephone Number: (909) 382-3191

Sakura Younger, Management Services Manager
Type or Print Name and Title of Authorized Signatory

E-Mail Address: Sakura.Younger@atc.sbcounty.gov

(38) Name of Agency Contact Person for Claim: Jai Prasad

Telephone Number: (909) 382-7026

E-Mail Address: Jai.Prasad@atc.sbcounty.gov

Name of Consulting Firm/Claim Preparer: Yessenia Valverde

Telephone Number: (909) 382-7057

E-Mail Address: Yessenia.Valverde@atc.sbcounty.gov

Revised 09/2020

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY	FORM 1

(01) Claimant: San Bernardino County	(02)	Fiscal Year 2019-2020
(03) Department:	Sheriff	

(04) Claim Statistics

(a) Number of reported responses to incidents in the fiscal year of claim		1,062
(b) Average productive hourly rate including applicable indirect costs *(Submit supporting documentation for productive hourly rate)*	*Productive hourly rate **$109.23** X **1.536** ICRP*	$ 167.78
(c) Standard time allowed - 29 minutes (0.48 of an hour)	*Excel formula = 29 minutes divided by 60 minutes*	0.4833333

Unit Cost Method - *Reimbursable Activity D*

(05) **Ongoing Activity**

D. Implement New Policies	[Line (04)(a) x (04)(b) x (04) (c)]	$ 86,121.47
(06) Total Direct and Indirect Costs for Activity D	[Carry forward from Line (05)(D)	$ 86,121.47

Actual Cost Method - *Reimbursable Activities A through C*

Direct Costs	**Object Accounts**						
(07) **One-Time Activities**	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel and Training	(g) Total
A. Develop Written Policies							
B. Adopt Written Policies							
C. Train Officers on New Policies							
(08) Total Direct Costs (A, B, C)							

Indirect Costs

(09) Indirect Cost Rate	[From ICRP or 10%]	53.60%
(10) Total Indirect Costs	[Refer to Claim Summary Instructions]	$ -
(11) Total Direct and Indirect Costs	[Line (06) + Line (08)(g) + Line (10)]	$ 86,121.47

Cost Reduction

(12) Less: Offsetting Revenues		
(13) Less: Other Reimbursements		
(14) Total Claimed Amount	Line (11) - [Line (12) + Line (13)]	

Revised 09/2020

Sheriff
Indirect Cost Rate Proposal
Actual Costs FY 2019-2020
Claim Year 2020-2021

DEPARTMENT COSTS	COSTS INCURRED	UNALLOWABLE COSTS	INDIRECT COSTS	DIRECT COSTS
Salaries & Benefits	530,313,772.34	527,859.32	106,630,082.40	423,155,830.62
Office Expense	1,932,035.01	-	1,444,788.84	487,246.17
Staff Uniforms	336,886.99	-	314,910.41	21,976.58
Insurance	28,788,887.23	-	19,680,421.23	9,108,466.00
Mail Services	154,731.35	-	131,813.03	22,918.32
Printing Services	105,431.64	-	54,244.08	51,187.56
Document Shredding & Storage	25,873.57	-	21,006.38	4,867.19
Utilities	3,063,386.58	-	2,074,828.34	988,558.24
Communications	5,824,039.20	-	4,528,637.52	1,295,401.68
Training	695,942.18	-	604,214.51	91,727.67
Travel	952,932.14	-	565,592.55	387,339.59
Automotive & Transportation	10,579,398.85	-	7,379,313.71	3,200,085.14
Special Department Expense	4,866,812.09	2,950.00	3,627,878.52	1,235,983.57
Professional Services	37,068,720.46	-	3,729,051.50	33,339,668.96
Contributions to Other Agencies	1,316,549.11	-	367,757.62	948,791.49
Data Processing Charges	8,031,919.91	-	6,809,545.41	1,222,374.50
Computer Hardware/Software	9,939,861.90	-	8,068,222.33	1,871,639.57
Noninventoriable Equipment	795,065.07	-	357,976.82	437,088.25
Inventoriable Equipment	3,079,907.46	-	3,060,402.91	19,504.55
Clothing/Personal Supplies	624,069.71	-	(46,175.69)	670,245.40
Food	10,454,467.64	-	69,355.30	10,385,112.34
Kitchen & Dining	747,599.35	-	43,563.75	704,035.60
Bedding	235,381.01	-	151.74	235,229.27
Laundry & Dry Cleaning	23,241.02	-	4,748.68	18,492.34
General Household Expenses	1,356,281.77	-	40,391.43	1,315,890.34
Medical Services & Supplies	4,702,894.13	-	518,839.71	4,184,054.42
Medical Indigents	2,051,939.64	-	59,209.51	1,992,730.13
Maintenance	12,798,808.77	-	11,860,608.17	938,200.60
Rents & Leases - Equipment	391,499.32	-	353,012.09	38,487.23
Rents & Leases - Structures	1,052,373.20	-	844,768.28	207,604.92
Other Services & Supplies	426,200.56	174.64	276,357.96	149,667.96
Capitalized Expenditures	16,076,868.10	16,076,868.10	-	-
EXTERNAL INDIRECT COSTS				
County-Wide Cost Alloc Plan	43,338,060.00	-	43,338,060.00	-
Total Costs	742,151,837.30	16,607,852.06	226,813,579.05	498,730,406.19
	INDIRECT COSTS / DIRECT SALARIES & BENEFITS		226,813,579.05 / 423,155,830.62	53.60%

The ICRP rate increased from 53.12% for Claim Year 2019-20 to 53.60% for Claim Year 2020-21.

SAN BERNARDINO COUNTY

Sheriff's Captain

Class Code: 19465

Bargaining Unit: Exempt

COUNTY OF SAN BERNARDINO
Established Date: Oct 18, 1977
Revision Date: Dec 20, 2008

SALARY RANGE

$60.83 - $96.58 Hourly
$4,866.40 - $7,726.40 Biweekly
$10,543.87 - $16,740.53 Monthly
$126,526.40 - $200,886.40 Annually

DEFINITION:

Under general direction, plans, organizes, and directs the operations and activities of a major division, correctional facility or station of the Sheriff's Department; establishes policies and procedures for assigned command, working within departmental and legal parameters; performs related duties as required.

DISTINGUISHING CHARACTERISTICS:

Sheriff's Captain is characterized by the administrative responsibility for an assigned major division, facility or station.

This class is distinguished from Sheriff's Deputy Chief by the latter's responsibility to direct the activities of a group of operating divisions.

EXAMPLES OF DUTIES:

Duties may include, but are not limited to, the following:

1. Plans, assigns, and supervises the work of personnel of an assigned major division of the Sheriff's Department; formulates and implements policies and procedures of the division using departmental policies and procedures, legislation, and ethical considerations as guidelines.

2. Prepares and submits annual budget requests for the division; evaluates and anticipates future personnel and equipment needs.

3. Coordinates divisional activities and operations with other departments, divisions and law enforcement agencies.

4. Receives citizen complaints and takes appropriate action; performs complex and critical investigations involving actions taken by subordinate personnel; prepares investigative reports; recommends disciplinary action when necessary, subject to review by superiors.

5. Participates with other public safety agencies in preparation of a masterplan for response to civil defense and other emergency situations.

6. Prepares or supervises the preparation of correspondence, records, and reports.

7. Takes charge of emergency situations and major crime scenes until relieved by superiors.

8. Analyzes or supervises the analysis of new and proposed legislation; prepares reports stating implications and recommendations for support or opposition to proposed bills.

9. Represents the Sheriff's Department at various community functions; makes presentations on various subjects related to general law enforcement and specific programs; answers questions concerning various topics; explains policies and procedures of the Department.

10. Conducts training sessions at the Sheriff's Regional Training Facility.

11. Provides vacation and temporary relief as required.

yt/10-18-77
rev.: jkr/07-07-98

REPRESENTATION UNIT:

Exempt

SALARY RANGE:

83C

MINIMUM REQUIREMENTS:

Experience: Applicants must be **currently** employed in a regular full-time position with the San Bernardino County Sheriff's Department as a Sheriff's Lieutenant, and have at least **one (1) year** of experience in said position, as of the filing deadline of **March 19, 2021**.

NOTE: On your application, clearly differentiate between Lieutenant experience and prior experience.

SAN BERNARDINO COUNTY

Sheriff's Lieutenant

Class Code: 19515

Bargaining Unit: Safety Management

COUNTY OF SAN BERNARDINO
Established Date: Aug 19, 1977
Revision Date: Jul 3, 2010

SALARY RANGE

$56.91 - $83.01 Hourly
$4,552.80 - $6,640.80 Biweekly
$9,864.40 - $14,388.40 Monthly
$118,372.80 - $172,660.80 Annually

DEFINITION:

Under direction, directs and supervises the operation of a small specialized unit within the Sheriff's Department; or serves as second in command in the operation of a station, correctional facility, or major investigative division within the Sheriff's office; performs related duties as required.

DISTINGUISHING CHARACTERISTICS:

Positions in this class are characterized by their status as second in command with authority to assume full administrative and supervisorial responsibilities during the absence of the commanding officer. Positions in this class may direct the operation of a small specialized unit.

This class is distinguished from the class of Sheriff's Captain by the latter's responsibility to direct a major operation or facility.

EXAMPLES OF DUTIES:

Duties may include, but are not limited to, the following:

1. Supervises and directs investigative personnel in the handling and resolving of criminal cases; assigns and prioritizes cases to subordinate personnel; reviews the status of felony cases and serves as a resource for the more difficult case assignments; reviews all completed case assignments to ascertain thoroughness of investigation and prepare case for prosecution by the District Attorney.

2. Supervises and directs the operation of a small specialized unit within the Sheriff's office; coordinates the efforts of investigative personnel in gathering information as to the activities of

criminal elements within the County.

3. Assists in the operation of a station, correctional facility or operating support division and assumes full administrative and supervisorial responsibilities during the absence of the commanding officer; participates in the preparation of the unit budget, and assists in the development and implementation of new policies and procedures; may review proposed legislation and prepare analysis for commanding officer; schedules shift personnel and makes reassignments as necessary.

4. Conducts statistical surveys and assists in the evaluation and dissemination of information gathered; prepares all necessary reports and correspondence as required.

5. Directs contingency planning and preparations for civil defense emergencies and disasters, including organization of training for public safety personnel and volunteer workers.

6. May represent the Sheriff's Department at community meetings; maintains a favorable rapport between the Sheriff's Department and the surrounding community, and assists in receiving and resolving community complaints.

7. Supervises and participates in the personnel selection process, and advises the Sheriff's administrative staff on all personnel matters.

8. May write or assist in the writing of grant proposals for the Sheriff's Office; may write, coordinate and assume responsibility of the Sheriff's Department operating budget.

9. Testifies in court as required.

10. Provides vacation and temporary relief as required.

drs/08-19-77
revised: jkr/06-08-92

REPRESENTATION UNIT:

Safety Management

SALARY RANGE:

28

MINIMUM REQUIREMENTS:

Experience: Applicants must be **currently** employed in a regular full-time position with the San Bernardino County Sheriff's Department as a Sheriff's Sergeant, **and** have at least **two (2) years of full-time experience** as a San Bernardino County Sheriff's Sergeant as of the filing deadline of **April 17, 2020.**

NOTE: On your application, clearly differentiate between Sergeant experience and prior experience.

Certificates: Indicate any certificates you possess, including certificates for Bomb/Arson and for Aviation; include certificate number and expiration dates. Those who list specialized certificates on the application may be considered for specific positions.

Sheriff's Sergeant - 12 Hour Shift

Class Code: 04199

Bargaining Unit: Safety Management

COUNTY OF SAN BERNARDINO
Established Date: Dec 18, 2001
Revision Date: Sep 1, 2010

SALARY RANGE

$49.34 - $71.93 Hourly
$3,947.20 - $5,754.40 Biweekly
$8,552.27 - $12,467.87 Monthly
$102,627.20 - $149,614.40 Annually

DEFINITION:

Under direction, trains, assigns, directs, and supervises the activities of subordinate safety and general personnel; completes assignments requiring the integration of law enforcement and technical skills, knowledge and abilities; performs difficult investigations; performs related duties as required.

DISTINGUISHING CHARACTERISTICS:

The class of Sheriff's Sergeant represents the first full level of supervision. Also included in this class are positions which perform duties requiring the integration expertise and positions which are responsible for independently performing complex investigations of a sensitive nature.

This class is distinguished from Sheriff's Lieutenant by the latter's responsibility to serve as second in command of a large unit such as a station or to supervise the operation of a small specialized unit.

EXAMPLES OF DUTIES:

Duties may include, but are not limited to, the following:

1. Assigns, trains, and supervises patrol, correctional, and investigative personnel; provides instruction in policies and procedures; establishes priorities for assignments to subordinates; evaluates performance of assigned safety and general personnel; conducts briefings; serves as reference for subordinates.

2. Establishes training programs; schedules various courses; determines appropriate instructors; plans tactical situation; instructs various courses, including advanced officers' course; establishes methods for instructing officers using POST guidelines; advises superiors on existing courses.

3. Coordinates divisional law enforcement activities; conducts studies on criminal activity in various areas; determines appropriate personnel needs and makes employment decisions.

4. Conducts investigations; interviews and interrogates witnesses, victims, and suspects; takes charge of investigations as assigned; prepares detailed reports of findings of investigations and actions taken; takes charge of emergency operations until relieved by superiors.

5. Supervises Civil Defense and emergency planning and preparedness activities, including training of volunteers who would respond in case of disaster.

6. Reviews, analyzes, and evaluates reports and records; discusses reports with subordinates to ensure accuracy and completeness; assists subordinates in writing reports.

7. Coordinates the work of the unit supervised with other Sheriff's Department divisions, County departments, and outside law enforcement agencies.

8. Takes charge of all matters involving explosive substances and devices; issues permits for the use of explosives; inspects storage magazines; conducts investigations of crimes involving stolen, found and threatened use of explosives; locates and dismantles explosive devices.

9. Writes or supervises the writing of procedure manuals; reviews and evaluates procedures and makes recommendations for revisions.

10. Testifies in court; may testify as an expert in explosive substances and devices.

11. Provides vacation and temporary relief as required.

REPRESENTATION UNIT:

Safety Management and Supervisory

SALARY RANGE:

25

SAN BERNARDINO COUNTY

Sheriff's Detective/Corporal

Class Code: 04204

Bargaining Unit: Safety

COUNTY OF SAN BERNARDINO
Established Date: May 20, 2002
Revision Date: Jul 3, 2010

SALARY RANGE

$41.79 - $60.70 Hourly
$3,343.20 - $4,856.00 Biweekly
$7,243.60 - $10,521.33 Monthly
$86,923.20 - $126,256.00 Annually

DEFINITION:

Positions in this series perform a variety of sworn law enforcement functions depending upon level and area of assignment. Positions perform related duties as required.

DISTINGUISHING CHARACTERISTICS:

Positions conduct complex criminal and specialized investigations requiring a high level of expertise, and train and evaluate sworn employees. This class is distinguished from Sheriff's Sergeant, which is a full scope, first level supervisor.

EXAMPLES OF DUTIES:

Depending upon area of assignment, duties may include, but are not limited to, the following:

1. Conducts follow-up criminal investigations; interrogates and obtains statements from victims, witnesses, informants, and suspects. Conducts major criminal investigations such as murder, child molestation and undercover narcotic investigations. Supervises the gathering of evidence and the protection of a crime scene.

2. Locates and apprehends subjects wanted for criminal offenses; recovers and returns stolen property to the rightful owner; traces persons suspected of issuing fraudulent checks.

3. May be responsible for the operation of a station, including supervision of staff, on holidays, weekends or in the absence of a sergeant.

4. Serves as Training Officer, monitoring trainees' progress, preparing evaluations, and making recommendations to management staff. Determines training needs, develops lesson plans, keeps current with new laws, procedures and training practices.

5. Conducts background or special investigations as required. Prepares and serves search and arrest warrants. Enforces writs initiated from the courts of justice.

6. Reviews reports prepared by deputies prior to submission to the District Attorney's Office for accuracy, clarity and inclusion of all necessary elements.

7. Prepares and maintains all necessary reports, records and correspondence.

8. Performs special assignments in a training capacity.

9. Maintains equipment.

10. Appeals and testifies in court as required.

11. Provides vacation and temporary relief as required.

crh/5-20-02

REPRESENTATION UNIT:

Safety

SALARY RANGE:

19

SUPPLEMENTAL INFORMATION:

Incumbents must be sworn peace officers at the time of appointment.

MINIMUM REQUIREMENTS:

Experience: Applicants must currently be employed by San Bernardino County Sheriff's Department as a Deputy Sheriff and must meet <u>one</u> of the options below, as of the filing deadline:

Option A: Five (5) years as a San Bernardino County Deputy Sheriff.
Option B: Four (4) years as a San Bernardino County Deputy Sheriff, which includes one (1) year as a patrol officer.
Option C: Three (3) years as a San Bernardino County Deputy Sheriff, which includes two (2) years as a patrol officer.

Option D: Three (3) years as a San Bernardino County Deputy Sheriff, which includes one (1) year as a patrol officer; **AND** three (3) years of patrol experience gained through working as a POST certified peace officer in a patrol function for another CA POST certified law enforcement agency.

Certificates: Indicate any certificates you possess, including certificates for Aviation, Boating Enforcement, and for Bomb/Arson; include certificate number and expiration dates. Those who list specialized certificates on the supplemental questionnaire may be considered for specific positions.

Location: Indicate if you are willing to accept a promotion to the Colorado River or Trona areas on the Supplemental Questionnaire. Trona is a resident-post position, and requires a minimum 2-year commitment. Only those who indicate a willingness to work in the Trona area will be considered for a vacancy in the Trona area.

Supervising Office Specialist

Class Code: 03321

Bargaining Unit: Supervisory

COUNTY OF SAN BERNARDINO
Established Date: Nov 1, 2004
Revision Date: Jan 3, 2009

SALARY RANGE

$22.01 - $30.29 Hourly
$1,760.80 - $2,423.20 Biweekly
$3,815.07 - $5,250.27 Monthly
$45,780.80 - $63,003.20 Annually

DEFINITION:

Under general direction, performs supervisory and administrative support work, planning, organizing, and coordinating the work of clerical, administrative and other support staff. These classes are characterized by their respective responsibility to plan, assign and supervise the work of a unit or group as a primary part of the job. Work requires supervising workflow, assisting with and reviewing work procedures, timelines and quality of work products and resolving questions and issues regarding policies and procedures for subordinates. Incumbents serve as authoritative source on regulations, rules and interpretation of policy and guidelines.

DISTINGUISHING CHARACTERISTICS:

These classes are two separate levels of clerical supervision that are distinguished by the complexity of support work supervised. While the supervisory responsibilities are consistent from department to department, the competencies and skills may be specific to the department served. Positions in this class work under general direction with considerable independence for ensuring accuracy of content.

This class is distinguished from the class of Supervising Office Assistant by the responsibility to plan and supervise the work of an office support unit performing highly varied, complex and specialized functions and/or with subordinate supervisors. Staff supervised typically includes Office Specialists. This class is further distinguished from Supervising Office Assistant by the complexity of the clerical operation.

EXAMPLES OF DUTIES:

1. Supervises the work of assigned staff. Evaluates work performance, prepares and signs performance evaluations. Participates in personnel decisions including hiring and disciplinary

actions and assists in resolving employee grievances; approves leave requests.

2. Plans, organizes, schedules and assigns the day to day clerical support operations of the office; establishes work sequence, priorities, deadlines, and work standards; estimates supply, staff and equipment requirements.

3. Identifies training needs and plans training programs; may develop training curricula and prepare training materials.

4. Reviews work products prepared and processed by unit/section for accuracy and compliance with County policy.

5. Assists in developing, revising and implementing new or revised procedures, forms and office systems; coordinates clerical services with other departmental operations.

6. Maintains records of workload and personnel information; prepares operational, narrative and statistical reports.

7. Researches data, laws, regulations and policies, and explains and interprets same to the public, employees, supervisors and others; handles unusual or difficult problems referred by subordinates.

8. Operates computer and applicable software and a variety of other office machines to enter and retrieve a variety of data and to produce and/or process a variety of materials.

9. Composes correspondence, and compiles information for reports, budget justifications, special projects and studies; prepares manuals on office procedures and instructs clerical staff in their use.

10. Supervises the preparation of narrative, statistical, legal and other reports, forms or correspondence.

11. Sets up and maintains indexing and filing systems, record keeping procedures and systems and office procedures; directs the storing, retrieving and purging of information in automated or manual filing systems.

12. Performs mathematical calculations; computes statistics and receives and issues receipts for cash; prepares purchase orders and requisitions; checks and maintains appropriate records.

13. Reviews the preparation of, or processing of a variety of complex documents, calendars, legal orders, forms, correspondence and other material; functions as an authoritative source of information on regulations, rules, department policy, and guidelines; updates knowledge through reading, training, meetings or briefings.

14. Orders and/or supervises ordering of supplies and supervises tracking of supplies and equipment.

15. Projects budget, equipment and staff needs.

16. Serves as the authoritative source of information on the intent, coverage, and content of instructions, guides, precedents and regulations.

17. Conducts special studies relating to the development and implementation of office clerical operations, policies and procedures.

18. Updates staff of changes in laws and procedures and ensures compliance.

cps 11/04

REPRESENTATION UNIT:

Supervisory

SALARY RANGE:

43

MINIMUM REQUIREMENTS:

Experience: Three (3) years of full-time work experience performing a wide variety of complex, specialized office clerical duties, which are non-routine in nature and require independent decision making, serving as a lead clerical worker, or supervising a clerical unit.

Qualifying experience is typically equivalent to the San Bernardino County Office Assistant III classification and above.

Note: Retail sales and food service experience is not qualifying.

SAN BERNARDINO COUNTY

Office Specialist

Class Code: 03320

Bargaining Unit: Clerical

COUNTY OF SAN BERNARDINO
Established Date: Nov 1, 2004
Revision Date: Jan 3, 2009

SALARY RANGE

$18.11 - $24.87 Hourly
$1,448.80 - $1,989.60 Biweekly
$3,139.07 - $4,310.80 Monthly
$37,668.80 - $51,729.60 Annually

DEFINITION:

Under general direction, performs administrative support work involving a variety of complex and/or specialized departmental programs and services, requiring advanced knowledge/skills of the subject matter and office support systems involved. Assignments will vary from unit to unit and will often require knowledge of specific departmental procedures and practices.

Office Specialists are assigned technical and analytical duties in support of administrative support processes. Positions in this class have considerable opportunity for exercising independent judgment in the interpretation of policies and guidelines that only approximately fit particular circumstances and to resolve non-standard situations in a manner consistent with such regulations. Work requires understanding and referencing a variety of documents and resources, understanding, interpreting and communicating information to others in order to complete a process, transaction and/or resolve a technical problem.

DISTINGUISHING CHARACTERISTICS:

This class is characterized by responsibility for exercising independent judgment in interpreting, applying and explaining department policies and procedures that are not routine. An incumbent is required to discern and distinguish nuances from a great variety of sources. While essential functions may include processing assignments as identified in the Office Assistant series, an essential element of the Office Specialist position is research and problem solving. Work is performed under general direction. Office Specialists may also oversee/coordinate office support functions.

EXAMPLES OF DUTIES:

1. Reviews, audits and processes a variety of transactions in accordance with applicable rules and regulations. Corrects or requests re-submittal of transactions in accordance with County

policies.

2. Performs a variety of audit and fiscal functions related to benefits, such as determining actual premiums collected against premiums due; collecting payments; posting transactions; and calculating and recommending claims for payment.

3. Counsels, advises, assists and explains complex policies, procedures, practices and local, state and federal regulations to employees, clients, candidates, voters and the general public.

4. Researches and responds to problems and complaints.

5. Administers disbursement of benefits, services by considering options, consulting alternative sources and determines payments, billings, fees, repayment amounts and processing transactions based on varying conditions; compares, interprets and contrasts options.

6. Monitors and ensures compliance with all applicable laws and regulations.

7. Interviews patients, clients, public, voters, employees and others to determine conditions and eligibility.

8. Contacts, collects and responds to outside sources to obtain and/or verify information which may influence action.

9. Prepares and maintains a wide variety of detailed documents, reports, case histories, financial, medical, legal record.

10. Maintains, examines and reviews complex files, applications, registrations, medical charts or supporting documents for completeness and accuracy and compliance with a variety of rules, policies and regulations. Provides written and oral justification for action selected.

11. Interprets and applies technical and procedural information.

12. Compares, interprets and contrasts options. Acts as advocate in resolving problems. Ascertains the nature of the problem, and reviews the determination to ensure compliance with contracts or documents. Explains outcome of the problem resolution process.

13. Trains and presents to others details on policies and procedures, laws and regulations.

14. Determines and obtains any additional information required. Recommends approval/denial of the qualifying event based on supporting documents.

15. Some positions, as their primary function, may type verbatim testimony and minutes of hearings and meetings.

16. Positions within the Sheriff's Department may be required to perform matron duties.

cps 11/04

REPRESENTATION UNIT:

Clerical

SALARY RANGE:

35

MINIMUM REQUIREMENTS:

Experience: Two (2) years full-time experience performing complex clerical tasks in an office environment. Experience must be comparable to duties performed by a clerical lead worker and/or supervisor, fiscal assistant, or other office work which is non-routine in nature and requires exercising independent decision making.

Experience must be clearly described on the application and must include performing a variety of clerical tasks including public contact and computer usage.

Qualifying experience is typically equivalent to the San Bernardino County Office Assistant III classification and above.

Note: Retail sales and food service experience is not qualifying.

SAN BERNARDINO COUNTY

Motor Pool Services Assistant

Class Code: 13265

Bargaining Unit: Craft, Labor and Trades

COUNTY OF SAN BERNARDINO
Established Date: Dec 30, 1976
Revision Date: Jan 3, 2009

SALARY RANGE

$17.64 - $24.29 Hourly
$1,411.20 - $1,943.20 Biweekly
$3,057.60 - $4,210.27 Monthly
$36,691.20 - $50,523.20 Annually

DEFINITION:

Under general supervision, inspects and test drives automobiles assigned to a County motor pool; evaluates their drivability, makes minor repairs and adjustments; performs related duties as required.

DISTINGUISHING CHARACTERISTICS:

This class is characterized by the responsibility for detecting defects in motor pool vehicles and taking the necessary steps to correct them.

EXAMPLES OF DUTIES:

Duties may include, but are not limited to, the following:

1. Inspects and test drives motor pool vehicles for tire wear, brake effectiveness, engine performance and other items to ensure that vehicles are serviceable.

2. Adjusts fan pulleys and carburation, fills radiators and batteries, changes and rotates tires, replaces light bulbs and performs other similar tasks that can be accomplished without mechanic's tools and equipment.

3. Reviews defect notices submitted by drivers, makes corrections when possible or arranges for repair.

4. Diagnoses mechanical problems and for those requiring garage correction assists in the preparation of a work order.

5. Makes arrangements for repair of vehicles in outlying areas; operates garage wrecker to pick up disabled vehicles when necessary; assigns substitute vehicles.

6. Diagnoses mechanical problems, and prepares work orders for vehicles to be repaired at the garage.

7. Monitors vehicle dispatch to maximize utilization.

8. Participates in new employee orientation by informing drivers of good safety practices, preventive maintenance and the use of credit cards.

9. Provides vacation and temporary relief as required.

wss/12-30-76
rev.: jkr/10-12-94

REPRESENTATION UNIT:

Craft, Labor & Trade

SALARY RANGE:

34

MINIMUM REQUIREMENTS:

Experience: Eighteen (18) months full-time equivalent paid work experience making minor repairs on automotive equipment. (Minor repairs generally include replacement and maintenance of batteries, cables, tires, fluid levels, etc.).

From: JTyree@sco.ca.gov,
To: Tamara.Oatman@cityofrc.us,
Cc: achinncrs@aol.com, jvenneman@sco.ca.gov,
Subject: Status Update
Date: Fri, Dec 9, 2022 9:30 am
Attachments: CIty of Rancho Cucamonga Preliminary Finding - Auditor Prepared.docx (270K), Schedule - Preliminary Summary of Program Costs - Auditor Prepared.xlsx (26K)

Good morning,

The attached status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.

You may send your comments/response by email next week.

Thank you and have a nice weekend.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 735B
Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile
JTyree@sco.ca.gov

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Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2002, through June 30, 2003				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 20,587	$ -	$ (20,587)	
Beginning an investigation of facts	7,356	-	(7,356)	
Total salaries	27,943	-	(27,943)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	10,999	10,999	
Beginning an investigation of facts	-	9,057	9,057	
Total contract services	-	20,056	20,056	
Total direct costs	27,943	20,056	(7,887)	
Indirect costs	26,267	-	(26,267)	
Total program costs	$ 54,210	20,056	$ (34,154)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 20,056		
July 1, 2003, through June 30, 2004				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 20,865	$ -	$ (20,865)	
Beginning an investigation of facts	7,456	-	(7,456)	
Total salaries	28,321	-	(28,321)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	11,098	11,098	
Beginning an investigation of facts	-	9,161	9,161	
Total contract services	-	20,259	20,259	
Total direct costs	28,321	20,259	(8,062)	
Indirect costs	24,838	-	(24,838)	
Total program costs	$ 53,159	20,259	$ (32,900)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 20,259		

Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2004, through June 30, 2005				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 27,094	$ -	$ (27,094)	
Beginning an investigation of facts	9,688	-	(9,688)	
Total salaries	36,781	-	(36,782)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	12,910	12,910	
Beginning an investigation of facts	-	10,674	10,674	
Total contract services	-	23,584	23,584	
Total direct costs	36,781	23,584	(13,197)	
Indirect costs	29,499	-	(29,499)	
Total program costs	$ 66,280	23,584	$ (42,696)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 23,584		
July 1, 2005, through June 30, 2006				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 28,650	$ -	$ (28,650)	
Beginning an investigation of facts	10,147	-	(10,147)	
Total salaries	38,796	-	(38,796)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	14,241	14,241	
Beginning an investigation of facts	-	11,569	11,569	
Total contract services	-	25,810	25,810	
Total direct costs	38,796	25,810	(12,986)	
Indirect costs	31,542	-	(31,542)	
Total program costs	$ 70,338	25,810	$ (44,528)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 25,810		

Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2006, through June 30, 2007				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 18,065	$ -	$ (18,065)	
Begin an investigation of facts	6,443	-	(6,443)	
Total salaries	24,508	-	(24,508)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	8,696	8,696	
Begin an investigation of facts	-	7,124	7,124	
Total contract services	-	15,820	15,820	
Total direct costs	24,508	15,820	(8,688)	
Indirect costs	19,312	-	(19,312)	
Total program costs	$ 43,820	15,820	$ (28,000)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 15,820		
July 1, 2007, through June 30, 2008				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 11,859	$ -	$ (11,859)	
Begin an investigation of facts	4,219	-	(4,219)	
Total salaries	16,077	-	(16,078)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	5,993	5,993	
Begin an investigation of facts	-	4,884	4,884	
Total contract services	-	10,877	10,877	
Total direct costs	16,077	10,877	(5,200)	
Indirect costs	12,718	-	(12,718)	
Total program costs	$ 28,795	10,877	$ (17,918)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 10,877		

Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2008, through June 30, 2009				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 8,615	$ -	$ (8,615)	
Begin an investigation of facts	3,060	-	(3,060)	
Total salaries	11,675	-	(11,675)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	4,473	4,473	
Begin an investigation of facts	-	3,629	3,629	
Total contract services	-	8,102	8,102	
Total direct costs	11,675	8,102	(3,573)	
Indirect costs	9,282	-	(9,282)	
Total program costs	$ 20,957	8,102	$ (12,855)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 8,102		
July 1, 2009, through June 30, 2010				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 9,803	$ -	$ (9,803)	
Begin an investigation of facts	3,480	-	(3,480)	
Total salaries	13,283	-	(13,283)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	5,557	5,557	
Begin an investigation of facts	-	4,508	4,508	
Total contract services	-	10,065	10,065	
Total direct costs	13,283	10,065	(3,218)	
Indirect costs	10,786	-	(10,786)	
Total program costs	$ 24,069	10,065	$ (14,004)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 10,065		

Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2010, through June 30, 2011				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 12,662	$ -	$ (12,662)	
Begin an investigation of facts	4,495	-	(4,495)	
Total salaries	17,158	-	(17,158)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	5,948	5,948	
Begin an investigation of facts	-	4,150	4,150	
Total contract services	-	10,098	10,098	
Total direct costs	17,157	10,098	(7,059)	
Indirect costs	12,697	-	(12,697)	
Total program costs	$ 29,854	10,098	$ (19,756)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 10,098		
July 1, 2011, through June 30, 2012				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 21,912	$ -	$ (21,912)	
Begin an investigation of facts	-	-	-	
Total salaries	21,912	-	(21,912)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	7,385	7,385	
Begin an investigation of facts	-	6,803	6,803	
Total contract services	-	14,188	14,188	
Total direct costs	21,912	14,188	(7,724)	
Indirect costs	16,214	-	(16,214)	
Total program costs	$ 38,126	14,188	$ (23,938)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 14,188		

Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2012, through June 30, 2013				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 39,938	$ -	$ (39,938)	
Begin an investigation of facts	-	-	-	
Total salaries	39,938	-	(39,938)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	20,474	20,474	
Begin an investigation of facts	-	16,207	16,207	
Total contract services	-	36,681	36,681	
Total direct costs	39,938	36,681	(3,257)	
Indirect costs	30,552	-	(30,552)	
Total program costs	$ 70,490	36,681	$ (33,809)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 36,681		
Summary: July 1, 2002, through June 30, 2013				
Direct costs:				
Salaries	$276,391	$ -	$ (276,391)	
Contract services	-	195,540	195,540	
Total direct costs	276,391	195,540	(80,851)	
Indirect costs	223,707	-	(223,707)	
Total program costs	$500,098	195,540	$ (304,558)	
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of (less than) amount paid		$195,540		

[1] See the Finding and Recommendation section.

[2] Payment information is current as of November 22, 2022.

City of Rancho Cucamonga
Identity Theft Program
Preliminary Audit Report Finding
July 1, 2002, through June 30, 2013
S22-MCC-0009

The following handout is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.

FINDING – Overstated Identity Theft Program costs

The city claimed $500,098 ($276,391 in salary costs and $223,707 in related indirect costs) for the Identity Theft Program. We found that $195,540 is allowable and $304,558 is unallowable.[1]

We found that the city incorrectly classified claimed costs as salary costs because it contracted with the San Bernardino County Sheriff's Department (SBCSD) for all of its law enforcement services during the audit period. Therefore, the city did not incur any salary costs, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

The city used the correct methodology to calculate its salary costs: it multiplied the number of identity theft police reports by the time required to perform the reimbursable activities, and then by the hourly rates obtained from the city's contracts with San Bernardino County. The county's contracts included costs for the salaries and benefits of various employee classifications as well as additional administrative costs. However, because no city staff members performed the reimbursable activities, these costs should have been classified as contract services costs, not as salaries.

The costs are unallowable primarily due to the city claiming misclassified costs, overstating the number of identity theft reports taken, misstating the time increments needed to perform the reimbursable activities, and claiming unallowable indirect costs.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

Fiscal Year	Salaries			Related Indirect Cost Adjustment	Contract Services Adjustment	Total Audit Adjustment
	Amount Claimed [1]	Amount Allowable	Audit Adjustment			
2002-03	$ 27,943	$ -	$ (27,943)	$ (26,267)	$ 20,056	$ (34,154)
2003-04	28,321	-	(28,321)	(24,838)	20,259	(32,900)
2004-05	36,781	-	(36,781)	(29,499)	23,584	(42,696)
2005-06	38,796	-	(38,796)	(31,542)	25,810	(44,528)
2006-07	24,508	-	(24,508)	(19,312)	15,820	(28,000)
2007-08	16,077	-	(16,077)	(12,718)	10,877	(17,918)
2008-09	11,675	-	(11,675)	(9,282)	8,102	(12,855)
2009-10	13,283	-	(13,283)	(10,786)	10,065	(14,004)
2010-11	17,157	-	(17,157)	(12,697)	10,098	(19,756)
2011-12	21,912	-	(21,912)	(16,214)	14,188	(23,938)
2012-13	39,938	-	(39,938)	(30,552)	36,681	(33,809)
Total	$ 276,391	$ -	$ (276,391)	$ (223,707)	$ 195,540	$ (304,558)

[1] Amounts claimed for FY 2004-05, FY 2007-08, FY 2010-11, and FY 2011-12 adjusted by $1 due to claim rounding errors

Contract Services Costs

The city contracted with the SBCSD to perform all of its law enforcement services during the audit period. These services included the reimbursable activities claimed for the mandated program. The city contracted for various SBCSD staff positions each fiscal year, which included, but were not limited to, Deputy Sheriffs, Office Specialists, Service Specialists, and Sergeants, and paid the SBCSD annual contract rates for these positions. No city staff performed any of the reimbursable activities under this program; therefore, the city did not incur salary and related indirect costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

Identity Theft Incident Reports

The city claimed that it took 2,749 identity theft incident reports during the audit period. We found that the city overstated the number of reports taken by 715, and 2,034 reports are allowable.

The following table summarizes the counts of claimed, supported, and allowable identity theft cases, and the audit adjustment by fiscal year:

Fiscal Year	(A) Claimed Reports	(B) Audited Population	(C) Allowable Reports	(D)=(C)-(A) Audit Adjustment
2002-03	370	386	269	(101)
2003-04	375	376	262	(113)
2004-05	397	393	274	(123)
2005-06	404	408	284	(120)
2006-07	232	228	159	(73)
2007-08	144	148	103	(41)
2008-09	103	109	76	(27)
2009-10	120	135	94	(26)
2010-11	155	156	96	(59)
2011-12	163	181	113	(50)
2012-13	286	358	304	18
Total	2,749	2,878	2,034	(715)

For each fiscal year, the SBCSD provided Excel spreadsheets to support the claimed number of identity theft incident reports taken for the city. SBCSD generated these spreadsheets using its crime reports record management system (Tiburon). Tiburon provided unduplicated counts of initial police reports filed for violations of PC section 530.5 and identifies the specific origin of each report. The spreadsheets supported 2,878 identity theft police reports filed during the audit period for the City of Rancho Cucamonga.

We verified the accuracy of the unduplicated counts of initial police reports recorded in SBCSD's Tiburon by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

We selected FY 2010-11 through FY 2012-13 for testing purposes because our audit plan called for testing 25% of claimed costs at a minimum. Claimed costs for these three fiscal years totaled $79,007 ($17,158, $21,911, and $39,938 respectively) which represents 28.6% of the $276,392 amount claimed for the audit period.

Based on these three years, we selected a statistical sample from the documented number of identity theft 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 in order to project the results to the population for each fiscal year. We randomly selected 264 out of 695 identity theft incident reports for review.

Our review of sample incident reports disclosed the following:

- For FY 2010-11, we found that 29 out of 76 identity theft incident reports were unallowable because of the following reasons:

  - Seven reports did not meet the requirements of PC section 530.6(a), in which the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency,
  - Two reports were not for violations of PC section 530.5,
  - One report did not indicate that a crime occurred, and
  - Nineteen reports were courtesy reports (police reports taken and prepared by other law enforcement agencies).

Therefore, we calculated an error rate of 38.16% for FY 2010-11.

- For FY 2011-12, we found that 31 out of 82 identity theft incident reports were unallowable because of the following reasons:

  - Nine reports did not meet the requirements of PC section 530.6(a), in which the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency,
  - Two reports did not indicate that a crime occurred,
  - Two reports were incident reports only (not for violations of PC section 530.5),
  - Four reports did not include PC section 530.5 as an offense,
  - Two reports were for victims that were not residents of Rancho Cucamonga, and
  - Twelve reports were unallowable because they were courtesy reports.

Therefore, we calculated an error rate of 37.80% for FY 2011-12.

- For FY 2012-13, we found that 16 out of 106 identity theft incident reports were unallowable because of the following reasons:

  - Two reports were not for violations of PC section 530.5,
  - Three reports did not indicate that a crime occurred,
  - Five reports were for victims that were not residents of Rancho Cucamonga, and
  - Six reports were unallowable because they were courtesy reports.

Therefore, we calculated an error rate of 15.09% for FY 2012-13.

Using the testing results for these three fiscal years, we calculated an average error rate of 30.35%, which we applied to the untested years of FY 2002-03 through FY 2009-10.

The following table shows the average error rates for FY 2010-11 through FY 2012-13:

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Fiscal Year	(A) Number of Unallowable Cases Sampled	(B) Sample Size	(C)=(A)÷(B) Error Rate
2010-11	29	76	38.16%
2011-12	31	82	37.80%
2012-13	16	106	15.09%
		Total	91.05%
	Number of FY's sampled		÷ 3
	Average Error Rate		30.35%

We extrapolated the average error rate to the audited population of reports for FY 2002-03 through FY 2009-10 and applied the actual audited error rate for each of the other fiscal years to determine the allowable and unallowable number of incident reports taken.

The following table shows the number of allowable and unallowable incident reports taken by fiscal year:

Fiscal Year	(A) Audited Population	(B) Error Rate	(B) Average Error Rate	(C)=(A)×(B) Total Unallowable Reports	(D)=(A)-(C) Total Allowable Reports
2002-03	386	N/A	30.35%	117	269
2003-04	376	N/A	30.35%	114	262
2004-05	393	N/A	30.35%	119	274
2005-06	408	N/A	30.35%	124	284
2006-07	228	N/A	30.35%	69	159
2007-08	148	N/A	30.35%	45	103
2008-09	109	N/A	30.35%	33	76
2009-10	135	N/A	30.35%	41	94
2010-11	156	38.16%	N/A	60	96
2011-12	181	37.80%	N/A	68	113
2012-13	358	15.09%	N/A	54	304
Total	2,878			844	2,034

Time increments

The city claimed the following time increments during the audit period:

- 55 minutes for a Deputy Sheriff taking/drafting a police report (Activity 1a.1) for FY 2002-03 through FY 2010-11 and 74 minutes for FY 2011-12 and FY 2012-13,
- 15 minutes for an Office Specialist to provide clerical support for taking/drafting a police report (Activity 1a.1) for FY 2011-12 and FY 2012-13,
- 12 minutes for a Sergeant to review and approve the police report for the audit period (Activity 1a.2) for FY 2022-03 through FY 2-10-11 and 16.5 minutes for FY 2011-12 and FY 2012-13, and
- 25 minutes for a Deputy Sheriff to begin an investigation (Activity 2) for FY 2002-03 through FY 2010-11 and 0 minutes for FY 2011-12 and FY 2012-13.

The city based its time increments for FY 2002-03 through FY 2010-11 on a phone interview in 2011 with an SBCSD Sergeant, who estimated the amount of time required to perform the mandated activities. The city also included a time log signed by a Service Specialist for an unspecified activity that took place from March 9th through May 20th of an unspecified year.

For FY 2011-12 and FY 2012-13, an SBCSD Office Specialist estimated that this employee classification spent 15 minutes per case providing clerical support related to taking/preparing police reports. In addition, the city conducted a time study in 2012 and provided two Summary Time Logs containing time entries for 16 cases dated from January 5, 2012 through August 21, 2012 for completion by various employees for the activities of taking/preparing police reports and reviewing/approving police reports. An SBSCD Office Specialist signed and dated the summary time log for taking/preparing a report, certifying the accuracy of the entries. An SBSCD Sergeant signed and dated the summary time log for reviewing/approving reports, certifying the accuracy of the results. However, the city did not provide any contemporaneously prepared documentation supporting any of the time log entries, such as the related police reports or information from the county's Computer-Aided Dispatch (CAD) system. In addition, the city did not provide a time study plan indicating how the city acquired and analyzed this data.. Therefore, we had no basis from which to determine whether the city based these time entries on actual time or estimates.

Allowable Time Increments

Taking a police report

The county's CAD system did not record time spent drafting, reviewing, and editing identity theft police reports (Activities 1a and 1a.1 – Sergeant review). We interviewed various SBCSD employees, who provided testimonial evidence of the approximate time spent on reimbursable activities not recorded by the CAD system. We found that this information provided a reasonable representation of the time needed to perform these reimbursable activities.

For Activity 1a, we interviewed three Deputy Sheriffs, three Service Specialists, and one Sergeant about drafting, reviewing, and editing identity theft police reports taken by Officers. Based on these interviews, we determined that SBCSD staff spent an average of 35 minutes drafting, reviewing, and editing identity theft police reports taken by Officers.

For Activity 1a.1 – Sergeant review, we interviewed three Detectives and three Sergeants about reviewing identity heft police reports taken at the police station counter. Based on these interviews, we determined that SBCSD staff spent an average of 13 minutes reviewing police reports taken at the police station counter.

For Activity 2 , the SBCSD's Rancho Cucamonga Patrol Station provided copies of CAD reports at our request for the same police reports that we sampled for FY 2010-11, FY 2011-12, and FY 2012-13. These reports provided time stamps detailing when an Officer arrived on scene and departed, and the time spent for the specific incident. The reports also identified the employee classification (Deputy Sheriff or Service Specialist) that performed the activity of beginning an investigation by interviewing the victim to determine where the crime occurred and what pieces of personal identifying information were used for an unlawful purpose. We used these contemporaneously prepared time reports as support for the time spent beginning an investigation.

Based on our analysis, we determined the following time increments for each allowable police report that originated in the City of Rancho Cucamonga:

- 35 minutes (0.58 hours) for Deputy Sheriffs or Service Specialists to perform Activity 1a.1 – taking a police report on violations of PC section 530.5;

- 13.minutes (0.22 hours) for Sergeants to perform Activity 1a.2 – reviewing incident reports on violations of PC section 530.5; and

- 44 minutes (0.73 hours) for Deputy Sheriffs or Service Specialists to begin an investigation of the facts (Activity 2) for FY 2002-03 through FY 2009-10, 38 minutes (0.63 hours) for FY 2010-11, 50 minutes (0.83 hours) for FY 2011-12, and 43 minutes (0.72 hours) for FY 2012-13.

The following table summarizes the time increments claimed and allowable for the reimbursable activities by fiscal year:

	Claimed Minutes				Allowable Minutes		
	Activity 1a.1	Activity 1a.1	Activity 1a.2	Activity 2	Activity 1a.1	Activity 1a.2	Activity 2
	Taking a Report	Clerical Support	Reviwing a Police Report	Beginning an Investigation	Taking a Police Report *	Reviwing a Police Report	Beginning an Investigation *
Fiscal Year	Deputy Sheriff	Office Specialist	Sergeant	Deputy Sheriff	Deputy Sheriff and Service Specialist	Sergeant	Deputy Sheriff and Service Specialist
2002-03	55	-	12	25	35	13	44
2003-04	55	-	12	25	35	13	44
2004-05	55	-	12	25	35	13	44
2005-06	55	-	12	25	35	13	44
2006-07	55	-	12	25	35	13	44
2007-08	55	-	12	25	35	13	44
2008-09	55	-	12	25	35	13	44
2009-10	55	-	12	25	35	13	44
2010-11	55	-	12	25	35	13	38
2011-12	74	15	16.5	-	35	13	50
2012-13	74	15	16.5	-	35	13	43

* As stated in the narrative, Deputy Sheriffs took police reports and began investygations for 74% of cases during FY 2002-03 through FY 2010-11, 75% for FY 2011-12, and 72% for FY 2012-13. Service Specialists took police reports for 26% of cases for FY 2002-03 through FY 2010-11, 25% for FY 2011-12, and 28% for FY 2012-13.

Classification of SBCSD Staff Who Performed the Reimbursable Activities

Claimed Job Classifications

As noted previously, the city claimed that Deputy Sheriffs and Office Specialists (for FY 2011-12 and FY 2012-13 only) prepared police reports (Activity 1a.1), Sergeants reviewed the reports (Activity 1a.1 – Sergeant review), and Deputy Sheriffs began investigations (Activity 2). However, the city did not claim any costs for beginning investigations in its claims for FY 2011-12 and FY 2012-13.

Staff Allowable

In order to clarify which SBCSD staff members performed the mandated activities, we:

1. Prepared a schedule of the police reports selected for testing;

2. Reviewed the police reports for each case to determine the actual job classification that prepared each report; and

3. Calculated the extent (percentage of involvement) that various employee classifications performed the mandated activities for the sampled identity theft cases.

While the city claimed time for Deputy Sheriffs, Office Specialists, and Sergeants to perform the mandated activities, we found that Deputy Sheriffs and Sheriff Service Specialists prepared and edited police reports (Activity 1a.1) and began investigations (Activity 2). We also found that Sergeants reviewed and approved the police reports (Activity 1a.2). We based this conclusion on the copies of the uniform crime reports (police reports) that SBCSD's Rancho Cucamonga station provided for the identity theft cases for our sample selections from FY 2011-11 through FY 2012-13. Using this information, we analyzed the extent to which these various employee classifications performed the mandated activities and concluded the following:

- Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 74% for FY 2002-03 through FY 2010-11 while Service Specialists averaged 26% performing these activities,
- For FY 2011-12, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 75%, while Service Specialists averaged 25% performing these activities,
- For FY 2012-13, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 72%, while Service Specialists averaged 28% performing these activities,
- Sergeants performed 100% of Activity 1a.2 for all years of the audit period, and
- We found no evidence that SBCSD Office Specialists provided clerical support for the taking of police reports.

Contract Hourly Rates

The city's claims included copies of its annual contract that it negotiated with San Bernardino County for each year of the audit period. Each contract specifies the level of services performed for the city by indicating the number of various employee classifications involved in the city's law enforcement (level of service) and the county's cost for providing these employees. The county uses this form to indicate the authorized SBCSD staffing level for each year of the audit period. We used this information to determine the contract hourly rates for various employee classifications by using the cost for each employee classification divided by the number of personnel that the county provided. For example, the city's contract for FY 2012-13 indicates that 96.75 Deputy Sheriffs and 12 Sergeants provided law enforcement for the city during the year. The table below shows the contract hourly rate calculation for Deputy Sheriffs and Sergeants during FY 2012-13:

Employee Classification	Annual Cost	Level of Service	Cost per Employee	Productive Hours	Hourly Rate
Deputy Sheriff	$14,351,923	96.75	$ 148,340	1,800	$ 82.41
Sergeant	2,250,050	12.00	187,504	1,800	$ 104.17

The city used this same calculation of hourly rates for its FY 2012-13 claim.

The city's contracts with SBCSD also include additional employee classifications and other items, such as vehicles, dispatch services, and equipment that are all part of the direct cost to provide law enforcement for the city. However, the contracts also include items that are clearly administrative in nature. During the audit, we had discussions with city representatives concerning the issue of recovering costs for these administrative costs. The city argued that it should be able to prepare Indirect Cost Rate Proposals to recover these costs. However, A-87 methodology does not allow for the recovery of indirect costs based on contract services.

We concluded that it is appropriate to add an additional percentage to the calculation of contract hourly rates as a mechanism to recover the annual administrative costs related to the performance of the reimbursable activities. We made these calculations and used the following percentages as an add-on to the hourly rate calculations:

Fiscal Year	Administrative Cost Rate
2002-03	9.45%
2003-04	6.18%
2004-05	5.18%
2005-06	4.56%
2006-07	4.86%
2007-08	5.51%
2008-09	5.39%
2009-10	8.19%
2010-11	5.33%
2011-12	5.42%
2012-13	6.14%

In order to calculate these rates, we added all of the items within each contract classified as administrative costs and divided the total by each year's total contract cost to determine the extent that administrative costs were represented in each year's contract. The table below shows how we made this calculation for FY 2012-13:

Cost Category	Contract Amount
Administrative support	$ 124,976
Office automation	65,223
Vehicle insurance	110,792
Personnel liability & bonding	407,133
County administrative cost	1,270,734
Board approved COWCAP subsidy	(254,147)
Startup costs	6,987
Total administrative costs	$ 1,731,698
Divided by total contract amount	28,209,685
Administrative cost percentage	6.14%

Therefore, claimed hourly rates for Deputy Sheriffs and Sergeants increased as follows for FY 2012-13:

Employee Classification	Hourly Rate	Administrative Percentage	Revised Rate
Deputy Sheriff	$ 82.41	6.14%	$ 87.47
Sergeant	$ 104.17	6.14%	$ 110.57

The following table summarizes the claimed and allowable contract hourly rates for Deputy Sheriffs during the audit period, and the difference between those rates:

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Fiscal Year	Deputy Sheriff Claimed Hourly Rate	Deputy Sheriff Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 47.72	$ 47.72	$ -	9.45%	$ 52.10	$ 4.38
2003-04	47.72	51.14	3.42	6.18%	54.30	6.58
2004-05	58.57	56.97	(1.60)	5.18%	59.92	1.35
2005-06	60.28	60.28	-	4.56%	63.03	2.75
2006-07	66.65	66.65	-	4.86%	69.89	3.24
2007-08	70.31	70.30	(0.01)	5.51%	74.17	3.86
2008-09	71.31	71.31	-	5.39%	75.15	3.84
2009-10	69.60	69.60	-	8.19%	75.30	5.70
2010-11	69.60	75.03	5.43	5.33%	79.03	9.43
2011-12	78.98	78.98	-	5.42%	83.26	4.28
2012-13	82.41	82.43	0.02	6.14%	87.49	5.08

The following table summarizes the claimed and allowable contract hourly rates for Service Specialists during the audit period, and the difference between those rates:

Fiscal Year	Service Specialists Claimed Hourly Rate	Service Specialists Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ -	$ 25.81	$ 25.81	9.45%	$ 28.25	$ 2.44
2003-04	-	28.25	28.25	6.18%	30.00	1.75
2004-05	-	32.42	32.42	5.18%	34.10	1.68
2005-06	-	33.13	33.13	4.56%	34.64	1.51
2006-07	-	34.80	34.80	4.86%	36.49	1.69
2007-08	-	36.12	36.12	5.51%	38.11	1.99
2008-09	-	35.18	35.18	5.39%	37.08	1.90
2009-10	-	34.87	34.87	8.19%	37.73	2.86
2010-11	-	35.74	35.74	5.33%	37.64	1.90
2011-12	-	37.16	37.16	5.42%	39.17	2.01
2012-13	-	38.34	38.34	6.14%	40.69	2.35

The following table summarizes the claimed and allowable contract hourly rates for Sergeants during the audit period, and the difference between those rates:

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Fiscal Year	Sergeant Claimed Hourly Rate	Sergeant Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 59.50	$ 59.50	$ -	9.45%	$ 63.18	$ 3.68
2003-04	59.50	63.52	4.02	6.18%	67.45	7.95
2004-05	72.80	70.77	(2.03)	5.18%	74.44	1.64
2005-06	78.31	78.31	-	4.56%	81.88	3.57
2006-07	83.83	83.83	-	4.86%	87.90	4.07
2007-08	89.50	89.52	0.02	5.51%	94.45	4.95
2008-09	91.35	91.35	-	5.39%	96.27	4.92
2009-10	89.44	89.44	-	8.19%	96.77	7.33
2010-11	89.44	96.99	7.55	5.33%	102.16	12.72
2011-12	101.63	101.63	-	5.42%	107.14	5.51
2012-13	104.17	104.17	-	6.14%	110.57	6.40

For the audit period, we calculated allowable contract services costs based on the audited counts of PC 530.5 identity theft reports, audited time increments, contract hourly rates, and the additional allowable percentage to allow for administrative costs.

For example, the following table shows the calculation of allowable contract services costs for FY 2012-13:

Employee Classification	Contract PHR [a]	Number of cases [b]	Minutes [c]	Hours [d=(b*g)/60]	Activity % [e]	Allowable costs [f=a*i*k]
Prepare a report:						
Deputy Sheriff	$ 87.49	304	35	177.33	72.0%	11,171
Service Specialist	40.69	304	35	177.33	28.0%	2,020
Total, prepare a report						$ 13,191
Review a report:						
Sergeant	110.57	304	13	65.87	100.0%	7,283
Total, review a report						$ 7,283
Begin an investigation:						
Deputy Sheriff	$ 87.49	304	43	217.87	72.0%	13,724
Service Specialist	40.69	304	43	217.87	28.0%	2,482
Total, begin an investigation						$ 16,206
Total allowable contract services costs						$ 36,681

We performed similar calculations of allowable contract services costs for each fiscal year of the audit period.

Indirect Costs

The city claimed related indirect costs totaling $223,707 for the audit period based on salaries claimed totaling $276,393. We found that the entire amount is unallowable because no city staff member performed any of the reimbursable activities under this program during the audit period. Instead, the city contracted with SBCSD for all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs, but rather incurred contract services costs.

The city provided copies of its Indirect Cost Rate Proposals for all years of the audit period. However, the city used a distribution base of direct salaries and wages for SBCSD staff to calculate its indirect cost rates. Since the city only incurred contract services costs, there are no related indirect costs.

We discussed this issue with the city during audit fieldwork. The city pointed out that its annual contract for law enforcement services with San Bernardino County included items that are clearly administrative in nature rather than directly related to the costs for providing law enforcement services. We were receptive to this argument and added an additional percentage to the calculation of contract hourly rates to allow for these costs, as noted above in the explanation of how we calculated contract hourly rates.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

		Claimed	(A)	(B)	(C)=(B)-(A)
Fiscal Year	Salaries Claimed	Indirect Cost Rate	Indirect Costs [1]	Indirect Costs Allowed	Audit Adjustment
2002-03	$ 27,943	94.00%	$ 26,267	$ -	$ (26,267)
2003-04	28,321	87.70%	24,838	-	(24,838)
2004-05	36,781	80.20%	29,499	-	(29,499)
2005-06	38,796	81.30%	31,542	-	(31,542)
2006-07	24,508	78.80%	19,312	-	(19,312)
2007-08	16,077	79.10%	12,718	-	(12,718)
2008-09	11,675	79.50%	9,282	-	(9,282)
2009-10	13,283	81.20%	10,786	-	(10,786)
2010-11	17,158	74.00%	12,697	-	(12,697)
2011-12	21,912	74.00%	16,214	-	(16,214)
2012-13	39,938	76.50%	30,552	-	(30,552)
Total	$ 276,392		$ 223,707	$ -	$ (223,707)

[1] Differences in Indirect Costs column are due to rounding.

Criteria

Section III (Period of Reimbursement) of the parameters and guidelines states, in part, "Actual costs for one fiscal year shall be included in each claim".

Section IV (Reimbursable Activities) of the parameters and guidelines begins:

To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

Section IV of the parameters and guidelines continues:

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

   b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

In addition, Section IV states that, "Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program."

Section V.A (Claim Preparation and Submission – Direct Cost Reporting) of the parameters and guidelines states, in part:

1. Salaries and benefits

   Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to these activities.

Section V.B (Claim Preparation and Submission – Indirect Costs) of the parameters and guidelines states, in part:

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.

Recommendation

The State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2022-23 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and

- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

From: JTyree@sco.ca.gov,
To: Tamara.Oatman@cityofrc.us,
Cc: achinncrs@aol.com, ADiaz@sbcsd.org, jvenneman@sco.ca.gov, Noah.Daniels@cityofrc.us,
Subject: RE: Identity Theft Program
Date: Wed, Sep 28, 2022 7:18 am

Good morning Tamara,

Confirming receipt of your consultant's response. We will be scheduling a status update soon.

Thank you.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 735B
Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile
JTyree@sco.ca.gov

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From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Sent: Tuesday, September 27, 2022 2:52 PM
To: Tyree, Joji <JTyree@sco.ca.gov>
Cc: Annette Chinn (achinncrs@aol.com) <achinncrs@aol.com>; Amanda Diaz (ADiaz@sbcsd.org) <ADiaz@sbcsd.org>; Venneman, Jim <jvenneman@sco.ca.gov>; Daniels, Noah <Noah.Daniels@cityofrc.us>
Subject: RE: Identity Theft Program

CAUTION:
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Good afternoon, Joji.

Please see attached response from our consultant, Annette Chinn, regarding your August 30th email. Thank you.

-Tamara

From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Tuesday, August 30, 2022 1:20 PM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Cc: Annette Chinn (achinncrs@aol.com) <achinncrs@aol.com>; Amanda Diaz (ADiaz@sbcsd.org) <ADiaz@sbcsd.org>; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: Identity Theft Program

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Good afternoon Tamara,

On Page 3 of the Entrance Conference Information (Attached), the Audit Methodology stated that we will determine whether the costs claimed are in accordance with the program's parameters and guidelines.

Also attached are the Applicable Statutes, Laws, and Regulations, the program parameters and guidelines as well as the SCO's claiming instructions.

The Parameters and Guidelines state that 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. For the City of Rancho Cucamonga (city), the "unit performing the mandate" was San Bernardino County Sheriff's Department (SBCSD), not the city. In addition, the ICRPs for the audit period submitted with the claims were not distributing the costs of the city's central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

The city claimed related indirect costs totaling $223,706 for the audit period based on salaries claimed totaling $276,392. We found those amounts unallowable because no city staff member performed any of the reimbursable activities under this program during the audit period. Instead, the city contracted with SBCSD for all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs, but rather incurred contract services costs. Since the city did not incur any direct salary costs during those years to perform the mandated activities, there are no indirect costs related to direct salaries.

In the SCO's Claiming Instructions for the Identity Theft Program (see attached), specifically the Identity Theft Claim Summary Instructions for Form 1, indirect costs are computed as percentage of direct labor costs, either 10% or ICRP. Additionally, the Identity Theft Activity Cost Detail Instructions for Form 2, contract services are clearly differentiated from Salaries (or direct labor) for purposes of calculating indirect costs.

For the audit period, the city provided copies of its Indirect Cost Rate Proposals (ICRP). All of the city's ICRPs use a distribution base of direct salaries and wages for SBCSD staff. This is inconsistent with 2 CFR Part 225 (Office of Management and Budget Circular A-87) because the City of Rancho Cucamonga did not incur any direct salaries and wages costs for SBCSD staff. San Bernardino County incurred those costs and the city incurred contract services costs. The indirect costs erroneously included salaries of Deputies, Sergeants and Sheriff's Service Specialists, which are contract services direct costs to the identity theft program.

After my manager reviews my work papers for this audit, I will contact you for a status meeting to discuss preliminary findings and allowable costs, prior to holding an exit conference.

Thank you.

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Cc: achinncrs@aol.com, ADiaz@sbcsd.org, jvenneman@sco.ca.gov, Noah.Daniels@cityofrc.us,
Subject: RE: Identity Theft Program
Date: Tue, Sep 27, 2022 2:52 pm
Attachments: Response to SCO Aug 30 2022 email FINAL 09-27-22.pdf (204K), 06-2022_cab-mcc-ica-sanbernardinoCounty.pdf (1419K), LA Co - Crime Stats Reports for DOJ - S19MCC0002 - 9-11-19.pdf (422K), LA Co - Identity Theft - S16MCC0037 - 6-12-17.pdf (478K), San Bernardino Co - Identity Theft - S21MCC0004 - 4-20-22.pdf (815K)

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Sent: Tuesday, August 30, 2022 1:20 PM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
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Subject: Identity Theft Program

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Hello Joji,

Attached are our responses to your August 30th email. We have copied your correspondence and added our comments, highlighted in gray.

Annette Chinn
Cost Recovery Systems, Inc.

On Page 3 of the Entrance Conference Information (Attached), the Audit Methodology stated that we will determine whether the costs claimed are in accordance with the program's parameters and guidelines.

Also attached are the Applicable Statutes, Laws, and Regulations, the program parameters and guidelines, as well as the SCO's claiming instructions.

The Parameters and Guidelines state that 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. For the City of Rancho Cucamonga (city), the "unit performing the mandate" was San Bernardino County Sheriff's Department (SBCSD), not the city.

Claiming Instructions, Page 1 of Section 1, specify that it is the local agency which "incurs the cost" of the mandate that is to file for State reimbursement of those costs (direct and indirect), not the "unit performing the mandate" who is to file for the costs of the claim. If your office did not believe this basic premise to be correct, then the costs of all cities contracting for law enforcement services should be included in the counties' claims who "performed the mandate." This, however, is not the case and not what your own agency has determined in prior audits.

We agree with the Parameters and Guidelines (Ps & Gs) and applicable laws and regulations, yet your recommendation to deny us the overhead cost of the "unit performing the mandate" – the overhead cost of "the unit" the CITY paid for - violates the plain language of the first sentence of the Parameters and Guidelines you purport to be following.

The unit performing the mandate was the law enforcement unit the City of Rancho Cucamonga paid for via its contract; thus, it is the City that incurred those costs: both direct and indirect. You rightly determined that the City is entitled to the direct costs even though the "unit performing the mandate" is San Bernardino County. Why the double standard regarding indirect costs? Please show us where in the Claiming Instructions or Parameters and Guidelines it states that contracted salaries and benefits are not eligible to obtain reimbursement of indirect costs.

As you know, the City does not have its own staff performing law enforcement services but has purchased an entire Police Department from SBCSD, including all direct law enforcement personnel as well as indirect support staff, to provide its residents with a complete Police Department. In the contract, it clearly states (see Schedule A, Footnote 1 of SBCSD Contract) that the costs of salaries and benefits are being paid for BY THE CITY. Schedule A further lists all the overhead costs that the City has purchased to support this Police Department. Since it is the City that has paid for (incurred) those costs

(both direct and indirect), it is appropriate that the City files for and obtains the reimbursement of all the mandated costs.

You concede it was the SBCSD contract staff (the "Unit") that performed the mandate, yet you then somehow conclude that the overhead incurred in that "unit" is not eligible and would only have been eligible if internal City staff performed direct law enforcement duties. This conclusion is illogical. If the City had sworn staff, they would not have had to contract for law enforcement services. And if a contract city cannot request reimbursement for overhead costs as your analysis suggests, then that would mean that all cities that contract for law enforcement services (roughly 30% of all California Cities) would be denied the indirect costs guaranteed in the Claiming Instructions and Parameters and Guidelines and could only obtain partial reimbursement of mandated costs. Why would direct costs be allowable for a contract city to claim, but not indirect costs?

This conclusion is not only illogical, it is not supported by State law, the Parameters and Guidelines, prior Commission analysis, or your own agency's prior audits and analysis.

In your prior audits of Los Angeles and San Bernardino County Audits (attached) that also addressed law enforcement services that overlapped with costs paid for by contract cities, those audits specifically stated that because Counties were receiving funding from local agencies via payments of the law enforcement contracts, the contract cities who incurred the costs were the appropriate agency to submit for reimbursements from the State. There were no exclusions made for indirect costs.

In our August 25th email to you, we pointed out the City of San Marcos, 2017 Crime Statistic Reports for the Department of Justice Audit your office conducted. In that program, also incurred by a city contracting for law enforcement services from a county, your office acknowledged that there were additional overhead charges within the contract and allowed much of the costs claimed in those ICRPs.

Local agencies are entitled to consistent and non-arbitrary application of State Mandate regulations and guidelines. Other contract cities were allowed indirect costs; we should also be.

It might be helpful for you to review your office's analysis of the San Bernardino County's (our contracting agency's) Interagency Child Abuse and Neglect Reporting Audit issued last June 2022. (https://www.sco.ca.gov/Files-AUD/06-2022_cab-mcc-ica-sanbernardinoCounty.pdf). Your audit states:

1) "The parameters and guidelines state that any county, city, or city and county is eligible to submit a mandate reimbursement claim. Therefore, all counties and cities—including contract cities—are eligible to submit mandate reimbursement claims." (See page 24, paragraph 4)
2) "The SBCSD contracts with cities within the county's boundaries that do not have a police force. The contract cities purchase various SBCSD staff positions (i.e. Deputy Sheriff Officer and Sheriff Sergeant) each fiscal period and pay the SBCSD annual contract rates for the purchased positions to provide law enforcement services. As the contract cities do not have a police force, none of the contract cities' staff members performed any of the reimbursable activities under the ICAN Investigation Reports Program. In addition, the staff positions purchased by the contract cities include those staff positions that were responsible for performing the reimbursable mandated activities for the ICAN Investigation Reports Program. Therefore, the SBCSD is responsible for performing all law enforcement duties, including the mandated activities for the ICAN Investigation Reports Program, for contract cities." (See page 24, paragraph 2)

3) The audit concludes that "The county is not entitled to mandated reimbursement for costs for contract city cases." All costs, including costs for overhead services requested by SBCSD related to services provided for contract cities, were denied. (See page 25, paragraph 2)
4) "Because contract cities are eligible to submit reimbursement claims, and the county received fees for law enforcement services from its contract cities, these fees included payment of overhead costs], we determined that the county should only claim costs associated with the unincorporated areas of the county. We determined that the costs incurred by contract cities are unallowable because the county had already been compensated by contract fees. The county did not report offsetting reimbursements for the contract city cases in its mandated cost claims. Therefore, we found that the county overstated these claimed costs because it did not offset costs that were funded by other sources." (Page 19, paragraph 3)

Your own analysis concludes the city is entitled to reimbursement of all costs, including indirect costs because the city paid for them through the contract. Your office rightly concluded that the County Sheriff's office is not entitled to receive reimbursement for costs incurred (paid for) by the contracting cities.

Therefore, if the SCO denies the city indirect/overhead costs, as you are suggesting, neither the city nor the county would be paid for indirect costs incurred by cities' contracts. This results in a Catch-22 situation where no local agency is entitled to that indirect cost reimbursement, and the State unjustly gains by not paying for eligible indirect/overhead costs supposedly guaranteed to local agencies contracting for law enforcement services.

The Commission on State Mandates (CSM) also provided some input on the topic of the application of overhead for cities contracting for law enforcement services.

In the City of Palmdale's Incorrect Reduction Claim (IRC) of the SCO's 2016 Audit of their Interagency Child Abuse and Neglect Reporting claims (See November 2018 CSM meeting transcript), the Commission reviewed whether the City of Palmdale, which contracted with Los Angeles County for law enforcement services, was entitled to the 10% default overhead rate they claimed in their requests for reimbursement.

The Commission staff concluded that while it was not appropriate for a contracting agency to use the default 10% ICRP rate when computing overhead costs since this rate was designed specifically for application to only salaries (not salaries and benefits); a contract city would have been eligible for indirect cost reimbursement IF the city prepared their own ICRP rate demonstrating valid indirect costs. The City of Rancho Cucamonga did prepare and submit their ICRPs showing overhead cost computations.

Commissioner Alex stated during the meeting (Page 46 of transcript, Lines 5-8 of hearing transcript) that he agreed that "…there is overhead associated with a contract, and I think that's typical."

Mr. Jones of the Commission staff noted that "...the Parameters and Guidelines say you can – you can prepare an indirect cost rate proposal if the indirect cost rate exceeds 10%." (Page 44, lines 24-25 and page 45, lines 1-2 of hearing transcript)

Commission Member Adams asked, "And under Parameters – Parameters and Guidelines, would there have been an appropriate way to claim these indirect costs?" (Page 38, lines 14-21 of hearing transcript)

Mr. Jones of the Commission staff responds, "Staff's position is that, yes, there was an appropriate way, and it was to develop an indirect cost rate proposal with documentation that the Controller could review." (Page 38, lines 24-25 and Page 39, lines 1-2)

Ms. Shelton of the Commission noted that "…you have to follow the plain language of the Parameters and Guidelines." (Page 47, lines 21-23 of hearing transcript). The plain language being that indirect costs were eligible for inclusion in the reimbursement claims.

In addition, the ICRPs for the audit period submitted with the claims were not distributing the costs of the city's central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

The City's central government services costs are certainly an eligible cost, which can be included in addition to indirect costs of the "unit performing the mandate". The City did not have a formal Cost Allocation Plan during the majority of the years being audited, so central city-wide overhead costs were not included in the ICRP/overhead rate calculations submitted with our claims.

The City claimed related indirect costs totaling $223,706 for the audit period based on salaries claimed totaling $276,392. We found those amounts unallowable because no city staff member performed any of the reimbursable activities under this program during the audit period.

There is no language in the instructions, Ps & Gs, or Federal CFR Guidelines which require that the "unit performing the mandate" must be staffed with City personnel in order to qualify for reimbursement of indirect costs. We see no wording in the "Contract Services" section of the Parameters and Guidelines which excludes the reimbursement of overhead costs for entities contracting for law enforcement services. Indeed, your own agency's prior audits specifically reduced the claims of Los Angeles and San Bernardino Counties for submitting for ALL costs that pertained to contract city cases and were paid for via those contracts.

We see no instructions that say contracting cities' indirect costs should be claimed by the County– or by the "unit performing the mandate". Instructions say indirect costs that are incurred by the agency incurring the direct costs are to submit the claims for reimbursement. Your requirement that "a city staff member perform reimbursable activities" in order to obtain reimbursement of both direct and indirect costs is contrary to the plain language of the Ps & Gs and would mean that no contract city would be able to obtain reimbursement for mandate overhead costs. Since counties did not receive any reimbursement for indirect costs that were paid for via city contracts and now you are saying those contracting cities cannot claim for the indirect costs, this creates a loophole where only the State gains unfairly.

Instead, the city contracted with SBCSD for all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs but rather incurred contract services costs.

The City is indeed paying for DIRECT SALARY COSTS (See Contract, Schedule A). We can show the transfer of funds to the County for these costs. There is no requirement we are aware of that states salary costs had to have to be run through the City payroll system to count as "direct salary costs". Nor is there any section of the instructions that states that direct costs incurred through a contract are not eligible for indirect/overhead costs.

Claiming Instructions in section 8 state, "A cost that is necessary for proper and efficient administration of a program and is identifiable to that program is eligible for consideration as an allocable indirect cost." The overhead costs included in our claim comply with these provisions.

Payment is payment – regardless of whether they are run through our payroll system or paid directly to the service provider. Your interpretation that only cities that pay their law enforcement staff via an internal payroll system is not supported by claiming instructions and would mean that contracting cities would be treated inconsistently by denying the indirect costs incurred.

Since the city did not incur any direct salary costs during those years to perform the mandated activities, there are no indirect costs related to direct salaries.

This is incorrect on two counts. If you look at Schedule A, footnote 1 in our law enforcement contract it states: "[1]*Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.*" Rancho Cucamonga has paid for the direct salaries and benefits of contract law enforcement staff including the Deputies who directly performed the mandate. The indirect costs are listed in the contract and are included in our ICRPs. Please explain how they are unrelated when the costs are necessary to support the department/law enforcement unit purchased and all sworn staff. The indirect costs included in the ICRPs are eligible based on state and federal guidelines.

Secondly, there is a long list of indirect costs listed in the Schedule A that are indeed eligible overhead items in compliance with 2 CFR Part 200.

In the SCO's Claiming Instructions for the Identity Theft Program (see attached), specifically the Identity Theft Claim Summary Instructions for Form 1, indirect costs are computed as a percentage of direct labor costs, either 10% or ICRP.

The City prepared and submitted ICRPs pursuant to instructions that were based on direct labor costs (salary and benefit costs of direct staff). There is no exemption of contract salary and benefit costs that we are aware of.

In addition, Parameters and Guidelines (see pages 4-5 of SCO Identity Theft Claiming Instructions) and 2 CFR Circular specifically allow indirect costs to be computed on **various** distribution bases:

> "The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; (3) another base which results in an equitable distribution.
>
> In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:
>
> 1.The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

> 2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected."

Therefore, your logic that somehow the use of "'contract' salaries and benefits" would not be applicable and are somehow different from "'in-house' salaries and benefits" does not stand. Claiming instructions and CFR Guidelines have very broad and inclusive language allowing the computation of indirect costs on multiple bases as long as it resulted in an 'equitable distribution'.

The indirect cost must show that they "provide benefits to the program." (See Claiming Instructions, page 11). We believe the costs we included were necessary for the support of the entire department including the mandate program. Rates computed complied with these provisions.

Your office accepted that there were overhead costs in the City of San Marcos's claim which similarly contracted with a sheriff's department (San Diego Sheriff's Office) for law enforcement services and allowed overhead for their contract sheriff direct labor charges, "We [SCO] determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, by the contracted labor costs identified in the contract supplemental schedules."

Therefore, the SCO demonstrated that an ICRP can be prepared in a contract law enforcement situation and derived the rate in this audit by dividing total contract overhead costs by the contracted labor costs identified – it used an "equitable distribution base" to compute an ICRP rate.

It would be unfair and inconsistent if Rancho Cucamonga is denied overhead when other contract cities were allowed to claim for and be reimbursed for overhead within their law enforcement contracts.

Additionally, the Identity Theft Activity Cost Detail Instructions for Form 2, contract services are clearly differentiated from Salaries (or direct labor) for purposes of calculating indirect costs.

SCO forms are supposed to comply with Parameters and Guidelines, not the other way around. If the SCO doesn't believe the forms display costs in the desired format, then your office has the authority and latitude to devise a form that better displays costs to your liking. As mentioned above, in many other prior audits of contract city claims, the forms' formatting did not preclude other contract cities from obtaining reimbursement of eligible overhead costs.

For the audit period, the city provided copies of its Indirect Cost Rate Proposals (ICRP). All of the city's ICRPs use a distribution base of direct salaries and wages for SBCSD staff. This is inconsistent with 2 CFR Part 225 (Office of Management and Budget Circular A-87) because the City of Rancho Cucamonga did not incur any direct salaries and wages costs for SBCSD staff. San Bernardino County incurred those costs and the city incurred contract services costs.

We disagree – the City paid for the direct salaries and wages of the staff performing the mandate in addition to all indirect costs enumerated in the contract found in Schedule A; therefore, those costs were incurred by the City – and by your own analysis (see above section addressing San Bernardino County audit where SCO explains that the cities "purchased positions from SBDSD" and "the County has received fees/compensation for those services"). In your audit of San Bernardino County's ICAN claim, it is the city you determined who should be compensated for cases that occurred within the city. By this same reasoning, we are entitled to claim for the direct and indirect costs incurred by the City.

The indirect costs erroneously included salaries of Deputies, Sergeants**,** and Sheriff's Service Specialists, which are contract services direct costs to the Identity Theft Program.

1) ICRP rates did NOT include Deputies' salaries in any of the indirect rate computations. Where are you seeing salaries of Deputies in the ICRP rates?

2) I believe you meant Office Specialists, not Sheriff's Services Specialists. The Office Specialist positions were only claimed directly in two of the 11 fiscal years (FY 11-12 and FY 12-13) for a maximum of 71 hours direct cost out of 32,400 hours (18 positions x 1,800 annual productive hours, or 71 hours/32,400 hours = less than 1% of their total time - a negligible amount claimed directly). In addition, only 15 of the 18 positions were claimed in the ICRP rate, avoiding any duplication of direct costs claimed.

3) Sergeants were included as that position is primarily a support and supervisory position and only 11 of 12 positions were included in the ICRP rate to ensure there would be no issue of claiming both directly and indirectly. Since only 20 – 80 hours per year were claimed directly, there would not be an issue of double claiming this time as it represented less than 1% of that position's total time (12 Sergeant positions x 1,800 annual productive hours = 21,600 total hours. And 80housr/21,600 hours = less than 1% of their total time - a negligible amount).

2 CFR Part 225 guidelines on ICRPs state a position can perform both a direct and indirect function, so it was appropriate to claim the Sergeant and Office Specialist as we did. For example – if a Police Chief spent 30 minutes on a directly billable activity – that does not mean that the Police Chief could not be included in the overhead (ICRP) rate since most of that position's time/responsibility is to oversee and provide administrative support (and provide benefit) to the entire department.

2 CRR Part 225, Section 200.414(c) states salaries of administrative and clerical staff should normally be treated as indirect costs.

Regarding your question about salary rates. This is all readily available in our contract in the Schedule A. Footnote 1 states the position costs "include salary and benefits". Thus, to compute an hourly rate, you would take the cost for all positions in that classification; divide by the number of positions; then divide again by the 1,800 allowable productive hours. For example in FY 2008-09, to compute Deputy Sheriff rate, take $12,964,262 total cost for this classification / 101 total positions / 1,800 annual productive hours = $71.31 (rate includes salaries and benefits).

When we compared the productive hourly rates we computed to the rates allowed in the San Bernardino County Audit of its Identity Theft Program, the rates were very similar. The slight variance is likely explained by your office's blending the rates of a number of different positions. I'm sure you have access to their records as the audit was very recently conducted.

After my manager reviews my work papers for this audit, I will contact you for a status meeting to discuss preliminary findings and allowable costs, prior to holding an exit conference.

SAN BERNARDINO COUNTY

Audit Report

INTERAGENCY CHILD ABUSE AND NEGLECT INVESTIGATION REPORTS PROGRAM

Penal Code sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) as added and/or amended by various legislation

July 1, 1999, through June 30, 2015

BETTY T. YEE
California State Controller

June 2022

BETTY T. YEE
California State Controller

June 15, 2022

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Ensen Mason, CPA, CFA
Auditor-Controller/Treasurer/Tax Collector
San Bernardino County
222 West Hospitality Lane
San Bernardino, CA 92415

Dear Mr. Mason:

The State Controller's Office audited the costs claimed by San Bernardino County for the legislatively mandated Interagency Child Abuse and Neglect Investigation Reports Program for the period of July 1, 1999, through June 30, 2015.

The county claimed $3,089,647 for the costs of the mandated program. Our audit found that $184,800 is allowable ($204,572 less a $19,772 penalty for filing late claims) and $2,904,847 is unallowable because the county claimed unsupported and ineligible costs, overstated claimed costs because it did not offset costs that were funded by other sources, misstated the number of cases claimed for each cost component, overstated the productive hourly rates, and overstated the indirect cost rates and related indirect costs. The State made no payments to the county. The State will pay $184,800, contingent upon available appropriations.

Following issuance of this audit report, the Local Government Programs and Services Division of the State Controller's Office will notify the county 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

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ls

cc: Vanessa Doyle, Chief Deputy Controller
Auditor-Controller/Treasurer/Tax Collector's Office
San Bernardino County
Jai Prasad, Supervising Accountant III
Auditor-Controller/Treasurer/Tax Collector's Office
San Bernardino County
The Honorable Curt Hagman, Chairman
San Bernardino County Board of Supervisors
Kelly Welty, Chief Deputy Director
Bureau of Administration
San Bernardino County Sheriff's Department
Vicki Dela Cruz, Financial Manager
San Bernardino County Sheriff's Department
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Bernardino County for the legislatively mandated Interagency Child Abuse and Neglect (ICAN) Investigation Reports Program for the period of July 1, 1999, through June 30, 2015.

The county claimed $3,089,647 for the costs of the mandated program. Our audit found that $184,800 is allowable ($204,572 less a $19,772 penalty for filing late claims) and $2,904,847 is unallowable because the county claimed unsupported and ineligible costs, overstated claimed costs because it did not offset costs that were funded by other sources, misstated the number of cases claimed for each cost component, overstated the productive hourly rates, and overstated the indirect cost rates and related indirect costs. The State made no payments to the county. The State will pay $184,800, contingent upon available appropriations.

Background

Various statutory provisions; Title 11, California Code of Regulations, section 903; and the Child Abuse Investigation Report (Form SS 8583) require cities and counties to perform specific duties for reporting child abuse to the State, as well as record-keeping and notification activities that were not required by prior law, thus mandating a new program or higher level of service.[1]

Penal Code (PC) sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) were added and/or amended by:

- Statutes of 1977, Chapter 958;
- Statutes of 1980, Chapter 1071;
- Statutes of 1981, Chapter 435;
- Statutes of 1982, Chapters 162 and 905;
- Statutes of 1984, Chapters 1423 and 1613;
- Statutes of 1985, Chapter 1598;
- Statutes of 1986, Chapters 1289 and 1496;
- Statutes of 1987, Chapters 82, 531, and 1459;
- Statutes of 1988, Chapters 269, 1497, and 1580;
- Statutes of 1989, Chapter 153;
- Statutes of 1990, Chapters 650, 1330, 1363, and 1603;
- Statutes of 1992, Chapters 163, 459, and 1338;
- Statutes of 1993, Chapters 219 and 510;
- Statutes of 1996, Chapters 1080 and 1081;
- Statutes of 1997, Chapters 842, 843, and 844;
- Statutes of 1999, Chapters 475 and 1012; and
- Statutes of 2000, Chapter 916.

[1] Form SS 8583 has been replaced with the Child Abuse or Severe Neglect Indexing Form (BCIA 8583).

The ICAN Investigation Reports Program addresses statutory amendments to California's mandatory child abuse reporting laws. A child abuse reporting law was first added to the Penal Code in 1963, and initially required medical professionals to report suspected child abuse to local law enforcement or child welfare authorities. The law was regularly expanded to include more professions (now termed "mandated reporters") required to report suspected child abuse, and in 1980, California reenacted and amended the law, entitling it the "Child Abuse and Neglect Reporting Act" (Act). As part of this program, the Department of Justice (DOJ) maintains the Child Abuse Centralized Index (CACI), which has tracked reports of child abuse statewide since 1965. A number of changes to the law have occurred, including a reenactment in 1980 and substantive amendments in 1997 and 2000.

The Act, as amended, provides for reporting of suspected child abuse or neglect by certain individuals, identified by their professions as having frequent contact with children. The Act provides rules and procedures for local agencies, including law enforcement agencies that receive such reports. The Act provides for cross-reporting among law enforcement and other child protective agencies, and to licensing agencies and District Attorney's offices. The Act requires reporting to the DOJ when a report of suspected child abuse is "not unfounded." The Act requires an active investigation before a report can be forwarded to the DOJ.

As of January 1, 2012, the Act no longer requires law enforcement agencies to report to the DOJ, and now requires reporting only of "substantiated" reports from other agencies. The Act imposes additional cross-reporting and recordkeeping duties in the event of a child's death from abuse or neglect. The Act requires agencies and the DOJ to keep records of investigations for a minimum of 10 years, and to notify suspected child abusers that they have been listed in the CACI. The Act imposes certain due process protections owed to persons listed in the CACI, and describes other situations in which a person would be notified of his or her listing in the CACI.

On December 19, 2007, the Commission on State Mandates (Commission) adopted a statement of decision finding that the test claim statutes impose a partially reimbursable state-mandated program upon local agencies within the meaning of Article XIII B, section 6 of the California Constitution and Government Code (GC) section 17514. The Commission approved the test claim for the reimbursable activities described in section IV of the program's parameters and guidelines, performed by city and county police or sheriff's departments, county welfare departments, county probation departments designated by the county to receive mandated reports, District Attorney's offices, and county licensing agencies.

The Commission outlined the following ongoing reimbursable activities:

- Distributing the Suspected Child Abuse Report (Form SS 8572);
- Reporting between local departments;
- Reporting to the DOJ;
- Providing notifications following reports to the CACI;

- Retaining records; and
- Complying with due process procedures offered to persons listed in the CACI.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on December 6, 2013. In compliance with GC section 17558, the SCO issues the *Mandated Cost Manual for Local Agencies* (*Mandated Cost Manual*) to assist local agencies in claiming mandated program reimbursable costs.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the county's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general audit authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated ICAN Investigation Reports 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.[2]

The audit period was July 1, 1999, through June 30, 2015.

To achieve our objective, we performed the following procedures:

- We reviewed the annual mandated cost claims filed by the county for the audit period and identified the significant cost components of each claim as salaries, benefits, and indirect costs. We determined whether there were any errors or unusual or unexpected variances from year to year, and we reviewed the claimed activities to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key county staff members. We discussed the claim preparation process with county staff members to determine what information was obtained, who obtained it, and how it was used.
- We accessed the reliability of data generated by the county's information management system (payroll and expenditure reports) and the Law Enforcement Intelligence Network Center (LEINC) by interviewing county staff members and examining supporting records. We determined that the data was sufficiently reliable to address the audit objectives.

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

- We interviewed county staff members to determine what employee classifications were involved in performing the reimbursable activities during the audit period.

- We assessed whether the average time increments claimed for each fiscal year in the audit period to perform the reimbursable activities were reasonable per the requirements of the program.

- We interviewed county staff members and found that they do not distribute Form SS 8572 to mandated reporters. We determined that the costs claimed for the Distributing the Suspected Child Abuse Report Form cost component are ineligible for reimbursement (see Finding 1).

- We reviewed and analyzed the detailed Crimes Against Children (CAC) case listing reports generated by the LEINC and provided by the county to determine the total eligible number of cases for the Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office cost component. We identified and excluded non-mandate-related cases and cases that were ineligible for reimbursement. We judgmentally selected a non-statistical sample of 200 cases for testing to determine the allowable number of cases cross-reported. Based on our review, we found that 187 (all 50 in fiscal year [FY] 2003-04; 49 out of 50 in FY 2006-07; 49 of 50 in FY 2008-09; and 39 out of 50 in FY 2014-15) out of 200 cases were eligible.

  Based on our testing results, we found that the county cross-reported 59 (16 out of 50 in FY 2003-04; eight out of 49 in FY 2006-07; 22 out of 49 in FY 2008-09; and 13 out of 39 in FY 2014-15) out of 187 cases. Consistent with the American Institute of Certified Public Accountants' (AICPA's) Clarified Statement on Auditing Standards (AU-C) section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted average of 31.6% to the total number of eligible cases to determine the total allowable number of cases that were cross-reported during the audit period. We recalculated the costs based on the allowable number of cases (see Finding 2).

- We reviewed and analyzed the detailed CAC case listing reports generated by the LEINC and provided by the county to determine the total eligible number of cases for the Reporting to Licensing Agencies cost component. We identified and excluded non-mandate-related cases and cases that were ineligible for reimbursement. We relied upon the results of our review of the 200 cases that were judgmentally selected as a non-statistical sample. Based on our review, we found that 187 out of 200 cases were eligible.

  Based on our testing results, we found that one out of the 187 cases were reported to a licensing agency. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted average of 0.5% to the total number of eligible cases to determine the total allowable number of cases that were reported to licensing agencies during the audit period. We recalculated the costs based on the allowable number of cases (see Finding 3).

- We reviewed and analyzed the detailed CAC case listing reports generated by the LEINC and provided by the county to determine the total eligible number of cases for the Complete an Investigation for Purposes of Preparing the Report cost component. We identified and excluded non-mandate-related cases and cases that were ineligible for reimbursement. We judgmentally selected a non-statistical sample of 150 cases for testing purposes to determine the allowable number of cases investigated. Based on our review, we found that 148 (all 50 in FY 2003-04; 49 out of 50 in FY 2006-07; and 49 out of 50 in FY 2008-09) out of the 150 cases were eligible.

  Based on our testing results, we found that the county investigated 31 (13 out of 50 in FY 2003-04; 11 out of 50 in FY 2006-07; and seven out of 49 in FY 2008-09) out of 148 cases. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted average of 20.9% to the total number of eligible cases to determine the total allowable number of cases that were investigated during the audit period. We recalculated the costs based on the allowable number of cases (see Finding 4).

- We reviewed and analyzed the detailed CAC case listing reports generated by the LEINC and provided by the county to determine the total eligible number of cases for the Forward Reports to the Department of Justice cost component. We identified and excluded non-mandate-related cases and cases that were ineligible for reimbursement. We relied upon the results of our review of the 150 cases that were judgmentally selected as a non-statistical sample. Based on our review, we found that 148 out of 150 cases were eligible.

  Based on our testing results, we found that a Form SS 8583 was prepared and submitted to the DOJ for 32 (14 out of 50 in FY 2003-04; six out of 49 in FY 2006-07; 12 out of 49 in FY 2008-09) out of 148 cases. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted average of 21.6% to the total number of eligible cases to determine the total allowable number of cases for which the county prepared and submitted a Form SS 8583 to the DOJ during the audit period. We recalculated the costs based on the allowable number of cases (see Finding 5).

- We reviewed and analyzed the detailed CAC case listing reports generated by the LEINC and provided by the county to determine the total eligible number of cases for the Notifications Following Reports to the Child Abuse Central Index cost component. We identified and excluded non-mandate-related cases and cases that were ineligible for reimbursement. We relied upon the results of our review of the 150 cases that were judgmentally selected as a non-statistical sample. Based on our review, we found that 148 out of 150 cases were eligible.

  Based on our testing results, we determined that CACI notifications were sent for 20 (eight out of 50 in FY 2003-04; seven out of 49 in FY 2006-07; and five out of 49 in FY 2008-09) out of 148 cases, or a weighted average of 13.5%; relevant information was made available, when received by the DOJ, to the child custodian, guardian, or

appointed counsel for one out of 148 eligible cases, or a weighted average of 0.7%; and a mandated reporter was informed of the investigation results and any action taken with regard to the child or family upon completion of the investigation for six out of 148 eligible cases, or a weighted average of 4.1%. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted averages to the eligible number of cases for each of the activities performed during the audit period. We recalculated the costs based on the allowable number of cases (see Finding 6).

- We traced productive hourly rate calculations for all employee classifications performing the mandated activities to supporting information in the county's financial accounting and payroll system (see Findings 2 through 4, 6, and 7).

- We verified the indirect costs claimed by the county for the audit period. We recalculated the indirect costs based on the audit adjustments made to the claimed salaries and benefits for each cost component and the indirect cost rate adjustments for FY 2001-02 through FY 2004-05 (see Findings 1 through 6, and 8).

- We reviewed and analyzed the detailed CAC case listing reports generated by the LEINC and provided by the county to determine the total eligible number of cases for the audit period. We found that the county claimed cases for both contract cities and unincorporated areas of the county. The county received fees for law enforcement services from its contract cities, but did not report offsetting reimbursements for the contract city cases in its mandated cost claims. We determined that the contract city cases are ineligible for reimbursement, because the county had already been compensated by contract fees. We recalculated the costs based on the allowable number of cases for each of the activities performed during the audit period. Therefore, we found that the county overstated these claimed costs because it did not offset costs that were funded by other sources (see Findings 2 through 6, and 8).

We did not audit the county's financial statements.

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.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We found that the county claimed unsupported and ineligible costs, and overstated claimed costs because it did not offset costs that were funded by other sources, as quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

For the audit period, San Bernardino County claimed $3,089,647 for costs of the legislatively mandated ICAN Investigation Reports Program. Our audit found that $184,800 is allowable ($204,572 less a $19,772 penalty for filing late claims) and $2,904,847 is unallowable. The State made no payments to the county. The State will pay $184,800, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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 county's legislatively mandated ICAN Investigation Reports Program.

Views of Responsible Officials

We issued a draft audit report on March 28, 2022. Kelly Welty, Chief Deputy Director, Sheriff's Bureau of Administration, responded by letter dated April 7, 2022. The county's response is included as an attachment.

Restricted Use

This audit report is solely for the information and use of San Bernardino County, 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 audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

June 15, 2022

Schedule—
Summary of Program Costs
July 1, 1999, through June 30, 2015

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 1999, through June 30, 2000				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 3,075	$ -	$ (3,075)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	8,733	1,660	(7,073)	Findings 2, 7, 8
Reporting to Licensing Agencies	11,853	42	(11,811)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	47,751	5,670	(42,081)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	337	337	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	12,303	588	(11,715)	Findings 6, 7, 8
Total direct costs	83,715	8,297	(75,418)	
Indirect costs	56,365	5,587	(50,778)	Findings 1-6, 8
Total direct and indirect costs	140,080	13,884	(126,196)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	140,080	13,884	(126,196)	
Less late filing penalty[3]	-	(1,388)	(1,388)	
Total program costs	$ 140,080	12,496	$ (127,584)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 12,496		
July 1, 2000, through June 30, 2001				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 3,177	$ -	$ (3,177)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	9,038	1,590	(7,448)	Findings 2, 7, 8
Reporting to Licensing Agencies	12,216	29	(12,187)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	49,398	5,456	(43,942)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	324	324	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	12,709	566	(12,143)	Findings 6, 7, 8
Total direct costs	86,538	7,965	(78,573)	
Indirect costs	47,535	4,375	(43,160)	Findings 1-6, 8
Total direct and indirect costs	134,073	12,340	(121,733)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	134,073	12,340	(121,733)	
Less late filing penalty[3]	-	(1,234)	(1,234)	
Total program costs	$ 134,073	11,106	$ (122,967)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 11,106		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2001, through June 30, 2002				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 3,326	$ -	$ (3,326)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	9,481	1,757	(7,724)	Findings 2, 7, 8
Reporting to Licensing Agencies	12,856	31	(12,825)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	51,884	6,002	(45,882)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	356	356	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	13,306	621	(12,685)	Findings 6, 7, 8
Total direct costs	90,853	8,767	(82,086)	
Indirect costs	53,758	4,133	(49,625)	Findings 1-6, 8
Total direct and indirect costs	144,611	12,900	(131,711)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	144,611	12,900	(131,711)	
Less late filing penalty[3]	-	(1,290)	(1,290)	
Total program costs	$ 144,611	11,610	$ (133,001)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 11,610		
July 1, 2002, through June 30, 2003				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 3,373	$ -	$ (3,373)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	9,686	1,639	(8,047)	Findings 2, 7, 8
Reporting to Licensing Agencies	13,059	31	(13,028)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	52,282	5,522	(46,760)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	337	337	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	13,494	575	(12,919)	Findings 6, 7, 8
Total direct costs	91,894	8,104	(83,790)	
Indirect costs	65,695	4,795	(60,900)	Findings 1-6, 8
Total direct and indirect costs	157,589	12,899	(144,690)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	157,589	12,899	(144,690)	
Less late filing penalty[3]	-	(1,290)	(1,290)	
Total program costs	$ 157,589	11,609	$ (145,980)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 11,609		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2003, through June 30, 2004				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 3,059	$ -	$ (3,059)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	8,880	1,385	(7,495)	Findings 2, 7, 8
Reporting to Licensing Agencies	11,939	34	(11,905)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	47,660	4,619	(43,041)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	296	296	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	12,236	482	(11,754)	Findings 6, 7, 8
Total direct costs	83,774	6,816	(76,958)	
Indirect costs	51,470	3,384	(48,086)	Findings 1-6, 8
Total direct and indirect costs	135,244	10,200	(125,044)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	135,244	10,200	(125,044)	
Less late filing penalty[3]	-	(1,020)	(1,020)	
Total program costs	$ 135,244	9,180	$ (126,064)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 9,180		
July 1, 2004, through June 30, 2005				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 3,392	$ -	$ (3,392)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	9,660	1,602	(8,058)	Findings 2, 7, 8
Reporting to Licensing Agencies	13,112	37	(13,075)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	52,415	5,403	(47,012)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	328	328	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	13,565	567	(12,998)	Findings 6, 7, 8
Total direct costs	92,144	7,937	(84,207)	
Indirect costs	56,613	3,941	(52,672)	Findings 1-6, 8
Total direct and indirect costs	148,757	11,878	(136,879)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	148,757	11,878	(136,879)	
Less late filing penalty[3]	-	(1,188)	(1,188)	
Total program costs	$ 148,757	10,690	$ (138,067)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 10,690		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2005, through June 30, 2006				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 7,210	$ -	$ (7,210)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	20,664	2,449	(18,215)	Findings 2, 7, 8
Reporting to Licensing Agencies	27,874	60	(27,814)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	112,236	8,295	(103,941)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	507	507	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	28,838	865	(27,973)	Findings 6, 7, 8
Total direct costs	196,822	12,176	(184,646)	
Indirect costs	92,978	5,753	(87,225)	Findings 1-6, 8
Total direct and indirect costs	289,800	17,929	(271,871)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	289,800	17,929	(271,871)	
Less late filing penalty[3]	-	(1,793)	(1,793)	
Total program costs	$ 289,800	16,136	$ (273,664)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 16,136		
July 1, 2006, through June 30, 2007				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 7,225	$ -	$ (7,225)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	20,836	2,635	(18,201)	Findings 2, 7, 8
Reporting to Licensing Agencies	28,125	62	(28,063)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	113,313	8,889	(104,424)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	551	551	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	28,896	913	(27,983)	Findings 6, 7, 8
Total direct costs	198,395	13,050	(185,345)	
Indirect costs	87,948	5,784	(82,164)	Findings 1-6, 8
Total direct and indirect costs	286,343	18,834	(267,509)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	286,343	18,834	(267,509)	
Less late filing penalty[3]	-	(1,883)	(1,883)	
Total program costs	$ 286,343	16,951	$ (269,392)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 16,951		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2007, through June 30, 2008				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 6,933	$ -	$ (6,933)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	19,945	2,333	(17,612)	Findings 2, 7, 8
Reporting to Licensing Agencies	26,879	43	(26,836)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	108,266	7,953	(100,313)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	487	487	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	27,735	822	(26,913)	Findings 6, 7, 8
Total direct costs	189,758	11,638	(178,120)	
Indirect costs	103,475	6,346	(97,129)	Findings 1-6, 8
Total direct and indirect costs	293,233	17,984	(275,249)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	293,233	17,984	(275,249)	
Less late filing penalty[3]	-	(1,798)	(1,798)	
Total program costs	$ 293,233	16,186	$ (277,047)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 16,186		
July 1, 2008, through June 30, 2009				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 6,952	$ -	$ (6,952)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	20,223	2,307	(17,916)	Findings 2, 7, 8
Reporting to Licensing Agencies	27,243	44	(27,199)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	109,222	7,895	(101,327)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	496	496	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	27,810	793	(27,017)	Findings 6, 7, 8
Total direct costs	191,450	11,535	(179,915)	
Indirect costs	91,092	5,488	(85,604)	Findings 1-6, 8
Total direct and indirect costs	282,542	17,023	(265,519)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	282,542	17,023	(265,519)	
Less late filing penalty[3]	-	(1,702)	(1,702)	
Total program costs	$ 282,542	15,321	$ (267,221)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 15,321		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2009, through June 30, 2010				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 6,409	$ -	$ (6,409)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	18,884	1,938	(16,946)	Findings 2, 7, 8
Reporting to Licensing Agencies	25,293	45	(25,248)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	100,375	6,378	(93,997)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	426	426	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	25,635	663	(24,972)	Findings 6, 7, 8
Total direct costs	176,596	9,450	(167,146)	
Indirect costs	80,686	4,318	(76,368)	Findings 1-6, 8
Total direct and indirect costs	257,282	13,768	(243,514)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	257,282	13,768	(243,514)	
Less late filing penalty[3]	-	(1,377)	(1,377)	
Total program costs	$ 257,282	12,391	$ (244,891)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 12,391		
July 1, 2010, through June 30, 2011				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 8,371	$ -	$ (8,371)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	24,093	2,366	(21,727)	Findings 2, 7, 8
Reporting to Licensing Agencies	32,539	48	(32,491)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	130,792	7,971	(122,821)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	492	492	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	33,484	822	(32,662)	Findings 6, 7, 8
Total direct costs	229,279	11,699	(217,580)	
Indirect costs	105,698	5,394	(100,304)	Findings 1-6, 8
Total direct and indirect costs	334,977	17,093	(317,884)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	334,977	17,093	(317,884)	
Less late filing penalty[3]	-	(1,709)	(1,709)	
Total program costs	$ 334,977	15,384	$ (319,593)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 15,384		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2011, through June 30, 2012				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 8,944	$ -	$ (8,944)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	21,512	2,509	(19,003)	Findings 2, 7, 8
Reporting to Licensing Agencies	30,372	53	(30,319)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	65,837	8,543	(57,294)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	505	505	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	17,224	898	(16,326)	Findings 6, 7, 8
Total direct costs	143,889	12,508	(131,381)	
Indirect costs	61,397	5,337	(56,060)	Findings 1-6, 8
Total direct and indirect costs	205,286	17,845	(187,441)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	205,286	17,845	(187,441)	
Less late filing penalty[3]	-	(1,785)	(1,785)	
Total program costs	$ 205,286	16,060	$ (189,226)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 16,060		
July 1, 2012, through June 30, 2013				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 9,615	$ -	$ (9,615)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	19,230	2,155	(17,075)	Findings 2, 7, 8
Reporting to Licensing Agencies	28,765	61	(28,704)	Findings 3, 7, 8
Total direct costs	57,610	2,216	(55,394)	
Indirect costs	24,208	932	(23,276)	Findings 1-3, 8
Total direct and indirect costs	81,818	3,148	(78,670)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2, 3, 8
Subtotal	81,818	3,148	(78,670)	
Less late filing penalty[3]	-	(315)	(315)	
Total program costs	$ 81,818	2,833	$ (78,985)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 2,833		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2013, through June 30, 2014				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 8,306	$ -	$ (8,306)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	24,918	2,251	(22,667)	Findings 2, 7, 8
Reporting to Licensing Agencies	33,223	58	(33,165)	Findings 3, 7, 8
Total direct costs	66,447	2,309	(64,138)	
Indirect costs	29,396	1,022	(28,374)	Findings 1-3, 8
Total direct and indirect costs	95,843	3,331	(92,512)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2, 3, 8
Total program costs	$ 95,843	3,331	$ (92,512)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 3,331		
July 1, 2014, through June 30, 2015				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 8,376	$ -	$ (8,376)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	25,128	2,248	(22,880)	Findings 2, 7, 8
Reporting to Licensing Agencies	33,505	58	(33,447)	Findings 3, 7, 8
Total direct costs	67,009	2,306	(64,703)	
Indirect costs	35,160	1,210	(33,950)	Findings 1-3, 8
Total direct and indirect costs	102,169	3,516	(98,653)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2, 3, 8
Total program costs	$ 102,169	3,516	$ (98,653)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 3,516		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
Summary: July 1, 1999, through June 30, 2015				
Direct costs – salaries and benefits:				
Distributing the Suspected Child Abuse Report Form	$ 97,743	$ -	$ (97,743)	Findings 1 and 8
Reporting between local departments				
Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office	270,911	32,824	(238,087)	Findings 2, 7, 8
Reporting to Licensing Agencies	368,853	736	(368,117)	Findings 3, 7, 8
Reporting to DOJ				
Complete an Investigation for Purposes of Preparing the Report	1,041,431	88,596	(952,835)	Findings 4, 7, 8
Forward Reports to the Department of Justice	-	5,442	5,442	Findings 5 and 8
Notifications Following Reports to the Child Abuse Central Index	267,235	9,175	(258,060)	Findings 6, 7, 8
Total direct costs	2,046,173	136,773	(1,909,400)	
Indirect costs	1,043,474	67,799	(975,675)	Findings 1-6, 8
Total direct and indirect costs	3,089,647	204,572	(2,885,075)	
Less offsetting revenues and reimbursements[2]	-	-	-	Findings 2-6, 8
Subtotal	3,089,647	204,572	(2,885,075)	
Less late filing penalty[3]	-	(19,772)	(19,772)	
Total program costs	$ 3,089,647	184,800	$ (2,904,847)	
Less amount paid by the State[4]		-		
Allowable costs claimed in excess of amount paid		$ 184,800		

[1] See the Findings and Recommendations section.

[2] The offsets relating to the contract city cases have been accounted for in the direct and indirect cost audit adjustments.

[3] The county filed its FY 1999-2000 through FY 2012-13 initial reimbursement claims after the due date specified in GC section 17560. Pursuant to GC section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount (for claims filed on or after September 30, 2002).

[4] Payment amount current as of June 2, 2022.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits – Distributing the Suspected Child Abuse Report Form cost component

The county claimed $97,743 in salaries and benefits for the Distributing the Suspected Child Abuse Report Form cost component during the audit period. We found that the entire amount is unallowable. In addition, unallowable related indirect costs total $48,566, for a total finding of $146,309.

The reimbursable activity for this cost component requires county sheriff's departments to distribute the Suspected Child Abuse Report (Form SS 8572) to mandated reporters that are designated by the county to receive mandated reports.

To calculate the claimed salaries and benefits, the county multiplied the average time increment (ATI) by the total number of cases identified in the CAC report, then multiplied the resulting hours by a productive hourly rate (PHR).

During audit fieldwork, we conducted interviews with San Bernardino County Sheriff's Department (SBCSD) staff members from the CAC Unit who were responsible for performing the mandated activities. Based on our interviews, we found that SBCSD staff members do not distribute the Form SS 8572 to mandated reporters. Therefore, the costs claimed for this cost component are ineligible for reimbursement. The county overstated these costs because it did not claim costs in accordance with the program's parameters and guidelines or the SCO's *Mandated Cost Manual*.

The following table summarizes the claimed, allowable, and adjusted costs for the Distributing the Suspected Child Abuse Report Form cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
1999-2000	$ 3,075	$ -	$ (3,075)	$ (2,069)	$ (5,144)
2000-01	3,177	-	(3,177)	(1,745)	(4,922)
2001-02	3,326	-	(3,326)	(1,968)	(5,294)
2002-03	3,373	-	(3,373)	(2,411)	(5,784)
2003-04	3,059	-	(3,059)	(1,879)	(4,938)
2004-05	3,392	-	(3,392)	(2,084)	(5,476)
2005-06	7,210	-	(7,210)	(3,405)	(10,615)
2006-07	7,225	-	(7,225)	(3,202)	(10,427)
2007-08	6,933	-	(6,933)	(3,781)	(10,714)
2008-09	6,952	-	(6,952)	(3,308)	(10,260)
2009-10	6,409	-	(6,409)	(2,928)	(9,337)
2010-11	8,371	-	(8,371)	(3,860)	(12,231)
2011-12	8,944	-	(8,944)	(3,816)	(12,760)
2012-13	9,615	-	(9,615)	(4,040)	(13,655)
2013-14	8,306	-	(8,306)	(3,675)	(11,981)
2014-15	8,376	-	(8,376)	(4,395)	(12,771)
Total	$ 97,743	$ -	$ (97,743)	$ (48,566)	$ (146,309)

Criteria

Section IV, "Reimbursable Activities," of the parameters and guidelines begins:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .
>
> 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, subsection B.1, "Distributing the Suspected Child Abuse Report Form," of the parameters and guidelines states, in part:

> City and county police or sheriff's departments…shall:
>
> a. Distribute the child abuse reporting form adopted by DOJ (currently known as the "Suspected Child Abuse Report" Form SS 8572) to mandated reporters.

Recommendation

The ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims, and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county concurs with the finding and recommendation.

FINDING 2— Unallowable salaries and benefits – Reporting between Local Departments: Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office cost component

The county claimed $270,911 in salaries and benefits for the Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office cost component during the audit period. We found that $32,824 is allowable and $238,087 is unallowable. Unallowable related indirect costs total $119,374, for a total finding of $357,461.

The reimbursable activity for this cost component consists of cross-reporting by law enforcement to county welfare and the District Attorney's office every known or suspected instance of child abuse.

To calculate the claimed salaries and benefits, the county multiplied the ATI by the total number of cases identified in the CAC report, then multiplied the resulting hours by a PHR.

During testing, we found that the county overstated the number of cases cross-reported, overstated the PHRs, and overstated the related indirect costs. The county overstated these costs because it did not claim costs in accordance with the program's parameters and guidelines or the SCO's *Mandated Cost Manual.*

The following table summarizes the claimed, allowable, and adjusted costs for the Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
1999-2000	$ 8,733	$ 1,660	$ (7,073)	$ (4,762)	$ (11,835)
2000-01	9,038	1,590	(7,448)	(4,092)	(11,540)
2001-02	9,481	1,757	(7,724)	(4,782)	(12,506)
2002-03	9,686	1,639	(8,047)	(5,955)	(14,002)
2003-04	8,880	1,385	(7,495)	(4,768)	(12,263)
2004-05	9,660	1,602	(8,058)	(5,140)	(13,198)
2005-06	20,664	2,449	(18,215)	(8,605)	(26,820)
2006-07	20,836	2,635	(18,201)	(8,068)	(26,269)
2007-08	19,945	2,333	(17,612)	(9,604)	(27,216)
2008-09	20,223	2,307	(17,916)	(8,524)	(26,440)
2009-10	18,884	1,938	(16,946)	(7,743)	(24,689)
2010-11	24,093	2,366	(21,727)	(10,016)	(31,743)
2011-12	21,512	2,509	(19,003)	(8,108)	(27,111)
2012-13	19,230	2,155	(17,075)	(7,174)	(24,249)
2013-14	24,918	2,251	(22,667)	(10,028)	(32,695)
2014-15	25,128	2,248	(22,880)	(12,005)	(34,885)
Total	$ 270,911	$ 32,824	$ (238,087)	$ (119,374)	$ (357,461)

Background

The SBCSD is responsible for providing law enforcement services to the unincorporated areas of the county. The SBCSD also contracts with cities that are within the county's boundaries and do not have a police force, to provide law enforcement services for a fee. The county identifies these cities as "contract cities."

During the course of the audit, we found that the county included costs for providing services to contract cities as part of its mandated cost claims for all activities. The parameters and guidelines state that any county, city, or city and county is eligible to submit a mandate reimbursement claim. Therefore, all counties and cities—including contract cities—are eligible to submit mandate reimbursement claims. Because contract cities are eligible to submit reimbursement claims, and the county received fees for law enforcement services from its contract cities, we determined that the county should only claim costs associated with the unincorporated areas of the county. We determined that the costs incurred by contract cities are unallowable because the county had already been compensated by contract fees. The county did not report offsetting reimbursements for the contract city cases in its mandated cost claims. Therefore, we found that the county overstated these claimed costs because it did not offset costs that were funded by other sources.

Number of Cases Cross-reported

For the audit period, the county obtained the claimed number of cases cross-reported from the CAC report generated by the Law Enforcement Intelligence Network Center (LEINC).

The county provided detailed CAC case listing reports generated by the LEINC. During our review, we found that the reports included contract city cases; cases that occurred outside of the audit period; and PC section 311.11 cases. Cases related to PC section 311.11 are not mandate-related; therefore, we determined that the costs claimed for these cases are ineligible for reimbursement. Contract city cases and cases that occurred outside of the audit period are unallowable. We recalculated the number of supported cases for the audit period.

For testing purposes we judgmentally selected a non-statistical sample of 200 (50 cases for each fiscal year for FY 2003-04, FY 2006-07, FY 2008-09, and FY 2014-15) from the population of 6,940 supported cases. Based on our review, we found that 187 (all 50 in FY 2003-04; 49 out of 50 in FY 2006-07; 49 out of 50 in FY 2008-09; and 39 out of 50 in FY 2014-15) of the sampled 200 cases were eligible.

We also determined that 59 (16 out of 50 in FY 2003-04; eight out of 49 in FY 2006-07; 22 out of 49 in FY 2008-09; and 13 out of 39 in FY 2014-15) out of the 187 cases were cross-reported. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted average of 31.6% to the total number of eligible cases to determine the total allowable number of cases that were cross-reported during the audit period. We determined that for the Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office cost component, the allowable number of cases totals 2,193. We recalculated the costs based on the allowable number of cases.

The following table summarizes the claimed, allowable, and adjusted number of cases for the Cross-reporting from Law Enforcement to County Welfare and the District Attorney's Office cost component by fiscal year:

Fiscal Year	Claimed Cases	Allowable Cases	Audit Adjustment
1999-2000	819	160	(659)
2000-01	805	146	(659)
2001-02	816	156	(660)
2002-03	798	140	(658)
2003-04	697	112	(585)
2004-05	676	115	(561)
2005-06	1,398	165	(1,233)
2006-07	1,348	170	(1,178)
2007-08	1,246	146	(1,100)
2008-09	1,239	141	(1,098)
2009-10	1,138	117	(1,021)
2010-11	1,348	132	(1,216)
2011-12	1,296	128	(1,168)
2012-13	1,428	160	(1,268)
2013-14	1,140	103	(1,037)
2014-15	1,140	102	(1,038)
Total	17,332	2,193	(15,139)

Productive Hourly Rate

The county provided payroll summary reports identifying actual annual salary and benefit cost data generated by the county's financial accounting

system for the audit period. We used the actual annual salary and benefit cost data to compute the average annual salary and benefit amount for the employees in the Deputy Sheriff Officer, Sheriff Sergeant, and Office Assistant III classifications. We divided the average annual salary and benefit amounts by the calculated productive hours to calculate the PHR. As discussed in Finding 7, we found that the county overstated the claimed PHRs for FY 1999-2000 through FY 2004-05.

Criteria

Section IV, "Reimbursable Activities," of the parameters and guidelines begins:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .
>
> 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, subsection B.2, "Reporting Between Local Departments," of the parameters and guidelines states, in part:

> c. Cross-Reporting of Suspected Child Abuse or Neglect from the Law Enforcement Agency to . . . County Welfare and the District Attorney's Office:
>
> City and county police or sheriff's departments shall:
>
> 1) Report by telephone immediately, or as soon as practically possible, to the agency given responsibility for investigation of cases under Welfare and Institutions Code section 300 and to the district attorney's office every known or suspected instance of child abuse reported to it, except acts or omissions coming within Penal Code section 11165.2(b), which shall be reported only to the county welfare department.
>
> 2) Report to the county welfare department every known or suspected instance of child abuse reported to it which is alleged to have occurred as a result of the action of a person responsible for the child's welfare, or as the result of the failure of a person responsible for the child's welfare to adequately protect the minor from abuse when the person responsible for the child's welfare knew or reasonably should have known that the minor was in danger of abuse.
>
> 3) Send a written report thereof within 36 hours of receiving the information concerning the incident to any agency to which it is required to make a telephone report under Penal Code section 11166.

> As of January 1, 2006, initial reports may be made by fax or electronic transmission, instead of by telephone, and will satisfy the requirement for a written report within 36 hours.

Section V, subparagraph A.1, "Salaries and Benefits," of the parameters and guidelines states:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims, and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

> We disagree with the disallowance of ICAN cases related to law enforcement contract cities. The contract fee for law enforcement services from the San Bernardino County Sheriff's Department primarily covers patrol services provided to local jurisdictions. This fee does not include certain specialized mandated activities, including administration of the ICAN program. This specific function is performed by the Crimes Against Children Unit within the Sheriff's Specialized Investigations Division, located at Sheriff Headquarters. These individuals have the requisite training and experience to conduct these specialized investigations. Per Section IV, "Reimbursable Activities" of the parameters and guidelines, "To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those actually incurred to implement the mandated activities." The contracted law enforcement cities would not be eligible to claim costs related to the ICAN program's mandated activities, as these costs were not transferred to those jurisdictions. Therefore, the County was not compensated for these costs and believes that the disallowed ICAN cases related to law enforcement contract cities should be reinstated for reimbursement.
>
> In addition, cases related to PC Section 311.11 were deemed not mandate-related and, therefore, ineligible for reimbursement. The County disagrees with this finding as PC Section 311.11 states:
>
> > (a) Every person who knowingly possesses or controls any matter, representation of information, data, or image, including but not limited to, any film, filmstrip, photograph, negative, slide, photocopy, videotape, video laser disc, computer hardware, computer software, computer floppy disc, data storage media, CD-ROM, or computer-generated equipment or any other computer-generated image that contains or incorporates in any manner, any film or filmstrip, the production of which

> involves the use of a person under 18 years of age, knowing that the matter depicts a person under 18 years of age personally engaging in or simulating sexual conduct, as defined in subdivision (d) of Section 311.4, is guilty of a felony and shall be punished by imprisonment in the state prison, or a county jail for up to one year, or by a fine not exceeding two thousand five hundred dollars ($2,500), or by both the fine and imprisonment.

The Auditor stated that "sexual abuse" for eligible cases is defined under PC 11165.1 under the Child Abuse and Neglect Reporting Act. Pursuant to PC 11165.1, "sexual abuse" means sexual assault or sexual exploitation as defined by the following:

> (c) "Sexual exploitation" refers to any of the following:
>
> (1) Conduct involving matter depicting a minor engaged in obscene acts in violation of Section 311.2 (preparing, selling, or distributing obscene matter) or subdivision (a) of Section 311.4 (employment of minor to perform obscene acts).
>
> (2) A person knowingly promotes, aids, or assists, employs, uses, persuades, induces, or coerces a child, or person responsible for a child's welfare, who knowingly permits or encourages a child to engage in, or assist others to engage in, prostitution or a live performance involving obscene sexual conduct, or to either pose or model alone or with others for purposes of preparing a film, photograph, negative, slide, drawing, painting, or other pictorial depiction, involving obscene sexual conduct. For the purpose of this section, "person responsible for a child's welfare" means a parent, guardian, foster parent, or a licensed administrator or employee of a public or private residential home, residential school, or other residential institution.
>
> (3) A person who depicts a child in, or who knowingly develops, duplicates, prints, downloads, streams, accesses through any electronic or digital media or exchanges, a film, photograph, videotape, video recording, negative, or slide in which a child is engaged in an act of obscene sexual conduct, except for those activities by law enforcement and prosecution agencies and other persons described in subdivisions (c) and (e) of Section 311.3.

As PC Section 311.11 cases relate to conduct involving a person who knowingly duplicates, prints, downloads, streams, accesses through any electronic or digital media, or exchanges, a film, photograph, videotape, video recording, negative, or slide in which a child is engaged in an act of obscene sexual conduct, we believe these cases include mandated activities and should be eligible for reimbursement.

Lastly, due to the amount of time that has elapsed between occurrence of the claimed reimbursable activities and the audit period **(spanning up to 22 years)**, the County is unable to provide any additional supporting documentation. Had the field audit been performed closer to the actual cost incurrence period, responsible claim preparation staff (who are retired or no longer employed) could have provided a much better response to the audit inquiries, which would have resulted in favorable results for San Bernardino County.

SCO Comment

Our finding and recommendation remain unchanged.

The county disagrees with the SCO's determination that the costs claimed for contract city cases are ineligible for reimbursement. The county disputes that it was not compensated for the costs related to performing the mandated activities for the ICAN Investigation Reports Program for contract city cases and believes that the costs should be reinstated for reimbursement. We disagree.

The SBCSD contracts with cities within the county's boundaries that do not have a police force. The contract cities purchase various SBCSD staff positions (i.e. Deputy Sheriff Officer and Sheriff Sergeant) each fiscal period and pay the SBCSD annual contract rates for the purchased positions to provide law enforcement services. As the contract cities do not have a police force, none of the contract cities' staff members performed any of the reimbursable activities under the ICAN Investigation Reports Program. In addition, the staff positions purchased by the contract cities include those staff positions who were responsible for performing the reimbursable mandated activities for the ICAN Investigation Reports Program. Therefore, the SBCSD is responsible for performing all law enforcement duties, including the mandated activities for the ICAN Investigation Reports Program, for contract cities.

The county contends that the contract fee for law enforcement services provided by the SBCSD primarily covers patrol services provided to local jurisdictions. The county maintains that the contract fee does not include certain specialized mandated activities, including the administration of the ICAN Investigation Reports Program. The county disputes that the mandated activities for the ICAN Investigation Reports Program are performed by the Crimes Against Children Unit staff members in the Sheriff's Specialized Investigations Division, located at the Sheriff's Headquarters. In addition, the county contends that the contracted law enforcement cities are not eligible to claim costs related to the ICAN Investigation Reports Program, because the county did not transfer the costs related to the ICAN Investigation Reports Program to the local jurisdictions.

The parameters and guidelines state that any county, city, or city and county is eligible to submit a mandate reimbursement claim. Therefore, all counties and cities—including contract cities—are eligible to submit mandate reimbursement claims. During testing, the county provided the law enforcement service contracts for our review. Based on our review of these contracts, we found that they do not provide any detailed information excluding certain specialized activities, nor do they specify or exclude divisions or identify who is responsible for the administration of the ICAN Investigation Reports Program. Our review also disclosed that the contracts did not itemize fees relating to the specific law enforcement services provided. Consequently, the county's position that the contract fees do not include costs relating to the ICAN Investigation Reports Program, and that the contract cities are not eligible to claim costs for this program as they did not transfer the costs to the local jurisdictions, remains unsupported. Furthermore, the county has not provided additional

documentation to support that the contract fees do not include the costs to administer the ICAN Investigation Reports Program, or any evidence showing that the county does not transfer the costs to local jurisdictions. As a result, the costs claimed for the contract cities are ineligible for reimbursement.

Our audit determined whether claimed costs represent increased costs resulting from the mandated program. The county is not entitled to mandated reimbursement for costs for contract city cases.

Section VII, "Offsetting Revenues and Reimbursements," of the parameters and guidelines states, in part:

> . . . Reimbursement for this mandate from any source, including but not limited to, service fees collected, federal funds, and other state funds, shall be identified and deducted from this claim.

The county also disagrees with the SCO's determination that PC section 311.11 cases are non-mandate-related and are ineligible for reimbursement. The county believes that PC section 311.11 cases include mandate-related activities and should be eligible for reimbursement. We disagree.

The ICAN Investigation Reports Program addresses statutory amendments to California's mandatory child abuse reporting laws. The child abuse reporting law was first added to the Penal Code in 1963, and initially required medical professional to report suspected child abuse to local law enforcement or child welfare authorities. The law was regularly expanded to include more professions (now termed "mandated reporters") required to report suspected child abuse, and in 1980, California reenacted and amended the law, entitling it the "Child Abuse and Neglect Reporting Act." The California Child Abuse and Neglect Reporting Act is codified in PC sections 11164 through11174.3.

As part of our audit procedures, we reviewed PC sections 11164 through 11174.3. Based on our review, we found that none of the Penal Code sections cite PC section 311.11. For further clarification, PC section 11165.1 relates to sexual abuse meaning sexual assault or sexual exploitation and identifies specific PC sections relating to PC section 311. However, none of the sections cited in PC section 11165.1 cite PC section 311.11 Therefore, although the county believes that PC section 311.11 cases include mandate-related activities, we determined that these cases are outside the scope of the reimbursable activities under this mandated program. As a result, the county is not entitled to mandated reimbursement for PC section 311.11 cases.

The county filed its claims with the SCO for FY 1999-2000 through FY 2012-13 on July 15, 2015; for FY 2013-14 on February 15, 2015; and for FY 2014-15 on February 15, 2016. The SCO initiated an audit of the County of San Bernardino's legislatively mandated ICAN Investigation Reports Program cost claims filed for FY 1999-2000 through FY 2014-15 on July 9, 2020. The documentation requirements for this mandated cost program were adopted by the Commission on December 6, 2013.

The county maintains that it was unable to provide any additional documentation to support the mandated cost claims because approximately 22 years had elapsed between the occurrence of the reimbursable costs claimed and the audit period. The county also maintains that if the audit had been performed closer to the actual cost incurrence period, staff who were responsible for preparing the reimbursement claims (who have since retired) could have provided better responses to the audit inquires. Although the actual cost incurrence period and the audit period are separated by more than a decade, the majority of the reimbursement claims that the county filed with the SCO were submitted on July 15, 2015, only five years from the date on which the SCO initiated this audit. In addition, the county incurred and claimed costs for FY 2014-15, only six years from the date on which the SCO initiated this audit. Furthermore, the county is responsible for maintaining documentation for the period the claims were subject to audit.

Section VI, "Record Retention," of the parameters and guidelines states:

> Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district . . . is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV., must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

FINDING 3— Unallowable salaries and benefits – Reporting between Local Departments: Reporting to Licensing Agencies cost component

The county claimed $368,853 in salaries and benefits for the Reporting to Licensing Agencies cost component during the audit period. We found that $736 is allowable and $368,117 is unallowable. Unallowable related indirect costs total $183,802, for a total finding of $551,919.

The reimbursable activity for this cost component consists of cross-reporting by law enforcement to the appropriate licensing agency every known or suspected instance of child abuse or neglect when the instance of abuse or neglect occurs while the child is being cared for in a child day care facility, involves a child day care licensed staff person, or occurs while the child is under the supervision of a community care facility or involves a community care facility licensee or staff person.

To calculate the claimed salaries and benefits, the county multiplied the ATI by the total number of cases identified in the CAC report, then multiplied the resulting hours by a PHR.

During testing, we found that the county overstated the number of cases reported to licensing agencies, overstated the PHRs, and overstated the related indirect costs. The county overstated these costs because it did not claim costs in accordance with the program's parameters and guidelines or the SCO's *Mandated Cost Manual*.

The following table summarizes the claimed, allowable, and adjusted costs for the Reporting to Licensing Agencies cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
1999-2000	$ 11,853	$ 42	$ (11,811)	$ (7,953)	$ (19,764)
2000-01	12,216	29	(12,187)	(6,694)	(18,881)
2001-02	12,856	31	(12,825)	(7,592)	(20,417)
2002-03	13,059	31	(13,028)	(9,318)	(22,346)
2003-04	11,939	34	(11,905)	(7,318)	(19,223)
2004-05	13,112	37	(13,075)	(8,038)	(21,113)
2005-06	27,874	60	(27,814)	(13,140)	(40,954)
2006-07	28,125	62	(28,063)	(12,441)	(40,504)
2007-08	26,879	43	(26,836)	(14,634)	(41,470)
2008-09	27,243	44	(27,199)	(12,941)	(40,140)
2009-10	25,293	45	(25,248)	(11,535)	(36,783)
2010-11	32,539	48	(32,491)	(14,978)	(47,469)
2011-12	30,372	53	(30,319)	(12,937)	(43,256)
2012-13	28,765	61	(28,704)	(12,062)	(40,766)
2013-14	33,223	58	(33,165)	(14,671)	(47,836)
2014-15	33,505	58	(33,447)	(17,550)	(50,997)
Total	$ 368,853	$ 736	$ (368,117)	$ (183,802)	$ (551,919)

Number of Cases Reported to Licensing Agencies

For the audit period, the county obtained the claimed number of cases that were reported to licensing agencies from the CAC report generated by the LEINC.

The county provided detailed CAC case listing reports generated by the LEINC. During our review, we found that the reports included contract city cases; cases that occurred outside of the audit period; and PC section 311.11 cases. Cases related to PC section 311.11 are not mandate-related; therefore, we determined that the costs claimed for these cases are ineligible for reimbursement. Contract city cases and cases that occurred outside of the audit period are unallowable. We recalculated the number of supported cases for the audit period.

For testing purposes, we relied on the results of our review of the 200 cases that were judgmentally selected as a non-statistical sample (discussed in Finding 2). Based on our review, we found that 187 (all 50 in FY 2003-04; 49 out of 50 in FY 2006-07; 49 out of 50 in FY 2008-09; and 39 out of 50 in FY 2014-15) of the sampled 200 cases were eligible.

We also determined that one of the 187 cases was reported to a licensing agency during the audit period. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted average of 0.5% to the total eligible number of cases that were reported to licensing agencies during the audit period. We determined that for the Reporting to Licensing Agencies cost component, the allowable number of cases totals 36. We recalculated the costs based on the allowable number of cases.

The following table summarizes the claimed, allowable, and adjusted number of cases for the Reporting to Licensing Agencies cost component by fiscal year:

Fiscal Year	Claimed Cases	Allowable Cases	Audit Adjustment
1999-2000	819	3	(816)
2000-01	805	2	(803)
2001-02	816	2	(814)
2002-03	798	2	(796)
2003-04	697	2	(695)
2004-05	676	2	(674)
2005-06	1,398	3	(1,395)
2006-07	1,348	3	(1,345)
2007-08	1,246	2	(1,244)
2008-09	1,239	2	(1,237)
2009-10	1,138	2	(1,136)
2010-11	1,348	2	(1,346)
2011-12	1,292	2	(1,290)
2012-13	1,428	3	(1,425)
2013-14	1,140	2	(1,138)
2014-15	1,140	2	(1,138)
Total	17,328	36	(17,292)

Productive Hourly Rate

The county provided payroll summary reports identifying actual annual salary and benefit cost data generated by the county's financial accounting system for the audit period. We used the actual annual salary and benefit cost data to compute the average annual salary and benefit amount for the employees in the Deputy Sheriff Officer, Sheriff Sergeant, and Office Assistant III classifications. We divided the average annual salary and benefit amounts by the calculated productive hours to calculate the PHR. As discussed in Finding 7, we found that the county overstated the claimed PHRs for FY 1999-2000 through FY 2004-05.

Criteria

Section IV, "Reimbursable Activities," of the parameters and guidelines begins:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .
>
> 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, subsection B.2, "Reporting Between Local Departments," of the parameters and guidelines states, in part:

> e. Reporting to Licensing Agencies:
>
> City and county police or sheriff's departments . . . shall:
>
> 1) Report by telephone immediately or as soon as practically possible to the appropriate licensing agency every known or suspected instance of child abuse or neglect when the instance of abuse or neglect occurs while the child is being cared for in a child day care facility, involves a child day care licensed staff person, or occurs while the child is under the supervision of a community care facility or involves a community care facility licensee or staff person.
>
> 2) Send a written report thereof within 36 hours of receiving the information concerning the incident to any agency to which it is required to make a telephone report under Penal Code section 11166.2. The agency shall send the licensing agency a copy of its investigation report and any other pertinent materials.
>
> As of July 31, 2001, initial reports may be made by fax or electronic transmission, instead of by telephone, and will satisfy the requirement for a written report within 36 hours.

Section V, subparagraph A.1, "Salaries and Benefits," of the parameters and guidelines states:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims, and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county disagreed with but did not respond separately to Findings 2 through 6. The county's response to these findings is reproduced in Finding 2, and the county's entire response is included as an attachment to this report.

SCO Comment

Our finding and recommendation remain unchanged.

The county disagreed with but did not respond separately to Findings 2 through 6. The county's response to these findings appears in Finding 2, along with our comments on the county's response.

FINDING 4— Unallowable salaries and benefits – Reporting to the State Department of Justice: Complete an Investigation for Purposes of Preparing the Report cost component

The county claimed $1,041,431 in salaries and benefits for the Complete an Investigation for Purposes of Preparing the Report cost component during the audit period. We found that $88,596 is allowable and $952,835 is unallowable. Unallowable related indirect costs total $493,279, for a total finding of $1,446,114.

The county misclassified the preparing and submitting the Form SS 8583 to the DOJ activities under the Complete an Investigation for Purposes of Preparing the Report cost component. We reclassified the preparing and submitting the Form SS 8583 to the DOJ activities under the Forward Reports to the Department of Justice cost component.

This cost component provides reimbursement for costs associated with reviewing the Form SS 8572, conducting initial interviews with involved parties, and writing a report of the interviews for review by a supervisor. Additionally, per the program's parameters and guidelines, time spent performing an initial investigation of a Form SS 8572 is reimbursable only if that Form SS 8572 is generated by another agency. Investigation of a Form SS 8572 generated by a department that is also the mandated reporter is not eligible for reimbursement.

To calculate the claimed salaries and benefits, the county multiplied the ATI by the total number of cases from the CAC report, then multiplied the resulting hours by a PHR.

During testing, we found that the county overstated the number of cases investigated, overstated the PHRs, and overstated the related indirect costs. The county overstated these costs because it did not claim costs in accordance with the program's parameters and guidelines or the SCO's *Mandated Cost Manual*.

The following table summarizes the claimed, allowable, and adjusted costs for the Complete an Investigation for Purposes of Preparing the Report cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
1999-2000	$ 47,751	$ 5,670	$ (42,081)	$ (28,333)	$ (70,414)
2000-01	49,398	5,456	(43,942)	(24,137)	(68,079)
2001-02	51,884	6,002	(45,882)	(27,871)	(73,753)
2002-03	52,282	5,522	(46,760)	(34,108)	(80,868)
2003-04	47,660	4,619	(43,041)	(26,989)	(70,030)
2004-05	52,415	5,403	(47,012)	(29,521)	(76,533)
2005-06	112,236	8,295	(103,941)	(49,101)	(153,042)
2006-07	113,313	8,889	(104,424)	(46,292)	(150,716)
2007-08	108,266	7,953	(100,313)	(54,700)	(155,013)
2008-09	109,222	7,895	(101,327)	(48,212)	(149,539)
2009-10	100,375	6,378	(93,997)	(42,947)	(136,944)
2010-11	130,792	7,971	(122,821)	(56,620)	(179,441)
2011-12	65,837	8,543	(57,294)	(24,448)	(81,742)
Total	$ 1,041,431	$ 88,596	$ (952,835)	$ (493,279)	$ (1,446,114)

Number of Cases Investigated

For the audit period, the county obtained the claimed number of cases that were investigated from the CAC report generated by the LEINC.

The county provided detailed CAC case listing reports generated by the LEINC. During our review, we found that the reports included contract city cases; cases that occurred outside of the audit period; and PC section 311.11 cases. Cases related to PC section 311.11 are not mandate-related; therefore, we determined that the costs claimed for these cases are ineligible for reimbursement. Contract city cases and cases that occurred outside of the audit period are unallowable. We recalculated the number of supported cases for the audit period.

For testing purposes we judgmentally selected a non-statistical sample of 150 (50 cases for each fiscal year for FY 2003-04, FY 2006-07, and FY 2008-09) from the population of 5,786 supported cases. Based on our review, we found that 148 (all 50 in FY 2003-04; 49 out of 50 in FY 2006-07; and 49 out of 50 in FY 2008-09) of the sampled 150 cases were eligible.

We also determined that 31 (13 out of 50 in FY 2003-04; 11 out of 49 in FY 2006-07; and seven out of 49 in FY 2008-09) out of the 148 cases were investigated. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted average of 20.9% to the total eligible number of cases that were investigated during the audit period. We determined that for the Complete an Investigation for Purposes of Preparing the Report cost component, the allowable number of cases totals 1,209. We recalculated the costs based on the allowable number of cases.

The following table summarizes the claimed, allowable, and adjusted number of cases for the Complete an Investigation for Purposes of Preparing the Report cost component by fiscal year:

Fiscal Year	Claimed Cases	Allowable Cases	Audit Adjustment
1999-2000	819	106	(713)
2000-01	805	97	(708)
2001-02	816	103	(713)
2002-03	798	92	(706)
2003-04	697	74	(623)
2004-05	676	76	(600)
2005-06	1,398	109	(1,289)
2006-07	1,348	112	(1,236)
2007-08	1,246	97	(1,149)
2008-09	1,239	94	(1,145)
2009-10	1,138	77	(1,061)
2010-11	1,348	87	(1,261)
2011-12	618	85	(533)
Total	12,946	1,209	(11,737)

Productive Hourly Rate

The county provided payroll summary reports identifying actual annual salary and benefit cost data generated by the county's financial accounting system for the audit period. We used the actual annual salary and benefit cost data to compute the average annual salary and benefit amount for employees in the Deputy Sheriff Officer, Sheriff Sergeant, and Office Assistant III classifications. We divided the average annual salary and benefit amounts by the calculated productive hours to calculate the PHR. As discussed in Finding 7, we found that the county overstated the claimed PHRs for FY 1999-2000 through FY 2004-05.

Criteria

Section IV, "Reimbursable Activities," of the parameters and guidelines begins:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .
>
> 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, subsection B.3, "Reporting to the State Department of Justice," of the parameters and guidelines states:

> a. **From July 1, 1999 to December 31, 2011**, city and county police or sheriff's departments, county probation departments if designated by the county to receive mandated reports, and county welfare departments shall:
>
> 1) Complete an investigation for purposes of preparing the report
>
> Complete an investigation to determine whether a report of suspected child abuse or severe neglect is unfounded, substantiated or inconclusive, as defined in Penal Code section 11165.12, for purposes of preparing and submitting the state "Child Abuse Investigation Report" Form SS 8583, or subsequent designated form, to the Department of Justice. Except as provided in paragraph below, this activity includes review of the initial Suspected Child Abuse Report (Form 8572), conducting initial interviews with parents, victims, suspects, or witnesses, where applicable, and making a report of the findings of those interviews, which may be reviewed by a supervisor.

> ***Reimbursement is not required in the following circumstances:***
>
> i. Investigative activities conducted by a mandated reporter to complete the Suspected Child Abuse Report (Form SS 8572) pursuant to Penal Code section 11166(a).
>
> ii. In the event that the mandated reporter is employed by the same child protective agency required to investigate and submit the "Child Abuse Investigation Report" Form SS 8583 or subsequent designated form to the Department of Justice, pursuant to Penal Code section 11169(a), reimbursement is not required if the investigation required to complete the Form SS 8572 is also sufficient to make the determination required under section 11169(a), and sufficient to complete the essential information items required on the Form SS 8583, pursuant to Code of Regulations, title 11, section 903 (Register 98, No. 29).
>
> iii. Investigative activities undertaken subsequent to the determination whether a report of suspected child abuse is substantiated, inconclusive, or unfounded, as defined in Penal Code section 11165.12, for purposes of preparing the Form SS 8583….

Section V, subparagraph A.1, "Salaries and Benefits," of the parameters and guidelines states:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims, and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county disagreed with but did not respond separately to Findings 2 through 6. The county's response to these findings is reproduced in Finding 2, and the county's entire response is included as an attachment to this report.

SCO Comment

Our finding and recommendation remain unchanged.

The county disagreed with but did not respond separately to Findings 2 through 6. The county's response to these findings appears in Finding 2, along with our comments on the county's response.

FINDING 5— Understated salaries and benefits – Reporting to the State Department of Justice: Forward Reports to the Department of Justice cost component

The county misclassified the salaries and benefits for the preparing and submitting the Form SS 8583 to the DOJ activities under the Complete an Investigation for Purposes of Preparing the Report cost component. We reclassified the preparing and submitting the Form SS 8583 to the DOJ activities under the Forward Reports to the Department of Justice cost component. We found that the county understated salaries and benefits totaling $5,442, and $2,705 in related indirect costs, for a total adjustment of $8,147.

This component provides reimbursement for costs associated with preparing and submitting the Form SS 8583 to the DOJ. A Form SS 8583 is prepared and submitted for every investigated case of known or suspected child abuse or severe neglect that is determined to be substantiated or inconclusive.

To calculate the claimed salaries and benefits, the county multiplied the ATI by the total number of cases identified in the CAC report, then multiplied the resulting hours by a PHR.

During testing, we found that the county understated the number of cases for which a Form SS 8583 was forwarded to the DOJ and understated the related indirect costs. The county understated these costs because it did not claim costs in accordance with the program's parameters and guidelines or the SCO's *Mandated Cost Manual.*

The following table summarizes the claimed, allowable, and adjusted costs for the Forward Reports to the Department of Justice cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Related Indirect Costs	Total Audit Adjustment
1999-2000	$ -	$ 337	$ 337	$ 227	$ 564
2000-01	-	324	324	178	502
2001-02	-	356	356	168	524
2002-03	-	337	337	199	536
2003-04	-	296	296	147	443
2004-05	-	328	328	163	491
2005-06	-	507	507	240	747
2006-07	-	551	551	244	795
2007-08	-	487	487	266	753
2008-09	-	496	496	236	732
2009-10	-	426	426	195	621
2010-11	-	492	492	227	719
2011-12	-	505	505	215	720
Total	$ -	$ 5,442	$ 5,442	$ 2,705	$ 8,147

Number of Reports Forwarded to the DOJ

For the audit period, the county obtained the claimed number of cases for which a Form SS 8583 was forwarded to the DOJ from the CAC report generated by the LEINC.

The county provided detailed CAC case listing reports generated by the LEINC. During our review, we found that the reports included contract city cases; cases that occurred outside of the audit period; and PC section 311.11 cases. Cases related to PC section 311.11 are not mandate-related; therefore, we determined that the costs claimed for these cases are ineligible for reimbursement. Contract city cases and cases that occurred outside of the audit period are unallowable. We recalculated the number of supported cases for the audit period.

For testing purposes, we relied on the results of our review of the 150 cases that were judgmentally selected as a non-statistical sample (discussed in Finding 4). Based on our review, we found that 148 (all 50 in FY 2003-04; 49 out of 50 in FY 2006-07; and 49 out of 50 in FY 2008-09) of the sampled 150 cases were eligible.

We also determined that a Form SS 8583 was prepared and sent to the DOJ for 32 (14 out of 50 in FY 2003-04; six out of 49 in FY 2006-07; and 12 out of 49 in FY 2008-09) out of the 148 eligible cases. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the weighted average of 21.6% to the total eligible number of cases for which a Form SS 8583 was prepared and sent to the DOJ during the audit period. We determined that for the Forward Reports to the Department of Justice cost component, the allowable number of cases totals 1,250. We recalculated the costs based on the allowable number of cases.

The following table summarizes the claimed, allowable, and adjusted number of cases for the Forward Reports to the Department of Justice cost component by fiscal year:

Fiscal Year	Claimed Cases	Allowable Cases	Audit Adjustment
1999-2000	-	110	110
2000-01	-	100	100
2001-02	-	106	106
2002-03	-	95	95
2003-04	-	77	77
2004-05	-	79	79
2005-06	-	113	113
2006-07	-	116	116
2007-08	-	100	100
2008-09	-	97	97
2009-10	-	80	80
2010-11	-	90	90
2011-12	-	87	87
Total	-	1,250	1,250

Criteria

Section IV, "Reimbursable Activities," of the parameters and guidelines begins:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .
>
> 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, subsection B.3, of the parameters and guidelines states, in part:

> a. **From July 1, 1999 to December 31, 2011**, city and county police or sheriff's departments, county probation departments if designated by the county to receive mandated reports, and county welfare departments shall:….
>
> 2) Forward reports to the Department of Justice
>
> Prepare and submit to the Department of Justice a report in writing of every case it investigates of known or suspected child abuse or severe neglect which is determined to be substantiated or inconclusive, as defined in Penal Code section 11165.12. Unfounded reports, as defined in Penal Code section 11165.12, shall not be filed with the Department of Justice. If a report has previously been filed which subsequently proves to be unfounded, the Department of Justice shall be notified in writing of that fact. The reports required by this section shall be in a form approved by the Department of Justice (currently form 8583) and may be sent by fax or electronic transmission.
>
> This activity includes costs of preparing and submitting an amended report to DOJ, when the submitting agency changes a prior finding of substantiated or inconclusive to a finding of unfounded or from inconclusive or unfounded to substantiated.
>
> ***Reimbursement is not required for the costs of the investigation required to make the determination to file an amended report.***

Recommendation

The ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims, and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county disagreed with but did not respond separately to Findings 2 through 6. The county's response to these findings is reproduced in Finding 2, and the county's entire response is included as an attachment to this report.

SCO Comment

Our finding and recommendation remain unchanged.

The county disagreed with but did not respond separately to Findings 2 through 6. The county's response to these findings appears in Finding 2, along with our comments on the county's response.

FINDING 6— Unallowable salaries and benefits – Notifications Following Reports to the Child Abuse Central Index cost component

The county claimed $267,235 in salaries and benefits for the Notifications Following Reports to the Child Abuse Central Index cost component during the audit period. We found that $9,175 is allowable and $258,060 is unallowable. Unallowable related indirect costs total $133,359, for a total finding of $391,419.

This component provides reimbursement for costs associated with notifying, in writing, the known or suspected child abuser that he or she has been reported to the Child Abuse Central Index (CACI), in any form approved by the DOJ, at the time the Form SS 8583 is filed with the DOJ; making relevant information available, when received from the DOJ, to the child custodian, appointed guardian or counsel, or to the appropriate licensing agency, if he or she is treating or investigating a case of known or suspected child abuse or severe neglect; and informing the mandated reporter of the results of the investigation and any action the agency is taking with regard to the child or family, upon completion of the child abuse investigation or after there has been a final disposition in the matter.

To calculate the claimed salaries and benefits, the county multiplied the ATI by the total number of cases from the CAC report, then multiplied the resulting hours by a PHR.

During testing, we found that the county overstated the number of cases for which a CACI notification was sent to the suspected child abuser; overstated the number of cases for which relevant information was made available, when received from the DOJ, to the child custodian, appointed guardian or counsel; overstated the number of cases for which the mandated reporter was informed of the investigation results and of any action taken regarding the child and family upon completion of the investigation; overstated the PHRs, and overstated the related indirect costs. The county overstated these costs because it did not claim costs in accordance with the program's parameters and guidelines or the SCO's *Mandated Cost Manual.*

The following table summarizes the claimed, allowable, and adjusted costs for the Notifications Following Reports to the Child Abuse Central Index cost component by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
1999-2000	$ 12,303	$ 588	$ (11,715)	$ (7,888)	$ (19,603)
2000-01	12,709	566	(12,143)	(6,670)	(18,813)
2001-02	13,306	621	(12,685)	(7,580)	(20,265)
2002-03	13,494	575	(12,919)	(9,307)	(22,226)
2003-04	12,236	482	(11,754)	(7,279)	(19,033)
2004-05	13,565	567	(12,998)	(8,052)	(21,050)
2005-06	28,838	865	(27,973)	(13,214)	(41,187)
2006-07	28,896	913	(27,983)	(12,405)	(40,388)
2007-08	27,735	822	(26,913)	(14,676)	(41,589)
2008-09	27,810	793	(27,017)	(12,855)	(39,872)
2009-10	25,635	663	(24,972)	(11,410)	(36,382)
2010-11	33,484	822	(32,662)	(15,057)	(47,719)
2011-12	17,224	898	(16,326)	(6,966)	(23,292)
Total	$ 267,235	$ 9,175	$ (258,060)	$ (133,359)	$ (391,419)

Number of Notifications Following Reports to CACI

For the audit period, the county obtained the claimed number of cases from the CAC report generated by the LEINC.

The county provided detailed CAC case listing reports generated by the LEINC. During our review, we found that the reports included contract city cases; cases that occurred outside of the audit period; and PC section 311.11 cases. Cases related to PC section 311.11 are not mandate-related; therefore, we determined that the costs claimed for these cases are ineligible for reimbursement. Contract city cases and cases that occurred outside of the audit period are unallowable. We recalculated the number of supported cases for the audit period.

For testing purposes, we relied on the results of our review of the 150 cases that were judgmentally selected as a non-statistical sample (discussed in Finding 4). Based on our review, we found that 148 (all 50 in FY 2003-04; 49 out of 50 in FY 2006-07; and 49 out of 50 in FY 2008-09) of the sampled 150 cases were eligible.

We also determined that CACI notifications were sent for 20 (eight out of 50 in FY 2003-04; seven out of 49 in FY 2006-07; and five out of 49 in FY 2008-09) out of the 148 eligible cases, or a weighted average of 13.5%; relevant information was made available, when received by the DOJ, to the child custodian, or appointed guardian or counsel for one out of 148 eligible cases, or a weighted average of 0.7%; and a mandated reporter was informed of the investigation results and any action taken with regard to the child or family upon completion of the investigation for six out of 148 eligible cases, or a weighted average of 4.1%. Consistent with the AICPA's AU-C section 530, we calculated a weighted average based on the results of our testing. We projected the results by applying the calculated weighted averages to the total eligible number of cases for each of the activities performed. We determined that for the Notifications

Following Reports to the CACI, the allowable number of cases totals 1,060 (782 for CACI notifications sent, 41 for making relevant information available, and 237 for informing the mandated reporter). We recalculated the costs based on the allowable number of cases.

The following table summarizes the claimed, allowable, and adjusted number of cases for the Notifications Following Reports to the Child Abuse Central Index by fiscal year:

	CACI Notifications to Suspects			Make Relevant Information Available			Inform Mandated Reporter		
Fiscal Year	Claimed Cases	Allowable Cases	Audit Adjustment	Claimed Cases	Allowable Cases	Audit Adjustment	Claimed Cases	Allowable Cases	Audit Adjustment
1999-2000	819	68	(751)	819	4	(815)	819	21	(798)
2000-01	805	63	(742)	805	3	(802)	805	19	(786)
2001-02	816	67	(749)	816	3	(813)	816	20	(796)
2002-03	798	60	(738)	798	3	(795)	798	18	(780)
2003-04	697	48	(649)	697	3	(694)	697	15	(682)
2004-05	676	49	(627)	676	2	(674)	676	15	(661)
2005-06	1,398	71	(1,327)	1,398	3	(1,395)	1,398	21	(1,377)
2006-07	1,348	72	(1,276)	1,348	4	(1,344)	1,348	22	(1,326)
2007-08	1,246	63	(1,183)	1,246	4	(1,242)	1,246	19	(1,227)
2008-09	1,239	60	(1,179)	1,239	3	(1,236)	1,239	18	(1,221)
2009-10	1,138	50	(1,088)	1,138	3	(1,135)	1,138	15	(1,123)
2010-11	1,348	56	(1,292)	1,348	3	(1,345)	1,348	17	(1,331)
2011-12	624	55	(569)	624	3	(621)	624	17	(607)
Total	12,952	782	(12,170)	12,952	41	(12,911)	12,952	237	(12,715)

Productive Hourly Rate

The county provided payroll summary reports identifying actual annual salary and benefit cost data generated by the county's financial accounting system for the audit period. We used the actual annual salary and benefit cost data to compute the average annual salary and benefit amount for the employees in the Deputy Sheriff Officer, Sheriff Sergeant, and Office Assistant III classifications. We divided the average annual salary and benefit amounts by the calculated productive hours to calculate the PHR. As discussed in Finding 7, we found that the county overstated the claimed PHRs for FY 1999-2000 through FY 2004-05.

Criteria

Section IV, "Reimbursable Activities," of the parameters and guidelines begins:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .

> 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, subsection B.4, "Notifications Following Reports to the Child Abuse Central Index," of the parameters and guidelines states:

> a. City and county police or sheriff's departments, county probation departments if designated by the county to receive mandated reports, and county welfare departments shall:
>
> 1) Notify in writing the known or suspected child abuser that he or she has been reported to the Child Abuse Central Index, in any form approved by the Department of Justice, at the time the "Child Abuse Investigation Report" is filed with the Department of Justice.
>
> This activity includes, where applicable, completion of the Notice of Child Abuse Central Index Listing form (SOC 832), or subsequent designated form.
>
> ***For law enforcement agencies only, this activity is eligible for reimbursement from July 1, 1999 until December 31, 2011, pursuant to Penal Code section 11169(b), as amended by Statutes 2011, chapter 468 (AB 717), which ends the mandate to report to DOJ for law enforcement agencies.***

Section V, subparagraph A.1, "Salaries and Benefits," of the parameters and guidelines states:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims, and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county disagreed with but did not respond separately to Findings 2 through 6. The county's response to these findings is reproduced in Finding 2, and the county's entire response is included as an attachment to this report.

SCO Comment

Our finding and recommendation remain unchanged.

The county disagreed with but did not respond separately to Findings 2 through 6. The county's response to these findings appears in Finding 2, along with our comments on the county's response.

FINDING 7— Overstated productive hourly rates

The county claimed salary and benefit costs for the Office Assistant III, Deputy Sheriff Officer, and Sheriff Sergeant classifications for the audit period. The salaries and benefits for these classifications were calculated using the total cumulative actual annual salary and benefit costs for each classification, then divided by the total number of county staff members assigned to that classification to determine the average annual salary and benefit costs. The county divided the average annual salary and benefit costs for each classification by the calculated annual productive hours to compute the claimed PHRs.

The county calculates a countywide productive hourly rate for all of its employees. During testing, we found that the county calculated the annual productive hours by subtracting administration and meeting hours from the total annual work hours for FY 1999-2000 through FY 2004-05. The SCO's *Mandated Cost Manual* does not identify time spent on administration and meetings as excludable time. Therefore, time spent on administration and meetings should not be excluded when computing the productive hours. As a result, we recomputed the annual productive hours without excluding the administration and meeting hours. We found that the county understated the annual productive hours for FY 1999-2000 through FY 2004-05. We recomputed the PHRs by dividing the average annual salary and benefit costs for each classification by the recomputed annual productive hours, and found that the county overstated the PHRs for FY 1999-2000 through FY 2004-05. We recalculated allowable costs based on the allowable PHRs.

The following table summarizes the claimed, allowable, and adjusted annual productive hours for the fiscal years that resulted in an audit adjustment:

Fiscal Year	Claimed Productive Hours	Allowable Productive Hours	Audit Adjustment
1999-2000	1,646	1,698	52
2000-01	1,655	1,708	53
2001-02	1,647	1,699	52
2002-03	1,634	1,686	52
2003-04	1,623	1,675	52
2004-05	1,623	1,675	52

The following tables summarize the claimed, allowable, and adjusted PHRs for the fiscal years that resulted in an audit adjustment:

Office Assistant III

Fiscal Year	Claimed PHR	Allowable PHR	Audit Adjustment
1999-2000	$ 18.98	$ 18.40	$ (0.58)
2000-01	20.03	19.41	(0.62)
2001-02	20.79	20.15	(0.64)
2002-03	21.93	21.32	(0.61)
2003-04	23.81	23.07	(0.74)
2004-05	25.69	24.89	(0.80)

Deputy Sheriff Officer

Fiscal Year	Claimed PHR	Allowable PHR	Audit Adjustment
1999-2000	$ 45.23	$ 43.84	$ (1.39)
2000-01	47.42	45.95	(1.47)
2001-02	48.92	47.42	(1.50)
2002-03	50.35	48.95	(1.40)
2003-04	52.74	51.10	(1.64)
2004-05	60.56	58.68	(1.88)

Sheriff Sergeant

Fiscal Year	Claimed PHR	Allowable PHR	Audit Adjustment
1999-2000	$ 59.75	$ 57.92	$ (1.83)
2000-01	63.74	61.76	(1.98)
2001-02	67.19	65.14	(2.05)
2002-03	68.39	66.48	(1.91)
2003-04	70.16	67.98	(2.18)
2004-05	76.78	74.40	(2.38)

Criteria

Section V, subparagraph A.1, "Salaries and Benefits," of the parameters and guidelines states, in part:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Section 2, part 7, sub-part (1)(a), "Productive Hourly Rate Options," of the SCO's *Mandated Cost Manual* (July 1, 2015) states:

> A local agency may use one of the following methods to compute productive hourly rates:
>
> - Actual annual productive hours for each employee;
> - The weighted-average annual productive hours for each job title; or
> - 1,800* annual productive hours for all employees.

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed.

*1,800 annual productive hours excludes the following employee time:

- Paid holidays;
- Vacation earned;
- Sick leave taken;
- Informal time off;
- Jury duty; and
- Military leave taken.

Recommendation

The ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims; and
- Calculate the PHRs based on the classification of employees who perform the mandated activities, using the documentation for the corresponding fiscal year.

County's Response

The county concurs with the finding and recommendation.

FINDING 8— Overstated indirect cost rates

The county overstated the indirect cost rates for FY 2001-02 through FY 2004-05. The indirect cost rates for FY 2001-02 through FY 2003-04 were previously audited and determined to be overstated in the final audit report of San Bernardino County for the legislatively mandated Peace Officers Procedural Bill of Rights Program for the period of July 1, 2001, through June 30, 2004, issued on June 29, 2007.

During testing, we found that the county claimed a 61.44% indirect cost rate in FY 2003-04 and FY 2004-05. Based on discussions with key county staff members, the county did not prepare an indirect cost rate proposal for FY 2004-05 due to a major financial system upgrade. Instead, the county relied upon the indirect cost rate proposal that had been prepared for FY 2003-04, and applied the 61.44% indirect cost rate to FY 2004-05. As the county had relied upon the FY 2003-04 indirect cost rate for FY 2004-05, we determined that it would be reasonable to apply the previously audited FY 2003-04 indirect cost rate of 49.65% to FY 2004-05. We found that the county had overstated the indirect cost rates for FY 2001-02 through FY 2004-05. We recalcualted the allowable indirect costs based on the previously audited indirect cost rates.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the fiscal years that resulted in an audit adjustment:

Fiscal Year	Claimed Indirect Cost Rate	Allowable Indirect Cost Rate	Audit Adjustment
2001-02	59.17%	47.13%	(12.04)%
2002-03	71.49%	59.18%	(12.31)%
2003-04	61.44%	49.65%	(11.79)%
2004-05	61.44%	49.65%	(11.79)%

Criteria

Section V, subparagraph B, "Indirect Cost Rates," of the parameters and guidelines states, in part:

> 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 both: (1) 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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

Recommendation

The ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims; and
- Ensure that the indirect cost calculations are consistent with the methodology outlined in Title 2, Code of Federal Regulations, Part 225 (OMB Circular A-87).

County's Response

The county concurs with the finding and recommendation.

Attachment—
County's Response to Draft Audit Report

SHANNON D. DICUS, SHERIFF-CORONER

SAN BERNARDINO COUNTY

April 7, 2022

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

RE: **Response to Draft Audit Report**
Interagency Child Abuse and Neglect Investigation Reports (ICAN) Program
Audit period: July 1, 1999 through June 30, 2015

Dear Ms. Kurokawa:

Thank you for providing an opportunity for San Bernardino County to review and respond to the State Controller's Office (SCO) draft audit report for the above-mandated program dated March 28, 2022.

The County's review of the draft audit report has been completed. While we concur with a majority of the findings and recommendations proposed in the ICAN draft audit report, we disagree with the disallowance of ICAN cases related to law enforcement contract cities. The contract fee for law enforcement services from the San Bernardino County Sheriff's Department primarily covers patrol services provided to local jurisdictions. This fee does not include certain specialized mandated activities, including administration of the ICAN program. This specific function is performed by the Crimes Against Children Unit within the Sheriff's Specialized Investigations Division, located at Sheriff Headquarters. These individuals have the requisite training and experience to conduct these specialized investigations. Per Section IV, "Reimbursable Activities" of the parameters and guidelines, "To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those actually incurred to implement the mandated activities." The contracted law enforcement cities would not be eligible to claim costs related to the ICAN program's mandated activities, as these costs were not transferred to those jurisdictions. Therefore, the County was not compensated for these costs and believes that the disallowed ICAN cases related to law enforcement contract cities should be reinstated for reimbursement.

In addition, cases related to PC Section 311.11 were deemed not mandate-related and, therefore, ineligible for reimbursement. The County disagrees with this finding as PC Section 311.11 states:

> "(a) Every person who knowingly possesses or controls any matter, representation of information, data, or image, including, but not limited to, any film, filmstrip, photograph, negative, slide, photocopy, videotape, video laser disc, computer hardware, computer software, computer floppy disc, data storage media, CD-ROM, or computer-generated equipment or any other computer-generated image that contains or incorporates in any manner, any film or filmstrip, the production of which involves the use of a person under 18 years of age, knowing that the matter depicts a person under 18 years of age personally engaging in or simulating sexual conduct, as defined in subdivision (d) of Section 311.4, is guilty of a felony and shall be punished by imprisonment in the state prison, or a county jail for up to one year, or by a fine not exceeding two thousand five hundred dollars ($2,500), or by both the fine and imprisonment."

The Auditor stated that "sexual abuse" for eligible cases is defined under PC 11165.1 under the Child Abuse and Neglect Reporting Act. Pursuant to PC 11165.1, "sexual abuse" means sexual assault or sexual exploitation as defined by the following:

> (c) "Sexual exploitation" refers to any of the following:
>
> (1) Conduct involving matter depicting a minor engaged in obscene acts in violation of Section 311.2 (preparing, selling, or distributing obscene matter) or subdivision (a) of Section 311.4 (employment of minor to perform obscene acts).
>
> (2) A person who knowingly promotes, aids, or assists, employs, uses, persuades, induces, or coerces a child, or a person responsible for a child's welfare, who knowingly permits or encourages a child to engage in, or assist others to engage in, prostitution or a live performance involving obscene sexual conduct, or to either pose or model alone or with others for purposes of preparing a film, photograph, negative, slide, drawing, painting, or other pictorial depiction, involving obscene sexual conduct. For the purpose of this section, "person responsible for a child's welfare" means a parent, guardian, foster parent, or a licensed administrator or employee of a public or private residential home, residential school, or other residential institution.
>
> (3) A person who depicts a child in, or who knowingly develops, duplicates, prints, downloads, streams, accesses through any electronic or digital media, or exchanges, a film, photograph, videotape, video recording, negative, or slide in which a child is engaged in an act of obscene sexual conduct, except for those activities by law enforcement and prosecution agencies and other persons described in subdivisions (c) and (e) of Section 311.3.

As PC Section 311.11 cases relate to conduct involving a person who knowingly duplicates, prints, downloads, streams, accesses through any electronic or digital media, or exchanges a film, photograph, videotape, video recording, negative, or slide in which a child is engaged in an act of obscene sexual conduct, we believe these cases include mandated activities and should be eligible for reimbursement.

Lastly, due to the amount of time that has elapsed between occurrence of the claimed reimbursable activities and the audit period **(spanning up to 22 years)**, the County is unable to provide any additional supporting documentation. Had the field audit been performed closer to the actual cost incurrence period, responsible claim preparation staff (who are retired or no longer employed) could have provided a much better response to audit inquiries, which would have resulted in favorable results for San Bernardino County.

If you have any questions, please contact Jose L. Torres, Sheriff's Administrative Manager, at (909) 387-3855 or e-mail jltorres@sbcsd.org.

Sincerely,

Shannon D. Dicus
Sheriff/Coroner/Public Administrator
San Bernardino County

By: Kelly Welty
Kelly Welty
Chief Deputy Director
Sheriff's Bureau of Administration

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250

http://www.sco.ca.gov

LOS ANGELES COUNTY

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

September 2019

BETTY T. YEE
California State Controller

September 11, 2019

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Arlene Barrera, Acting Auditor-Controller
Los Angeles County
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012

Dear Ms. Barrera:

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County 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 county claimed $6,551,653 for the mandated program. Our audit found that $1,837,738 is allowable ($1,995,931 less a $158,193 penalty for filing late claims), and $4,713,915 is unallowable because the county overstated salary and benefit costs, and offsetting reimbursements. The State made no payments to the county. The State will pay $1,837,738, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

This final audit report contains an adjustment to costs claimed by the county. If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to the Commission's regulations, outlined in Title 2, *California Code of Regulations*, section 1185.1, subdivision (c), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. IRC information is available on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

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/hf

cc: The Honorable Janice Hahn, Chair
Los Angeles County Board of Supervisors
Alex Villanueva, Sheriff
Los Angeles County
Michael Hanks, Administration Services Manager II
Los Angeles County Sheriff's Department
Hasmik Yaghobyan, SB90 Administrator
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County 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 county claimed $6,551,653 for the mandated program. Our audit found that $1,837,738 is allowable ($1,995,931 less a $158,193 penalty for filing late claims), and $4,713,915 is unallowable because the county overstated salary and benefit costs, and offsetting reimbursements. The State made no payments to the county. The State will pay $1,837,738, contingent upon available appropriations.

Background

Penal Code (PC) sections 12025, subdivisions (h)(1) and (h)(3), 12031, subdivisions (m)(1) and (m)(3); 13014; 13023; and 13730, subdivision (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 California Department of Justice 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, subdivisions (h)(1) and (h)(3), and 12031, subdivisions (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 agencies 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, the SCO issues claiming instructions to assist local agencies 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.

The audit period was July 1, 2001, through June 30, 2012.

To achieve our objective, we:

- Reviewed the annual mandated cost claims filed by the county for the audit period and identified the significant cost components of each claim as Homicide Reports, Domestic Violence Related Calls for Assistance, and Hate Crime Reports. Determined whether there were any errors or unusual or unexpected variances from year to year. Reviewed the activities claimed 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 county staff. Discussed the claim preparation process with county staff to determine what information was obtained, who obtained it, and how it was used;
- Interviewed county staff to determine what employee classifications were involved in performing the reimbursable activities;
- Traced productive hourly rate (PHR) and benefit rate calculations for all employee classifications performing the mandated activities to supporting information in the county's payroll system;
- Assessed whether the average time increments 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 report counts for domestic violence related calls for assistance, homicides, and hate crimes for consistency and possible exclusions, and verified that counts were supported by the reports that the county submitted to the Department of Justice (DOJ) (see Finding 1);
- Traced a judgmentally selected non-statistical sample of 106 out of 16,727 domestic violence related calls for assistance to written incident reports for FY 2006-07 through FY 2011-12. Errors found were not projected to the intended population;
- Determined 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; and
- Reviewed potential sources of offsetting revenues and reimbursements for the audit period. We inquired with district staff, reviewed single audit reports (with accompanying financial statements), and reviewed revenue reports for the audit period for other sources of funding (see Finding 2).

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 county'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 county'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 found that the county claimed ineligible costs and overstated costs that were funded by another source, as quantified in the Schedule and described in the Findings and Recommendations section of this audit report.

For the audit period, Los Angeles County claimed $6,551,653 for costs of the legislatively mandated Crime Statistics Reports for the Department of Justice Program. Our audit found that $1,837,738 is allowable ($1,995,931 less a $158,193 penalty for filing late claims) and $4,713,915 is unallowable. The State made no payments to the county. The State will pay $1,837,738, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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 county's legislatively mandated Crime Statistics Reports for the Department of Justice Program.

Views of Responsible Officials

We discussed our audit results with the county's representatives during an exit conference conducted on August 14, 2019. Cynthia Evans, Assistant Director, Administrative Services Division, Los Angeles County Sheriff's Department; Michael Hanks, Administrative Services Manager II, Los Angeles County Sheriff's Department; and other county employees agreed with the audit results. The county's representatives declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This audit report is solely for the information and use of Los Angeles County, 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 and is available on the SCO website at www.sco.ca.gov.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

September 11, 2019

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2001, through June 30, 2002				
Direct costs:				
Homicide reports	$ 29,743	$ 1,918	$ (27,825)	
Domestic violence related calls for assistance	501,558	148,350	(353,208)	
Total direct costs	531,301	150,268	(381,033)	
Indirect costs	39,314	11,118	(28,196)	
Total direct and indirect costs	570,615	161,386	(409,229)	Finding 1
Less late filing penalty[2]	-	(16,139)	(16,139)	
Total program costs	$ 570,615	145,247	$ (425,368)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 145,247		
July 1, 2002, through June 30, 2003				
Direct costs:				
Homicide reports	$ 31,408	$ 3,340	$ (28,068)	
Domestic violence related calls for assistance	502,765	142,326	(360,439)	
Total direct costs	534,173	145,666	(388,507)	
Indirect costs	38,774	10,572	(28,202)	
Total direct and indirect costs	572,947	156,238	(416,709)	Finding 1
Less late filing penalty[2]	-	(15,624)	(15,624)	
Total program costs	$ 572,947	140,614	$ (432,333)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 140,614		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2003, through June 30, 2004				
Direct costs:				
Homicide reports	$ 33,247	$ 2,759	$ (30,488)	
Domestic violence related calls for assistance	480,671	137,803	(342,868)	
Total direct costs	513,918	140,562	(373,356)	
Indirect costs	35,656	9,751	(25,905)	
Total direct and indirect costs	549,574	150,313	(399,261)	Finding 1
Less late filing penalty[2]	-	(15,031)	(15,031)	
Total program costs	$ 549,574	135,282	$ (414,292)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 135,282		
July 1, 2004, through June 30, 2005				
Direct costs:				
Homicide reports	$ 35,020	$ 3,594	$ (31,426)	
Hate crime reports	9,466	426	(9,040)	
Domestic violence related calls for assistance	500,490	144,447	(356,043)	
Total direct costs	544,976	148,467	(396,509)	
Indirect costs	36,780	10,020	(26,760)	
Total direct and indirect costs	581,756	158,487	(423,269)	Finding 1
Less late filing penalty[2]	-	(15,849)	(15,849)	
Total program costs	$ 581,756	142,638	$ (439,118)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 142,638		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2005, through June 30, 2006				
Direct costs:				
Homicide reports	$ 37,044	$ 3,801	$ (33,243)	
Hate crime reports	20,033	801	(19,232)	
Domestic violence related calls for assistance	541,884	155,160	(386,724)	
Total direct costs	598,961	159,762	(439,199)	
Indirect costs	39,553	10,550	(29,003)	
Total direct and indirect costs	638,514	170,312	(468,202)	Finding 1
Less late filing penalty[2]	-	(17,031)	(17,031)	
Total program costs	$ 638,514	153,281	$ (485,233)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 153,281		
July 1, 2006, through June 30, 2007				
Direct costs:				
Homicide reports	$ 37,866	$ 3,327	$ (34,539)	
Hate crime reports	20,489	978	(19,511)	
Domestic violence related calls for assistance	605,386	170,654	(434,732)	
Total direct costs	663,741	174,959	(488,782)	
Indirect costs	44,736	11,792	(32,944)	
Total direct and indirect costs	708,477	186,751	(521,726)	Finding 1
Less late filing penalty[2]	-	(18,675)	(18,675)	
Total program costs	$ 708,477	168,076	$ (540,401)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 168,076		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2007, through June 30, 2008				
Direct costs:				
Homicide reports	$ 38,169	$ 2,955	$ (35,214)	
Hate crime reports	20,647	1,003	(19,644)	
Domestic violence related calls for assistance	657,673	181,920	(475,753)	
Total direct costs	716,489	185,878	(530,611)	
Indirect costs	49,787	12,916	(36,871)	
Total direct and indirect costs	766,276	198,794	(567,482)	Finding 1
Less late filing penalty[2]	-	(19,879)	(19,879)	
Total program costs	$ 766,276	178,915	$ (587,361)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 178,915		
July 1, 2008, through June 30, 2009				
Direct costs:				
Homicide reports	$ 39,854	$ 2,792	$ (37,062)	
Hate crime reports	21,568	862	(20,706)	
Domestic violence related calls for assistance	666,532	185,929	(480,603)	
Total direct costs	727,954	189,583	(538,371)	
Indirect costs	50,660	13,194	(37,466)	
Total direct and indirect costs	778,614	202,777	(575,837)	Finding 1
Less late filing penalty[2]	-	(20,278)	(20,278)	
Total program costs	$ 778,614	182,499	$ (596,115)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 182,499		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2009, through June 30, 2010				
Direct costs:				
Homicide reports	$ 40,538	$ 2,266	$ (38,272)	
Hate crime reports	21,930	610	(21,320)	
Domestic violence related calls for assistance	637,138	181,231	(455,907)	
Total direct costs	699,606	184,107	(515,499)	
Indirect costs	48,496	12,762	(35,734)	
Total direct and indirect costs	748,102	196,869	(551,233)	Finding 1
Less late filing penalty[2]	-	(19,687)	(19,687)	
Total program costs	$ 748,102	177,182	$ (570,920)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 177,182		
July 1, 2010, through June 30, 2011				
Direct costs:				
Homicide reports	$ 33,700	$ 2,564	$ (31,136)	
Hate crime reports	29,392	897	(28,495)	
Domestic violence related calls for assistance	668,329	185,074	(483,255)	
Total direct costs	731,421	188,535	(542,886)	
Indirect costs	124,986	32,218	(92,768)	
Total direct and indirect costs	856,407	220,753	(635,654)	Finding 1
Less other reimbursements	(539,536)	-	539,536	Finding 2
Total program costs	$ 316,871	$ 220,753	$ (96,118)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 220,753		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference[1]
July 1, 2011, through June 30, 2012				
Direct costs:				
Homicide reports	$ 33,237	$ 2,266	$ (30,971)	
Hate crime reports	28,983	604	(28,379)	
Domestic violence related calls for assistance	588,530	164,458	(424,072)	
Total direct costs	650,750	167,328	(483,422)	
Indirect costs	100,812	25,923	(74,889)	
Total direct and indirect costs	751,562	193,251	(558,311)	Finding 1
Less other reimbursements	(431,655)	-	431,655	Finding 2
Total program costs	$ 319,907	$ 193,251	$ (126,656)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 193,251		
Summary: July 1, 2001, through June 30, 2012				
Direct costs:				
Homicide reports	$ 389,826	$ 31,582	$ (358,244)	
Hate crime reports	172,508	6,181	(166,327)	
Domestic violence related calls for assistance	6,350,956	1,797,352	(4,553,604)	
Total direct costs	6,913,290	1,835,115	(5,078,175)	
Indirect costs	609,554	160,816	(448,738)	
Total direct and indirect costs	7,522,844	1,995,931	(5,526,913)	Finding 1
Less other reimbursements	(971,191)	-	971,191	Finding 2
Less late filing penalty[2]	-	(158,193)	(158,193)	
Total program costs	$ 6,551,653	$ 1,837,738	$ (4,713,915)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 1,837,738		

[1] See the Findings and Recommendations section.

[2] The county filed its initial reimbursement claims for FY 2001-02 through FY 2009-10 after the due date specified in GC section 17560. Pursuant to GC section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount (for claims filed on or after September 30, 2002).

[3] Payment amount current as of August 2, 2019.

Findings and Recommendations

FINDING 1— Overstated salary and benefit costs

The county reported $6,913,290 in salary and benefit costs. We found that $1,835,115 is allowable and $5,078,175 is unallowable. The related indirect costs are $448,738, for a total finding of $5,526,913. The audit adjustments are related to the following cost components: Homicide Reports, Hate Crime Reports, and Domestic Violence Related Calls for Assistance. Costs are unallowable because the county misinterpreted the program's parameters and guidelines when preparing the mandated cost claims. As a result, the county overstated the number of domestic violence related calls for assistance that were used to calculate the costs to write, review, and edit reports on domestic violence related calls for assistance; and overstated employees' hours claimed to complete the mandated activities for both the Homicide Reports and Hate Crime Reports cost components. The overstatement occurred because the county claimed costs for services provided to its contract cities as well as to the unincorporated areas of the county.

The following table summarizes the claimed, allowable and overstated salaries, benefits, and related indirect costs for the audit period:

	Salaries and Benefits				
Fiscal Year	Amount Reported	Amount Allowable	Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
2001-02	$ 531,301	$ 150,268	$ (381,033)	$ (28,196)	$ (409,229)
2002-03	534,173	145,666	(388,507)	(28,202)	(416,709)
2003-04	513,918	140,562	(373,356)	(25,905)	(399,261)
2004-05	544,976	148,467	(396,509)	(26,760)	(423,269)
2005-06	598,961	159,762	(439,199)	(29,003)	(468,202)
2006-07	663,741	174,959	(488,782)	(32,944)	(521,726)
2007-08	716,489	185,878	(530,611)	(36,871)	(567,482)
2008-09	727,954	189,583	(538,371)	(37,466)	(575,837)
2009-10	699,606	184,107	(515,499)	(35,734)	(551,233)
2010-11	731,421	188,535	(542,886)	(92,768)	(635,654)
2011-12	650,750	167,328	(483,422)	(74,889)	(558,311)
Total	$ 6,913,290	$ 1,835,115	$ (5,078,175)	$ (448,738)	$ (5,526,913)

Background

The Los Angeles County Sheriff's Department (LASD) is responsible for providing law enforcement services to the unincorporated areas of the county. LASD also contracts with 44 cities within the county's boundaries that do not have a police force, to provide general law enforcement services for a fee. The county identifies these cities as "contract cities." We reviewed a sample contract and found that the contract fee includes all costs for law enforcement officers and administrative functions. The administrative functions are included in the contract fee in order to recover overhead costs.

During the course of the audit, we found that the county included costs for providing services to contract cities as part of its mandated cost claims for

all activities. The parameters and guidelines state that any county, city, or city and county is eligible to submit a mandate reimbursement claim. Therefore, as all cities are eligible to submit reimbursement claims, and as the county received fees for law enforcement services from its contract cities, we determined that the county should claim only costs associated with the unincorporated areas of the county. As a result, we requested that the county provide support for the unincorporated areas of the county for all reimbursable activities. We determined that costs incurred by contract cities were unallowable because the county had already been compensated by contract fees.

Homicide Reports Costs

The county claimed $389,826 in salaries and benefits for the Homicide Reports cost component. We found that $31,582 is allowable and $358,244 is unallowable. The costs are unallowable because the county overstated the total number of hours LASD staff spent performing the mandated activities. Unallowable related indirect costs total $30,653, for a total finding of $388,897.

Reimbursable activities for this component consist of extracting demographic information from local records, reporting the information to the Department of Justice (DOJ) monthly, verifying information contained in the report, and provide additional explanation when specifically requested by the DOJ.

For FY 2001-02 through FY 2009-10, the county claimed a total of 936 hours per fiscal year (78 hours the mandated activities of extracting the required information and submitting the information to DOJ. However, for FY 2010-11 and FY 2011-12, the county claimed a total of 720 hours per fiscal year (60 hours a month) to complete the mandated activities of reviewing the data and submitting to DOJ. The county also claimed a total of 24 hours per fiscal year (two hours per month) for an Operations Assistant to complete the mandated activity of extracting data. County staff provided an email received from its Crime Analysis Unit indicating that it took 80 hours a month to complete the mandated activity. The county was unable to provide source documentation to support the number of hours claimed.

During testing, we found that the claimed number of hours was both for contract cities and for unincorporated areas of the county. In addition, based on interviews with LASD's staff, we found that the county's process to determine the number of homicide reports included non-reimbursable activities such as reviewing all homicide reports and updating files; and documenting and sending all cases to detectives for review. The parameters and guidelines state that reimbursement is not required for reviewing and editing every homicide report. Therefore, the county claimed costs for the non-reimbursable activity of reviewing and editing every homicide report.

We conducted interviews with LASD staff to determine the time it takes employees in the Operations Assistant II and Statistical Analyst classifications to perform the mandated activities per case. Based on our interviews and observations of the LASD processes, the county was able

to support that it takes five minutes for an Operations Assistant II and 30 minutes for a Statistical Analyst to perform the mandated activities per case. The county provided us with monthly reports that were submitted to the DOJ, identifying the number of homicides that were reported for the unincorporated areas of the county for each calendar year. We then calculated the number of reported homicides for each fiscal year.

The following table summarizes the allowable number of homicide reports for unincorporated areas of the county and were reported to DOJ:

Fiscal Year	Homicide Reports Identified in the County's System
2001-02	105
2002-03	173
2003-04	135
2004-05	167
2005-06	167
2006-07	143
2007-08	126
2008-09	114
2009-10	91
2010-11	96
2011-12	86
Total	1,403

We calculated the allowable hours by multiplying the number of homicide reports for the unincorporated areas of the county by the allowable time increments. As a result, we found that the county overstated the total number of hours claimed for the Homicide Reports cost component. The following table summarizes the claimed, allowable, and overstated costs for the Homicide Reports cost component by fiscal year:

	Salaries and Benefits				
Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
2001-02	$ 29,743	$ 1,918	$ (27,825)	$ (2,059)	$ (29,884)
2002-03	31,408	3,340	(28,068)	(2,038)	(30,106)
2003-04	33,247	2,759	(30,488)	(2,116)	(32,604)
2004-05	35,020	3,594	(31,426)	(2,121)	(33,547)
2005-06	37,044	3,801	(33,243)	(2,195)	(35,438)
2006-07	37,866	3,327	(34,539)	(2,328)	(36,867)
2007-08	38,169	2,955	(35,214)	(2,447)	(37,661)
2008-09	39,854	2,792	(37,062)	(2,579)	(39,641)
2009-10	40,538	2,266	(38,272)	(2,653)	(40,925)
2010-11	33,700	2,564	(31,136)	(5,320)	(36,456)
2011-12	33,237	2,266	(30,971)	(4,797)	(35,768)
Total	$ 389,826	$ 31,582	$ (358,244)	$ (30,653)	$ (388,897)

Hate Crime Report Costs

The county claimed $172,508 in salaries and benefits for the Hate Crime Reports cost component. We found that $6,181 is allowable and $166,327 is unallowable. The costs are unallowable because the county overstated the total number of hours that Sheriff's Department staff spent performing the mandated activities. Unallowable related indirect costs total $16,744, for a total finding of $183,071.

Reimbursable activities for this cost component consist of extracting required information about hate crimes from existing law enforcement records in order to report to the DOJ on an annual and monthly basis in a manner prescribed by the Attorney General; and to verify information contained in the report, or to provide additional explanation about the report when specifically requested by the DOJ.

The operable period for this component began January 1, 2005. The county claimed a total of 240 hours for FY 2004-05 (40 hours a month for six months); for FY 2005-06 through FY 2009-10, the county claimed a total of 480 hours per fiscal year (40 hours per month) for a Senior Statistical Analyst to compile, update, and send Hate Crime reports to DOJ. For FY 2010-11 and FY 2011-12 the county claimed a total of 600 hours per fiscal year (50 hours a month) increasing the total number of hours to perform the same activities. The county was unable to provide source documentation to support the number of hours claimed.

During testing, we found that the total number of hours the county claimed was for extracting information both for contract cities and for unincorporated areas of the county. We requested that the county provide the number of hate crimes that occurred in the unincorporated areas, as well as the unit time that it takes a Senior Statistical Analyst to gather hate crime information and submit the information to DOJ.

The county used its case management system, the Los Angeles Regional Crime Information System (LARCIS) to provide the number of hate crimes that were reported in the unincorporated areas of the county. We interviewed Sheriff's Department staff and observed the county's process. Based on our interviews and observations, the county was able to support 25 minutes per case to complete the information in DOJ's Uniform Crime Reporting system (UCR). As a result, we found that the county overstated the total number of hours claimed for the Hate Crime Reports cost component. We calculated allowable hours by multiplying the time increment by the number of hate crimes identified in the unincorporated areas.

The following table summarizes the allowable number of Hate Crime Reports for unincorporated areas of the county that were reported to DOJ:

Fiscal Year	Hate Crime Reports Identified in the County's System
2004-05	26
2005-06	46
2006-07	55
2007-08	56
2008-09	46
2009-10	32
2010-11	44
2011-12	30
Total	335

The following table summarizes the claimed, allowable, and overstated costs for the Hate Crime Reports cost component by fiscal year:

	Salaries and Benefits				
Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
2004-05	$ 9,466	$ 426	$ (9,040)	$ (610)	$ (9,650)
2005-06	20,033	801	(19,232)	(1,270)	(20,502)
2006-07	20,489	978	(19,511)	(1,315)	(20,826)
2007-08	20,647	1,003	(19,644)	(1,365)	(21,009)
2008-09	21,568	862	(20,706)	(1,441)	(22,147)
2009-10	21,930	610	(21,320)	(1,478)	(22,798)
2010-11	29,392	897	(28,495)	(4,869)	(33,364)
2011-12	28,983	604	(28,379)	(4,396)	(32,775)
Total	$ 172,508	$ 6,181	$ (166,327)	$ (16,744)	$ (183,071)

Domestic Violence Related calls for Assistance

The county claimed $6,350,956 in salaries and benefits for the Domestic Violence Related Calls for Assistance cost component. We found that $1,797,352 is allowable and $4,553,604 is unallowable. The costs are unallowable because the county overstated the number of domestic violence related calls for assistance. Unallowable related indirect costs total $401,341, for a total finding of $4,954,945.

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

To calculate the claimed salaries and benefits, the county multiplied the time increments to prepare each domestic violence related call for assistance incident report by the number of domestic violence related calls for assistance, and then multiplied the total by the average PHR and related benefit costs for the Deputy Sheriff and Sergeant classifications.

As previously stated, during testing, we found that the county claimed the total number of domestic violence related calls for assistance both for the unincorporated areas of the county and for contract cities. The county provided a summary report generated from LARCIS to support the number of domestic violence related calls for assistance for the unincorporated areas of the county. Based on our review of the summary reports, we determined that the county overstated the number of domestic violence related calls for assistance as a result of claiming written incident reports both for contract cities and for unincorporated areas of the county. As a result, the county overstated salaries and benefit costs for this activity.

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

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	10,814	3,198	(7,616)
2002-03	10,649	3,015	(7,634)
2003-04	9,745	2,795	(6,950)
2004-05	9,687	2,796	(6,891)
2005-06	9,631	2,758	(6,873)
2006-07	10,065	2,837	(7,228)
2007-08	10,526	2,911	(7,615)
2008-09	10,528	2,938	(7,590)
2009-10	10,017	2,849	(7,168)
2010-11	9,790	2,711	(7,079)
2011-12	8,992	2,481	(6,511)
Total	110,444	31,289	(79,155)

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: Amount Claimed	Salaries and Benefits: Amount Allowable	Salaries and Benefits: Audit Adjustment	Unallowable Indirect Costs	Total Audit Adjustment
2001-02	$ 501,558	$ 148,350	$ (353,208)	$ (26,137)	$ (379,345)
2002-03	502,765	142,326	(360,439)	(26,164)	(386,603)
2003-04	480,671	137,803	(342,868)	(23,789)	(366,657)
2004-05	500,490	144,447	(356,043)	(24,029)	(380,072)
2005-06	541,884	155,160	(386,724)	(25,538)	(412,262)
2006-07	605,386	170,654	(434,732)	(29,301)	(464,033)
2007-08	657,673	181,920	(475,753)	(33,059)	(508,812)
2008-09	666,532	185,929	(480,603)	(33,446)	(514,049)
2009-10	637,138	181,231	(455,907)	(31,603)	(487,510)
2010-11	668,329	185,074	(483,255)	(82,579)	(565,834)
2011-12	588,530	164,458	(424,072)	(65,696)	(489,768)
Total	$ 6,350,956	$ 1,797,352	$ (4,553,604)	$ (401,341)	$ (4,954,945)

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.

Section IV of the parameters and guidelines also states:

> 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.
>
> This section continues to state that claimants may use time studies to support salary and benefit costs when an activity is task repetitive.

Section IV (D) of the parameters and guidelines allows ongoing activities related to costs associated with 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 salaries and benefit costs, claimants are to report each employee implementing the reimbursable activities by name, job classification and productive hourly rate.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2018-19 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the mandated program claiming instructions and parameters and guidelines when claiming reimbursement for mandated costs;
- Claim costs based on the number of domestic violence related calls for assistance that are supported with a written report for the unincorporated areas of the county; and
- Calculate time increments used to claim mandated costs based on either actual time or based on a documented time study.

FINDING 2— Overstated offsetting reimbursements

The county overstated offsetting reimbursements by $971,191 for the audit period. The allowable costs for the mandated activities are applicable to the unincorporated areas of the county; therefore, the offsetting reimbursements reported for contract cities are not applicable.

The audit disclosed that the offsetting reimbursements were not based on actual revenues received from contract cities. Interviews with county staff members disclosed that county staff was not aware that contract cities were eligible to claim reimbursement for the mandate. Therefore, the county determined that it should be able to claim all associated costs for the mandate, as it provided services both to unincorporated areas of the county and to contract cities. However, after the initial claims were submitted, the county learned that contract cities were eligible to file reimbursement claims for the mandate. At that time, officials in the LASD and the Auditor-Controller's Office determined that the county should calculate an offset to compensate for the costs applicable to contract cities.

For FY 2010-11 and FY 2011-12, the county provided worksheets to show that 63% of the activities performed were for contract cities. The documentation disclosed that the percentage was derived by identifying the number of officers that provided services to the contract cities divided by the total number of officers that provided general law enforcement services. Based on our review, we concluded that the offsetting reimbursements applied to the mandated cost claims were based on an estimated percentage applied only to the calculated mandated costs, and not based on actual revenues received.

The following table summarizes the claimed, allowable, and overstated offsetting reimbursements for the audit period:

Fiscal Year	Reported Offsetting Reimbursements	Actual Offsetting Reimbursements	Audit Adjustment
2010-11	$ (539,536)	$ -	$ 539,536
2011-12	(431,655)	-	431,655
Total	$ (971,191)	$ -	$ 971,191

Criteria

Section VII of the parameters and guidelines states that any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state, or non-local source must be identified and deducted from such claims.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2018-19 Budget Acts. If the program becomes active again, we recommend that the county:

- Follow the mandated program claiming instructions and parameters and guidelines when claiming reimbursement for mandated costs; and
- Ensure that reported offsetting reimbursements are based on actual revenues and are offset against mandated costs.

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250

http://www.sco.ca.gov

LOS ANGELES COUNTY

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2004, through June 30, 2013

BETTY T. YEE
California State Controller

June 2017

BETTY T. YEE
California State Controller

June 12, 2017

The Honorable Mark Ridley-Thomas, Chairman
Los Angeles County Board of Supervisors
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 866
Los Angeles, CA 90012

Dear Mr. Ridley-Thomas:

The State Controller's Office audited the costs claimed by Los Angeles County for the legislatively mandated Identity Theft Program (Chapter 956, Statutes of 2000) for the period of July 1, 2004, through June 30, 2013.

The county claimed $1,531,844 for the mandated program. Our audit found that $1,030,517 is allowable ($1,113,948 less a $83,431 penalty for filing late claims) and $501,327 is unallowable. The costs are unallowable because the county overstated the number of identity theft cases, misstated the time increments required to perform the reimbursable activities, and misstated the productive hourly rates. In addition, based on the methodology used to claim costs, we found that the county also overstated offsetting revenues. The State made no payments to the county. The State will pay $1,030,517, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: John Naimo, Auditor-Controller
Department of the Auditor-Controller, Los Angeles County
Rick Cavataio, Director
Financial Programs Bureau, Los Angeles County Sheriff's Department
Richard Martinez, Assistant Director
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County for the legislatively mandated Identity Theft Program (Chapter 956, Statutes of 2000) for the period of July 1, 2004, through June 30, 2013.

The county claimed $1,531,844 for the mandated program. Our audit found that $1,030,517 is allowable ($1,113,948 less a $83,431 penalty for filing late claims) and $501,327 is unallowable. The costs are unallowable because the county overstated the number of identity theft cases, misstated the time increments required to perform the reimbursable activities, and misstated the productive hourly rates. In addition, based on the methodology used to claim costs, we found that the county also overstated offsetting revenues. The State made no payments to the county. The State will pay $1,030,517, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6, subdivision (a), as added by Statutes 2000, Chapter 956, requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission of State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is only allowed to claim and be reimbursed for the following ongoing activities identified in parameters and guidelines (Section IV. Reimbursable Activities):

1. Either a) or b) below:
   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
   b) Reviewing the identity theft report completed online by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts are not reimbursable activitites.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Identity Theft Program for the period of July 1, 2004, through June 30, 2013.

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted this 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 county'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.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we:

- Reviewed annual claims filed with the SCO to identify the material cost components of each claim and any mathematical errors; and performed analytical procedures to determine any unusual or unexpected variances from year-to-year;
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained;
- Assessed whether computer-processed data provided by the county to support claimed costs was complete, accurate, and could be relied upon;
- Obtained system-generated lists of identity theft cases for the unincorporated areas of the county to verify the existence, completeness, and accuracy of unduplicated counts; and tested statistical samples of identity theft cases to determine if each is supported by an approved police report;

- Interviewed Operations Lieutenants, Sergeants, and Deputy Sheriffs who participated in the time surveys to gain an understanding of the surveyed activities and to determine the reasonableness of time increments claimed; and tested the time surveys to determine if each is adequately supported, the job classifications of the employees who performed the identity theft activities, and if the time increments claimed were properly calculated; and
- Tested the productive hourly rates of the job classifications of the employees who performed the reimbursable activities.

Conclusion

Our audit found an instance of noncompliance with the requirements outlined in the Objectives section. This instance is described in the accompanying Schedule (Summary of Program Costs) and in the Finding and Recommendation section of this report.

For the audit period, the county claimed $1,531,844 for costs of the Identity Theft Program. Our audit found that $1,030,517 is allowable ($1,113,948 less a $83,431 penalty for filing late claims) and $501,327 is unallowable. The State made no payments to the county. The State will pay $1,030,517, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the county's representatives during an exit conference conducted on May 16, 2017. Richard Martinez, Assistant Director, Financial Programs Bureau, Los Angeles County Sheriff's Department, agreed with the audit results. Mr. Martinez declined a draft audit report and agreed we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Los Angeles County, 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

June 12, 2017

Schedule—
Summary of Program Costs
July 1, 2004, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 98,781	$ 25,399	$ (73,382)
1b. Reviewing online identity theft report	9,390	-	(9,390)
2. Begin an investigation of facts	93,013	16,620	(76,393)
Total salaries and benefits	201,184	42,019	(159,165)
Indirect costs	57,906	12,094	(45,812)
Total direct and indirect costs	259,090	54,113	(204,977)
Less offsetting revenues	(163,227)	-	163,227
Subtotal	95,863	54,113	(41,750)
Less late filing penalty [2]	-	(5,411)	(5,411)
Total program costs	$ 95,863	48,702	$ (47,161)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 48,702	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 148,580	$ 52,468	$ (96,112)
1b. Reviewing online identity theft report	14,124	-	(14,124)
2. Begin an investigation of facts	139,907	34,281	(105,626)
Total salaries and benefits	302,611	86,749	(215,862)
Indirect costs	85,932	24,634	(61,298)
Total direct and indirect costs	388,543	111,383	(277,160)
Less offsetting revenues	(244,782)	-	244,782
Subtotal	143,761	111,383	(32,378)
Less late filing penalty [2]	-	(11,138)	(11,138)
Total program costs	$ 143,761	100,245	$ (43,516)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 100,245	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 195,742	$ 67,676	$ (128,066)
1b. Reviewing online identity theft report	18,609	-	(18,609)
2. Begin an investigation of facts	184,316	44,177	(140,139)
Total salaries and benefits	398,667	111,853	(286,814)
Indirect costs	116,131	32,583	(83,548)
Total direct and indirect costs	514,798	144,436	(370,362)
Less offsetting revenues	(324,323)	-	324,323
Subtotal	190,475	144,436	(46,039)
Less late filing penalty [2]	-	(14,444)	(14,444)
Total program costs	$ 190,475	129,992	$ (60,483)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 129,992	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 205,054	$ 69,545	$ (135,509)
1b. Reviewing online identity theft report	19,493	-	(19,493)
2. Begin an investigation of facts	193,081	45,434	(147,647)
Total salaries and benefits	417,628	114,979	(302,649)
Indirect costs	138,645	38,171	(100,474)
Total direct and indirect costs	556,273	153,150	(403,123)
Less offsetting revenues	(350,452)	-	350,452
Subtotal	205,821	153,150	(52,671)
Less late filing penalty [2]	-	(15,315)	(15,315)
Total program costs	$ 205,821	137,835	$ (67,986)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 137,835	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 194,735	$ 66,796	$ (127,939)
1b. Reviewing online identity theft report	18,511	-	(18,511)
2. Begin an investigation of facts	183,365	43,595	(139,770)
Total salaries and benefits	396,611	110,391	(286,220)
Indirect costs	137,584	38,294	(99,290)
Total direct and indirect costs	534,195	148,685	(385,510)
Less offsetting revenues	(336,543)	-	336,543
Subtotal	197,652	148,685	(48,967)
Less late filing penalty [2]	-	(14,868)	(14,868)
Total program costs	$ 197,652	133,817	$ (63,835)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 133,817	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 158,182	$ 56,990	$ (101,192)
1b. Reviewing online identity theft report	15,038	-	(15,038)
2. Begin an investigation of facts	148,947	37,212	(111,735)
Total salaries and benefits	322,167	94,202	(227,965)
Indirect costs	96,963	28,352	(68,611)
Total direct and indirect costs	419,130	122,554	(296,576)
Less offsetting revenues	(264,052)	-	264,052
Subtotal	155,078	122,554	(32,524)
Less late filing penalty [2]	-	(12,255)	(12,255)
Total program costs	$ 155,078	110,299	$ (44,779)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 110,299	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 163,307	$ 55,653	$ (107,654)
1b. Reviewing online identity theft report	15,524	-	(15,524)
2. Begin an investigation of facts	153,772	36,346	(117,426)
Total salaries and benefits	332,603	91,999	(240,604)
Indirect costs	107,273	29,672	(77,601)
Total direct and indirect costs	439,876	121,671	(318,205)
Less offsetting revenues	(277,122)	-	277,122
Subtotal	162,754	121,671	(41,083)
Less late filing penalty [3]	-	(10,000)	(10,000)
Total program costs	$ 162,754	111,671	$ (51,083)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 111,671	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 185,777	$ 60,770	$ (125,007)
1b. Reviewing online identity theft report	17,659	-	(17,659)
2. Begin an investigation of facts	174,928	39,414	(135,514)
Total salaries and benefits	378,364	100,184	(278,180)
Indirect costs	118,006	31,246	(86,760)
Total direct and indirect costs	496,370	131,430	(364,940)
Less offsetting revenues	(312,713)	-	312,713
Total program costs	$ 183,657	131,430	$ (52,227)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 131,430	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 200,427	$ 58,666	$ (141,761)
1b. Reviewing online identity theft report	19,053	-	(19,053)
2. Begin an investigation of facts	188,726	38,446	(150,280)
Total salaries and benefits	408,206	97,112	(311,094)
Indirect costs	123,640	29,414	(94,226)
Total direct and indirect costs	531,846	126,526	(405,320)
Less offsetting revenues	(335,063)	-	335,063
Total program costs	$ 196,783	126,526	$ (70,257)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 126,526	
Summary: July 1, 2004, through June 30, 2013			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 1,550,585	$ 513,963	$ (1,036,622)
1b. Reviewing online identity theft report	147,401	-	(147,401)
2. Begin an investigation of facts	1,460,055	335,525	(1,124,530)
Total salaries and benefits	3,158,041	849,488	(2,308,553)
Indirect costs	982,080	264,460	(717,620)
Total direct and indirect costs	4,140,121	1,113,948	(3,026,173)
Less offsetting revenues	(2,608,277)	-	2,608,277
Subtotal	1,531,844	1,113,948	(417,896)
Less late filing penalty	-	(83,431)	(83,431)
Total program costs	$ 1,531,844	1,030,517	$ (501,327)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 1,030,517	

---

[1] See the Finding and Recommendation section.

[2] The county filed its fiscal year (FY) 2004-05 through FY 2009-10 initial reimbursement claims after the due date specified in Government Code section 17560. Pursuant to Government Code section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount.

[3] The county filed its FY 2010-11 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.

Finding and Recommendation

FINDING—
Overstated identity theft program costs

The county claimed $1,531,844 in identity theft program costs for the audit period. We found that $1,113,948 is allowable and $417,896 is unallowable. The costs are unallowable because the county overstated the number of identity theft cases, misstated the time increments required to perform the reimbursable activities, and misstated the productive hourly rates. In addition, based on the methodology used to claim costs, we found that the county also overstated offsetting revenues.

The following table summarizes the audit adjustment by fiscal year:

	Amount Claimed				Amount Allowable				
Fiscal Year	Salaries and Benefits	Indirect Costs	Less: Offsetting Revenues	Total	Salaries and Benefits	Indirect Costs	Less: Offsetting Revenues	Total	Audit Adjustment
2004-05	$ 201,184	$ 57,906	$ (163,227)	$ 95,863	$ 42,019	$ 12,094	$ -	$ 54,113	$ (41,750)
2005-06	302,611	85,932	(244,782)	143,761	86,749	24,634	-	111,383	(32,378)
2006-07	398,667	116,131	(324,323)	190,475	111,853	32,583	-	144,436	(46,039)
2007-08	417,628	138,645	(350,452)	205,821	114,979	38,171	-	153,150	(52,671)
2008-09	396,611	137,584	(336,543)	197,652	110,391	38,294	-	148,685	(48,967)
2009-10	322,167	96,963	(264,052)	155,078	94,202	28,352	-	122,554	(32,524)
2010-11	332,603	107,273	(277,122)	162,754	91,999	29,672	-	121,671	(41,083)
2011-12	378,364	118,006	(312,713)	183,657	100,184	31,246	-	131,430	(52,227)
2012-13	408,206	123,640	(335,063)	196,783	97,112	29,414	-	126,526	(70,257)
Total	$3,158,041	$ 982,080	$(2,608,277)	$ 1,531,844	$849,488	$ 264,460	$ -	$ 1,113,948	$ (417,896)

The program's parameters and guidelines (Section III. Period of Reimbursement) state, in part, "Actual costs for one fiscal year shall be included in each claim."

The parameters and guidelines (Section IV. Reimbursable Activities) state:

> To be eligible for mandated cost reimbursement for any given fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual cost must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Section IV. also identifies the specific activities reimbursable under the mandate (see the Background section of this report).

The parameters and guidelines allow reimbursement for salaries and benefits if claimants report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate; and provide a description of the specific reimbursable activities performed and the hours devoted to these activities.

Overstated counts of identity theft cases

The county reported costs incurred for performing mandated activities related to 43,125 identity theft cases. The Los Angeles Sheriff's Department's (LASD) Field Operations Support Services, Risk Management Bureau, obtained counts of cases from a system-generated Regional Allocation of Police Services (RAPS) summary report of identity-theft-related police reports. The RAPS report annually provided subtotals of police reports with identity theft statistical codes 117, 118, and 119 for each of the county's 27 patrol stations.

During audit fieldwork, we reviewed an online RAPS report that listed case numbers for one of the fiscal years claimed. We discovered that the total number of cases from the online list was significantly greater than the total number of cases from the summary report that the county used as the basis of its claim. Additionally, some case numbers in the online list were reported numerous times. LASD stated that the RAPS report is intended to track all law enforcement staff that worked on a case. Also, statistical codes for police reports could be changed from the initial call for service through supplemental reports or when a case is transferred, either to a detective within the same patrol station, or to the commercial crimes or major crimes bureau at LASD headquarters.

Each patrol station provides law enforcement services to multiple contract cities and unincorporated areas of the county. The RAPS report did not provide a breakdown identifying where the reports originated—whether from a city within Los Angeles County that did not have its own police force (a contract city) or from the county's unincorporated areas. Historically, the county's reimbursement claims for other mandates did not include costs for contract cities. However, for this mandate, the county neither had time nor staff to stratify the incident reports in order to determine where they originated. As a result, the county included identity theft reports originating from its contracting cities and estimated the offsetting revenues received from those cities. The county's Auditor-Controller and Sheriff's Department estimated that revenues received from contract cities offset 63% of its annual costs for providing law enforcement services to residents of Los Angeles County. The county provided samples of Municipal Law Enforcement Services Agreements; however, information contained in those agreements did not support reported offsets.

From the interviews held with Operations Lieutenants and Deputy Sheriffs who participated in the identity theft surveys, we discovered that the county has a database system, the Los Angeles Regional Crime Information System (LARCIS), which can provide unduplicated counts of incident reports with identity theft statistical codes 117, 118, and 119, as well as the specific origin of each report.

Using the LARCIS database, we received a detailed system-generated list of identity theft reports for the entire nine-year audit period from LASD's Crime Analysis Program, Criminal Intelligence Bureau. This list provided sufficient and appropriate data to obtain complete, accurate, and unduplicated populations of reports originating from the county, the county's unincorporated area, and the contract cities.

The county agreed with our proposal to calculate the county's cost for processing identity theft reports that would not include the costs of processing reports for contract cities.

The following table summarizes the counts of identity theft cases provided by the county by source:

Fiscal Year	09/20/2012 RAPS Unincorporated area including contract cities	06/20/2016 LARCIS Unincorporated area including contract cities	06/20/2016 LARCIS Unincorporated area excluding contract cities
2004-05	3,309	3,775	839
2005-06	4,595	4,597	1,591
2006-07	5,681	5,451	1,922
2007-08	5,798	5,368	1,908
2008-09	5,424	4,904	1,803
2009-10	4,391	4,012	1,533
2010-11	4,223	3,928	1,395
2011-12	4,776	4,386	1,514
2012-13	4,928	4,653	1,468
Total	43,125	41,074	13,973

We tested the number of claimed identity theft incident reports by verifying whether:

- Each identity theft case is supported by a contemporaneously prepared and approved incident report; and
- The incident report is for a violation of PC section 530.5.

We conducted a statistical sample for these two procedures so that we could project our sample results to the population of identity theft reports. We selected our statistical samples of identity theft incident reports from the county's unincorporated area based on a 95% confidence level, a sampling error of +/- 8%, and an expected (true) error rate of 50%.

Our testing for FY 2011-12 and FY 2012-13 disclosed the following:

- For FY 2011-12, we sampled 137 incident reports from the population of 1,514 incident reports and found that 3% were unallowable because they were either unsupported (three instances) or not a violation of PC 530.5 (one instance).
- For FY 2012-13, we sampled 136 incident reports from the population of 1,468 incident reports and found that 10% of the incident reports were unallowable because they were either unsupported (eleven instances) or not a violation of PC section 530.5 (three instances).

As the county destroyed the incident reports for FY 2004-05 through FY 2010-11, we were unable to determine the actual error rates in the incident reports for those years. Rather than determining all costs claimed for these fiscal years to be unsupported, we calculated an average error

rate of 6.5% (3% for FY 2011-12 and 10% for FY 2012-13) and applied this error rate to FY 2004-05 through FY 2010-11.

We extrapolated and projected the results of our substantive tests of statistical samples of identity theft cases to determine the number of allowable and unallowable identity theft incident reports for the entire nine-year audit period. Of the 13,973 identity theft incident reports for the county's unincorporated area, we found that 13,066 are allowable (13,973 less a 6.5% average error rate), and 907 incident reports are either unsupported or were not a violation of PC section 530.5.

The following table summarizes the claimed and allowable counts of identity theft incident reports by fiscal year:

Fiscal Year	Claimed No. of Identity Theft Cases	Allowable No. of Identity Theft Cases	Difference
2004-05	3,309	784	2,525
2005-06	4,595	1,488	3,107
2006-07	5,681	1,797	3,884
2007-08	5,798	1,784	4,014
2008-09	5,424	1,686	3,738
2009-10	4,391	1,433	2,958
2010-11	4,223	1,304	2,919
2011-12	4,776	1,469	3,307
2012-13	4,928	1,321	3,607
Total	43,125	13,066	30,059

Misstated time increments

For the audit period, the county claimed salaries and benefits based on a time survey that was conducted in the Sheriff's Department during the month of June 2012. The county supported its time survey with 130 survey forms completed at LASD patrol stations, as follows:

- Lakewood station – 29 surveys
- Palmdale station – 24 surveys
- Santa Clarita station – 77 surveys

We reviewed the county's June 2012 time survey and noted the following issues:

- The county did not prepare a plan indicating how its survey was to be conducted;
- Employees did not sign the survey form, thus we are unable to determine who completed the form;
- All surveys completed at the Palmdale station were typewritten; and

- The surveys did not include a declaration under penalty of perjury under the laws of the State of California that the declarations of time increments were true and correct.

Due to these issues, we tested the time surveys to: 1) determine if they were adequately supported, 2) identify the job classification of the employee who performed the identity theft activities, and 3) determine if the time increments claimed were correctly calculated.

Inadequately supported time surveys

From the population of 130 surveys, we selected a statistical sample of 70 surveys, based on a 95% confidence level, a sampling error rate of +/- 8%, and an expected (true) error rate of 50%. Our tests disclosed a 38% error rate, as follows:

- Thirty-four percent of the sampled police (incident) reports listed Penal Code charges for burglary, forgery and counterfeiting, larceny, and grand theft, instead of violations of PC section 530.5, which is specific to identity theft. The parameters and guidelines specify that the program's reimbursable activities pertain only to violations of PC section 530.5.
- In addition, 4% of the incident reports were not available for review; therefore, they were unsupported.

From the county's time surveys of 130 incident reports, 43 surveys (five from the Lakewood station, three from the Palmdale station, and 35 from the Santa Clarita station) are ineligible for calculation of identity theft time increments because these were either unsupported with approved incident reports or were supported with incident reports that were not a violation of PC section 530.5. The remaining 87 time surveys, which were completed at the LASD patrol stations, were supported with approved incident reports, and were for violations of PC section 530.5, are as follows:

- Lakewood station – 24 surveys
- Palmdale station – 21 surveys
- Santa Clarita station – 42 surveys

As such, we recalculated time increments for each reimbursable activity by excluding those surveys that were not supported by an approved incident report and/or were not for violations of PC section 530.5.

Underclaimed and misclassified time survey activities

The June 2012 identity theft surveys disclosed time tracked by employees in four job classifications to perform 12 activities related to initial calls for service for identity theft cases, as follows:

Time Survey Activity No.	Job Classification	Activity
1	Complaint Deputy	Handled and entered the initial call for service
2	Dispatcher	Assigned the call to handling deputy
3	Handling Deputy	Reviewed and acknowledged the call
4	Handling Deputy	Investigated / interviewed the victim
5	Handling Deputy	Collected / reviewed evidence and documents
6	Handling Deputy	Booked the evidence at the station
7	Handling Deputy	Determined that the crime did not occur in the county's jurisdiction
8	Handling Deputy	Wrote the incident report
9	Watch Sergeant	Reviewed the incident report
10	Handling Deputy	Revised / edited the incident report
11	Watch Sergeant	Reviewed the revised / edited incident report
12	Watch Sergeant	Assigned / distributed the report

For the purposes of preparing its mandated cost claims, the county used the time tracked in its survey forms for the activities noted above as follows:

- Activities 8 and 10 were combined to support the time required to take a police report in violation of PC section 530.5 (Section IV Reimbursable Activity 1a in the parameters and guidelines);
- Activity 3 was used to support the time required to review identity theft reports completed online (Section IV. Reimbursable Activity 1b in the parameters and guidelines); and
- Activities 4 and 5 were combined to support the time required to begin an investigation of the facts (Section IV. Reimbursable Activity 2 in the parameters and guidelines).

We found that even though Activities 9 and 11 were not claimed by the county, these activities performed by watch sergeants equate to Section IV. Reimbursable Activity 1a in the parameters and guidelines; and are allowable.

We also found that the county erroneously claimed Activity 3 time increments to support the time required to review identity theft reports completed online (reimbursable activity Section IV. 1b in the parameters and guidelines). Representatives of the LASD Field Operations Support Services, Risk Management Bureau (FOSS), stated that identity theft is one of the six crimes that cannot be reported online by crime victims to LASD. All initial incident reports are manually handwritten and approved. FOSS clarified that Activity 3 pertains to a deputy out on patrol acknowledging the LASD station dispatch's initial call for service. Deputies perform this activity before responding to the victim, interviewing the victim, and taking a police report. As such, we added the time increments for Activity 3 to the time increments for Activities 8 and 10.

Miscalculated time survey results

To compute the incremental amount of time to perform each of the reimbursable activities, the county accumulated the total amount of minutes reported on the survey forms and divided the total by the number of survey forms submitted.

We found that the county overstated the time increments because it did not compile the results accurately. For example, the county's time surveys recorded the following results for taking a police report in violation of PC section 530.5:

- Activity 8 – Write the initial incident report – 3,023 minutes recorded for the 130 surveys
- Activity 10 – Revise/edit incident reports – 308 minutes for 53 surveys

The two activities together comprise the activity of taking a police (incident) report. The county should have added the total time required for writing and revising incident reports (3,023 minutes + 308 minutes = 3,331 minutes) and divided the total by the 130 surveys, which results in an average of 25.62 minutes per incident report. However, the county determined the time required for each sub-activity separately and added them together. For example, 3,023 minutes divided by 130 surveys results in 23.254 minutes to write the initial report, and 308 minutes divided by 53 surveys results in 5.811 minutes to revise the original report. Adding 23.254 and 5.811 together results in 29.065 minutes per incident report. However, multiplying 130 surveys by 29.065 minutes equals 3,779 minutes to perform the reimbursable activity, which exceeds the actual time recorded (3,331 minutes) by 448 minutes.

The county made the same calculation error when compiling the results for Activities 4 and 5, which together comprise the reimbursable activity of beginning an investigation. Instead of an average time increment of 27.368 minutes to perform the reimbursable activity, we found that the average should have been 24.06 minutes.

The following table summarizes the time increment, in minutes, for each identity theft police report claimed by the county and the time increment allowable:

Reimbursable Activity	Time Increment Claimed	Time Increment Allowable
1a. Taking incident reports for PC 530.5 violations	29.065	26.94
1a. Reviewing incident reports for PC 530.5 violations	-	7.31
1b. Reviewing incident reports submitted online	2.763	-
2. Beginning an investigation	27.368	24.06

Misstated productive hourly rates

The county claimed an average productive hourly rate (PHR) of the following three job classifications: Deputy Sheriff Generalists, Deputy Sheriff Bonus Is, and Deputy Sheriff Bonus IIs.

As previously noted, the county's time surveys did not indicate who prepared them. Therefore, to validate the county's assertion as to who performed the reimbursable activities, we requested information supporting the actual job classifications related to the statistical samples of approved and supported PC section 530.5 incident reports.

The following summarizes the actual job classifications of employees who performed the reimbursable activities for the June 2012 identity theft survey and the extent to which they performed them:

- 74% Deputy Sheriffs (Los Angeles County sworn officers)
- 5% Community Services Assistants (Los Angeles County non-sworn officers)
- 21% Community Services Officers (Employees of contract cities)

Due to the large variation between the job classifications claimed and our testing of the job classifications identified in the time survey, we expanded our testing of the job classifications to instead use statistical samples related to incident reports originating from the unincorporated areas of the county (1,514 for FY 2011-12, and 1,468 for FY 2012-13).

The following table summarizes the actual job classifications of employees who performed the reimbursable activities for FY 2011-12 and FY 2012-13, as well as the average of the two fiscal years:

	Fiscal Year		
Classification	2011-12	2012-13	Average
Deputy Sheriff Generalists	76%	84%	80%
Deputy Sheriff Bonus Is	11%	8%	10%
Deputy Sheriff Bonus IIs	2%	1.5%	2%
Deputy Sheriff Sergeants	1%	1.5%	1%
Community Services Assistants	7%	4%	5%
Community Services Officers	3%	1%	2%
	100%	100%	100%

We were unable to test job classifications for years earlier than FY 2011-12 because the county, in compliance with its own documentation-retention policies, destroyed reports for those years. Therefore, we used the average for FY 2011-12 and FY 2012-13, and applied the results to FY 2004-05 through FY 2010-11.

The county's claimed PHRs were the average of three sworn officers' job classifications. Our recalculated PHRs are weighted averages, based on the percentages for the job classifications shown above. The recalculated

PHRs were applied to two reimbursable activities: taking a police report supporting a violation of PC section 530.5 (Section IV. Reimbursable Activity 1a), and beginning an investigation of facts (Section IV. Reimbursable Activity 2). In addition, we applied the actual PHR for deputy sergeants reviewing identity theft incident reports, a reimbursable activity that was included in the time survey but not claimed by the county

The following table summarizes the claimed and allowable productive hourly rates by fiscal year:

		Amount Allowable	
Fiscal Year	Average PHR Claimed	Average PHR (1a, 2)	Average PHR (1a Dpt. Sgt.)
2004-05	$ 41.59	$ 35.68	$ 47.96
2005-06	44.08	37.94	51.30
2006-07	47.94	41.32	56.06
2007-08	50.81	44.20	59.79
2008-09	51.54	44.84	60.88
2009-10	51.55	44.89	60.84
2010-11	52.05	45.32	61.39
2011-12	53.86	44.88	62.35
2012-13	54.29	46.93	62.75

Overstated offsetting revenues

For the audit period, the county reported offsetting revenues of $2,608,277. We found that the county should not have offset any costs on its claims.

The county based its reported offsets on claimed salaries, benefits, and related indirect costs incurred for an estimated 63% of identity theft cases completed for its contracting cities. Forty-four cities with no police forces of their own contracted with and annually reimbursed Los Angeles County for general law-enforcement services. The LASD Financial Programs Bureau staff obtained the percentage of offsets from estimates jointly decided by LASD's Contract Law Enforcement Bureau, the Auditor-Controller, and Special Accounts. However, due to the discovery of database information provided by the county's LARCIS system, the calculation of allowable costs for identity theft reports applicable only to the unincorporated areas of Los Angeles County is now possible and calculating offsetting revenues is no longer necessary.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov

SAN BERNARDINO COUNTY

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013

BETTY T. YEE
California State Controller

April 2022

BETTY T. YEE
California State Controller

April 20, 2022

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Ensen Mason, CPA, CFA, Auditor-Controller/Treasurer/Tax Collector
San Bernardino County
268 West Hospitality Lane, 4th Floor
San Bernardino, CA 92415

Dear Mr. Mason:

The State Controller's Office (SCO) audited the costs claimed by San Bernardino County for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The county claimed $4,615,429 for costs of the mandated program. Our audit found that $606,540 is allowable ($662,432 less a $55,892 penalty for filing late claims) and $4,008,889 is unallowable, primarily because the county overstated the number of identity theft reports and the time increments required to perform the reimbursable activities, and misstated the job classifications for the county employees who performed the reimbursable activities. The State made no payments to the county. The State will pay $606,540, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ls

cc: Sakura Younger, Manager
Management Services Section
San Bernardino County Auditor-Controller/Treasurer/Tax Collector's Office
Jai Prasad, CPA, SB 90 Coordinator
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Bernardino County for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The county claimed $4,615,429 for costs of the mandated program. Our audit found that $606,540 is allowable ($662,432 less a $55,892 penalty for filing late claims) and $4,008,889 is unallowable, primarily because the county overstated the number of identity theft reports and the time increments required to perform the reimbursable activities, and misstated the job classifications for the county employees who performed the reimbursable activities. The State made no payments to the county. The State will pay $606,540, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6, subdivision (a), as added by the Statutes of 2000, Chapter 956, requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission on State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following ongoing activities identified in the parameters and guidelines (Section IV., "Reimbursable Activities"):

1. Either a) or b) below:
   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
   b) Reviewing the identity theft report completed online by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts are not reimbursable activities.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the county's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Identity Theft 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, 2002, through June 30, 2013.

To achieve our objective, we performed the following procedures:

- We reviewed the annual mandated cost claims filed by the county for the audit period and identified the significant cost components of each claim as salaries, benefits, and indirect costs. We determined whether there were any errors or unusual or unexpected variances from year to year. We reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key county staff. We discussed the claim preparation process with county staff members to determine what information was obtained, who obtained it, and how it was used.
- We obtained system-generated lists of identity theft cases from the county's Tiburon computer-aided dispatch (CAD) system to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period.
- To determine the number of allowable identity theft cases, we obtained copies of the county's contracts for law enforcement services. We excluded cases originating within contract jurisdictions (cities, towns, and a casino, as indicated by jurisdiction codes), as the county was reimbursed a set fee for providing these services.
- We designed a statistical sampling plan to test approximately 25–50% of claimed costs, based on a moderate level of detection (audit) risk. We judgmentally selected the county's filed claims for fiscal year

[1] Unreasonable and/or excessive costs include ineligible costs that are not identified in the programs parameters and guidelines as reimbursable costs.

(FY) 2010-11 through FY 2012-13 for testing; these fiscal years comprised claimed costs totaling $1,174,700 (or 25.5%) of the total costs claimed ($4,615,249). The sampling plan is described in the Finding and Recommendation section.

- We used a random number table to select 436 out of 946 identity theft reports from the three fiscal years sampled. We tested the identity theft reports as follows:
  - We determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 occurred;
  - We obtained employee numbers, names, and classifications from sampled police reports documenting who performed the reimbursable activities. Compared the employee classifications obtained from the police reports to those claimed by the county;
  - We obtained system-generated time stamps from the county's CAD system for the "Time On Scene" and "Time Close" associated with each report to determine the time spent to begin an investigation. For reports with unreasonable and excessive time spent, we reviewed the detailed history of time stamps from the CAD system for the incident number related to the sampled police report, and adjusted for ineligible time spent on arrests and other incident numbers.
- We interviewed sworn and non-sworn county employees who performed the mandated activities documented in the sampled police reports about their time spent performing reimbursable activities not captured by the CAD system.
- We projected the audit results of the three fiscal years tested by multiplying the allowable case counts by the audited average time increments needed to perform the reimbursable activities, and multiplying the product by the productive hourly rates (PHRs) of employees who performed them. We applied the weighted three-year average error rate of identity theft cases from the results of testing our samples to the remaining eight years of the audit period due to the homogeneity of the population.
- We reviewed the county's Single Audit Reports to identify potential sources of offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. The county certified in its claims that it did not receive any offsetting revenues applicable to this mandated program.

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 did not audit the county'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 county claimed costs that were funded by other sources; however, we did find that it claimed unsupported and ineligible costs, as quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, San Bernardino County claimed $4,615,429 for costs of the legislatively mandated Identity Theft Program. Our audit found that $606,540 is allowable ($662,432 less a $55,892 penalty for filing late claims) and $4,008,889 is unallowable. The State made no payments to the county. The State will pay $606,540, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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 county's legislatively mandated Identity Theft Program.

Views of Responsible Officials

We issued a draft audit report on March 2, 2022. Shannon D. Dicus, Sheriff/Coroner/Public Administrator, responded by letter dated March 9, 2022, agreeing with the audit results. This final audit report includes the county's response as an Attachment.

Restricted Use

This audit report is solely for the information and use of San Bernardino County, 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 audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

April 20, 2022

Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 115,450	$ 19,345	$ (96,105)
Beginning an investigation of the facts	101,539	14,985	(86,554)
Total direct costs	216,989	34,330	(182,659)
Indirect costs	155,125	24,543	(130,582)
Total direct and indirect costs	372,114	58,873	(313,241)
Less late filing penalty[3]	-	(5,887)	(5,887)
Total program costs	$ 372,114	64,760	$ (319,128)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 64,760	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 121,132	$ 19,170	$ (101,962)
Beginning an investigation of the facts	105,932	14,953	(90,979)
Total direct costs	227,064	34,123	(192,941)
Indirect costs	139,508	20,965	(118,543)
Total direct and indirect costs	366,572	55,088	(311,484)
Less late filing penalty[3]	-	(5,509)	(5,509)
Total program costs	$ 366,572	60,597	$ (316,993)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 60,597	
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 156,111	$ 24,671	$ (131,440)
Beginning an investigation of the facts	136,874	19,506	(117,368)
Total direct costs	292,985	44,177	(248,808)
Indirect costs	180,010	27,142	(152,868)
Total direct and indirect costs	472,995	71,319	(401,676)
Less late filing penalty[3]	-	(7,132)	(7,132)
Total program costs	$ 472,995	78,451	$ (408,808)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 78,451	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 166,499	$ 24,878	$ (141,621)
Beginning an investigation of the facts	147,192	19,310	(127,882)
Total direct costs	313,691	44,188	(269,503)
Indirect costs	148,187	20,874	(127,313)
Total direct and indirect costs	461,878	65,062	(396,816)
Less late filing penalty[3]	-	(6,506)	(6,506)
Total program costs	$ 461,878	71,568	$ (403,322)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 71,568	
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 180,759	$ 27,697	$ (153,062)
Beginning an investigation of the facts	162,080	21,314	(140,766)
Total direct costs	342,839	49,011	(293,828)
Indirect costs	151,980	21,727	(130,253)
Total direct and indirect costs	494,819	70,738	(424,081)
Less late filing penalty[3]	-	(7,074)	(7,074)
Total program costs	$ 494,819	77,812	$ (431,155)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 77,812	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 162,871	$ 28,740	$ (134,131)
Beginning an investigation of the facts	147,781	22,136	(125,645)
Total direct costs	310,652	50,876	(259,776)
Indirect costs	169,398	27,743	(141,655)
Total direct and indirect costs	480,050	78,619	(401,431)
Less late filing penalty[3]	-	(7,862)	(7,862)
Total program costs	$ 480,050	86,481	$ (409,293)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 86,481	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 152,340	$ 24,470	$ (127,870)
Beginning an investigation of the facts	137,563	18,818	(118,745)
Total direct costs	289,903	43,288	(246,615)
Indirect costs	137,936	20,596	(117,340)
Total direct and indirect costs	427,839	63,884	(363,955)
Less late filing penalty[3]	-	(6,388)	(6,388)
Total program costs	$ 427,839	70,272	$ (370,343)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 70,272	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 132,442	$ 19,475	$ (112,967)
Beginning an investigation of the facts	117,967	15,041	(102,926)
Total direct costs	250,409	34,516	(215,893)
Indirect costs	114,412	15,770	(98,642)
Total direct and indirect costs	364,821	50,286	(314,535)
Less late filing penalty[3]	-	(5,029)	(5,029)
Total program costs	$ 364,821	55,315	$ (319,564)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 55,315	
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 126,907	$ 17,379	$ (109,528)
Beginning an investigation of the facts	110,246	13,457	(96,789)
Total direct costs	237,153	30,836	(206,317)
Indirect costs	109,328	14,215	(95,113)
Total direct and indirect costs	346,481	45,051	(301,430)
Less late filing penalty[3]	-	(4,505)	(4,505)
Total program costs	$ 346,481	49,556	$ (305,935)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 49,556	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 153,413	$ 21,590	$ (131,823)
Beginning an investigation of the facts	132,182	17,004	(115,178)
Total direct costs	285,595	38,594	(247,001)
Indirect costs	121,863	16,468	(105,395)
Total program costs	$ 407,458	55,062	$ (352,396)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 55,062	
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 159,499	$ 19,070	$ (140,429)
Beginning an investigation of the facts	136,516	15,045	(121,471)
Total direct costs	296,015	34,115	(261,900)
Indirect costs	124,386	14,335	(110,051)
Total program costs	$ 420,401	48,450	$ (371,951)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 48,450	
Summary: July 1, 2002, through June 30, 2013			
Direct costs	$ 3,063,295	$ 438,054	$ (2,625,241)
Indirect costs	1,552,134	224,378	(1,327,756)
Total direct and indirect costs	4,615,429	662,432	(3,952,997)
Less late filing penalty[3]	-	(55,892)	(55,892)
Total program costs	$ 4,615,429	606,540	$ (4,008,889)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 606,540	

[1] See the Finding and Recommendation section.

[2] The county claimed salaries based on PHRs that included salaries and benefits.

[3] The SCO assesses late penalties on allowable costs for claims filed after the filing deadline specified in GC section 17568, equal to 10% of claimed costs, not to exceed $10,000.

[4] Payment amount current as of March 16, 2022.

Finding and Recommendation

FINDING — Overstated Identity Theft Program costs

The county claimed $4,615,429 ($3,063,295 in salaries and benefits and $1,552,134 in related indirect costs) for the Identity Theft Program. We found that $662,432 in direct and indirect costs is allowable and $3,952,997 is unallowable.[2]

Salary and benefit costs are determined by multiplying the number of identity theft police reports by the time increments required to perform the reimbursable activities, and then multiplying the product by the weighted average PHRs for the employee classifications that performed the reimbursable activities.

The costs are unallowable because the county misinterpreted the program's parameters and guidelines. As a result, the county overstated the number of identity theft reports, overstated the time increments required to perform the reimbursable activities, and misstated the job classifications and PHRs for the county employees who performed the reimbursable activities.

The following table summarizes the claimed and allowable amounts, and the audit adjustments by fiscal year:

Fiscal Year	Salaries and Benefits			Related Indirect Cost Adjustment	Total Audit Adjustment
	Amount Claimed	Amount Allowable	Audit Adjustment		
2002-03	$ 216,989	$ 34,330	$ (182,659)	$ (130,582)	$ (313,241)
2003-04	227,064	34,123	(192,941)	(118,543)	(311,484)
2004-05	292,985	44,177	(248,808)	(152,868)	(401,676)
2005-06	313,691	44,188	(269,503)	(127,313)	(396,816)
2006-07	342,839	49,011	(293,828)	(130,253)	(424,081)
2007-08	310,652	50,876	(259,776)	(141,655)	(401,431)
2008-09	289,903	43,288	(246,615)	(117,340)	(363,955)
2009-10	250,409	34,516	(215,893)	(98,642)	(314,535)
2010-11	237,153	30,836	(206,317)	(95,113)	(301,430)
2011-12	285,595	38,594	(247,001)	(105,395)	(352,396)
2012-13	296,015	34,115	(261,900)	(110,051)	(371,951)
Total	$ 3,063,295	$ 438,054	$ (2,625,241)	$ (1,327,756)	$ (3,952,997)

Overstated counts of identity theft police reports

Claimed and Allowable Case Counts

The county claimed costs incurred for taking police reports related to 18,572 identity theft cases during the audit period. During fieldwork, the county provided us with an internally generated summary report of claimed counts, actual counts, and estimated time increments by

[2] Our audit found that $662,432 in direct and indirect cots is allowable and $3,952,997 is unallowable. However, the county filed its FY 2002-03 through FY 2010-11 claims after the filing deadline specified in the SCO's claiming instructions and those late claims are subject to late filing penalties pursuant to GC section 17568, which is equal to 10% of allowable costs, not to exceed $10,000 per fiscal year.

Therefore, allowable costs for the audit period totals $606,540 ($662,432 less $55,892 in late filing penalties).

reimbursable activity per case for each fiscal year of the audit period. County representatives stated that this report was the county's basis for the costs claimed. However, the county did not have support from its CAD system for this report. The report disclosed that the county claimed 19,444 total cases and understated its case count by 872 cases for the audit period.

A Crime Analysis Supervisor within the Sheriff's Department provided us with an unduplicated list from the county's CAD system of initial police reports that supported violations of PC section 530.5. The county's CAD system showed that the county completed 18,968 police reports during the audit period.

This list of police reports identified the county jurisdiction code, the year of the report, and the report number. The county also provided a Jurisdiction Reference Chart, which disclosed county jurisdiction codes and jurisdiction codes for the cities that contracted with the county for law enforcement services. After examining the county's list of police reports, we found that 14,104 reports (74%) were from contract city jurisdictions and 4,864 reports (26%) were from county jurisdictions.

The county provided copies of its contracts for law enforcement services; during our analysis of the contracts, we noted that the county provided such services for a set fee to the following 13 cities, two towns, and one casino located in San Bernardino County:

- City of Adelanto;
- City of Big Bear Lake;
- City of Chino Hills;
- City of Colton;
- City of Grand Terrace;
- City of Hesperia;
- City of Highland;
- City of Loma Linda;
- City of Needles;
- City of Rancho Cucamonga;
- City of Twenty-Nine Palms;
- City of Victorville;
- City of Yucaipa;
- Town of Apple Valley;
- Town of Yucca Valley; and
- Yaamava' Resort and Casino at San Manuel (formerly San Manuel Casino).

As the county received reimbursement from its contract cities for preparing their police reports, the 14,104 reports originating from these locations are unallowable for reimbursement. For this audit, the relevant population is the 4,864 reports with county jurisdiction codes completed during the audit period.

Testing Police Reports

We determined the accuracy of the unduplicated counts of police reports by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

We developed a statistical sampling plan to test at least 25% of total claimed costs. We generated statistical samples of identity theft cases for these two procedures so that we could project our sample results to the population of identity theft cases. We selected our statistical samples of identity theft cases originating from the county based on a 95% confidence level, a sampling error of ±8%, and an expected (true) error rate of 50%. We judgmentally selected FY 2010-11, FY 2011-12, and FY 2012-13 for testing because the county claimed costs totaling $1,174,340—which constitutes 25.5% of the total claimed during the audit period ($4,615,429)—for these three fiscal years.

We discovered that San Bernardino County Sheriff's Department (SBCSD) staff took police reports from citizens at the front counter of the department's patrol stations as well as in the field. Therefore, we stratified our testing to differentiate between non-counter (field) reports and those taken at patrol stations (counter reports).

Our testing disclosed the following:

Counter Reports

- For FY 2010-11, we selected for testing 52 reports from the population of 80 counter reports. We found that two cases were unallowable (a 3.85% exception rate) because they did not support a violation of PC section 530.5.
- For FY 2011-12, we selected for testing 63 reports from the population of 108 counter reports. We found that five cases were unallowable (a 7.94% exception rate). Two cases did not support a violation of PC section 530.5, two cases were supplemental reports, and the complainant in the other case was a resident of Henderson, Nevada.
- For FY 2012-13, we selected for testing 49 reports from the population of 72 counter reports. We found that three cases were unallowable (a 6.12% exception rate) because the cases did not support a violation of PC section 530.5.

Field Reports

- For FY 2010-11, we selected for testing 90 reports from the population of 228 field reports. We found that 14 cases were unallowable (a 15.56% exception rate). Six cases did not support a violation of PC section 530.5, and eight cases were follow-up reports written by Detectives (of which six were based on courtesy reports received from other police or sheriff departments, and two were follow-up requests from SBCSD patrol stations).

- For FY 2011-12, we selected for testing 92 reports from the population of 236 field reports. We found that 10 cases were unallowable (a 10.87% exception rate). Five cases did not support a violation of PC section 530.5, one case was a courtesy report, and four cases were follow-up reports written by Detectives.

- For FY 2012-13, we selected for testing 90 reports from the population of 222 field reports. We found that four cases were unallowable (a 4.44% exception rate) because one case did not support a violation of PC section 530.5 and three cases were follow-up reports written by Detectives based on courtesy reports received from other police or sheriff departments.

We extrapolated and projected the results of our substantive tests of statistical samples to determine the number of allowable and unallowable identity theft reports for the entire 11-year audit period. We found that 4,413 police reports are allowable. For the three years that we tested (FY 2010-11, FY 2011-12, and FY 2012-13), we calculated a 5.97% average error rate for the counter reports and a 10.29% average error rate for the field reports. We applied these average error rates to the other eight years of the audit period (FY 2002-03 through FY 2009-10).

The following table summarizes the counts of claimed, supported, and allowable identity theft cases, and the difference by fiscal year:

					Allowable			
Fiscal Year	Claimed	Supported	Contracting Entities	County Reports	Counter Reports	Field Reports	Total	Difference
2002-03	1,694	1,822	(1,332)	490	97	347	444	(1,250)
2003-04	1,702	1,830	(1,363)	467	91	332	423	(1,279)
2004-05	1,939	2,042	(1,509)	533	107	376	483	(1,456)
2005-06	2,010	2,010	(1,497)	513	86	379	465	(1,545)
2006-07	2,090	2,090	(1,545)	545	120	374	494	(1,596)
2007-08	1,824	1,824	(1,278)	546	130	366	496	(1,328)
2008-09	1,678	1,676	(1,219)	457	115	301	416	(1,262)
2009-10	1,458	1,456	(1,090)	366	99	234	333	(1,125)
2010-11	1,271	1,325	(1,016)	309	77	193	270	(1,001)
2011-12	1,405	1,397	(1,053)	344	99	210	309	(1,096)
2012-13	1,501	1,496	(1,202)	294	68	212	280	(1,221)
Total	18,572	18,968	(14,104)	4,864	1,089	3,324	4,413	(14,159)

Overstated time increments

Claimed Time Increments

The county claimed time increments spent by various employee classifications within SBCSD to perform the following reimbursable activities:

- Drafting, reviewing, and editing identity theft police reports taken by Officers, and reviewing identity theft police reports taken at the police station counter (Activity 1a – Take a police report supporting a violation of PC section 530.5); and

- Determining where the crime occurred and what pieces of personal identifying information were used for unlawful purposes (Activity 2 – Begin an investigation of the facts).

For Activity 1a, the county tracked the time spent by Sergeants to review police reports separately from the time spent by other staff members to draft, review, and edit police reports. This time spent by Sergeants on the reimbursable activity is identified as "Activity 1a.1 – Sergeant review."

The county claimed the following time increments to perform the reimbursable activities:

- 60 minutes for Deputy Sheriffs to perform Activity 1a;
- 15 minutes for employees in the Station Clerk and Office Assistant III classifications to assist with Activity 1a;
- 10 minutes for Sergeants to perform Activity 1a.1 – Sergeant review; and
- 60 minutes for Sheriff Detectives to perform Activity 2.

The county did not provide support for the claimed time increments. Section IV., "Reimbursable Activities," of the program's parameters and guidelines state that "Actual costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities." As the county did not provide support that complies with this requirement, we determined that the claimed time increments are estimated and unsupported.

Allowable Time Increments

Taking a police report

The county's CAD system did not record time spent drafting, reviewing, and editing identity theft police reports (Activities 1a and 1a.1 – Sergeant review). We interviewed various SBCSD employees, who provided testimonial evidence of the approximate time spent on reimbursable activities not recorded by the CAD system. We found that this information provided a reasonable representation of the time needed to perform these reimbursable activities.

For Activity 1a, we interviewed three Deputy Sheriffs, three Service Specialists, and one Sergeant about drafting, reviewing, and editing identity theft police reports taken by Officers. Based on these interviews, we determined that SBCSD staff spent an average of 35 minutes drafting, reviewing, and editing identity theft police reports taken by Officers.

For Activity 1a.1 – Sergeant review, we interviewed four Detectives and three Sergeants about reviewing identity theft police reports taken at the police station counter. Based on these interviews, we determined that SBCSD staff spent an average of 13 minutes reviewing police reports taken at the police station counter.

The county did not have an online system during the audit period and did not claim any costs for reviewing identity theft reports that were completed online (Activity 1b).

Beginning an investigation

During audit fieldwork, the SBCSD provided system-generated contemporaneous records from its CAD system. These records showed the time, in minutes, from when SBCSD staff arrived at a victim's residence or business located in the county, or began taking information from a resident at the counter of a patrol station (Time On Scene) to the time that the initial call for service was completed (Time Complete). The time elapsed represents the time that county employees spent on determining where the crime occurred and what pieces of personal information were used for unlawful purposes (Activity 2).

We tested the time increments reported for the 154 allowable counter cases and the 244 allowable field cases from our sample selection. We reviewed the CAD system reports to determine the average time spent performing Activity 2. During testing, we noted that certain cases showed unreasonable time increments, as follows:

- 14 counter cases and 11 field cases with reported time increments of 0 to 9 minutes, and
- 19 counter cases and 52 field cases with reported time increments of greater than 60 minutes.

For these reports, the county provided detailed CAD history information. We found that time increments were understated because SBCSD staff members failed to record the time that the employee began preparing the counter report or when the officer arrived on scene for field reports. We found that time increments were overstated because SBCSD staff members recorded time spent on other incident numbers for other major crimes and arrests. We excluded all time recorded for follow-up investigation, search, pursuit, arrest, and changing location or transporting the suspect to jail for booking until the suspect is in custody and incarcerated. Based on our testing, we found that SBCSD staff members spent an average of 41 minutes performing Activity 2.

The following table summarizes the time claimed and allowable for the reimbursable activities by fiscal year:

	Claimed Minutes				Allowable Minutes		
	1a – Take a Police Report*		1a.1 – Review Reports†	2 – Begin an Investigation ‡			
Fiscal Year	Deputies	Clerks/ Assistants	Sergeants	Detectives	1a – Take a Police Report	1a.1 – Review Reports	2 – Begin an Investigation
2002-03	60	15	10	60	35	13	41
2003-04	60	15	10	60	35	13	41
2004-05	60	15	10	60	35	13	41
2005-06	60	15	10	60	35	13	41
2006-07	60	15	10	60	35	13	41
2007-08	60	15	10	60	35	13	41
2008-09	60	15	10	60	35	13	41
2009-10	60	15	10	60	35	13	41
2010-11	60	15	10	60	35	13	41
2011-12	60	15	10	60	35	13	41
2012-13	60	15	10	60	35	13	41

*The county claimed that the Deputy Sheriff classification took police reports, and the Station Clerk and Office Assistant III classifications assisted with taking police reports.

† The county claimed that Sergeants reviewed police reports taken at the station counter.

‡ The county claimed that Detectives began investigations.

Misstated job classifications and PHRs

Claimed Job Classifications

As noted previously, the county claimed that Deputy Sheriffs and Office Assistant IIIs prepared police reports (Activity 1a), and that Sergeants reviewed the reports taken at the police station counter (Activity 1a.1 – Sergeant review). The county also claimed that Sheriff Detectives began investigations (Activity 2).

Staff Allowable

In order to clarify which SBCSD staff members performed the mandated activities, we:

1. Prepared a schedule of employee numbers and names from the sampled police reports;
2. Requested information from the county supporting the actual job classifications for the employees identified;
3. Calculated the extent (percentage of involvement) that various employees performed the mandated activities for the county's sampled identity theft cases; and
4. Verified with the county the results of the above steps to confirm the actual job classifications that performed the reimbursable activities of drafting and editing a police report, reviewing police reports, and beginning an investigation.

The following table summarizes the actual job classifications of the employees who performed the reimbursable activities during FY 2010-11, FY 2011-12, and FY 2012-13, and the average percentage of their involvement in the reimbursable activities for the three fiscal years.

Classification	Average Involvement Percentage
Prepare a report/Begin an investigation[1]	
Deputy Sheriffs	91.0%
Sheriff Sergeants	0.5%
Sheriff Detectives	0.5%
Captains	1.0%
Service Specialists	7.0%
	100%
Review a police report	
Sheriff Sergeants	92.0%
Sheriff Detectives	7.0%
Captains	1.0%
	100%

[1] The same staff members performed the activities of Prepare a Report (Activity 1a) and Begin an Investigation (Activity 2).

The county provided schedules of the actual hourly rates for the employee classifications that performed the reimbursable activities during the audit period. To calculate allowable costs, we used claimed PHRs for Deputy Sheriffs, Sheriff Detectives, and Sergeants. We used rates provided by the county for the employee classifications not claimed (Captains and Service Specialists).

The following table summarizes the auditor-recalculated weighted PHRs for each fiscal year in the audit period by reimbursable activities performed:

Fiscal Year	Prepare a Report	Review a Report	Begin an Investigation
2002-03	$ 49.39	$ 68.12	$ 49.39
2003-04	51.73	69.90	51.73
2004-05	59.10	76.64	59.10
2005-06	60.77	83.32	60.77
2006-07	63.14	88.78	63.14
2007-08	65.31	91.60	65.31
2008-09	66.20	93.25	66.20
2009-10	66.10	91.96	66.10
2010-11	72.94	100.70	72.94
2011-12	80.53	105.66	80.53
2012-13	78.63	102.65	78.63

Using this salary rate information, the corrected number of case counts, the corrected time increments, and the employee classifications that performed the reimbursable activities during the audit period, we determined allowable salaries for each fiscal year.

For example, the following table shows the calculation of allowable salary and benefit costs for FY 2011-12:

Employee Classification	PHR [a]	Number of cases [b]	Minutes [c]	Hours [d=(b*g)/60]	Activity % [e]	Allowable costs [f=a*i*k]
Prepare a report:						
Deputy Sheriff	$ 82.81	309	35	180.25	91.0%	13,583
Sergeant	106.12	309	35	180.25	0.5%	96
Detective	94.08	309	35	180.25	0.5%	85
Captain	144.32	309	35	180.25	1.0%	260
Service Specialist	38.96	309	35	180.25	7.0%	492
Total, prepare a report						$ 14,516
Review a report:						
Sergeant	106.12	309	13	66.95	92.0%	6,536
Detective	94.08	309	13	66.95	7.0%	441
Captain	144.32	309	13	66.95	1.0%	97
Total, review a report						$ 7,074
Begin an investigation:						
Deputy Sheriff	$ 82.81	309	41	211.15	91.0%	15,912
Sergeant	106.12	309	41	211.15	0.5%	112
Detective	94.08	309	41	211.15	0.5%	99
Captain	144.32	309	41	211.15	1.0%	305
Service Specialist	38.96	309	41	211.15	7.0%	576
Total, begin an investigation						$ 17,004
Total allowable salary and benefit costs						$ 38,594

We performed similar calculations for each fiscal year of the audit period.

Allowable related indirect costs

The county claimed $1,552,134 in related indirect costs. We found that $224,378 is allowable and $1,327,756 is unallowable. The county used the indirect cost rates from the Indirect Cost Rate Proposals it prepared for each year of the audit period to claim indirect costs. Unallowable indirect costs are directly related to the previously identified unallowable salaries and benefits for each year of the audit period.

The following table summarizes the claimed and allowable amounts of indirect costs, and the audit adjustment by fiscal year:

Fiscal Year	Related indirect costs		
	Claimed	Allowable	Adjustment
2002-03	$ 155,125	$ 24,543	$ (130,582)
2003-04	139,508	20,965	(118,543)
2004-05	180,010	27,142	(152,868)
2005-06	148,187	20,874	(127,313)
2006-07	151,980	21,727	(130,253)
2007-08	169,398	27,743	(141,655)
2008-09	137,936	20,596	(117,340)
2009-10	114,412	15,770	(98,642)
2010-11	109,328	14,215	(95,113)
2011-12	121,863	16,468	(105,395)
2012-13	124,386	14,335	(110,051)
	$ 1,552,134	$ 224,378	$ (1,327,756)

Criteria

Item 1 of Section III., "Period of Reimbursement," of the parameters and guidelines states, "Actual costs for one fiscal year shall be included in each claim."

Section IV., "Reimbursable Activities," of the parameters and guidelines begins:

> To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Section IV., "Reimbursable Activities," of the parameters and guidelines also states:

> For each eligible claimant, the following ongoing activities are eligible for reimbursement:
>
> 1. Either a) or b) below:
>
> a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and

for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed online by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Section V.A.1, "Salaries and Benefits," of the parameters and guidelines states:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Section V.II., "Offsetting Revenues and Reimbursements," of the parameters and guidelines states:

> Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state, or non-local source shall be identified and deducted from this claim.

Recommendation

The California State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

> We have reviewed the State Controller's Office draft audit report for the above-mandated program dated March 2, 2022. The County review has been completed and we concur with the findings and recommendations proposed in the *Identity Theft Program* draft audit for the period of July 1, 2002 through June 30, 2013.
>
> Due to the amount of time that has elapsed between occurrence of the claimed reimbursable activities and the audit period **(spanning up to 19 years)**, the County is unable to provide any additional supporting documentation. Had the field audit been performed closer to the actual

cost incurrence period, responsible claim preparation staff (who are retired or no longer employed) could have provided a much better response to audit inquiries, which would have resulted in favorable results for San Bernardino County.

SCO's Comment

The county states that it could have provided additional supporting documentation, had the audit been performed closer to the time period in which the reimbursable activities were performed. We would first point out that the county filed its claims for the first 11 years of the 12-year audit period on January 30, 2013. Except for documentation supporting the time increments claimed to perform the reimbursable activities, lack of supporting documentation was not the primary cause of the unallowable costs.

Instead, the initial 74% reduction in Identity Theft cases claimed (from 18,572 cases claimed to 4,864 cases) was the primary cause of the unallowable costs. As explained in the finding, we reduced the number of allowable cases because the county had claimed costs for taking police reports and beginning investigations for identity theft cases originating within its contract cities. As the county's contracting partners had already reimbursed the county for these costs, the costs were not reimbursable for the purposes of a State-mandated cost claim.

Attachment—
County's Response to Draft Audit Report

SHANNON D. DICUS, SHERIFF-CORONER

SAN BERNARDINO COUNTY

March 9, 2022

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

RE: **Response to Draft Audit Report**
Identity Theft Program
Audit period: July 1, 2002 through June 30, 2013

Dear Ms. Kurokawa:

We have reviewed the State Controller's Office draft audit report for the above-mandated program dated March 2, 2022. The County review has been completed and we concur with the findings and recommendations proposed in the *Identity Theft Program* draft audit for the period of July 1, 2002 through June 30, 2013.

Due to the amount of time that has elapsed between occurrence of the claimed reimbursable activities and the audit period **(spanning up to 19 years)**, the County is unable to provide any additional supporting documentation. Had the field audit been performed closer to the actual cost incurrence period, responsible claim preparation staff (who are retired or no longer employed) could have provided a much better response to audit inquiries, which would have resulted in favorable results for San Bernardino County.

If you have any questions, please contact Jose L. Torres, Sheriff's Administrative Manager, at (909) 387-3465 or e-mail jtorres@sbcsd.org.

Sincerely,

Shannon D. Dicus
Sheriff/Coroner/Public Administrator
San Bernardino County

By: _____
Kelly Welty
Chief Deputy Director
Sheriff's Bureau of Administration

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250

http://www.sco.ca.gov

Re: Document Request - Identity Theft Program

From: Annette Chinn, CRS (achinncrs@aol.com)

To: Tamara.Oatman@cityofrc.us

Date: Friday, August 26, 2022 at 05:38 PM PDT

Sorry about that! I clicked on the wrong file. I was reviewing other response from prior audits to help draft this response.

Here's the correct response. The other attachments (CFR, Instructions and Sheriff Rate comps are correct)

Thank you and let me know your thoughts.

Annette S. Chinn
Cost Recovery Systems Inc.
705-2 East Bidwell Street #294
Folsom, CA 95630

Phone (916) 939-7901
(Note: fax line no longer available)

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-----Original Message-----
From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
To: Annette Chinn <achinncrs@aol.com>
Sent: Fri, Aug 26, 2022 2:55 pm
Subject: FW: Document Request - Identity Theft Program

Hi, Annette.

Did you attach the right document? The response that was attached to your email seems to pertain to Child Abuse Investigations and also references SCO preliminary findings which I don't believe we've officially received yet. I'm a little confused.

-Tamara

From: Annette Chinn, CRS <achinncrs@aol.com>
Sent: Friday, August 26, 2022 1:44 PM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Subject: Re: Document Request - Identity Theft Program

Hi Tamara,

I drafted the attached in response to Joji's latest communication - please review and if you agree send to Joji. Let me know if you have any comments or changes.

Thank you,

Annette S. Chinn
Cost Recovery Systems Inc.
705-2 East Bidwell Street #294
Folsom, CA 95630

Phone (916) 939-7901
(Note: fax line no longer available)

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-----Original Message-----
From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
To: Annette Chinn, CRS <achinncrs@aol.com>
Sent: Thu, Aug 25, 2022 3:18 pm
Subject: RE: Document Request - Identity Theft Program

I thought it sounded kind of crazy. I'm glad you think so too! Thank you for being our advocate, Annette 😊 Please keep me posted on your progress. Should I still go ahead and pursue trying to get the hourly rates for the three positions she requested or just hold off for now?

From: Annette Chinn, CRS <achinncrs@aol.com>
Sent: Thursday, August 25, 2022 2:26 PM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Subject: Re: Document Request - Identity Theft Program

I think this is completely unacceptable.

Overhead costs are allowable, despite it being a contract. You are in effect buying a police department along with all the overhead of the department.

I will try to elevate this to a supervisor. We'll file an incorrect reduction claim if we are not satisfied with their response.

Thank you,

Annette S. Chinn
Cost Recovery Systems Inc.
705-2 East Bidwell Street #294
Folsom, CA 95630

Phone (916) 939-7901
(Note: fax line no longer available)

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-----Original Message-----
From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
To: Annette Chinn <achinncrs@aol.com>
Sent: Thu, Aug 25, 2022 11:34 am
Subject: FW: Document Request - Identity Theft Program

Hi, Annette.

Joji called me shortly after she sent me this email. She is telling me that she will be disallowing $246,000 in indirect costs that were included in our claim as the Sheriff's Department staff are not City employees but are instead County employees. She is trying to salvage at least part of the claim for the salaries that were included, referencing them as contract services costs. However, she said she needs to know the hourly rate for the staff included in the claim and whether that hourly rate included liability insurance or not. Apparently, LA County includes liability insurance in their hourly rates. It sounds like liability insurance can be added to the hourly rate for reimbursement purposes. She's asking me to obtain hourly rates from the County as the hourly rates per position can vary depending on whether the position is a field staff or a desk staff. I don't know who would have that information at the County for this timeframe.

What are your thoughts on all of this?

-Tamara

From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Thursday, August 25, 2022 10:59 AM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Cc: Annette Chinn <achinncrs@aol.com>; adiaz@sbcsd.org; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: RE: Document Request - Identity Theft Program

For the audit period the ratified contract as well as final and approved Schedule A will come either from the city council or the Law Enforcement Services Contract Bureau of San Bernardino County. They are the signatories for the contracts. If it is not available from the city, please let me know. By the way, what is your retention period for contracts for the city?

Thank you.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 735B
Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile
JTyree@sco.ca.gov

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From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Sent: Thursday, August 25, 2022 10:50 AM

To: Tyree, Joji <JTyree@sco.ca.gov>
Cc: Annette Chinn <achinncrs@aol.com>; adiaz@sbcsd.org
Subject: FW: Document Request - Identity Theft Program

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Good morning, Joji 😊

I reached out to our consultant, Annette Chinn, for guidance on addressing your request to Sgt. Diaz. She stated that all those Schedule A's for each fiscal year were attached to the copies of the claims (which she already provided to you). They are at the very back of each claim, after the ICRP or overhead rate computations. The Schedule A's that are attached as supporting documentation are the actual costs and job counts per classification.

Is there something else you are looking for in addition to the Schedule A?

-Tamara

Tamara L. Oatman
Finance Director
City of Rancho Cucamonga
Email: Tamara.Oatman@cityofrc.us
Phone: (909) 774-2430

Have a joyful day 😊

-----Original Message-----
From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Friday, August 19, 2022 11:29 AM
To: Diaz, Amanda <adiaz@SBCSD.ORG>
Subject: Document Request - Identity Theft Program

Good morning Sgt. Diaz,

Could you please provide pdf of the final and approved Law Enforcement Services Agreement in effect for FY 2002-03, through FY 2012-13 between San Bernardino County Sheriff's Department and the City of Rancho Cucamonga. Please include final and actual staffing levels (Schedule A and any support documentation) for each fiscal year with actual costs and counts per job classification. Please see item #6 in Document Request in page 3 of the attached letter.

Additionally, may I request the yearly hours per service unit for Deputy, Sergeant, and Service Specialist. I need these in order to arrive at contract rate per hour per service unit.

Please send via our SFTP on or before Friday, August 26, 2022. Please contact me if you need clarification and/or if you need more time.

Thank you,

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 735B
Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile JTyree@sco.ca.gov

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Response to SCO email Aug 25, 2022.docx
17.4kB


Comp of rate LA Sheriff to San Bernardino County.pdf
5.8MB


CFR-2014-title2-vol1-part200.pdf
648.1kB


Claiming Manual.pdf
328.6kB

Hello Joji,

Tamara shared of your questions and comments. Here are our responses:

The structure of the San Bernardino Sheriff's Office for law enforcement services contracts are very different from the LA County Sheriff contracts. San Diego Sheriff's Office contracts are more similar in structure.

As can be seen from the Rancho Cucamonga agreement and the annual Schedule of Costs, the city is purchasing all the components of a Police Department, including direct and indirect (overhead) costs. Looking at their expenditures is similar to looking at a full-service city's departmental expenditure report. San Bernardino Deputy billing rates only include salary and benefit costs, while in the case of LA County – their hourly sworn rate already includes most overhead (except for Liability and supplemental staffing which can be purchased a la cart - See attached.)

If you compare the FY 11-12 Deputy rates between LA County **($114.82**/ hr = $419,087unit cost/3,650 hrs) and San Bernardino **($ 78.98**/hr = $13,648,451 total cost /96 staff /1800 hrs. The huge difference in that LA County has overhead costs included and the other does not. When overhead is added, you can see the rates then are much more similar.

Your question about hours of "yearly hours per service unit for Deputy, Sergeant, and Service Specialist. I need these in order to arrive at contract rate per hour per service unit."

The answer is that the city purchases these positions as if they were employees of the city – they are expected to work full time (2080 hours) just as any regular city employee. As you know, the Claiming Instructions and Parameters and Guidelines allow the use of a Productive Hourly Rate of 1,800 hours – and this is how the hourly rates were computed. The Actual Costs and number of positions are listed in the Schedule A you have been provided. A productive hourly rate was computed by dividing the actual salary charge for that position by 1,800 hours to derive an hourly rate.

Regarding Overhead Costs: Tamara though you said that overhead was not an eligible cost because they contract for law enforcement services. Perhaps there was a miscommunication, but I wanted to address this topic.

Not allowing reimbursement of indirect or overhead costs would be contrary to Claiming Instructions, Parameters and Guidelines, as well as Federal CFR-200 standards which all specifically allow for the inclusion and reimbursement of both direct AND indirect costs. (attached for your convenience)

To simply exclude or not allow legitimate overhead from the costs would be contrary to State and Federal rules, and also would be inconsistent with your own offices prior audit determinations. As you mentioned, the LA County case, additional overhead was allowed for the liability charges billed separately from the officer's hourly rate.

In the case of San Diego Sheriff Department (SDSO) contracting agencies, additional overhead/indirect cost were allowed (See City of San Marcos 2017 – Crime Statistics Reporting Audit Report on page 23). State Controller's Office auditors recognized there were additional indirect/overhead costs and those costs were allowed as valid overhead charges. Below is an extract from the Audit Report on page 23 that addressed the Contract Indirect Costs:

"Contract Indirect Costs

We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided schedules and identified supplemental contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, by the contracted labor costs identified in the contract supplemental schedules."

The audit permitted a number of overhead items including:

1) proration of Sergeant support/admin

2) proration of Other Support costs allocated (which includes Station level Staff Support including: Captain, Admin Secretary, Lieutenant, Volunteer Coordinator, Senior Clerk, Department Aide, Receptionist, Intermediate Clerk

3) Law Enforcement Support including Station Detectives, Communication Center (Central Dispatch support), Crime Prevention, Juvenile Intervention, Regional Services

4) Services and Supplies Costs

5) Support Costs including Vehicles, Facilities/Space, County Management Support (Admin, Fiscal, Data Services, Personnel & Other)

6) Liability (charged separately)

The items we included in our ICRP are all similar indirect costs which comply with Federal CFR standards of allowable indirect costs and provide necessary support to the function of the department and benefit the mandate program we are costing out. If you believe there is a charge that does not comply with the guidelines, please let us know why and we would like to discuss.

You can access job descriptions or duty statements from the San Bernardino County website if you'd like to review the activities performed by the various administrative and support positions included in our overhead rate calculations.

We look forward to answering any questions you may have.

Annette Chinn

Cost Recovery Systems, Inc.

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT

CONTRACT CITY LAW ENFORCEMENT SERVICES

Service Level Authorization

CITY: *LYNWOOD*

FISCAL YEAR: *2011 - 2012* **EFFECTIVE DATE:** *7/1/2011*

CODE #	SERVICES	TOTAL SERVICE UNITS PURCHASED NEW	PREVIOUS	CHANGE	CONTRACT LAW USE ONLY
	DEPUTY SHERIFF SERVICE UNIT				
306	40 Hour	0.0000	0.0000	0.0000	
307	56 Hour	0.0000	0.0000	0.0000	
308	70 Hour	15.0000	15.0000	0.0000	
310	Non-Relief	4.0000	4.0000	0.0000	
	DEPUTY SHERIFF SERVICE UNIT (BONUS LEVEL)				
301	40 Hour	0.0000	0.0000	0.0000	
302	56 Hour	0.0000	0.0000	0.0000	
303	70 Hour	0.0000	0.0000	0.0000	
305	Non-Relief	1.0000	1.0000	0.0000	
	GROWTH DEPUTY, UNITS (Non-Relief Only)				
335	Deputy	0.0000	0.0000	0.0000	
358	Deputy (with a dedicated vehicle)	0.0000	0.0000	0.0000	
336	Deputy, B-1	0.0000	0.0000	0.0000	
359	Deputy, B-1 (with a dedicated vehicle)	0.0000	0.0000	0.0000	
	GRANT UNITS (Non-Relief Only)				
383	Deputy	2.0000	2.0000	0.0000	
360	Deputy (with a dedicated vehicle)	0.0000	0.0000	0.0000	
384	Deputy B-1	1.0000	1.0000	0.0000	
361	Deputy B-1 (with a dedicated vehicle)	0.0000	0.0000	0.0000	
	SUPPLEMENTAL POSITIONS (Non-Relief Only)				
342	Lieutenant	0.0000	0.0000	0.0000	
353	Sergeant (SAO)	1.0000	1.0000	0.0000	
348	Sergeant (Motor)	0.0000	0.0000	0.0000	
354	Watch Deputy	0.0000	0.0000	0.0000	
305	Motor Deputy	0.0000	0.0000	0.0000	
325	CSA	0.0000	0.0000	0.0000	
347	Security Officer	0.0000	0.0000	0.0000	
340	Law Enforcement Tech	0.0000	0.0000	0.0000	
343	Operations Asst I	0.0000	0.0000	0.0000	
344	Operations Asst II	0.0000	0.0000	0.0000	
345	Operations Asst III	0.0000	0.0000	0.0000	
351	Stn Clerk II	0.0000	0.0000	0.0000	
329	Crime Analyst	0.0000	0.0000	0.0000	
331	Custody Assistant	0.0000	0.0000	0.0000	
	Other (Need to insert cost on Pg 2)	0.0000	0.0000	0.0000	
ATTN:	**Routine City Helicopter Billing Agreement (Indicate)**	YES	NO		

SH-AD 575 (REV. 4/11)

HOURS OF SERVICE & ESTIMATED CHARGES

CITY: LYNWOOD 7/1/2011

SERVICE UNITS	UNIT COST	TOTAL UNITS PURCHASED	TOTAL ESTIMATED UNIT COST	LIABILITY @ 4 %	TOTAL COST WITH LIABILITY	YEARLY HOURS PER SERVICE UNIT	TOTAL HOURS	ANNUAL GOAL (MINUTES)	PERSONNEL REQUIRED
DEPUTY SHERIFF SERVICE UNIT									
40 Hour	$239,478	0	0.00	0.00	**0.00**	2086	0	0	0.0000
56 Hour	$335,270	0	0.00	0.00	**0.00**	2920	0	0	0.0000
70 Hour	$419,087	15	6,286,305.00	251,452.20	**6,537,757.20**	3650	54,750	3,285,000	30.6000
Non-Relief	$217,708	4	870,832.00	34,833.28	**905,665.28**	1789	7,156	429,360	4.0000
DEPUTY SHERIFF SERVICE UNIT (BONUS LEVEL)									
40 Hour	$252,766	0	0.00	0.00	**0.00**	2086	0	0	0.0000
56 Hour	$353,873	0	0.00	0.00	**0.00**	2920	0	0	0.0000
70 Hour	$442,341	0	0.00	0.00	**0.00**	3650	0	0	0.0000
Non-Relief	$229,788	1	229,788.00	9,191.52	**238,979.52**	1789	1,789	107,340	1.0000
GROWTH DEPUTY UNITS (Non-Relief Only)									
Deputy	$146,732	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Deputy (with dedicated vehicle)	$166,935	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Deputy, B-1	$159,355	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Deputy B-1 (with dedicated vehicle)	$179,742	0	0.00	0.00	**0.00**	1789	0	0	0.0000
GRANT UNITS (Non-Relief Only)									
Deputy	$146,732	2	293,464.00	11,738.56	**305,202.56**	1789	3,578	214,680	2.0000
Deputy (with dedicated vehicle)	$166,935	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Deputy B-1	$159,355	1	159,355.00	6,374.20	**165,729.20**	1789	1,789	107,340	1.0000
Deputy B-1 (with dedicated vehicle)	$179,742	0	0.00	0.00	**0.00**	1789	0	0	0.0000
SUPPLEMENTAL POSITIONS (Non-Relief Only)									
Lieutenant	$231,501	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Sergeant (SAO)	$192,725	1	192,725.00	N/A	**192,725.00**	1789	1,789	107,340	1.0000
Sergeant (Motor)	$203,408	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Watch Deputy	$156,059	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Motor Deputy	$229,788	0	0.00	0.00	**0.00**	1789	0	0	0.0000
CSA	$52,726	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Security Officer	$88,245	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Law Enforcement Tech (With Vehicle)	$80,102	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Operations Asst I	$72,374	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Operations Asst II	$89,942	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Operations Asst III	$102,997	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Stn Clerk II	$66,936	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Crime Analyst	$101,721	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Custody Assistant	$88,518	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Other (Need to insert cost in next column)		0	0.00	N/A	**0.00**	1789	0	0	0.0000
ESTIMATED COST FOR SERVICE UNITS **			$8,032,469.00						
			LIABILITY @ 4% =	$313,589.76					
			TOTAL ESTIMATED COST		$8,346,058.76				

	HOURS	MINUTES	PERSONNEL
DEPUTY	65,484	3,929,040	36.6000
DEPUTY, B-1	3,578	214,680	2.0000
LT/SERGEANT	1,789	107,340	1.0000
CSA	0	0	0.0000
CIVILIAN	0	0	0.0000

FAD 575 (REV 4/11)

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT

CONTRACT CITY LAW ENFORCEMENT SERVICES

DEPLOYMENT SURVEY

EFFECTIVE DATE: 7/1/2011 City: LYNWOOD

SERVICE UNIT	TOTAL UNITS PURCHASED	DEPLOYMENT										TOTAL UNITS ASSIGNED
		GENERAL LAW			TRAFFIC LAW			DEP MOTOR	SPECIAL ASSIGN.	D.B.	TEAM LDR	
		EM	DAY	PM	EM	DAY	PM					
DEPUTY, GENERALIST												
40 Hour	0											0
56 Hour	0											0
70 Hour	15	3	3	5	1	1	2					15
Non-Relief	4				1				3			4
Motor	0											0
DEPUTY, BONUS I												
40 Hour	0											0
56 Hour	0											0
70 Hour	0											0
Non-Relief	1								1			1
GROWTH DEPUTY												
Deputy	0											0
Deputy, Dedicated Veh.	0											0
B-1	0											0
B-1, Dedicated Veh.	0											0
GRANT DEPUTY												
Deputy	2								2			2
Deputy, Dedicated Veh	0											0
B-1	1							1				1
B-1, Dedicated Veh.	0											0

*NOTE License Detail is billed on an hourly basis and billed monthly as service is provided.

License Detail processes business license & renewal applications: Yes No

License Detail acts on violations observed within the city: Yes No

REPORT PREPARED BY: Sergeant Joel Barnett DATE: 5/10/2011

APPROVED BY: STATION COMMANDER DATE: 10/24/11

CITY APPROVAL BY: DATE: 10.18.11

CITY OFFICIAL "I certify that I am authorized to make this commitment on behalf of the City"

PROCESSED AT CLEB BY: BARNETT DATE: 10/26/11

	YES	NO
BILLING MEMO REQUIRED:	X	
(PERSONNEL TRANSACTION REQUEST) "PTR" REQUIRED:		X
MINUTE PROGRAM:	X	

SH-AD 575 (REV. 4/11)

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2011-12

LEVEL OF SERVICE			FY 2011-12 COST	
1	-	Captain	$ 269,278	1
2	-	Lieutenant	419,911	1
12	-	Sergeant	2,195,160	1
15	-	Detective/Corporal	2,339,926	1
96	-	Deputy Sheriff	13,648,451	1
9	-	Deputy Sheriff - Motorcycle	1,323,020	1
15	-	Sheriff's Service Specialist	1,003,281	1
1	-	Supv Office Specialist	75,474	1
1	-	Crime Analyst	97,469	1
2	-	Secretary	125,792	1
18	-	Office Specialist	1,132,130	1
2	-	Motor Pool Services Assistant	124,386	1
47	-	Marked Unit	572,836	2
3	-	Crown Vic - Slick Top	35,565	2
33	-	Unmarked Unit	246,741	2
1	-	Crime Prevention Van	4,371	2
8	-	Mid-size SSS Trucks	32,040	2
1	-	Rapid Incident Response Vehicle Suburban (Equip Only)	1,238	3
11	-	Motorcycles, Honda	85,580	2
1	-	Donated Fleet Truck	1,271	3
3	-	Citizen Patrol, 2-Escapes, 1-Saturn View	3,813	3
1	-	MAIT Van, Safari	1,271	3
2	-	Crime Prevention Van, Astro	3,332	3
		Dispatch Services	1,450,068	1
111	-	HTs (Amortized over 7-years)	53,502	
156	-	HTs (Access & Maint Only)	97,344	
10	-	Additional MDCs	27,100	
144	-	Taser Replacement (Amortized over 4-years)	40,896	
		Administrative Support	119,040	
		Office Automation	50,657	
		Vehicle Insurance	114,639	
		Personnel Liability & Bonding	440,763	
		County Administrative Cost	729,702	
		TOTAL COST:	**$ 26,866,047**	1

Monthly Payment Schedule

1st payment due July 15, 2011:	$2,238,840
2nd through 12th payments due the 5th of each month:	$2,238,837

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2011-12

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost.
- Actual on-call cost (on-call pay for safety employees for FY2011-12 is $185 per week).
- Actual cost of vehicle fuel and maintenance.
- Professional services from private vendors and other services, supplies and personnel costs above the contract formula.

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1.00
Lieutenant	-	2.00
Sergeant	-	12.00
Detective/Corporal	-	15.00
Deputy Sheriff	-	96.00
Deputy Sheriff - Motor	-	9.00
		135.00

GENERAL:		
Crime Analyst	-	1.00
Sheriff's Service Specialist	-	15.00
Secretary I	-	2.00
Supv Office Specialist	-	1.00
Office Specialist	-	18.00
Motor Pool Services Asst	-	2.00
Dispatchers	-	17.78
		56.78

VEHICLES:		
Marked Patrol Units	-	50
Unmarked Units Code 3	-	33
Mini Vans	-	5
Pickup Trucks	-	9
Motorcycles	-	11
Citizen Patrol	-	3
Donated Vehicles-Ins Only	-	12 *
		123

DONATED VEHICLES:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Command Post)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
Motorcycle Trailer	-	1 *
Ford Escape Hybrid	-	3 *
		12 *

* (Included for insurance costs only)

PART 200—UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

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AUTHORITY: 31 U.S.C. 503

SOURCE: 78 FR 78608, Dec. 26, 2013, unless otherwise noted.

Subpart A—Acronyms and Definitions

ACRONYMS

§ 200.0 Acronyms.

ACRONYM TERM

CAS Cost Accounting Standards
CFDA Catalog of Federal Domestic Assistance
CFR Code of Federal Regulations
CMIA Cash Management Improvement Act
COG Councils Of Governments
COSO Committee of Sponsoring Organizations of the Treadway Commission
D&B Dun and Bradstreet
DUNS Data Universal Numbering System
EPA Environmental Protection Agency
ERISA Employee Retirement Income Security Act of 1974 (29 U.S.C. 1301–1461)
EUI Energy Usage Index
F&A Facilities and Administration
FAC Federal Audit Clearinghouse
FAIN Federal Award Identification Number
FAPIIS Federal Awardee Performance and Integrity Information System
FAR Federal Acquisition Regulation
FFATA Federal Funding Accountability and Transparency Act of 2006 or Transparency Act—Public Law 109–282, as amended by section 6202(a) of Public Law 110–252 (31 U.S.C. 6101)
FICA Federal Insurance Contributions Act
FOIA Freedom of Information Act
FR Federal Register
FTE Full-time equivalent
GAAP Generally Accepted Accounting Principles
GAGAS Generally Accepted Government Accounting Standards
GAO General Accounting Office
GOCO Government owned, contractor operated
GSA General Services Administration
IBS Institutional Base Salary
IHE Institutions of Higher Education
IRC Internal Revenue Code
ISDEAA Indian Self-Determination and Education and Assistance Act
MTC Modified Total Cost
MTDC Modified Total Direct Cost
OMB Office of Management and Budget
PII Personally Identifiable Information
PRHP Post-retirement Health Plans
PTE Pass-through Entity
REUI Relative Energy Usage Index
SAM System for Award Management
SFA Student Financial Aid
SNAP Supplemental Nutrition Assistance Program

SPOC Single Point of Contact
TANF Temporary Assistance for Needy Families
TFM Treasury Financial Manual
U.S.C. United States Code
VAT Value Added Tax

§ 200.1 Definitions.

These are the definitions for terms used in this part. Different definitions may be found in Federal statutes or regulations that apply more specifically to particular programs or activities. These definitions could be supplemented by additional instructional information provided in governmentwide standard information collections.

§ 200.2 Acquisition cost.

Acquisition cost means the cost of the asset including the cost to ready the asset for its intended use. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Acquisition costs for software includes those development costs capitalized in accordance with generally accepted accounting principles (GAAP). Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in or excluded from the acquisition cost in accordance with the non-Federal entity's regular accounting practices.

§200.3 Advance payment.

Advance payment means a payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before the non-Federal entity disburses the funds for program purposes.

§ 200.4 Allocation.

Allocation means the process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship. The process may entail assigning a cost(s) directly to a final cost objective or through one or more intermediate cost objectives.

§ 200.5 Audit finding.

Audit finding means deficiencies which the auditor is required by § 200.516 Audit findings, paragraph (a) to report in the schedule of findings and questioned costs.

§ 200.6 Auditee.

Auditee means any non-Federal entity that expends Federal awards which must be audited under Subpart F—Audit Requirements of this part.

§ 200.7 Auditor.

Auditor means an auditor who is a public accountant or a Federal, state or local government audit organization, which meets the general standards specified in generally accepted government auditing standards (GAGAS). The term auditor does not include internal auditors of nonprofit organizations.

§ 200.8 Budget.

Budget means the financial plan for the project or program that the Federal awarding agency or pass-through entity approves during the Federal award process or in subsequent amendments to the Federal award. It may include the Federal and non-Federal share or only the Federal share, as determined by the Federal awarding agency or pass-through entity.

§ 200.9 Central service cost allocation plan.

Central service cost allocation plan means the documentation identifying, accumulating, and allocating or developing billing rates based on the allowable costs of services provided by a state, local government, or Indian tribe on a centralized basis to its departments and agencies. The costs of these services may be allocated or billed to users.

§ 200.10 Catalog of Federal Domestic Assistance (CFDA) number.

CFDA number means the number assigned to a Federal program in the CFDA.

§ 200.11 CFDA program title.

CFDA program title means the title of the program under which the Federal award was funded in the CFDA.

§ 200.12 Capital assets.

Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

(a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and

(b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

§ 200.13 Capital expenditures.

Capital expenditures means expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

§ 200.14 Claim.

Claim means, depending on the context, either:

(a) A written demand or written assertion by one of the parties to a Federal award seeking as a matter of right:

(1) The payment of money in a sum certain;

(2) The adjustment or interpretation of the terms and conditions of the Federal award; or

(3) Other relief arising under or relating to a Federal award.

(b) A request for payment that is not in dispute when submitted.

§ 200.15 Class of Federal awards.

Class of Federal awards means a group of Federal awards either awarded under a specific program or group of programs or to a specific type of non-Federal entity or group of non-Federal entities to which specific provisions or exceptions may apply.

§ 200.16 Closeout.

Closeout means the process by which the Federal awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the Federal award have been completed and takes actions as described in § 200.343 Closeout.

§ 200.17 Cluster of programs.

Cluster of programs means a grouping of closely related programs that share common compliance requirements. The types of clusters of programs are research and development (R&D), student financial aid (SFA), and other clusters. ''Other clusters'' are as defined by OMB in the compliance supplement or as designated by a state for Federal awards the state provides to its subrecipients that meet the definition of a cluster of programs. When designating an ''other cluster,'' a state must identify the Federal awards included in the cluster and advise the subrecipients of compliance requirements applicable to the cluster, consistent with § 200.331 Requirements for pass-through entities, paragraph (a). A cluster of programs must be considered as one program for determining major programs, as described in § 200.518 Major program determination, and, with the exception of R&D as described in § 200.501 Audit requirements, paragraph (c), whether a program-specific audit may be elected.

§ 200.18 Cognizant agency for audit.

Cognizant agency for audit means the Federal agency designated to carry out the responsibilities described in § 200.513 Responsibilities, paragraph (a). The cognizant agency for audit is not necessarily the same as the cognizant agency for indirect costs. A list of cognizant agencies for audit may be found at the FAC Web site.

§ 200.19 Cognizant agency for indirect costs.

Cognizant agency for indirect costs means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this part on behalf of all Federal agencies.

The cognizant agency for indirect cost is not necessarily the same as the cognizant agency for audit. For assignments of cognizant agencies see the following:

(a) For IHEs: Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph C.10.

(b) For nonprofit organizations: Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations, paragraph C.1.

(c) For state and local governments: Appendix V to Part 200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans, paragraph F.1.

§ 200.20 Computing devices.

Computing devices means machines used to acquire, store, analyze, process, and publish data and other information electronically, including accessories (or ''peripherals'') for printing, transmitting and receiving, or storing electronic information. See also §§ 200.94 Supplies and 200.58 Information technology systems.

§ 200.21 Compliance supplement.

Compliance supplement means Appendix XI to Part 200—Compliance Supplement (previously known as the Circular A–133 Compliance Supplement).

§ 200.22 Contract.

Contract means a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward (see § 200.92 Subaward).

§ 200.23 Contractor.

Contractor means an entity that receives a contract as defined in § 200.22 Contract.

§ 200.24 Cooperative agreement.

Cooperative agreement means a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that, consistent with 31 U.S.C. 6302–6305:

(a) Is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the Federal government or pass-through entity's direct benefit or use;

(b) Is distinguished from a grant in that it provides for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award.

(c) The term does not include:

(1) A cooperative research and development agreement as defined in 15 U.S.C. 3710a; or

(2) An agreement that provides only:

(i) Direct United States Government cash assistance to an individual;

(ii) A subsidy;

(iii) A loan;

(iv) A loan guarantee; or

(v) Insurance.

§ 200.25 Cooperative audit resolution.

Cooperative audit resolution means the use of audit follow-up techniques which promote prompt corrective action by improving communication, fostering collaboration, promoting trust, and developing an understanding between the Federal agency and the non-Federal entity. This approach is based upon:

(a) A strong commitment by Federal agency and non-Federal entity leadership to program integrity;

(b) Federal agencies strengthening partnerships and working cooperatively with non-Federal entities and their auditors; and non-Federal entities and their auditors working cooperatively with Federal agencies;

(c) A focus on current conditions and corrective action going forward;

(d) Federal agencies offering appropriate relief for past noncompliance when audits show prompt corrective action has occurred; and

(e) Federal agency leadership sending a clear message that continued failure to correct conditions identified by audits which are likely to cause improper payments, fraud, waste, or abuse is unacceptable and will result in sanctions.

§ 200.26 Corrective action.

Corrective action means action taken by the auditee that:

(a) Corrects identified deficiencies;

(b) Produces recommended improvements; or

(c) Demonstrates that audit findings are either invalid or do not warrant auditee action.

§ 200.27 Cost allocation plan.

Cost allocation plan means central service cost allocation plan or public assistance cost allocation plan.

§ 200.28 Cost objective.

Cost objective means a program, function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, products, jobs, capital projects, etc. A cost objective may be a major function of the non-Federal entity, a particular service or project, a Federal award, or an indirect (Facilities & Administrative (F&A)) cost activity, as described in Subpart E—Cost Principles of this Part. See also §§ 200.44 Final cost objective and 200.60 Intermediate cost objective.

§ 200.29 Cost sharing or matching.

Cost sharing or matching means the portion of project costs not paid by Federal funds (unless otherwise authorized by Federal statute). See also § 200.306 Cost sharing or matching.

§ 200.30 Cross-cutting audit finding.

Cross-cutting audit finding means an audit finding where the same underlying condition or issue affects Federal awards of more than one Federal awarding agency or pass-through entity.

§ 200.31 Disallowed costs.

Disallowed costs means those charges to a Federal award that the Federal awarding agency or pass-through entity determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award.

§ 200.32 Data Universal Numbering System (DUNS) number.

DUNS number means the nine-digit number established and assigned by Dun and Bradstreet, Inc. (D&B) to uniquely identify entities. A non-Federal entity is required to have a DUNS number in order to apply for, receive, and report on a Federal award. A DUNS number may be obtained from D&B by telephone (currently 866–705–5711) or the Internet (currently at *http://fedgov.dnb.com/webform)*.

§ 200.33 Equipment.

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000. See also §§ 200.12 Capital assets, 200.20 Computing devices, 200.48 General purpose equipment, 200.58 Information technology systems, 200.89 Special purpose equipment, and 200.94 Supplies.

§ 200.34 Expenditures.

Expenditures means charges made by a non-Federal entity to a project or program for which a Federal award was received.

(a) The charges may be reported on a cash or accrual basis, as long as the methodology is disclosed and is consistently applied.

(b) For reports prepared on a cash basis, expenditures are the sum of:

(1) Cash disbursements for direct charges for property and services;

(2) The amount of indirect expense charged;

(3) The value of third-party in-kind contributions applied; and

(4) The amount of cash advance payments and payments made to subrecipients.

(c) For reports prepared on an accrual basis, expenditures are the sum of:

(1) Cash disbursements for direct charges for property and services;

(2) The amount of indirect expense incurred;

(3) The value of third-party in-kind contributions applied; and

(4) The net increase or decrease in the amounts owed by the non-Federal entity for:

(i) Goods and other property received;

(ii) Services performed by employees, contractors, subrecipients, and other payees; and

(iii) Programs for which no current services or performance are required such as annuities, insurance claims, or other benefit payments.

§ 200.35 Federal agency.

Federal agency means an ''agency'' as defined at 5 U.S.C. 551(1) and further clarified by 5 U.S.C. 552(f).

§ 200.36 Federal Audit Clearinghouse (FAC).

FAC means the clearinghouse designated by OMB as the repository of record where non-Federal entities are required to transmit the reporting packages required by Subpart F—Audit Requirements of this part. The mailing address of the FAC is Federal Audit Clearinghouse, Bureau of the Census, 1201 E. 10th Street, Jeffersonville, IN 47132 and the web address is: *http://harvester.census.gov/sac/*. Any future updates to the location of the FAC may be found at the OMB Web site.

§ 200.37 Federal awarding agency.

Federal awarding agency means the Federal agency that provides a Federal award directly to a non-Federal entity.

§ 200.38 Federal award.

Federal award has the meaning, depending on the context, in either paragraph (a) or (b) of this section:

(a)(1) The Federal financial assistance that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity, as described in § 200.101 Applicability; or

(2) The cost-reimbursement contract under the Federal Acquisition Regulations that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity, as described in § 200.101 Applicability.

(b) The instrument setting forth the terms and conditions. The instrument is the grant agreement, cooperative agreement, other agreement for assistance covered in paragraph (b) of § 200.40 Federal financial assistance, or the cost-reimbursement contract awarded under the Federal Acquisition Regulations.

(c) Federal award does not include other contracts that a Federal agency uses to buy goods or services from a contractor or a contract to operate Federal government owned, contractor operated facilities (GOCOs).

(d) See also definitions of Federal financial assistance, grant agreement, and cooperative agreement.

§ 200.39 Federal award date.

Federal award date means the date when the Federal award is signed by the authorized official of the Federal awarding agency.

§ 200.40 Federal financial assistance.

(a) For grants and cooperative agreements, *Federal financial assistance* means assistance that non-Federal entities receive or administer in the form of:

(1) Grants;

(2) Cooperative agreements;

(3) Non-cash contributions or donations of property (including donated surplus property);

(4) Direct appropriations;

(5) Food commodities; and

(6) Other financial assistance (except assistance listed in paragraph (b) of this section).

(b) For Subpart F—Audit Requirements of this part, *Federal financial assistance* also includes assistance that non-Federal entities receive or administer in the form of:

(1) Loans;

(2) Loan Guarantees;

(3) Interest subsidies; and

(4) Insurance.

(c) *Federal financial assistance* does not include amounts received as reimbursement for services rendered to individuals as described in § 200.502 Basis for determining Federal awards *expended*, paragraph (h) and (i) of this part.

§ 200.41 Federal interest.

Federal interest means, for purposes of § 200.329 Reporting on real property or when used in connection with the acquisition or improvement of real property, equipment, or supplies under a Federal award, the dollar amount that is the product of the:

(a) Federal share of total project costs; and

(b) Current fair market value of the property, improvements, or both, to the extent the costs of acquiring or improving the property were included as project costs.

§ 200.42 Federal program.

Federal program means:

(a) All Federal awards which are assigned a single number in the CFDA.

(b) When no CFDA number is assigned, all Federal awards to non-Federal entities from the same agency made for the same purpose should be combined and considered one program.

(c) Notwithstanding paragraphs (a) and (b) of this definition, a cluster of programs. The types of clusters of programs are:

(1) Research and development (R&D);

(2) Student financial aid (SFA); and

(3) ''Other clusters,'' as described in the definition of Cluster of Programs.

§ 200.43 Federal share.

Federal share means the portion of the total project costs that are paid by Federal funds.

§ 200.44 Final cost objective.

Final cost objective means a cost objective which has allocated to it both direct and indirect costs and, in the non-Federal entity's accumulation system, is one of the final accumulation points, such as a particular award, internal project, or other direct activity of a non-Federal entity. See also §§ 200.28 Cost objective and 200.60 Intermediate cost objective.

§ 200.45 Fixed amount awards.

Fixed amount awards means a type of grant agreement under which the Federal awarding agency or pass-through entity provides a specific level of support without regard to actual costs incurred under the Federal award. This type of Federal award reduces some of the administrative burden and recordkeeping requirements for both the non-Federal entity and Federal awarding agency or pass-through entity. Accountability is based primarily on performance and results. See §§ 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b) and 200.332 Fixed amount subawards.

§ 200.46 Foreign public entity.

Foreign public entity means:

(a) A foreign government or foreign governmental entity;

(b) A public international organization, which is an organization entitled to enjoy privileges, exemptions, and immunities as an international organization under the International Organizations Immunities Act (22 U.S.C. 288–288f);

(c) An entity owned (in whole or in part) or controlled by a foreign government; or

(d) Any other entity consisting wholly or partially of one or more foreign governments or foreign governmental entities.

§ 200.47 Foreign organization.

Foreign organization means an entity that is:

(a) A public or private organization located in a country other than the United States and its territories that are subject to the laws of the country in which it is located, irrespective of the citizenship of project staff or place of performance;

(b) A private nongovernmental organization located in a country other than the United States that solicits and receives cash contributions from the general public;

(c) A charitable organization located in a country other than the United States that is nonprofit and tax exempt under the laws of its country of domicile and operation, and is not a university, college, accredited degree-granting institution of education, private foundation, hospital, organization engaged exclusively in research or scientific activities, church, synagogue, mosque or other similar entities organized primarily for religious purposes; or

(d) An organization located in a country other than the United States not recognized as a Foreign Public Entity.

§ 200.48 General purpose equipment.

General purpose equipment means equipment which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles. See also Equipment and Special Purpose Equipment.

§ 200.49 Generally Accepted Accounting Principles (GAAP).

GAAP has the meaning specified in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

§ 200.50 Generally Accepted Government Auditing Standards (GAGAS).

GAGAS means generally accepted government auditing standards issued by the Comptroller General of the United States, which are applicable to financial audits.

§ 200.51 Grant agreement.

Grant agreement means a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity that, consistent with 31 U.S.C. 6302, 6304:

(a) Is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the non-Federal entity to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the Federal awarding agency or pass-through entity's direct benefit or use;

(b) Is distinguished from a cooperative agreement in that it does not provide for substantial involvement between the Federal awarding agency or pass-through entity and the non-Federal entity in carrying out the activity contemplated by the Federal award.

(c) Does not include an agreement that provides only:

(1) Direct United States Government cash assistance to an individual;

(2) A subsidy;

(3) A loan;

(4) A loan guarantee; or

(5) Insurance.

§ 200.52 Hospital.

Hospital means a facility licensed as a hospital under the law of any state or a facility operated as a hospital by the United States, a state, or a subdivision of a state.

§ 200.53 Improper payment.

(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.

§ 200.54 Indian tribe (or "federally recognized Indian tribe").

Indian tribe means any Indian tribe, band, nation, or other organized group or community, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. Chapter 33), which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians (25 U.S.C. 450b(e)). See annually published Bureau of Indian Affairs list of Indian Entities Recognized and Eligible to Receive Services.

§ 200.55 Institutions of Higher Education (IHEs).

IHE is defined at 20 U.S.C. 1001.

§ 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 on bases that will produce an equitable result in consideration of relative benefits derived.

§ 200.57 Indirect cost rate proposal.

Indirect cost rate proposal means the documentation prepared by a non-Federal entity to substantiate its request for the establishment of an indirect cost rate as described in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs) through Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals of this part.

§ 200.58 Information technology systems.

Information technology systems means computing devices, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources. See also §§ 200.20 Computing devices and 200.33 Equipment.

§ 200.59 Intangible property.

Intangible property means property having no physical existence, such as trademarks, copyrights, patents and patent applications and property, such as loans, notes and other debt instruments, lease agreements, stock and other instruments of property ownership (whether the property is tangible or intangible).

§ 200.60 Intermediate cost objective.

Intermediate cost objective means a cost objective that is used to accumulate indirect costs or service center costs that are subsequently allocated to one or more indirect cost pools or final cost objectives. See also § 200.28 Cost objective and § 200.44 Final cost objective.

§ 200.61 Internal controls.

Internal controls means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

(a) Effectiveness and efficiency of operations;

(b) Reliability of reporting for internal and external use; and

(c) Compliance with applicable laws and regulations.

§ 200.62 Internal control over compliance requirements for Federal awards.

Internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

(a) Transactions are properly recorded and accounted for, in order to:

(1) Permit the preparation of reliable financial statements and Federal reports;

(2) Maintain accountability over assets; and

(3) Demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;

(b) Transactions are executed in compliance with:

(1) Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and

(2) Any other Federal statutes and regulations that are identified in the Compliance Supplement; and

(c) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

§ 200.63 Loan.

Loan means a Federal loan or loan guarantee received or administered by a non-Federal entity, except as used in the definition of § 200.80 Program income.

(a) The term ''direct loan'' means a disbursement of funds by the Federal government to a non-Federal borrower under a contract that requires the repayment of such funds with or without interest. The term includes the purchase of, or participation in, a loan made by another lender and financing arrangements that defer payment for more than 90 days, including the sale of a Federal government asset on credit terms. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation.

(b) The term ''direct loan obligation'' means a binding agreement by a Federal awarding agency to make a direct loan when specified conditions are fulfilled by the borrower.

(c) The term ''loan guarantee'' means any Federal government guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a non-Federal borrower to a non-Federal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions.

(d) The term ''loan guarantee commitment'' means a binding agreement by a Federal awarding agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement.

§ 200.64 Local government.

Local government means any unit of government within a state, including a:

(a) County;

(b) Borough;

(c) Municipality;

(d) City;

(e) Town;

(f) Township;

(g) Parish;

(h) Local public authority, including any public housing agency under the United States Housing Act of 1937;

(i) Special district;

(j) School district;

(k) Intrastate district;

(l) Council of governments, whether or not incorporated as a nonprofit corporation under state law; and

(m) Any other agency or instrumentality of a multi-, regional, or intrastate or local government.

§ 200.65 Major program.

Major program means a Federal program determined by the auditor to be a major program in accordance with § 200.518 Major program determination or a program identified as a major program by a Federal awarding agency or pass-through entity in accordance with § 200.503 Relation to other audit requirements, paragraph (e).

§ 200.66 Management decision.

Management decision means the evaluation by the Federal awarding agency or pass-through entity of the audit findings and corrective action plan and the issuance of a written decision to the auditee as to what corrective action is necessary.

§ 200.67 Micro-purchase.

Micro-purchase means a purchase of supplies or services using simplified acquisition procedures, the aggregate amount of which does not exceed the micro-purchase threshold. Micro-purchase procedures comprise a subset of a non-Federal entity's small purchase procedures. The non-Federal entity uses such procedures in order to expedite the completion of its lowest-dollar small purchase transactions and minimize the associated administrative burden and cost. The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions). It is $3,000 except as otherwise discussed in Subpart 2.1 of that regulation, but this threshold is periodically adjusted for inflation.

§ 200.68 Modified Total Direct Cost (MTDC).

MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and subawards and subcontracts up to the first $25,000 of each subaward or subcontract (regardless of the period of performance of the subawards and subcontracts under the award). MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support

costs and the portion of each subaward and subcontract in excess of $25,000. Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs.

§ 200.69 Non-Federal entity.

Non-Federal entity means a state, local government, Indian tribe, institution of higher education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient.

§ 200.70 Nonprofit organization.

Nonprofit organization means any corporation, trust, association, cooperative, or other organization, not including IHEs, that:

(a) Is operated primarily for scientific, educational, service, charitable, or similar purposes in the public interest;

(b) Is not organized primarily for profit; and

(c) Uses net proceeds to maintain, improve, or expand the operations of the organization.

§ 200.71 Obligations.

When used in connection with a non-Federal entity's utilization of funds under a Federal award, *obligations* means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.

§ 200.72 Office of Management and Budget (OMB).

OMB means the Executive Office of the President, Office of Management and Budget.

§ 200.73 Oversight agency for audit.

Oversight agency for audit means the Federal awarding agency that provides the predominant amount of funding directly to a non-Federal entity not assigned a cognizant agency for audit. When there is no direct funding, the Federal awarding agency which is the predominant source of pass-through funding must assume the oversight responsibilities. The duties of the oversight agency for audit and the process for any reassignments are described in § 200.513 Responsibilities, paragraph (b).

§ 200.74 Pass-through entity.

Pass-through entity means a non-Federal entity that provides a subaward to a subrecipient to carry out part of a Federal program.

§ 200.75 Participant support costs.

Participant support costs means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

§ 200.76 Performance goal.

Performance goal means a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. In some instances (e.g., discretionary research awards), this may be limited to the requirement to submit technical performance reports (to be evaluated in accordance with agency policy).

§ 200.77 Period of performance.

Period of performance means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§ 200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv)).

§ 200.78 Personal property.

Personal property means property other than real property. It may be tangible, having physical existence, or intangible.

§ 200.79 Personally Identifiable Information (PII).

PII means information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or

linkable to a specific individual. Some information that is considered to be PII is available in public sources such as telephone books, public Web sites, and university listings. This type of information is considered to be Public PII and includes, for example, first and last name, address, work telephone number, email address, home telephone number, and general educational credentials. The definition of PII is not anchored to any single category of information or technology. Rather, it requires a case-by-case assessment of the specific risk that an individual can be identified. Non-PII can become PII whenever additional information is made publicly available, in any medium and from any source, that, when combined with other available information, could be used to identify an individual.

§ 200.80 Program income.

Program income means gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. (See § 200.77 Period of performance.) Program income includes but is not limited to income from fees for services performed, the use or rental or real or personal property acquired under Federal awards, the sale of commodities or items fabricated under a Federal award, license fees and royalties on patents and copyrights, and principal and interest on loans made with Federal award funds. Interest earned on advances of Federal funds is not program income. Except as otherwise provided in Federal statutes, regulations, or the terms and conditions of the Federal award, program income does not include rebates, credits, discounts, and interest earned on any of them. See also § 200.407 Prior written approval (prior approval). See also 35 U.S.C. 200–212 ''Disposition of Rights in Educational Awards'' applies to inventions made under Federal awards.

§ 200.81 Property.

Property means real property or personal property.

§ 200.82 Protected Personally Identifiable Information (Protected PII).

Protected PII means an individual's first name or first initial and last name in combination with any one or more of types of information, including, but not limited to, social security number, passport number, credit card numbers, clearances, bank numbers, biometrics, date and place of birth, mother's maiden name, criminal, medical and financial records, educational transcripts. This does not include PII that is required by law to be disclosed. (See also § 200.79 Personally Identifiable Information (PII)).

§ 200.83 Project cost.

Project cost means total allowable costs incurred under a Federal award and all required cost sharing and voluntary committed cost sharing, including third-party contributions.

§ 200.84 Questioned cost.

Questioned cost means a cost that is questioned by the auditor because of an audit finding:

(a) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;

(b) Where the costs, at the time of the audit, are not supported by adequate documentation; or

(c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

§ 200.85 Real property.

Real property means land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment.

§ 200.86 Recipient.

Recipient means a non-Federal entity that receives a Federal award directly from a Federal awarding agency to carry out an activity under a Federal program. The term recipient does not include subrecipients. See also § 200.69 Non-Federal entity.

§ 200.87 Research and Development (R&D).

R&D means all research activities, both basic and applied, and all development activities that are performed by non-Federal entities. The term research also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

''Research'' is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. ''Development'' is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

§ 200.88 Simplified acquisition threshold.

Simplified acquisition threshold means the dollar amount below which a non-Federal entity may purchase property or services using small purchase methods. Non-Federal entities adopt small purchase procedures in order to expedite the purchase of items costing less than the simplified acquisition threshold. The simplified acquisition threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and in accordance with 41 U.S.C. 1908. As of the publication of this part, the simplified acquisition threshold is $150,000, but this threshold is periodically adjusted for inflation. (Also see definition of § 200.67 Micro-purchase.)

§ 200.89 Special purpose equipment.

Special purpose equipment means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers. See also §§ 200.33 Equipment and 200.48 General purpose equipment.

§ 200.90 State.

State means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and any agency or instrumentality thereof exclusive of local governments.

§ 200.91 Student Financial Aid (SFA).

SFA means Federal awards under those programs of general student assistance, such as those authorized by Title IV of the Higher Education Act of 1965, as amended, (20 U.S.C. 1070–1099d), which are administered by the U.S. Department of Education, and similar programs provided by other Federal agencies. It does not include Federal awards under programs that provide fellowships or similar Federal awards to students on a competitive basis, or for specified studies or research.

§ 200.92 Subaward.

Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

§ 200.93 Subrecipient.

Subrecipient means a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. A subrecipient may also be a recipient of other Federal awards directly from a Federal awarding agency.

§ 200.94 Supplies.

Supplies means all tangible personal property other than those described in § 200.33 Equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or $5,000, regardless of the length of its useful life. See also §§ 200.20 Computing devices and 200.33 Equipment.

§ 200.95 Termination.

Termination means the ending of a Federal award, in whole or in part at any time prior to the planned end of period of performance.

§ 200.96 Third-party in-kind contributions.

Third-party in-kind contributions means the value of non-cash contributions (i.e., property or services) that—

(a) Benefit a federally assisted project or program; and

(b) Are contributed by non-Federal third parties, without charge, to a non-Federal entity under a Federal award.

§ 200.97 Unliquidated obligations.

Unliquidated obligations means, for financial reports prepared on a cash basis, obligations incurred by the non-Federal entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are obligations incurred by the non-Federal entity for which an expenditure has not been recorded.

§ 200.98 Unobligated balance.

Unobligated balance means the amount of funds under a Federal award that the non-Federal entity has not obligated. The amount is computed by subtracting the cumulative amount of the non-Federal entity's unliquidated obligations and expenditures of funds under the Federal award from the cumulative amount of the funds that the Federal awarding agency or pass-through entity authorized the non-Federal entity to obligate.

§ 200.99 Voluntary committed cost sharing.

Voluntary committed cost sharing means cost sharing specifically pledged on a voluntary basis in the proposal's budget or the Federal award on the part of the non-Federal entity and that becomes a binding requirement of Federal award.

Subpart B—General Provisions

§ 200.100 Purpose.

(a)(1) This part establishes uniform administrative requirements, cost principles, and audit requirements for Federal awards to non-Federal entities, as described in § 200.101 Applicability. Federal awarding agencies must not impose additional or inconsistent requirements, except as provided in §§ 200.102 Exceptions and 200.210 Information contained in a Federal award, or unless specifically required by Federal statute, regulation, or Executive Order.

(2) This part provides the basis for a systematic and periodic collection and uniform submission by Federal agencies of information on all Federal financial assistance programs to the Office of Management and Budget (OMB). It also establishes Federal policies related to the delivery of this information to the public, including through the use of electronic media. It prescribes the manner in which General Services Administration (GSA), OMB, and Federal agencies that administer Federal financial assistance programs are to carry out their statutory responsibilities under the Federal Program Information Act (31 U.S.C. 6101–6106).

(b) Administrative requirements. Subparts B through D of this part set forth the uniform administrative requirements for grant and cooperative agreements, including the requirements for Federal awarding agency management of Federal grant programs before the Federal award has been made, and the requirements Federal awarding agencies may impose on non-Federal entities in the Federal award.

(c) Cost Principles. Subpart E—Cost Principles of this part establishes principles for determining the allowable costs incurred by non-Federal entities under Federal awards. The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal government participation in the financing of a particular program or project. The principles are designed to provide that Federal awards bear their fair share of cost recognized under these principles except where restricted or prohibited by statute.

(d) Single Audit Requirements and Audit Follow-up. Subpart F—Audit Requirements of this part is issued pursuant to the Single Audit Act Amendments of 1996, (31 U.S.C. 7501–7507). It

sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards. These provisions also provide the policies and procedures for Federal awarding agencies and pass-through entities when using the results of these audits.

(e) For OMB guidance to Federal awarding agencies on Challenges and Prizes, please see M–10–11 Guidance on the Use of Challenges and Prizes to Promote Open Government, issued March 8, 2010, or its successor.

§ 200.101 Applicability.

(a) *General applicability to Federal agencies.* The requirements established in this part apply to Federal agencies that make Federal awards to non-Federal entities. These requirements are applicable to all costs related to Federal awards.

(b)(1) *Applicability to different types of Federal awards.* The following table describes what portions of this part apply to which types of Federal awards. The terms and conditions of Federal awards (including this part) flow down to subawards to subrecipients unless a particular section of this part or the terms and conditions of the Federal award specifically indicate otherwise. This means that non-Federal entities must comply with requirements in this part regardless of whether the non-Federal entity is a recipient or subrecipient of a Federal award. Pass-through entities must comply with the requirements described in Subpart D—Post Federal Award Requirements of this part, §§ 200.330 Subrecipient and contractor determinations through 200.332 Fixed amount Subawards, but not any requirements in this part directed towards Federal awarding agencies unless the requirements of this part or the terms and conditions of the Federal award indicate otherwise.

The following portions of the part:	Are applicable to the following types of Federal Awards (except as noted in paragraphs (d) and (e) of this section):	Are NOT applicable to the following types of Federal Awards:
This table must be read along with the other provisions of this section		
Authority: 31 U.S.C. 503		
Subpart A—Acronyms and Definitions	—All.	
Subpart B—General Provisions, except for §§ 200.111 English *language,* § 200.112 Conflict of *interest,* § 200.113 Mandatory *disclosures*	—All.	
§ 200.111 English *language,* § 200.112 Conflict of *interest,* and § 200.113 Mandatory *disclosures*	—Grant agreements and cooperative agreements	—Agreements for: loans, loan guarantees, interest subsidies, and insurance. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts.
Subparts C–D, except for Subrecipient Monitoring and Management	—Grant agreements and cooperative agreements	—Agreements for: loans, loan guarantees, interest subsidies, and insurance. —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts.
Subpart D—Post Federal Award Requirements, Subrecipient Monitoring and Management	—All.	
Subpart E—Cost Principles	—Grant agreements and cooperative agreements, except those providing food commodities —Cost-reimbursement contracts awarded under the Federal Acquisition Regulations and cost-reimbursement subcontracts under these contracts in accordance with the FAR	—Grant agreements and cooperative agreements providing food commodities. —Fixed amount awards. —Agreements for: loans, loan guarantees, interest subsidies, insurance. —Federal awards to hospitals (see Appendix IX to Part 200—Hospital Cost Principles).
Subpart F—Audit Requirements	—All.	

(2) *Federal award of cost-reimbursement contract under the FAR to a non-Federal entity*. When a non-Federal entity is awarded a cost-reimbursement contract, only Subpart D—Post Federal Award Requirements of this part, §§ 200.330 Subrecipient and contractor determinations through 200.332 Fixed amount Subawards (in addition to any FAR related requirements for subaward monitoring), Subpart E—Cost Principles of this part and Subpart F—Audit Requirements of this part are incorporated by reference into the contract. However, when the Cost Accounting Standards (CAS) are applicable to the contract, they take precedence over the requirements of this part except for Subpart F—Audit Requirements of this part when they are in conflict. In addition, costs that are made unallowable under 10 U.S.C. 2324(e) and 41 U.S.C. 4304(a) as described in the FAR subpart 31.2 and subpart 31.603 are always unallowable. For requirements other than those covered in Subpart D—Post Federal Award Requirements of this part, §§ 200.330 Subrecipient and contractor determinations through 200.332 Fixed amount Subawards, Subpart E—Cost Principles of this part and Subpart F—Audit Requirements of this part, the terms of the contract and the FAR apply.

(3) With the exception of Subpart F—Audit Requirements of this part, which is required by the Single Audit Act, in any circumstances where the provisions of Federal statutes or regulations differ from the provisions of this part, the provision of the Federal statutes or regulations govern. This includes, for agreements with Indian tribes, the provisions of the Indian Self-Determination and Education and Assistance Act (ISDEAA), as amended, 25 U.S.C 450–458ddd–2.

(c) Federal agencies may apply subparts A through E of this part to for-profit entities, foreign public entities, or foreign organizations, except where the Federal awarding agency determines that the application these subparts would be inconsistent with the international obligations of the United States or the statute or regulations of a foreign government.

(d) Except for § 200.202 Requirement to provide public notice of Federal financial assistance programs and §§ 200.330 Subrecipient and contractor determinations through 200.332 Fixed amount Subawards of Subpart D—Post Federal Award Requirements of this part, the requirements in Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards, Subpart D—Post Federal Award Requirements of this part, and Subpart E—Cost Principles of this part do not apply to the following programs:

(1) The block grant awards authorized by the Omnibus Budget Reconciliation Act of 1981 (including Community Services; Preventive Health and Health Services; Alcohol, Drug Abuse, and Mental Health Services; Maternal and Child Health Services; Social Services; Low-Income Home Energy Assistance; States' Program of Community Development Block Grant Awards for Small Cities; and Elementary and Secondary Education other than programs administered by the Secretary of Education under title V, subtitle D, chapter 2, section 583—the Secretary's discretionary award program) and both the Alcohol and Drug Abuse Treatment and Rehabilitation Block Grant Award (42 U.S.C. 300x–21 to 300x–35 and 42 U.S.C. 300x–51 to 300x64) and the Mental Health Service for the Homeless Block Grant Award (42 U.S.C. 300x to 300x–9) under the Public Health Services Act.

(2) Federal awards to local education agencies under 20 U.S.C. 7702–7703b, (portions of the Impact Aid program);

(3) Payments under the Department of Veterans Affairs' State Home Per Diem Program (38 U.S.C. 1741); and

(4) Federal awards authorized under the Child Care and Development Block Grant Act of 1990, as amended:

(i) Child Care and Development Block Grant (42 U.S.C. 9858)

(ii) Child Care Mandatory and Matching Funds of the Child Care and Development Fund (42 U.S.C. 9858)

(e) Except for § 200.202 Requirement to provide public notice of Federal financial assistance programs the guidance in Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards of this part does not apply to the following programs:

(1) Entitlement Federal awards to carry out the following programs of the Social Security Act:

(i) Temporary Assistance to Needy Families (title IV–A of the Social Security Act, 42 U.S.C. 601–619);

(ii) Child Support Enforcement and Establishment of Paternity (title IV–D of the Social Security Act, 42 U.S.C. 651–669b);

(iii) Foster Care and Adoption Assistance (title IV–E of the Act, 42 U.S.C. 670–679c);

(iv) Aid to the Aged, Blind, and Disabled (titles I, X, XIV, and XVI–AABD of the Act, as amended); and

(v) Medical Assistance (Medicaid) (title XIX of the Act, 42 U.S.C. 1396–1396w–5) not including the State Medicaid Fraud Control program authorized by section 1903(a)(6)(B) of the Social Security Act (42 U.S.C. 1396b(a)(6)(B)).

(2) A Federal award for an experimental, pilot, or demonstration project that is also supported by a Federal award listed in paragraph (e)(1) of this section;

(3) Federal awards under subsection 412(e) of the Immigration and Nationality Act and subsection 501(a) of the Refugee Education Assistance Act of 1980 (Pub. L. 96–422, 94 Stat. 1809), for cash assistance, medical assistance, and supplemental security income benefits to refugees and entrants and the administrative costs of providing the assistance and benefits (8 U.S.C. 1522(e));

(4) Entitlement awards under the following programs of The National School Lunch Act:

(i) National School Lunch Program (section 4 of the Act, 42 U.S.C. 1753),

(ii) Commodity Assistance (section 6 of the Act, 42 U.S.C. 1755),

(iii) Special Meal Assistance (section 11 of the Act, 42 U.S.C. 1759a),

(iv) Summer Food Service Program for Children (section 13 of the Act, 42 U.S.C. 1761), and

(v) Child and Adult Care Food Program (section 17 of the Act, 42 U.S.C. 1766).

(5) Entitlement awards under the following programs of The Child Nutrition Act of 1966:

(i) Special Milk Program (section 3 of the Act, 42 U.S.C. 1772),

(ii) School Breakfast Program (section 4 of the Act, 42 U.S.C. 1773), and

(iii) State Administrative Expenses (section 7 of the Act, 42 U.S.C. section 1776).

(6) Entitlement awards for State Administrative Expenses under The Food and Nutrition Act of 2008 (section 16 of the Act, 7 U.S.C. 2025).

(7) Non-discretionary Federal awards under the following non-entitlement programs:

(i) Special Supplemental Nutrition Program for Women, Infants and Children (section 17 of the Child Nutrition Act of 1966) 42 U.S.C. section 1786;

(ii) The Emergency Food Assistance Programs (Emergency Food Assistance Act of 1983) 7 U.S.C. section 7501 note; and

(iii) Commodity Supplemental Food Program (section 5 of the Agriculture and Consumer Protection Act of 1973) 7 U.S.C. section 612c note.

§ 200.102 Exceptions.

(a) With the exception of Subpart F—Audit Requirements of this part, OMB may allow exceptions for classes of Federal awards or non-Federal entities subject to the requirements of this part when exceptions are not prohibited by statute. However, in the interest of maximum uniformity, exceptions from the requirements of this part will be permitted only in unusual circumstances. Exceptions for classes of Federal awards or non-Federal entities will be published on the OMB Web site at *www.whitehouse.gov/omb*.

(b) Exceptions on a case-by-case basis for individual non-Federal entities may be authorized by the Federal awarding agency or cognizant agency for indirect costs except where otherwise required by law or where OMB or other approval is expressly required by this part. No case-by-case exceptions may be granted to the provisions of Subpart F—Audit Requirements of this part.

(c) The Federal awarding agency may apply more restrictive requirements to a class of Federal awards or non-Federal entities when approved by OMB, required by Federal statutes or regulations except for the requirements in Subpart F—Audit Requirements of this part. A Federal awarding agency may apply less restrictive requirements when making fixed amount awards as defined in Subpart A—Acronyms and

Definitions of this part, except for those requirements imposed by statute or in Subpart F—Audit Requirements of this part.

(d) On a case-by-case basis, OMB will approve new strategies for Federal awards when proposed by the Federal awarding agency in accordance with OMB guidance (such as M–13–17) to develop additional evidence relevant to addressing important policy challenges or to promote cost-effectiveness in and across Federal programs. Proposals may draw on the innovative program designs discussed in M–13–17 to expand or improve the use of effective practices in delivering Federal financial assistance while also encouraging innovation in service delivery. Proposals submitted to OMB in accordance with M–13–17 may include requests to waive requirements other than those in Subpart F—Audit Requirements of this part.

§ 200.103 Authorities.

This part is issued under the following authorities.

(a) Subpart B—General Provisions of this part through Subpart D—Post Federal Award Requirements of this part are authorized under 31 U.S.C. 503 (the Chief Financial Officers Act, Functions of the Deputy Director for Management), 31 U.S.C. 1111 (Improving Economy and Efficiency of the United States Government), 41 U.S.C. 1101–1131 (the Office of Federal Procurement Policy Act), Reorganization Plan No. 2 of 1970, and Executive Order 11541 (''Prescribing the Duties of the Office of Management and Budget and the Domestic Policy Council in the Executive Office of the President''), the Single Audit Act Amendments of 1996, (31 U.S.C. 7501–7507), as well as The Federal Program Information Act (Public Law 95–220 and Public Law 98–169, as amended, codified at 31 U.S.C. 6101–6106).

(b) Subpart E—Cost Principles of this part is authorized under the Budget and Accounting Act of 1921, as amended; the Budget and Accounting Procedures Act of 1950, as amended (31 U.S.C. 1101–1125); the Chief Financial Officers Act of 1990 (31 U.S.C. 503–504); Reorganization Plan No. 2 of 1970; and Executive Order No. 11541, ''Prescribing the Duties of the Office of Management and Budget and the Domestic Policy Council in the Executive Office of the President.''

(c) Subpart F—Audit Requirements of this part is authorized under the Single Audit Act Amendments of 1996, (31 U.S.C. 7501–7507).

§ 200.104 Supersession.

As described in § 200.110 Effective/applicability date, this part supersedes the following OMB guidance documents and regulations under Title 2 of the Code of Federal Regulations:

(a) A–21, ''Cost Principles for Educational Institutions'' (2 CFR part 220);

(b) A–87, ''Cost Principles for State, Local and Indian Tribal Governments'' (2 CFR part 225) and also FEDERAL REGISTER notice 51 FR 552 (January 6, 1986);

(c) A–89, ''Federal Domestic Assistance Program Information'';

(d) A–102, ''Grant Awards and Cooperative Agreements with State and Local Governments'';

(e) A–110, ''Uniform Administrative Requirements for Awards and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations'' (codified at 2 CFR 215);

(f) A–122, ''Cost Principles for Non-Profit Organizations'' (2 CFR part 230);

(g) A–133, ''Audits of States, Local Governments and Non-Profit Organizations,''; and

(h) Those sections of A–50 related to audits performed under Subpart F—Audit Requirements of this part.

§ 200.105 Effect on other issuances.

For Federal awards subject to this part, all administrative requirements, program manuals, handbooks and other non-regulatory materials that are inconsistent with the requirements of this part must be superseded upon implementation of this part by the Federal agency, except to the extent they are required by statute or authorized in accordance with the provisions in § 200.102 Exceptions.

§ 200.106 Agency implementation.

The specific requirements and responsibilities of Federal agencies and non-Federal entities are set forth in this part. Federal agencies making Federal awards to non-Federal entities

must implement the language in the Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards of this part through Subpart F—Audit Requirements of this part in codified regulations unless different provisions are required by Federal statute or are approved by OMB.

§ 200.107 OMB responsibilities.

OMB will review Federal agency regulations and implementation of this part, and will provide interpretations of policy requirements and assistance to ensure effective and efficient implementation. Any exceptions will be subject to approval by OMB. Exceptions will only be made in particular cases where adequate justification is presented.

§ 200.108 Inquiries.

Inquiries concerning this part may be directed to the Office of Federal Financial Management Office of Management and Budget, in Washington, DC. Non-Federal entities' inquiries should be addressed to the Federal awarding agency, cognizant agency for indirect costs, cognizant or oversight agency for audit, or pass-through entity as appropriate.

§ 200.109 Review date.

OMB will review this part at least every five years after December 26, 2013.

§ 200.110 Effective/applicability date.

(a) The standards set forth in this part which affect administration of Federal awards issued by Federal agencies become effective once implemented by Federal agencies or when any future amendment to this part becomes final. Federal agencies must implement the policies and procedures applicable to Federal awards by promulgating a regulation to be effective by December 26, 2014 unless different provisions are required by statute or approved by OMB.

(b) The standards set forth in Subpart F—Audit Requirements of this part and any other standards which apply directly to Federal agencies will be effective December 26, 2013 and will apply to audits of fiscal years beginning on or after December 26, 2014.

§ 200.111 English language.

(a) All Federal financial assistance announcements and Federal award information must be in the English language. Applications must be submitted in the English language and must be in the terms of U.S. dollars. If the Federal awarding agency receives applications in another currency, the Federal awarding agency will evaluate the application by converting the foreign currency to United States currency using the date specified for receipt of the application.

(b) Non-Federal entities may translate the Federal award and other documents into another language. In the event of inconsistency between any terms and conditions of the Federal award and any translation into another language, the English language meaning will control. Where a significant portion of the non-Federal entity's employees who are working on the Federal award are not fluent in English, the non-Federal entity must provide the Federal award in English and the language(s) with which employees are more familiar.

§ 200.112 Conflict of interest.

The Federal awarding agency must establish conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.

§ 200.113 Mandatory disclosures.

The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in § 200.338 Remedies for noncompliance, including suspension or debarment. (See also 2 CFR part 180 and 31 U.S.C. 3321).

Subpart C—Pre-Federal Award Requirements and Contents of Federal Awards

§ 200.200 Purpose.

(a) Sections 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts through 200.208 Certifications and representations. Prescribe instructions and other pre-award matters to be used in the announcement and application process.

(b) Use of §§ 200.203 Notices of funding opportunities, 200.204 Federal awarding agency review of merit of proposals, 200.205 Federal awarding agency review of risk posed by applicants, and 200.207 Specific conditions, is required only for competitive Federal awards, but may also be used by the Federal awarding agency for non-competitive awards where appropriate or where required by Federal statute.

§ 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.

(a) The Federal awarding agency or pass-through entity must decide on the appropriate instrument for the Federal award (i.e., grant agreement, cooperative agreement, or contract) in accordance with the Federal Grant and Cooperative Agreement Act (31 U.S.C. 6301–08).

(b) Fixed Amount Awards. In addition to the options described in paragraph (a) of this section, Federal awarding agencies, or pass-through entities as permitted in § 200.332 Fixed amount subawards, may use fixed amount awards (see § 200.45 Fixed amount awards) to which the following conditions apply:

(1) Payments are based on meeting specific requirements of the Federal award. Accountability is based on performance and results. The Federal award amount is negotiated using the cost principles (or other pricing information) as a guide. Except in the case of termination before completion of the Federal award, there is no governmental review of the actual costs incurred by the non-Federal entity in performance of the award. The Federal awarding agency or pass-through entity may use fixed amount awards if the project scope is specific and if adequate cost, historical, or unit pricing data is available to establish a fixed amount award with assurance that the non-Federal entity will realize no increment above actual cost. Some of the ways in which the Federal award may be paid include, but are not limited to:

(i) In several partial payments, the amount of each agreed upon in advance, and the ''milestone'' or event triggering the payment also agreed upon in advance, and set forth in the Federal award;

(ii) On a unit price basis, for a defined unit or units, at a defined price or prices, agreed to in advance of performance of the Federal award and set forth in the Federal award; or,

(iii) In one payment at Federal award completion.

(2) A fixed amount award cannot be used in programs which require mandatory cost sharing or match.

(3) The non-Federal entity must certify in writing to the Federal awarding agency or pass-through entity at the end of the Federal award that the project or activity was completed or the level of effort was expended. If the required level of activity or effort was not carried out, the amount of the Federal award must be adjusted.

(4) Periodic reports may be established for each Federal award.

(5) Changes in principal investigator, project leader, project partner, or scope of effort must receive the prior written approval of the Federal awarding agency or pass-through entity.

§ 200.202 Requirement to provide public notice of Federal financial assistance programs.

(a) The Federal awarding agency must notify the public of Federal programs in the Catalog of Federal Domestic Assistance (CFDA), maintained by the General Services Administration (GSA).

(1) The CFDA, or any OMB-designated replacement, is the single, authoritative, governmentwide comprehensive source of Federal financial assistance program information produced by the executive branch of the Federal government.

(2) The information that the Federal awarding agency must submit to GSA for approval by OMB is listed in paragraph (b) of this section. GSA must prescribe the format for the submission.

(3) The Federal awarding agency may not award Federal financial assistance without assigning it to a program that has been included in the CFDA as required in this section unless there are exigent circumstances requiring otherwise, such as timing requirements imposed by statute.

(b) For each program that awards discretionary Federal awards, non-discretionary Federal awards, loans, insurance, or any other type of Federal financial assistance, the Federal awarding agency must submit the following information to GSA:

(1) Program Description, Purpose, Goals and Measurement. A brief summary of the statutory or regulatory requirements of the program and its intended outcome. Where appropriate, the Program Description, Purpose, Goals, and Measurement should align with the strategic goals and objectives within the Federal awarding agency's performance plan and should support the Federal awarding agency's performance measurement, management, and reporting as required by Part 6 of OMB Circular A–11;

(2) Identification of whether the program makes Federal awards on a discretionary basis or the Federal awards are prescribed by Federal statute, such as in the case of formula grants.

(3) Projected total amount of funds available for the program. Estimates based on previous year funding are acceptable if current appropriations are not available at the time of the submission;

(4) Anticipated Source of Available Funds: The statutory authority for funding the program and, to the extent possible, agency, sub-agency, or, if known, the specific program unit that will issue the Federal awards, and associated funding identifier (e.g., Treasury Account Symbol(s));

(5) General Eligibility Requirements: The statutory, regulatory or other eligibility factors or considerations that determine the applicant's qualification for Federal awards under the program (e.g., type of non-Federal entity); and

(6) Applicability of Single Audit Requirements as required by Subpart F—Audit Requirements of this part.

§ 200.203 Notices of funding opportunities.

For competitive grants and cooperative agreements, the Federal awarding agency must announce specific funding opportunities by providing the following information in a public notice:

(a) *Summary Information in Notices of Funding Opportunities.* The Federal awarding agency must display the following information posted on the OMB-designated governmentwide Web site for finding and applying for Federal financial assistance, in a location preceding the full text of the announcement:

(1) Federal Awarding Agency Name;

(2) Funding Opportunity Title;

(3) Announcement Type (whether the funding opportunity is the initial announcement of this funding opportunity or a modification of a previously announced opportunity);

(4) Funding Opportunity Number (required, if applicable). If the Federal awarding agency has assigned or will assign a number to the funding opportunity announcement, this number must be provided;

(5) Catalog of Federal Financial Assistance (CFDA) Number(s);

(6) Key Dates. Key dates include due dates for applications or Executive Order 12372 submissions, as well as for any letters of intent or pre-applications. For any announcement issued before a program's application materials are available, key dates also include the date on which those materials will be released; and any other additional information, as deemed applicable by the relevant Federal awarding agency.

(b) The Federal awarding agency must generally make all funding opportunities available for application for at least 60 calendar days. The Federal awarding agency may make a determination to have a less than 60 calendar day availability period but no funding opportunity should be available for less than 30 calendar days unless exigent circumstances require as

determined by the Federal awarding agency head or delegate.

(c) *Full Text of Funding Opportunities.* The Federal awarding agency must include the following information in the full text of each funding opportunity. For specific instructions on the content required in this section, refer to Appendix I to Part 200—Full Text of Notice of Funding Opportunity to this part.

(1) Full programmatic description of the funding opportunity.

(2) Federal award information, including sufficient information to help an applicant make an informed decision about whether to submit an application. (See also § 200.414 Indirect (F&A) costs, paragraph (b)).

(3) Specific eligibility information, including any factors or priorities that affect an applicant's or its application's eligibility for selection.

(4) Application Preparation and Submission Information, including the applicable submission dates and time.

(5) Application Review Information including the criteria and process to be used to evaluate applications. See also § 200.205 Federal awarding agency review of risk posed by applicants. See also 2 CFR part 27.

(6) Federal Award Administration Information. See also § 200.210 Information contained in a Federal award.

§ 200.204 Federal awarding agency review of merit of proposals.

For competitive grants or cooperative agreements, unless prohibited by Federal statute, the Federal awarding agency must design and execute a merit review process for applications. This process must be described or incorporated by reference in the applicable funding opportunity (see Appendix I to this part, Full text of the Funding Opportunity.) See also § 200.203 Notices of funding opportunities.

§ 200.205 Federal awarding agency review of risk posed by applicants.

(a) Prior to making a Federal award, the Federal awarding agency is required by 31 U.S.C. 3321 and 41 U.S.C. 2313 note to review information available through any OMB-designated repositories of governmentwide eligibility qualification or financial integrity information, such as Federal Awardee Performance and Integrity Information System (FAPIIS), Dun and Bradstreet, and ''Do Not Pay''. See also suspension and debarment requirements at 2 CFR part 180 as well as individual Federal agency suspension and debarment regulations in title 2 of the Code of Federal Regulations.

(b) In addition, for competitive grants or cooperative agreements, the Federal awarding agency must have in place a framework for evaluating the risks posed by applicants before they receive Federal awards. This evaluation may incorporate results of the evaluation of the applicant's eligibility or the quality of its application. If the Federal awarding agency determines that a Federal award will be made, special conditions that correspond to the degree of risk assessed may be applied to the Federal award. Criteria to be evaluated must be described in the announcement of funding opportunity described in § 200.203 Notices of funding opportunities.

(c) In evaluating risks posed by applicants, the Federal awarding agency may use a risk-based approach and may consider any items such as the following:

(1) Financial stability;

(2) Quality of management systems and ability to meet the management standards prescribed in this part;

(3) History of performance. The applicant's record in managing Federal awards, if it is a prior recipient of Federal awards, including timeliness of compliance with applicable reporting requirements, conformance to the terms and conditions of previous Federal awards, and if applicable, the extent to which any previously awarded amounts will be expended prior to future awards;

(4) Reports and findings from audits performed under Subpart F—Audit Requirements of this part or the reports and findings of any other available audits; and

(5) The applicant's ability to effectively implement statutory, regulatory, or other requirements imposed on non-Federal entities.

(d) In addition to this review, the Federal awarding agency must comply with the guidelines on governmentwide

suspension and debarment in 2 CFR part 180, and must require non-Federal entities to comply with these provisions. These provisions restrict Federal awards, subawards and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in Federal programs or activities.

§ 200.206 Standard application requirements.

(a) *Paperwork clearances*. The Federal awarding agency may only use application information collections approved by OMB under the Paperwork Reduction Act of 1995 and OMB's implementing regulations in 5 CFR part 1320, Controlling Paperwork Burdens on the Public. Consistent with these requirements, OMB will authorize additional information collections only on a limited basis.

(b) If applicable, the Federal awarding agency may inform applicants and recipients that they do not need to provide certain information otherwise required by the relevant information collection.

§ 200.207 Specific conditions.

(a) Based on the criteria set forth in § 200.205 Federal awarding agency review of risk posed by applicants or when an applicant or recipient has a history of failure to comply with the general or specific terms and conditions of a Federal award, or failure to meet expected performance goals as described in § 200.210 Information contained in a Federal award, or is not otherwise responsible, the Federal awarding agency or pass-through entity may impose additional specific award conditions as needed under the procedure specified in paragraph (b) of this section. These additional Federal award conditions may include items such as the following:

(1) Requiring payments as reimbursements rather than advance payments;

(2) Withholding authority to proceed to the next phase until receipt of evidence of acceptable performance within a given period of performance;

(3) Requiring additional, more detailed financial reports;

(4) Requiring additional project monitoring;

(5) Requiring the non-Federal entity to obtain technical or management assistance; or

(6) Establishing additional prior approvals.

(b) The Federal awarding agency or pass-through entity must notify the applicant or non-Federal entity as to:

(1) The nature of the additional requirements;

(2) The reason why the additional requirements are being imposed;

(3) The nature of the action needed to remove the additional requirement, if applicable;

(4) The time allowed for completing the actions if applicable, and

(5) The method for requesting reconsideration of the additional requirements imposed.

(c) Any special conditions must be promptly removed once the conditions that prompted them have been corrected.

§ 200.208 Certifications and representations.

Unless prohibited by Federal statutes or regulations, each Federal awarding agency or pass-through entity is authorized to require the non-Federal entity to submit certifications and representations required by Federal statutes, or regulations on an annual basis. Submission may be required more frequently if the non-Federal entity fails to meet a requirement of a Federal award.

§ 200.209 Pre-award costs.

For requirements on costs incurred by the applicant prior to the start date of the period of performance of the Federal award, see § 200.458 Pre-award costs.

§ 200.210 Information contained in a Federal award.

A Federal award must include the following information:

(a) *General Federal Award Information*. The Federal awarding agency must include the following general Federal award information in each Federal award:

(1) Recipient name (which must match registered name in DUNS);

(2) Recipient's DUNS number (see § 200.32 Data Universal Numbering System (DUNS) number);

(3) Unique Federal Award Identification Number (FAIN);

(4) Federal Award Date (see § 200.39 Federal award date);

(5) Period of Performance Start and End Date;

(6) Amount of Federal Funds Obligated by this action;

(7) Total Amount of Federal Funds Obligated;

(8) Total Amount of the Federal Award;

(9) Budget Approved by the Federal Awarding Agency;

(10) Total Approved Cost Sharing or Matching, where applicable;

(11) Federal award project description, (to comply with statutory requirements (e.g., FFATA));

(12) Name of Federal awarding agency and contact information for awarding official,

(13) CFDA Number and Name;

(14) Identification of whether the award is R&D; and

(15) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).

(b) *General Terms and Conditions* (1) Federal awarding agencies must incorporate the following general terms and conditions either in the Federal award or by reference, as applicable:

(i) Administrative requirements implemented by the Federal awarding agency as specified in this part.

(ii) National policy requirements. These include statutory, executive order, other Presidential directive, or regulatory requirements that apply by specific reference and are not program-specific. See § 200.300 Statutory and national policy requirements.

(2) The Federal award must include wording to incorporate, by reference, the applicable set of general terms and conditions. The reference must be to the Web site at which the Federal awarding agency maintains the general terms and conditions.

(3) If a non-Federal entity requests a copy of the full text of the general terms and conditions, the Federal awarding agency must provide it.

(4) Wherever the general terms and conditions are publicly available, the Federal awarding agency must maintain an archive of previous versions of the general terms and conditions, with effective dates, for use by the non-Federal entity, auditors, or others.

(c) *Federal Awarding Agency, Program, or Federal Award Specific Terms and Conditions.* The Federal awarding agency may include with each Federal award any terms and conditions necessary to communicate requirements that are in addition to the requirements outlined in the Federal awarding agency's general terms and conditions. Whenever practicable, these specific terms and conditions also should be shared on a public Web site and in notices of funding opportunities (as outlined in § 200.203 Notices of funding opportunities) in addition to being included in a Federal award. See also § 200.206 Standard application requirements.

(d) *Federal Award Performance Goals.* The Federal awarding agency must include in the Federal award an indication of the timing and scope of expected performance by the non-Federal entity as related to the outcomes intended to be achieved by the program. In some instances (e.g., discretionary research awards), this may be limited to the requirement to submit technical performance reports (to be evaluated in accordance with Federal awarding agency policy). Where appropriate, the Federal award may include specific performance goals, indicators, milestones, or expected outcomes (such as outputs, or services performed or public impacts of any of these) with an expected timeline for accomplishment. Reporting requirements must be clearly articulated such that, where appropriate, performance during the execution of the Federal award has a standard against which non-Federal entity performance can be measured. The Federal awarding agency may include program-specific requirements, as applicable. These requirements should be aligned with agency strategic goals, strategic objectives or performance goals that are relevant to the program. See also OMB Circular A–11, Preparation, Submission and Execution of the

Budget Part 6 for definitions of strategic objectives and performance goals.

(e) Any other information required by the Federal awarding agency.

§ 200.211 Public access to Federal award information.

(a) In accordance with statutory requirements for Federal spending transparency (e.g., FFATA), except as noted in this section, for applicable Federal awards the Federal awarding agency must announce all Federal awards publicly and publish the required information on a publicly available OMB-designated governmentwide Web site (at time of publication, *www.USAspending.gov*).

(b) Nothing in this section may be construed as requiring the publication of information otherwise exempt under the Freedom of Information Act (5 U.S.C 552), or controlled unclassified information pursuant to Executive Order 13556.

Subpart D—Post Federal Award Requirements

STANDARDS FOR FINANCIAL AND PROGRAM MANAGEMENT

§ 200.300 Statutory and national policy requirements.

(a) The Federal awarding agency must manage and administer the Federal award in a manner so as to ensure that Federal funding is expended and associated programs are implemented in full accordance with U.S. statutory and public policy requirements: including, but not limited to, those protecting public welfare, the environment, and prohibiting discrimination. The Federal awarding agency must communicate to the non-Federal entity all relevant public policy requirements, including those in general appropriations provisions, and incorporate them either directly or by reference in the terms and conditions of the Federal award.

(b) The non-Federal entity is responsible for complying with all requirements of the Federal award. For all Federal awards, this includes the provisions of FFATA, which includes requirements on executive compensation, and also requirements implementing the Act for the non-Federal entity at 2 CFR part 25 Financial Assistance Use of Universal Identifier and Central Contractor Registration and 2 CFR part 170 Reporting Subaward and Executive Compensation Information. See also statutory requirements for whistleblower protections at 10 U.S.C. 2409, 41 U.S.C. 4712, and 10 U.S.C. 2324, 41 U.S.C. 4304 and 4310.

§ 200.301 Performance measurement.

The Federal awarding agency must require the recipient to use OMB-approved governmentwide standard information collections when providing financial and performance information. As appropriate and in accordance with above mentioned information collections, the Federal awarding agency must require the recipient to relate financial data to performance accomplishments of the Federal award. Also, in accordance with above mentioned governmentwide standard information collections, and when applicable, recipients must also provide cost information to demonstrate cost effective practices (e.g., through unit cost data). The recipient's performance should be measured in a way that will help the Federal awarding agency and other non-Federal entities to improve program outcomes, share lessons learned, and spread the adoption of promising practices. The Federal awarding agency should provide recipients with clear performance goals, indicators, and milestones as described in § 200.210 Information contained in a Federal award. Performance reporting frequency and content should be established to not only allow the Federal awarding agency to understand the recipient progress but also to facilitate identification of promising practices among recipients and build the evidence upon which the Federal awarding agency's program and performance decisions are made.

§ 200.302 Financial management.

(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the

state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. See also § 200.450 Lobbying.

(b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records):

(1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any.

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.

(3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

(4) Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. See § 200.303 Internal controls.

(5) Comparison of expenditures with budget amounts for each Federal award.

(6) Written procedures to implement the requirements of § 200.305 Payment.

(7) Written procedures for determining the allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.

§ 200.303 Internal controls.

The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in ''Standards for Internal Control in the Federal Government'' issued by the Comptroller General of the United States and the ''Internal Control Integrated Framework'', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity's compliance with statute, regulations and the terms and conditions of Federal awards.

(d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

(e) Take reasonable measures to safeguard protected personally identifiable

information and other information the Federal awarding agency or pass-through entity designates as sensitive or the non-Federal entity considers sensitive consistent with applicable Federal, state and local laws regarding privacy and obligations of confidentiality.

§ 200.304 Bonds.

The Federal awarding agency may include a provision on bonding, insurance, or both in the following circumstances:

(a) Where the Federal government guarantees or insures the repayment of money borrowed by the recipient, the Federal awarding agency, at its discretion, may require adequate bonding and insurance if the bonding and insurance requirements of the non-Federal entity are not deemed adequate to protect the interest of the Federal government.

(b) The Federal awarding agency may require adequate fidelity bond coverage where the non-Federal entity lacks sufficient coverage to protect the Federal government's interest.

(c) Where bonds are required in the situations described above, the bonds must be obtained from companies holding certificates of authority as acceptable sureties, as prescribed in 31 CFR Part 223, ''Surety Companies Doing Business with the United States.''

§ 200.305 Payment.

(a) For states, payments are governed by Treasury-State CMIA agreements and default procedures codified at 31 CFR Part 205 ''Rules and Procedures for Efficient Federal-State Funds Transfers'' and TFM 4A–2000 Overall Disbursing Rules for All Federal Agencies.

(b) For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. See also § 200.302 Financial management paragraph (f). Except as noted elsewhere in this part, Federal agencies must require recipients to use only OMB-approved standard governmentwide information collection requests to request payment.

(1) The non-Federal entity must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the non-Federal entity, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.

(2) Whenever possible, advance payments must be consolidated to cover anticipated cash needs for all Federal awards made by the Federal awarding agency to the recipient.

(i) Advance payment mechanisms include, but are not limited to, Treasury check and electronic funds transfer and should comply with applicable guidance in 31 CFR part 208.

(ii) Non-Federal entities must be authorized to submit requests for advance payments and reimbursements at least monthly when electronic fund transfers are not used, and as often as they like when electronic transfers are used, in accordance with the provisions of the Electronic Fund Transfer Act (15 U.S.C. 1601).

(3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the

major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. When the reimbursement method is used, the Federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of the billing, unless the Federal awarding agency or pass-through entity reasonably believes the request to be improper.

(4) If the non-Federal entity cannot meet the criteria for advance payments and the Federal awarding agency or pass-through entity has determined that reimbursement is not feasible because the non-Federal entity lacks sufficient working capital, the Federal awarding agency or pass-through entity may provide cash on a working capital advance basis. Under this procedure, the Federal awarding agency or pass-through entity must advance cash payments to the non-Federal entity to cover its estimated disbursement needs for an initial period generally geared to the non-Federal entity's disbursing cycle. Thereafter, the Federal awarding agency or pass-through entity must reimburse the non-Federal entity for its actual cash disbursements. Use of the working capital advance method of payment requires that the pass-through entity provide timely advance payments to any subrecipients in order to meet the subrecipient's actual cash disbursements. The working capital advance method of payment must not be used by the pass-through entity if the reason for using this method is the unwillingness or inability of the pass-through entity to provide timely advance payments to the subrecipient to meet the subrecipient's actual cash disbursements.

(5) Use of resources before requesting cash advance payments. To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.

(6) Unless otherwise required by Federal statutes, payments for allowable costs by non-Federal entities must not be withheld at any time during the period of performance unless the conditions of §§ 200.207 Specific conditions, Subpart D—Post Federal Award Requirements of this part, 200.338 Remedies for Noncompliance, or the following apply:

(i) The non-Federal entity has failed to comply with the project objectives, Federal statutes, regulations, or the terms and conditions of the Federal award.

(ii) The non-Federal entity is delinquent in a debt to the United States as defined in OMB Guidance A–129, ''Policies for Federal Credit Programs and Non-Tax Receivables.'' Under such conditions, the Federal awarding agency or pass-through entity may, upon reasonable notice, inform the non-Federal entity that payments must not be made for obligations incurred after a specified date until the conditions are corrected or the indebtedness to the Federal government is liquidated.

(iii) A payment withheld for failure to comply with Federal award conditions, but without suspension of the Federal award, must be released to the non-Federal entity upon subsequent compliance. When a Federal award is suspended, payment adjustments will be made in accordance with § 200.342 Effects of suspension and termination.

(iv) A payment must not be made to a non-Federal entity for amounts that are withheld by the non-Federal entity from payment to contractors to assure satisfactory completion of work. A payment must be made when the non-Federal entity actually disburses the withheld funds to the contractors or to escrow accounts established to assure satisfactory completion of work.

(7) Standards governing the use of banks and other institutions as depositories of advance payments under Federal awards are as follows.

(i) The Federal awarding agency and pass-through entity must not require separate depository accounts for funds provided to a non-Federal entity or establish any eligibility requirements for depositories for funds provided to the non-Federal entity. However, the non-Federal entity must be able to account for the receipt, obligation and expenditure of funds.

(ii) Advance payments of Federal funds must be deposited and maintained in insured accounts whenever possible.

(8) The non-Federal entity must maintain advance payments of Federal awards in interest-bearing accounts, unless the following apply.

(i) The non-Federal entity receives less than $120,000 in Federal awards per year.

(ii) The best reasonably available interest-bearing account would not be expected to earn interest in excess of $500 per year on Federal cash balances.

(iii) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.

(iv) A foreign government or banking system prohibits or precludes interest bearing accounts.

(9) Interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services, Payment Management System, Rockville, MD 20852. Interest amounts up to $500 per year may be retained by the non-Federal entity for administrative expense.

§ 200.306 Cost sharing or matching.

(a) Under Federal research proposals, voluntary committed cost sharing is not expected. It cannot be used as a factor during the merit review of applications or proposals, but may be considered if it is both in accordance with Federal awarding agency regulations and specified in a notice of funding opportunity. Criteria for considering voluntary committed cost sharing and any other program policy factors that may be used to determine who may receive a Federal award must be explicitly described in the notice of funding opportunity. Furthermore, only mandatory cost sharing or cost sharing specifically committed in the project budget must be included in the organized research base for computing the indirect (F&A) cost rate or reflected in any allocation of indirect costs. See also §§ 200.414 Indirect (F&A) costs, 200.203 Notices of funding opportunities, and Appendix I to Part 200—Full Text of Notice of Funding Opportunity.

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;

(2) Are not included as contributions for any other Federal award;

(3) Are necessary and reasonable for accomplishment of project or program objectives;

(4) Are allowable under Subpart E—Cost Principles of this part;

(5) Are not paid by the Federal government under another Federal award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;

(6) Are provided for in the approved budget when required by the Federal awarding agency; and

(7) Conform to other provisions of this part, as applicable.

(c) Unrecovered indirect costs, including indirect costs on cost sharing or matching may be included as part of cost sharing or matching only with the prior approval of the Federal awarding agency. Unrecovered indirect cost means the difference between the amount charged to the Federal award and the amount which could have been to the Federal award under the non-Federal entity's approved negotiated indirect cost rate.

(d) Values for non-Federal entity contributions of services and property must be established in accordance with § 200.434 Contributions and donations. If a Federal awarding agency authorizes the non-Federal entity to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching must be the lesser of paragraphs (d)(1) or (2) of this section.

(1) The value of the remaining life of the property recorded in the non-Federal entity's accounting records at the time of donation.

(2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the value described in (1) above at the time of donation.

(e) Volunteer services furnished by third-party professional and technical personnel, consultants, and other skilled and unskilled labor may be counted as cost sharing or matching if the service is an integral and necessary part of an approved project or program. Rates for third-party volunteer services must be consistent with those paid for similar work by the non-Federal entity. In those instances in which the required skills are not found in the non-Federal entity, rates must be consistent with those paid for similar work in the labor market in which the non-Federal entity competes for the kind of services involved. In either case, paid fringe benefits that are reasonable, necessary, allocable, and otherwise allowable may be included in the valuation.

(f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, and indirect costs at either the third-party organization's approved federally negotiated indirect cost rate or, a rate in accordance with § 200.414 Indirect (F&A) costs, paragraph (d), provided these services employ the same skill(s) for which the employee is normally paid. Where donated services are treated as indirect costs, indirect cost rates will separate the value of the donated services so that reimbursement for the donated services will not be made.

(g) Donated property from third parties may include such items as equipment, office supplies, laboratory supplies, or workshop and classroom supplies. Value assessed to donated property included in the cost sharing or matching share must not exceed the fair market value of the property at the time of the donation.

(h) The method used for determining cost sharing or matching for third-party-donated equipment, buildings and land for which title passes to the non-Federal entity may differ according to the purpose of the Federal award, if paragraph (h)(1) or (2) of this section applies.

(1) If the purpose of the Federal award is to assist the non-Federal entity in the acquisition of equipment, buildings or land, the aggregate value of the donated property may be claimed as cost sharing or matching.

(2) If the purpose of the Federal award is to support activities that require the use of equipment, buildings or land, normally only depreciation charges for equipment and buildings may be made. However, the fair market value of equipment or other capital assets and fair rental charges for land may be allowed, provided that the Federal awarding agency has approved the charges. See also § 200.420 Considerations for selected items of cost.

(i) The value of donated property must be determined in accordance with the usual accounting policies of the non-Federal entity, with the following qualifications:

(1) The value of donated land and buildings must not exceed its fair market value at the time of donation to the non-Federal entity as established by an independent appraiser (e.g., certified real property appraiser or General Services Administration representative) and certified by a responsible official of the non-Federal entity as required by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601–4655) (Uniform Act) except as provided in the implementing regulations at 49 CFR part 24.

(2) The value of donated equipment must not exceed the fair market value of equipment of the same age and condition at the time of donation.

(3) The value of donated space must not exceed the fair rental value of comparable space as established by an independent appraisal of comparable space and facilities in a privately-owned building in the same locality.

(4) The value of loaned equipment must not exceed its fair rental value.

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and

to the extent feasible supported by the same methods used internally by the non-Federal entity.

§ 200.307 Program income.

(a) *General.* Non-Federal entities are encouraged to earn income to defray program costs where appropriate.

(b) *Cost of generating program income.* If authorized by Federal regulations or the Federal award, costs incidental to the generation of program income may be deducted from gross income to determine program income, provided these costs have not been charged to the Federal award.

(c) *Governmental revenues.* Taxes, special assessments, levies, fines, and other such revenues raised by a non-Federal entity are not program income unless the revenues are specifically identified in the Federal award or Federal awarding agency regulations as program income.

(d) *Property.* Proceeds from the sale of real property or equipment are not program income; such proceeds will be handled in accordance with the requirements of Subpart D—Post Federal Award Requirements of this part, Property Standards §§ 200.311 Real property and 200.313 Equipment, or as specifically identified in Federal statutes, regulations, or the terms and conditions of the Federal award.

(e) *Use of program income.* If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

(1) *Deduction.* Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.

(2) *Addition.* With prior approval of the Federal awarding agency, program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award.

(3) *Cost sharing or matching.* With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same.

(f) *Income after the period of performance.* There are no Federal requirements governing the disposition of income earned after the end of the period of performance for the Federal award, unless the Federal awarding agency regulations or the terms and conditions of the Federal award provide otherwise. The Federal awarding agency may negotiate agreements with recipients regarding appropriate uses of income earned after the period of performance as part of the grant closeout process. See also § 200.343 Closeout.

§ 200.308 Revision of budget and program plans.

(a) The approved budget for the Federal award summarizes the financial aspects of the project or program as approved during the Federal award process. It may include either the Federal and non-Federal share (see § 200.43 Federal share) or only the Federal share, depending upon Federal awarding agency requirements. It must be related to performance for program evaluation purposes whenever appropriate.

(b) Recipients are required to report deviations from budget or project scope or objective, and request prior approvals from Federal awarding agencies for budget and program plan revisions, in accordance with this section.

(c) For non-construction Federal awards, recipients must request prior approvals from Federal awarding agencies for one or more of the following program or budget-related reasons:

(1) Change in the scope or the objective of the project or program (even if there is no associated budget revision requiring prior written approval).

(2) Change in a key person specified in the application or the Federal award.

(3) The disengagement from the project for more than three months, or a 25 percent reduction in time devoted to the project, by the approved project director or principal investigator.

(4) The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with Subpart E—Cost Principles of this part or 45 CFR Part 74 Appendix E, ''Principles for Determining Costs Applicable to Research and Development under Awards and Contracts with Hospitals,'' or 48 CFR Part 31, ''Contract Cost Principles and Procedures,'' as applicable.

(5) The transfer of funds budgeted for participant support costs as defined in § 200.75 Participant support costs to other categories of expense.

(6) Unless described in the application and funded in the approved Federal awards, the subawarding, transferring or contracting out of any work under a Federal award. This provision does not apply to the acquisition of supplies, material, equipment or general support services.

(7) Changes in the amount of approved cost-sharing or matching provided by the non-Federal entity. No other prior approval requirements for specific items may be imposed unless a deviation has been approved by OMB. See also §§ 200.102 Exceptions and 200.407 Prior written approval (prior approval).

(d) Except for requirements listed in paragraph (c)(1) of this section, the Federal awarding agency are authorized, at their option, to waive prior written approvals required by paragraph (c) this section. Such waivers may include authorizing recipients to do any one or more of the following:

(1) Incur project costs 90 calendar days before the Federal awarding agency makes the Federal award. Expenses more than 90 calendar days pre-award require prior approval of the Federal awarding agency. All costs incurred before the Federal awarding agency makes the Federal award are at the recipient's risk (i.e., the Federal awarding agency is under no obligation to reimburse such costs if for any reason the recipient does not receive a Federal award or if the Federal award is less than anticipated and inadequate to cover such costs). See also § 200.458 Pre-award costs.

(2) Initiate a one-time extension of the period of performance by up to 12 months unless one or more of the conditions outlined in paragraphs (d)(2)(i) through (iii) of this section apply. For one-time extensions, the recipient must notify the Federal awarding agency in writing with the supporting reasons and revised period of performance at least 10 calendar days before the end of the period of performance specified in the Federal award. This one-time extension may not be exercised merely for the purpose of using unobligated balances. Extensions require explicit prior Federal awarding agency approval when:

(i) The terms and conditions of the Federal award prohibit the extension.

(ii) The extension requires additional Federal funds.

(iii) The extension involves any change in the approved objectives or scope of the project.

(3) Carry forward unobligated balances to subsequent periods of performance.

(4) For Federal awards that support research, unless the Federal awarding agency provides otherwise in the Federal award or in the Federal awarding agency's regulations, the prior approval requirements described in paragraph (d) are automatically waived (i.e., recipients need not obtain such prior approvals) unless one of the conditions included in paragraph (d)(2) applies.

(e) The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for Federal awards in which the Federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency. The Federal awarding agency cannot permit a transfer that would cause any Federal appropriation to be used for purposes other than those consistent with the appropriation.

(f) All other changes to non-construction budgets, except for the changes described in paragraph (c) of this section, do not require prior approval (see also §200.407 Prior written approval (prior approval)).

(g) For construction Federal awards, the recipient must request prior written approval promptly from the Federal awarding agency for budget revisions whenever paragraph (g)(1), (2), or (3) of this section applies.

(1) The revision results from changes in the scope or the objective of the project or program.

(2) The need arises for additional Federal funds to complete the project.

(3) A revision is desired which involves specific costs for which prior written approval requirements may be imposed consistent with applicable OMB cost principles listed in Subpart E—Cost Principles of this part.

(4) No other prior approval requirements for budget revisions may be imposed unless a deviation has been approved by OMB.

(5) When a Federal awarding agency makes a Federal award that provides support for construction and non-construction work, the Federal awarding agency may require the recipient to obtain prior approval from the Federal awarding agency before making any fund or budget transfers between the two types of work supported.

(h) When requesting approval for budget revisions, the recipient must use the same format for budget information that was used in the application, unless the Federal awarding agency indicates a letter of request suffices.

(i) Within 30 calendar days from the date of receipt of the request for budget revisions, the Federal awarding agency must review the request and notify the recipient whether the budget revisions have been approved. If the revision is still under consideration at the end of 30 calendar days, the Federal awarding agency must inform the recipient in writing of the date when the recipient may expect the decision.

§200.309 Period of performance.

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

PROPERTY STANDARDS

§200.310 Insurance coverage.

The non-Federal entity must, at a minimum, provide the equivalent insurance coverage for real property and equipment acquired or improved with Federal funds as provided to property owned by the non-Federal entity. Federally-owned property need not be insured unless required by the terms and conditions of the Federal award.

§200.311 Real property.

(a) *Title.* Subject to the obligations and conditions set forth in this section, title to real property acquired or improved under a Federal award will vest upon acquisition in the non-Federal entity.

(b) *Use.* Except as otherwise provided by Federal statutes or by the Federal awarding agency, real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber its title or other interests.

(c) *Disposition.* When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or pass-through entity. The instructions must provide for one of the following alternatives:

(1) Retain title after compensating the Federal awarding agency. The amount paid to the Federal awarding agency will be computed by applying the Federal awarding agency's percentage of participation in the cost of the original purchase (and costs of any improvements) to the fair market value of the property. However, in those situations where non-Federal entity is disposing of real property acquired or improved with a Federal award and acquiring replacement real property under the same Federal award, the net proceeds from the disposition may be used as an offset to the cost of the replacement property.

(2) Sell the property and compensate the Federal awarding agency. The amount due to the Federal awarding agency will be calculated by applying the Federal awarding agency's percentage of participation in the cost of the original purchase (and cost of any improvements) to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses. If the Federal award has not been closed out, the net proceeds from sale may be offset against the original cost of the property. When non-Federal entity is directed to sell property, sales procedures must be followed that provide for competition to the extent practicable and result in the highest possible return.

(3) Transfer title to the Federal awarding agency or to a third party designated/approved by the Federal awarding agency. The non-Federal entity is entitled to be paid an amount calculated by applying the non-Federal entity's percentage of participation in the purchase of the real property (and cost of any improvements) to the current fair market value of the property.

§ 200.312 Federally-owned and exempt property.

(a) Title to federally-owned property remains vested in the Federal government. The non-Federal entity must submit annually an inventory listing of federally-owned property in its custody to the Federal awarding agency. Upon completion of the Federal award or when the property is no longer needed, the non-Federal entity must report the property to the Federal awarding agency for further Federal agency utilization.

(b) If the Federal awarding agency has no further need for the property, it must declare the property excess and report it for disposal to the appropriate Federal disposal authority, unless the Federal awarding agency has statutory authority to dispose of the property by alternative methods (e.g., the authority provided by the Federal Technology Transfer Act (15 U.S.C. 3710 (i)) to donate research equipment to educational and non-profit organizations in accordance with Executive Order 12999, ''Educational Technology: Ensuring Opportunity for All Children in the Next Century.''). The Federal awarding agency must issue appropriate instructions to the non-Federal entity.

(c) Exempt federally-owned property means property acquired under a Federal award the title based upon the explicit terms and conditions of the Federal award that indicate the Federal awarding agency has chosen to vest in the non-Federal entity without further obligation to the Federal government or under conditions the Federal agency considers appropriate. The Federal awarding agency may exercise this option when statutory authority exists. Absent statutory authority and specific terms and conditions of the Federal award, title to exempt federally-owned property acquired under the Federal award remains with the Federal government.

§ 200.313 Equipment.

See also § 200.439 Equipment and other capital expenditures.

(a) *Title.* Subject to the obligations and conditions set forth in this section, title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity. Unless a statute specifically authorizes the Federal agency to vest title in the non-Federal entity without further obligation to the Federal government, and the Federal agency elects to do so, the title must be a conditional title. Title must vest in the non-Federal entity subject to the following conditions:

(1) Use the equipment for the authorized purposes of the project until funding for the project ceases, or until the

property is no longer needed for the purposes of the project.

(2) Not encumber the property without approval of the Federal awarding agency or pass-through entity.

(3) Use and dispose of the property in accordance with paragraphs (b), (c) and (e) of this section.

(b) A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures. Other non-Federal entities must follow paragraphs (c) through (e) of this section.

(c) *Use.* (1) Equipment must be used by the non-Federal entity in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award, and the non-Federal entity must not encumber the property without prior approval of the Federal awarding agency. When no longer needed for the original program or project, the equipment may be used in other activities supported by the Federal awarding agency, in the following order of priority:

(i) Activities under a Federal award from the Federal awarding agency which funded the original program or project, then

(ii) Activities under Federal awards from other Federal awarding agencies. This includes consolidated equipment for information technology systems.

(2) During the time that equipment is used on the project or program for which it was acquired, the non-Federal entity must also make equipment available for use on other projects or programs currently or previously supported by the Federal government, provided that such use will not interfere with the work on the projects or program for which it was originally acquired. First preference for other use must be given to other programs or projects supported by Federal awarding agency that financed the equipment and second preference must be given to programs or projects under Federal awards from other Federal awarding agencies. Use for non-federally-funded programs or projects is also permissible. User fees should be considered if appropriate.

(3) Notwithstanding the encouragement in § 200.307 Program income to earn program income, the non-Federal entity must not use equipment acquired with the Federal award to provide services for a fee that is less than private companies charge for equivalent services unless specifically authorized by Federal statute for as long as the Federal government retains an interest in the equipment.

(4) When acquiring replacement equipment, the non-Federal entity may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

(3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

(4) Adequate maintenance procedures must be developed to keep the property in good condition.

(5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return.

(e) *Disposition.* When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for

other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

(1) Items of equipment with a current per unit fair market value of $5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency.

(2) Except as provided in § 200.312 Federally-owned and exempt property, paragraph (b), or if the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair-market value in excess of $5,000 may be retained by the non-Federal entity or sold. The Federal awarding agency is entitled to an amount calculated by multiplying the current market value or proceeds from sale by the Federal awarding agency's percentage of participation in the cost of the original purchase. If the equipment is sold, the Federal awarding agency may permit the non-Federal entity to deduct and retain from the Federal share $500 or ten percent of the proceeds, whichever is less, for its selling and handling expenses.

(3) The non-Federal entity may transfer title to the property to the Federal Government or to an eligible third party provided that, in such cases, the non-Federal entity must be entitled to compensation for its attributable percentage of the current fair market value of the property.

(4) In cases where a non-Federal entity fails to take appropriate disposition actions, the Federal awarding agency may direct the non-Federal entity to take disposition actions.

§ 200.314 Supplies.

See also § 200.453 Materials and supplies costs, including costs of computing devices.

(a) Title to supplies will vest in the non-Federal entity upon acquisition. If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate value upon termination or completion of the project or program and the supplies are not needed for any other Federal award, the non-Federal entity must retain the supplies for use on other activities or sell them, but must, in either case, compensate the Federal government for its share. The amount of compensation must be computed in the same manner as for equipment. See § 200.313 Equipment, paragraph (e)(2) for the calculation methodology.

(b) As long as the Federal government retains an interest in the supplies, the non-Federal entity must not use supplies acquired under a Federal award to provide services to other organizations for a fee that is less than private companies charge for equivalent services, unless specifically authorized by Federal statute.

§ 200.315 Intangible property.

(a) Title to intangible property (see § 200.59 Intangible property) acquired under a Federal award vests upon acquisition in the non-Federal entity. The non-Federal entity must use that property for the originally-authorized purpose, and must not encumber the property without approval of the Federal awarding agency. When no longer needed for the originally authorized purpose, disposition of the intangible property must occur in accordance with the provisions in § 200.313 Equipment paragraph (e).

(b) The non-Federal entity may copyright any work that is subject to copyright and was developed, or for which ownership was acquired, under a Federal award. The Federal awarding agency reserves a royalty-free, nonexclusive and irrevocable right to reproduce, publish, or otherwise use the work for Federal purposes, and to authorize others to do so.

(c) The non-Federal entity is subject to applicable regulations governing patents and inventions, including governmentwide regulations issued by the Department of Commerce at 37 CFR Part 401, ''Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government

Awards, Contracts and Cooperative Agreements.''

(d) The Federal government has the right to:

(1) Obtain, reproduce, publish, or otherwise use the data produced under a Federal award; and

(2) Authorize others to receive, reproduce, publish, or otherwise use such data for Federal purposes.

(e) Freedom of Information Act (FOIA).

(1) In addition, in response to a Freedom of Information Act (FOIA) request for research data relating to published research findings produced under a Federal award that were used by the Federal government in developing an agency action that has the force and effect of law, the Federal awarding agency must request, and the non-Federal entity must provide, within a reasonable time, the research data so that they can be made available to the public through the procedures established under the FOIA. If the Federal awarding agency obtains the research data solely in response to a FOIA request, the Federal awarding agency may charge the requester a reasonable fee equaling the full incremental cost of obtaining the research data. This fee should reflect costs incurred by the Federal agency and the non-Federal entity. This fee is in addition to any fees the Federal awarding agency may assess under the FOIA (5 U.S.C. 552(a)(4)(A)).

(2) Published research findings means when:

(i) Research findings are published in a peer-reviewed scientific or technical journal; or

(ii) A Federal agency publicly and officially cites the research findings in support of an agency action that has the force and effect of law. ''Used by the Federal government in developing an agency action that has the force and effect of law'' is defined as when an agency publicly and officially cites the research findings in support of an agency action that has the force and effect of law.

(3) Research data means the recorded factual material commonly accepted in the scientific community as necessary to validate research findings, but not any of the following: preliminary analyses, drafts of scientific papers, plans for future research, peer reviews, or communications with colleagues. This ''recorded'' material excludes physical objects (e.g., laboratory samples). Research data also do not include:

(i) Trade secrets, commercial information, materials necessary to be held confidential by a researcher until they are published, or similar information which is protected under law; and

(ii) Personnel and medical information and similar information the disclosure of which would constitute a clearly unwarranted invasion of personal privacy, such as information that could be used to identify a particular person in a research study.

§ 200.316 Property trust relationship.

Real property, equipment, and intangible property, that are acquired or improved with a Federal award must be held in trust by the non-Federal entity as trustee for the beneficiaries of the project or program under which the property was acquired or improved. The Federal awarding agency may require the non-Federal entity to record liens or other appropriate notices of record to indicate that personal or real property has been acquired or improved with a Federal award and that use and disposition conditions apply to the property.

PROCUREMENT STANDARDS

§ 200.317 Procurements by states.

When procuring property and services under a Federal award, a state must follow the same policies and procedures it uses for procurements from its non-Federal funds. The state will comply with §200.322 Procurement of recovered *materials* and ensure that every purchase order or other contract includes any clauses required by section §200.326 Contract provisions. All other non-Federal entities, including subrecipients of a state, will follow §§200.318 General procurement standards through 200.326 Contract provisions.

§ 200.318 General procurement standards.

(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award and administration of contracts. No employee, officer, or agent must participate in the selection, award, or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity must neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts. However, non-Federal entities may set standards for situations in which the financial interest is not substantial or the gift is an unsolicited item of nominal value. The standards of conduct must provide for disciplinary actions to be applied for violations of such standards by officers, employees, or agents of the non-Federal entity.

(2) If the non-Federal entity has a parent, affiliate, or subsidiary organization that is not a state, local government, or Indian tribe, the non-Federal entity must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest means that because of relationships with a parent company, affiliate, or subsidiary organization, the non-Federal entity is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(e) To foster greater economy and efficiency, and in accordance with efforts to promote cost-effective use of shared services across the Federal government, the non-Federal entity is encouraged to enter into state and local intergovernmental agreements or inter-entity agreements where appropriate for procurement or use of common or shared goods and services.

(f) The non-Federal entity is encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

(g) The non-Federal entity is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.

(h) The non-Federal entity must award contracts only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor

selection or rejection, and the basis for the contract price.

(j)(1) The non-Federal entity may use time and material type contracts only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time and material type contract means a contract whose cost to a non-Federal entity is the sum of:

(i) The actual cost of materials; and

(ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.

(2) Since this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the non-Federal entity awarding such a contract must assert a high degree of oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

(k) The non-Federal entity alone must be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the non-Federal entity of any contractual responsibilities under its contracts. The Federal awarding agency will not substitute its judgment for that of the non-Federal entity unless the matter is primarily a Federal concern. Violations of law will be referred to the local, state, or Federal authority having proper jurisdiction.

§ 200.319 Competition.

(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, and invitations for bids or requests for proposals must be excluded from competing for such procurements. Some of the situations considered to be restrictive of competition include but are not limited to:

(1) Placing unreasonable requirements on firms in order for them to qualify to do business;

(2) Requiring unnecessary experience and excessive bonding;

(3) Noncompetitive pricing practices between firms or between affiliated companies;

(4) Noncompetitive contracts to consultants that are on retainer contracts;

(5) Organizational conflicts of interest;

(6) Specifying only a ''brand name'' product instead of allowing ''an equal'' product to be offered and describing the performance or other relevant requirements of the procurement; and

(7) Any arbitrary action in the procurement process.

(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

(1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description must not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and

standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a ''brand name or equivalent'' description may be used as a means to define the performance or other salient requirements of procurement. The specific features of the named brand which must be met by offers must be clearly stated; and

(2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

(d) The non-Federal entity must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the non-Federal entity must not preclude potential bidders from qualifying during the solicitation period.

§ 200.320 Methods of procurement to be followed.

The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed $3,000 (or $2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) The invitation for bids will be publicly advertised and bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be publicly opened at the time and place prescribed in the invitation for bids;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason.

(d) Procurement by competitive proposals. The technique of competitive proposals is normally conducted with more than one source submitting an

offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

(1) Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;

(2) Proposals must be solicited from an adequate number of qualified sources;

(3) The non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;

(4) Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and

(5) The non-Federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

(e) [Reserved]

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source;

(2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or

(4) After solicitation of a number of sources, competition is determined inadequate.

§ 200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms.

(a) The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

(b) Affirmative steps must include:

(1) Placing qualified small and minority businesses and women's business enterprises on solicitation lists;

(2) Assuring that small and minority businesses, and women's business enterprises are solicited whenever they are potential sources;

(3) Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by small and minority businesses, and women's business enterprises;

(4) Establishing delivery schedules, where the requirement permits, which encourage participation by small and minority businesses, and women's business enterprises;

(5) Using the services and assistance, as appropriate, of such organizations as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce; and

(6) Requiring the prime contractor, if subcontracts are to be let, to take the affirmative steps listed in paragraphs (1) through (5) of this section.

§ 200.322 Procurement of recovered materials.

A non-Federal entity that is a state agency or agency of a political subdivision of a state and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act. The requirements of Section 6002 include procuring only items designated in guidelines of the Environmental Protection Agency (EPA) at 40 CFR part 247 that contain the highest percentage of recovered materials practicable, consistent with maintaining a satisfactory level of competition,

where the purchase price of the item exceeds $10,000 or the value of the quantity acquired by the preceding fiscal year exceeded $10,000; procuring solid waste management services in a manner that maximizes energy and resource recovery; and establishing an affirmative procurement program for procurement of recovered materials identified in the EPA guidelines.

§ 200.323 Contract cost and price.

(a) The non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the non-Federal entity must make independent estimates before receiving bids or proposals.

(b) The non-Federal entity must negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration must be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

(c) Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the non-Federal entity under Subpart E—Cost Principles of this part. The non-Federal entity may reference its own cost principles that comply with the Federal cost principles.

(d) The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.

§ 200.324 Federal awarding agency or pass-through entity review.

(a) The non-Federal entity must make available, upon request of the Federal awarding agency or pass-through entity, technical specifications on proposed procurements where the Federal awarding agency or pass-through entity believes such review is needed to ensure that the item or service specified is the one being proposed for acquisition. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the non-Federal entity desires to have the review accomplished after a solicitation has been developed, the Federal awarding agency or pass-through entity may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.

(b) The non-Federal entity must make available upon request, for the Federal awarding agency or pass-through entity pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates, when:

(1) The non-Federal entity's procurement procedures or operation fails to comply with the procurement standards in this part;

(2) The procurement is expected to exceed the Simplified Acquisition Threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation;

(3) The procurement, which is expected to exceed the Simplified Acquisition Threshold, specifies a ''brand name'' product;

(4) The proposed contract is more than the Simplified Acquisition Threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or

(5) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the Simplified Acquisition Threshold.

(c) The non-Federal entity is exempt from the pre-procurement review in paragraph (b) of this section if the Federal awarding agency or pass-through entity determines that its procurement systems comply with the standards of this part.

(1) The non-Federal entity may request that its procurement system be

reviewed by the Federal awarding agency or pass-through entity to determine whether its system meets these standards in order for its system to be certified. Generally, these reviews must occur where there is continuous high-dollar funding, and third party contracts are awarded on a regular basis;

(2) The non-Federal entity may self-certify its procurement system. Such self-certification must not limit the Federal awarding agency's right to survey the system. Under a self-certification procedure, the Federal awarding agency may rely on written assurances from the non-Federal entity that it is complying with these standards. The non-Federal entity must cite specific policies, procedures, regulations, or standards as being in compliance with these requirements and have its system available for review.

§ 200.325 Bonding requirements.

For construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold, the Federal awarding agency or pass-through entity may accept the bonding policy and requirements of the non-Federal entity provided that the Federal awarding agency or pass-through entity has made a determination that the Federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows:

(a) A bid guarantee from each bidder equivalent to five percent of the bid price. The ''bid guarantee'' must consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.

(b) A performance bond on the part of the contractor for 100 percent of the contract price. A ''performance bond'' is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

(c) A payment bond on the part of the contractor for 100 percent of the contract price. A ''payment bond'' is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

§ 200.326 Contract provisions.

The non-Federal entity's contracts must contain the applicable provisions described in Appendix II to Part 200—Contract Provisions for non-Federal Entity Contracts Under Federal Awards.

PERFORMANCE AND FINANCIAL MONITORING AND REPORTING

§ 200.327 Financial reporting.

Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved governmentwide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting.

200.328 Monitoring and reporting program performance.

(a) *Monitoring by the non-Federal entity.* The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. See also §200.331 Requirements for pass-through *entities.*

(b) *Non-construction performance reports.* The Federal awarding agency must use standard, OMB-approved data elements for collection of performance information (including performance

progress reports, Research Performance Progress Report, or such future collections as may be approved by OMB and listed on the OMB Web site).

(1) The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes. Annual reports must be due 90 calendar days after the reporting period; quarterly or semiannual reports must be due 30 calendar days after the reporting period. Alternatively, the Federal awarding agency or pass-through entity may require annual reports before the anniversary dates of multiple year Federal awards. The final performance report will be due 90 calendar days after the period of performance end date. If a justified request is submitted by a non-Federal entity, the Federal agency may extend the due date for any performance report.

(2) The non-Federal entity must submit performance reports using OMB-approved governmentwide standard information collections when providing performance information. As appropriate in accordance with above mentioned information collections, these reports will contain, for each Federal award, brief information on the following unless other collections are approved by OMB:

(i) A comparison of actual accomplishments to the objectives of the Federal award established for the period. Where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) may be required if that information will be useful. Where performance trend data and analysis would be informative to the Federal awarding agency program, the Federal awarding agency should include this as a performance reporting requirement.

(ii) The reasons why established goals were not met, if appropriate.

(iii) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

(c) *Construction performance reports.* For the most part, onsite technical inspections and certified percentage of completion data are relied on heavily by Federal awarding agencies and pass-through entities to monitor progress under Federal awards and subawards for construction. The Federal awarding agency may require additional performance reports only when considered necessary.

(d) *Significant developments.* Events may occur between the scheduled performance reporting dates that have significant impact upon the supported activity. In such cases, the non-Federal entity must inform the Federal awarding agency or pass-through entity as soon as the following types of conditions become known:

(1) Problems, delays, or adverse conditions which will materially impair the ability to meet the objective of the Federal award. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation.

(2) Favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more or different beneficial results than originally planned.

(e) The Federal awarding agency may make site visits as warranted by program needs.

(f) The Federal awarding agency may waive any performance report required by this part if not needed.

§ 200.329 Reporting on real property.

The Federal awarding agency or pass-through entity must require a non-Federal entity to submit reports at least annually on the status of real property in which the Federal government retains an interest, unless the Federal interest in the real property extends 15 years or longer. In those instances where the Federal interest attached is for a period of 15 years or more, the Federal awarding agency or pass-through entity, at its option, may require the non-Federal entity to report at various multi-year frequencies (e.g.,

every two years or every three years, not to exceed a five-year reporting period; or a Federal awarding agency or pass-through entity may require annual reporting for the first three years of a Federal award and thereafter require reporting every five years).

SUBRECIPIENT MONITORING AND MANAGEMENT

§ 200.330 Subrecipient and contractor determinations.

The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

(a) *Subrecipients.* A subaward is for the purpose of carrying out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient. See §200.92 Subaward. Characteristics which support the classification of the non-Federal entity as a subrecipient include when the non-Federal entity:

(1) Determines who is eligible to receive what Federal assistance;

(2) Has its performance measured in relation to whether objectives of a Federal program were met;

(3) Has responsibility for programmatic decision making;

(4) Is responsible for adherence to applicable Federal program requirements specified in the Federal award; and

(5) In accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the pass-through entity.

(b) *Contractors.* A contract is for the purpose of obtaining goods and services for the non-Federal entity's own use and creates a procurement relationship with the contractor. See §200.22 Contract. Characteristics indicative of a procurement relationship between the non-Federal entity and a contractor are when the non-Federal entity receiving the Federal funds:

(1) Provides the goods and services within normal business operations;

(2) Provides similar goods or services to many different purchasers;

(3) Normally operates in a competitive environment;

(4) Provides goods or services that are ancillary to the operation of the Federal program; and

(5) Is not subject to compliance requirements of the Federal program as a result of the agreement, though similar requirements may apply for other reasons.

(c) *Use of judgment in making determination.* In determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract.

§ 200.331 Requirements for pass-through entities.

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

(i) Subrecipient name (which must match registered name in DUNS);

(ii) Subrecipient's DUNS number (see §200.32 Data Universal Numbering System (DUNS) *number*);

(iii) Federal Award Identification Number (FAIN);

(iv) Federal Award Date (see § 200.39 Federal award date);
(v) Subaward Period of Performance Start and End Date;
(vi) Amount of Federal Funds Obligated by this action;
(vii) Total Amount of Federal Funds Obligated to the subrecipient;
(viii) Total Amount of the Federal Award;
(ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
(x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
(xii) Identification of whether the award is R&D; and
(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).
(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.
(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;
(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (b) of this part.
(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this section, §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance, and Subpart F—Audit Requirements of this part; and
(6) Appropriate terms and conditions concerning closeout of the subaward.
(b) Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraph (e) of this section, which may include consideration of such factors as:
(1) The subrecipient's prior experience with the same or similar subawards;
(2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
(3) Whether the subrecipient has new personnel or new or substantially changed systems; and
(4) The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).
(c) Consider imposing specific subaward conditions upon a subrecipient if appropriate as described in § 200.207 Specific conditions.
(d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
(1) Reviewing financial and programmatic reports required by the pass-through entity.
(2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
(3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient

from the pass-through entity as required by § 200.521 Management decision.

(e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

(1) Providing subrecipients with training and technical assistance on program-related matters; and

(2) Performing on-site reviews of the subrecipient's program operations;

(3) Arranging for agreed-upon-procedures engagements as described in § 200.425 Audit services.

(f) Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in § 200.501 Audit requirements.

(g) Consider whether the results of the subrecipient's audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity's own records.

(h) Consider taking enforcement action against noncompliant subrecipients as described in § 200.338 Remedies for noncompliance of this part and in program regulations.

§ 200.332 Fixed amount subawards.

With prior written approval from the Federal awarding agency, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in § 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.

Record Retention and Access

§ 200.333 Retention requirements for records.

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. Federal awarding agencies and pass-through entities must not impose any other record retention requirements upon non-Federal entities. The only exceptions are the following:

(a) If any litigation, claim, or audit is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

(b) When the non-Federal entity is notified in writing by the Federal awarding agency, cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period.

(c) Records for real property and equipment acquired with Federal funds must be retained for 3 years after final disposition.

(d) When records are transferred to or maintained by the Federal awarding agency or pass-through entity, the 3-year retention requirement is not applicable to the non-Federal entity.

(e) Records for program income transactions after the period of performance. In some cases recipients must report program income after the period of performance. Where there is such a requirement, the retention period for the records pertaining to the earning of the program income starts from the end of the non-Federal entity's fiscal year in which the program income is earned.

(f) Indirect cost rate proposals and cost allocations plans. This paragraph applies to the following types of documents and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations of the rate at which a particular group of costs is chargeable (such as computer

usage chargeback rates or composite fringe benefit rates).

(1) *If submitted for negotiation.* If the proposal, plan, or other computation is required to be submitted to the Federal government (or to the pass-through entity) to form the basis for negotiation of the rate, then the 3-year retention period for its supporting records starts from the date of such submission.

(2) *If not submitted for negotiation.* If the proposal, plan, or other computation is not required to be submitted to the Federal government (or to the pass-through entity) for negotiation purposes, then the 3-year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

§ 200.334 Requests for transfer of records.

The Federal awarding agency must request transfer of certain records to its custody from the non-Federal entity when it determines that the records possess long-term retention value. However, in order to avoid duplicate recordkeeping, the Federal awarding agency may make arrangements for the non-Federal entity to retain any records that are continuously needed for joint use.

§ 200.335 Methods for collection, transmission and storage of information.

In accordance with the May 2013 Executive Order on Making Open and Machine Readable the New Default for Government Information, the Federal awarding agency and the non-Federal entity should, whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper. The Federal awarding agency or pass-through entity must always provide or accept paper versions of Federal award-related information to and from the non-Federal entity upon request. If paper copies are submitted, the Federal awarding agency or pass-through entity must not require more than an original and two copies. When original records are electronic and cannot be altered, there is no need to create and retain paper copies. When original records are paper, electronic versions may be substituted through the use of duplication or other forms of electronic media provided that they are subject to periodic quality control reviews, provide reasonable safeguards against alteration, and remain readable.

§ 200.336 Access to records.

(a) *Records of non-Federal entities.* The Federal awarding agency, Inspectors General, the Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity which are pertinent to the Federal award, in order to make audits, examinations, excerpts, and transcripts. The right also includes timely and reasonable access to the non-Federal entity's personnel for the purpose of interview and discussion related to such documents.

(b) Only under extraordinary and rare circumstances would such access include review of the true name of victims of a crime. Routine monitoring cannot be considered extraordinary and rare circumstances that would necessitate access to this information. When access to the true name of victims of a crime is necessary, appropriate steps to protect this sensitive information must be taken by both the non-Federal entity and the Federal awarding agency. Any such access, other than under a court order or subpoena pursuant to a bona fide confidential investigation, must be approved by the head of the Federal awarding agency or delegate.

(c) *Expiration of right of access.* The rights of access in this section are not limited to the required retention period but last as long as the records are retained. Federal awarding agencies and pass-through entities must not impose any other access requirements upon non-Federal entities.

§ 200.337 Restrictions on public access to records.

No Federal awarding agency may place restrictions on the non-Federal entity that limit public access to the

records of the non-Federal entity pertinent to a Federal award, except for protected personally identifiable information (PII) or when the Federal awarding agency can demonstrate that such records will be kept confidential and would have been exempted from disclosure pursuant to the Freedom of Information Act (5 U.S.C. 552) or controlled unclassified information pursuant to Executive Order 13556 if the records had belonged to the Federal awarding agency. The Freedom of Information Act (5 U.S.C. 552) (FOIA) does not apply to those records that remain under a non-Federal entity's control except as required under §200.315 Intangible property. Unless required by Federal, state, or local statute, non-Federal entities are not required to permit public access to their records. The non-Federal entity's records provided to a Federal agency generally will be subject to FOIA and applicable exemptions.

REMEDIES FOR NONCOMPLIANCE

§200.338 Remedies for noncompliance.

If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions, as described in §200.207 Specific conditions. If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:

(a) Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.

(b) Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.

(c) Wholly or partly suspend or terminate the Federal award.

(d) Initiate suspension or debarment proceedings as authorized under 2 CFR part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).

(e) Withhold further Federal awards for the project or program.

(f) Take other remedies that may be legally available.

§200.339 Termination.

(a) The Federal award may be terminated in whole or in part as follows:

(1) By the Federal awarding agency or pass-through entity, if a non-Federal entity fails to comply with the terms and conditions of a Federal award;

(2) By the Federal awarding agency or pass-through entity for cause;

(3) By the Federal awarding agency or pass-through entity with the consent of the non-Federal entity, in which case the two parties must agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated; or

(4) By the non-Federal entity upon sending to the Federal awarding agency or pass-through entity written notification setting forth the reasons for such termination, the effective date, and, in the case of partial termination, the portion to be terminated. However, if the Federal awarding agency or pass-through entity determines in the case of partial termination that the reduced or modified portion of the Federal award or subaward will not accomplish the purposes for which the Federal award was made, the Federal awarding agency or pass-through entity may terminate the Federal award in its entirety.

(b) When a Federal award is terminated or partially terminated, both the Federal awarding agency or pass-through entity and the non-Federal entity remain responsible for compliance with the requirements in §§200.343 Closeout and 200.344 Post-closeout adjustments and continuing responsibilities.

§200.340 Notification of termination requirement.

(a) The Federal agency or pass-through entity must provide to the

non-Federal entity a notice of termination.

(b) If the Federal award is terminated for the non-Federal entity's failure to comply with the Federal statutes, regulations, or terms and conditions of the Federal award, the notification must state that the termination decision may be considered in evaluating future applications received from the non-Federal entity.

(c) Upon termination of a Federal award, the Federal awarding agency must provide the information required under FFATA to the Federal Web site established to fulfill the requirements of FFATA, and update or notify any other relevant governmentwide systems or entities of any indications of poor performance as required by 41 U.S.C. 417b and 31 U.S.C. 3321 and implementing guidance at 2 CFR part 77. See also the requirements for Suspension and Debarment at 2 CFR part 180.

§ 200.341 Opportunities to object, hearings and appeals.

Upon taking any remedy for noncompliance, the Federal awarding agency must provide the non-Federal entity an opportunity to object and provide information and documentation challenging the suspension or termination action, in accordance with written processes and procedures published by the Federal awarding agency. The Federal awarding agency or pass-through entity must comply with any requirements for hearings, appeals or other administrative proceedings which the non-Federal entity is entitled under any statute or regulation applicable to the action involved.

§ 200.342 Effects of suspension and termination.

Costs to the non-Federal entity resulting from obligations incurred by the non-Federal entity during a suspension or after termination of a Federal award or subaward are not allowable unless the Federal awarding agency or pass-through entity expressly authorizes them in the notice of suspension or termination or subsequently. However, costs during suspension or after termination are allowable if:

(a) The costs result from obligations which were properly incurred by the non-Federal entity before the effective date of suspension or termination, are not in anticipation of it; and

(b) The costs would be allowable if the Federal award was not suspended or expired normally at the end of the period of performance in which the termination takes effect.

CLOSEOUT

§ 200.343 Closeout.

The Federal agency or pass-through entity will close-out the Federal award when it determines that all applicable administrative actions and all required work of the Federal award have been completed by the non-Federal entity. This section specifies the actions the non-Federal entity and Federal awarding agency or pass-through entity must take to complete this process at the end of the period of performance.

(a) The non-Federal entity must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by or the terms and conditions of the Federal award. The Federal awarding agency or pass-through entity may approve extensions when requested by the non-Federal entity.

(b) Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

(c) The Federal awarding agency or pass-through entity must make prompt payments to the non-Federal entity for allowable reimbursable costs under the Federal award being closed out.

(d) The non-Federal entity must promptly refund any balances of unobligated cash that the Federal awarding agency or pass-through entity paid in advance or paid and that is not authorized to be retained by the non-Federal entity for use in other projects. See OMB Circular A–129 and see § 200.345 Collection of amounts due for requirements regarding unreturned amounts that become delinquent debts.

(e) Consistent with the terms and conditions of the Federal award, the Federal awarding agency or pass-through entity must make a settlement for any upward or downward adjustments to the Federal share of costs after closeout reports are received.

(f) The non-Federal entity must account for any real and personal property acquired with Federal funds or received from the Federal government in accordance with §§ 200.310 Insurance coverage through 200.316 Property trust relationship and 200.329 Reporting on real property.

(g) The Federal awarding agency or pass-through entity should complete all closeout actions for Federal awards no later than one year after receipt and acceptance of all required final reports.

POST-CLOSEOUT ADJUSTMENTS AND CONTINUING RESPONSIBILITIES

§ 200.344 Post-closeout adjustments and continuing responsibilities.

(a) The closeout of a Federal award does not affect any of the following.

(1) The right of the Federal awarding agency or pass-through entity to disallow costs and recover funds on the basis of a later audit or other review. The Federal awarding agency or pass-through entity must make any cost disallowance determination and notify the non-Federal entity within the record retention period.

(2) The obligation of the non-Federal entity to return any funds due as a result of later refunds, corrections, or other transactions including final indirect cost rate adjustments.

(3) Audit requirements in Subpart F—Audit Requirements of this part.

(4) Property management and disposition requirements in Subpart D—Post Federal Award Requirements of this part, §§ 200.310 Insurance Coverage through 200.316 Property trust relationship.

(5) Records retention as required in Subpart D—Post Federal Award Requirements of this part, §§ 200.333 Retention requirements for records through 200.337 Restrictions on public access to records.

(b) After closeout of the Federal award, a relationship created under the Federal award may be modified or ended in whole or in part with the consent of the Federal awarding agency or pass-through entity and the non-Federal entity, provided the responsibilities of the non-Federal entity referred to in paragraph (a) of this section including those for property management as applicable, are considered and provisions made for continuing responsibilities of the non-Federal entity, as appropriate.

COLLECTION OF AMOUNTS DUE

§ 200.345 Collection of amounts due.

(a) Any funds paid to the non-Federal entity in excess of the amount to which the non-Federal entity is finally determined to be entitled under the terms of the Federal award constitute a debt to the Federal government. If not paid within 90 calendar days after demand, the Federal awarding agency may reduce the debt by:

(1) Making an administrative offset against other requests for reimbursements;

(2) Withholding advance payments otherwise due to the non-Federal entity; or

(3) Other action permitted by Federal statute.

(b) Except where otherwise provided by statutes or regulations, the Federal awarding agency will charge interest on an overdue debt in accordance with the Federal Claims Collection Standards (31 CFR parts 900 through 999). The date from which interest is computed is not extended by litigation or the filing of any form of appeal.

Subpart E—Cost Principles

GENERAL PROVISIONS

§ 200.400 Policy guide.

The application of these cost principles is based on the fundamental premises that:

(a) The non-Federal entity is responsible for the efficient and effective administration of the Federal award through the application of sound management practices.

(b) The non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with

underlying agreements, program objectives, and the terms and conditions of the Federal award.

(c) The non-Federal entity, in recognition of its own unique combination of staff, facilities, and experience, has the primary responsibility for employing whatever form of sound organization and management techniques may be necessary in order to assure proper and efficient administration of the Federal award.

(d) The application of these cost principles should require no significant changes in the internal accounting policies and practices of the non-Federal entity. However, the accounting practices of the non-Federal entity must be consistent with these cost principles and support the accumulation of costs as required by the principles, and must provide for adequate documentation to support costs charged to the Federal award.

(e) In reviewing, negotiating and approving cost allocation plans or indirect cost proposals, the cognizant agency for indirect costs should generally assure that the non-Federal entity is applying these cost accounting principles on a consistent basis during their review and negotiation of indirect cost proposals. Where wide variations exist in the treatment of a given cost item by the non-Federal entity, the reasonableness and equity of such treatments should be fully considered. See § 200.56 Indirect (facilities & administrative (F&A)) costs.

(f) For non-Federal entities that educate and engage students in research, the dual role of students as both trainees and employees contributing to the completion of Federal awards for research must be recognized in the application of these principles.

(g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless expressly authorized by the terms and conditions of the Federal award. See also § 200.307 Program income.

§ 200.401 Application.

(a) *General.* These principles must be used in determining the allowable costs of work performed by the non-Federal entity under Federal awards. These principles also must be used by the non-Federal entity as a guide in the pricing of fixed-price contracts and subcontracts where costs are used in determining the appropriate price. The principles do not apply to:

(1) Arrangements under which Federal financing is in the form of loans, scholarships, fellowships, traineeships, or other fixed amounts based on such items as education allowance or published tuition rates and fees.

(2) For IHEs, capitation awards, which are awards based on case counts or number of beneficiaries according to the terms and conditions of the Federal award.

(3) Fixed amount awards. See also Subpart A—Acronyms and Definitions, §§ 200.45 Fixed amount awards and 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.

(4) Federal awards to hospitals (see Appendix IX to Part 200—Hospital Cost Principles).

(5) Other awards under which the non-Federal entity is not required to account to the Federal government for actual costs incurred.

(b) *Federal Contract.* Where a Federal contract awarded to a non-Federal entity is subject to the Cost Accounting Standards (CAS), it incorporates the applicable CAS clauses, Standards, and CAS administration requirements per the 48 CFR Chapter 99 and 48 CFR part 30 (FAR Part 30). CAS applies directly to the CAS-covered contract and the Cost Accounting Standards at 48 CFR parts 9904 or 9905 takes precedence over the cost principles in this Subpart E—Cost Principles of this part with respect to the allocation of costs. When a contract with a non-Federal entity is subject to full CAS coverage, the allowability of certain costs under the cost principles will be affected by the allocation provisions of the Cost Accounting Standards (e.g., CAS 414—48 CFR 9904.414, Cost of Money as an Element of the Cost of Facilities Capital, and CAS 417—48 CFR 9904.417, Cost of Money as an Element of the Cost of Capital Assets Under Construction), apply rather the allowability provisions of § 200.449 Interest. In complying

with those requirements, the non-Federal entity's application of cost accounting practices for estimating, accumulating, and reporting costs for other Federal awards and other cost objectives under the CAS-covered contract still must be consistent with its cost accounting practices for the CAS-covered contracts. In all cases, only one set of accounting records needs to be maintained for the allocation of costs by the non-Federal entity.

(c) *Exemptions.* Some nonprofit organizations, because of their size and nature of operations, can be considered to be similar to for-profit entities for purpose of applicability of cost principles. Such nonprofit organizations must operate under Federal cost principles applicable to for-profit entities located at 48 CFR 31.2. A listing of these organizations is contained in Appendix VIII to Part 200—Nonprofit Organizations Exempted From Subpart E—Cost Principles of this part. Other organizations, as approved by the cognizant agency for indirect costs, may be added from time to time.

BASIC CONSIDERATIONS

§ 200.402 Composition of costs.

Total cost. The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits.

§ 200.403 Factors affecting allowability of costs.

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period. See also § 200.306 Cost sharing or matching paragraph (b).

(g) Be adequately documented. See also §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance of this part.

§ 200.404 Reasonable costs.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when the non-Federal entity is predominantly federally-funded. In determining reasonableness of a given cost, consideration must be given to:

(a) Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.

(b) The restraints or requirements imposed by such factors as: sound business practices; arm's-length bargaining; Federal, state and other laws and regulations; and terms and conditions of the Federal award.

(c) Market prices for comparable goods or services for the geographic area.

(d) Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the non-Federal entity, its employees, where applicable its students or membership, the public at large, and the Federal government.

(e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs, which may

unjustifiably increase the Federal award's cost.

§ 200.405 Allocable costs.

(a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

(1) Is incurred specifically for the Federal award;

(2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and

(3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

(b) All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

(d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§ 200.310 Insurance coverage through 200.316 Property trust relationship and 200.439 Equipment and other capital expenditures.

(e) If the contract is subject to CAS, costs must be allocated to the contract pursuant to the Cost Accounting Standards. To the extent that CAS is applicable, the allocation of costs in accordance with CAS takes precedence over the allocation provisions in this part.

§ 200.406 Applicable credits.

(a) Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs. Examples of such transactions are: purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

(b) In some instances, the amounts received from the Federal government to finance activities or service operations of the non-Federal entity should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) should be recognized in determining the rates or amounts to be charged to the Federal award. (See §§ 200.436 Depreciation and 200.468 Specialized service facilities, for areas of potential application in the matter of Federal financing of activities.)

§ 200.407 Prior written approval (prior approval).

Under any given Federal award, the reasonableness and allocability of certain items of costs may be difficult to determine. In order to avoid subsequent disallowance or dispute based on unreasonableness or nonallocability, the non-Federal entity may seek the prior written approval of the cognizant agency for indirect costs or the Federal awarding agency in advance of the incurrence of special or unusual costs. Prior written approval should include the timeframe or scope of the agreement. The absence of prior written approval on any element of cost will not, in itself, affect the reasonableness or allocability of that element, unless prior approval is specifically required for allowability as described under certain circumstances in the following sections of this part:

(a) § 200.201 Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts, paragraph (b)(5);

(b) § 200.306 Cost sharing or matching;

(c) § 200.307 Program income;

(d) § 200.308 Revision of budget and program plans;

(e) § 200.332 Fixed amount subawards;

(f) § 200.413 Direct costs, paragraph (c);

(g) § 200.430 Compensation—personal services, paragraph (h);

(h) § 200.431 Compensation—fringe benefits;

(i) § 200.438 Entertainment costs;

(j) § 200.439 Equipment and other capital expenditures;

(k) § 200.440 Exchange rates;

(l) § 200.441 Fines, penalties, damages and other settlements;

(m) § 200.442 Fund raising and investment management costs;

(n) § 200.445 Goods or services for personal use;

(o) § 200.447 Insurance and indemnification;

(p) § 200.454 Memberships, subscriptions, and professional activity costs, paragraph (c);

(q) § 200.455 Organization costs;

(r) § 200.456 Participant support costs;

(s) § 200.458 Pre-award costs;

(t) § 200.462 Rearrangement and reconversion costs;

(u) § 200.467 Selling and marketing costs; and

(v) § 200.474 Travel costs.

§ 200.408 Limitation on allowance of costs.

The Federal award may be subject to statutory requirements that limit the allowability of costs. When the maximum amount allowable under a limitation is less than the total amount determined in accordance with the principles in this part, the amount not recoverable under the Federal award may not be charged to the Federal award.

§ 200.409 Special considerations.

In addition to the basic considerations regarding the allowability of costs highlighted in this subtitle, other subtitles in this part describe special considerations and requirements applicable to states, local governments, Indian tribes, and IHEs. In addition, certain provisions among the items of cost in this subpart, are only applicable to certain types of non-Federal entities, as specified in the following sections:

(a) Direct and Indirect (F&A) Costs (§§ 200.412 Classification of costs through 200.415 Required certifications) of this subpart;

(b) Special Considerations for States, Local Governments and Indian Tribes (§§ 200.416 Cost allocation plans and indirect cost proposals and 200.417 Interagency service) of this subpart; and

(c) Special Considerations for Institutions of Higher Education (§§ 200.418 Costs incurred by states and local governments and 200.419 Cost accounting standards and disclosure statement) of this subpart.

§ 200.410 Collection of unallowable costs.

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise. See also

Subpart D—Post Federal Award Requirements of this part, §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance.

§ 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs.

(a) Negotiated indirect (F&A) cost rates based on a proposal later found to have included costs that:

(1) Are unallowable as specified by Federal statutes, regulations or the terms and conditions of a Federal award; or

(2) Are unallowable because they are not allocable to the Federal award(s), must be adjusted, or a refund must be made, in accordance with the requirements of this section. These adjustments or refunds are designed to correct the proposals used to establish the rates and do not constitute a reopening of the rate negotiation. The adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed, or provisional).

(b) For rates covering a future fiscal year of the non-Federal entity, the unallowable costs will be removed from the indirect (F&A) cost pools and the rates appropriately adjusted.

(c) For rates covering a past period, the Federal share of the unallowable costs will be computed for each year involved and a cash refund (including interest chargeable in accordance with applicable regulations) will be made to the Federal government. If cash refunds are made for past periods covered by provisional or fixed rates, appropriate adjustments will be made when the rates are finalized to avoid duplicate recovery of the unallowable costs by the Federal government.

(d) For rates covering the current period, either a rate adjustment or a refund, as described in paragraphs (b) and (c) of this section, must be required by the cognizant agency for indirect costs. The choice of method must be at the discretion of the cognizant agency for indirect costs, based on its judgment as to which method would be most practical.

(e) The amount or proportion of unallowable costs included in each year's rate will be assumed to be the same as the amount or proportion of unallowable costs included in the base year proposal used to establish the rate.

Direct and Indirect (F&A) Costs

§ 200.412 Classification of costs.

There is no universal rule for classifying certain costs as either direct or indirect (F&A) under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost incurred for the same purpose be treated consistently in like circumstances either as a direct or an indirect (F&A) cost in order to avoid possible double-charging of Federal awards. Guidelines for determining direct and indirect (F&A) costs charged to Federal awards are provided in this subpart.

§ 200.413 Direct costs.

(a) *General.* 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.

(b) *Application to Federal awards.* Identification with the Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards. Typical costs charged directly to a Federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred for the Federal award. If directly related to a specific award, certain costs that otherwise would be treated as indirect costs may also include extraordinary utility consumption, the cost of materials supplied from stock or services rendered by specialized facilities or other institutional service operations.

(c) The salaries of administrative and clerical staff should normally be treated as indirect (F&A) costs. Direct charging of these costs may be appropriate only if all of the following conditions are met:

(1) Administrative or clerical services are integral to a project or activity;

(2) Individuals involved can be specifically identified with the project or activity;

(3) Such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency; and

(4) The costs are not also recovered as indirect costs.

(d) *Minor items.* Any direct cost of minor amount may be treated as an indirect (F&A) cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all Federal and non-Federal cost objectives.

(e) The costs of certain activities are not allowable as charges to Federal awards. However, even though these costs are unallowable for purposes of computing charges to Federal awards, they nonetheless must be treated as direct costs for purposes of determining indirect (F&A) cost rates and be allocated their equitable share of the non-Federal entity's indirect costs if they represent activities which:

(1) Include the salaries of personnel,

(2) Occupy space, and

(3) Benefit from the non-Federal entity's indirect (F&A) costs.

(f) For nonprofit organizations, the costs of activities performed by the non-Federal entity primarily as a service to members, clients, or the general public when significant and necessary to the non-Federal entity's mission must be treated as direct costs whether or not allowable, and be allocated an equitable share of indirect (F&A) costs. Some examples of these types of activities include:

(1) Maintenance of membership rolls, subscriptions, publications, and related functions. See also §200.454 Memberships, subscriptions, and professional activity costs.

(2) Providing services and information to members, legislative or administrative bodies, or the public. See also §§200.454 Memberships, subscriptions, and professional activity costs and 200.450 Lobbying.

(3) Promotion, lobbying, and other forms of public relations. See also §§200.421 Advertising and public relations and 200.450 Lobbying.

(4) Conferences except those held to conduct the general administration of the non-Federal entity. See also §200.432 Conferences.

(5) Maintenance, protection, and investment of special funds not used in operation of the non-Federal entity.

(6) Administration of group benefits on behalf of members or clients, including life and hospital insurance, annuity or retirement plans, and financial aid. See also §200.431 Compensation—fringe benefits.

§200.414 Indirect (F&A) costs.

(a) *Facilities and Administration Classification.* For major IHEs and major nonprofit organizations, indirect (F&A) costs must be classified within two broad categories: ''Facilities'' and ''Administration.'' ''Facilities'' is defined as depreciation on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. ''Administration'' is defined as general administration and general expenses such as the director's office, accounting, personnel and all other types of expenditures not listed specifically under one of the subcategories of ''Facilities'' (including cross allocations from other pools, where applicable). For nonprofit organizations, library expenses are included in the ''Administration'' category; for institutions of higher education, they are included in the ''Facilities'' category. Major IHEs are defined as those required to use the Standard Format for Submission as noted in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs) paragraph C. 11. Major nonprofit organizations are those which receive more than $10 million dollars in direct Federal funding.

(b) *Diversity of nonprofit organizations.* Because of the diverse characteristics and accounting practices of nonprofit

organizations, it is not possible to specify the types of cost which may be classified as indirect (F&A) cost in all situations. Identification with a Federal award rather than the nature of the goods and services involved is the determining factor in distinguishing direct from indirect (F&A) costs of Federal awards. However, typical examples of indirect (F&A) cost for many nonprofit organizations may include depreciation on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.

(c) *Federal Agency Acceptance of Negotiated Indirect Cost Rates.* (See also § 200.306 Cost sharing or matching.)

(1) The negotiated rates must be accepted by all Federal awarding agencies. A Federal awarding agency may use a rate different from the negotiated rate for a class of Federal awards or a single Federal award only when required by Federal statute or regulation, or when approved by a Federal awarding agency head or delegate based on documented justification as described in paragraph (c)(3) of this section.

(2) The Federal awarding agency head or delegate must notify OMB of any approved deviations.

(3) The Federal awarding agency must implement, and make publicly available, the policies, procedures and general decision making criteria that their programs will follow to seek and justify deviations from negotiated rates.

(4) As required under § 200.203 Notices of funding opportunities, the Federal awarding agency must include in the notice of funding opportunity the policies relating to indirect cost rate reimbursement, matching, or cost share as approved under paragraph (e)(1) of this section. As appropriate, the Federal agency should incorporate discussion of these policies into Federal awarding agency outreach activities with non-Federal entities prior to the posting of a notice of funding opportunity.

(d) Pass-through entities are subject to the requirements in § 200.331 Requirements for pass-through entities, paragraph (a)(4).

(e) Requirements for development and submission of indirect (F&A) cost rate proposals and cost allocation plans are contained in Appendices III–VII as follows:

(1) Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for

(2) Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations;

(3) Appendix V to Part 200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans;

(4) Appendix VI to Part 200—Public Assistance Cost Allocation Plans; and

(5) Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals.

(f) In addition to the procedures outlined in the appendices in paragraph (e) of this section, any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph (d)(1)(B) may elect to charge a de minimis rate of) 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in § 200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time.

(g) Any non-Federal entity that has a federally negotiated indirect cost rate may apply for a one-time extension of a current negotiated indirect cost rates for a period of up to four years. This extension will be subject to the review and approval of the cognizant agency for indirect costs. If an extension is granted the non-Federal entity may not request a rate review until the extension period ends. At the end of the

4-year extension, the non-Federal entity must re-apply to negotiate a rate.

§ 200.415 Required certifications.

Required certifications include:

(a) To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal entity, which reads as follows: ''By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729–3730 and 3801–3812).''

(b) Certification of cost allocation plan or indirect (F&A) cost rate proposal. Each cost allocation plan or indirect (F&A) cost rate proposal must comply with the following:

(1) A proposal to establish a cost allocation plan or an indirect (F&A) cost rate, whether submitted to a Federal cognizant agency for indirect costs or maintained on file by the non-Federal entity, must be certified by the non-Federal entity using the Certificate of Cost Allocation Plan or Certificate of Indirect Costs as set forth in Appendices III through VII. The certificate must be signed on behalf of the non-Federal entity by an individual at a level no lower than vice president or chief financial officer of the non-Federal entity that submits the proposal.

(2) Unless the non-Federal entity has elected the option under §200.414 Indirect (F&A) costs, paragraph (f), the Federal government may either disallow all indirect (F&A) costs or unilaterally establish such a plan or rate when the non-Federal entity fails to submit a certified proposal for establishing such a plan or rate in accordance with the requirements. Such a plan or rate may be based upon audited historical data or such other data that have been furnished to the cognizant agency for indirect costs and for which it can be demonstrated that all unallowable costs have been excluded. When a cost allocation plan or indirect cost rate is unilaterally established by the Federal government because the non-Federal entity failed to submit a certified proposal, the plan or rate established will be set to ensure that potentially unallowable costs will not be reimbursed.

(c) Certifications by non-profit organizations as appropriate that they did not meet the definition of a major corporation as defined in §200.414 Indirect (F&A) costs, paragraph (a).

(d) See also §200.450 Lobbying for another required certification.

Special Considerations for States, Local Governments and Indian Tribes

§ 200.416 Cost allocation plans and indirect cost proposals.

(a) For states, local governments and Indian tribes, certain services, such as motor pools, computer centers, purchasing, accounting, etc., are provided to operating agencies on a centralized basis. Since Federal awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process.

(b) Individual operating agencies (governmental department or agency), normally charge Federal awards for indirect costs through an indirect cost rate. A separate indirect cost rate(s) proposal for each operating agency is usually necessary to claim indirect costs under Federal awards. Indirect costs include:

(1) The indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and

(2) The costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs.

(c) The requirements for development and submission of cost allocation plans (for central service costs and public assistance programs) and indirect cost rate proposals are contained in appendices IV, V and VI to this part.

§ 200.417 Interagency service.

The cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a prorated share of indirect costs. A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) may be used in lieu of determining the actual indirect costs of the service. These services do not include centralized services included in central service cost allocation plans as described in Appendix V to Part 200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans.

SPECIAL CONSIDERATIONS FOR INSTITUTIONS OF HIGHER EDUCATION

§ 200.418 Costs incurred by states and local governments.

Costs incurred or paid by a state or local government on behalf of its IHEs for fringe benefit programs, such as pension costs and FICA and any other costs specifically incurred on behalf of, and in direct benefit to, the IHEs, are allowable costs of such IHEs whether or not these costs are recorded in the accounting records of the institutions, subject to the following:

(a) The costs meet the requirements of §§ 200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs, of this subpart;

(b) The costs are properly supported by approved cost allocation plans in accordance with applicable Federal cost accounting principles in this part; and

(c) The costs are not otherwise borne directly or indirectly by the Federal government.

§ 200.419 Cost accounting standards and disclosure statement.

(a) An IHE that receives aggregate Federal awards totaling $50 million or more in Federal awards subject to this part in its most recently completed fiscal year must comply with the Cost Accounting Standards Board's cost accounting standards located at 48 CFR 9905.501, 9905.502, 9905.505, and 9905.506. CAS-covered contracts awarded to the IHEs are subject to the CAS requirements at 48 CFR 9900 through 9999 and 48 CFR part 30 (FAR Part 30).

(b) *Disclosure statement.* An IHE that receives aggregate Federal awards totaling $50 million or more subject to this part during its most recently completed fiscal year must disclose their cost accounting practices by filing a Disclosure Statement (DS–2), which is reproduced in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs). With the approval of the cognizant agency for indirect costs, an IHE may meet the DS–2 submission by submitting the DS–2 for each business unit that received $50 million or more in Federal awards.

(1) The DS–2 must be submitted to the cognizant agency for indirect costs with a copy to the IHE's cognizant agency for audit.

(2) An IHE is responsible for maintaining an accurate DS–2 and complying with disclosed cost accounting practices. An IHE must file amendments to the DS–2 to the cognizant agency for indirect costs six months in advance of a disclosed practices being changed to comply with a new or modified standard, or when practices are changed for other reasons. An IHE may proceed with implementing the change only if it has not been notified by the Federal cognizant agency for indirect costs that either a longer period will be needed for review or there are concerns with the potential change within the six months period. Amendments of a DS–2 may be submitted at any time. Resubmission of a complete, updated DS–2 is discouraged except when there are extensive changes to disclosed practices.

(3) *Cost and funding adjustments.* Cost adjustments must be made by the cognizant agency for indirect costs if an IHE fails to comply with the cost policies in this part or fails to consistently follow its established or disclosed cost accounting practices when estimating, accumulating or reporting the costs of Federal awards, and the aggregate cost impact on Federal awards is material. The cost adjustment must normally be made on an aggregate basis for all affected Federal awards through an adjustment of the IHE's future F&A costs rates or other means considered appropriate by the cognizant agency for indirect costs. Under the terms of CAS covered contracts, adjustments in the amount of funding provided may also be required when the estimated proposal costs were not determined in accordance with established cost accounting practices.

(4) *Overpayments.* Excess amounts paid in the aggregate by the Federal government under Federal awards due to a noncompliant cost accounting practice used to estimate, accumulate, or report costs must be credited or refunded, as deemed appropriate by the cognizant agency for indirect costs. Interest applicable to the excess amounts paid in the aggregate during the period of noncompliance must also be determined and collected in accordance with applicable Federal agency regulations.

(5) *Compliant cost accounting practice changes.* Changes from one compliant cost accounting practice to another compliant practice that are approved by the cognizant agency for indirect costs may require cost adjustments if the change has a material effect on Federal awards and the changes are deemed appropriate by the cognizant agency for indirect costs.

(6) *Responsibilities.* The cognizant agency for indirect cost must:

(i) Determine cost adjustments for all Federal awards in the aggregate on behalf of the Federal Government. Actions of the cognizant agency for indirect cost in making cost adjustment determinations must be coordinated with all affected Federal awarding agencies to the extent necessary.

(ii) Prescribe guidelines and establish internal procedures to promptly determine on behalf of the Federal Government that a DS–2 adequately discloses the IHE's cost accounting practices and that the disclosed practices are compliant with applicable CAS and the requirements of this part.

(iii) Distribute to all affected Federal awarding agencies any DS–2 determination of adequacy or noncompliance.

GENERAL PROVISIONS FOR SELECTED ITEMS OF COST

§ 200.420 Considerations for selected items of cost.

This section provides principles to be applied in establishing the allowability of certain items involved in determining cost, in addition to the requirements of Subtitle II. Basic Considerations of this subpart. These principles apply whether or not a particular item of cost is properly treated as direct cost or indirect (F&A) cost. Failure to mention a particular item of cost is not intended to imply that it is either allowable or unallowable; rather, determination as to allowability in each case should be based on the treatment provided for similar or related items of cost, and based on the principles described in §§ 200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs. In case of a discrepancy between the provisions of a specific Federal award and the provisions below, the Federal award governs. Criteria outlined in § 200.403 Factors affecting allowability of *costs* must be applied in determining allowability. See also § 200.102 Exceptions.

§ 200.421 Advertising and public relations.

(a) The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

(b) The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required by the non-Federal entity for performance of a Federal award (See also § 200.463 Recruiting costs);

(2) The procurement of goods and services for the performance of a Federal award;

(3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when non-Federal entities are reimbursed for disposal costs at a predetermined amount; or

(4) Program outreach and other specific purposes necessary to meet the requirements of the Federal award.

(c) The term ''public relations'' includes community relations and means those activities dedicated to maintaining the image of the non-Federal entity or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

(d) The only allowable public relations costs are:

(1) Costs specifically required by the Federal award;

(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of the Federal award (these costs are considered necessary as part of the outreach effort for the Federal award); or

(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary to keep the public informed on matters of public concern, such as notices of funding opportunities, financial matters, etc.

(e) Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in paragraphs (b) and (d) of this section;

(2) Costs of meetings, conventions, convocations, or other events related to other activities of the entity (see also § 200.432 Conferences), including:

(i) Costs of displays, demonstrations, and exhibits;

(ii) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

(iii) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the non-Federal entity.

§ 200.422 Advisory councils.

Costs incurred by advisory councils or committees are unallowable unless authorized by statute, the Federal awarding agency or as an indirect cost where allocable to Federal awards. See § 200.444 General costs of government, applicable to states, local governments and Indian tribes.

§ 200.423 Alcoholic beverages.

Costs of alcoholic beverages are unallowable.

§ 200.424 Alumni/ae activities.

Costs incurred by IHEs for, or in support of, alumni/ae activities are unallowable.

§ 200.425 Audit services.

(a) A reasonably proportionate share of the costs of audits required by, and performed in accordance with, the Single Audit Act Amendments of 1996 (31 U.S.C. 7501–7507), as implemented by requirements of this part, are allowable. However, the following audit costs are unallowable:

(1) Any costs when audits required by the Single Audit Act and Subpart F—Audit Requirements of this part have not been conducted or have been conducted but not in accordance therewith; and

(2) Any costs of auditing a non-Federal entity that is exempted from having an audit conducted under the Single Audit Act and Subpart F—Audit Requirements of this part because its expenditures under Federal awards are less than $750,000 during the non-Federal entity's fiscal year.

(b) The costs of a financial statement audit of a non-Federal entity that does not currently have a Federal award may be included in the indirect cost pool for a cost allocation plan or indirect cost proposal.

(c) Pass-through entities may charge Federal awards for the cost of agreed-

upon-procedures engagements to monitor subrecipients (in accordance with Subpart D—Post Federal Award Requirements of this part, §§ 200.330 Subrecipient and contractor determinations through 200.332 Fixed Amount Subawards) who are exempted from the requirements of the Single Audit Act and Subpart F—Audit Requirements of this part. This cost is allowable only if the agreed-upon-procedures engagements are:

(1) Conducted in accordance with GAGAS attestation standards;

(2) Paid for and arranged by the pass-through entity; and

(3) Limited in scope to one or more of the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; and reporting.

§ 200.426 Bad debts.

Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable. See also § 200.428 Collections of improper payments.

§ 200.427 Bonding costs.

(a) Bonding costs arise when the Federal awarding agency requires assurance against financial loss to itself or others by reason of the act or default of the non-Federal entity. They arise also in instances where the non-Federal entity requires similar assurance, including: bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds for employees and officials.

(b) Costs of bonding required pursuant to the terms and conditions of the Federal award are allowable.

(c) Costs of bonding required by the non-Federal entity in the general conduct of its operations are allowable as an indirect cost to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

§ 200.428 Collections of improper payments.

The costs incurred by a non-Federal entity to recover improper payments are allowable as either direct or indirect costs, as appropriate. Amounts collected may be used by the non-Federal entity in accordance with cash management standards set forth in § 200.305 *Payment*.

§ 200.429 Commencement and convocation costs.

For IHEs, costs incurred for commencements and convocations are unallowable, except as provided for in Appendix III to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Institutions of Higher Education (IHEs), paragraph (B)(9) Student Administration and Services, as student activity costs.

§ 200.430 Compensation—personal services.

(a) *General.* Compensation for personal services includes all remuneration, paid currently or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits which are addressed in § 200.431 Compensation—fringe benefits. Costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and

(3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

(b) *Reasonableness.* Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with

that paid for similar work in other activities of the non-Federal entity. In cases where the kinds of employees required for Federal awards are not found in the other activities of the non-Federal entity, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the non-Federal entity competes for the kind of employees involved.

(c) *Professional activities outside the non-Federal entity*. Unless an arrangement is specifically authorized by a Federal awarding agency, a non-Federal entity must follow its written non-Federal entity-wide policies and practices concerning the permissible extent of professional services that can be provided outside the non-Federal entity for non-organizational compensation. Where such non-Federal entity-wide written policies do not exist or do not adequately define the permissible extent of consulting or other non-organizational activities undertaken for extra outside pay, the Federal government may require that the effort of professional staff working on Federal awards be allocated between:

(1) Non-Federal entity activities, and

(2) Non-organizational professional activities. If the Federal awarding agency considers the extent of non-organizational professional effort excessive or inconsistent with the conflicts-of-interest terms and conditions of the Federal award, appropriate arrangements governing compensation will be negotiated on a case-by-case basis.

(d) *Unallowable costs*. (1) Costs which are unallowable under other sections of these principles must not be allowable under this section solely on the basis that they constitute personnel compensation.

(2) The allowable compensation for certain employees is subject to a ceiling in accordance with statute. For the amount of the ceiling for cost-reimbursement contracts, the covered compensation subject to the ceiling, the covered employees, and other relevant provisions, see 10 U.S.C. 2324(e)(1)(P), and 41 U.S.C. 1127 and 4304(a)(16). For other types of Federal awards, other statutory ceilings may apply.

(e) *Special considerations*. Special considerations in determining allowability of compensation will be given to any change in a non-Federal entity's compensation policy resulting in a substantial increase in its employees' level of compensation (particularly when the change was concurrent with an increase in the ratio of Federal awards to other activities) or any change in the treatment of allowability of specific types of compensation due to changes in Federal policy.

(f) *Incentive compensation*. Incentive compensation to employees based on cost reduction, or efficient performance, suggestion awards, safety awards, etc., is allowable to the extent that the overall compensation is determined to be reasonable and such costs are paid or accrued pursuant to an agreement entered into in good faith between the non-Federal entity and the employees before the services were rendered, or pursuant to an established plan followed by the non-Federal entity so consistently as to imply, in effect, an agreement to make such payment.

(g) *Nonprofit organizations*. For compensation to members of nonprofit organizations, trustees, directors, associates, officers, or the immediate families thereof, determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs. This may include director's and executive committee member's fees, incentive awards, allowances for off-site pay, incentive pay, location allowances, hardship pay, and cost-of-living differentials.

(h) *Institutions of higher education (IHEs)*. (1) Certain conditions require special consideration and possible limitations in determining allowable personnel compensation costs under Federal awards. Among such conditions are the following:

(i) Allowable activities. Charges to Federal awards may include reasonable amounts for activities contributing and directly related to work under an agreement, such as delivering special lectures about specific aspects of the ongoing activity, writing reports and articles, developing and maintaining protocols (human, animals, etc.), managing substances/chemicals, managing

and securing project-specific data, coordinating research subjects, participating in appropriate seminars, consulting with colleagues and graduate students, and attending meetings and conferences.

(ii) Incidental activities. Incidental activities for which supplemental compensation is allowable under written institutional policy (at a rate not to exceed institutional base salary) need not be included in the records described in paragraph (h)(9) of this section to directly charge payments of incidental activities, such activities must either be specifically provided for in the Federal award budget or receive prior written approval by the Federal awarding agency.

(2) *Salary basis.* Charges for work performed on Federal awards by faculty members during the academic year are allowable at the IBS rate. Except as noted in paragraph (h)(1)(ii) of this section, in no event will charges to Federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period. This principle applies to all members of faculty at an institution. IBS is defined as the annual compensation paid by an IHE for an individual's appointment, whether that individual's time is spent on research, instruction, administration, or other activities. IBS excludes any income that an individual earns outside of duties performed for the IHE. Unless there is prior approval by the Federal awarding agency, charges of a faculty member's salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.

(3) *Intra-Institution of Higher Education (IHE) consulting.* Intra-IHE consulting by faculty is assumed to be undertaken as an IHE obligation requiring no compensation in addition to IBS. However, in unusual cases where consultation is across departmental lines or involves a separate or remote operation, and the work performed by the faculty member is in addition to his or her regular responsibilities, any charges for such work representing additional compensation above IBS are allowable provided that such consulting arrangements are specifically provided for in the Federal award or approved in writing by the Federal awarding agency.

(4) Extra Service Pay normally represents overload compensation, subject to institutional compensation policies for services above and beyond IBS. Where extra service pay is a result of Intra-IHE consulting, it is subject to the same requirements of paragraph (b) above. It is allowable if all of the following conditions are met:

(i) The non-Federal entity establishes consistent written policies which apply uniformly to all faculty members, not just those working on Federal awards.

(ii) The non-Federal entity establishes a consistent written definition of work covered by IBS which is specific enough to determine conclusively when work beyond that level has occurred. This may be described in appointment letters or other documentations.

(iii) The supplementation amount paid is commensurate with the IBS rate of pay and the amount of additional work performed. See paragraph (h)(2) of this section.

(iv) The salaries, as supplemented, fall within the salary structure and pay ranges established by and documented in writing or otherwise applicable to the non-Federal entity.

(v) The total salaries charged to Federal awards including extra service pay are subject to the Standards of Documentation as described in paragraph (i) of this section.

(5) *Periods outside the academic year.* (i) Except as specified for teaching activity in paragraph (h)(5)(ii) of this section, charges for work performed by faculty members on Federal awards during periods not included in the base salary period will be at a rate not in excess of the IBS.

(ii) Charges for teaching activities performed by faculty members on Federal awards during periods not included in IBS period will be based on the normal written policy of the IHE governing compensation to faculty members for teaching assignments during such periods.

(6) *Part-time faculty.* Charges for work performed on Federal awards by faculty members having only part-time appointments will be determined at a

rate not in excess of that regularly paid for part-time assignments.

(7) *Sabbatical leave costs.* Rules for sabbatical leave are as follow:

(i) Costs of leaves of absence by employees for performance of graduate work or sabbatical study, travel, or research are allowable provided the IHE has a uniform written policy on sabbatical leave for persons engaged in instruction and persons engaged in research. Such costs will be allocated on an equitable basis among all related activities of the IHE.

(ii) Where sabbatical leave is included in fringe benefits for which a cost is determined for assessment as a direct charge, the aggregate amount of such assessments applicable to all work of the institution during the base period must be reasonable in relation to the IHE's actual experience under its sabbatical leave policy.

(8) *Salary rates for non-faculty members.* Non-faculty full-time professional personnel may also earn ''extra service pay'' in accordance with the non-Federal entity's written policy and consistent with paragraph (h)(1)(i) of this section.

(i) *Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS);

(iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;

(v) Comply with the established accounting policies and practices of the non-Federal entity (See paragraph (h)(1)(ii) above for treatment of incidental work for IHEs.); and

(vi) [Reserved]

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

(viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

(ix) Because practices vary as to the activity constituting a full workload (for IHEs, IBS), records may reflect categories of activities expressed as a percentage distribution of total activities.

(x) It is recognized that teaching, research, service, and administration are often inextricably intermingled in an academic setting. When recording salaries and wages charged to Federal awards for IHEs, a precise assessment of factors that contribute to costs is therefore not always feasible, nor is it expected.

(2) For records which meet the standards required in paragraph (i)(1) of this section, the non-Federal entity will not be required to provide additional support or documentation for the work performed, other than that referenced in paragraph (i)(3) of this section.

(3) In accordance with Department of Labor regulations implementing the Fair Labor Standards Act (FLSA) (29 CFR part 516), charges for the salaries and wages of nonexempt employees, in addition to the supporting documentation described in this section, must also be supported by records indicating the total number of hours worked each day.

(4) Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of or in addition to the records described in paragraph (1) if approved by the cognizant agency for indirect cost. Such systems may include, but are not limited to, random moment sampling, ''rolling'' time studies, case counts, or other quantifiable measures of work performed.

(i) Substitute systems which use sampling methods (primarily for Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(A) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in paragraph (i)(5)(iii) of this section;

(B) The entire time period involved must be covered by the sample; and

(C) The results must be statistically valid and applied to the period being sampled.

(ii) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(iii) Less than full compliance with the statistical sampling standards noted in subsection (5)(i) may be accepted by the cognizant agency for indirect costs if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the non-Federal entity will result in lower costs to Federal awards than a system which complies with the standards.

(6) Cognizant agencies for indirect costs are encouraged to approve alternative proposals based on outcomes and milestones for program performance where these are clearly documented. Where approved by the Federal cognizant agency for indirect costs, these plans are acceptable as an alternative to the requirements of paragraph (i)(1) of this section.

(7) For Federal awards of similar purpose activity or instances of approved blended funding, a non-Federal entity may submit performance plans that incorporate funds from multiple Federal awards and account for their combined use based on performance-oriented metrics, provided that such plans are approved in advance by all involved Federal awarding agencies. In these instances, the non-Federal entity must submit a request for waiver of the requirements based on documentation that describes the method of charging costs, relates the charging of costs to the specific activity that is applicable to all fund sources, and is based on quantifiable measures of the activity in relation to time charged.

(8) For a non-Federal entity where the records do not meet the standards described in this section, the Federal government may require personnel activity reports, including prescribed certifications, or equivalent documentation that support the records as required in this section.

§ 200.431 Compensation—fringe benefits.

(a) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation,

family-related, sick or military), employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable provided that the benefits are reasonable and are required by law, non-Federal entity-employee agreement, or an established policy of the non-Federal entity.

(b) *Leave.* The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits, are allowable if all of the following criteria are met:

(1) They are provided under established written leave policies;

(2) The costs are equitably allocated to all related activities, including Federal awards; and,

(3) The accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.

(i) When a non-Federal entity uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable as indirect costs in the year of payment.

(ii) The accrual basis may be only used for those types of leave for which a liability as defined by GAAP exists when the leave is earned. When a non-Federal entity uses the accrual basis of accounting, allowable leave costs are the lesser of the amount accrued or funded.

(c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in §200.447 Insurance and indemnification); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

(d) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the non-Federal entity demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.

(e) *Insurance.* See also §200.447 Insurance and indemnification, paragraphs (d)(1) and (2).

(1) Provisions for a reserve under a self-insurance program for unemployment compensation or workers' compensation are allowable to the extent that the provisions represent reasonable estimates of the liabilities for such compensation, and the types of coverage, extent of coverage, and rates and premiums would have been allowable had insurance been purchased to cover the risks. However, provisions for self-insured liabilities which do not become payable for more than one year after the provision is made must not exceed the present value of the liability.

(2) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibility are allowable only to the extent that the insurance represents additional compensation. The costs of such insurance when the non-Federal entity is named as beneficiary are unallowable.

(3) Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., post-retirement health benefits), are allowable in the year of payment provided that the non-Federal entity follows a consistent costing policy and they are allocated as indirect costs.

(f) *Automobiles.* That portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect (F&A) costs regardless of whether the cost is reported as taxable income to the employees.

(g) *Pension Plan Costs.* Pension plan costs which are incurred in accordance with the established policies of the non-Federal entity are allowable, provided that:

(1) Such policies meet the test of reasonableness.

(2) The methods of cost allocation are not discriminatory.

(3) For entities using accrual based accounting, the cost assigned to each fiscal year is determined in accordance with GAAP.

(4) The costs assigned to a given fiscal year are funded for all plan participants within six months after the end of that year. However, increases to normal and past service pension costs caused by a delay in funding the actuarial liability beyond 30 calendar days after each quarter of the year to which such costs are assignable are unallowable. Non-Federal entity may elect to follow the ''Cost Accounting Standard for Composition and Measurement of Pension Costs'' (48 CFR 9904.412).

(5) Pension plan termination insurance premiums paid pursuant to the Employee Retirement Income Security Act (ERISA) of 1974 (29 U.S.C. 1301–1461) are allowable. Late payment charges on such premiums are unallowable. Excise taxes on accumulated funding deficiencies and other penalties imposed under ERISA are unallowable.

(6) Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-Federal entity.

(i) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(ii) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency for indirect costs) are allowable in the year funded. The cognizant agency for indirect costs may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal government and related Federal reimbursement and the non-Federal entity's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal government for the time value of Federal reimbursements in excess of contributions to the pension fund.

(iii) Amounts funded by the non-Federal entity in excess of the actuarially determined amount for a fiscal year may be used as the non-Federal entity's contribution in future periods.

(iv) When a non-Federal entity converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion is allowable if amortized over a period of years in accordance with GAAP.

(v) The Federal government must receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the non-Federal entity in the form of a refund, withdrawal, or other credit.

(h) *Post-Retirement Health.* Post-retirement health plans (PRHP) refers to costs of health insurance or health services not included in a pension plan covered by paragraph (g) of this section for retirees and their spouses, dependents, and survivors. PRHP costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-Federal entity.

(1) For PRHP financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHP costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after

the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The Federal cognizant agency for indirect costs may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal government and related Federal reimbursements and the non-Federal entity's contributions to the PRHP fund. Adjustments may be made by cash refund, reduction in current year's PRHP costs, or other equitable procedures to compensate the Federal government for the time value of Federal reimbursements in excess of contributions to the PRHP fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the Federal government's contribution in a future period.

(4) When a non-Federal entity converts to an acceptable actuarial cost method and funds PRHP costs in accordance with this method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency for indirect costs.

(5) To be allowable in the current year, the PRHP costs must be paid either to:

(i) An insurer or other benefit provider as current year costs or premiums, or

(ii) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The Federal government must receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the entity in the form of a refund, withdrawal, or other credit.

(i) *Severance Pay*. (1) Severance pay, also commonly referred to as dismissal wages, is a payment in addition to regular salaries and wages, by non-Federal entities to workers whose employment is being terminated. Costs of severance pay are allowable only to the extent that in each case, it is required by (a) law, (b) employer-employee agreement, (c) established policy that constitutes, in effect, an implied agreement on the non-Federal entity's part, or (d) circumstances of the particular employment.

(2) Costs of severance payments are divided into two categories as follows:

(i) Actual normal turnover severance payments must be allocated to all activities; or, where the non-Federal entity provides for a reserve for normal severances, such method will be acceptable if the charge to current operations is reasonable in light of payments actually made for normal severances over a representative past period, and if amounts charged are allocated to all activities of the non-Federal entity.

(ii) Measurement of costs of abnormal or mass severance pay by means of an accrual will not achieve equity to both parties. Thus, accruals for this purpose are not allowable. However, the Federal government recognizes its obligation to participate, to the extent of its fair share, in any specific payment. Prior approval by the Federal awarding agency or cognizant agency for indirect cost, as appropriate, is required.

(3) Costs incurred in certain severance pay packages which are in an amount in excess of the normal severance pay paid by the non-Federal entity to an employee upon termination of employment and are paid to the employee contingent upon a change in management control over, or ownership of, the non-Federal entity's assets, are unallowable.

(4) Severance payments to foreign nationals employed by the non-Federal entity outside the United States, to the extent that the amount exceeds the customary or prevailing practices for the non-Federal entity in the United States, are unallowable, unless they are necessary for the performance of Federal programs and approved by the Federal awarding agency.

(5) Severance payments to foreign nationals employed by the non-Federal entity outside the United States due to the termination of the foreign national as a result of the closing of, or curtailment of activities by, the non-Federal entity in that country, are unallowable, unless they are necessary for the

performance of Federal programs and approved by the Federal awarding agency.

(j)(1) *For IHEs only.* Fringe benefits in the form of tuition or remission of tuition for individual employees are allowable, provided such benefits are granted in accordance with established non-Federal entity policies, and are distributed to all non-Federal entity activities on an equitable basis. Tuition benefits for family members other than the employee are unallowable.

(2) Fringe benefits in the form of tuition or remission of tuition for individual employees not employed by IHEs are limited to the tax-free amount allowed per section 127 of the Internal Revenue Code as amended.

(3) IHEs may offer employees tuition waivers or tuition reductions for undergraduate education under IRC Section 117(d) as amended, provided that the benefit does not discriminate in favor of highly compensated employees. Federal reimbursement of tuition or remission of tuition is also limited to the institution for which the employee works. See §200.466 Scholarships and student aid costs, for treatment of tuition remission provided to students.

(k) For IHEs whose costs are paid by state or local governments, fringe benefit programs (such as pension costs and FICA) and any other benefits costs specifically incurred on behalf of, and in direct benefit to, the non-Federal entity, are allowable costs of such non-Federal entities whether or not these costs are recorded in the accounting records of the non-Federal entities, subject to the following:

(1) The costs meet the requirements of Basic Considerations in §§200.402 Composition of costs through 200.411 Adjustment of previously negotiated indirect (F&A) cost rates containing unallowable costs of this subpart;

(2) The costs are properly supported by approved cost allocation plans in accordance with applicable Federal cost accounting principles; and

(3) The costs are not otherwise borne directly or indirectly by the Federal government.

§200.432 Conferences.

A conference is defined as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information beyond the non-Federal entity and is necessary and reasonable for successful performance under the Federal award. Allowable conference costs paid by the non-Federal entity as a sponsor or host of the conference may include rental of facilities, speakers' fees, costs of meals and refreshments, local transportation, and other items incidental to such conferences unless further restricted by the terms and conditions of the Federal award. As needed, the costs of identifying, but not providing, locally available dependent-care resources are allowable. Conference hosts/sponsors must exercise discretion and judgment in ensuring that conference costs are appropriate, necessary and managed in a manner that minimizes costs to the Federal award. The Federal awarding agency may authorize exceptions where appropriate for programs including Indian tribes, children, and the elderly. See also §§200.438 Entertainment costs, 200.456 Participant support costs, 200.474 Travel costs, and 200.475 Trustees.

§200.433 Contingency provisions.

(a) Contingency is that part of a budget estimate of future costs (typically of large construction projects, IT systems, or other items as approved by the Federal awarding agency) which is associated with possible events or conditions arising from causes the precise outcome of which is indeterminable at the time of estimate, and that experience shows will likely result, in aggregate, in additional costs for the approved activity or project. Amounts for major project scope changes, unforeseen risks, or extraordinary events may not be included.

(b) It is permissible for contingency amounts other than those excluded in paragraph (b)(1) of this section to be explicitly included in budget estimates, to the extent they are necessary to improve the precision of those estimates. Amounts must be estimated using broadly-accepted cost estimating methodologies, specified in the budget documentation of the Federal award, and accepted by the Federal awarding agency. As such, contingency amounts

are to be included in the Federal award. In order for actual costs incurred to be allowable, they must comply with the cost principles and other requirements in this part (see also §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance of Subpart D of this part and 200.403 Factors affecting allowability of costs); be necessary and reasonable for proper and efficient accomplishment of project or program objectives, and be verifiable from the non-Federal entity's records.

(c) Payments made by the Federal awarding agency to the non-Federal entity's ''contingency reserve'' or any similar payment made for events the occurrence of which cannot be foretold with certainty as to the time or intensity, or with an assurance of their happening, are unallowable, except as noted in §§ 200.431 Compensation—fringe benefits regarding self-insurance, pensions, severance and post-retirement health costs and 200.447 Insurance and indemnification.

§ 200.434 Contributions and donations.

(a) Costs of contributions and donations, including cash, property, and services, from the non-Federal entity to other entities, are unallowable.

(b) The value of services and property donated to the non-Federal entity may not be charged to the Federal award either as a direct or indirect (F&A) cost. The value of donated services and property may be used to meet cost sharing or matching requirements (see § 200.306 Cost sharing or matching). Depreciation on donated assets is permitted in accordance with § 200.436 Depreciation, as long as the donated property is not counted towards cost sharing or matching requirements.

(c) Services donated or volunteered to the non-Federal entity may be furnished to a non-Federal entity by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not allowable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of § 200.306 Cost sharing or matching.

(d) To the extent feasible, services donated to the non-Federal entity will be supported by the same methods used to support the allocability of regular personnel services.

(e) The following provisions apply to nonprofit organizations. The value of services donated to the nonprofit organization utilized in the performance of a direct cost activity must be considered in the determination of the non-Federal entity's indirect cost rate(s) and, accordingly, must be allocated a proportionate share of applicable indirect costs when the following circumstances exist:

(1) The aggregate value of the services is material;

(2) The services are supported by a significant amount of the indirect costs incurred by the non-Federal entity;

(i) In those instances where there is no basis for determining the fair market value of the services rendered, the non-Federal entity and the cognizant agency for indirect costs must negotiate an appropriate allocation of indirect cost to the services.

(ii) Where donated services directly benefit a project supported by the Federal award, the indirect costs allocated to the services will be considered as a part of the total costs of the project. Such indirect costs may be reimbursed under the Federal award or used to meet cost sharing or matching requirements.

(f) Fair market value of donated services must be computed as described in § 200.306 Cost sharing or matching.

(g) Personal Property and Use of Space.

(1) Donated personal property and use of space may be furnished to a non-Federal entity. The value of the personal property and space is not reimbursable either as a direct or indirect cost.

(2) The value of the donations may be used to meet cost sharing or matching share requirements under the conditions described in §§ 200.300 Statutory and national policy requirements through 200.309 Period of performance of subpart D of this part. The value of the donations must be determined in accordance with §§ 200.300 Statutory and national policy requirements

through 200.309 Period of performance. Where donations are treated as indirect costs, indirect cost rates will separate the value of the donations so that reimbursement will not be made.

§ 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

(a) Definitions for the purposes of this section.

(1) *Conviction* means a judgment or conviction of a criminal offense by any court of competent jurisdiction, whether entered upon verdict or a plea, including a conviction due to a plea of nolo contendere.

(2) *Costs* include the services of in-house or private counsel, accountants, consultants, or others engaged to assist the non-Federal entity before, during, and after commencement of a judicial or administrative proceeding, that bear a direct relationship to the proceeding.

(3) *Fraud* means:

(i) Acts of fraud or corruption or attempts to defraud the Federal government or to corrupt its agents,

(ii) Acts that constitute a cause for debarment or suspension (as specified in agency regulations), and

(iii) Acts which violate the False Claims Act (31 U.S.C. 3729–3732) or the Anti-kickback Act (41 U.S.C. 1320a–7b(b)).

(4) *Penalty* does not include restitution, reimbursement, or compensatory damages.

(5) *Proceeding* includes an investigation.

(b) *Costs.* (1) Except as otherwise described herein, costs incurred in connection with any criminal, civil or administrative proceeding (including filing of a false certification) commenced by the Federal government, a state, local government, or foreign government, or joined by the Federal government (including a proceeding under the False Claims Act), against the non-Federal entity, (or commenced by third parties or a current or former employee of the non-Federal entity who submits a whistleblower complaint of reprisal in accordance with 10 U.S.C. 2409 or 41 U.S.C. 4712), are not allowable if the proceeding:

(i) Relates to a violation of, or failure to comply with, a Federal, state, local or foreign statute, regulation or the terms and conditions of the Federal award, by the non-Federal entity (including its agents and employees); and

(ii) Results in any of the following dispositions:

(A) In a criminal proceeding, a conviction.

(B) In a civil or administrative proceeding involving an allegation of fraud or similar misconduct, a determination of non-Federal entity liability.

(C) In the case of any civil or administrative proceeding, the disallowance of costs or the imposition of a monetary penalty, or an order issued by the Federal awarding agency head or delegate to the non-Federal entity to take corrective action under 10 U.S.C. 2409 or 41 U.S.C. 4712.

(D) A final decision by an appropriate Federal official to debar or suspend the non-Federal entity, to rescind or void a Federal award, or to terminate a Federal award for default by reason of a violation or failure to comply with a statute, regulation, or the terms and conditions of the Federal award.

(E) A disposition by consent or compromise, if the action could have resulted in any of the dispositions described in paragraphs (b)(1)(ii)(A) through (D) of this section.

(2) If more than one proceeding involves the same alleged misconduct, the costs of all such proceedings are unallowable if any results in one of the dispositions shown in paragraph (b) of this section.

(c) If a proceeding referred to in paragraph (b) of this section is commenced by the Federal government and is resolved by consent or compromise pursuant to an agreement by the non-Federal entity and the Federal government, then the costs incurred may be allowed to the extent specifically provided in such agreement.

(d) If a proceeding referred to in paragraph (b) of this section is commenced by a state, local or foreign government, the authorized Federal official may allow the costs incurred if such authorized official determines that the costs were incurred as a result of:

(1) A specific term or condition of the Federal award, or

(2) Specific written direction of an authorized official of the Federal awarding agency.

(e) Costs incurred in connection with proceedings described in paragraph (b) of this section, which are not made unallowable by that subsection, may be allowed but only to the extent that:

(1) The costs are reasonable and necessary in relation to the administration of the Federal award and activities required to deal with the proceeding and the underlying cause of action;

(2) Payment of the reasonable, necessary, allocable and otherwise allowable costs incurred is not prohibited by any other provision(s) of the Federal award;

(3) The costs are not recovered from the Federal Government or a third party, either directly as a result of the proceeding or otherwise; and,

(4) An authorized Federal official must determine the percentage of costs allowed considering the complexity of litigation, generally accepted principles governing the award of legal fees in civil actions involving the United States, and such other factors as may be appropriate. Such percentage must not exceed 80 percent. However, if an agreement reached under paragraph (c) of this section has explicitly considered this 80 percent limitation and permitted a higher percentage, then the full amount of costs resulting from that agreement are allowable.

(f) Costs incurred by the non-Federal entity in connection with the defense of suits brought by its employees or ex-employees under section 2 of the Major Fraud Act of 1988 (18 U.S.C. 1031), including the cost of all relief necessary to make such employee whole, where the non-Federal entity was found liable or settled, are unallowable.

(g) Costs of prosecution of claims against the Federal government, including appeals of final Federal agency decisions, are unallowable.

(h) Costs of legal, accounting, and consultant services, and related costs, incurred in connection with patent infringement litigation, are unallowable unless otherwise provided for in the Federal award.

(i) Costs which may be unallowable under this section, including directly associated costs, must be segregated and accounted for separately. During the pendency of any proceeding covered by paragraphs (b) and (f) of this section, the Federal government must generally withhold payment of such costs. However, if in its best interests, the Federal government may provide for conditional payment upon provision of adequate security, or other adequate assurance, and agreement to repay all unallowable costs, plus interest, if the costs are subsequently determined to be unallowable.

§ 200.436 Depreciation.

(a) Depreciation is the method for allocating the cost of fixed assets to periods benefitting from asset use. The non-Federal entity may be compensated for the use of its buildings, capital improvements, equipment, and software projects capitalized in accordance with GAAP, provided that they are used, needed in the non-Federal entity's activities, and properly allocated to Federal awards. Such compensation must be made by computing depreciation.

(b) The allocation for depreciation must be made in accordance with Appendices IV through VIII.

(c) Depreciation is computed applying the following rules. The computation of depreciation must be based on the acquisition cost of the assets involved. For an asset donated to the non-Federal entity by a third party, its fair market value at the time of the donation must be considered as the acquisition cost. Such assets may be depreciated or claimed as matching but not both. For this purpose, the acquisition cost will exclude:

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal government, irrespective of where title was originally vested or where it is presently located;

(3) Any portion of the cost of buildings and equipment contributed by or for the non-Federal entity, or where law or agreement prohibits recovery; and

(4) Any asset acquired solely for the performance of a non-Federal award.

(d) When computing depreciation charges, the following must be observed:

(1) The period of useful service or useful life established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment, technological developments in the particular area, historical data, and the renewal and replacement policies followed for the individual items or classes of assets involved.

(2) The depreciation method used to charge the cost of an asset (or group of assets) to accounting periods must reflect the pattern of consumption of the asset during its useful life. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight-line method must be presumed to be the appropriate method. Depreciation methods once used may not be changed unless approved in advance by the cognizant agency. The depreciation methods used to calculate the depreciation amounts for indirect (F&A) rate purposes must be the same methods used by the non-Federal entity for its financial statements.

(3) The entire building, including the shell and all components, may be treated as a single asset and depreciated over a single useful life. A building may also be divided into multiple components. Each component item may then be depreciated over its estimated useful life. The building components must be grouped into three general components of a building: building shell (including construction and design costs), building services systems (e.g., elevators, HVAC, plumbing system and heating and air-conditioning system) and fixed equipment (e.g., sterilizers, casework, fume hoods, cold rooms and glassware/washers). In exceptional cases, a cognizant agency may authorize a non-Federal entity to use more than these three groupings. When a non-Federal entity elects to depreciate its buildings by its components, the same depreciation methods must be used for indirect (F&A) purposes and financial statements purposes, as described in paragraphs (d)(1) and (2) of this section.

(4) No depreciation may be allowed on any assets that have outlived their depreciable lives.

(5) Where the depreciation method is introduced to replace the use allowance method, depreciation must be computed as if the asset had been depreciated over its entire life (i.e., from the date the asset was acquired and ready for use to the date of disposal or withdrawal from service). The total amount of use allowance and depreciation for an asset (including imputed depreciation applicable to periods prior to the conversion from the use allowance method as well as depreciation after the conversion) may not exceed the total acquisition cost of the asset.

(e) Charges for depreciation must be supported by adequate property records, and physical inventories must be taken at least once every two years to ensure that the assets exist and are usable, used, and needed. Statistical sampling techniques may be used in taking these inventories. In addition, adequate depreciation records showing the amount of depreciation taken each period must also be maintained.

§ 200.437 Employee health and welfare costs.

(a) Costs incurred in accordance with the non-Federal entity's documented policies for the improvement of working conditions, employer-employee relations, employee health, and employee performance are allowable.

(b) Such costs will be equitably apportioned to all activities of the non-Federal entity. Income generated from any of these activities will be credited to the cost thereof unless such income has been irrevocably sent to employee welfare organizations.

(c) Losses resulting from operating food services are allowable only if the non-Federal entity's objective is to operate such services on a break-even basis. Losses sustained because of operating objectives other than the above are allowable only:

(1) Where the non-Federal entity can demonstrate unusual circumstances; and

(2) With the approval of the cognizant agency for indirect costs.

§ 200.438 Entertainment costs.

Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency.

§ 200.439 Equipment and other capital expenditures.

(a) See §§ 200.13 Capital expenditures, 200.33 Equipment, 200.89 Special purpose equipment, 200.48 General purpose equipment, 200.2 Acquisition cost, and 200.12 Capital assets.

(b) The following rules of allowability must apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding agency or pass-through entity.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior written approval of the Federal awarding agency, or pass-through entity. See § 200.436 Depreciation, for rules on the allowability of depreciation on buildings, capital improvements, and equipment. See also § 200.465 Rental costs of real property and equipment.

(4) When approved as a direct charge pursuant to paragraphs (b)(1) through (3) of this section, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the Federal awarding agency.

(5) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the Federal cognizant agency for indirect cost.

(6) Cost of equipment disposal. If the non-Federal entity is instructed by the Federal awarding agency to otherwise dispose of or transfer the equipment the costs of such disposal or transfer are allowable.

§ 200.440 Exchange rates.

(a) Cost increases for fluctuations in exchange rates are allowable costs subject to the availability of funding, and prior approval by the Federal awarding agency. The Federal awarding agency must however ensure that adequate funds are available to cover currency fluctuations in order to avoid a violation of the Anti-Deficiency Act.

(b) The non-Federal entity is required to make reviews of local currency gains to determine the need for additional federal funding before the expiration date of the Federal award. Subsequent adjustments for currency increases may be allowable only when the non-Federal entity provides the Federal awarding agency with adequate source documentation from a commonly used source in effect at the time the expense was made, and to the extent that sufficient Federal funds are available.

§ 200.441 Fines, penalties, damages and other settlements.

Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable, except when incurred as a result of compliance with specific provisions of the Federal award, or with prior written approval of the Federal awarding agency. See also § 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

§ 200.442 Fund raising and investment management costs.

(a) Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred

to raise capital or obtain contributions are unallowable. Fund raising costs for the purposes of meeting the Federal program objectives are allowable with prior written approval from the Federal awarding agency. Proposal costs are covered in § 200.460 Proposal costs.

(b) Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable except when associated with investments covering pension, self-insurance, or other funds which include Federal participation allowed by this part.

(c) Costs related to the physical custody and control of monies and securities are allowable.

(d) Both allowable and unallowable fund raising and investment activities must be allocated as an appropriate share of indirect costs under the conditions described in § 200.413 Direct costs.

§ 200.443 Gains and losses on disposition of depreciable assets.

(a) Gains and losses on the sale, retirement, or other disposition of depreciable property must be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) is the difference between the amount realized on the property and the undepreciated basis of the property.

(b) Gains and losses from the disposition of depreciable property must not be recognized as a separate credit or charge under the following conditions:

(1) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under §§ 200.436 Depreciation and 200.439 Equipment and other capital expenditures.

(2) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(3) A loss results from the failure to maintain permissible insurance, except as otherwise provided in § 46*200.447 Insurance and indemnification.

(4) Compensation for the use of the property was provided through use allowances in lieu of depreciation.

(5) Gains and losses arising from mass or extraordinary sales, retirements, or other dispositions must be considered on a case-by-case basis.

(c) Gains or losses of any nature arising from the sale or exchange of property other than the property covered in paragraph (a) of this section, e.g., land, must be excluded in computing Federal award costs.

(d) When assets acquired with Federal funds, in part or wholly, are disposed of, the distribution of the proceeds must be made in accordance with §§ 200.310 Insurance Coverage through 200.316 Property trust relationship.

§ 200.444 General costs of government.

(a) For states, local governments, and Indian Tribes, the general costs of government are unallowable (except as provided in § 200.474 Travel costs). Unallowable costs include:

(1) Salaries and expenses of the Office of the Governor of a state or the chief executive of a local government or the chief executive of an Indian tribe;

(2) Salaries and other expenses of a state legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;

(3) Costs of the judicial branch of a government;

(4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General as described in § 200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements); and

(5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

(b) For Indian tribes and Councils Of Governments (COGs) (see § 200.64 Local government), the portion of salaries and expenses directly attributable to

managing and operating Federal programs by the chief executive and his or her staff is allowable. Up to 50% of these costs can be included in the indirect cost calculation without documentation.

§ 200.445 Goods or services for personal use.

(a) Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

(b) Costs of housing (e.g., depreciation, maintenance, utilities, furnishings, rent), housing allowances and personal living expenses are only allowable as direct costs regardless of whether reported as taxable income to the employees. In addition, to be allowable direct costs must be approved in advance by a Federal awarding agency.

§ 200.446 Idle facilities and idle capacity.

(a) As used in this section the following terms have the meanings set forth in this section:

(1) Facilities means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the non-Federal entity.

(2) Idle facilities means completely unused facilities that are excess to the non-Federal entity's current needs.

(3) Idle capacity means the unused capacity of partially used facilities. It is the difference between:

(i) That which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays and;

(ii) The extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) Cost of idle facilities or idle capacity means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, and depreciation. These costs could include the costs of idle public safety emergency facilities, telecommunications, or information technology system capacity that is built to withstand major fluctuations in load, e.g., consolidated data centers.

(b) The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet workload requirements which may fluctuate and are allocated appropriately to all benefiting programs; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

(c) The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary to carry out the purpose of the Federal award or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

§ 200.447 Insurance and indemnification.

(a) Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable.

(b) Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(1) Types and extent and cost of coverage are in accordance with the non-Federal entity's policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal government property are unallowable except to the extent that the Federal awarding agency has specifically required or approved such costs.

(3) Costs allowed for business interruption or other similar insurance must exclude coverage of management fees.

(4) Costs of insurance on the lives of trustees, officers, or other employees holding positions of similar responsibilities are allowable only to the extent that the insurance represents additional compensation (see § 200.431 Compensation—fringe benefits). The cost of such insurance when the non-Federal entity is identified as the beneficiary is unallowable.

(5) Insurance against defects. Costs of insurance with respect to any costs incurred to correct defects in the non-Federal entity's materials or workmanship are unallowable.

(6) Medical liability (malpractice) insurance. Medical liability insurance is an allowable cost of Federal research programs only to the extent that the Federal research programs involve human subjects or training of participants in research techniques. Medical liability insurance costs must be treated as a direct cost and must be assigned to individual projects based on the manner in which the insurer allocates the risk to the population covered by the insurance.

(c) Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award. However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

(d) Contributions to a reserve for certain self-insurance programs including workers' compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

(1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, must not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the non-Federal entity's settlement rate for those liabilities and its investment rate of return.

(2) Earnings or investment income on reserves must be credited to those reserves.

(3)(i) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims:

(A) Submitted and adjudicated but not paid;

(B) Submitted but not adjudicated; and

(C) Incurred but not submitted.

(ii) Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.

(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the non-Federal entity. If individual departments or agencies of the non-Federal entity experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

(5) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund or unrestricted account), refunds must be made to the Federal government for its

share of funds transferred, including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable Federal cognizant agency for indirect cost, claims collection regulations.

(e) Insurance refunds must be credited against insurance costs in the year the refund is received.

(f) Indemnification includes securing the non-Federal entity against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal government is obligated to indemnify the non-Federal entity only to the extent expressly provided for in the Federal award, except as provided in paragraph (c) of this section.

§ 200.448 Intellectual property.

(a) *Patent costs.* (1) The following costs related to securing patents and copyrights are allowable:

(i) Costs of preparing disclosures, reports, and other documents required by the Federal award, and of searching the art to the extent necessary to make such disclosures;

(ii) Costs of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal government to be conveyed to the Federal government; and

(iii) General counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee intellectual property agreements (See also § 200.459 Professional service costs).

(2) The following costs related to securing patents and copyrights are unallowable:

(i) Costs of preparing disclosures, reports, and other documents, and of searching the art to make disclosures not required by the Federal award;

(ii) Costs in connection with filing and prosecuting any foreign patent application, or any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the Federal government.

(b) *Royalties and other costs for use of patents and copyrights.* (1) Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the Federal award are allowable unless:

(i) The Federal government already has a license or the right to free use of the patent or copyright.

(ii) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(iii) The patent or copyright is considered to be unenforceable.

(iv) The patent or copyright is expired.

(2) Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less-than-arm's-length bargaining, such as:

(i) Royalties paid to persons, including corporations, affiliated with the non-Federal entity.

(ii) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Federal award would be made.

(iii) Royalties paid under an agreement entered into after a Federal award is made to a non-Federal entity.

(3) In any case involving a patent or copyright formerly owned by the non-Federal entity, the amount of royalty allowed should not exceed the cost which would have been allowed had the non-Federal entity retained title thereto.

§ 200.449 Interest.

(a) *General.* Costs incurred for interest on borrowed capital, temporary use of endowment funds, or the use of the non-Federal entity's own funds, however represented, are unallowable. Financing costs (including interest) to acquire, construct, or replace capital assets are allowable, subject to the conditions in this section.

(b)(1) Capital assets is defined as noted in § 200.12 Capital assets. An asset cost includes (as applicable) acquisition costs, construction costs, and other costs capitalized in accordance with GAAP.

(2) For non-Federal entity fiscal years beginning on or after January 1, 2016, intangible assets include patents and computer software. For software development projects, only interest attributable to the portion of the project costs capitalized in accordance with GAAP is allowable.

(c) *Conditions for all non-Federal entities.* (1) The non-Federal entity uses the capital assets in support of Federal awards;

(2) The allowable asset costs to acquire facilities and equipment are limited to a fair market value available to the non-Federal entity from an unrelated (arm's length) third party.

(3) The non-Federal entity obtains the financing via an arm's-length transaction (that is, a transaction with an unrelated third party); or claims reimbursement of actual interest cost at a rate available via such a transaction.

(4) The non-Federal entity limits claims for Federal reimbursement of interest costs to the least expensive alternative. For example, a capital lease may be determined less costly than purchasing through debt financing, in which case reimbursement must be limited to the amount of interest determined if leasing had been used.

(5) The non-Federal entity expenses or capitalizes allowable interest cost in accordance with GAAP.

(6) Earnings generated by the investment of borrowed funds pending their disbursement for the asset costs are used to offset the current period's allowable interest cost, whether that cost is expensed or capitalized. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.

(7) The following conditions must apply to debt arrangements over $1 million to purchase or construct facilities, unless the non-Federal entity makes an initial equity contribution to the purchase of 25 percent or more. For this purpose, ''initial equity contribution'' means the amount or value of contributions made by the non-Federal entity for the acquisition of facilities prior to occupancy.

(i) The non-Federal entity must reduce claims for reimbursement of interest cost by an amount equal to imputed interest earnings on excess cash flow attributable to the portion of the facility used for Federal awards.

(ii) The non-Federal entity must impute interest on excess cash flow as follows:

(A) Annually, the non-Federal entity must prepare a cumulative (from the inception of the project) report of monthly cash inflows and outflows, regardless of the funding source. For this purpose, inflows consist of Federal reimbursement for depreciation, amortization of capitalized construction interest, and annual interest cost. Outflows consist of initial equity contributions, debt principal payments (less the pro-rata share attributable to the cost of land), and interest payments.

(B) To compute monthly cash inflows and outflows, the non-Federal entity must divide the annual amounts determined in step (i) by the number of months in the year (usually 12) that the building is in service.

(C) For any month in which cumulative cash inflows exceed cumulative outflows, interest must be calculated on the excess inflows for that month and be treated as a reduction to allowable interest cost. The rate of interest to be used must be the three-month Treasury bill closing rate as of the last business day of that month.

(8) Interest attributable to a fully depreciated asset is unallowable.

(d) Additional conditions for states, local governments and Indian tribes. For costs to be allowable, the non-Federal entity must have incurred the interest costs for buildings after October 1, 1980, or for land and equipment after September 1, 1995.

(1) The requirement to offset interest earned on borrowed funds against current allowable interest cost (paragraph (c)(5), above) also applies to earnings on debt service reserve funds.

(2) The non-Federal entity will negotiate the amount of allowable interest cost related to the acquisition of facilities with asset costs of $1 million or more, as outlined in paragraph (c)(7) of this section. For this purpose, a non-Federal entity must consider only cash inflows and outflows attributable to that portion of the real property used for Federal awards.

(e) Additional conditions for IHEs. For costs to be allowable, the IHE must have incurred the interest costs after September 23, 1982, in connection with acquisitions of capital assets that occurred after that date.

(f) Additional condition for nonprofit organizations. For costs to be allowable, the nonprofit organization incurred the interest costs after September 29, 1995, in connection with acquisitions of capital assets that occurred after that date.

(g) The interest allowability provisions of this section do not apply to a nonprofit organization subject to ''full coverage'' under the Cost Accounting Standards (CAS), as defined at 48 CFR 9903.201–2(a). The non-Federal entity's Federal awards are instead subject to CAS 414 (48 CFR 9904.414), ''Cost of Money as an Element of the Cost of Facilities Capital'', and CAS 417 (48 CFR 9904.417), ''Cost of Money as an Element of the Cost of Capital Assets Under Construction''.

§ 200.450 Lobbying.

(a) The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans is governed by relevant statutes, including among others, the provisions of 31 U.S.C. 1352, as well as the common rule, ''New Restrictions on Lobbying'' published at 55 FR 6736 (February 26, 1990), including definitions, and the Office of Management and Budget ''Governmentwide Guidance for New Restrictions on Lobbying'' and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), 57 FR 1772 (January 15, 1992), and 61 FR 1412 (January 19, 1996).

(b) Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the executive branch of the Federal government to give consideration or to act regarding a Federal award or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a Federal award or regulatory matter on any basis other than the merits of the matter.

(c) In addition to the above, the following restrictions are applicable to nonprofit organizations and IHEs:

(1) Costs associated with the following activities are unallowable:

(i) Attempts to influence the outcomes of any Federal, state, or local election, referendum, initiative, or similar procedure, through in-kind or cash contributions, endorsements, publicity, or similar activity;

(ii) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections in the United States;

(iii) Any attempt to influence:

(A)The introduction of Federal or state legislation;

(B) The enactment or modification of any pending Federal or state legislation through communication with any member or employee of the Congress or state legislature (including efforts to influence state or local officials to engage in similar lobbying activity);

(C) The enactment or modification of any pending Federal or state legislation by preparing, distributing, or using publicity or propaganda, or by urging members of the general public, or any segment thereof, to contribute to or participate in any mass demonstration, march, rally, fund raising drive, lobbying campaign or letter writing or telephone campaign; or

(D) Any government official or employee in connection with a decision to sign or veto enrolled legislation;

(iv) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

(2) The following activities are excepted from the coverage of paragraph (c)(1) of this section:

(i) Technical and factual presentations on topics directly related to the performance of a grant, contract, or other agreement (through hearing

testimony, statements, or letters to the Congress or a state legislature, or subdivision, member, or cognizant staff member thereof), in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the non-Federal entity's member of congress, legislative body or a subdivision, or a cognizant staff member thereof, provided such information is readily obtainable and can be readily put in deliverable form, and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearings;

(ii) Any lobbying made unallowable by paragraph (c)(1)(iii) of this section to influence state legislation in order to directly reduce the cost, or to avoid material impairment of the non-Federal entity's authority to perform the grant, contract, or other agreement; or

(iii) Any activity specifically authorized by statute to be undertaken with funds from the Federal award.

(iv) Any activity excepted from the definitions of ''lobbying'' or ''influencing legislation'' by the Internal Revenue Code provisions that require nonprofit organizations to limit their participation in direct and ''grass roots'' lobbying activities in order to retain their charitable deduction status and avoid punitive excise taxes, I.R.C. §§ 501(c)(3), 501(h), 4911(a), including:

(A) Nonpartisan analysis, study, or research reports;

(B) Examinations and discussions of broad social, economic, and similar problems; and

(C) Information provided upon request by a legislator for technical advice and assistance, as defined by I.R.C. § 4911(d)(2) and 26 CFR 56.4911–2(c)(1)–(c)(3).

(v) When a non-Federal entity seeks reimbursement for indirect (F&A) costs, total lobbying costs must be separately identified in the indirect (F&A) cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of § 200.413 Direct costs.

(vi) The non-Federal entity must submit as part of its annual indirect (F&A) cost rate proposal a certification that the requirements and standards of this section have been complied with. (See also § 200.415 Required certifications.)

(vii)(A) Time logs, calendars, or similar records are not required to be created for purposes of complying with the record keeping requirements in § 200.302 Financial management with respect to lobbying costs during any particular calendar month when:

(*1*) The employee engages in lobbying (as defined in paragraphs (c)(1) and (c)(2) of this section) 25 percent or less of the employee's compensated hours of employment during that calendar month; and

(*2*) Within the preceding five-year period, the non-Federal entity has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs.

(B) When conditions in paragraph (c)(2)(vii)(A)(*1*) and (*2*) of this section are met, non-Federal entities are not required to establish records to support the allowability of claimed costs in addition to records already required or maintained. Also, when conditions in paragraphs (c)(2)(vii)(A)(*1*) and (*2*) of this section are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

(viii) The Federal awarding agency must establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolutions must be binding in any subsequent settlements, audits, or investigations with respect to that grant or contract for purposes of interpretation of this part, provided, however, that this must not be construed to prevent a contractor or non-Federal entity from contesting the lawfulness of such a determination.

§ 200.451 Losses on other awards or contracts.

Any excess of costs over income under any other award or contract of any nature is unallowable. This includes, but is not limited to, the non-Federal entity's contributed portion by reason of cost-sharing agreements or any under-recoveries through negotiation of flat amounts for indirect (F&A) costs. Also, any excess of costs over authorized funding levels transferred from any award or contract to another award or contract is unallowable. All losses are not allowable indirect (F&A) costs and are required to be included in the appropriate indirect cost rate base for allocation of indirect costs.

§ 200.452 Maintenance and repair costs.

Costs incurred for utilities, insurance, security, necessary maintenance, janitorial services, repair, or upkeep of buildings and equipment (including Federal property unless otherwise provided for) which neither add to the permanent value of the property nor appreciably prolong its intended life, but keep it in an efficient operating condition, are allowable. Costs incurred for improvements which add to the permanent value of the buildings and equipment or appreciably prolong their intended life must be treated as capital expenditures (see § 200.439 Equipment and other capital expenditures). These costs are only allowable to the extent not paid through rental or other agreements.

§ 200.453 Materials and supplies costs, including costs of computing devices.

(a) Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.

(b) Purchased materials and supplies must be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

(c) Materials and supplies used for the performance of a Federal award may be charged as direct costs. In the specific case of computing devices, charging as direct costs is allowable for devices that are essential and allocable, but not solely dedicated, to the performance of a Federal award.

(d) Where federally-donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

§ 200.454 Memberships, subscriptions, and professional activity costs.

(a) Costs of the non-Federal entity's membership in business, technical, and professional organizations are allowable.

(b) Costs of the non-Federal entity's subscriptions to business, professional, and technical periodicals are allowable.

(c) Costs of membership in any civic or community organization are allowable with prior approval by the Federal awarding agency or pass-through entity.

(d) Costs of membership in any country club or social or dining club or organization are unallowable.

(e) Costs of membership in organizations whose primary purpose is lobbying are unallowable. See also § 200.450 Lobbying.

§ 200.455 Organization costs.

Costs such as incorporation fees, brokers' fees, fees to promoters, organizers or management consultants, attorneys, accountants, or investment counselor, whether or not employees of the non-Federal entity in connection with establishment or reorganization of an organization, are unallowable except with prior approval of the Federal awarding agency.

§ 200.456 Participant support costs.

Participant support costs as defined in § 200.75 Participant support costs are allowable with the prior approval of the Federal awarding agency.

§ 200.457 Plant and security costs.

Necessary and reasonable expenses incurred for routine and security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages

and uniforms of personnel engaged in security activities; equipment; barriers; protective (non-military) gear, devices, and equipment; contractual security services; and consultants. Capital expenditures for plant security purposes are subject to §200.439 Equipment and other capital expenditures.

§200.458 Pre-award costs.

Pre-award costs are those incurred prior to the effective date of the Federal award directly pursuant to the negotiation and in anticipation of the Federal award where such costs are necessary for efficient and timely performance of the scope of work. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the Federal award and only with the written approval of the Federal awarding agency.

§200.459 Professional service costs.

(a) Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-Federal entity, are allowable, subject to paragraphs (b) and (c) when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal government. In addition, legal and related services are limited under §200.435 Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements.

(b) In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(2) The necessity of contracting for the service, considering the non-Federal entity's capability in the particular area.

(3) The past pattern of such costs, particularly in the years prior to Federal awards.

(4) The impact of Federal awards on the non-Federal entity's business (i.e., what new problems have arisen).

(5) Whether the proportion of Federal work to the non-Federal entity's total business is such as to influence the non-Federal entity in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal awards.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-federally funded activities.

(8) Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions).

(c) In addition to the factors in paragraph (b) of this section, to be allowable, retainer fees must be supported by evidence of bona fide services available or rendered.

§200.460 Proposal costs.

Proposal costs are the costs of preparing bids, proposals, or applications on potential Federal and non-Federal awards or projects, including the development of data necessary to support the non-Federal entity's bids or proposals. Proposal costs of the current accounting period of both successful and unsuccessful bids and proposals normally should be treated as indirect (F&A) costs and allocated currently to all activities of the non-Federal entity. No proposal costs of past accounting periods will be allocable to the current period.

§200.461 Publication and printing costs.

(a) Publication costs for electronic and print media, including distribution, promotion, and general handling are allowable. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the non-Federal entity.

(b) Page charges for professional journal publications are allowable where:

(1) The publications report work supported by the Federal government; and

(2) The charges are levied impartially on all items published by the journal, whether or not under a Federal award.

(3) The non-Federal entity may charge the Federal award before closeout for the costs of publication or sharing of research results if the costs are not incurred during the period of performance of the Federal award.

§ 200.462 Rearrangement and reconversion costs.

(a) Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable as indirect costs. Special arrangements and alterations costs incurred specifically for a Federal award are allowable as a direct cost with the prior approval of the Federal awarding agency or pass-through entity.

(b) Costs incurred in the restoration or rehabilitation of the non-Federal entity's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.

§ 200.463 Recruiting costs.

(a) Subject to paragraphs (b) and (c) of this section, and provided that the size of the staff recruited and maintained is in keeping with workload requirements, costs of ''help wanted'' advertising, operating costs of an employment office necessary to secure and maintain an adequate staff, costs of operating an aptitude and educational testing program, travel costs of employees while engaged in recruiting personnel, travel costs of applicants for interviews for prospective employment, and relocation costs incurred incident to recruitment of new employees, are allowable to the extent that such costs are incurred pursuant to the non-Federal entity's standard recruitment program. Where the non-Federal entity uses employment agencies, costs not in excess of standard commercial rates for such services are allowable.

(b) Special emoluments, fringe benefits, and salary allowances incurred to attract professional personnel that do not meet the test of reasonableness or do not conform with the established practices of the non-Federal entity, are unallowable.

(c) Where relocation costs incurred incident to recruitment of a new employee have been funded in whole or in part as a direct cost to a Federal award, and the newly hired employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity will be required to refund or credit the Federal share of such relocation costs to the Federal government. See also § 200.464 Relocation costs of employees.

(d) Short-term, travel visa costs (as opposed to longer-term, immigration visas) are generally allowable expenses that may be proposed as a direct cost. Since short-term visas are issued for a specific period and purpose, they can be clearly identified as directly connected to work performed on a Federal award. For these costs to be directly charged to a Federal award, they must:

(1) Be critical and necessary for the conduct of the project;

(2) Be allowable under the applicable cost principles;

(3) Be consistent with the non-Federal entity's cost accounting practices and non-Federal entity policy; and

(4) Meet the definition of ''direct cost'' as described in the applicable cost principles.

§ 200.464 Relocation costs of employees.

(a) Relocation costs are costs incident to the permanent change of duty assignment (for an indefinite period or for a stated period of not less than 12 months) of an existing employee or upon recruitment of a new employee. Relocation costs are allowable, subject to the limitations described in paragraphs (b), (c), and (d) of this section, provided that:

(1) The move is for the benefit of the employer.

(2) Reimbursement to the employee is in accordance with an established written policy consistently followed by the employer.

(3) The reimbursement does not exceed the employee's actual (or reasonably estimated) expenses.

(b) Allowable relocation costs for current employees are limited to the following:

(1) The costs of transportation of the employee, members of his or her immediate family and his household, and personal effects to the new location.

(2) The costs of finding a new home, such as advance trips by employees and spouses to locate living quarters and temporary lodging during the transition period, up to maximum period of 30 calendar days.

(3) Closing costs, such as brokerage, legal, and appraisal fees, incident to the disposition of the employee's former home. These costs, together with those described in (4), are limited to 8 per cent of the sales price of the employee's former home.

(4) The continuing costs of ownership (for up to six months) of the vacant former home after the settlement or lease date of the employee's new permanent home, such as maintenance of buildings and grounds (exclusive of fixing-up expenses), utilities, taxes, and property insurance.

(5) Other necessary and reasonable expenses normally incident to relocation, such as the costs of canceling an unexpired lease, transportation of personal property, and purchasing insurance against loss of or damages to personal property. The cost of canceling an unexpired lease is limited to three times the monthly rental.

(c) Allowable relocation costs for new employees are limited to those described in paragraphs (b)(1) and (2) of this section. When relocation costs incurred incident to the recruitment of new employees have been allowed either as a direct or indirect cost and the employee resigns for reasons within the employee's control within 12 months after hire, the non-Federal entity must refund or credit the Federal government for its share of the cost. However, the costs of travel to an overseas location must be considered travel costs in accordance with §200.474 Travel costs, and not this §200.464 Relocation costs of employees, for the purpose of this paragraph if dependents are not permitted at the location for any reason and the costs do not include costs of transporting household goods.

(d) The following costs related to relocation are unallowable:

(1) Fees and other costs associated with acquiring a new home.

(2) A loss on the sale of a former home.

(3) Continuing mortgage principal and interest payments on a home being sold.

(4) Income taxes paid by an employee related to reimbursed relocation costs.

§200.465 Rental costs of real property and equipment.

(a) Subject to the limitations described in paragraphs (b) through (d) of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

(b) Rental costs under ''sale and lease back'' arrangements are allowable only up to the amount that would be allowed had the non-Federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

(c) Rental costs under ''less-than-arm's-length'' leases are allowable only up to the amount (as explained in paragraph (b) of this section). For this purpose, a less-than-arm's-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between:

(1) Divisions of the non-Federal entity;

(2) The non-Federal entity under common control through common officers, directors, or members; and

(3) The non-Federal entity and a director, trustee, officer, or key employee of the non-Federal entity or an immediate family member, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, the non-Federal entity may establish a separate corporation for the sole purpose of owning property and leasing it back to the non-Federal entity.

(4) Family members include one party with any of the following relationships to another party:

(i) Spouse, and parents thereof;

(ii) Children, and spouses thereof;

(iii) Parents, and spouses thereof;

(iv) Siblings, and spouses thereof;

(v) Grandparents and grandchildren, and spouses thereof;

(vi) Domestic partner and parents thereof, including domestic partners of any individual in 2 through 5 of this definition; and

(vii) Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

(5) Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in paragraph (b) of this section) that would be allowed had the non-Federal entity purchased the property on the date the lease agreement was executed. The provisions of GAAP must be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in § 200.449 Interest. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the non-Federal entity purchased the property.

(6) The rental of any property owned by any individuals or entities affiliated with the non-Federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.

§ 200.466 Scholarships and student aid costs.

(a) Costs of scholarships, fellowships, and other programs of student aid at IHEs are allowable only when the purpose of the Federal award is to provide training to selected participants and the charge is approved by the Federal awarding agency. However, tuition remission and other forms of compensation paid as, or in lieu of, wages to students performing necessary work are allowable provided that:

(1) The individual is conducting activities necessary to the Federal award;

(2) Tuition remission and other support are provided in accordance with established policy of the IHE and consistently provided in a like manner to students in return for similar activities conducted under Federal awards as well as other activities; and

(3) During the academic period, the student is enrolled in an advanced degree program at a non-Federal entity or affiliated institution and the activities of the student in relation to the Federal award are related to the degree program;

(4) The tuition or other payments are reasonable compensation for the work performed and are conditioned explicitly upon the performance of necessary work; and

(5) It is the IHE's practice to similarly compensate students under Federal awards as well as other activities.

(b) Charges for tuition remission and other forms of compensation paid to students as, or in lieu of, salaries and wages must be subject to the reporting requirements in § 200.430 Compensation—personal services, and must be treated as direct or indirect cost in accordance with the actual work being performed. Tuition remission may be charged on an average rate basis. See also § 200.431 Compensation—fringe benefits.

§ 200.467 Selling and marketing costs.

Costs of selling and marketing any products or services of the non-Federal entity (unless allowed under § 200.421 Advertising and public relations.) are unallowable, except as direct costs, with prior approval by the Federal awarding agency when necessary for the performance of the Federal award.

§ 200.468 Specialized service facilities.

(a) The costs of services provided by highly complex or specialized facilities operated by the non-Federal entity, such as computing facilities, wind tunnels, and reactors are allowable, provided the charges for the services meet the conditions of either paragraphs (b) or (c) of this section, and, in addition, take into account any items of income or Federal financing that qualify as applicable credits under § 200.406 Applicable credits.

(b) The costs of such services, when material, must be charged directly to applicable awards based on actual usage of the services on the basis of a schedule of rates or established methodology that:

(1) Does not discriminate between activities under Federal awards and other activities of the non-Federal entity, including usage by the non-Federal entity for internal purposes, and

(2) Is designed to recover only the aggregate costs of the services. The costs of each service must consist normally of both its direct costs and its allocable share of all indirect (F&A) costs. Rates must be adjusted at least biennially, and must take into consideration over/under applied costs of the previous period(s).

(c) Where the costs incurred for a service are not material, they may be allocated as indirect (F&A) costs.

(d) Under some extraordinary circumstances, where it is in the best interest of the Federal government and the non-Federal entity to establish alternative costing arrangements, such arrangements may be worked out with the Federal cognizant agency for indirect costs.

§ 200.469 Student activity costs.

Costs incurred for intramural activities, student publications, student clubs, and other student activities, are unallowable, unless specifically provided for in the Federal award.

§ 200.470 Taxes (including Value Added Tax).

(a) For states, local governments and Indian tribes:

(1) Taxes that a governmental unit is legally required to pay are allowable, except for self-assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs.

(2) Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal government are allowable.

(3) This provision does not restrict the authority of the Federal awarding agency to identify taxes where Federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency for indirect costs may accept a reasonable approximation thereof.

(b) For nonprofit organizations and IHEs:

(1) In general, taxes which the non-Federal entity is required to pay and which are paid or accrued in accordance with GAAP, and payments made to local governments in lieu of taxes which are commensurate with the local government services received are allowable, except for:

(i) Taxes from which exemptions are available to the non-Federal entity directly or which are available to the non-Federal entity based on an exemption afforded the Federal government and, in the latter case, when the Federal awarding agency makes available the necessary exemption certificates,

(ii) Special assessments on land which represent capital improvements, and

(iii) Federal income taxes.

(2) Any refund of taxes, and any payment to the non-Federal entity of interest thereon, which were allowed as Federal award costs, will be credited either as a cost reduction or cash refund, as appropriate, to the Federal government. However, any interest actually paid or credited to an non-Federal entity incident to a refund of tax, interest, and penalty will be paid or credited to the Federal government only to the extent that such interest accrued over the period during which the non-Federal entity has been reimbursed by the Federal government for the taxes, interest, and penalties.

(c) Value Added Tax (VAT) Foreign taxes charged for the purchase of goods or services that a non-Federal entity is legally required to pay in country is an allowable expense under Federal awards. Foreign tax refunds or applicable credits under Federal awards refer to receipts, or reduction of expenditures, which operate to offset or reduce expense items that are allocable to Federal awards as direct or indirect costs. To the extent that such credits accrued or received by the non-Federal entity relate to allowable cost, these costs must be credited to the Federal awarding agency either as costs or cash refunds. If the costs are credited back

to the Federal award, the non-Federal entity may reduce the Federal share of costs by the amount of the foreign tax reimbursement, or where Federal award has not expired, use the foreign government tax refund for approved activities under the Federal award with prior approval of the Federal awarding agency.

§200.471 Termination costs.

Termination of a Federal award generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the Federal award not been terminated. Cost principles covering these items are set forth in this section. They are to be used in conjunction with the other provisions of this part in termination situations.

(a) The cost of items reasonably usable on the non-Federal entity's other work must not be allowable unless the non-Federal entity submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the non-Federal entity, the Federal awarding agency should consider the non-Federal entity's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the non-Federal entity must be regarded as evidence that such items are reasonably usable on the non-Federal entity's other work. Any acceptance of common items as allocable to the terminated portion of the Federal award must be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

(b) If in a particular case, despite all reasonable efforts by the non-Federal entity, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this part, except that any such costs continuing after termination due to the negligent or willful failure of the non-Federal entity to discontinue such costs must be unallowable.

(c) Loss of useful value of special tooling, machinery, and equipment is generally allowable if:

(1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the non-Federal entity,

(2) The interest of the Federal government is protected by transfer of title or by other means deemed appropriate by the Federal awarding agency (see also §200.313 Equipment, paragraph (d), and

(3) The loss of useful value for any one terminated Federal award is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the Federal award bears to the entire terminated Federal award and other Federal awards for which the special tooling, machinery, or equipment was acquired.

(d) Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award less the residual value of such leases, if:

(1) The amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the Federal award and such further period as may be reasonable, and

(2) The non-Federal entity makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the Federal award, and of reasonable restoration required by the provisions of the lease.

(e) Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(i) The preparation and presentation to the Federal awarding agency of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for cause (see Subpart D—Post Federal Award Requirements of this part, §§200.338 Remedies for Noncompliance through 200.342 Effects of Suspension and termination); and

(ii) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal government or acquired or produced for the Federal award.

(f) Claims under subawards, including the allocable portion of claims which are common to the Federal award and to other work of the non-Federal entity, are generally allowable. An appropriate share of the non-Federal entity's indirect costs may be allocated to the amount of settlements with contractors and/or subrecipients, provided that the amount allocated is otherwise consistent with the basic guidelines contained in §200.414 Indirect (F&A) costs. The indirect costs so allocated must exclude the same and similar costs claimed directly or indirectly as settlement expenses.

§200.472 Training and education costs.

The cost of training and education provided for employee development is allowable.

§200.473 Transportation costs.

Costs incurred for freight, express, cartage, postage, and other transportation services relating either to goods purchased, in process, or delivered, are allowable. When such costs can readily be identified with the items involved, they may be charged directly as transportation costs or added to the cost of such items. Where identification with the materials received cannot readily be made, inbound transportation cost may be charged to the appropriate indirect (F&A) cost accounts if the non-Federal entity follows a consistent, equitable procedure in this respect. Outbound freight, if reimbursable under the terms and conditions of the Federal award, should be treated as a direct cost.

§200.474 Travel costs.

(a) *General.* Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-Federal entity. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the non-Federal entity's non-federally-funded activities and in accordance with non-Federal entity's written travel reimbursement policies. Notwithstanding the provisions of §200.444 General costs of government, travel costs of officials covered by that section are allowable with the prior written approval of the Federal awarding agency or pass-through entity when they are specifically related to the Federal award.

(b) *Lodging and subsistence.* Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, must be considered reasonable and otherwise allowable only to the extent such costs do not exceed charges normally allowed by the non-Federal entity in its regular operations as the result of the non-Federal entity's written travel policy. In addition, if these costs are charged directly to the Federal award documentation must justify that:

(1) Participation of the individual is necessary to the Federal award; and

(2) The costs are reasonable and consistent with non-Federal entity's established travel policy.

(c)(1) Temporary dependent care costs (as dependent is defined in 26 U.S.C. 152) above and beyond regular dependent care that directly results from travel to conferences is allowable provided that:

(i) The costs are a direct result of the individual's travel for the Federal award;

(ii) The costs are consistent with the non-Federal entity's documented travel policy for all entity travel; and

(iii) Are only temporary during the travel period.

(2) Travel costs for dependents are unallowable, except for travel of duration of six months or more with prior approval of the Federal awarding agency. See also §200.432 Conferences.

(3) In the absence of an acceptable, written non-Federal entity policy regarding travel costs, the rates and amounts established under 5 U.S.C.

5701–11, (''Travel and Subsistence Expenses; Mileage Allowances''), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter must apply to travel under Federal awards (48 CFR 31.205–46(a)).

(d) *Commercial air travel.* (1) Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would:

(i) Require circuitous routing;

(ii) Require travel during unreasonable hours;

(iii) Excessively prolong travel;

(iv) Result in additional costs that would offset the transportation savings; or

(v) Offer accommodations not reasonably adequate for the traveler's medical needs. The non-Federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal government will generally not question a non-Federal entity's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the non-Federal entity can demonstrate that such airfare was not available in the specific case.

(e) *Air travel by other than commercial carrier.* Costs of travel by non-Federal entity-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of airfare as provided for in paragraph (d) of this section, is unallowable.

§ 200.475 Trustees.

Travel and subsistence costs of trustees (or directors) at IHEs and nonprofit organizations are allowable. See also § 200.474 Travel costs.

Subpart F—Audit Requirements

GENERAL

§ 200.500 Purpose.

This part sets forth standards for obtaining consistency and uniformity among Federal agencies for the audit of non-Federal entities expending Federal awards.

AUDITS

§ 200.501 Audit requirements.

(a) *Audit required.* A non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

(b) *Single audit.* A non-Federal entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with § 200.514 Scope of audit except when it elects to have a program-specific audit conducted in accordance with paragraph (c) of this section.

(c) *Program-specific audit election.* When an auditee expends Federal awards under only one Federal program (excluding R&D) and the Federal program's statutes, regulations, or the terms and conditions of the Federal award do not require a financial statement audit of the auditee, the auditee may elect to have a program-specific audit conducted in accordance with § 200.507 Program-specific audits. A program-specific audit may not be elected for R&D unless all of the Federal awards expended were received from the same Federal agency, or the same Federal agency and the same pass-through entity, and that Federal agency, or pass-through entity in the case of a subrecipient, approves in advance a program-specific audit.

(d) *Exemption when Federal awards expended are less than $750,000.* A non-Federal entity that expends less than $750,000 during the non-Federal entity's fiscal year in Federal awards is exempt from Federal audit requirements for that year, except as noted in § 200.503 Relation to other audit requirements,

but records must be available for review or audit by appropriate officials of the Federal agency, pass-through entity, and Government Accountability Office (GAO).

(e) *Federally Funded Research and Development Centers (FFRDC).* Management of an auditee that owns or operates a FFRDC may elect to treat the FFRDC as a separate entity for purposes of this part.

(f) *Subrecipients and Contractors.* An auditee may simultaneously be a recipient, a subrecipient, and a contractor. Federal awards expended as a recipient or a subrecipient are subject to audit under this part. The payments received for goods or services provided as a contractor are not Federal awards. Section §200.330 Subrecipient and contractor determinations should be considered in determining whether payments constitute a Federal award or a payment for goods or services provided as a contractor.

(g) *Compliance responsibility for contractors.* In most cases, the auditee's compliance responsibility for contractors is only to ensure that the procurement, receipt, and payment for goods and services comply with Federal statutes, regulations, and the terms and conditions of Federal awards. Federal award compliance requirements normally do not pass through to contractors. However, the auditee is responsible for ensuring compliance for procurement transactions which are structured such that the contractor is responsible for program compliance or the contractor's records must be reviewed to determine program compliance. Also, when these procurement transactions relate to a major program, the scope of the audit must include determining whether these transactions are in compliance with Federal statutes, regulations, and the terms and conditions of Federal awards.

(h) *For-profit subrecipient.* Since this part does not apply to for-profit subrecipients, the pass-through entity is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The agreement with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits. See also §200.331 Requirements for pass-through entities.

§ 200.502 Basis for determining Federal awards expended.

(a) *Determining Federal awards expended.* The determination of when a Federal award is expended should be based on when the activity related to the Federal award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of Federal awards, such as: expenditure/expense transactions associated with awards including grants, cost-reimbursement contracts under the FAR, compacts with Indian Tribes, cooperative agreements, and direct appropriations; the disbursement of funds to subrecipients; the use of loan proceeds under loan and loan guarantee programs; the receipt of property; the receipt of surplus property; the receipt or use of program income; the distribution or use of food commodities; the disbursement of amounts entitling the non-Federal entity to an interest subsidy; and the period when insurance is in force.

(b) *Loan and loan guarantees (loans).* Since the Federal government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:

(1) Value of new loans made or received during the audit period; plus

(2) Beginning of the audit period balance of loans from previous years for which the Federal government imposes continuing compliance requirements; plus

(3) Any interest subsidy, cash, or administrative cost allowance received.

(c) *Loan and loan guarantees (loans) at IHEs.* When loans are made to students of an IHE but the IHE does not make the loans, then only the value of loans made during the audit period must be considered Federal awards expended in that audit period. The balance of loans

for previous audit periods is not included as Federal awards expended because the lender accounts for the prior balances.

(d) *Prior loan and loan guarantees (loans).* Loans, the proceeds of which were received and expended in prior years, are not considered Federal awards expended under this part when the Federal statutes, regulations, and the terms and conditions of Federal awards pertaining to such loans impose no continuing compliance requirements other than to repay the loans.

(e) *Endowment funds.* The cumulative balance of Federal awards for endowment funds that are federally restricted are considered Federal awards expended in each audit period in which the funds are still restricted.

(f) *Free rent.* Free rent received by itself is not considered a Federal award expended under this part. However, free rent received as part of a Federal award to carry out a Federal program must be included in determining Federal awards expended and subject to audit under this part.

(g) *Valuing non-cash assistance.* Federal non-cash assistance, such as free rent, food commodities, donated property, or donated surplus property, must be valued at fair market value at the time of receipt or the assessed value provided by the Federal agency.

(h) *Medicare.* Medicare payments to a non-Federal entity for providing patient care services to Medicare-eligible individuals are not considered Federal awards expended under this part.

(i) *Medicaid.* Medicaid payments to a subrecipient for providing patient care services to Medicaid-eligible individuals are not considered Federal awards expended under this part unless a state requires the funds to be treated as Federal awards expended because reimbursement is on a cost-reimbursement basis.

(j) *Certain loans provided by the National Credit Union Administration.* For purposes of this part, loans made from the National Credit Union Share Insurance Fund and the Central Liquidity Facility that are funded by contributions from insured non-Federal entities are not considered Federal awards expended.

§ 200.503 Relation to other audit requirements.

(a) An audit conducted in accordance with this part must be in lieu of any financial audit of Federal awards which a non-Federal entity is required to undergo under any other Federal statute or regulation. To the extent that such audit provides a Federal agency with the information it requires to carry out its responsibilities under Federal statute or regulation, a Federal agency must rely upon and use that information.

(b) Notwithstanding subsection (a), a Federal agency, Inspectors General, or GAO may conduct or arrange for additional audits which are necessary to carry out its responsibilities under Federal statute or regulation. The provisions of this part do not authorize any non-Federal entity to constrain, in any manner, such Federal agency from carrying out or arranging for such additional audits, except that the Federal agency must plan such audits to not be duplicative of other audits of Federal awards. Prior to commencing such an audit, the Federal agency or pass-through entity must review the FAC for recent audits submitted by the non-Federal entity, and to the extent such audits meet a Federal agency or pass-through entity's needs, the Federal agency or pass-through entity must rely upon and use such audits. Any additional audits must be planned and performed in such a way as to build upon work performed, including the audit documentation, sampling, and testing already performed, by other auditors.

(c) The provisions of this part do not limit the authority of Federal agencies to conduct, or arrange for the conduct of, audits and evaluations of Federal awards, nor limit the authority of any Federal agency Inspector General or other Federal official. For example, requirements that may be applicable under the FAR or CAS and the terms and conditions of a cost-reimbursement contract may include additional applicable audits to be conducted or arranged for by Federal agencies.

(d) Federal agency to pay for additional audits. A Federal agency that

conducts or arranges for additional audits must, consistent with other applicable Federal statutes and regulations, arrange for funding the full cost of such additional audits.

(e) Request for a program to be audited as a major program. A Federal awarding agency may request that an auditee have a particular Federal program audited as a major program in lieu of the Federal awarding agency conducting or arranging for the additional audits. To allow for planning, such requests should be made at least 180 calendar days prior to the end of the fiscal year to be audited. The auditee, after consultation with its auditor, should promptly respond to such a request by informing the Federal awarding agency whether the program would otherwise be audited as a major program using the risk-based audit approach described in §200.518 Major program determination and, if not, the estimated incremental cost. The Federal awarding agency must then promptly confirm to the auditee whether it wants the program audited as a major program. If the program is to be audited as a major program based upon this Federal awarding agency request, and the Federal awarding agency agrees to pay the full incremental costs, then the auditee must have the program audited as a major program. A pass-through entity may use the provisions of this paragraph for a subrecipient.

§200.504 Frequency of audits.

Except for the provisions for biennial audits provided in paragraphs (a) and (b) of this section, audits required by this part must be performed annually. Any biennial audit must cover both years within the biennial period.

(a) A state, local government, or Indian tribe that is required by constitution or statute, in effect on January 1, 1987, to undergo its audits less frequently than annually, is permitted to undergo its audits pursuant to this part biennially. This requirement must still be in effect for the biennial period.

(b) Any nonprofit organization that had biennial audits for all biennial periods ending between July 1, 1992, and January 1, 1995, is permitted to undergo its audits pursuant to this part biennially.

§200.505 Sanctions.

In cases of continued inability or unwillingness to have an audit conducted in accordance with this part, Federal agencies and pass-through entities must take appropriate action as provided in §200.338 Remedies for noncompliance.

§200.506 Audit costs.

See §200.425 Audit services.

§200.507 Program-specific audits.

(a) *Program-specific audit guide available.* In many cases, a program-specific audit guide will be available to provide specific guidance to the auditor with respect to internal controls, compliance requirements, suggested audit procedures, and audit reporting requirements. A listing of current program-specific audit guides can be found in the compliance supplement beginning with the 2014 supplement including Federal awarding agency contact information and a Web site where a copy of the guide can be obtained. When a current program-specific audit guide is available, the auditor must follow GAGAS and the guide when performing a program-specific audit.

(b) *Program-specific audit guide not available.* (1) When a program-specific audit guide is not available, the auditee and auditor must have basically the same responsibilities for the Federal program as they would have for an audit of a major program in a single audit.

(2) The auditee must prepare the financial statement(s) for the Federal program that includes, at a minimum, a schedule of expenditures of Federal awards for the program and notes that describe the significant accounting policies used in preparing the schedule, a summary schedule of prior audit findings consistent with the requirements of §200.511 Audit findings follow-up, paragraph (b), and a corrective action plan consistent with the requirements of §200.511 Audit findings follow-up, paragraph (c).

(3) The auditor must:

(i) Perform an audit of the financial statement(s) for the Federal program in accordance with GAGAS;

(ii) Obtain an understanding of internal controls and perform tests of internal controls over the Federal program consistent with the requirements of § 200.514 Scope of audit, paragraph (c) for a major program;

(iii) Perform procedures to determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that could have a direct and material effect on the Federal program consistent with the requirements of § 200.514 Scope of audit, paragraph (d) for a major program;

(iv) Follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with the requirements of § 200.511 Audit findings follow-up, and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding; and

(v) Report any audit findings consistent with the requirements of § 200.516 Audit findings.

(4) The auditor's report(s) may be in the form of either combined or separate reports and may be organized differently from the manner presented in this section. The auditor's report(s) must state that the audit was conducted in accordance with this part and include the following:

(i) An opinion (or disclaimer of opinion) as to whether the financial statement(s) of the Federal program is presented fairly in all material respects in accordance with the stated accounting policies;

(ii) A report on internal control related to the Federal program, which must describe the scope of testing of internal control and the results of the tests;

(iii) A report on compliance which includes an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and the terms and conditions of Federal awards which could have a direct and material effect on the Federal program; and

(iv) A schedule of findings and questioned costs for the Federal program that includes a summary of the auditor's results relative to the Federal program in a format consistent with § 200.515 Audit reporting, paragraph (d)(1) and findings and questioned costs consistent with the requirements of § 200.515 Audit reporting, paragraph (d)(3).

(c) *Report submission for program-specific audits.* (1) The audit must be completed and the reporting required by paragraph (c)(2) or (c)(3) of this section submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a different period is specified in a program-specific audit guide. Unless restricted by Federal law or regulation, the auditee must make report copies available for public inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

(2) When a program-specific audit guide is available, the auditee must electronically submit to the FAC the data collection form prepared in accordance with § 200.512 Report submission, paragraph (b), as applicable to a program-specific audit, and the reporting required by the program-specific audit guide.

(3) When a program-specific audit guide is not available, the reporting package for a program-specific audit must consist of the financial statement(s) of the Federal program, a summary schedule of prior audit findings, and a corrective action plan as described in paragraph (b)(2) of this section, and the auditor's report(s) described in paragraph (b)(4) of this section. The data collection form prepared in accordance with § 200.512 Report submission, paragraph (b), as applicable to a program-specific audit, and one copy of this reporting package must be electronically submitted to the FAC.

(d) *Other sections of this part may apply.* Program-specific audits are subject to:

(1) 200.500 Purpose through 200.503 Relation to other audit requirements, paragraph (d);
(2) 200.504 Frequency of audits through 200.506 Audit costs;
(3) 200.508 Auditee responsibilities through 200.509 Auditor selection;
(4) 200.511 Audit findings follow-up;
(5) 200.512 Report submission, paragraphs (e) through (h);
(6) 200.513 Responsibilities;
(7) 200.516 Audit findings through 200.517 Audit documentation;
(8) 200.521 Management decision, and
(9) Other referenced provisions of this part unless contrary to the provisions of this section, a program-specific audit guide, or program statutes and regulations.

AUDITEES

§ 200.508 Auditee responsibilities.

The auditee must:
(a) Procure or otherwise arrange for the audit required by this part in accordance with § 200.509 Auditor selection, and ensure it is properly performed and submitted when due in accordance with § 200.512 Report submission.
(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements.
(c) Promptly follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with § 200.511 Audit findings follow-up, paragraph (b) and § 200.511 Audit findings follow-up, paragraph (c), respectively.
(d) Provide the auditor with access to personnel, accounts, books, records, supporting documentation, and other information as needed for the auditor to perform the audit required by this part.

§ 200.509 Auditor selection.

(a) *Auditor procurement.* In procuring audit services, the auditee must follow the procurement standards prescribed by the Procurement Standards in §§ 200.317 Procurement by states through 20.326 Contract provisions of Subpart D- Post Federal Award Requirements of this part or the FAR (48 CFR part 42), as applicable. When procuring audit services, the objective is to obtain high-quality audits. In requesting proposals for audit services, the objectives and scope of the audit must be made clear and the non-Federal entity must request a copy of the audit organization's peer review report which the auditor is required to provide under GAGAS. Factors to be considered in evaluating each proposal for audit services include the responsiveness to the request for proposal, relevant experience, availability of staff with professional qualifications and technical abilities, the results of peer and external quality control reviews, and price. Whenever possible, the auditee must make positive efforts to utilize small businesses, minority-owned firms, and women's business enterprises, in procuring audit services as stated in § 200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms, or the FAR (48 CFR part 42), as applicable.
(b) *Restriction on auditor preparing indirect cost proposals.* An auditor who prepares the indirect cost proposal or cost allocation plan may not also be selected to perform the audit required by this part when the indirect costs recovered by the auditee during the prior year exceeded $1 million. This restriction applies to the base year used in the preparation of the indirect cost proposal or cost allocation plan and any subsequent years in which the resulting indirect cost agreement or cost allocation plan is used to recover costs.
(c) *Use of Federal auditors.* Federal auditors may perform all or part of the work required under this part if they comply fully with the requirements of this part.

§ 200.510 Financial statements.

(a) *Financial statements.* The auditee must prepare financial statements that reflect its financial position, results of operations or changes in net assets, and, where appropriate, cash flows for the fiscal year audited. The financial statements must be for the same organizational unit and fiscal year that is chosen to meet the requirements of

this part. However, non-Federal entity-wide financial statements may also include departments, agencies, and other organizational units that have separate audits in accordance with § 200.514 Scope of audit, paragraph (a) and prepare separate financial statements.

(b) *Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the non-Federal entity elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs.

§ 200.511 Audit findings follow-up.

(a) *General.* The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The auditee must also prepare a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under § 200.516 Audit findings, paragraph (c). Since the summary schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred. The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.

(b) *Summary schedule of prior audit findings.* The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs. The summary schedule must also include audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected in accordance with paragraph (b)(1) of this section, or no longer valid or not warranting further action in accordance with paragraph (b)(3) of this section.

(1) When audit findings were fully corrected, the summary schedule need only list the audit findings and state that corrective action was taken.

(2) When audit findings were not corrected or were only partially corrected, the summary schedule must describe the reasons for the finding's recurrence

and planned corrective action, and any partial corrective action taken. When corrective action taken is significantly different from corrective action previously reported in a corrective action plan or in the Federal agency's or pass-through entity's management decision, the summary schedule must provide an explanation.

(3) When the auditee believes the audit findings are no longer valid or do not warrant further action, the reasons for this position must be described in the summary schedule. A valid reason for considering an audit finding as not warranting further action is that all of the following have occurred:

(i) Two years have passed since the audit report in which the finding occurred was submitted to the FAC;

(ii) The Federal agency or pass-through entity is not currently following up with the auditee on the audit finding; and

(iii) A management decision was not issued.

(c) *Corrective action plan.* At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in § 200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

§ 200.512 Report submission.

(a) *General.* (1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

(2) Unless restricted by Federal statutes or regulations, the auditee must make copies available for public inspection. Auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information.

(b) *Data Collection.* The FAC is the repository of record for Subpart F—Audit Requirements of this part reporting packages and the data collection form. All Federal agencies, pass-through entities and others interested in a reporting package and data collection form must obtain it by accessing the FAC.

(1) The auditee must submit required data elements described in Appendix X to Part 200—Data Collection Form (Form SF–SAC), which state whether the audit was completed in accordance with this part and provides information about the auditee, its Federal programs, and the results of the audit. The data must include information available from the audit required by this part that is necessary for Federal agencies to use the audit to ensure integrity for Federal programs. The data elements and format must be approved by OMB, available from the FAC, and include collections of information from the reporting package described in paragraph (c) of this section. A senior level representative of the auditee (e.g., state controller, director of finance, chief executive officer, or chief financial officer) must sign a statement to be included as part of the data collection that says that the auditee complied with the requirements of this part, the data were prepared in accordance with this part (and the instructions accompanying the form), the reporting package does not include protected personally identifiable information, the information included in its entirety is accurate and complete, and that the FAC is authorized to make the reporting package and the form publicly available on a Web site.

(2) *Exception for Indian Tribes.* An auditee that is an Indian tribe may opt not to authorize the FAC to make the reporting package publicly available on a Web site, by excluding the authorization for the FAC publication in the statement described in paragraph (b)(1) of this section. If this option is exercised, the auditee becomes responsible for submitting the reporting package

directly to any pass-through entities through which it has received a Federal award and to pass-through entities for which the summary schedule of prior audit findings reported the status of any findings related to Federal awards that the pass-through entity provided. Unless restricted by Federal statute or regulation, if the auditee opts not to authorize publication, it must make copies of the reporting package available for public inspection.

(3) Using the information included in the reporting package described in paragraph (c) of this section, the auditor must complete the applicable data elements of the data collection form. The auditor must sign a statement to be included as part of the data collection form that indicates, at a minimum, the source of the information included in the form, the auditor's responsibility for the information, that the form is not a substitute for the reporting package described in paragraph (c) of this section, and that the content of the form is limited to the collection of information prescribed by OMB.

(c) *Reporting package.* The reporting package must include the:

(1) Financial statements and schedule of expenditures of Federal awards discussed in §200.510 Financial statements, paragraphs (a) and (b), respectively;

(2) Summary schedule of prior audit findings discussed in §200.511 Audit findings follow-up, paragraph (b);

(3) Auditor's report(s) discussed in §200.515 Audit reporting; and

(4) Corrective action plan discussed in §200.511 Audit findings follow-up, paragraph (c).

(d) *Submission to FAC.* The auditee must electronically submit to the FAC the data collection form described in paragraph (b) of this section and the reporting package described in paragraph (c) of this section.

(e) *Requests for management letters issued by the auditor.* In response to requests by a Federal agency or pass-through entity, auditees must submit a copy of any management letters issued by the auditor.

(f) *Report retention requirements.* Auditees must keep one copy of the data collection form described in paragraph (b) of this section and one copy of the reporting package described in paragraph (c) of this section on file for three years from the date of submission to the FAC.

(g) *FAC responsibilities.* The FAC must make available the reporting packages received in accordance with paragraph (c) of this section and §200.507 Program-specific audits, paragraph (c) to the public, except for Indian tribes exercising the option in (b)(2) of this section, and maintain a data base of completed audits, provide appropriate information to Federal agencies, and follow up with known auditees that have not submitted the required data collection forms and reporting packages.

(h) *Electronic filing.* Nothing in this part must preclude electronic submissions to the FAC in such manner as may be approved by OMB.

FEDERAL AGENCIES

§ 200.513 Responsibilities.

(a)(1) Cognizant agency for audit responsibilities. A non-Federal entity expending more than $50 million a year in Federal awards must have a cognizant agency for audit. The designated cognizant agency for audit must be the Federal awarding agency that provides the predominant amount of direct funding to a non-Federal entity unless OMB designates a specific cognizant agency for audit.

(2) To provide for continuity of cognizance, the determination of the predominant amount of direct funding must be based upon direct Federal awards expended in the non-Federal entity's fiscal years ending in 2009, 2014, 2019 and every fifth year thereafter. For example, audit cognizance for periods ending in 2011 through 2015 will be determined based on Federal awards expended in 2009.

(3) Notwithstanding the manner in which audit cognizance is determined, a Federal awarding agency with cognizance for an auditee may reassign cognizance to another Federal awarding agency that provides substantial funding and agrees to be the cognizant agency for audit. Within 30 calendar days after any reassignment, both the old and the new cognizant agency for audit must provide notice of the

change to the FAC, the auditee, and, if known, the auditor. The cognizant agency for audit must:

(i) Provide technical audit advice and liaison assistance to auditees and auditors.

(ii) Obtain or conduct quality control reviews on selected audits made by non-Federal auditors, and provide the results to other interested organizations. Cooperate and provide support to the Federal agency designated by OMB to lead a governmentwide project to determine the quality of single audits by providing a statistically reliable estimate of the extent that single audits conform to applicable requirements, standards, and procedures; and to make recommendations to address noted audit quality issues, including recommendations for any changes to applicable requirements, standards and procedures indicated by the results of the project. This governmentwide audit quality project must be performed once every 6 years beginning in 2018 or at such other interval as determined by OMB, and the results must be public.

(iii) Promptly inform other affected Federal agencies and appropriate Federal law enforcement officials of any direct reporting by the auditee or its auditor required by GAGAS or statutes and regulations.

(iv) Advise the community of independent auditors of any noteworthy or important factual trends related to the quality of audits stemming from quality control reviews. Significant problems or quality issues consistently identified through quality control reviews of audit reports must be referred to appropriate state licensing agencies and professional bodies.

(v) Advise the auditor, Federal awarding agencies, and, where appropriate, the auditee of any deficiencies found in the audits when the deficiencies require corrective action by the auditor. When advised of deficiencies, the auditee must work with the auditor to take corrective action. If corrective action is not taken, the cognizant agency for audit must notify the auditor, the auditee, and applicable Federal awarding agencies and pass-through entities of the facts and make recommendations for follow-up action. Major inadequacies or repetitive substandard performance by auditors must be referred to appropriate state licensing agencies and professional bodies for disciplinary action.

(vi) Coordinate, to the extent practical, audits or reviews made by or for Federal agencies that are in addition to the audits made pursuant to this part, so that the additional audits or reviews build upon rather than duplicate audits performed in accordance with this part.

(vii) Coordinate a management decision for cross-cutting audit findings (as defined in §200.30 Cross-cutting audit finding) that affect the Federal programs of more than one agency when requested by any Federal awarding agency whose awards are included in the audit finding of the auditee.

(viii) Coordinate the audit work and reporting responsibilities among auditors to achieve the most cost-effective audit.

(ix) Provide advice to auditees as to how to handle changes in fiscal years.

(b) Oversight agency for audit responsibilities. An auditee who does not have a designated cognizant agency for audit will be under the general oversight of the Federal agency determined in accordance with §200.73 Oversight agency for audit. A Federal agency with oversight for an auditee may reassign oversight to another Federal agency that agrees to be the oversight agency for audit. Within 30 calendar days after any reassignment, both the old and the new oversight agency for audit must provide notice of the change to the FAC, the auditee, and, if known, the auditor. The oversight agency for audit:

(1) Must provide technical advice to auditees and auditors as requested.

(2) May assume all or some of the responsibilities normally performed by a cognizant agency for audit.

(c) Federal awarding agency responsibilities. The Federal awarding agency must perform the following for the Federal awards it makes (See also the requirements of §200.210 Information contained in a Federal award):

(1) Ensure that audits are completed and reports are received in a timely manner and in accordance with the requirements of this part.

(2) Provide technical advice and counsel to auditees and auditors as requested.

(3) Follow-up on audit findings to ensure that the recipient takes appropriate and timely corrective action. As part of audit follow-up, the Federal awarding agency must:

(i) Issue a management decision as prescribed in § 200.521 Management decision;

(ii) Monitor the recipient taking appropriate and timely corrective action;

(iii) Use cooperative audit resolution mechanisms (see § 200.25 Cooperative audit resolution) to improve Federal program outcomes through better audit resolution, follow-up, and corrective action; and

(iv) Develop a baseline, metrics, and targets to track, over time, the effectiveness of the Federal agency's process to follow-up on audit findings and on the effectiveness of Single Audits in improving non-Federal entity accountability and their use by Federal awarding agencies in making award decisions.

(4) Provide OMB annual updates to the compliance supplement and work with OMB to ensure that the compliance supplement focuses the auditor to test the compliance requirements most likely to cause improper payments, fraud, waste, abuse or generate audit finding for which the Federal awarding agency will take sanctions.

(5) Provide OMB with the name of a single audit accountable official from among the senior policy officials of the Federal awarding agency who must be:

(i) Responsible for ensuring that the agency fulfills all the requirement of § 200.513 Responsibilities and effectively uses the single audit process to reduce improper payments and improve Federal program outcomes.

(ii) Held accountable to improve the effectiveness of the single audit process based upon metrics as described in paragraph (c)(3)(iv) of this section.

(iii) Responsible for designating the Federal agency's key management single audit liaison.

(6) Provide OMB with the name of a key management single audit liaison who must:

(i) Serve as the Federal awarding agency's management point of contact for the single audit process both within and outside the Federal government.

(ii) Promote interagency coordination, consistency, and sharing in areas such as coordinating audit follow-up; identifying higher-risk non-Federal entities; providing input on single audit and follow-up policy; enhancing the utility of the FAC; and studying ways to use single audit results to improve Federal award accountability and best practices.

(iii) Oversee training for the Federal awarding agency's program management personnel related to the single audit process.

(iv) Promote the Federal awarding agency's use of cooperative audit resolution mechanisms.

(v) Coordinate the Federal awarding agency's activities to ensure appropriate and timely follow-up and corrective action on audit findings.

(vi) Organize the Federal cognizant agency for audit's follow-up on cross-cutting audit findings that affect the Federal programs of more than one Federal awarding agency.

(vii) Ensure the Federal awarding agency provides annual updates of the compliance supplement to OMB.

(viii) Support the Federal awarding agency's single audit accountable official's mission.

AUDITORS

§ 200.514 Scope of audit.

(a) *General.* The audit must be conducted in accordance with GAGAS. The audit must cover the entire operations of the auditee, or, at the option of the auditee, such audit must include a series of audits that cover departments, agencies, and other organizational units that expended or otherwise administered Federal awards during such audit period, provided that each such audit must encompass the financial statements and schedule of expenditures of Federal awards for each such department, agency, and other organizational unit, which must be considered to be a non-Federal entity. The financial statements and schedule of expenditures of Federal awards must be for the same audit period.

(b) *Financial statements.* The auditor must determine whether the financial

statements of the auditee are presented fairly in all material respects in accordance with generally accepted accounting principles. The auditor must also determine whether the schedule of expenditures of Federal awards is stated fairly in all material respects in relation to the auditee's financial statements as a whole.

(c) *Internal control.* (1) The compliance supplement provides guidance on internal controls over Federal programs based upon the guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(2) In addition to the requirements of GAGAS, the auditor must perform procedures to obtain an understanding of internal control over Federal programs sufficient to plan the audit to support a low assessed level of control risk of noncompliance for major programs.

(3) Except as provided in paragraph (c)(4) of this section, the auditor must:

(i) Plan the testing of internal control over compliance for major programs to support a low assessed level of control risk for the assertions relevant to the compliance requirements for each major program; and

(ii) Perform testing of internal control as planned in paragraph (c)(3)(i) of this section.

(4) When internal control over some or all of the compliance requirements for a major program are likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in paragraph (c)(3) of this section are not required for those compliance requirements. However, the auditor must report a significant deficiency or material weakness in accordance with §200.516 Audit findings, assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.

(d) *Compliance.* (1) In addition to the requirements of GAGAS, the auditor must determine whether the auditee has complied with Federal statutes, regulations, and the terms and conditions of Federal awards that may have a direct and material effect on each of its major programs.

(2) The principal compliance requirements applicable to most Federal programs and the compliance requirements of the largest Federal programs are included in the compliance supplement.

(3) For the compliance requirements related to Federal programs contained in the compliance supplement, an audit of these compliance requirements will meet the requirements of this part. Where there have been changes to the compliance requirements and the changes are not reflected in the compliance supplement, the auditor must determine the current compliance requirements and modify the audit procedures accordingly. For those Federal programs not covered in the compliance supplement, the auditor should follow the compliance supplement's guidance for programs not included in the supplement.

(4) The compliance testing must include tests of transactions and such other auditing procedures necessary to provide the auditor sufficient appropriate audit evidence to support an opinion on compliance.

(e) *Audit follow-up.* The auditor must follow-up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule of prior audit findings prepared by the auditee in accordance with §200.511 Audit findings follow-up paragraph (b), and report, as a current year audit finding, when the auditor concludes that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding. The auditor must perform audit follow-up procedures regardless of whether a prior audit finding relates to a major program in the current year.

(f) *Data Collection Form.* As required in §200.512 Report submission paragraph (b)(3), the auditor must complete and sign specified sections of the data collection form.

§200.515 Audit reporting.

The auditor's report(s) may be in the form of either combined or separate reports and may be organized differently

from the manner presented in this section. The auditor's report(s) must state that the audit was conducted in accordance with this part and include the following:

(a) An opinion (or disclaimer of opinion) as to whether the financial statements are presented fairly in all material respects in accordance with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

(b) A report on internal control over financial reporting and compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, noncompliance with which could have a material effect on the financial statements. This report must describe the scope of testing of internal control and compliance and the results of the tests, and, where applicable, it will refer to the separate schedule of findings and questioned costs described in paragraph (d) of this section.

(c) A report on compliance for each major program and report and internal control over compliance. This report must describe the scope of testing of internal control over compliance, include an opinion or modified opinion as to whether the auditee complied with Federal statutes, regulations, and the terms and conditions of Federal awards which could have a direct and material effect on each major program and refer to the separate schedule of findings and questioned costs described in paragraph (d) of this section.

(d) A schedule of findings and questioned costs which must include the following three components:

(1) A summary of the auditor's results, which must include:

(i) The type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);

(ii) Where applicable, a statement about whether significant deficiencies or material weaknesses in internal control were disclosed by the audit of the financial statements;

(iii) A statement as to whether the audit disclosed any noncompliance that is material to the financial statements of the auditee;

(iv) Where applicable, a statement about whether significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit;

(v) The type of report the auditor issued on compliance for major programs (i.e., unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion);

(vi) A statement as to whether the audit disclosed any audit findings that the auditor is required to report under §200.516 Audit findings paragraph (a);

(vii) An identification of major programs by listing each individual major program; however in the case of a cluster of programs only the cluster name as shown on the Schedule of Expenditures of Federal Awards is required;

(viii) The dollar threshold used to distinguish between Type A and Type B programs, as described in §200.518 Major program determination paragraph (b)(1), or (b)(3) when a recalculation of the Type A threshold is required for large loan or loan guarantees; and

(ix) A statement as to whether the auditee qualified as a low-risk auditee under §200.520 Criteria for a low-risk auditee.

(2) Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

(3) Findings and questioned costs for Federal awards which must include audit findings as defined in §200.516 Audit findings, paragraph (a).

(i) Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud) that relate to the same issue should be presented as a single audit finding. Where practical, audit findings should be organized by Federal agency or pass-through entity.

(ii) Audit findings that relate to both the financial statements and Federal awards, as reported under paragraphs (d)(2) and (d)(3) of this section, respectively, should be reported in both sections of the schedule. However, the reporting in one section of the schedule

may be in summary form with a reference to a detailed reporting in the other section of the schedule.

(e) Nothing in this part precludes combining of the audit reporting required by this section with the reporting required by § 200.512 Report submission, paragraph (b) Data Collection when allowed by GAGAS and Appendix X to Part 200—Data Collection Form (Form SF–SAC).

§ 200.516 Audit findings.

(a) *Audit findings reported.* The auditor must report the following as audit findings in a schedule of findings and questioned costs:

(1) Significant deficiencies and material weaknesses in internal control over major programs and significant instances of abuse relating to major programs. The auditor's determination of whether a deficiency in internal control is a significant deficiency or material weakness for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the Compliance Supplement.

(2) Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program. The auditor's determination of whether a noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement.

(3) Known questioned costs that are greater than $25,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs). The auditor must also report known questioned costs when likely questioned costs are greater than $25,000 for a type of compliance requirement for a major program. In reporting questioned costs, the auditor must include information to provide proper perspective for judging the prevalence and consequences of the questioned costs.

(4) Known questioned costs that are greater than $25,000 for a Federal program which is not audited as a major program. Except for audit follow-up, the auditor is not required under this part to perform audit procedures for such a Federal program; therefore, the auditor will normally not find questioned costs for a program that is not audited as a major program. However, if the auditor does become aware of questioned costs for a Federal program that is not audited as a major program (e.g., as part of audit follow-up or other audit procedures) and the known questioned costs are greater than $25,000, then the auditor must report this as an audit finding.

(5) The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.

(6) Known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards. This paragraph does not require the auditor to report publicly information which could compromise investigative or legal proceedings or to make an additional reporting when the auditor confirms that the fraud was reported outside the auditor's reports under the direct reporting requirements of GAGAS.

(7) Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee in accordance with § 200.511 Audit findings follow-up, paragraph (b) materially misrepresents the status of any prior audit finding.

(b) *Audit finding detail and clarity.* Audit findings must be presented in sufficient detail and clarity for the auditee to prepare a corrective action plan and take corrective action, and for Federal agencies and pass-through

entities to arrive at a management decision. The following specific information must be included, as applicable, in audit findings:

(1) Federal program and specific Federal award identification including the CFDA title and number, Federal award identification number and year, name of Federal agency, and name of the applicable pass-through entity. When information, such as the CFDA title and number or Federal award identification number, is not available, the auditor must provide the best information available to describe the Federal award.

(2) The criteria or specific requirement upon which the audit finding is based, including the Federal statutes, regulations, or the terms and conditions of the Federal awards. Criteria generally identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding findings.

(3) The condition found, including facts that support the deficiency identified in the audit finding.

(4) A statement of cause that identifies the reason or explanation for the condition or the factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective action.

(5) The possible asserted effect to provide sufficient information to the auditee and Federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action. A statement of the effect or potential effect should provide a clear, logical link to establish the impact or potential impact of the difference between the condition and the criteria.

(6) Identification of questioned costs and how they were computed. Known questioned costs must be identified by applicable CFDA number(s) and applicable Federal award identification number(s).

(7) Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systemic problem. Where appropriate, instances identified must be related to the universe and the number of cases examined and be quantified in terms of dollar value. The auditor should report whether the sampling was a statistically valid sample.

(8) Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so any applicable prior year audit finding numbers.

(9) Recommendations to prevent future occurrences of the deficiency identified in the audit finding.

(10) Views of responsible officials of the auditee.

(c) *Reference numbers.* Each audit finding in the schedule of findings and questioned costs must include a reference number in the format meeting the requirements of the data collection form submission required by § 200.512 Report submission, paragraph (b) to allow for easy referencing of the audit findings during follow-up.

§ 200.517 Audit documentation.

(a) *Retention of audit documentation.* The auditor must retain audit documentation and reports for a minimum of three years after the date of issuance of the auditor's report(s) to the auditee, unless the auditor is notified in writing by the cognizant agency for audit, oversight agency for audit, cognizant agency for indirect costs, or pass-through entity to extend the retention period. When the auditor is aware that the Federal agency, pass-through entity, or auditee is contesting an audit finding, the auditor must contact the parties contesting the audit finding for guidance prior to destruction of the audit documentation and reports.

(b) *Access to audit documentation.* Audit documentation must be made available upon request to the cognizant or oversight agency for audit or its designee, cognizant agency for indirect cost, a Federal agency, or GAO at the completion of the audit, as part of a quality review, to resolve audit findings, or to carry out oversight responsibilities consistent with the purposes of this part. Access to audit documentation includes the right of Federal

agencies to obtain copies of audit documentation, as is reasonable and necessary.

§ 200.518 Major program determination.

(a) *General*. The auditor must use a risk-based approach to determine which Federal programs are major programs. This risk-based approach must include consideration of: current and prior audit experience, oversight by Federal agencies and pass-through entities, and the inherent risk of the Federal program. The process in paragraphs (b) through (i) of this section must be followed.

(b) *Step one*.(1) The auditor must identify the larger Federal programs, which must be labeled Type A programs. Type A programs are defined as Federal programs with Federal awards expended during the audit period exceeding the levels outlined in the table in this paragraph (b)(1):

Total Federal awards expended	Type A/B threshold
Equal to $750,000 but less than or equal to $25 million.	$750,000.
Exceed $25 million but less than or equal to $100 million.	Total Federal awards expended times .03.
Exceed $100 million but less than or equal to $1 billion.	$3 million.
Exceed $1 billion but less than or equal to $10 billion.	Total Federal awards expended times .003.
Exceed $10 billion but less than or equal to $20 billion.	$30 million.
Exceed $20 billion	Total Federal awards expended times .0015.

(2) Federal programs not labeled Type A under paragraph (b)(1) of this section must be labeled Type B programs.

(3) The inclusion of large loan and loan guarantees (loans) should not result in the exclusion of other programs as Type A programs. When a Federal program providing loans exceeds four times the largest non-loan program it is considered a large loan program, and the auditor must consider this Federal program as a Type A program and exclude its values in determining other Type A programs. This recalculation of the Type A program is performed after removing the total of all large loan programs. For the purposes of this paragraph a program is only considered to be a Federal program providing loans if the value of Federal awards expended for loans within the program comprises fifty percent or more of the total Federal awards expended for the program. A cluster of programs is treated as one program and the value of Federal awards expended under a loan program is determined as described in § 200.502 Basis for determining Federal awards *expended*.

(4) For biennial audits permitted under § 200.504 Frequency of audits, the determination of Type A and Type B programs must be based upon the Federal awards expended during the two-year period.

(c) *Step two*. (1) The auditor must identify Type A programs which are low-risk. In making this determination, the auditor must consider whether the requirements in § 200.519 Criteria for Federal program risk paragraph (c), the results of audit follow-up, or any changes in personnel or systems affecting the program indicate significantly increased risk and preclude the program from being low risk. For a Type A program to be considered low-risk, it must have been audited as a major program in at least one of the two most recent audit periods (in the most recent audit period in the case of a biennial audit), and, in the most recent audit period, the program must have not had:

(i) Internal control deficiencies which were identified as material weaknesses in the auditor's report on internal control for major programs as required under § 200.515 Audit reporting, paragraph (c);

(ii) A modified opinion on the program in the auditor's report on major programs as required under § 200.515 Audit reporting, paragraph (c); or

(iii) Known or likely questioned costs that exceed five percent of the total Federal awards expended for the program.

(2) Notwithstanding paragraph (c)(1) of this section, OMB may approve a Federal awarding agency's request that a Type A program may not be considered low risk for a certain recipient. For example, it may be necessary for a large Type A program to be audited as a major program each year at a particular recipient to allow the Federal awarding agency to comply with 31

U.S.C. 3515. The Federal awarding agency must notify the recipient and, if known, the auditor of OMB's approval at least 180 calendar days prior to the end of the fiscal year to be audited.

(d) *Step three.* (1) The auditor must identify Type B programs which are high-risk using professional judgment and the criteria in §200.519 Criteria for Federal program risk. However, the auditor is not required to identify more high-risk Type B programs than at least one fourth the number of low-risk Type A programs identified as low-risk under Step 2 (paragraph (c) of this section). Except for known material weakness in internal control or compliance problems as discussed in §200.519 Criteria for Federal program risk paragraphs (b)(1), (b)(2), and (c)(1), a single criteria in risk would seldom cause a Type B program to be considered high-risk. When identifying which Type B programs to risk assess, the auditor is encouraged to use an approach which provides an opportunity for different high-risk Type B programs to be audited as major over a period of time.

(2) The auditor is not expected to perform risk assessments on relatively small Federal programs. Therefore, the auditor is only required to perform risk assessments on Type B programs that exceed twenty-five percent (0.25) of the Type A threshold determined in Step 1 (paragraph (b) of this section).

(e) *Step four.* At a minimum, the auditor must audit all of the following as major programs:

(1) All Type A programs not identified as low risk under step two (paragraph (c)(1) of this section).

(2) All Type B programs identified as high-risk under step three (paragraph (d) of this section).

(3) Such additional programs as may be necessary to comply with the percentage of coverage rule discussed in paragraph (f) of this section. This may require the auditor to audit more programs as major programs than the number of Type A programs.

(f) *Percentage of coverage rule.* If the auditee meets the criteria in §200.520 Criteria for a low-risk auditee, the auditor need only audit the major programs identified in Step 4 (paragraph (e)(1) and (2) of this section) and such additional Federal programs with Federal awards expended that, in aggregate, all major programs encompass at least 20 percent (0.20) of total Federal awards expended. Otherwise, the auditor must audit the major programs identified in Step 4 (paragraphs (e)(1) and (2) of this section) and such additional Federal programs with Federal awards expended that, in aggregate, all major programs encompass at least 40 percent (0.40) of total Federal awards expended.

(g) *Documentation of risk.* The auditor must include in the audit documentation the risk analysis process used in determining major programs.

(h) *Auditor's judgment.* When the major program determination was performed and documented in accordance with this Subpart, the auditor's judgment in applying the risk-based approach to determine major programs must be presumed correct. Challenges by Federal agencies and pass-through entities must only be for clearly improper use of the requirements in this part. However, Federal agencies and pass-through entities may provide auditors guidance about the risk of a particular Federal program and the auditor must consider this guidance in determining major programs in audits not yet completed.

§200.519 Criteria for Federal program risk.

(a) *General.* The auditor's determination should be based on an overall evaluation of the risk of noncompliance occurring that could be material to the Federal program. The auditor must consider criteria, such as described in paragraphs (b), (c), and (d) of this section, to identify risk in Federal programs. Also, as part of the risk analysis, the auditor may wish to discuss a particular Federal program with auditee management and the Federal agency or pass-through entity.

(b) *Current and prior audit experience.* (1) Weaknesses in internal control over Federal programs would indicate higher risk. Consideration should be given to the control environment over Federal programs and such factors as the expectation of management's adherence to Federal statutes, regulations,

and the terms and conditions of Federal awards and the competence and experience of personnel who administer the Federal programs.

(i) A Federal program administered under multiple internal control structures may have higher risk. When assessing risk in a large single audit, the auditor must consider whether weaknesses are isolated in a single operating unit (e.g., one college campus) or pervasive throughout the entity.

(ii) When significant parts of a Federal program are passed through to subrecipients, a weak system for monitoring subrecipients would indicate higher risk.

(2) Prior audit findings would indicate higher risk, particularly when the situations identified in the audit findings could have a significant impact on a Federal program or have not been corrected.

(3) Federal programs not recently audited as major programs may be of higher risk than Federal programs recently audited as major programs without audit findings.

(c) *Oversight exercised by Federal agencies and pass-through entities.* (1) Oversight exercised by Federal agencies or pass-through entities could be used to assess risk. For example, recent monitoring or other reviews performed by an oversight entity that disclosed no significant problems would indicate lower risk, whereas monitoring that disclosed significant problems would indicate higher risk.

(2) Federal agencies, with the concurrence of OMB, may identify Federal programs that are higher risk. OMB will provide this identification in the compliance supplement.

(d) *Inherent risk of the Federal program.* (1) The nature of a Federal program may indicate risk. Consideration should be given to the complexity of the program and the extent to which the Federal program contracts for goods and services. For example, Federal programs that disburse funds through third party contracts or have eligibility criteria may be of higher risk. Federal programs primarily involving staff payroll costs may have high risk for noncompliance with requirements of §200.430 Compensation—personal services, but otherwise be at low risk.

(2) The phase of a Federal program in its life cycle at the Federal agency may indicate risk. For example, a new Federal program with new or interim regulations may have higher risk than an established program with time-tested regulations. Also, significant changes in Federal programs, statutes, regulations, or the terms and conditions of Federal awards may increase risk.

(3) The phase of a Federal program in its life cycle at the auditee may indicate risk. For example, during the first and last years that an auditee participates in a Federal program, the risk may be higher due to start-up or close-out of program activities and staff.

(4) Type B programs with larger Federal awards expended would be of higher risk than programs with substantially smaller Federal awards expended.

§200.520 Criteria for a low-risk auditee.

An auditee that meets all of the following conditions for each of the preceding two audit periods must qualify as a low-risk auditee and be eligible for reduced audit coverage in accordance with §200.518 Major program determination.

(a) Single audits were performed on an annual basis in accordance with the provisions of this Subpart, including submitting the data collection form and the reporting package to the FAC within the timeframe specified in §200.512 Report submission. A non-Federal entity that has biennial audits does not qualify as a low-risk auditee.

(b) The auditor's opinion on whether the financial statements were prepared in accordance with GAAP, or a basis of accounting required by state law, and the auditor's in relation to opinion on the schedule of expenditures of Federal awards were unmodified.

(c) There were no deficiencies in internal control which were identified as material weaknesses under the requirements of GAGAS.

(d) The auditor did not report a substantial doubt about the auditee's ability to continue as a going concern.

(e) None of the Federal programs had audit findings from any of the following in either of the preceding two audit periods in which they were classified as Type A programs:

(1) Internal control deficiencies that were identified as material weaknesses in the auditor's report on internal control for major programs as required under §200.515 Audit reporting, paragraph (c);

(2) A modified opinion on a major program in the auditor's report on major programs as required under §200.515 Audit reporting, paragraph (c); or

(3) Known or likely questioned costs that exceeded five percent of the total Federal awards expended for a Type A program during the audit period.

MANAGEMENT DECISIONS

§200.521 Management decision.

(a) *General.* The management decision must clearly state whether or not the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action. If the auditee has not completed corrective action, a timetable for follow-up should be given. Prior to issuing the management decision, the Federal agency or pass-through entity may request additional information or documentation from the auditee, including a request for auditor assurance related to the documentation, as a way of mitigating disallowed costs. The management decision should describe any appeal process available to the auditee. While not required, the Federal agency or pass-through entity may also issue a management decision on findings relating to the financial statements which are required to be reported in accordance with GAGAS.

(b) *Federal agency.* As provided in §200.513 Responsibilities, paragraph (a)(7), the cognizant agency for audit must be responsible for coordinating a management decision for audit findings that affect the programs of more than one Federal agency. As provided in §200.513 Responsibilities, paragraph (c)(3), a Federal awarding agency is responsible for issuing a management decision for findings that relate to Federal awards it makes to non-Federal entities.

(c) *Pass-through entity.* As provided in §200.331 Requirements for pass-through entities, paragraph (d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients.

(d) *Time requirements.* The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report.

(e) *Reference numbers.* Management decisions must include the reference numbers the auditor assigned to each audit finding in accordance with §200.516 Audit findings paragraph (c).

APPENDIX I TO PART 200—FULL TEXT OF NOTICE OF FUNDING OPPORTUNITY

The full text of the notice of funding opportunity is organized in sections. The required format outlined in this appendix indicates immediately following the title of each section whether that section is required in every announcement or is a Federal awarding agency option. The format is designed so that similar types of information will appear in the same sections in announcements of different Federal funding opportunities. Toward that end, there is text in each of the following sections to describe the types of information that a Federal awarding agency would include in that section of an actual announcement.

A Federal awarding agency that wishes to include information that the format does not specifically discuss may address that subject in whatever section(s) is most appropriate. For example, if a Federal awarding agency chooses to address performance goals in the announcement, it might do so in the funding opportunity description, the application content, or the reporting requirements.

Similarly, when this format calls for a type of information to be in a particular section, a Federal awarding agency wishing to address that subject in other sections may elect to repeat the information in those sections or use cross references between the sections (there should be hyperlinks for cross-references in any electronic versions of the announcement). For example, a Federal awarding agency may want to include in Section I information about the types of

non-Federal entities who are eligible to apply. The format specifies a standard location for that information in Section III.1 but that does not preclude repeating the information in Section I or creating a cross reference between Sections I and III.1, as long as a potential applicant can find the information quickly and easily from the standard location.

The sections of the full text of the announcement are described in the following paragraphs.

A. PROGRAM DESCRIPTION—REQUIRED

This section contains the full program description of the funding opportunity. It may be as long as needed to adequately communicate to potential applicants the areas in which funding may be provided. It describes the Federal awarding agency's funding priorities or the technical or focus areas in which the Federal awarding agency intends to provide assistance. As appropriate, it may include any program history (e.g., whether this is a new program or a new or changed area of program emphasis). This section may communicate indicators of successful projects (e.g., if the program encourages collaborative efforts) and may include examples of projects that have been funded previously. This section also may include other information the Federal awarding agency deems necessary, and must at a minimum include citations for authorizing statutes and regulations for the funding opportunity.

B. FEDERAL AWARD INFORMATION—REQUIRED

This section provides sufficient information to help an applicant make an informed decision about whether to submit a proposal. Relevant information could include the total amount of funding that the Federal awarding agency expects to award through the announcement; the anticipated number of Federal awards; the expected amounts of individual Federal awards (which may be a range); the amount of funding per Federal award, on average, experienced in previous years; and the anticipated start dates and periods of performance for new Federal awards. This section also should address whether applications for renewal or supplementation of existing projects are eligible to compete with applications for new Federal awards.

This section also must indicate the type(s) of assistance instrument (e.g., grant, cooperative agreement) that may be awarded if applications are successful. If cooperative agreements may be awarded, this section either should describe the ''substantial involvement'' that the Federal awarding agency expects to have or should reference where the potential applicant can find that information (e.g., in the funding opportunity description in A. Program Description—Required or Federal award administration information in section D. Application and Submission Information). If procurement contracts also may be awarded, this must be stated.

C. ELIGIBILITY INFORMATION

This section addresses the considerations or factors that determine applicant or application eligibility. This includes the eligibility of particular types of applicant organizations, any factors affecting the eligibility of the principal investigator or project director, and any criteria that make particular projects ineligible. Federal agencies should make clear whether an applicant's failure to meet an eligibility criterion by the time of an application deadline will result in the Federal awarding agency returning the application without review or, even though an application may be reviewed, will preclude the Federal awarding agency from making a Federal award. Key elements to be addressed are:

1. *Eligible Applicants—Required.* Announcements must clearly identify the types of entities that are eligible to apply. If there are no restrictions on eligibility, this section may simply indicate that all potential applicants are eligible. If there are restrictions on eligibility, it is important to be clear about the specific types of entities that are eligible, not just the types that are ineligible. For example, if the program is limited to nonprofit organizations subject to 26 U.S.C. 501(c)(3) of the tax code (26 U.S.C. 501(c)(3)), the announcement should say so. Similarly, it is better to state explicitly that Native American tribal organizations are eligible than to assume that they can unambiguously infer that from a statement that nonprofit organizations may apply. Eligibility also can be expressed by exception, (e.g., open to all types of domestic applicants other than individuals). This section should refer to any portion of Section IV specifying documentation that must be submitted to support an eligibility determination (e.g., proof of 501(c)(3) status as determined by the Internal Revenue Service or an authorizing tribal resolution). To the extent that any funding restriction in Section IV.5 could affect the eligibility of an applicant or project, the announcement must either restate that restriction in this section or provide a cross-reference to its description in Section IV.5.

2. *Cost Sharing or Matching—Required.* Announcements must state whether there is required cost sharing, matching, or cost participation without which an application would be ineligible (if cost sharing is not required, the announcement must explicitly say so). Required cost sharing may be a certain percentage or amount, or may be in the form of contributions of specified items or activities (e.g., provision of equipment). It is

important that the announcement be clear about any restrictions on the types of cost (e.g., in-kind contributions) that are acceptable as cost sharing. Cost sharing as an eligibility criterion includes requirements based in statute or regulation, as described in §200.306 Cost sharing or matching of this Part. This section should refer to the appropriate portion(s) of section D. Application and Submission Information stating any pre-award requirements for submission of letters or other documentation to verify commitments to meet cost-sharing requirements if a Federal award is made.

3. *Other—Required, if applicable.* If there are other eligibility criteria (i.e., criteria that have the effect of making an application or project ineligible for Federal awards, whether referred to as ''responsiveness'' criteria, ''go-no go'' criteria, ''threshold'' criteria, or in other ways), must be clearly stated and must include a reference to the regulation of requirement that describes the restriction, as applicable. For example, if entities that have been found to be in violation of a particular Federal statute are ineligible, it is important to say so. This section must also state any limit on the number of applications an applicant may submit under the announcement and make clear whether the limitation is on the submitting organization, individual investigator/program director, or both. This section should also address any eligibility criteria for beneficiaries or for program participants other than Federal award recipients.

D. APPLICATION AND SUBMISSION INFORMATION

1. *Address to Request Application Package—Required.* Potential applicants must be told how to get application forms, kits, or other materials needed to apply (if this announcement contains everything needed, this section need only say so). An Internet address where the materials can be accessed is acceptable. However, since high-speed Internet access is not yet universally available for downloading documents, and applicants may have additional accessibility requirements, there also should be a way for potential applicants to request paper copies of materials, such as a U.S. Postal Service mailing address, telephone or FAX number, Telephone Device for the Deaf (TDD), Text Telephone (TTY) number, and/or Federal Information Relay Service (FIRS) number.

2. *Content and Form of Application Submission—Required.* This section must identify the required content of an application and the forms or formats that an applicant must use to submit it. If any requirements are stated elsewhere because they are general requirements that apply to multiple programs or funding opportunities, this section should refer to where those requirements may be found. This section also should include required forms or formats as part of the announcement or state where the applicant may obtain them.

This section should specifically address content and form or format requirements for:

i. Pre-applications, letters of intent, or white papers required or encouraged (see Section IV.3), including any limitations on the number of pages or other formatting requirements similar to those for full applications.

ii. The application as a whole. For all submissions, this would include any limitations on the number of pages, font size and typeface, margins, paper size, number of copies, and sequence or assembly requirements. If electronic submission is permitted or required, this could include special requirements for formatting or signatures.

iii. Component pieces of the application (e.g., if all copies of the application must bear original signatures on the face page or the program narrative may not exceed 10 pages). This includes any pieces that may be submitted separately by third parties (e.g., references or letters confirming commitments from third parties that will be contributing a portion of any required cost sharing).

iv. Information that successful applicants must submit after notification of intent to make a Federal award, but prior to a Federal award. This could include evidence of compliance with requirements relating to human subjects or information needed to comply with the National Environmental Policy Act (NEPA) (42 U.S.C. 4321–4370h).

3. *Dun and Bradstreet Universal Numbering System (DUNS) Number and System for Award Management (SAM)—Required.*

This paragraph must state clearly that each applicant (unless the applicant is an individual or Federal awarding agency that is excepted from those requirements under 2 CFR §25.110(b) or (c), or has an exception approved by the Federal awarding agency under 2 CFR §25.110(d)) is required to: (i) Be registered in SAM before submitting its application; (ii) provide a valid DUNS number in its application; and (iii) continue to maintain an active SAM registration with current information at all times during which it has an active Federal award or an application or plan under consideration by a Federal awarding agency. It also must state that the Federal awarding agency may not make a Federal award to an applicant until the applicant has complied with all applicable DUNS and SAM requirements and, if an applicant has not fully complied with the requirements by the time the Federal awarding agency is ready to make a Federal award, the Federal awarding agency may determine that the applicant is not qualified to receive a Federal award and use that determination as a basis

for making a Federal award to another applicant.

4. *Submission Dates and Times—Required.* Announcements must identify due dates and times for all submissions. This includes not only the full applications but also any preliminary submissions (e.g., letters of intent, white papers, or pre-applications). It also includes any other submissions of information before Federal award that are separate from the full application. If the funding opportunity is a general announcement that is open for a period of time with no specific due dates for applications, this section should say so. Note that the information on dates that is included in this section also must appear with other overview information in a location preceding the full text of the announcement (see §200.203 Notices of funding opportunities of this Part).

Each type of submission should be designated as encouraged or required and, if required, any deadline date (or dates, if the Federal awarding agency plans more than one cycle of application submission, review, and Federal award under the announcement) should be specified. The announcement must state (or provide a reference to another document that states):

i. Any deadline in terms of a date and local time. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

ii. What the deadline means (e.g., whether it is the date and time by which the Federal awarding agency must receive the application, the date by which the application must be postmarked, or something else) and how that depends, if at all, on the submission method (e.g., mail, electronic, or personal/courier delivery).

iii. The effect of missing a deadline (e.g., whether late applications are neither reviewed nor considered or are reviewed and considered under some circumstances).

iv. How the receiving Federal office determines whether an application or pre-application has been submitted before the deadline. This includes the form of acceptable proof of mailing or system-generated documentation of receipt date and time.

This section also may indicate whether, when, and in what form the applicant will receive an acknowledgement of receipt. This information should be displayed in ways that will be easy to understand and use. It can be difficult to extract all needed information from narrative paragraphs, even when they are well written. A tabular form for providing a summary of the information may help applicants for some programs and give them what effectively could be a checklist to verify the completeness of their application package before submission.

5. *Intergovernmental Review—Required, if applicable.* If the funding opportunity is subject to Executive Order 12372, ''Intergovernmental Review of Federal Programs,'' the notice must say so. In alerting applicants that they must contact their state's Single Point of Contact (SPOC) to find out about and comply with the state's process under Executive Order 12372, it may be useful to inform potential applicants that the names and addresses of the SPOCs are listed in the Office of Management and Budget's Web site. *www.whitehouse.gov/omb/grants/spoc.html.*

6. *Funding Restrictions—Required.* Notices must include information on funding restrictions in order to allow an applicant to develop an application and budget consistent with program requirements. Examples are whether construction is an allowable activity, if there are any limitations on direct costs such as foreign travel or equipment purchases, and if there are any limits on indirect costs (or facilities and administrative costs). Applicants must be advised if Federal awards will not allow reimbursement of pre-Federal award costs.

7. *Other Submission Requirements— Required.* This section must address any other submission requirements not included in the other paragraphs of this section. This might include the format of submission, i.e., paper or electronic, for each type of required submission. Applicants should not be required to submit in more than one format and this section should indicate whether they may choose whether to submit applications in hard copy or electronically, may submit only in hard copy, or may submit only electronically.

This section also must indicate where applications (and any pre-applications) must be submitted if sent by postal mail, electronic means, or hand-delivery. For postal mail submission, this must include the name of an office, official, individual or function (e.g., application receipt center) and a complete mailing address. For electronic submission, this must include the URL or email address; whether a password(s) is required; whether particular software or other electronic capabilities are required; what to do in the event of system problems and a point of contact who will be available in the event the applicant experiences technical difficulties.[1]

E. Application Review Information

1. Criteria—Required. This section must address the criteria that the Federal awarding agency will use to evaluate applications.

[1] With respect to electronic methods for providing information about funding opportunities or accepting applicants' submissions of information, each Federal awarding agency is responsible for compliance with Section 508 of the Rehabilitation Act of 1973 (29 U.S.C. 794d).

This includes the merit and other review criteria that evaluators will use to judge applications, including any statutory, regulatory, or other preferences (e.g., minority status or Native American tribal preferences) that will be applied in the review process. These criteria are distinct from eligibility criteria that are addressed before an application is accepted for review and any program policy or other factors that are applied during the selection process, after the review process is completed. The intent is to make the application process transparent so applicants can make informed decisions when preparing their applications to maximize fairness of the process. The announcement should clearly describe all criteria, including any subcriteria. If criteria vary in importance, the announcement should specify the relative percentages, weights, or other means used to distinguish among them. For statutory, regulatory, or other preferences, the announcement should provide a detailed explanation of those preferences with an explicit indication of their effect (e.g., whether they result in additional points being assigned).

If an applicant's proposed cost sharing will be considered in the review process (as opposed to being an eligibility criterion described in Section III.2), the announcement must specifically address how it will be considered (e.g., to assign a certain number of additional points to applicants who offer cost sharing, or to break ties among applications with equivalent scores after evaluation against all other factors). If cost sharing will not be considered in the evaluation, the announcement should say so, so that there is no ambiguity for potential applicants. Vague statements that cost sharing is encouraged, without clarification as to what that means, are unhelpful to applicants. It also is important that the announcement be clear about any restrictions on the types of cost (e.g., in-kind contributions) that are acceptable as cost sharing.

2. *Review and Selection Process—Required.* This section may vary in the level of detail provided. The announcement must list any program policy or other factors or elements, other than merit criteria, that the selecting official may use in selecting applications for Federal award (e.g., geographical dispersion, program balance, or diversity). The Federal awarding agency may also include other appropriate details. For example, this section may indicate who is responsible for evaluation against the merit criteria (e.g., peers external to the Federal awarding agency or Federal awarding agency personnel) and/or who makes the final selections for Federal awards. If there is a multi-phase review process (e.g., an external panel advising internal Federal awarding agency personnel who make final recommendations to the deciding official), the announcement may describe the phases. It also may include: the number of people on an evaluation panel and how it operates, the way reviewers are selected, reviewer qualifications, and the way that conflicts of interest are avoided. With respect to electronic methods for providing information about funding opportunities or accepting applicants' submissions of information, each Federal awarding agency is responsible for compliance with Section 508 of the Rehabilitation Act of 1973 (29 U.S.C. 794d).

In addition, if the Federal awarding agency permits applicants to nominate suggested reviewers of their applications or suggest those they feel may be inappropriate due to a conflict of interest, that information should be included in this section.

3. *Anticipated Announcement and Federal Award Dates—Optional.* This section is intended to provide applicants with information they can use for planning purposes. If there is a single application deadline followed by the simultaneous review of all applications, the Federal awarding agency can include in this section information about the anticipated dates for announcing or notifying successful and unsuccessful applicants and for having Federal awards in place. If applications are received and evaluated on a ''rolling'' basis at different times during an extended period, it may be appropriate to give applicants an estimate of the time needed to process an application and notify the applicant of the Federal awarding agency's decision.

F. Federal Award Administration Information

1. *Federal Award Notices—Required.* This section must address what a successful applicant can expect to receive following selection. If the Federal awarding agency's practice is to provide a separate notice stating that an application has been selected before it actually makes the Federal award, this section would be the place to indicate that the letter is not an authorization to begin performance (to the extent that it allows charging to Federal awards of pre-award costs at the non-Federal entity's own risk). This section should indicate that the notice of Federal award signed by the grants officer (or equivalent) is the authorizing document, and whether it is provided through postal mail or by electronic means and to whom. It also may address the timing, form, and content of notifications to unsuccessful applicants. See also §200.210 Information contained in a Federal award.

2. *Administrative and National Policy Requirements—Required.* This section must identify the usual administrative and national policy requirements the Federal awarding agency's Federal awards may include. Providing this information lets a potential applicant identify any requirements with which it would have difficulty complying if its application is successful. In those cases,

early notification about the requirements allows the potential applicant to decide not to apply or to take needed actions before receiving the Federal award. The announcement need not include all of the terms and conditions of the Federal award, but may refer to a document (with information about how to obtain it) or Internet site where applicants can see the terms and conditions. If this funding opportunity will lead to Federal awards with some special terms and conditions that differ from the Federal awarding agency's usual (sometimes called ''general'') terms and conditions, this section should highlight those special terms and conditions. Doing so will alert applicants that have received Federal awards from the Federal awarding agency previously and might not otherwise expect different terms and conditions. For the same reason, the announcement should inform potential applicants about special requirements that could apply to particular Federal awards after the review of applications and other information, based on the particular circumstances of the effort to be supported (e.g., if human subjects were to be involved or if some situations may justify special terms on intellectual property, data sharing or security requirements).

3. Reporting—Required. This section must include general information about the type (e.g., financial or performance), frequency, and means of submission (paper or electronic) of post-Federal award reporting requirements. Highlight any special reporting requirements for Federal awards under this funding opportunity that differ (e.g., by report type, frequency, form/format, or circumstances for use) from what the Federal awarding agency's Federal awards usually require.

G. FEDERAL AWARDING AGENCY CONTACT(S)—REQUIRED

The announcement must give potential applicants a point(s) of contact for answering questions or helping with problems while the funding opportunity is open. The intent of this requirement is to be as helpful as possible to potential applicants, so the Federal awarding agency should consider approaches such as giving:

i. Points of contact who may be reached in multiple ways (e.g., by telephone, FAX, and/or email, as well as regular mail).

ii. A fax or email address that multiple people access, so that someone will respond even if others are unexpectedly absent during critical periods.

iii. Different contacts for distinct kinds of help (e.g., one for questions of programmatic content and a second for administrative questions).

H. OTHER INFORMATION—OPTIONAL

This section may include any additional information that will assist a potential applicant. For example, the section might:

i. Indicate whether this is a new program or a one-time initiative.

ii. Mention related programs or other upcoming or ongoing Federal awarding agency funding opportunities for similar activities.

iii. Include current Internet addresses for Federal awarding agency Web sites that may be useful to an applicant in understanding the program.

iv. Alert applicants to the need to identify proprietary information and inform them about the way the Federal awarding agency will handle it.

v. Include certain routine notices to applicants (e.g., that the Federal government is not obligated to make any Federal award as a result of the announcement or that only grants officers can bind the Federal government to the expenditure of funds).

APPENDIX II TO PART 200—CONTRACT PROVISIONS FOR NON-FEDERAL ENTITY CONTRACTS UNDER FEDERAL AWARDS

In addition to other provisions required by the Federal agency or non-Federal entity, all contracts made by the non-Federal entity under the Federal award must contain provisions covering the following, as applicable.

(A) Contracts for more than the simplified acquisition threshold currently set at $150,000, which is the inflation adjusted amount determined by the Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (Councils) as authorized by 41 U.S.C. 1908, must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as appropriate.

(B) All contracts in excess of $10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement.

(C) Equal Employment Opportunity. Except as otherwise provided under 41 CFR Part 60, all contracts that meet the definition of ''federally assisted construction contract'' in 41 CFR Part 60–1.3 must include the equal opportunity clause provided under 41 CFR 60–1.4(b), in accordance with Executive Order 11246, ''Equal Employment Opportunity'' (30 FR 12319, 12935, 3 CFR Part, 1964–1965 Comp., p. 339), as amended by Executive Order 11375, ''Amending Executive Order 11246 Relating to Equal Employment Opportunity,'' and implementing regulations at 41 CFR part 60, ''Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor.''

(D) Davis-Bacon Act, as amended (40 U.S.C. 3141–3148). When required by Federal program legislation, all prime construction contracts in excess of $2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act (40 U.S.C. 3141–3144, and 3146–3148) as supplemented by Department of Labor regulations (29 CFR Part 5, ''Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction''). In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor. In addition, contractors must be required to pay wages not less than once a week. The non-Federal entity must place a copy of the current prevailing wage determination issued by the Department of Labor in each solicitation. The decision to award a contract or subcontract must be conditioned upon the acceptance of the wage determination. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency. The contracts must also include a provision for compliance with the Copeland ''Anti-Kickback'' Act (40 U.S.C. 3145), as supplemented by Department of Labor regulations (29 CFR Part 3, ''Contractors and Subcontractors on Public Building or Public Work Financed in Whole or in Part by Loans or Grants from the United States''). The Act provides that each contractor or subrecipient must be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public work, to give up any part of the compensation to which he or she is otherwise entitled. The non-Federal entity must report all suspected or reported violations to the Federal awarding agency.

(E) Contract Work Hours and Safety Standards Act (40 U.S.C. 3701–3708). Where applicable, all contracts awarded by the non-Federal entity in excess of $100,000 that involve the employment of mechanics or laborers must include a provision for compliance with 40 U.S.C. 3702 and 3704, as supplemented by Department of Labor regulations (29 CFR Part 5). Under 40 U.S.C. 3702 of the Act, each contractor must be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week. The requirements of 40 U.S.C. 3704 are applicable to construction work and provide that no laborer or mechanic must be required to work in surroundings or under working conditions which are unsanitary, hazardous or dangerous. These requirements do not apply to the purchases of supplies or materials or articles ordinarily available on the open market, or contracts for transportation or transmission of intelligence.

(F) Rights to Inventions Made Under a Contract or Agreement. If the Federal award meets the definition of ''funding agreement'' under 37 CFR §401.2 (a) and the recipient or subrecipient wishes to enter into a contract with a small business firm or nonprofit organization regarding the substitution of parties, assignment or performance of experimental, developmental, or research work under that ''funding agreement,'' the recipient or subrecipient must comply with the requirements of 37 CFR Part 401, ''Rights to Inventions Made by Nonprofit Organizations and Small Business Firms Under Government Grants, Contracts and Cooperative Agreements,'' and any implementing regulations issued by the awarding agency.

(G) Clean Air Act (42 U.S.C. 7401–7671q.) and the Federal Water Pollution Control Act (33 U.S.C. 1251–1387), as amended—Contracts and subgrants of amounts in excess of $150,000 must contain a provision that requires the non-Federal award to agree to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act (42 U.S.C. 7401–7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251–1387). Violations must be reported to the Federal awarding agency and the Regional Office of the Environmental Protection Agency (EPA).

(H) Mandatory standards and policies relating to energy efficiency which are contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (42 U.S.C. 6201).

(I) Debarment and Suspension (Executive Orders 12549 and 12689)—A contract award (see 2 CFR 180.220) must not be made to parties listed on the governmentwide Excluded Parties List System in the System for Award Management (SAM), in accordance with the OMB guidelines at 2 CFR 180 that implement Executive Orders 12549 (3 CFR Part 1986 Comp., p. 189) and 12689 (3 CFR Part 1989 Comp., p. 235), ''Debarment and Suspension.'' The Excluded Parties List System in SAM contains the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority other than Executive Order 12549.

(J) Byrd Anti-Lobbying Amendment (31 U.S.C. 1352)—Contractors that apply or bid for an award of $100,000 or more must file the required certification. Each tier certifies to the tier above that it will not and has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant or any

other award covered by 31 U.S.C. 1352. Each tier must also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to the non-Federal award.

(K) See §200.322 Procurement of recovered materials.

APPENDIX III TO PART 200—INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR INSTITUTIONS OF HIGHER EDUCATION (IHES)

A. GENERAL

This appendix provides criteria for identifying and computing indirect (or indirect (F&A)) rates at IHEs (institutions). Indirect (F&A) costs are those that are incurred for common or joint objectives and therefore cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity. See subsection B.1, Definition of Facilities and Administration, for a discussion of the components of indirect (F&A) costs.

1. Major Functions of an Institution

Refers to instruction, organized research, other sponsored activities and other institutional activities as defined in this section:

a. *Instruction* means the teaching and training activities of an institution. Except for research training as provided in subsection b, this term includes all teaching and training activities, whether they are offered for credits toward a degree or certificate or on a non-credit basis, and whether they are offered through regular academic departments or separate divisions, such as a summer school division or an extension division. Also considered part of this major function are departmental research, and, where agreed to, university research.

(1) *Sponsored instruction and training* means specific instructional or training activity established by grant, contract, or cooperative agreement. For purposes of the cost principles, this activity may be considered a major function even though an institution's accounting treatment may include it in the instruction function.

(2) *Departmental research* means research, development and scholarly activities that are not organized research and, consequently, are not separately budgeted and accounted for. Departmental research, for purposes of this document, is not considered as a major function, but as a part of the instruction function of the institution.

b. *Organized research* means all research and development activities of an institution that are separately budgeted and accounted for. It includes:

(1) *Sponsored research* means all research and development activities that are sponsored by Federal and non-Federal agencies and organizations. This term includes activities involving the training of individuals in research techniques (commonly called research training) where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.

(2) *University research* means all research and development activities that are separately budgeted and accounted for by the institution under an internal application of institutional funds. University research, for purposes of this document, must be combined with sponsored research under the function of organized research.

c. *Other sponsored activities* means programs and projects financed by Federal and non-Federal agencies and organizations which involve the performance of work other than instruction and organized research. Examples of such programs and projects are health service projects and community service programs. However, when any of these activities are undertaken by the institution without outside support, they may be classified as other institutional activities.

d. *Other institutional activities* means all activities of an institution except for instruction, departmental research, organized research, and other sponsored activities, as defined in this section; indirect (F&A) cost activities identified in this Appendix paragraph B, Identification and assignment of indirect (F&A) costs; and specialized services facilities described in §200.468 Specialized service facilities of this Part.

Examples of other institutional activities include operation of residence halls, dining halls, hospitals and clinics, student unions, intercollegiate athletics, bookstores, faculty housing, student apartments, guest houses, chapels, theaters, public museums, and other similar auxiliary enterprises. This definition also includes any other categories of activities, costs of which are ''unallowable'' to Federal awards, unless otherwise indicated in an award.

2. Criteria for Distribution

a. *Base period.* A base period for distribution of indirect (F&A) costs is the period during which the costs are incurred. The base period normally should coincide with the fiscal year established by the institution, but in any event the base period should be so selected as to avoid inequities in the distribution of costs.

b. *Need for cost groupings.* The overall objective of the indirect (F&A) cost allocation process is to distribute the indirect (F&A) costs described in Section B, Identification and assignment of indirect (F&A) costs, to

the major functions of the institution in proportions reasonably consistent with the nature and extent of their use of the institution's resources. In order to achieve this objective, it may be necessary to provide for selective distribution by establishing separate groupings of cost within one or more of the indirect (F&A) cost categories referred to in subsection B.1, Definition of Facilities and Administration. In general, the cost groupings established within a category should constitute, in each case, a pool of those items of expense that are considered to be of like nature in terms of their relative contribution to (or degree of remoteness from) the particular cost objectives to which distribution is appropriate. Cost groupings should be established considering the general guides provided in subsection c of this section. Each such pool or cost grouping should then be distributed individually to the related cost objectives, using the distribution base or method most appropriate in light of the guidelines set forth in subsection d of this section.

c. *General considerations on cost groupings.* The extent to which separate cost groupings and selective distribution would be appropriate at an institution is a matter of judgment to be determined on a case-by-case basis. Typical situations which may warrant the establishment of two or more separate cost groupings (based on account classification or analysis) within an indirect (F&A) cost category include but are not limited to the following:

(1) If certain items or categories of expense relate solely to one of the major functions of the institution or to less than all functions, such expenses should be set aside as a separate cost grouping for direct assignment or selective allocation in accordance with the guides provided in subsections b and d.

(2) If any types of expense ordinarily treated as general administration or departmental administration are charged to Federal awards as direct costs, expenses applicable to other activities of the institution when incurred for the same purposes in like circumstances must, through separate cost groupings, be excluded from the indirect (F&A) costs allocable to those Federal awards and included in the direct cost of other activities for cost allocation purposes.

(3) If it is determined that certain expenses are for the support of a service unit or facility whose output is susceptible of measurement on a workload or other quantitative basis, such expenses should be set aside as a separate cost grouping for distribution on such basis to organized research, instructional, and other activities at the institution or within the department.

(4) If activities provide their own purchasing, personnel administration, building maintenance or similar service, the distribution of general administration and general expenses, or operation and maintenance expenses to such activities should be accomplished through cost groupings which include only that portion of central indirect (F&A) costs (such as for overall management) which are properly allocable to such activities.

(5) If the institution elects to treat fringe benefits as indirect (F&A) charges, such costs should be set aside as a separate cost grouping for selective distribution to related cost objectives.

(6) The number of separate cost groupings within a category should be held within practical limits, after taking into consideration the materiality of the amounts involved and the degree of precision attainable through less selective methods of distribution.

d. Selection of distribution method.

(1) Actual conditions must be taken into account in selecting the method or base to be used in distributing individual cost groupings. The essential consideration in selecting a base is that it be the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; with a traceable cause-and-effect relationship; or with logic and reason, where neither benefit nor a cause-and-effect relationship is determinable.

(2) If a cost grouping can be identified directly with the cost objective benefitted, it should be assigned to that cost objective.

(3) If the expenses in a cost grouping are more general in nature, the distribution may be based on a cost analysis study which results in an equitable distribution of the costs. Such cost analysis studies may take into consideration weighting factors, population, or space occupied if appropriate. Cost analysis studies, however, must (a) be appropriately documented in sufficient detail for subsequent review by the cognizant agency for indirect costs, (b) distribute the costs to the related cost objectives in accordance with the relative benefits derived, (c) be statistically sound, (d) be performed specifically at the institution at which the results are to be used, and (e) be reviewed periodically, but not less frequently than rate negotiations, updated if necessary, and used consistently. Any assumptions made in the study must be stated and explained. The use of cost analysis studies and periodic changes in the method of cost distribution must be fully justified.

(4) If a cost analysis study is not performed, or if the study does not result in an equitable distribution of the costs, the distribution must be made in accordance with the appropriate base cited in Section B, Identification and assignment of indirect (F&A) costs, unless one of the following conditions is met:

(a) It can be demonstrated that the use of a different base would result in a more equitable allocation of the costs, or that a more readily available base would not increase the costs charged to Federal awards, or

(b) The institution qualifies for, and elects to use, the simplified method for computing indirect (F&A) cost rates described in Section D, Simplified method for small institutions.

(5) Notwithstanding subsection (3), effective July 1, 1998, a cost analysis or base other than that in Section B must not be used to distribute utility or student services costs. Instead, subsections B.4.c Operation and maintenance expenses, may be used in the recovery of utility costs.

e. Order of distribution.

(1) Indirect (F&A) costs are the broad categories of costs discussed in Section B.1, Definitions of Facilities and Administration

(2) Depreciation, interest expenses, operation and maintenance expenses, and general administrative and general expenses should be allocated in that order to the remaining indirect (F&A) cost categories as well as to the major functions and specialized service facilities of the institution. Other cost categories may be allocated in the order determined to be most appropriate by the institutions. When cross allocation of costs is made as provided in subsection (3), this order of allocation does not apply.

(3) Normally an indirect (F&A) cost category will be considered closed once it has been allocated to other cost objectives, and costs may not be subsequently allocated to it. However, a cross allocation of costs between two or more indirect (F&A) cost categories may be used if such allocation will result in a more equitable allocation of costs. If a cross allocation is used, an appropriate modification to the composition of the indirect (F&A) cost categories described in Section B is required.

B. Identification and Assignment of Indirect (F&A) Costs

1. Definition of Facilities and Administration

See §200.414 Indirect (F&A) costs which provides the basis for this indirect cost requirements.

2. Depreciation

a. The expenses under this heading are the portion of the costs of the institution's buildings, capital improvements to land and buildings, and equipment which are computed in accordance with §200.436 Depreciation.

b. In the absence of the alternatives provided for in Section A.2.d, Selection of distribution method, the expenses included in this category must be allocated in the following manner:

(1) Depreciation on buildings used exclusively in the conduct of a single function, and on capital improvements and equipment used in such buildings, must be assigned to that function.

(2) Depreciation on buildings used for more than one function, and on capital improvements and equipment used in such buildings, must be allocated to the individual functions performed in each building on the basis of usable square feet of space, excluding common areas such as hallways, stairwells, and rest rooms.

(3) Depreciation on buildings, capital improvements and equipment related to space (e.g., individual rooms, laboratories) used jointly by more than one function (as determined by the users of the space) must be treated as follows. The cost of each jointly used unit of space must be allocated to benefitting functions on the basis of:

(a) The employee full-time equivalents (FTEs) or salaries and wages of those individual functions benefitting from the use of that space; or

(b) Institution-wide employee FTEs or salaries and wages applicable to the benefitting major functions (see Section A.1) of the institution.

(4) Depreciation on certain capital improvements to land, such as paved parking areas, fences, sidewalks, and the like, not included in the cost of buildings, must be allocated to user categories of students and employees on a full-time equivalent basis. The amount allocated to the student category must be assigned to the instruction function of the institution. The amount allocated to the employee category must be further allocated to the major functions of the institution in proportion to the salaries and wages of all employees applicable to those functions.

3. Interest

Interest on debt associated with certain buildings, equipment and capital improvements, as defined in §200.449 Interest, must be classified as an expenditure under the category Facilities. These costs must be allocated in the same manner as the depreciation on the buildings, equipment and capital improvements to which the interest relates.

4. Operation and Maintenance Expenses

a. The expenses under this heading are those that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. They include expenses normally incurred for such items as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake

and disaster preparedness; environmental safety; hazardous waste disposal; property, liability and all other insurance relating to property; space and capital leasing; facility planning and management; and central receiving. The operation and maintenance expense category should also include its allocable share of fringe benefit costs, depreciation, and interest costs.

b. In the absence of the alternatives provided for in Section A.2.d, the expenses included in this category must be allocated in the same manner as described in subsection 2.b for depreciation.

c. A utility cost adjustment of up to 1.3 percentage points may be included in the negotiated indirect cost rate of the IHE for organized research, per the computation alternatives in paragraphs (c)(1) and (2) of this section:

(1) Where space is devoted to a single function and metering allows unambiguous measurement of usage related to that space, costs must be assigned to the function located in that space.

(2) Where space is allocated to different functions and metering does not allow unambiguous measurement of usage by function, costs must be allocated as follows:

(i) Utilities costs should be apportioned to functions in the same manner as depreciation, based on the calculated difference between the site or building actual square footage for monitored research laboratory space (site, building, floor, or room), and a separate calculation prepared by the IHE using the ''effective square footage'' described in subsection (c)(2)(ii) of this section.

(ii) ''Effective square footage'' allocated to research laboratory space must be calculated as the actual square footage times the relative energy utilization index (REUI) posted on the OMB Web site at the time of a rate determination.

A. This index is the ratio of a laboratory energy use index (lab EUI) to the corresponding index for overall average college or university space (college EUI).

B. In July 2012, values for these two indices (taken respectively from the Lawrence Berkeley Laboratory ''Labs for the 21st Century'' benchmarking tool *http://labs21benchmarking.lbl.gov/CompareData.php* and the US Department of Energy ''Buildings Energy Databook'' and *http://buildingsdatabook.eren.doe.gov/CBECS.aspx*) were 310 kBtu/sq ft-yr. and 155 kBtu/sq ft-yr., so that the adjustment ratio is 2.0 by this methodology. To retain currency, OMB will adjust the EUI numbers from time to time (no more often than annually nor less often than every 5 years), using reliable and publicly disclosed data. Current values of both the EUIs and the REUI will be posted on the OMB Web site.

5. General Administration and General Expenses

a. The expenses under this heading are those that have been incurred for the general executive and administrative offices of educational institutions and other expenses of a general character which do not relate solely to any major function of the institution; i.e., solely to (1) instruction, (2) organized research, (3) other sponsored activities, or (4) other institutional activities. The general administration and general expense category should also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation, and interest costs. Examples of general administration and general expenses include: those expenses incurred by administrative offices that serve the entire university system of which the institution is a part; central offices of the institution such as the President's or Chancellor's office, the offices for institution-wide financial management, business services, budget and planning, personnel management, and safety and risk management; the office of the General Counsel; and the operations of the central administrative management information systems. General administration and general expenses must not include expenses incurred within non-university-wide deans' offices, academic departments, organized research units, or similar organizational units. (See subsection 6, Departmental administration expenses.)

b. In the absence of the alternatives provided for in Section A.2.d, the expenses included in this category must be grouped first according to common major functions of the institution to which they render services or provide benefits. The aggregate expenses of each group must then be allocated to serviced or benefitted functions on the modified total cost basis. Modified total costs consist of the same elements as those in Section C.2. When an activity included in this indirect (F&A) cost category provides a service or product to another institution or organization, an appropriate adjustment must be made to either the expenses or the basis of allocation or both, to assure a proper allocation of costs.

6. Departmental Administration Expenses

a. The expenses under this heading are those that have been incurred for administrative and supporting services that benefit common or joint departmental activities or objectives in academic deans' offices, academic departments and divisions, and organized research units. Organized research units include such units as institutes, study centers, and research centers. Departmental administration expenses are subject to the following limitations.

(1) Academic deans' offices. Salaries and operating expenses are limited to those attributable to administrative functions.

(2) Academic departments:

(a) Salaries and fringe benefits attributable to the administrative work (including bid and proposal preparation) of faculty (including department heads) and other professional personnel conducting research and/or instruction, must be allowed at a rate of 3.6 percent of modified total direct costs. This category does not include professional business or professional administrative officers. This allowance must be added to the computation of the indirect (F&A) cost rate for major functions in Section C, Determination and application of indirect (F&A) cost rate or rates; the expenses covered by the allowance must be excluded from the departmental administration cost pool. No documentation is required to support this allowance.

(b) Other administrative and supporting expenses incurred within academic departments are allowable provided they are treated consistently in like circumstances. This would include expenses such as the salaries of secretarial and clerical staffs, the salaries of administrative officers and assistants, travel, office supplies, stockrooms, and the like.

(3) Other fringe benefit costs applicable to the salaries and wages included in subsections (1) and (2) are allowable, as well as an appropriate share of general administration and general expenses, operation and maintenance expenses, and depreciation.

(4) Federal agencies may authorize reimbursement of additional costs for department heads and faculty only in exceptional cases where an institution can demonstrate undue hardship or detriment to project performance.

b. The following guidelines apply to the determination of departmental administrative costs as direct or indirect (F&A) costs.

(1) In developing the departmental administration cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect (F&A) costs. For example, salaries of technical staff, laboratory supplies (e.g., chemicals), telephone toll charges, animals, animal care costs, computer costs, travel costs, and specialized shop costs must be treated as direct costs wherever identifiable to a particular cost objective. Direct charging of these costs may be accomplished through specific identification of individual costs to benefitting cost objectives, or through recharge centers or specialized service facilities, as appropriate under the circumstances. See §§200.413 Direct costs, paragraph (c) and 200.468 Specialized service facilities.

(2) Items such as office supplies, postage, local telephone costs, and memberships must normally be treated as indirect (F&A) costs.

c. In the absence of the alternatives provided for in Section A.2.d, the expenses included in this category must be allocated as follows:

(1) The administrative expenses of the dean's office of each college and school must be allocated to the academic departments within that college or school on the modified total cost basis.

(2) The administrative expenses of each academic department, and the department's share of the expenses allocated in subsection (1) must be allocated to the appropriate functions of the department on the modified total cost basis.

7. Sponsored Projects Administration

a. The expenses under this heading are limited to those incurred by a separate organization(s) established primarily to administer sponsored projects, including such functions as grant and contract administration (Federal and non-Federal), special security, purchasing, personnel, administration, and editing and publishing of research and other reports. They include the salaries and expenses of the head of such organization, assistants, and immediate staff, together with the salaries and expenses of personnel engaged in supporting activities maintained by the organization, such as stock rooms, print shops, and the like. This category also includes an allocable share of fringe benefit costs, general administration and general expenses, operation and maintenance expenses, and depreciation. Appropriate adjustments will be made for services provided to other functions or organizations.

b. In the absence of the alternatives provided for in Section A.2.d, the expenses included in this category must be allocated to the major functions of the institution under which the sponsored projects are conducted on the basis of the modified total cost of sponsored projects.

c. An appropriate adjustment must be made to eliminate any duplicate charges to Federal awards when this category includes similar or identical activities as those included in the general administration and general expense category or other indirect (F&A) cost items, such as accounting, procurement, or personnel administration.

8. Library Expenses

a. The expenses under this heading are those that have been incurred for the operation of the library, including the cost of books and library materials purchased for the library, less any items of library income that qualify as applicable credits under §200.406 Applicable credits. The library expense category should also include the fringe benefits applicable to the salaries and wages included therein, an appropriate share of general administration and general expense,

operation and maintenance expense, and depreciation. Costs incurred in the purchases of rare books (museum-type books) with no value to Federal awards should not be allocated to them.

b. In the absence of the alternatives provided for in Section A.2.d, the expenses included in this category must be allocated first on the basis of primary categories of users, including students, professional employees, and other users.

(1) The student category must consist of full-time equivalent students enrolled at the institution, regardless of whether they earn credits toward a degree or certificate.

(2) The professional employee category must consist of all faculty members and other professional employees of the institution, on a full-time equivalent basis. This category may also include post-doctorate fellows and graduate students.

(3) The other users category must consist of a reasonable factor as determined by institutional records to account for all other users of library facilities.

c. Amount allocated in paragraph b of this section must be assigned further as follows:

(1) The amount in the student category must be assigned to the instruction function of the institution.

(2) The amount in the professional employee category must be assigned to the major functions of the institution in proportion to the salaries and wages of all faculty members and other professional employees applicable to those functions.

(3) The amount in the other users category must be assigned to the other institutional activities function of the institution.

9. Student Administration and Services

a. The expenses under this heading are those that have been incurred for the administration of student affairs and for services to students, including expenses of such activities as deans of students, admissions, registrar, counseling and placement services, student advisers, student health and infirmary services, catalogs, and commencements and convocations. The salaries of members of the academic staff whose responsibilities to the institution require administrative work that benefits sponsored projects may also be included to the extent that the portion charged to student administration is determined in accordance with Subpart E—Cost Principles of this Part. This expense category also includes the fringe benefit costs applicable to the salaries and wages included therein, an appropriate share of general administration and general expenses, operation and maintenance, interest expense, and depreciation.

b. In the absence of the alternatives provided for in Section A.2.d, the expenses in this category must be allocated to the instruction function, and subsequently to Federal awards in that function.

10. Offset for Indirect (F&A) Expenses Otherwise Provided for by the Federal Government

a. The items to be accumulated under this heading are the reimbursements and other payments from the Federal government which are made to the institution to support solely, specifically, and directly, in whole or in part, any of the administrative or service activities described in subsections 2 through 9.

b. The items in this group must be treated as a credit to the affected individual indirect (F&A) cost category before that category is allocated to benefitting functions.

C. DETERMINATION AND APPLICATION OF INDIRECT (F&A) COST RATE OR RATES

1. Indirect (F&A) Cost Pools

a. (1) Subject to subsection b, the separate categories of indirect (F&A) costs allocated to each major function of the institution as prescribed in paragraph B of this paragraph C.1 Identification and assignment of indirect (F&A) costs, must be aggregated and treated as a common pool for that function. The amount in each pool must be divided by the distribution base described in subsection 2 to arrive at a single indirect (F&A) cost rate for each function.

(2) The rate for each function is used to distribute indirect (F&A) costs to individual Federal awards of that function. Since a common pool is established for each major function of the institution, a separate indirect (F&A) cost rate would be established for each of the major functions described in Section A.1 under which Federal awards are carried out.

(3) Each institution's indirect (F&A) cost rate process must be appropriately designed to ensure that Federal sponsors do not in any way subsidize the indirect (F&A) costs of other sponsors, specifically activities sponsored by industry and foreign governments. Accordingly, each allocation method used to identify and allocate the indirect (F&A) cost pools, as described in Sections A.2, Criteria for distribution, and B.2 through B.9, must contain the full amount of the institution's modified total costs or other appropriate units of measurement used to make the computations. In addition, the final rate distribution base (as defined in subsection 2) for each major function (organized research, instruction, etc., as described in Section A.1, Major functions of an institution) must contain all the programs or activities which utilize the indirect (F&A) costs allocated to that major function. At the time an indirect (F&A) cost proposal is submitted to a cognizant agency for indirect costs, each institution must describe the process it uses to

ensure that Federal funds are not used to subsidize industry and foreign government funded programs.

b. In some instances a single rate basis for use across the board on all work within a major function at an institution may not be appropriate. A single rate for research, for example, might not take into account those different environmental factors and other conditions which may affect substantially the indirect (F&A) costs applicable to a particular segment of research at the institution. A particular segment of research may be that performed under a single sponsored agreement or it may consist of research under a group of Federal awards performed in a common environment. The environmental factors are not limited to the physical location of the work. Other important factors are the level of the administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof. If a particular segment of a sponsored agreement is performed within an environment which appears to generate a significantly different level of indirect (F&A) costs, provisions should be made for a separate indirect (F&A) cost pool applicable to such work. The separate indirect (F&A) cost pool should be developed during the regular course of the rate determination process and the separate indirect (F&A) cost rate resulting therefrom should be utilized; provided it is determined that (1) such indirect (F&A) cost rate differs significantly from that which would have been obtained under subsection a, and (2) the volume of work to which such rate would apply is material in relation to other Federal awards at the institution.

2. The Distribution Basis

Indirect (F&A) costs must be distributed to applicable Federal awards and other benefitting activities within each major function (see section A.1, Major functions of an institution) on the basis of modified total direct costs (MTDC), consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subaward (regardless of the period covered by the subaward). MTDC is defined in §200.68 Modified Total Direct Cost (MTDC). For this purpose, an indirect (F&A) cost rate should be determined for each of the separate indirect (F&A) cost pools developed pursuant to subsection 1. The rate in each case should be stated as the percentage which the amount of the particular indirect (F&A) cost pool is of the modified total direct costs identified with such pool.

3. Negotiated Lump Sum for Indirect (F&A) Costs

A negotiated fixed amount in lieu of indirect (F&A) costs may be appropriate for self-contained, off-campus, or primarily subcontracted activities where the benefits derived from an institution's indirect (F&A) services cannot be readily determined. Such negotiated indirect (F&A) costs will be treated as an offset before allocation to instruction, organized research, other sponsored activities, and other institutional activities. The base on which such remaining expenses are allocated should be appropriately adjusted.

4. Predetermined Rates for Indirect (F&A) Costs

Public Law 87–638 (76 Stat. 437) as amended (41 U.S.C. 4708) authorizes the use of predetermined rates in determining the ''indirect costs'' (indirect (F&A) costs) applicable under research agreements with educational institutions. The stated objectives of the law are to simplify the administration of cost-type research and development contracts (including grants) with educational institutions, to facilitate the preparation of their budgets, and to permit more expeditious closeout of such contracts when the work is completed. In view of the potential advantages offered by this procedure, negotiation of predetermined rates for indirect (F&A) costs for a period of two to four years should be the norm in those situations where the cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of indirect (F&A) costs during the ensuing accounting periods.

5. Negotiated Fixed Rates and Carry-Forward Provisions

When a fixed rate is negotiated in advance for a fiscal year (or other time period), the over- or under-recovery for that year may be included as an adjustment to the indirect (F&A) cost for the next rate negotiation. When the rate is negotiated before the carry-forward adjustment is determined, the carry-forward amount may be applied to the next subsequent rate negotiation. When such adjustments are to be made, each fixed rate negotiated in advance for a given period will be computed by applying the expected indirect (F&A) costs allocable to Federal awards for the forecast period plus or minus the carry-forward adjustment (over- or under-recovery) from the prior period, to the forecast distribution base. Unrecovered amounts under lump-sum agreements or cost-sharing provisions of prior years must not be carried forward for consideration in the new rate negotiation. There must, however, be an advance understanding in each case between the institution and the cognizant agency for indirect costs as to whether these differences

will be considered in the rate negotiation rather than making the determination after the differences are known. Further, institutions electing to use this carry-forward provision may not subsequently change without prior approval of the cognizant agency for indirect costs. In the event that an institution returns to a post-determined rate, any over- or under-recovery during the period in which negotiated fixed rates and carry-forward provisions were followed will be included in the subsequent post-determined rates. Where multiple rates are used, the same procedure will be applicable for determining each rate.

6. Provisional and Final Rates for Indirect (F&A) Costs

Where the cognizant agency for indirect costs determines that cost experience and other pertinent facts do not justify the use of predetermined rates, or a fixed rate with a carry-forward, or if the parties cannot agree on an equitable rate, a provisional rate must be established. To prevent substantial overpayment or underpayment, the provisional rate may be adjusted by the cognizant agency for indirect costs during the institution's fiscal year. Predetermined or fixed rates may replace provisional rates at any time prior to the close of the institution's fiscal year. If a provisional rate is not replaced by a predetermined or fixed rate prior to the end of the institution's fiscal year, a final rate will be established and upward or downward adjustments will be made based on the actual allowable costs incurred for the period involved.

7. Fixed Rates for the Life of the Sponsored Agreement

Federal agencies must use the negotiated rates except as provided in paragraph (e) of §200.414 Indirect (F&A) costs, must paragraph (b)(1) for indirect (F&A) costs in effect at the time of the initial award throughout the life of the Federal award. Award levels for Federal awards may not be adjusted in future years as a result of changes in negotiated rates. ''Negotiated rates'' per the rate agreement include final, fixed, and predetermined rates and exclude provisional rates. ''Life'' for the purpose of this subsection means each competitive segment of a project. A competitive segment is a period of years approved by the Federal awarding agency at the time of the Federal award. If negotiated rate agreements do not extend through the life of the Federal award at the time of the initial award, then the negotiated rate for the last year of the Federal award must be extended through the end of the life of the Federal award.

b. Except as provided in §200.414 Indirect (F&A) costs, when an educational institution does not have a negotiated rate with the Federal government at the time of an award (because the educational institution is a new recipient or the parties cannot reach agreement on a rate), the provisional rate used at the time of the award must be adjusted once a rate is negotiated and approved by the cognizant agency for indirect costs.

8. Limitation on Reimbursement of Administrative Costs

a. Notwithstanding the provisions of subsection C.1.a, the administrative costs charged to Federal awards awarded or amended (including continuation and renewal awards) with effective dates beginning on or after the start of the institution's first fiscal year which begins on or after October 1, 1991, must be limited to 26% of modified total direct costs (as defined in subsection 2) for the total of General Administration and General Expenses, Departmental Administration, Sponsored Projects Administration, and Student Administration and Services (including their allocable share of depreciation, interest costs, operation and maintenance expenses, and fringe benefits costs, as provided by Section B, Identification and assignment of indirect (F&A) costs, and all other types of expenditures not listed specifically under one of the subcategories of facilities in Section B.

b. Institutions should not change their accounting or cost allocation methods if the effect is to change the charging of a particular type of cost from F&A to direct, or to reclassify costs, or increase allocations from the administrative pools identified in paragraph B.1 of this Appendix to the other F&A cost pools or fringe benefits. Cognizant agencies for indirect cost are authorized to allow changes where an institution's charging practices are at variance with acceptable practices followed by a substantial majority of other institutions.

9. Alternative Method for Administrative Costs

a. Notwithstanding the provisions of subsection 1.a, an institution may elect to claim a fixed allowance for the ''Administration'' portion of indirect (F&A) costs. The allowance could be either 24% of modified total direct costs or a percentage equal to 95% of the most recently negotiated fixed or predetermined rate for the cost pools included under ''Administration'' as defined in Section B.1, whichever is less. Under this alternative, no cost proposal need be prepared for the ''Administration'' portion of the indirect (F&A) cost rate nor is further identification or documentation of these costs required (see subsection c). Where a negotiated indirect (F&A) cost agreement includes this alternative, an institution must make no further

charges for the expenditure categories described in Section B.5, General administration and general expenses, Section B.6, Departmental administration expenses, Section B.7, Sponsored projects administration, and Section B.9, Student administration and services.

b. In negotiations of rates for subsequent periods, an institution that has elected the option of subsection a may continue to exercise it at the same rate without further identification or documentation of costs.

c. If an institution elects to accept a threshold rate as defined in subsection a of this section, it is not required to perform a detailed analysis of its administrative costs. However, in order to compute the facilities components of its indirect (F&A) cost rate, the institution must reconcile its indirect (F&A) cost proposal to its financial statements and make appropriate adjustments and reclassifications to identify the costs of each major function as defined in Section A.1, as well as to identify and allocate the facilities components. Administrative costs that are not identified as such by the institution's accounting system (such as those incurred in academic departments) will be classified as instructional costs for purposes of reconciling indirect (F&A) cost proposals to financial statements and allocating facilities costs.

10. Individual Rate Components

In order to provide mutually agreed-upon information for management purposes, each indirect (F&A) cost rate negotiation or determination shall include development of a rate for each indirect (F&A) cost pool as well as the overall indirect (F&A) cost rate.

11. Negotiation and Approval of Indirect (F&A) Rate

a. Cognizant agency for indirect costs is defined in Subpart A—Acronyms and Definitions.

(1) Cost negotiation cognizance is assigned to the Department of Health and Human Services (HHS) or the Department of Defense's Office of Naval Research (DOD), normally depending on which of the two agencies (HHS or DOD) provides more funds to the educational institution for the most recent three years. Information on funding must be derived from relevant data gathered by the National Science Foundation. In cases where neither HHS nor DOD provides Federal funding to an educational institution, the cognizant agency for indirect costs assignment must default to HHS. Notwithstanding the method for cognizance determination described in this section, other arrangements for cognizance of a particular educational institution may also be based in part on the types of research performed at the educational institution and must be decided based on mutual agreement between HHS and DOD.

(2) After cognizance is established, it must continue for a five-year period.

b. Acceptance of rates. See §200.414 Indirect (F&A) costs.

c. Correcting deficiencies. The cognizant agency for indirect costs must negotiate changes needed to correct systems deficiencies relating to accountability for Federal awards. Cognizant agencies for indirect costs must address the concerns of other affected agencies, as appropriate, and must negotiate special rates for Federal agencies that are required to limit recovery of indirect costs by statute.

d. Resolving questioned costs. The cognizant agency for indirect costs must conduct any necessary negotiations with an educational institution regarding amounts questioned by audit that are due the Federal government related to costs covered by a negotiated agreement.

e. Reimbursement. Reimbursement to cognizant agencies for indirect costs for work performed under this Part may be made by reimbursement billing under the Economy Act, 31 U.S.C. 1535.

f. Procedure for establishing facilities and administrative rates must be established by one of the following methods:

(1) Formal negotiation. The cognizant agency for indirect costs is responsible for negotiating and approving rates for an educational institution on behalf of all Federal agencies. Non-cognizant Federal agencies for indirect costs, which make Federal awards to an educational institution, must notify the cognizant agency for indirect costs of specific concerns (i.e., a need to establish special cost rates) which could affect the negotiation process. The cognizant agency for indirect costs must address the concerns of all interested agencies, as appropriate. A pre-negotiation conference may be scheduled among all interested agencies, if necessary. The cognizant agency for indirect costs must then arrange a negotiation conference with the educational institution.

(2) Other than formal negotiation. The cognizant agency for indirect costs and educational institution may reach an agreement on rates without a formal negotiation conference; for example, through correspondence or use of the simplified method described in this section D of this Appendix.

g. Formalizing determinations and agreements. The cognizant agency for indirect costs must formalize all determinations or agreements reached with an educational institution and provide copies to other agencies having an interest. Determinations should include a description of any adjustments, the actual amount, both dollar and percentage adjusted, and the reason for making adjustments.

h. Disputes and disagreements. Where the cognizant agency for indirect costs is unable to reach agreement with an educational institution with regard to rates or audit resolution, the appeal system of the cognizant agency for indirect costs must be followed for resolution of the disagreement.

12. Standard Format for Submission

For facilities and administrative (indirect (F&A)) rate proposals, educational institutions must use the standard format, shown in section E of this appendix, to submit their indirect (F&A) rate proposal to the cognizant agency for indirect costs. The cognizant agency for indirect costs may, on an institution-by-institution basis, grant exceptions from all or portions of Part II of the standard format requirement. This requirement does not apply to educational institutions that use the simplified method for calculating indirect (F&A) rates, as described in Section D of this Appendix.

In order to provide mutually agreed upon information for management purposes, each F&A cost rate negotiation or determination must include development of a rate for each F&A cost pool as well as the overall F&A rate.

D. SIMPLIFIED METHOD FOR SMALL INSTITUTIONS

1. General

a. Where the total direct cost of work covered by this Part at an institution does not exceed $10 million in a fiscal year, the simplified procedure described in subsections 2 or 3 may be used in determining allowable indirect (F&A) costs. Under this simplified procedure, the institution's most recent annual financial report and immediately available supporting information must be utilized as a basis for determining the indirect (F&A) cost rate applicable to all Federal awards. The institution may use either the salaries and wages (see subsection 2) or modified total direct costs (see subsection 3) as the distribution basis.

b. The simplified procedure should not be used where it produces results which appear inequitable to the Federal government or the institution. In any such case, indirect (F&A) costs should be determined through use of the regular procedure.

2. Simplified Procedure—Salaries and Wages Base

a. Establish the total amount of salaries and wages paid to all employees of the institution.

b. Establish an indirect (F&A) cost pool consisting of the expenditures (exclusive of capital items and other costs specifically identified as unallowable) which customarily are classified under the following titles or their equivalents:

(1) General administration and general expenses (exclusive of costs of student administration and services, student activities, student aid, and scholarships).

(2) Operation and maintenance of physical plant and depreciation (after appropriate adjustment for costs applicable to other institutional activities).

(3) Library.

(4) Department administration expenses, which will be computed as 20 percent of the salaries and expenses of deans and heads of departments.

In those cases where expenditures classified under subsection (1) have previously been allocated to other institutional activities, they may be included in the indirect (F&A) cost pool. The total amount of salaries and wages included in the indirect (F&A) cost pool must be separately identified.

c. Establish a salary and wage distribution base, determined by deducting from the total of salaries and wages as established in subsection a from the amount of salaries and wages included under subsection b.

d. Establish the indirect (F&A) cost rate, determined by dividing the amount in the indirect (F&A) cost pool, subsection b, by the amount of the distribution base, subsection c.

e. Apply the indirect (F&A) cost rate to direct salaries and wages for individual agreements to determine the amount of indirect (F&A) costs allocable to such agreements.

3. Simplified Procedure—Modified Total Direct Cost Base

a. Establish the total costs incurred by the institution for the base period.

b. Establish an indirect (F&A) cost pool consisting of the expenditures (exclusive of capital items and other costs specifically identified as unallowable) which customarily are classified under the following titles or their equivalents:

(1) General administration and general expenses (exclusive of costs of student administration and services, student activities, student aid, and scholarships).

(2) Operation and maintenance of physical plant and depreciation (after appropriate adjustment for costs applicable to other institutional activities).

(3) Library.

(4) Department administration expenses, which will be computed as 20 percent of the salaries and expenses of deans and heads of departments. In those cases where expenditures classified under subsection (1) have previously been allocated to other institutional activities, they may be included in the indirect (F&A) cost pool. The modified total direct costs amount included in the indirect (F&A) cost pool must be separately identified.

c. Establish a modified total direct cost distribution base, as defined in Section C.2, The distribution basis, that consists of all institution's direct functions.

d. Establish the indirect (F&A) cost rate, determined by dividing the amount in the indirect (F&A) cost pool, subsection b, by the amount of the distribution base, subsection c.

e. Apply the indirect (F&A) cost rate to the modified total direct costs for individual agreements to determine the amount of indirect (F&A) costs allocable to such agreements.

E. DOCUMENTATION REQUIREMENTS

The standard format for documentation requirements for indirect (indirect (F&A)) rate proposals for claiming costs under the regular method is available on the OMB Web site here: *http://www.whitehouse.gov/omb/grants_forms*.

F. CERTIFICATION

1. Certification of Charges

To assure that expenditures for Federal awards are proper and in accordance with the agreement documents and approved project budgets, the annual and/or final fiscal reports or vouchers requesting payment under the agreements will include a certification, signed by an authorized official of the university, which reads ''By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and intent set forth in the award documents. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code, Title 18, Section 1001 and Title 31, Sections 3729–3733 and 3801–3812)''.

2. Certification of Indirect (F&A) Costs

a. *Policy*. Cognizant agencies must not accept a proposed indirect cost rate must unless such costs have been certified by the educational institution using the Certificate of indirect (F&A) Costs set forth in subsection F.2.c

b. The certificate must be signed on behalf of the institution by the chief financial officer or an individual designated by an individual at a level no lower than vice president or chief financial officer.

(1) No indirect (F&A) cost rate must be binding upon the Federal government if the most recent required proposal from the institution has not been certified. Where it is necessary to establish indirect (F&A) cost rates, and the institution has not submitted a certified proposal for establishing such rates in accordance with the requirements of this section, the Federal government must unilaterally establish such rates. Such rates may be based upon audited historical data or such other data that have been furnished to the cognizant agency for indirect costs and for which it can be demonstrated that all unallowable costs have been excluded. When indirect (F&A) cost rates are unilaterally established by the Federal government because of failure of the institution to submit a certified proposal for establishing such rates in accordance with this section, the rates established will be set at a level low enough to ensure that potentially unallowable costs will not be reimbursed.

c. *Certificate*. The certificate required by this section must be in the following form:

CERTIFICATE OF INDIRECT (F&A) COSTS

This is to certify that to the best of my knowledge and belief:

(1) I have reviewed the indirect (F&A) cost proposal submitted herewith;

(2) All costs included in this proposal [identify date] to establish billing or final indirect (F&A) costs rate for [identify period covered by rate] are allowable in accordance with the requirements of the Federal agreement(s) to which they apply and with the cost principles applicable to those agreements.

(3) This proposal does not include any costs which are unallowable under applicable cost principles such as (without limitation): public relations costs, contributions and donations, entertainment costs, fines and penalties, lobbying costs, and defense of fraud proceedings; and

(4) All costs included in this proposal are properly allocable to Federal agreements on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements.

I declare that the foregoing is true and correct.

Institution of Higher Education:
Signature: _____
Name of Official: _____
Title: _____
Date of Execution: _____

APPENDIX IV TO PART 200—INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR NONPROFIT ORGANIZATIONS

A. GENERAL

1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect

costs under the conditions described in §200.413 Direct costs paragraph (d) of this Part. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefitting cost objectives. A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

''Major nonprofit organizations'' are defined in §200.414 Indirect (F&A) costs. See indirect cost rate reporting requirements in sections B.2.e and B.3.g of this Appendix.

B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES

1. General

a. If a nonprofit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures, as described in section B.2 of this Appendix.

b. If an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefitting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual Federal awards and other activities included in that function by means of an indirect cost rate(s).

c. The determination of what constitutes an organization's major functions will depend on its purpose in being; the types of services it renders to the public, its clients, and its members; and the amount of effort it devotes to such activities as fundraising, public information and membership activities.

d. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in section B.2 through B.5 of this Appendix.

e. The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to work performed in that period. The base period normally should coincide with the organization's fiscal year but, in any event, must be so selected as to avoid inequities in the allocation of the costs.

2. Simplified Allocation Method

a. Where an organization's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (i) separating the organization's total costs for the base period as either direct or indirect, and (ii) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual Federal awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where an organization has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to an organization is relatively small.

b. Both the direct costs and the indirect costs must exclude capital expenditures and unallowable costs. However, unallowable costs which represent activities must be included in the direct costs under the conditions described in §200.413 Direct costs, paragraph (e) of this Part.

c. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such contracts or subawards for $25,000 or more), direct salaries and wages, or other base which results in an equitable distribution. The distribution base must exclude participant support costs as defined in §200.75 Participant support costs.

d. Except where a special rate(s) is required in accordance with section B.5 of this Appendix, the indirect cost rate developed under the above principles is applicable to all Federal awards of the organization. If a special rate(s) is required, appropriate modifications must be made in order to develop the special rate(s).

e. For an organization that receives more than $10 million in Federal funding of direct costs in a fiscal year, a breakout of the indirect cost component into two broad categories, Facilities and Administration as defined in section A.3 of this Appendix, is required. The rate in each case must be stated as the percentage which the amount of the particular indirect cost category (i.e., Facilities or Administration) is of the distribution base identified with that category.

3. Multiple Allocation Base Method

a. General. Where an organization's indirect costs benefit its major functions in varying degrees, indirect costs must be accumulated into separate cost groupings, as described in subparagraph b. Each grouping must then be allocated individually to benefitting functions by means of a base which best measures the relative benefits. The default allocation bases by cost pool are described in section B.3.c of this Appendix.

b. Identification of indirect costs. Cost groupings must be established so as to permit the allocation of each grouping on the

basis of benefits provided to the major functions. Each grouping must constitute a pool of expenses that are of like character in terms of functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The groupings are classified within the two broad categories: ''Facilities'' and ''Administration,'' as described in section A.3 of this Appendix. The indirect cost pools are defined as follows:

(1) Depreciation. The expenses under this heading are the portion of the costs of the organization's buildings, capital improvements to land and buildings, and equipment which are computed in accordance with §200.436 Depreciation.

(2) Interest. Interest on debt associated with certain buildings, equipment and capital improvements are computed in accordance with §200.449 Interest.

(3) Operation and maintenance expenses. The expenses under this heading are those that have been incurred for the administration, operation, maintenance, preservation, and protection of the organization's physical plant. They include expenses normally incurred for such items as: janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; property, liability and other insurance relating to property; space and capital leasing; facility planning and management; and central receiving. The operation and maintenance expenses category must also include its allocable share of fringe benefit costs, depreciation, and interest costs.

(4) General administration and general expenses. The expenses under this heading are those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization. This category must also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation, and interest costs. Examples of this category include central offices, such as the director's office, the office of finance, business services, budget and planning, personnel, safety and risk management, general counsel, management information systems, and library costs.

In developing this cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect costs. For example, salaries of technical staff, project supplies, project publication, telephone toll charges, computer costs, travel costs, and specialized services costs must be treated as direct costs wherever identifiable to a particular program. The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity. Items such as office supplies, postage, local telephone costs, periodicals and memberships should normally be treated as indirect costs.

c. Allocation bases. Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitting functions. The essential consideration in selecting a method or a base is that it is the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and reason, where neither the cause nor the effect of the relationship is determinable. When an allocation can be made by assignment of a cost grouping directly to the function benefitted, the allocation must be made in that manner. When the expenses in a cost grouping are more general in nature, the allocation must be made through the use of a selected base which produces results that are equitable to both the Federal government and the organization. The distribution must be made in accordance with the bases described herein unless it can be demonstrated that the use of a different base would result in a more equitable allocation of the costs, or that a more readily available base would not increase the costs charged to Federal awards. The results of special cost studies (such as an engineering utility study) must not be used to determine and allocate the indirect costs to Federal awards.

(1) Depreciation. Depreciation expenses must be allocated in the following manner:

(a) Depreciation on buildings used exclusively in the conduct of a single function, and on capital improvements and equipment used in such buildings, must be assigned to that function.

(b) Depreciation on buildings used for more than one function, and on capital improvements and equipment used in such buildings, must be allocated to the individual functions performed in each building on the basis of usable square feet of space, excluding common areas, such as hallways, stairwells, and restrooms.

(c) Depreciation on buildings, capital improvements and equipment related space (e.g., individual rooms, and laboratories) used jointly by more than one function (as determined by the users of the space) must be treated as follows. The cost of each jointly used unit of space must be allocated to the benefitting functions on the basis of:

(i) the employees and other users on a full-time equivalent (FTE) basis or salaries and wages of those individual functions benefitting from the use of that space; or

(ii) organization-wide employee FTEs or salaries and wages applicable to the benefitting functions of the organization.

(d) Depreciation on certain capital improvements to land, such as paved parking areas, fences, sidewalks, and the like, not included in the cost of buildings, must be allocated to user categories on a FTE basis and distributed to major functions in proportion to the salaries and wages of all employees applicable to the functions.

(2) Interest. Interest costs must be allocated in the same manner as the depreciation on the buildings, equipment and capital equipment to which the interest relates.

(3) Operation and maintenance expenses. Operation and maintenance expenses must be allocated in the same manner as the depreciation.

(4) General administration and general expenses. General administration and general expenses must be allocated to benefitting functions based on modified total costs (MTC). The MTC is the modified total direct costs (MTDC), as described in Subpart A—Acronyms and Definitions of Part 200, plus the allocated indirect cost proportion. The expenses included in this category could be grouped first according to major functions of the organization to which they render services or provide benefits. The aggregate expenses of each group must then be allocated to benefitting functions based on MTC.

d. Order of distribution.

(1) Indirect cost categories consisting of depreciation, interest, operation and maintenance, and general administration and general expenses must be allocated in that order to the remaining indirect cost categories as well as to the major functions of the organization. Other cost categories should be allocated in the order determined to be most appropriate by the organization. This order of allocation does not apply if cross allocation of costs is made as provided in section B.3.d.2 of this Appendix.

(2) Normally, an indirect cost category will be considered closed once it has been allocated to other cost objectives, and costs must not be subsequently allocated to it. However, a cross allocation of costs between two or more indirect costs categories could be used if such allocation will result in a more equitable allocation of costs. If a cross allocation is used, an appropriate modification to the composition of the indirect cost categories is required.

e. Application of indirect cost rate or rates. Except where a special indirect cost rate(s) is required in accordance with section B.5 of this Appendix, the separate groupings of indirect costs allocated to each major function must be aggregated and treated as a common pool for that function. The costs in the common pool must then be distributed to individual Federal awards included in that function by use of a single indirect cost rate.

f. Distribution basis. Indirect costs must be distributed to applicable Federal awards and other benefitting activities within each major function on the basis of MTDC (see definition in §200.68 Modified Total Direct Cost (MTDC) of Part 200.

g. Individual Rate Components. An indirect cost rate must be determined for each separate indirect cost pool developed. The rate in each case must be stated as the percentage which the amount of the particular indirect cost pool is of the distribution base identified with that pool. Each indirect cost rate negotiation or determination agreement must include development of the rate for each indirect cost pool as well as the overall indirect cost rate. The indirect cost pools must be classified within two broad categories: ''Facilities'' and ''Administration,'' as described in section A.3 of this Appendix.

4. Direct Allocation Method

a. Some nonprofit organizations treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: (i) General administration and general expenses, (ii) fundraising, and (iii) other direct functions (including projects performed under Federal awards). Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, and the like are prorated individually as direct costs to each category and to each Federal award or other activity using a base most appropriate to the particular cost being prorated.

b. This method is acceptable, provided each joint cost is prorated using a base which accurately measures the benefits provided to each Federal award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data. This method is compatible with the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America.

c. Under this method, indirect costs consist exclusively of general administration and general expenses. In all other respects, the organization's indirect cost rates must be computed in the same manner as that described in section B.2 Simplified allocation method of this Appendix.

5. Special Indirect Cost Rates

In some instances, a single indirect cost rate for all activities of an organization or for each major function of the organization

may not be appropriate, since it would not take into account those different factors which may substantially affect the indirect costs applicable to a particular segment of work. For this purpose, a particular segment of work may be that performed under a single Federal award or it may consist of work under a group of Federal awards performed in a common environment. These factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements used, or any combination thereof. When a particular segment of work is performed in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to such work. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used, provided it is determined that (i) the rate differs significantly from that which would have been obtained under sections B.2, B.3, and B.4 of this Appendix, and (ii) the volume of work to which the rate would apply is material.

C. NEGOTIATION AND APPROVAL OF INDIRECT COST RATES

1. Definitions

As used in this section, the following terms have the meanings set forth in this section:

a. *Cognizant agency for indirect costs* means the Federal agency responsible for negotiating and approving indirect cost rates for a nonprofit organization on behalf of all Federal agencies.

b. *Predetermined rate* means an indirect cost rate, applicable to a specified current or future period, usually the organization's fiscal year. The rate is based on an estimate of the costs to be incurred during the period. A predetermined rate is not subject to adjustment.

c. *Fixed rate* means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

d. *Final rate* means an indirect cost rate applicable to a specified past period which is based on the actual costs of the period. A final rate is not subject to adjustment.

e. *Provisional rate or billing rate* means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on Federal awards pending the establishment of a final rate for the period.

f. *Indirect cost proposal* means the documentation prepared by an organization to substantiate its claim for the reimbursement of indirect costs. This proposal provides the basis for the review and negotiation leading to the establishment of an organization's indirect cost rate.

g. *Cost objective* means a function, organizational subdivision, contract, Federal award, or other work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs and capitalized projects.

2. Negotiation and Approval of Rates

a. Unless different arrangements are agreed to by the Federal agencies concerned, the Federal agency with the largest dollar value of Federal awards with an organization will be designated as the cognizant agency for indirect costs for the negotiation and approval of the indirect cost rates and, where necessary, other rates such as fringe benefit and computer charge-out rates. Once an agency is assigned cognizance for a particular nonprofit organization, the assignment will not be changed unless there is a shift in the dollar volume of the Federal awards to the organization for at least three years. All concerned Federal agencies must be given the opportunity to participate in the negotiation process but, after a rate has been agreed upon, it will be accepted by all Federal agencies. When a Federal agency has reason to believe that special operating factors affecting its Federal awards necessitate special indirect cost rates in accordance with section B.5 of this Appendix, it will, prior to the time the rates are negotiated, notify the cognizant agency for indirect costs. (See also §200.414 Indirect (F&A) costs of Part 200.)

b. Except as otherwise provided in §200.414 Indirect (F&A) costs paragraph (e) of this Part, a nonprofit organization which has not previously established an indirect cost rate with a Federal agency must submit its initial indirect cost proposal immediately after the organization is advised that a Federal award will be made and, in no event, later than three months after the effective date of the Federal award.

c. Unless approved by the cognizant agency for indirect costs in accordance with §200.414 Indirect (F&A) costs paragraph (f) of this Part, organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency for indirect costs within six months after the close of each fiscal year.

d. A predetermined rate may be negotiated for use on Federal awards where there is reasonable assurance, based on past experience and reliable projection of the organization's costs, that the rate is not likely to exceed a rate based on the organization's actual costs.

e. Fixed rates may be negotiated where predetermined rates are not considered appropriate. A fixed rate, however, must not be negotiated if (i) all or a substantial portion of the organization's Federal awards are expected to expire before the carry-forward adjustment can be made; (ii) the mix of Federal and non-Federal work at the organization is too erratic to permit an equitable carry-forward adjustment; or (iii) the organization's operations fluctuate significantly from year to year.

f. Provisional and final rates must be negotiated where neither predetermined nor fixed rates are appropriate. Predetermined or fixed rates may replace provisional rates at any time prior to the close of the organization's fiscal year. If that event does not occur, a final rate will be established and upward or downward adjustments will be made based on the actual allowable costs incurred for the period involved.

g. The results of each negotiation must be formalized in a written agreement between the cognizant agency for indirect costs and the nonprofit organization. The cognizant agency for indirect costs must make available copies of the agreement to all concerned Federal agencies.

h. If a dispute arises in a negotiation of an indirect cost rate between the cognizant agency for indirect costs and the nonprofit organization, the dispute must be resolved in accordance with the appeals procedures of the cognizant agency for indirect costs.

i. To the extent that problems are encountered among the Federal agencies in connection with the negotiation and approval process, OMB will lend assistance as required to resolve such problems in a timely manner.

D. Certification of Indirect (F&A) Costs

Required Certification. No proposal to establish indirect (F&A) cost rates must be acceptable unless such costs have been certified by the non-profit organization using the Certificate of Indirect (F&A) Costs set forth in section j. of this appendix. The certificate must be signed on behalf of the organization by an individual at a level no lower than vice president or chief financial officer for the organization.

j. Each indirect cost rate proposal must be accompanied by a certification in the following form:

Certificate of Indirect (F&A) Costs

This is to certify that to the best of my knowledge and belief:

(1) I have reviewed the indirect (F&A) cost proposal submitted herewith;

(2) All costs included in this proposal [identify date] to establish billing or final indirect (F&A) costs rate for [identify period covered by rate] are allowable in accordance with the requirements of the Federal awards to which they apply and with Subpart E—Cost Principles of Part 200.

(3) This proposal does not include any costs which are unallowable under Subpart E—Cost Principles of Part 200 such as (without limitation): public relations costs, contributions and donations, entertainment costs, fines and penalties, lobbying costs, and defense of fraud proceedings; and

(4) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the Federal awards to which they are allocated in accordance with applicable requirements.

I declare that the foregoing is true and correct.

Nonprofit Organization: _____

Signature: _____

Name of Official: _____

Title: _____

Date of Execution: _____

Appendix V to Part 200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans

A. General

1. Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

2. Guidelines and illustrations of central service cost allocation plans are provided in a brochure published by the Department of Health and Human Services entitled ''*A Guide for State, Local and Indian Tribal Governments: Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government*.'' A copy of this brochure may be obtained from the Superintendent of Documents, U.S. Government Printing Office.

B. Definitions

1. *Agency or operating agency* means an organizational unit or sub-division within a governmental unit that is responsible for the performance or administration of Federal awards or activities of the governmental unit.

2. *Allocated central services* means central services that benefit operating agencies but are not billed to the agencies on a fee-for-service or similar basis. These costs are allocated to benefitted agencies on some reasonable basis. Examples of such services might include general accounting, personnel administration, purchasing, etc.

3. *Billed central services* means central services that are billed to benefitted agencies or programs on an individual fee-for-service or similar basis. Typical examples of billed central services include computer services, transportation services, insurance, and fringe benefits.

4. *Cognizant agency for indirect costs* is defined in §200.19 Cognizant agency for indirect costs of this Part. The determination of cognizant agency for indirect costs for states and local governments is described in section F.1, Negotiation and Approval of Central Service Plans.

5. *Major local government* means local government that receives more than $100 million in direct Federal awards subject to this Part.

C. SCOPE OF THE CENTRAL SERVICE COST ALLOCATION PLANS

The central service cost allocation plan will include all central service costs that will be claimed (either as a billed or an allocated cost) under Federal awards and will be documented as described in section E. Costs of central services omitted from the plan will not be reimbursed.

D. SUBMISSION REQUIREMENTS

1. Each state will submit a plan to the Department of Health and Human Services for each year in which it claims central service costs under Federal awards. The plan should include (a) a projection of the next year's allocated central service cost (based either on actual costs for the most recently completed year or the budget projection for the coming year), and (b) a reconciliation of actual allocated central service costs to the estimated costs used for either the most recently completed year or the year immediately preceding the most recently completed year.

2. Each major local government is also required to submit a plan to its cognizant agency for indirect costs annually.

3. All other local governments claiming central service costs must develop a plan in accordance with the requirements described in this Part and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a local government only receives funds as a subrecipient, the pass-through entity will be responsible for monitoring the subrecipient's plan.

4. All central service cost allocation plans will be prepared and, when required, submitted within six months prior to the beginning of each of the governmental unit's fiscal years in which it proposes to claim central service costs. Extensions may be granted by the cognizant agency for indirect costs on a case-by-case basis.

E. DOCUMENTATION REQUIREMENTS FOR SUBMITTED PLANS

The documentation requirements described in this section may be modified, expanded, or reduced by the cognizant agency for indirect costs on a case-by-case basis. For example, the requirements may be reduced for those central services which have little or no impact on Federal awards. Conversely, if a review of a plan indicates that certain additional information is needed, and will likely be needed in future years, it may be routinely requested in future plan submissions. Items marked with an asterisk (*) should be submitted only once; subsequent plans should merely indicate any changes since the last plan.

1. General

All proposed plans must be accompanied by the following: an organization chart sufficiently detailed to show operations including the central service activities of the state/local government whether or not they are shown as benefitting from central service functions; a copy of the Comprehensive Annual Financial Report (or a copy of the Executive Budget if budgeted costs are being proposed) to support the allowable costs of each central service activity included in the plan; and, a certification (see subsection 4.) that the plan was prepared in accordance with this Part, contains only allowable costs, and was prepared in a manner that treated similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities.

2. Allocated Central Services

For each allocated central service, the plan must also include the following: a brief description of the service, an identification of the unit rendering the service and the operating agencies receiving the service, the items of expense included in the cost of the service, the method used to distribute the cost of the service to benefitted agencies, and a summary schedule showing the allocation of each service to the specific benefitted agencies. If any self-insurance funds or fringe benefits costs are treated as allocated (rather than billed) central services, documentation discussed in subsections 3.b. and c. must also be included.

3. Billed Services

a. *General.* The information described in this section must be provided for all billed central services, including internal service funds, self-insurance funds, and fringe benefit funds.

b. Internal service funds.

(1) For each internal service fund or similar activity with an operating budget of $5 million or more, the plan must include: a brief description of each service; a balance sheet for each fund based on individual accounts contained in the governmental unit's accounting system; a revenue/expenses statement, with revenues broken out by source, e.g., regular billings, interest earned, etc.; a listing of all non-operating transfers (as defined by Generally Accepted Accounting Principles (GAAP)) into and out of the fund; a description of the procedures (methodology) used to charge the costs of each service to users, including how billing rates are determined; a schedule of current rates; and, a schedule comparing total revenues (including imputed revenues) generated by the service to the allowable costs of the service, as determined under this Part, with an explanation of how variances will be handled.

(2) Revenues must consist of all revenues generated by the service, including unbilled and uncollected revenues. If some users were not billed for the services (or were not billed at the full rate for that class of users), a schedule showing the full imputed revenues associated with these users must be provided. Expenses must be broken out by object cost categories (e.g., salaries, supplies, etc.).

c. *Self-insurance funds.* For each self-insurance fund, the plan must include: the fund balance sheet; a statement of revenue and expenses including a summary of billings and claims paid by agency; a listing of all non-operating transfers into and out of the fund; the type(s) of risk(s) covered by the fund (e.g., automobile liability, workers' compensation, etc.); an explanation of how the level of fund contributions are determined, including a copy of the current actuarial report (with the actuarial assumptions used) if the contributions are determined on an actuarial basis; and, a description of the procedures used to charge or allocate fund contributions to benefitted activities. Reserve levels in excess of claims (1) submitted and adjudicated but not paid, (2) submitted but not adjudicated, and (3) incurred but not submitted must be identified and explained.

d. *Fringe benefits.* For fringe benefit costs, the plan must include: a listing of fringe benefits provided to covered employees, and the overall annual cost of each type of benefit; current fringe benefit policies; and procedures used to charge or allocate the costs of the benefits to benefitted activities. In addition, for pension and post-retirement health insurance plans, the following information must be provided: the governmental unit's funding policies, e.g., legislative bills, trust agreements, or state-mandated contribution rules, if different from actuarially determined rates; the pension plan's costs accrued for the year; the amount funded, and date(s) of funding; a copy of the current actuarial report (including the actuarial assumptions); the plan trustee's report; and, a schedule from the activity showing the value of the interest cost associated with late funding.

4. Required Certification

Each central service cost allocation plan will be accompanied by a certification in the following form:

CERTIFICATE OF COST ALLOCATION PLAN

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish cost allocations or billings for [identify period covered by plan] are allowable in accordance with the requirements of this Part and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the Federal awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

Governmental Unit: _____

Signature: _____

Name of Official: _____

Title: _____

Date of Execution: _____

F. NEGOTIATION AND APPROVAL OF CENTRAL SERVICE PLANS

1. Federal Cognizant Agency for Indirect Costs Assignments for Cost Negotiation

In general, unless different arrangements are agreed to by the concerned Federal agencies, for central service cost allocation plans, the cognizant agency responsible for review and approval is the Federal agency with the largest dollar value of total Federal awards with a governmental unit. For indirect cost rates and departmental indirect cost allocation plans, the cognizant agency is the Federal agency with the largest dollar value of direct Federal awards with a governmental unit or component, as appropriate.

Once designated as the cognizant agency for indirect costs, the Federal agency must remain so for a period of five years. In addition, the following Federal agencies continue to be responsible for the indicated governmental entities:

Department of Health and Human Services—Public assistance and state-wide cost allocation plans for all states (including the District of Columbia and Puerto Rico), state and local hospitals, libraries and health districts.

Department of the Interior—Indian tribal governments, territorial governments, and state and local park and recreational districts.

Department of Labor—State and local labor departments.

Department of Education—School districts and state and local education agencies.

Department of Agriculture—State and local agriculture departments.

Department of Transportation—State and local airport and port authorities and transit districts.

Department of Commerce—State and local economic development districts.

Department of Housing and Urban Development—State and local housing and development districts.

Environmental Protection Agency—State and local water and sewer districts.

2. Review

All proposed central service cost allocation plans that are required to be submitted will be reviewed, negotiated, and approved by the cognizant agency for indirect costs on a timely basis. The cognizant agency for indirect costs will review the proposal within six months of receipt of the proposal and either negotiate/approve the proposal or advise the governmental unit of the additional documentation needed to support/evaluate the proposed plan or the changes required to make the proposal acceptable. Once an agreement with the governmental unit has been reached, the agreement will be accepted and used by all Federal agencies, unless prohibited or limited by statute. Where a Federal awarding agency has reason to believe that special operating factors affecting its Federal awards necessitate special consideration, the funding agency will, prior to the time the plans are negotiated, notify the cognizant agency for indirect costs.

3. Agreement

The results of each negotiation must be formalized in a written agreement between the cognizant agency for indirect costs and the governmental unit. This agreement will be subject to re-opening if the agreement is subsequently found to violate a statute or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The results of the negotiation must be made available to all Federal agencies for their use.

4. Adjustments

Negotiated cost allocation plans based on a proposal later found to have included costs that: (a) are unallowable (i) as specified by law or regulation, (ii) as identified in subpart F, General Provisions for selected Items of Cost of this Part, or (iii) by the terms and conditions of Federal awards, or (b) are unallowable because they are clearly not allocable to Federal awards, must be adjusted, or a refund must be made at the option of the cognizant agency for indirect costs, including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable Federal cognizant agency for indirect costs regulations. Adjustments or cash refunds may include, at the option of the cognizant agency for indirect costs, earned or imputed interest from the date of expenditure and delinquent debt interest, if applicable, chargeable in accordance with applicable cognizant agency claims collection regulations. These adjustments or refunds are designed to correct the plans and do not constitute a reopening of the negotiation.

G. OTHER POLICIES

1. Billed Central Service Activities

Each billed central service activity must separately account for all revenues (including imputed revenues) generated by the service, expenses incurred to furnish the service, and profit/loss.

2. Working Capital Reserves

Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. A working capital reserve as part of retained earnings of up to 60 calendar days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 calendar days may be approved by the cognizant agency for indirect costs in exceptional cases.

3. Carry-Forward Adjustments of Allocated Central Service Costs

Allocated central service costs are usually negotiated and approved for a future fiscal year on a ''fixed with carry-forward'' basis. Under this procedure, the fixed amounts for the future year covered by agreement are not subject to adjustment for that year. However, when the actual costs of the year

involved become known, the differences between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustment to the fixed amounts established for a later year. This ''carry-forward'' procedure applies to all central services whose costs were fixed in the approved plan. However, a carry-forward adjustment is not permitted, for a central service activity that was not included in the approved plan, or for unallowable costs that must be reimbursed immediately.

4. Adjustments of Billed Central Services

Billing rates used to charge Federal awards must be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs. These adjustments will be made through one of the following adjustment methods: (a) a cash refund including earned or imputed interest from the date of transfer and debt interest, if applicable, chargeable in accordance with applicable Federal cognizant agency for indirect costs regulations to the Federal Government for the Federal share of the adjustment, (b) credits to the amounts charged to the individual programs, (c) adjustments to future billing rates, or (d) adjustments to allocated central service costs. Adjustments to allocated central services will not be permitted where the total amount of the adjustment for a particular service (Federal share and non-Federal) share exceeds $500,000. Adjustment methods may include, at the option of the cognizant agency, earned or imputed interest from the date of expenditure and delinquent debt interest, if applicable, chargeable in accordance with applicable cognizant agency claims collection regulations.

5. Records Retention

All central service cost allocation plans and related documentation used as a basis for claiming costs under Federal awards must be retained for audit in accordance with the records retention requirements contained in Subpart D—Post Federal Award Requirements, of Part 200.

6. Appeals

If a dispute arises in the negotiation of a plan between the cognizant agency for indirect costs and the governmental unit, the dispute must be resolved in accordance with the appeals procedures of the cognizant agency for indirect costs.

7. OMB Assistance

To the extent that problems are encountered among the Federal agencies or governmental units in connection with the negotiation and approval process, OMB will lend assistance, as required, to resolve such problems in a timely manner.

APPENDIX VI TO PART 200—PUBLIC ASSISTANCE COST ALLOCATION PLANS

A. GENERAL

Federally-financed programs administered by state public assistance agencies are funded predominately by the Department of Health and Human Services (HHS). In support of its stewardship requirements, HHS has published requirements for the development, documentation, submission, negotiation, and approval of public assistance cost allocation plans in Subpart E of 45 CFR Part 95. All administrative costs (direct and indirect) are normally charged to Federal awards by implementing the public assistance cost allocation plan. This Appendix extends these requirements to all Federal agencies whose programs are administered by a state public assistance agency. Major federally-financed programs typically administered by state public assistance agencies include: Temporary Aid to Needy Families (TANF), Medicaid, Food Stamps, Child Support Enforcement, Adoption Assistance and Foster Care, and Social Services Block Grant.

B. DEFINITIONS

1. *State public assistance agency* means a state agency administering or supervising the administration of one or more public assistance programs operated by the state as identified in Subpart E of 45 CFR Part 95. For the purpose of this Appendix, these programs include all programs administered by the state public assistance agency.

2. *State public assistance agency costs* means all costs incurred by, or allocable to, the state public assistance agency, except expenditures for financial assistance, medical contractor payments, food stamps, and payments for services and goods provided directly to program recipients.

C. POLICY

State public assistance agencies will develop, document and implement, and the Federal Government will review, negotiate, and approve, public assistance cost allocation plans in accordance with Subpart E of 45 CFR Part 95. The plan will include all programs administered by the state public assistance agency. Where a letter of approval or disapproval is transmitted to a state public assistance agency in accordance with Subpart E, the letter will apply to all Federal agencies and programs. The remaining

sections of this Appendix (except for the requirement for certification) summarize the provisions of Subpart E of 45 CFR Part 95.

D. SUBMISSION, DOCUMENTATION, AND APPROVAL OF PUBLIC ASSISTANCE COST ALLOCATION PLANS

1. State public assistance agencies are required to promptly submit amendments to the cost allocation plan to HHS for review and approval.

2. Under the coordination process outlined in section E, Review of Implementation of Approved Plans, affected Federal agencies will review all new plans and plan amendments and provide comments, as appropriate, to HHS. The effective date of the plan or plan amendment will be the first day of the calendar quarter following the event that required the amendment, unless another date is specifically approved by HHS. HHS, as the cognizant agency for indirect costs acting on behalf of all affected Federal agencies, will, as necessary, conduct negotiations with the state public assistance agency and will inform the state agency of the action taken on the plan or plan amendment.

E. REVIEW OF IMPLEMENTATION OF APPROVED PLANS

1. Since public assistance cost allocation plans are of a narrative nature, the review during the plan approval process consists of evaluating the appropriateness of the proposed groupings of costs (cost centers) and the related allocation bases. As such, the Federal government needs some assurance that the cost allocation plan has been implemented as approved. This is accomplished by reviews by the funding agencies, single audits, or audits conducted by the cognizant audit agency.

2. Where inappropriate charges affecting more than one funding agency are identified, the cognizant HHS cost negotiation office will be advised and will take the lead in resolving the issue(s) as provided for in Subpart E of 45 CFR Part 95.

3. If a dispute arises in the negotiation of a plan or from a disallowance involving two or more funding agencies, the dispute must be resolved in accordance with the appeals procedures set out in 45 CFR Part 16. Disputes involving only one funding agency will be resolved in accordance with the Federal awarding agency's appeal process.

4. To the extent that problems are encountered among the Federal agencies or governmental units in connection with the negotiation and approval process, the Office of Management and Budget will lend assistance, as required, to resolve such problems in a timely manner.

F. UNALLOWABLE COSTS

Claims developed under approved cost allocation plans will be based on allowable costs as identified in this Part. Where unallowable costs have been claimed and reimbursed, they will be refunded to the program that reimbursed the unallowable cost using one of the following methods: (a) a cash refund, (b) offset to a subsequent claim, or (c) credits to the amounts charged to individual Federal awards. Cash refunds, offsets, and credits may include at the option of the cognizant agency for indirect cost, earned or imputed interest from the date of expenditure and delinquent debt interest, if applicable, chargeable in accordance with applicable cognizant agency for indirect cost claims collection regulations.

APPENDIX VII TO PART 200—STATES AND LOCAL GOVERNMENT AND INDIAN TRIBE INDIRECT COST PROPOSALS

A. GENERAL

1. Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefitted cost objectives. A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

2. Indirect costs include (a) the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and (b) the costs of central governmental services distributed through the central service cost allocation plan (as described in Appendix V to Part 200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans) and not otherwise treated as direct costs.

3. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards. Guidelines and illustrations of indirect cost proposals are provided in a brochure published by the Department of Health and Human Services entitled ''*A Guide for States and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with*

the Federal Government.'' A copy of this brochure may be obtained from the Superintendent of Documents, U.S. Government Printing Office.

4. Because of the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain state/local-wide central service costs, general administration of the non-Federal entity accounting and personnel services performed within the non-Federal entity, depreciation on buildings and equipment, the costs of operating and maintaining facilities.

5. This Appendix does not apply to state public assistance agencies. These agencies should refer instead to Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals.

B. DEFINITIONS

1. *Base* means the accumulated direct costs (normally either total direct salaries and wages or total direct costs exclusive of any extraordinary or distorting expenditures) used to distribute indirect costs to individual Federal awards. The direct cost base selected should result in each Federal award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs.

2. *Base period* for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to activities performed in that period. The base period normally should coincide with the governmental unit's fiscal year, but in any event, must be so selected as to avoid inequities in the allocation of costs.

3. *Cognizant agency for indirect costs* means the Federal agency responsible for reviewing and approving the governmental unit's indirect cost rate(s) on the behalf of the Federal government. The cognizant agency for indirect costs assignment is described in Appendix VI, section F, Negotiation and Approval of Central Service Plans.

4. *Final rate* means an indirect cost rate applicable to a specified past period which is based on the actual allowable costs of the period. A final audited rate is not subject to adjustment.

5. *Fixed rate* means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual, allowable costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

6. *Indirect cost pool* is the accumulated costs that jointly benefit two or more programs or other cost objectives.

7. *Indirect cost rate* is a device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

8. *Indirect cost rate proposal* means the documentation prepared by a governmental unit or subdivision thereof to substantiate its request for the establishment of an indirect cost rate.

9. *Predetermined rate* means an indirect cost rate, applicable to a specified current or future period, usually the governmental unit's fiscal year. This rate is based on an estimate of the costs to be incurred during the period. Except under very unusual circumstances, a predetermined rate is not subject to adjustment. (Because of legal constraints, predetermined rates are not permitted for Federal contracts; they may, however, be used for grants or cooperative agreements.) Predetermined rates may not be used by governmental units that have not submitted and negotiated the rate with the cognizant agency for indirect costs. In view of the potential advantages offered by this procedure, negotiation of predetermined rates for indirect costs for a period of two to four years should be the norm in those situations where the cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of indirect costs during the ensuing accounting periods.

10. *Provisional rate* means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on Federal awards pending the establishment of a ''final'' rate for that period.

C. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES

1. General

a. Where a governmental unit's department or agency has only one major function, or where all its major functions benefit from the indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures as described in subsection 2.

b. Where a governmental unit's department or agency has several major functions which benefit from its indirect costs in varying degrees, the allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefitted functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual Federal awards and other activities included in that function by means of an indirect cost rate(s).

c. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each

method should be used are described in subsections 2, 3 and 4.

2. Simplified Method

a. Where a non-Federal entity's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (1) classifying the non-Federal entity's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual Federal awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where a governmental unit's department or agency has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to that department or agency is relatively small.

b. Both the direct costs and the indirect costs must exclude capital expenditures and unallowable costs. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

c. The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, subcontracts in excess of $25,000, participant support costs, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

3. Multiple Allocation Base Method

a. Where a non-Federal entity's indirect costs benefit its major functions in varying degrees, such costs must be accumulated into separate cost groupings. Each grouping must then be allocated individually to benefitted functions by means of a base which best measures the relative benefits.

b. The cost groupings should be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and the degree of precision needed.

c. Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitted functions. When an allocation can be made by assignment of a cost grouping directly to the function benefitted, the allocation must be made in that manner. When the expenses in a grouping are more general in nature, the allocation should be made through the use of a selected base which produces results that are equitable to both the Federal government and the governmental unit. In general, any cost element or related factor associated with the governmental unit's activities is potentially adaptable for use as an allocation base provided that: (1) it can readily be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like), and (2) it is common to the benefitted functions during the base period.

d. Except where a special indirect cost rate(s) is required in accordance with paragraph (C)(4) of this Appendix, the separate groupings of indirect costs allocated to each major function must be aggregated and treated as a common pool for that function. The costs in the common pool must then be distributed to individual Federal awards included in that function by use of a single indirect cost rate.

e. The distribution base used in computing the indirect cost rate for each function may be (1) total direct costs (excluding capital expenditures and other distorting items such as pass-through funds, subcontracts in excess of $25,000, participant support costs, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution. An indirect cost rate should be developed for each separate indirect cost pool developed. The rate in each case should be stated as the percentage relationship between the particular indirect cost pool and the distribution base identified with that pool.

4. Special Indirect Cost Rates

a. In some instances, a single indirect cost rate for all activities of a non-Federal entity or for each major function of the agency may not be appropriate. It may not take into account those different factors which may substantially affect the indirect costs applicable to a particular program or group of programs. The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the organizational arrangements used, or any combination thereof. When a particular Federal award is carried out in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to that Federal award. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost

rate resulting therefrom should be used, provided that: (1) The rate differs significantly from the rate which would have been developed under paragraphs (C)(2) and (C)(3) of this Appendix, and (2) the Federal award to which the rate would apply is material in amount.

b. Where Federal statutes restrict the reimbursement of certain indirect costs, it may be necessary to develop a special rate for the affected Federal award. Where a ''restricted rate'' is required, the same procedure for developing a non-restricted rate will be used except for the additional step of the elimination from the indirect cost pool those costs for which the law prohibits reimbursement.

D. SUBMISSION AND DOCUMENTATION OF PROPOSALS

1. Submission of Indirect Cost Rate Proposals

a. All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule.

b. A governmental department or agency unit that receives more than $35 million in direct Federal funding must submit its indirect cost rate proposal to its cognizant agency for indirect costs. Other governmental department or agency must develop an indirect cost proposal in accordance with the requirements of this Part and maintain the proposal and related supporting documentation for audit. These governmental departments or agencies are not required to submit their proposals unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a non-Federal entity only receives funds as a subrecipient, the pass-through entity will be responsible for negotiating and/or monitoring the subrecipient's indirect costs.

c. Each Indian tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of the Interior (its cognizant agency for indirect costs).

d. Indirect cost proposals must be developed (and, when required, submitted) within six months after the close of the governmental unit's fiscal year, unless an exception is approved by the cognizant agency for indirect costs. If the proposed central service cost allocation plan for the same period has not been approved by that time, the indirect cost proposal may be prepared including an amount for central services that is based on the latest federally-approved central service cost allocation plan. The difference between these central service amounts and the amounts ultimately approved will be compensated for by an adjustment in a subsequent period.

2. Documentation of Proposals

The following must be included with each indirect cost proposal:

a. The rates proposed, including subsidiary work sheets and other relevant data, cross referenced and reconciled to the financial data noted in subsection b. Allocated central service costs will be supported by the summary table included in the approved central service cost allocation plan. This summary table is not required to be submitted with the indirect cost proposal if the central service cost allocation plan for the same fiscal year has been approved by the cognizant agency for indirect costs and is available to the funding agency.

b. A copy of the financial data (financial statements, comprehensive annual financial report, executive budgets, accounting reports, etc.) upon which the rate is based. Adjustments resulting from the use of unaudited data will be recognized, where appropriate, by the Federal cognizant agency for indirect costs in a subsequent proposal.

c. The approximate amount of direct base costs incurred under Federal awards. These costs should be broken out between salaries and wages and other direct costs.

d. A chart showing the organizational structure of the agency during the period for which the proposal applies, along with a functional statement(s) noting the duties and/or responsibilities of all units that comprise the agency. (Once this is submitted, only revisions need be submitted with subsequent proposals.)

3. Required certification.

Each indirect cost rate proposal must be accompanied by a certification in the following form:

CERTIFICATE OF INDIRECT COSTS

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish billing or final indirect costs rates for [identify period covered by rate] are allowable in accordance with the requirements of the Federal award(s) to which they apply and the provisions of this Part. Unallowable costs have been adjusted for in allocating costs as indicated in the indirect cost proposal

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further,

the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: _____
Signature: _____
Name of Official: _____
Title: _____
Date of Execution: _____

E. NEGOTIATION AND APPROVAL OF RATES.

1. Indirect cost rates will be reviewed, negotiated, and approved by the cognizant agency on a timely basis. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute. Where a Federal awarding agency has reason to believe that special operating factors affecting its Federal awards necessitate special indirect cost rates, the funding agency will, prior to the time the rates are negotiated, notify the cognizant agency for indirect costs.

2. The use of predetermined rates, if allowed, is encouraged where the cognizant agency for indirect costs has reasonable assurance based on past experience and reliable projection of the non-Federal entity's costs, that the rate is not likely to exceed a rate based on actual costs. Long-term agreements utilizing predetermined rates extending over two or more years are encouraged, where appropriate.

3. The results of each negotiation must be formalized in a written agreement between the cognizant agency for indirect costs and the governmental unit. This agreement will be subject to re-opening if the agreement is subsequently found to violate a statute, or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The agreed upon rates must be made available to all Federal agencies for their use.

4. Refunds must be made if proposals are later found to have included costs that (a) are unallowable (i) as specified by law or regulation, (ii) as identified in §200.420 Considerations for selected items of cost, of this Part, or (iii) by the terms and conditions of Federal awards, or (b) are unallowable because they are clearly not allocable to Federal awards. These adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed, or provisional).

F. OTHER POLICIES

1. Fringe Benefit Rates

If overall fringe benefit rates are not approved for the governmental unit as part of the central service cost allocation plan, these rates will be reviewed, negotiated and approved for individual recipient agencies during the indirect cost negotiation process. In these cases, a proposed fringe benefit rate computation should accompany the indirect cost proposal. If fringe benefit rates are not used at the recipient agency level (i.e., the agency specifically identifies fringe benefit costs to individual employees), the governmental unit should so advise the cognizant agency for indirect costs.

2. Billed Services Provided by the Recipient Agency

In some cases, governmental departments or agencies (components of the governmental unit) provide and bill for services similar to those covered by central service cost allocation plans (e.g., computer centers). Where this occurs, the governmental departments or agencies (components of the governmental unit)should be guided by the requirements in Appendix VI relating to the development of billing rates and documentation requirements, and should advise the cognizant agency for indirect costs of any billed services. Reviews of these types of services (including reviews of costing/billing methodology, profits or losses, etc.) will be made on a case-by-case basis as warranted by the circumstances involved.

3. Indirect Cost Allocations Not Using Rates

In certain situations, governmental departments or agencies (components of the governmental unit), because of the nature of their Federal awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for indirect costs for review, negotiation, and approval.

4. Appeals

If a dispute arises in a negotiation of an indirect cost rate (or other rate) between the cognizant agency for indirect costs and the governmental unit, the dispute must be resolved in accordance with the appeals procedures of the cognizant agency for indirect costs.

5. Collection of Unallowable Costs and Erroneous Payments

Costs specifically identified as unallowable and charged to Federal awards either directly or indirectly will be refunded (including interest chargeable in accordance with applicable Federal cognizant agency for indirect costs regulations).

6. OMB Assistance

To the extent that problems are encountered among the Federal agencies or governmental units in connection with the negotiation and approval process, OMB will lend assistance, as required, to resolve such problems in a timely manner.

APPENDIX VIII TO PART 200—NONPROFIT ORGANIZATIONS EXEMPTED FROM SUBPART E—COST PRINCIPLES OF PART 200

1. Advance Technology Institute (ATI), Charleston, South Carolina
2. Aerospace Corporation, El Segundo, California
3. American Institutes of Research (AIR), Washington, DC
4. Argonne National Laboratory, Chicago, Illinois
5. Atomic Casualty Commission, Washington, DC
6. Battelle Memorial Institute, Headquartered in Columbus, Ohio
7. Brookhaven National Laboratory, Upton, New York
8. Charles Stark Draper Laboratory, Incorporated, Cambridge, Massachusetts
9. CNA Corporation (CNAC), Alexandria, Virginia
10. Environmental Institute of Michigan, Ann Arbor, Michigan
11. Georgia Institute of Technology/Georgia Tech Applied Research Corporation/Georgia Tech Research Institute, Atlanta, Georgia
12. Hanford Environmental Health Foundation, Richland, Washington
13. IIT Research Institute, Chicago, Illinois
14. Institute of Gas Technology, Chicago, Illinois
15. Institute for Defense Analysis, Alexandria, Virginia
16. LMI, McLean, Virginia
17. Mitre Corporation, Bedford, Massachusetts
18. Noblis, Inc., Falls Church, Virginia
19. National Radiological Astronomy Observatory, Green Bank, West Virginia
20. National Renewable Energy Laboratory, Golden, Colorado
21. Oak Ridge Associated Universities, Oak Ridge, Tennessee
22. Rand Corporation, Santa Monica, California
23. Research Triangle Institute, Research Triangle Park, North Carolina
24. Riverside Research Institute, New York, New York
25. South Carolina Research Authority (SCRA), Charleston, South Carolina
26. Southern Research Institute, Birmingham, Alabama
27. Southwest Research Institute, San Antonio, Texas
28. SRI International, Menlo Park, California
29. Syracuse Research Corporation, Syracuse, New York
30. Universities Research Association, Incorporated (National Acceleration Lab), Argonne, Illinois
31. Urban Institute, Washington DC
32. Non-profit insurance companies, such as Blue Cross and Blue Shield Organizations
33. Other non-profit organizations as negotiated with Federal awarding agencies

APPENDIX IX TO PART 200—HOSPITAL COST PRINCIPLES

Based on initial feedback, OMB proposes to establish a review process to consider existing hospital cost determine how best to update and align them with this Part. Until such time as revised guidance is proposed and implemented for hospitals, the existing principles located at 45 CFR Part 74 Appendix E, entitled ''Principles for Determining Cost Applicable to Research and Development Under Grants and Contracts with Hospitals,'' remain in effect.

APPENDIX X TO PART 200—DATA COLLECTION FORM (FORM SF–SAC)

The Data Collection Form SF–SAC is available on the FAC Web site.

APPENDIX XI TO PART 200—COMPLIANCE SUPPLEMENT

The compliance supplement is available on the OMB Web site: (e.g. for 2013 here *http://www.whitehouse.gov/omb/circulars/)*

FILING A CLAIM

1. Introduction

Government Code (GC) sections 17500 through 17617 provide for the reimbursement of costs incurred by local agencies for costs mandated by the State. These are costs that local agencies are required to incur after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

Reimbursement claims are defined as any claim filed with the State Controller's Office (SCO) for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. All claims received by the SCO will be reviewed to verify all actual costs claimed. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable.

If a claimant is using an indirect cost rate that exceeds 10%, **documentation to support the indirect cost rate must be submitted with the claim.** A detailed explanation of the indirect cost methods available to local agencies can be found in Section 2, Filing a Claim, page 10, Indirect Costs. Documentation to support actual costs must be kept on hand by the claimant and made available to the SCO upon request as explained in Section 2, Filing a Claim, page 20, Retention of Claim Records and Supporting Documentation.

The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds become available.

2. Types of Claims

Claimants may file a claim for reimbursement of actual costs incurred in prior fiscal years for a state mandated program. The types of claims, as defined in GC section 17522, are as follows:

A. Initial Reimbursement Claim

A claim filed with the Controller for costs to be reimbursed for the fiscal years specified in the first claiming instructions issued by the Controller pursuant to subdivision (b) of Section 17558.

B. Annual Reimbursement Claim

A claim filed with the Controller for actual costs incurred in a prior fiscal year for which appropriations are made to the Controller for this purpose.

C. Entitlement Claim

A claim filed with the Controller for the purpose of establishing or adjusting a base-year entitlement. All entitlement claims are subject to GC section 17616.

3. Minimum Claim Amount

For initial claims and annual claims filed, if the total costs for a given year do not exceed $1,000, no reimbursement will be allowed except as otherwise authorized by GC section 17564. Combined claims may be filed only when the county is the fiscal agent for the local agency. The county will determine if the submission of a combined claim is economically feasible and will be responsible for disbursing the funds to each local agency. A combined claim must show the individual claim costs for each eligible local agency. All subsequent claims based upon the same mandate must be filed in the combined form only unless a special district provides to the county and to the Controller, at

least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim.

4. Filing Deadline for Claims

A. Initial Reimbursement Claims

Each local agency, to which the mandate is applicable, shall submit claims for the costs of the initial fiscal years to the SCO within 120 days of the issuance date for the claiming instructions, pursuant to GC section 17561(d)(1)(A). Any claim for initial reimbursement filed after the filing deadline will be reduced by 10% of the amount that would have been allowed had the claim been timely filed, with no limitation. The SCO may withhold payment of any late claim for initial reimbursement until the next payment deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. Amended initial claims filed after the deadline will be reduced by 10% of the increased amount of the initial costs, with no limitation. For the purpose of computing a late penalty, claims for all initial fiscal years required to be filed on their initial filing date for a program shall be considered as one claim. In no case may a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the SCO's claiming instructions.

B. Annual Reimbursement Claims

Each local agency must submit a claim to the SCO by February 15, unless otherwise specified in the claiming instructions, following the fiscal year in which costs were incurred for the program. Claims for fiscal year 2014-15 will be accepted without a late penalty if postmarked or delivered on before the deadline. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed $10,000. Amended claims filed after the deadline will be reduced by 10% of the increased amount, not to exceed $10,000. Claims filed more than one year after the deadline will not be accepted for reimbursement.

C. Entitlement Claims

When a mandated program has been included in the SMAS, the SCO will determine a base-year entitlement amount for each local agency that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, these claims should be filed by February 15 following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims.

5. Payment of Claims

In order for the SCO to authorize the payment of a claim, the Certification of Claim, Form FAM-27, must be properly filled out, signed in blue ink, and dated by the agency's authorized officer. Pursuant to GC section 17561(d), reimbursement claims are paid by October 15 or 60 days after the date the appropriation for the claim is effective, whichever is later. In the event the amount appropriated by the Legislature is not sufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

A. Initial Reimbursement Claims

When paying a timely filed claim for initial reimbursement, the SCO shall withhold 20% of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. Interest at the Pooled Money Investment Account (PMIA) rate begins to accrue when the payment is made more than 365 days after the adoption of the program's statewide cost estimate.

B. Annual Reimbursement Claims

A claimant is entitled to receive accrued interest at the PMIA rate for any unpaid subsequent claim amount remaining on August 15 following the filing deadline. Interest shall begin to accrue on August 16 following the filing deadline.

C. Entitlement Claims

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30. The amount to be apportioned is the base-year entitlement adjusted by annual changes in the Implicit Price Deflator (IPD) for cost of goods and services to governmental agencies as determined by the Department of Finance (DOF).

When the Controller has made a payment on claims prior to the Commission's approval of the program for inclusion in the SMAS, the payment shall be adjusted in the next apportionment to the amount which would have been subvened to the local agency for that fiscal year had the SMAS been in effect at the time of the initial payment.

The SCO reports the amounts of insufficient appropriations to the Director of the DOF, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective fiscal committee in each House of the Legislature. Any balances remaining on these claims will be paid if supplementary funds become available.

Unless specified in the statutes, regulations, or Parameters and Guidelines (Ps & Gs), the determination of allowable and unallowable costs for mandates is based on the Ps & Gs adopted by the CSM. Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required in carrying out the overall responsibilities of government;

2. The cost is allocable to a particular cost objective identified in the Ps & Gs; and

3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that should not be claimed as direct program costs unless specified as reimbursable under the program's Ps & Gs. These costs include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops, general education, and travel costs.

6. State Mandates Apportionment System (SMAS), GC sections 17615 – 17617

Chapter 1534, Statutes of 1985, established the SMAS. It is the intent of the Legislature to streamline the reimbursement process for costs mandated by the State by creating a system of state mandate apportionments to fund the costs of certain programs mandated by the State. This method is utilized whenever a program has been approved for inclusion in the SMAS by the CSM.

Once the CSM approves a mandate for inclusion in the SMAS, the SCO will determine a base-year entitlement amount for each local agency that has submitted reimbursement claims (or entitlement claims) for three consecutive fiscal years. A base-year entitlement amount is determined by averaging the approved reimbursement claims (or entitlement claims) for any three consecutive fiscal years. The amounts are first adjusted by any change in the IPD, which is applied separately to each year's costs for the three years that comprise the base period. The base period is the three fiscal years succeeding the CSM's approval.

When the claims are approved and a base-year entitlement amount is determined, the claimant will

receive an apportionment reflective of the program's current-year costs. The apportionment amount is adjusted annually for any change in the IPD. If the mandated program was included in the SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and the workload.

The SCO will perform this computation for each claimant that has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim, Form FAM-43, to establish a base-year entitlement. The Form FAM-43 is included in the claiming instructions for SMAS programs.

If an SMAS program is discontinued or made permissive, the SCO shall determine the amount of the entitlement attributable to that mandate according to GC section 17615.6. If the program is modified or amended by the Legislature or an executive order and the modification or amendment significantly affects the program, as determined by the CSM, the program shall be removed from the SMAS and the payments reduced accordingly, pursuant to GC section 17615.7.

In the event the CSM determines that the apportionment amount or base-year entitlement does not accurately reflect costs incurred by the local agency of all mandates upon which that apportionment is based, the CSM shall direct the SCO to adjust the apportionment as set forth in the GC section 17615.8(c).

Listed below are state mandated local programs and counties that are entitled to receive automatic apportionments in those fiscal years in which the program is funded.

Counties of:	Ch. 498/77 Coroners Costs	Ch. 1242/77 Senior Citizens Property Tax Postponement	Ch. 1253/80 Mentally Retarded Defendants: Diversion	Ch. 1304/80 Conservatorship: Developmentally Disabled Adults
Alameda		x	x	x
Butte		x	x	x
Calaveras		x	x	x
Contra Costa		x	x	x
El Dorado		x	x	x
Fresno		x	x	x
Humboldt		x	x	x
Kern		x	x	x
Lake		x	x	x
Los Angeles	x	x	x	x
Marin		x	x	x
Mendocino		x	x	x
Monterey		x	x	x
Napa	x	x	x	x
Nevada		x	x	x
Orange	x	x	x	x
Placer		x	x	x
Plumas		x	x	x
Riverside		x	x	x
Sacramento		x	x	x
San Bernardino	x	x	x	x
San Diego		x	x	x
San Francisco		x	x	x
San Joaquin	x	x		
San Luis Obispo	x	x	x	x
San Mateo		x	x	x
Santa Barbara		x	x	x
Santa Clara	x	x	x	x
Santa Cruz		x	x	x
Shasta		x	x	x
Solano		x	x	x
Sonoma	x	x	x	x
Stanislaus		x	x	x
Tulare	x	x	x	x
Tuolumne		x		
Ventura	x	x	x	x
Yolo		x	x	x
Yuba		x		

7. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Documentation to support direct costs must be kept on hand, unless otherwise specified in the claiming instructions, and made available to the SCO on request.

It is the responsibility of the claimant to maintain documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

Costs typically classified as direct costs are:

(1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may use a productive hourly rate in lieu of reporting actual compensation and fringe benefits:

(a) Productive Hourly Rate Options

A local agency may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee;
- The weighted-average annual productive hours for each job title; or
- 1,800* annual productive hours for all employees.

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed.

* 1,800 annual productive hours excludes the following employee time:

- Paid holidays;
- Vacation earned;
- Sick leave taken;
- Informal time off;
- Jury duty; and
- Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

Table 1: Productive Hourly Rate, Annual Salary + Benefits Method

Formula:	Description:
[(EAS + Benefits) ÷ APH] = PHR	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
[($26,000 + $8,099)] ÷ 1,800 hrs = 18.94	PHR = Productive Hourly Rate

As illustrated in Table 1, if you assume an employee's compensation was $26,000 and $8,099 for annual salary and fringe benefits, respectively, using the Salary + Benefits Method would yield a productive hourly rate of $18.94. To convert a biweekly salary to annual salary, multiply the biweekly salary by 26. To convert a monthly salary to annual salary, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.

2. A claimant may also compute the productive hourly rate by using the Percent of Salary Method.

Table 2: Productive Hourly Rate, Percent of Salary Method

Example:		
Step 1: Benefits as a Percent of Salary		**Step 2:** Productive Hourly Rate
Retirement	15.00 %	**Formula:**
Social Security & Medicare	7.65	[(EAS x (1 + BR)) ÷ APH] = PHR
Health & Dental Insurance	5.25	
Workers Compensation	3.25	[($26,000 x (1.3115)) ÷ 1,800] = $18.94
Total	**31.15 %**	
Description:		
EAS = Employee's Annual Salary		APH = Annual Productive Hours
BR = Benefit Rate		PHR = Productive Hourly Rate

As illustrated in Table 1 and Table 2, both methods produce the same productive hourly rate.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, worker's compensation insurance, and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered;
- The compensation paid and benefits received are appropriately authorized by the governing board;
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees; and
- The methods used to distribute personnel services produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time

expected to complete the activity under normal circumstances and conditions. The number of hours in excess of normal expected hours is not reimbursable.

(c) Calculating an Average Productive Hourly Rate

Those instances for which the claiming instructions allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

Table 3: Calculating an Average Productive Hourly Rate

	Time Spent	Productive Hourly Rate	Total Cost by Employee
Employee A	1.25 hrs	$6.00	$7.50
Employee B	0.75 hrs	4.50	$3.38
Employee C	3.50 hrs	10.00	$35.00
Total	5.50 hrs		$45.88
Average Productive Hourly Rate is $45.88 ÷ 5.50 hrs. = $8.34			

(d) Employer's Benefits Contribution

A local agency has the option of claiming actual employer's fringe benefit contributions or computing an average fringe benefit cost for the employee's job classification and claiming it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them.

For example:

Employer's Contribution	% to Salary
Retirement	15.00
Social Security	7.65
Health and Dental Insurance	5.25
Worker's Compensation	0.75
Total	28.65%

(2) Materials and Supplies

Only actual expenses may be claimed for materials and supplies that were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity should be reasonable in quality, quantity, and cost. Purchases in excess of reasonable quality, quantity, and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases must be claimed at the actual price after deducting discounts, rebates, and allowances received by local agencies.

(a) Calculating a Unit Cost for Materials and Supplies

In those instances for which the P's & G's suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 4 or Table 5:

Table 4: Calculating a Unit Cost for Materials and Supplies

Supplies	Cost Per Unit	Amount of Supplies Used Per Activity	Unit Cost of Supplies Per Activity
Paper	0.02	4	$0.08
Files	0.10	1	0.10
Envelopes	0.03	2	0.06
Photocopies	0.10	4	0.40
			$0.64

Table 5: Calculating a Unit Cost for Materials and Supplies

Supplies	Supplies Used	Unit Cost of Supplies Per Activity
Paper ($10.00 for 500 sheet ream)	250 Sheets	$5.00
Files ($2.50 for box of 25)	10 Folders	1.00
Envelopes ($3.00 for box of 100)	50 Envelopes	1.50
Photocopies ($0.05 per copy)	40 Copies	2.00
		$9.50

If the number of reimbursable instances is 25, then the unit cost of supplies is $0.38 per reimbursable instance ($9.50 ÷ 25).

(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 keep documentation on hand to support the name of the contractor, the reason for hiring a contractor, the mandated activities performed, the dates the activities were performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost. The hourly billing rate must not exceed the rate specified in the Ps & Gs for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed. **A copy of the contract must be included with the submitted claim.**

(4) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the Ps & Gs for the particular mandate. Equipment rentals used solely for the mandate are reimbursable to the extent that such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must maintain documentation to support the purpose and use of the equipment, the time period for which the

equipment was rented, and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the pro rata portion of the rental costs may be claimed.

(5) Fixed Assets

Capital outlay for land, buildings, equipment, furniture, and fixtures may be claimed if the Ps & Gs specify them as allowable. If they are allowable, the Ps & Gs for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the pro rata portion of the purchase price used to implement the reimbursable activities may be claimed.

(6) Travel Expenses

Travel expenses are normally reimbursable in accordance with the travel rules and regulations of the local jurisdiction. For some programs, however, the P's & G's may specify certain limitations on expenses, or that expenses may be reimbursed only in accordance with the Department of Human Resources travel standards. When claiming travel expenses, the claimant must maintain documentation to support the purpose of the trip, the names and addresses of the persons incurring the expense, the date and time of departure and return, a description of each expense claimed, the cost of transportation, the number of private auto miles traveled, and the cost of tolls and parking. Receipts are required for charges over $10.00.

(7) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

8. Indirect Costs

Indirect costs are (a) Incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate or in departments that supply the department performing the mandate with goods, services, and facilities. To be allowable, a cost must be allocable to a particular cost objective. Indirect costs must be distributed to benefiting cost objectives on bases, which produce an equitable result, related to the benefits derived by the mandate.

Previously, the costs of elected officials were considered expenses related to general government and, thus, were unallowable for reimbursement purposes. Recent interpretation has moved in the opposite direction, except for those items of cost that are unallowable in the cost principles set forth in Office of Management and Budget Circular (OMB) Circular 2 CFR, Chapter I and Chapter II, Part 200 et al., formerly OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments A cost that is necessary for proper and efficient administration of a program and is identifiable to that program is eligible for consideration as an allocable indirect cost. Allocable costs for time spent on programs must be supported by time record.

Local agencies have the option of using 10% of direct labor as indirect costs or claiming indirect costs through a department's Indirect Cost Rate Proposal (ICRP) for the program, prepared in accordance with the provisions of OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. An ICRP must be prepared if the claim for indirect costs is in excess of 10% of direct salaries and **the ICRP must be submitted with the claim.**

A. Fixed 10% Rate Method

Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits. The use of the 10% rate may benefit small agencies for which it is inefficient to prepare an ICRP.

Direct Costs Incurred By:	On Behalf of:	
Auditor	Welfare Administration	Health Department
Warrant Writing:		
A. Salary of employee working	$5,000	$1,000
B. Benefits of above	800	200
C. Cost of paper	350	100
D. First-line supervision (salaries)	3,000	500
E. Indirect cost 10% of A + D	800	150
Total amount charged to benefited departments for warrant writing services	$9,950	$1,950

Direct Costs Incurred By:	On Behalf of:	
Building & Grounds Department	Welfare Administration	Health Department
Maintenance of Buildings:		
A. Salary of employees performing maintenance	$1,000	$500
B. Benefits of above	200	100
C. Cleaning supplies	250	150
D. First-line supervision (salaries)	500	200
E. Indirect cost 10% of A + D	150	70
Total amount charged to benefited departments for building maintenance services	$2,100	$1,020

Any local agency using this method for claiming costs must submit a statement similar to the example above and with supporting data. The cost data required for desk audit purposes are described in the claiming instructions for that mandated program under Salaries and Employee Benefits, Materials and Supplies, Contract Services, Travel Expenses, etc.

B. Indirect Cost Rate Proposal Method

If a local agency elects not to utilize the 10% fixed rate method but wants to claim indirect costs, it must prepare an ICRP for the program. The proposal must follow the provisions of the OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al., formerly OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments. The development of the indirect cost rate proposal requires that the indirect cost pool include only those costs which are incurred for a common or joint purpose that benefit more than one cost objective. The indirect cost pool may include only costs that can be shown to provide benefits to the program. In

addition, total allocable indirect costs may include only costs that cannot be directly charged to an identifiable cost center (i.e., program).

A method for preparing a departmental indirect cost rate proposal for programs is presented as Table 6. Only this format is acceptable under the SCO reimbursement requirements. If more than one department is involved in the reimbursement program, each department must have its own indirect cost rate proposal for the program.

Table 6:

INDIRECT COST RATE PROPOSAL
PUBLIC DEFENDER'S OFFICE INVESTIGATION PROGRAM
FISCAL YEAR 20___-20___

(a) Description of Costs	Total Costs	(b) Excludable Unallowable Costs	(c) Allowable Indirect Costs	(d) Allowable Direct Costs	Identifiable Program Costs: Investigation PC 987.9	Identifiable Program Costs: All Others
Salaries & Benefits						
Salaries & Wages	$ 1,150,000	$ 50,000 (f)	$ 150,000	$ 950,000 (f)	$ 100,000	$ 850,000
Overtime	20,000	0	20,000	0	0	0
Benefits	230,000	10,000	30,000	190,000	20,000	170,000
Total	$ 1,400,000	$ 60,000	$ 200,000	$ 1,140,000	$ 120,000	$ 1,020,000
Services & Supplies						
Office Expense	$ 200,000	$ 10,000	$ 20,000	$ 170,000	$ 10,000	$ 160,000
Communications	100,000	2,000	10,000	88,000	1,000	87,000
Transportation	120,000	5,000	0	115,000	5,000	110,000
Special Dept Expense (Contracts)	250,000	0	0	250,000	0	250,000
Other, Pass Through Program	800,000	800,000	0	0	0	0
Total	$ 1,470,000	$ 817,000	$ 30,000	$ 623,000	$ 16,000	$ 607,000
Capital Expenditures	$ 100,000	$ 100,000				
Total Budgetary Expenditures	$ 2,970,000	$ 977,000	$ 230,000	$ 1,763,000	$ 136,000	$ 1,627,000
Distribution Base						
Cost Plan Costs						
Building Use (Each line item should be reviewed to see if it benefits the mandate to insure a fair and equitable distribution.)	$ 50,000	$ 2,000	$ 6,000	$ 42,000	$ 2,000	$ 40,000
Equipment Use	30,000	1,000	3,000	26,000	1,000	25,000
Data Processing	50,000	5,000	30,000	15,000	0	15,000
Auditor	20,000	0	20,000	0	0	0
Personnel	10,000	1,000	1,000	8,000	1,000	7,000
Roll Forward	10,000	0	10,000	0	0	0
Total	$ 170,000 (e)	$ 9,000	$ 70,000	$ 91,000	$ 4,000	$ 87,000
Total Allowable Indirect Costs			$ 300,000 (f)			
Distribution of Allocable Indirect Costs						
Based on Salaries & Wages		$ 15,000	$ (300,000)	$ 285,000	$ 30,000	$ 255,000
Totals	$ 3,140,000	$ 1,001,000	$ 0	$ 2,139,000	$ 170,000	$ 1,969,000

1) Notes to Table 6

Any local agency using this method for claiming costs, must submit a schedule as shown in Table 6, using the same column headings: Description of Costs, Total Costs, Excludable and Unallowable Costs (may be combined or separated), Allowable Indirect Costs, Allowable Direct Costs (which are further allocated to identifiable programs and other). Any supporting data such as invoices, receipts, contacts, documents, etc., must also be submitted.

a) Description of costs incurred. Examples include: Salaries and Benefits, Services and Supplies, Cost Plan Costs, etc.

b) Excluded costs are all costs that are unallowable and unallocable according to specific guidelines (OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. and state laws). Examples of excluded costs: contributions and donations, cost of amusement; social activities and related incidental costs such as meals, beverages, lodging, rentals, transportation and gratuities; and pass-through revenues to another unit or organization

c) Allocable indirect costs are costs that are not identifiable to a specific program or cost pool and indirectly benefit all cost pools.

d) Direct costs are costs that benefit a specific program or cost pool.

e) Overhead costs are distributed to the department in the cost allocation plan, which was prepared in accordance with the OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. Use the same year's cost allocation plan for developing the ICRP as the year for which the ICRP is being prepared. Do not include a roll-forward adjustment when the program is in its initial year.

f) Distribution base for the computation of the indirect cost rate is total salaries and wages.

Total Allowable Direct Costs (direct S&W)	$950,000
Excluded and Unallowable Costs (direct S&W)	50,000
Distribution Base	$1,000,000

Therefore, the Indirect Cost Rate for the program is:

$$\text{ICRP} = \frac{\text{Allowable Indirect Costs}}{\text{Total Salaries and Wages}} = \frac{\$300,000}{\$1,000,000} = 30.00\%$$

9. Time Study Guidelines

Background

Two methods are acceptable for documenting employee time charged to mandated cost programs: 1) Actual Time Reporting and 2) Time Study. These methods are described below. Application of time study results is restricted. As explained in the Time Study Results section below, the results may be projected forward a maximum of two years or applied retroactively to initial claims, current-year claims, and late-filed claims, provided certain criteria are met.

Actual Time Reporting

Each program's P's & G's define reimbursable activities for each mandated cost program. When employees work on multiple activities, a distribution of their salaries or wages must be supported by

personnel activity reports or equivalent documentation that must: Reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;

- Account for the total activity for which each employee is compensated;
- Be prepared at least monthly and must coincide with one or more pay periods; and
- Be signed by the employee.

Budget estimates or other distribution percentages determined before services are performed do not qualify as support for time distribution.

Time Study

In certain cases, a time study may be used to substitute for continuous records of actual time spent on multiple activities and/or programs. An effective time study requires that an activity be a task that is repetitive in nature. Activities that require a varying level of effort are not appropriate for time studies.

Time Study Plan

The claimant must develop a plan before the time study is conducted. The claimant must retain the time study plan for audit purposes. The plan must identify the following:

- Time period(s) to be studied – The plan must show that all time periods selected are representative of the fiscal year, and the results can be reasonably projected to approximate actual costs; and
- Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program's Ps & Gs, which are derived from the program's Statement of Decision. If a reimbursable activity in the Ps & Gs identifies separate and distinct sub-activities, these sub-activities must also be treated as individual activities.

  For example, sub-activities (a), (b), and (c) under Reimbursable Activity (B)(1) of the local agency's Domestic Violence Treatment Services: Authorization and Case Management program relate to information to be discussed during victim notification by the probation department and therefore are not separate and distinct activities. It is not necessary to separately study these sub-activities.

- Process used to accomplish each reimbursable activity – Use flowcharts or similar analytical tools and/or written desk procedures to describe the process for each activity.
- Employee universe – The employee universe used in the time study must include all positions for which salaries and wages are to be allocated by means of the time study.
- Employee sample selection methodology – The plan must show that employees selected are representative of the employee universe, and the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations.
- Time increments to be recorded – The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very large increments (such as one hour or more) might be used for employees performing only a few functions that change very slowly over time. Very small increments (a number of minutes) may be needed for employees performing more short-term tasks.

Random-moment sampling is not an acceptable alternative to continuous time records for mandated cost claims. Random moment sampling techniques are most applicable to situations in which employees perform many different types of activities on a variety of programs with small time increments throughout the fiscal year.

Time Study Documentation

Time studies must:

- Be supported by time records that are completed contemporaneously;
- Report activities on a daily basis;
- Be sufficiently detailed to reflect all mandated activities and/or programs performed during a specific time period; and
- Coincide with one or more pay periods.

Time records must be signed by the employee (electronic signatures are acceptable) and be supported by corroborating evidence, which validates that the work was actually performed. As with actual time reporting, budget estimates or other distribution percentages determined before services are performed do not qualify as valid time studies.

Time Study Results

Claimants must summarize time study results to show how the time study supports the costs claimed for each activity. Any variations from the procedures identified in the original time study plan must be documented and explained. Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant may not apply time study results retroactively.

- Annual Reimbursement Claims – Claimants may use time studies to support costs incurred on or after January 1, 2005. Claimants may not use time studies for the period of July 1, 2004, through December 31, 2004, unless (1) the program's Ps & Gs specifically allows time studies; and (2) the time study is prepared based on mandated activity occurring between July 1, 2004, and December 31, 2004.
- Initial Claims – When filing an initial claim for new mandated programs, claimants may use time study results for costs incurred on or after January 1, 2005 only. Claimants may not use time studies to support costs incurred before January 1, 2005, unless (1) the program's Ps & Gs specifically allow time studies; and (2) the claimant prepares separate time studies for each fiscal year preceding January 1, 2005, based on mandated activity occurring during those years.

When projecting time study results, the claimant must certify that there have been no significant changes between years in either (1) the requirements of each mandated program activity; or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain documentation that shows the mandated activity was actually performed. Time study results used to support claims are subject to the recordkeeping requirements for those claims.

10. Offsets Against State Mandated Claims

As noted previously, allowable costs are defined as those direct and indirect costs, less applicable credits, considered eligible for reimbursement. When all or part of the costs of a mandated program are specifically reimbursable from local assistance revenue sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from local agency funds is eligible for reimbursement under the provisions of GC section 17561.

A. Example 1:

As illustrated in Table 7, this example shows how the Offset Against a State Mandated claim is determined for local agencies receiving block grant revenues not based on a formula allocation. Program costs for each situation equal $100,000.

Table 7: Offset Against State Mandates, Example 1

	Program Costs	Actual Non-Local Agency Funding	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	$100,000	$95,000	$2,500	$-0-	$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000*	50,000	2,500	1,250	1,250
6.	If in (5) the non-local matching share is less than the amount expected, for example $49,000, the offset against state mandated claims is $250. Therefore, the claimable mandated costs are $2,250				

* Local agency share is $50,000 of the program costs.

Numbers (1) through (4) in Table 7, show intended funding at 100% from non-local agency sources. Numbers (5) and (6) show cost sharing on a 50/50 basis with the local agency. In numbers (1) through (5), included in the program costs of $100,000 are state mandated costs of $2,500. The offset against state mandated claims is the amount of actual non-local agency funding that exceeds the difference between program costs and state mandated costs. The offset cannot exceed the amount of state mandated costs.

In (1), non-local revenues were less than expected. Non-local agency funding was not in excess of the difference between program costs and state mandated costs. As a result, the offset against state mandated claims is $0 and $2,500 is claimable as mandated costs.

In (4), non-local revenues were fully realized to cover the entire cost of the program, including the state mandated activity; therefore, the offset against state mandated claims is $2,500, and the claimable cost is $0.

In (5), the local agency is sharing 50% of the program cost. As non-local revenues of $50,000 were fully realized, the offset against state mandated claims is $1,250.

B. Example 2:

As illustrated in Table 8, this example shows how the Offset Against State Mandated claims is determined for local agencies receiving special project funds based on approved actual costs. Non-local revenues for special projects must be applied proportionately to approve costs.

Table 8: Offset Against State Mandates, Example 2

	Program Costs	Actual Non-Local Agency Funding	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
1.	$100,000	$100,000	$2,500	$2,500	$-0-
2.	100,000**	75,000	2,500	1,875	625
3. If in (2) the non-local matching share is less than the amount expected, because only $60,000 of the program costs were determined to be valid by the contracting agency, then a proportionate share of state mandated costs is likewise reduced to $1,500. The offset against state mandated claim is $1,125. Therefore, the claimable mandated costs are $375.					

** Local agency share is $25,000 of the program cost.

In (2), the entire program cost was approved. As the non-local agency source covers 75% of the program cost, it also proportionately covered 75% of the $2,500 state mandated costs, or $1,875.

With respect to local agencies, the offset against state mandated claims for applicable federal and state local assistance programs includes, but is not limited to, the following funding sources:

Federal and State Funding Sources

Governing Authority

Federal Programs:

CETA, PL 93-203	Federal-Health – Administration
Federal Aid for Construction	Federal-Public Assistance – Administration
Federal Aid for Disaster	

State Programs:

State Aid for Agriculture	State-Health – Administration
State Aid for Construction	State-Public Assistance - Administration
State Aid for Corrections	

11. Notice of Claim Adjustment

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. Claimants will receive a Notice of Claim Adjustment detailing any adjustment made by the SCO.

12. Audit of Costs

Pursuant to GC section 17558.5, subdivision (b), the SCO may conduct a field review of any claim after it has been submitted to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with the SCO's claiming instructions and the

P's & G's adopted by the CSM. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the claim activity adjusted, the amount adjusted, and the reason for the adjustment will be mailed within 30 days after payment of the claim.

13. Source Documents

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. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records, time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

14. Claim Forms and Instructions

Claim forms provided with the claiming instructions should be duplicated or printed from the SCO website (http://www.sco.ca.gov/ard_mancost.html) and used by the claimant to file reimbursement claims. A claimant may submit computer generated forms in substitution of Form 1 and Form 2, provided that the format of the forms and data fields contained within are identical to the claim forms included with the claiming instructions. The SCO will revise the manual and claim forms as necessary.

A. Form 2, Activity Cost Detail

This form is used to segregate the detail costs by claim activity. In some mandates, specific reimbursable activities have been identified for each activity. The expenses reported on this form must be supported by the official financial records of the claimant. All documents used to support the reimbursable activities must be retained by the claimant, unless required to be submitted with the claim, and must be made available to the SCO upon request.

B. Form 1, Claim Summary

This form is used to summarize direct costs by activity and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form 2 and are carried forward to Form FAM-27.

C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the entity. All applicable information from Form 1 must be carried forward to this form in order for the SCO to process the claim for payment. An original and one copy of the Form FAM-27 are required. Submit a signed original Form FAM-27 and one copy with required documents. **Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated cost claiming instructions and forms are available online at the SCO's website: **www.sco.ca.gov/ard_mancost.html.**

Use the following mailing addresses:

If delivered by U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

15. Retention of Claiming Instructions

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. This manual should be retained for future reference, and the forms should be duplicated to meet your filing requirements. Annually, new or revised forms, instructions, and any other information claimants may need to file claims will be placed on the SCO's website: www.sco.ca.gov/ard_mancost.html.

16. Retention of Claim Records and Supporting Documentation

Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit will be completed not later than two years after the date that the audit was commenced.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to SCO on request.

For more information, contact the Local Reimbursements Section by email at LRSDAR@sco.ca.gov, by telephone at (916) 324-5729, or by writing to the address above.

From: JTyree@sco.ca.gov,
To: Tamara.Oatman@cityofrc.us,
Cc: achinncrs@aol.com, adiaz@SBCSD.ORG, jvenneman@sco.ca.gov,
Subject: RE: Document Request - Identity Theft Program
Date: Thu, Aug 25, 2022 3:19 pm

Thank you for the Law Enforcement Service Contract 94-524 (New) signed by the Chairman of the Board of Supervisors of the County of San Bernardino and the Mayor of the City of Rancho Cucamonga in 1994, as well as the signed Amendments Nos. 11 through 29 (19 total) applicable for the 11 years audit period.

This will support allowable identity theft program costs for the audit period as contract services, in lieu of the misstated salaries and related indirect costs. I will consult with my manager regarding your request to extend time to provide additional information to September 23, 2022 as well as the need for a status meeting, either before receipt of this information or after.

Thank you so much and have a nice weekend.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee

Division of Audits, Compliance Audits Bureau

3301 C Street, Suite 735B

Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile

JTyree@sco.ca.gov

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From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Sent: Thursday, August 25, 2022 2:00 PM
To: Tyree, Joji <JTyree@sco.ca.gov>
Cc: Annette Chinn <achinncrs@aol.com>; adiaz@sbcsd.org; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: RE: Document Request - Identity Theft Program

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Joji –

Here are the signed Schedule A's for the audit period along with the base contract that the Schedule A's amend each year. The Sheriff's contract is what the City considers an "evergreen" – it doesn't expire unless it is terminated, so we consider it a Permanent record.

Regarding the hourly rates for the three positions noted in your email, I am not sure if we can get that information from the County. If we can, I do not have any idea of the timing for that request. I anticipate needing an extension for acquiring that information, if it is available. Please allow us a few weeks to acquire any available information that will meet your request. An extension until September 23rd would be greatly appreciated. Thank you.

-Tamara

From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Thursday, August 25, 2022 10:59 AM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Cc: Annette Chinn <achinncrs@aol.com>; adiaz@sbcsd.org; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: RE: Document Request - Identity Theft Program

For the audit period the ratified contract as well as final and approved Schedule A will come either from the city council or the Law Enforcement Services Contract Bureau of San Bernardino County. They are the signatories for the contracts. If it is not available from the city, please let me know. By the way, what is your retention period for contracts for the city?

Thank you.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee

Division of Audits, Compliance Audits Bureau

3301 C Street, Suite 735B

Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile

JTyree@sco.ca.gov

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From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Sent: Thursday, August 25, 2022 10:50 AM
To: Tyree, Joji <JTyree@sco.ca.gov>
Cc: Annette Chinn <achinncrs@aol.com>; adiaz@sbcsd.org
Subject: FW: Document Request - Identity Theft Program

CAUTION:

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Good morning, Joji 😊

I reached out to our consultant, Annette Chinn, for guidance on addressing your request to Sgt. Diaz. She stated that all those Schedule A's for each fiscal year were attached to the copies of the claims (which she already provided to you). They are at the very back of each claim, after the ICRP or overhead rate computations. The Schedule A's that are attached as supporting documentation are the actual costs and job counts per classification.

Is there something else you are looking for in addition to the Schedule A?

-Tamara

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Hello Joji,

Tamara shared of your questions and comments. Here are our responses:

The structure of the San Bernardino Sheriff's Office for law enforcement services contracts are very different from the LA County Sheriff contracts. San Diego Sheriff's Office contracts are more similar in structure.

As can be seen from the Rancho Cucamonga agreement and the annual Schedule of Costs, the city is purchasing all the components of a Police Department, including direct and indirect (overhead) costs. Looking at their expenditures is similar to looking at a full-service city's departmental expenditure report. San Bernardino Deputy billing rates only include salary and benefit costs, while in the case of LA County – their hourly sworn rate already includes most overhead (except for Liability and supplemental staffing which can be purchased a la cart - See attached.)

If you compare the FY 11-12 Deputy rates between LA County **($114.82**/ hr = $419,087unit cost/3,650 hrs) and San Bernardino **($ 78.98**/hr = $13,648,451 total cost /96 staff /1800 hrs. The huge difference in that LA County has overhead costs included and the other does not. When overhead is added, you can see the rates then are much more similar.

Your question about hours of "yearly hours per service unit for Deputy, Sergeant, and Service Specialist. I need these in order to arrive at contract rate per hour per service unit."

The answer is that the city purchases these positions as if they were employees of the city – they are expected to work full time (2080 hours) just as any regular city employee. As you know, the Claiming Instructions and Parameters and Guidelines allow the use of a Productive Hourly Rate of 1,800 hours – and this is how the hourly rates were computed. The Actual Costs and number of positions are listed in the Schedule A you have been provided. A productive hourly rate was computed by dividing the actual salary charge for that position by 1,800 hours to derive an hourly rate.

Regarding Overhead Costs: Tamara though you said that overhead was not an eligible cost because they contract for law enforcement services. Perhaps there was a miscommunication, but I wanted to address this topic.

Not allowing reimbursement of indirect or overhead costs would be contrary to Claiming Instructions, Parameters and Guidelines, as well as Federal CFR-200 standards which all specifically allow for the inclusion and reimbursement of both direct AND indirect costs. (attached for your convenience)

To simply exclude or not allow legitimate overhead from the costs would be contrary to State and Federal rules, and also would be inconsistent with your own offices prior audit determinations. As you mentioned, the LA County case, additional overhead was allowed for the liability charges billed separately from the officer's hourly rate.

In the case of San Diego Sheriff Department (SDSO) contracting agencies, additional overhead/indirect cost were allowed (See City of San Marcos 2017 – Crime Statistics Reporting Audit Report on page 23). State Controller's Office auditors recognized there were additional indirect/overhead costs and those costs were allowed as valid overhead charges. Below is an extract from the Audit Report on page 23 that addressed the Contract Indirect Costs:

"Contract Indirect Costs

We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided schedules and identified supplemental contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, by the contracted labor costs identified in the contract supplemental schedules."

The audit permitted a number of overhead items including:

1) proration of Sergeant support/admin

2) proration of Other Support costs allocated (which includes Station level Staff Support including: Captain, Admin Secretary, Lieutenant, Volunteer Coordinator, Senior Clerk, Department Aide, Receptionist, Intermediate Clerk

3) Law Enforcement Support including Station Detectives, Communication Center (Central Dispatch support), Crime Prevention, Juvenile Intervention, Regional Services

4) Services and Supplies Costs

5) Support Costs including Vehicles, Facilities/Space, County Management Support (Admin, Fiscal, Data Services, Personnel & Other)

6) Liability (charged separately)

The items we included in our ICRP are all similar indirect costs which comply with Federal CFR standards of allowable indirect costs and provide necessary support to the function of the department and benefit the mandate program we are costing out. If you believe there is a charge that does not comply with the guidelines, please let us know why and we would like to discuss.

You can access job descriptions or duty statements from the San Bernardino County website if you'd like to review the activities performed by the various administrative and support positions included in our overhead rate calculations.

We look forward to answering any questions you may have.

Annette Chinn

Cost Recovery Systems, Inc.

From: JTyree@sco.ca.gov,
To: Tamara.Oatman@cityofrc.us,
Cc: achinncrs@aol.com, ADiaz@sbcsd.org, jvenneman@sco.ca.gov,
Subject: Identity Theft Program
Date: Tue, Aug 30, 2022 1:19 pm
Attachments: C.1.1 Parameters and Guidelines (Commission Generated).pdf (52K),
C.1.5 SCO Claiming Instructions for the Identity Theft Program, dated July 2012 (SCO Generated).pdf (180K),
C.1.6 SCO Claiming Instructions for the Identity Theft Program, dated July 2013 (SCO Generated).pdf (209K),
S22MCC0009 - Entrance Conference Information - Auditor Prepared.pdf (213K)

Good afternoon Tamara,

On Page 3 of the Entrance Conference Information (Attached), the Audit Methodology stated that we will determine whether the costs claimed are in accordance with the program's parameters and guidelines.

Also attached are the Applicable Statutes, Laws, and Regulations, the program parameters and guidelines as well as the SCO's claiming instructions.

The Parameters and Guidelines state that 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. For the City of Rancho Cucamonga (city), the "unit performing the mandate" was San Bernardino County Sheriff's Department (SBCSD), not the city. In addition, the ICRPs for the audit period submitted with the claims were not distributing the costs of the city's central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

The city claimed related indirect costs totaling $223,706 for the audit period based on salaries claimed totaling $276,392. We found those amounts unallowable because no city staff member performed any of the reimbursable activities under this program during the audit period. Instead, the city contracted with SBCSD for all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs, but rather incurred contract services costs. Since the city did not incur any direct salary costs during those years to perform the mandated activities, there are no indirect costs related to direct salaries.

In the SCO's Claiming Instructions for the Identity Theft Program (see attached), specifically the Identity Theft Claim Summary Instructions for Form 1, indirect costs are computed as percentage of direct labor costs, either 10% or ICRP. Additionally, the Identity Theft Activity Cost Detail Instructions for Form 2, contract services are clearly differentiated from Salaries (or direct labor) for purposes of calculating indirect costs.

For the audit period, the city provided copies of its Indirect Cost Rate Proposals (ICRP). All of the city's ICRPs use a distribution base of direct salaries and wages for SBCSD staff. This is inconsistent with 2 CFR Part 225 (Office of Management and Budget Circular A-87) because the City of Rancho Cucamonga did not incur any direct salaries and wages costs for SBCSD staff. San Bernardino County incurred those costs and the city incurred contract services costs. The indirect costs erroneously included salaries of Deputies, Sergeants and Sheriff's Service Specialists, which are contract services direct costs to the identity theft program.

After my manager reviews my work papers for this audit, I will contact you for a status meeting to discuss preliminary findings and allowable costs, prior to holding an exit conference.

Thank you.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 735B

Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile
JTyree@sco.ca.gov

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From: JTyree@sco.ca.gov,
To: Tamara.Oatman@cityofrc.us,
Cc: achinncrs@aol.com, adiaz@SBCSD.ORG, jvenneman@sco.ca.gov,
Subject: RE: Document Request - Identity Theft Program
Date: Thu, Aug 25, 2022 3:19 pm

Thank you for the Law Enforcement Service Contract 94-524 (New) signed by the Chairman of the Board of Supervisors of the County of San Bernardino and the Mayor of the City of Rancho Cucamonga in 1994, as well as the signed Amendments Nos. 11 through 29 (19 total) applicable for the 11 years audit period.

This will support allowable identity theft program costs for the audit period as contract services, in lieu of the misstated salaries and related indirect costs. I will consult with my manager regarding your request to extend time to provide additional information to September 23, 2022 as well as the need for a status meeting, either before receipt of this information or after.

Thank you so much and have a nice weekend.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee

Division of Audits, Compliance Audits Bureau

3301 C Street, Suite 735B

Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile

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From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Sent: Thursday, August 25, 2022 2:00 PM
To: Tyree, Joji <JTyree@sco.ca.gov>
Cc: Annette Chinn <achinncrs@aol.com>; adiaz@sbcsd.org; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: RE: Document Request - Identity Theft Program

CAUTION:

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Do not click links or open attachments unless you recognize the sender's email address and know the content is safe.

Joji –

Here are the signed Schedule A's for the audit period along with the base contract that the Schedule A's amend each year. The Sheriff's contract is what the City considers an "evergreen" – it doesn't expire unless it is terminated, so we consider it a Permanent record.

Regarding the hourly rates for the three positions noted in your email, I am not sure if we can get that information from the County. If we can, I do not have any idea of the timing for that request. I anticipate needing an extension for acquiring that information, if it is available. Please allow us a few weeks to acquire any available information that will meet your request. An extension until September 23rd would be greatly appreciated. Thank you.

-Tamara

From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Thursday, August 25, 2022 10:59 AM
To: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Cc: Annette Chinn <achinncrs@aol.com>; adiaz@sbcsd.org; Venneman, Jim <jvenneman@sco.ca.gov>
Subject: RE: Document Request - Identity Theft Program

For the audit period the ratified contract as well as final and approved Schedule A will come either from the city council or the Law Enforcement Services Contract Bureau of San Bernardino County. They are the signatories for the contracts. If it is not available from the city, please let me know. By the way, what is your retention period for contracts for the city?

Thank you.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee

Division of Audits, Compliance Audits Bureau

3301 C Street, Suite 735B

Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile

JTyree@sco.ca.gov

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From: Oatman, Tamara <Tamara.Oatman@cityofrc.us>
Sent: Thursday, August 25, 2022 10:50 AM
To: Tyree, Joji <JTyree@sco.ca.gov>
Cc: Annette Chinn <achinncrs@aol.com>; adiaz@sbcsd.org
Subject: FW: Document Request - Identity Theft Program

CAUTION:

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Good morning, Joji ☺

I reached out to our consultant, Annette Chinn, for guidance on addressing your request to Sgt. Diaz. She stated that all those Schedule A's for each fiscal year were attached to the copies of the claims (which she already provided to you). They are at the very back of each claim, after the ICRP or overhead rate computations. The Schedule A's that are attached as supporting documentation are the actual costs and job counts per classification.

Is there something else you are looking for in addition to the Schedule A?

-Tamara

Tamara L. Oatman

Finance Director

City of Rancho Cucamonga

Email: Tamara.Oatman@cityofrc.us

Phone: (909) 774-2430

Have a joyful day 😊

-----Original Message-----
From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Friday, August 19, 2022 11:29 AM
To: Diaz, Amanda <adiaz@SBCSD.ORG>
Subject: Document Request - Identity Theft Program

Good morning Sgt. Diaz,

Could you please provide pdf of the final and approved Law Enforcement Services Agreement in effect for FY 2002-03, through FY 2012-13 between San Bernardino County Sheriff's Department and the City of Rancho Cucamonga. Please include final and actual staffing levels (Schedule A and any support documentation) for each fiscal year with actual costs and counts per job classification. Please see item #6 in Document Request in page 3 of the attached letter.

Additionally, may I request the yearly hours per service unit for Deputy, Sergeant, and Service Specialist. I need these in order to arrive at contract rate per hour per service unit.

Please send via our SFTP on or before Friday, August 26, 2022. Please contact me if you need clarification and/or if you need more time.

Thank you,

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 735B
Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile JTyree@sco.ca.gov

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CO 94-017

County of San Bernardino

FAS

STANDARD CONTRACT

FOR COUNTY USE ONLY

E/M/X		Vendor Code	Dept.	Contract Number
E	X New		SC SHR A	94-524
M	Change			
X	Cancel			

County Department	Dept.	Orgn.	Contractor's License No.
SHERIFF	SHR	SHR	

County Department Contract Representative	Ph. Ext.	Amount of Contract
L RAY HARPER, DEPUTY CHIEF	387-3660	$7,588,444.00

Fund	Dept.	Organization	Appr.	Obj/Rev Source	Activity	GRC/PROJ/JOB Number
AAA	SHR	960		9565		9609565R

Commodity Code	Estimated Payment Total by Fiscal Year					
	FY	Amount	I/D	FY	Amount	I/D
Project Name	94	7,588,444				
CONTRACT LAW ENFORCEMENT						

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: CITY OF RANCHO CUCAMONGA — hereinafter called CITY

Address: 10500 CIVIC CENTER DRIVE

RANCHO CUCAMONGA, CA 91730

Phone _____ Birth Date _____

Federal ID No. or Social Security No. _____

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

AMENDED LAW ENFORCEMENT SERVICE CONTRACT

WHEREAS, CITY and COUNTY desire to provide by contract for performance of law enforcement services within the territorial boundaries of CITY;

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

I.

COUNTY shall provide, through the Sheriff of San Bernardino County (hereinafter referred to as "Sheriff"), law enforcement within the corporate limits of CITY as same now exist, or as such limits may be modified by annexation or exclusion during the term of this agreement.

II.

The law enforcement services to be provided by COUNTY and furnished to CITY hereunder shall include:

A. Enforcement of state statutes;

B. Enforcement of ordinances of CITY of the type customarily enforced by the Sheriff within the unincorporated territory of the County;

C. Traffic enforcement, with the exception of such traffic enforcement as may be provided by the California Highway Patrol on the freeway traversing CITY;

D. Detective, juvenile, and other specialized services such as arson, homicide, and narcotics enforcement;

E. Attendance at meetings of the City Counsel of CITY and such other meetings of commissions or boards of CITY as CITY may specify.

III.

Services to be provided by COUNTY shall include Sheriff's personnel and automobiles as specified in Schedule "A" for law enforcement services. Those personnel and automobiles are to be assigned at the discretion of the Sheriff based on the needs of the community.

The services to be provided by COUNTY hereunder shall also include all equipment (including repairs thereto or depreciation thereon), supplies, communications, administration, labor, vacation, and sick leave, any COUNTY retirement contributions, gasoline, oil, and traveling expenses and all other services, obligations or expenditures necessary or incidental to the performance of the duties to be performed by Sheriff under the terms of this agreement. There shall be no reduction in COUNTY compensation under this agreement for normal downtime of vehicles. In all instances where special supplies, stationary, notices, forms, and the like are to be issued in the name of CITY and approved by the Sheriff, the same shall be supplied by CITY at its own cost and expense.

Nothing in this contract is intended to alter the effect of any statute or COUNTY ordinance related to fees for housing of inmates detained for CITY ordinance violations or for criminal justice administrative fees (Government Code Section 29550, et seq., San Bernardino County Code Section 16.027A). The CITY will be separately billed for those items.

IV.

In consideration for COUNTY'S furnishing and performance of all the services provided for herein, CITY shall pay to COUNTY, upon contract approval, the sum as per Schedule "A," attached per year, payable in monthly installments at the beginning of each calendar month during the period of this agreement. Payments shall be due by the fifth day of each month for that same month's services. Payments received after sixty (60) days of when due shall include simple interest after the 60th day against the amount owing, calculated at the COUNTY'S then current investment pool rate. Said sum is subject to adjustment for any salary increases or fringe benefits which may be granted by the Board of Supervisors to Sheriff's employees. The actual cost of overtime, court appearances, and travel expenses will be billed quarterly.

COUNTY shall have the right to renegotiate the rate for services performed under this agreement at the end of each fiscal year, and said rate may be adjusted upward or downward to reflect the actual cost.

CITY is responsible for the validity of its ordinances, including any ordinances or codes incorporated by reference in CITY'S ordinances, and CITY shall defend, hold harmless, and indemnify COUNTY, its officers and employees with respect to any lawsuit or action challenging the validity of a CITY ordinance or with respect to any allegation that any arrest, citation, or other action taken by COUNTY, its officers or employees was taken under an invalid CITY ordinance, except in those cases where the invalidity of such ordinance is the result of actions by the Sheriff's Department.

Otherwise than is stated in this agreement, CITY shall not be obliged to pay, and assumes no liability for any cost, expenditure, charge, or liability whatsoever incurred by COUNTY in or related to the performance of the provisions of this agreement by COUNTY, and COUNTY shall, in consideration for the payment of the sums herein above provided to be paid by CITY to COUNTY, hold CITY harmless from any and all such costs, expenditures, charges, or liabilities except as otherwise provided in this agreement. CITY shall not be liable for compensation or indemnity to any COUNTY employee for injury or sickness arising out of his or her employment while engaged in the performance of this agreement by COUNTY.

CITY shall hold COUNTY harmless for a reduction in law enforcement services resulting from labor relation actions and CITY'S obligation to pay COUNTY shall be reduced for services not performed for that reason.

V.

The term of this contract shall be a period of time commencing on January 1, 1994, and terminating only as hereinafter provided. This agreement may be terminated at any time with or without cause by CITY or by COUNTY upon written notice given to the other at least one (1) year before the date specified for such termination. Any such termination date shall coincide with the end of a calendar month. In the event of such termination, each party shall fully pay and discharge all obligations in favor of the other accruing prior to the date of such termination and each party shall be released from all obligations or performance which would otherwise accrue subsequent to the date of such termination. In the event of termination of this agreement, the COUNTY shall refund any sum previously paid by CITY, which when prorated represents advance payment for months of service which are not performed as a result of such termination. Neither party shall incur any liability to the other by reason of such termination.

Notwithstanding the foregoing, in the event the Sheriff provides any services to CITY on a holdover basis after the date of contract termination, CITY shall fully reimburse COUNTY for all costs of providing such services.

COUNTY shall have the right to terminate this contract if CITY does not make timely payment of its obligations hereunder to COUNTY.

Any and all notices required to be given hereunder shall be given in writing by registered or certified mail, postage prepaid. The addresses of the parties hereto until further notice are as follows:

CITY: City of Rancho Cucamonga
10500 Civic Center Drive
Rancho Cucamonga, CA 91730

COUNTY: San Bernardino County Sheriff's Department
Bureau of Administration
P. O. Box 569
San Bernardino, CA 92402-0569

VI.

The standards of performance, the methods of performance, the discipline of officers, the control of personnel, the advancement in compensation of personnel, the determination of proper law enforcement practices and procedures, and all other matters incidental to the manner of performance of services by Sheriff hereunder shall be determined by the Sheriff at his sole discretion. The responsibility of Sheriff and of COUNTY to CITY hereunder shall be to provide, as an independent contracting agency, effective law enforcement of the level herein contracted for, and the CITY shall not have the right to determine or direct the manner or means of the performance.

VII.

All persons directly or indirectly employed by COUNTY in the performance of the services and functions to be provided to CITY hereunder, shall be employees of COUNTY, and no COUNTY employees shall have CITY pension, civil service, or other status or right. Notwithstanding the foregoing, and in order to give official status to the performance of duties by Sheriff's personnel hereunder, every Sheriff's officer or employee engaged in performing any such service or function shall be deemed to be an officer of CITY while performing service for CITY within the scope of this agreement, and such service function shall be a municipal function.

An arrest made by Sheriff's personnel while engaged in the performance of this agreement shall constitute an arrest by an officer employed by CITY, and not an arrest by COUNTY officer, within the meaning of Section 1463 of the Penal Code and any similar or related statute.

VIII.

CITY shall have the right at any time and from time to time during the term of this agreement to request a higher level of law enforcement than that herein contracted for, and within a reasonable time after such requests, COUNTY shall provide such additional personnel and vehicles as may be required to provide such additional law enforcement.

In such event, all provisions of this agreement with respect to compensation to be paid by CITY shall remain in full force and effect, but in addition to payment of the sums herein provided, CITY shall pay COUNTY in monthly installments the cost of such additional law enforcement service.

IX.

In the event of riot, civil commotion, or other emergency in the CITY which requires additional emergency or "back-up" service, COUNTY shall provide the same.

In the event of authorized public gatherings in the CITY requiring additional police services, salaries and related costs shall be borne by CITY, except where such authorized public gatherings occur on state or federal property within the CITY limits, such additional costs shall not be chargeable against the CITY.

Not included in riots or related services are salaries or related costs of additional police services for authorized public gatherings. In the event of such an emergency outside of the corporate limits of CITY, personnel or equipment assigned by Sheriff to the performance of COUNTY'S duties hereunder may be utilized by COUNTY in connection with such emergency, however no more than fifty percent (50%) of available personnel and equipment may be assigned outside the CITY boundaries without the mutual agreement of the Sheriff and the City manager. In the event of a major emergency in the CITY and surrounding communities, Sheriff's personnel and equipment shall not be assigned outside the CITY boundaries at a level which would deter from the CITY'S ability to respond to the existing emergency. In cases where the City Manager or his or her designee cannot be consulted prior to such deployment, such advisement must be made to the City Manager's Office immediately or as soon as possible thereafter. In any case the City Manager must be personally informed of the situation immediately or as soon as possible thereafter. The CITY shall be reimbursed for any resultant service not performed.

X.

To facilitate the performance of services hereunder by COUNTY, CITY, its officers, agents, and employeee shall give their full cooperation and assistance within the scope of the duties and responsibilities of such officers, agents, and employees.

CITY shall hold COUNTY, its Sheriff, officers, and employees harmless from any and all liability for intentional acts or negligence on the part of CITY, its officers and employees (excluding any employees of COUNTY engaged in the performance of municipal duties hereunder) arising out of ~~or relating to~~ the performance of this contract.

XI.

Sheriff shall be designated as the Chief of Police of CITY at all times during the term of this agreement.

Said Sheriff shall designate a station commander to work directly with and provide liaison with the City Manager and other CITY officers of the CITY. The Sheriff's commander shall make regular monthly reports to the City Manager, and such other reports as may be appropriate as determined by the Sheriff, with respect to law enforcement within the corporate limits of CITY.

COUNTY OF SAN BERNARDINO

► Jon D Mikels
Chairman, Board of Supervisors

Dated JUN 21 1994

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors of the County of San Bernardino.

By Mary Louise Reynolds
Deputy

CITY OF RANCHO CUCAMONGA
(State if corporation, company, etc.)

By ► Dennis L Stout
(Authorized Signature)

Dated April 21, 1994

Title Mayor

Address 10500 CIVIC CENTER DRIVE

RANCHO CUCAMONGA, CA 91730

Approved as to Legal Form
► Ronald R Hess
County Counsel
Date 12/16/93

Reviewed as to Affirmative Action
►
Date

Reviewed for Processing
► D H Fallen
Agency Administrator/CAO
Date 6-15-94

SCHEDULE A
LAW ENFORCEMENT SERVICE CONTRACT
CITY OF RANCHO CUCAMONGA
FY 93/94

SERVICE	FY 93/94 COST*
6 - 168 Hour General Law Patrol Units	$2,756,646**
4 - 80 Hour General Law Patrol Units (2 units w/radar)	898,426**
5 - 56 Hour General Law Patrol Units	805,024**
5 - 40 Hour General Law Patrol Units (2 units w/radar)	569,897**
5 - 40 Hour Traffic Patrol Motorcycles With Radar	550,885**
4 - 40 Hour K-9 Unit	104,698**
8 - 40 Hour Detective Units	950,209**
MENU ITEMS	
1 - Captain with unit	109,073**
3 - Community Services Officers	121,461
2 - Forensic Specialist II	144,892
3 - Sheriff's Service Specialists	196,284
1 - Public Information Clerk	27,921
3 - Senior Deputy Differential	17,814
1 - Deputy II DARE Officer	67,570
1 - Research Analyst	44,000
1 - Secretary II Differential	3,880
1 - Secretary I Differential	1,511
1 - Supervising Station Clerk Differential	3,319
1 - Station Clerk	33,097
1 - Marked Unit	8,187**
5 - Unmarked Units	32,695**
1 - Mid-Size Pickup Truck	6,458**
2 - Marked Mini-Vans (DARE van insurance only)	8,057**
1 - Marked 4X4	10,114**
Services and Supplies Credit	(60,108)
CAD/CLETS/RMS	10,269
County Direct Cost	217,581
Start-Up Cost Vehicles and Employees	11,164
POSITION CREDITS	
Lieutenant - .35 Credit	(32,852)
Sergeant - .07 Credit	(5,773)
Station Clerk - .10 Credit	(3,310)
Motorpool Services Assistant - .60 Credit	(20,645)
TOTAL	**$7,588,444***

DIRECT COSTS ARE THOSE COSTS ASSESSED TO THE SHERIFF'S DEPARTMENT BY THE COUNTY FOR:

Personnel Liability Insurance	- $108,431
Personnel Bonding Fee	- $ 815
Vehicle Insurance Fee	- $108,335

MONTHLY PAYMENT SCHEDULE:

1st payment due the 15th of July - $632,374
2nd through 12th payment due the 5th of each month - $632,370

SCHEDULE A
LAW ENFORCEMENT SERVICE CONTRACT
CITY OF RANCHO CUCAMONGA
FY 93/94

City will be billed on a quarterly basis for:

Actual Overtime Cost: Overtime and court appearances estimated for FY 93/94 is $217,000.
Professional Services From Private Vendors.
Services and Supplies.
Fuel and Maintenance (if applicable).
K-9 Charges: Cost for food, medical expenses, etc.

* Subject to change due to salary and benefit changes or Board of Supervisors action.

** Less Fuel and Maintenance. City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed with County Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City costs.

CITY OF RANCHO CUCAMONGA
LAW ENFORCEMENT CONTRACT
FY 93/94

SAFETY

1	CAPTAIN
2	LIEUTENANTS
10	SERGEANTS
12	DEPUTY III'S
55	DEPUTY II'S
80	

GENERAL

2	FORENSIC II
3	SHERIFF'S SERVICE SPECIALISTS
1	RESEARCH ANALYST
1	SECRETARY II
1	SECRETARY I
3	COMMUNITY SERVICES OFFICERS
1	SUPERVISING STATION CLERK
12	STATION CLERKS
1	AUTOMOTIVE ASSISTANT
1	PUBLIC INFORMATION CLERK
10.45	DISPATCHERS
36.45	

VEHICLES

22	MARKED PATROL UNITS (includes K-9)
14	UNMARKED UNITS
1	DARE VAN
1	4X4
1	MID-SIZE PICKUP TRUCK
5	MOTORCYCLES
1	MINI VAN
45	

EQUIPMENT

4 - RADAR GUNS

(07/01/93)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[X] New / Change / Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number: **94-524 A11**
County Department: SHERIFF		Dept.: SHR	Orgn.: SHR		Contractor's License No.
County Department Contract Representative: ROD HOOPS		Telephone: (909) 387-0640			Total Contract Amount: $12,701,995

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$12,701,995

Project Name: Contract Law Enforcement FY 02/03

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga — hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 — Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

ELEVENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2002, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

[This page is intentionally left blank.]

COUNTY OF SAN BERNARDINO

► Fred Aguiar

Fred Aguiar, Chairman, Board of Supervisors

Dated: JUL 30 2002

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors of the County of San Bernardino.

By _____ Deputy

City of Rancho Cucamonga

(Print or type name of corporation, company, contractor, etc.)

By ► _____

(Authorized signature - sign in blue ink)

Name JACK LAM, A.I.C.P.

(Print or type name of person signing contract)

Title CITY MANAGER

(Print or Type)

Dated: 7-16-02

Address 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Reviewed for Processing
► _____	► _____	► _____
County Counsel, Kevin L. Norris, Deputy		Agency Administrator/CAO
Date 7/12/02	Date _____	Date _____

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY02/03

LEVEL OF SERVICE			FY02/03 COST
1	-	Captain	$152,532
2	-	Lieutenant	248,288
11	-	Sergeant	1,178,089
11	-	Deputy III	1,021,416
73	-	Deputy Sheriff	6,270,043
2	-	Deputy Sheriff (D.A.R.E.)	171,782
2	-	Forensic Specialist II	113,212
11	-	Sheriff's Service Specialist	511,005
1	-	Research Analyst	69,930
1	-	Secretary II	46,780
1	-	Secretary I	44,320
15	-	Station Clerk	636,960
2	-	Motor Pool Services Assistant	88,356
33	-	Marked Unit	361,878
20	-	Unmarked Unit	141,120
1	-	Crime Prevention Van (Non-Code 3)	4,307
2	-	Mid-size Pickup w/MDT	10,726
10	-	Motorcycle	60,400
1	-	Marked 2X4	14,766
1	-	Rapid Incident Response Vehicle - Tahoe (Equip & Ins. Only)	1,563
1	-	Bicycle Van (Equipment & Insurance Only)	1,607
2	-	DARE Van (Equipment & Insurance Only)	3,214
1	-	MAIT Van (Equipment & Insurance Only)	1,607
4	-	Citizen Patrol (Equipment & Insurance Only)	6,164
32	-	HTs (Access & Maint Only)	11,904
		Dispatch Services	655,583
4	-	Radar Guns	2,924
		Administrative Support	66,895
		Office Automation	10,269
		Vehicle Insurance	52,391
		Personnel Liability & Bonding	323,811
		TRU - Telephone Reporting Unit	75,123
		County Administrative Cost	340,509
		Startup Costs	2,521
		TOTAL COST:	**$12,701,995**

Monthly Payment Schedule:

1st payment due July 15, 2001:	$1,058,506
2nd through 12th payments due 5th of each month:	$1,058,499

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY02/03

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for FY02/03 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for FY02/03 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

Public Gathering:

The following Public Gathering rates shall apply to the City of Rancho Cucamonga when deputies and reserve deputies assigned to the City are used to provide security at City-sponsored public events and at City-sponsored public events held at City-owned facilities. Claims will be processed by use of the standard County Public Gathering Agreement.

PUBLIC GATHERING RATES

Reserve Deputy	$21.41
Deputy Sheriff	$51.33
Deputy III	$56.37
Sergeant	$63.82

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY02/03

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	11
Deputy III	-	11
Deputy Sheriff	-	73
Deputy Sheriff DARE	-	2
		100

GENERAL:		
Research Analyst	-	1.00
Forensic Specialist II	-	2.00
Sheriff's Service Specialist	-	11.00
Secretary II	-	1.00
Secretary I	-	1.00
Station Clerk	-	15.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	12.44
		45.44

VEHICLES:			
Marked Unit	-	33	
Unmarked Unit	-	20	
Mini Van Non-Code 3	-	1	
Mid-size Pickup w/MDT	-	2	
Motorcycle	-	10	
Marked 2X4	-	1	
Rapid Inc. Resp. Vehicle	-	1	(Tahoe)
Bicycle Van	-	1	
D.A.R.E. Van	-	2	
M.A.I.T. Van	-	1	
Citizen Patrol	-	4	(1-Tahoe, 3-Explorers)
		76	

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	4
Additional H.T. Radios	-	32

DONATED VEHICLES w/no equipment:		
Chevy Van	-	1
Volkswagen Beetle	-	1
Motorhome (Satellite Office)	-	1
Hummer	-	1
(Included for insurance costs only)		4

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[ ] New [X] Change [ ] Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number 94-524 A12
County Department: SHERIFF		Dept. SHR	Orgn. SHR		Contractor's License No.
County Department Contract Representative: ROD HOOPS		Telephone (909) 387-0640			Total Contract Amount $12,973,767

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$12,973,767

Project Name: Contract Law Enforcement FY 02/03

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWELFTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective November 1, 2002, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

[This page is intentionally left blank.]

COUNTY OF SAN BERNARDINO

► Fred Aguiar

Fred Aguiar, Chairman, Board of Supervisors

Dated: NOV 19 2002

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors of the County of San Bernardino

By ► Nora Hernandez
Deputy

BOARD OF SUPERVISORS SAN BERNARDINO COUNTY, CA

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► Jack Lam
(Authorized signature - sign in blue ink)

Name Jack Lam
(Print or type name of person signing contract)

Title City Manager
(Print or Type)

Dated: October 28, 2002

Address 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Reviewed for Processing
►	►	►
County Counsel, Kevin L. Norris, Deputy		Agency Administrator/CAO
Date 10/22/02	Date	Date

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY02/03

LEVEL OF SERVICE			FY02/03 COST [1]
1	-	Captain	$152,532
2	-	Lieutenant	248,288
11	-	Sergeant (1 - effective 7/1/02)	1,178,089
11	-	Deputy III	1,021,416
77	-	Deputy Sheriff (4 - effective 11/1/02)	6,499,086
2	-	Deputy Sheriff (D.A.R.E.)	171,782
2	-	Forensic Specialist II	113,212
11	-	Sheriff's Service Specialist (1 - effective 7/1/02)	511,005
1	-	Research Analyst	69,930
1	-	Secretary II	46,780
1	-	Secretary I	44,320
15	-	Station Clerk	636,960
2	-	Motor Pool Services Assistant	88,356
33	-	Marked Unit (1 - effective 7/1/02)	361,878 [2]
20	-	Unmarked Unit (1 - effective 7/1/02)	141,120 [2]
1	-	Crime Prevention Van (Non-Code 3)	4,307 [2]
2	-	Mid-size Pickup w/MDT	10,726 [2]
10	-	Motorcycle (1 - effective 7/1/02)	60,400 [2]
1	-	Marked 2X4	14,766 [2]
1	-	Rapid Incident Response Vehicle - Tahoe (Equip & Ins. Only)	1,563 [3]
1	-	Bicycle Van (Equipment & Insurance Only)	1,607 [3]
2	-	DARE Van (Equipment & Insurance Only)	3,214 [3]
1	-	MAIT Van (Equipment & Insurance Only)	1,607 [3]
4	-	Citizen Patrol (Equipment & Insurance Only)	6,164 [3]
32	-	HTs (Access & Maint Only)	11,904
		Dispatch Services	676,398
4	-	Radar Guns	2,924
		Administrative Support	68,969
		Office Automation	10,269
		Vehicle Insurance	52,391
		Personnel Liability & Bonding	332,093
		TRU - Telephone Reporting Unit	75,123
		County Administrative Cost	348,067
		Startup Costs	6,521
		TOTAL COST:	**$12,973,767** [1]

Monthly Payment Schedule:

1st payment due July 15, 2002:	$1,058,506
2nd through 4th payments due 5th of each month:	$1,058,499
5th payment due November 5, 2002:	$1,092,474
6th through 12th payments due 5th of each month:	$1,092,470

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY02/03

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for FY02/03 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for FY02/03 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

Public Gathering:

The following Public Gathering rates shall apply to the City of Rancho Cucamonga when deputies and reserve deputies assigned to the City are used to provide security at City-sponsored public events and at City-sponsored public events held at City-owned facilities. Claims will be processed by use of the standard County Public Gathering Agreement.

PUBLIC GATHERING RATES

Reserve Deputy	$21.41
Deputy Sheriff	$51.33
Deputy III	$56.37
Sergeant	$63.82

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY02/03

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	11
Deputy III	-	11
Deputy Sheriff	-	77
Deputy Sheriff DARE	-	2
		104

GENERAL:		
Research Analyst	-	1.00
Forensic Specialist II	-	2.00
Sheriff's Service Specialist	-	11.00
Secretary II	-	1.00
Secretary I	-	1.00
Station Clerk	-	15.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	12.84
		45.84

VEHICLES:			
Marked Unit	-	33	
Unmarked Unit	-	20	
Mini Van Non-Code 3	-	1	
Mid-size Pickup w/MDT	-	2	
Motorcycle	-	10	
Marked 2X4	-	1	
Rapid Inc. Resp. Vehicle	-	1	(Tahoe)
Bicycle Van	-	1	
D.A.R.E. Van	-	2	
M.A.I.T. Van	-	1	
Citizen Patrol	-	4	(1-Tahoe, 3-Explorers)
		76	

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	4
Additional H.T. Radios	-	32

DONATED VEHICLES w/no equipment:		
Chevy Van	-	1
Volkswagen Beetle	-	1
Motorhome (Satellite Office)	-	1
Hummer	-	1
(Included for insurance costs only)		4

FOR COUNTY USE ONLY

County of San Bernardino

F A S

STANDARD CONTRACT

X New / Change / Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number 94-524 A13
County Department: SHERIFF		Dept. SHR	Orgn. SHR		Contractor's License No.
County Department Contract Representative: ROD HOOPS		Telephone: (909) 387-0640			Total Contract Amount: $14,017,014
Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:					
If not encumbered or revenue contract type, provide reason:					

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$14,017,014

Project Name: Contract Law Enforcement FY 03/04

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

THIRTEENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2003, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

CB CONRanchoCucamongaLE A13

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COUNTY OF SAN BERNARDINO

► _____

Dennis Hansberger, Chairman, Board of Supervisors

Dated: OCT 21 2003

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name JACK LAM
(Print or type name of person signing contract)

Title CITY MANAGER
(Print or Type)

Dated: 10-6-03

Address 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	►	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 9-25-03	Date	Date 10-7-03

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY03/04

Less 2 DARE Officers Effective 7/1/03; Replace Blazer w/Truck Effective 10/1/03
Add 4 Deputies Effective 11/1/03

		LEVEL OF SERVICE		FY03/04 COST [1]
1	-	Captain	$	172,276
2	-	Lieutenant		264,554
11	-	Sergeant		1,257,623
11	-	Deputy III		1,093,726
81	-	Deputy Sheriff		7,333,738
2	-	Forensic II		123,888
11	-	Sheriff's Service Specialist		559,328
1	-	Research Analyst		75,908
1	-	Secretary II		50,819
1	-	Secretary		48,119
15	-	Station Clerk		691,785
2	-	Motor Pool Services Assistant		96,610
33	-	Marked Unit		386,991 [2]
20		Unmarked Unit		141,520 [2]
1.75	-	Full-size Truck w/MDC		14,791 [2]
1	-	Crime Prevention Van (Non-Code 3)		4,317 [2]
1	-	Mid-size Pickup w/MDC		6,899 [2]
10	-	Motorcycle		61,720 [2]
0.25	-	Marked 2X4		3,832 [2]
4	-	Citizen Patrol (fuel & maintenance only)		6,204 [3]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)		1,574 [3]
1	-	MAIT Van (Equipment & Insurance Only)		1,617 [3]
1	-	Bicycle Van (Equipment & Insurance Only)		1,617 [3]
2	-	DARE Van (Equipment & Insurance Only)		3,234 [3]
		Dispatch Services		802,837
4	-	Radar Unit		1,839
32	-	HTs (Access & Maint Only)		11,904
		Administrative Support		77,365
		Office Automation		10,269
		Vehicle Insurance		42,035
		Personnel Liability & Bonding		200,589
		TRU - Telephone Reporting Unit		81,581
		County Administrative Cost		381,905
		Startup Costs		4,000
		TOTAL COST:	**$**	**14,017,014** [1]

Monthly Payment Schedule:

1st payment due July 15, 2003:	$1,168,090
2nd through 12th payments due 5th of each month:	$1,168,084

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY03/04

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for FY03/04 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for FY03/04 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	11
Deputy III	-	11
Deputy Sheriff	-	81
		106

GENERAL:		
Research Analyst	-	1.00
Forensic Specialist II	-	2.00
Sheriff's Service Specialist	-	11.00
Secretary II	-	1.00
Secretary I	-	1.00
Station Clerk	-	15.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	13.43
		46.43

VEHICLES:			
Marked Unit	-	33	
Unmarked Unit	-	20	
Full-size Truck w/MDC	-	2	
Mini Van Non-Code 3	-	1	
Mid-size Pickup w/MDC	-	1	
Motorcycle	-	10	
Rapid Inc. Resp. Vehicle	-	1	(Tahoe)
M.A.I.T. Van	-	1	
Bicycle Van	-	1	
D.A.R.E. Van	-	2	
Citizen Patrol	-	4	(1-Tahoe, 3-Explorers)
		76	

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	4
Additional H.T. Radios	-	32

DONATED VEHICLES w/no equipment:		
Chevy Van	-	1
Volkswagen Beetle	-	1
Motorhome (Satellite Office)	-	1
Hummer	-	1
(Included for insurance costs only)		4

FOR COUNTY USE ONLY

County of San Bernardino

F A S

STANDARD CONTRACT

X New / Change / Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number **94-524 A14**
County Department: SHERIFF		Dept. SHR	Orgn. SHR		Contractor's License No.
County Department Contract Representative: ROD HOOPS		Telephone: (909) 387-0640			Total Contract Amount: $14,066,729

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$14,066,729

Project Name: Contract Law Enforcement FY 03/04 – Add DARE Officer 1/1/04

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

FOURTEENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective January 1, 2004, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

CB CONRanchoCucamongaLE A14

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COUNTY OF SAN BERNARDINO

► _____

Dennis Hansberger, Chairman, Board of Supervisors

Dated: DEC 16 2003

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name JACK LAM
(Print or type name of person signing contract)

Title CITY MANAGER
(Print or Type)

Dated: 11-5-03

Address 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	►	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 10-22-03	Date	Date 11-10-03

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY03/04

Add 1 DARE Officer Effective 01/01/04

LEVEL OF SERVICE			FY03/04 COST [1]
1	-	Captain	$ 172,276
2	-	Lieutenant	264,554
11	-	Sergeant	1,257,623
11	-	Deputy III	1,093,726
81	-	Deputy Sheriff	7,333,738
1		Deputy Sheriff - DARE Officer (January - June 04)	46,027
2	-	Forensic II	123,888
11	-	Sheriff's Service Specialist	559,328
1	-	Research Analyst	75,908
1	-	Secretary II	50,819
1	-	Secretary	48,119
15	-	Station Clerk	691,785
2	-	Motor Pool Services Assistant	96,610
33	-	Marked Unit	386,991 [2]
20		Unmarked Unit	141,520 [2]
1.75	-	Full-size Truck w/MDC	14,791 [2]
1	-	Crime Prevention Van (Non-Code 3)	4,317 [2]
1	-	Mid-size Pickup w/MDC	6,899 [2]
10	-	Motorcycle	61,720 [2]
0.25	-	Marked 2X4	3,832 [2]
4	-	Citizen Patrol (fuel & maintenance only)	6,204 [3]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)	1,574 [3]
1	-	MAIT Van (Equipment & Insurance Only)	1,617 [3]
1	-	Bicycle Van (Equipment & Insurance Only)	1,617 [3]
2	-	DARE Van (Equipment & Insurance Only)	3,234 [3]
		Dispatch Services	802,837
4	-	Radar Unit	1,839
32	-	HTs (Access & Maint Only)	11,904
		Administrative Support	77,792
		Office Automation	10,269
		Vehicle Insurance	42,035
		Personnel Liability & Bonding	201,457
		TRU - Telephone Reporting Unit	81,581
		County Administrative Cost	383,298
		Startup Costs	5,000
		TOTAL COST:	**$ 14,066,729** [1]

Monthly Payment Schedule:

1st payment due July 15, 2003:	$1,168,090
2nd through 6th payments due 5th of each month:	$1,168,084
7th payment due January 5, 2004:	$1,176,374
8th through 12th payments due 5th of each month:	$1,176,369

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY03/04

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for FY03/04 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for FY03/04 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	11
Deputy III	-	11
Deputy Sheriff	-	81
DARE Officer		1
		107

GENERAL:		
Research Analyst	-	1.00
Forensic Specialist II	-	2.00
Sheriff's Service Specialist	-	11.00
Secretary II	-	1.00
Secretary I	-	1.00
Station Clerk	-	15.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	13.43
		46.43

VEHICLES:			
Marked Unit	-	33	
Unmarked Unit	-	20	
Full-size Truck w/MDC	-	2	
Mini Van Non-Code 3	-	1	
Mid-size Pickup w/MDC	-	1	
Motorcycle	-	10	
Rapid Inc. Resp. Vehicle	-	1	(Tahoe)
M.A.I.T. Van	-	1	
Bicycle Van	-	1	
D.A.R.E. Van	-	2	
Citizen Patrol	-	4	(1-Tahoe, 3-Explorers)
		76	

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	4
Additional H.T. Radios	-	32

DONATED VEHICLES w/no equipment:		
Chevy Van	-	1
Volkswagen Beetle	-	1
Motorhome (Satellite Office)	-	1
Hummer	-	1
(Included for insurance costs only)		4

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[ ] New [X] Change [ ] Cancel	Vendor Code	SC / Dept. SHR / A	Contract Number	94-524 A16
County Department: SHERIFF		Dept. SHR Orgn. SHR	Contractor's License No.	
County Department Contract Representative: RICHARD BEEMER, CAPTAIN		Telephone: (909) 387-0640	Total Contract Amount	$16,195,318

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$16,195,318

Project Name: Contract Law Enforcement 2004-05

Estimated Payment Total by Fiscal Year

FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

SIXTEENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective October 1, 2004, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

cb CONRanchoCucamongaLE A16

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COUNTY OF SAN BERNARDINO

► _____
Dennis Hansberger, Chairman, Board of Supervisors

Dated: _____

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► Jack Lam
(Authorized signature - sign in blue ink)

Name Jack Lam
(Print or type name of person signing contract)

Title City Manager
(Print or Type)

Dated: 8/25/04

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91729-0807

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	► _____	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 8-12-04	Date _____	Date _____

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Eff: October 1, 2004 - Add: 3 - Marked Units, 2 - Unmarked Units and misc. equipment

LEVEL OF SERVICE				FY04/05 COST [1]
1	-	Captain	$	189,213
1	-	Lieutenant		151,664
12	-	Sergeant		1,572,446
12	-	Detective/Corporal		1,368,410
84	-	Deputy Sheriff		8,855,295
10	-	Sheriff's Service Specialist		551,680
1	-	Secretary II		54,174
1	-	Secretary		51,294
16	-	Station Clerk		786,928
1	-	Supervising Station Clerk		53,615
2	-	Motor Pool Services Assistant		104,750
36	-	Marked Unit (3 - effective 10/01/04)		427,477 [2]
22	-	Unmarked Unit (2 - effective 10/01/04)		136,009 [2]
1	-	Full-Size Truck		5,893 [2]
1	-	Crime Prevention Van (Non-Code 3)		4,317 [2]
2	-	Ford Rangers		15,184 [2]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)		1,574 [3]
10	-	Motorcycle (equip, fuel & maintenance)		67,260 [2]
1	-	MAIT Van (Equipment & Insurance Only)		1,617 [3]
4	-	Citizen Patrol (fuel & maintenance only)		6,204 [3]
1	-	Bicycle Van (Equipment & Insurance Only)		1,617 [3]
2	-	DARE Van (Equipment & Insurance Only)		3,234 [3]
		Dispatch Services		905,257
3	-	Radar Unit		1,379
43	-	HTs (10 HTs & 1 Base Station for Mall eff:10/1/04) - Access & Maint Only		14,973
		Administrative Support		90,766
		Office Automation		10,269
		Vehicle Insurance		0
		Personnel Liability & Bonding		217,261
		TRU - Telephone Reporting Unit		86,979
		County Administrative Cost		444,674
		Startup Costs		13,905
		TOTAL COST:	**$**	**16,195,318** [1]

Monthly Payment Schedule:

1st payment due July 15, 2004:	$1,345,715
2nd and 3rd payments due 5th of each month:	$1,345,714
4th payment due 5th of the month:	$1,350,911
5th through 12th payments due 5th of each month:	$1,350,908

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2004-05 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for 2004-05 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	1
Sergeant	-	12
Deputy III	-	12
Deputy Sheriff	-	84
		110

GENERAL:		
Sheriff's Service Specialist	-	10.00
Secretary II	-	1.00
Secretary I	-	1.00
Supervising Station Clerk	-	1.00
Station Clerk	-	16.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	14.22
		45.22

VEHICLES:			
Marked Unit	-	36	
Unmarked Unit	-	22	
Full-size Truck w/MDC	-	1	
Mini Van Non-Code 3	-	1	
Mid-size Pickup w/MDC	-	2	
Motorcycle	-	10	
Rapid Inc. Resp. Vehicle	-	1	
M.A.I.T. Van	-	1	(Tahoe)
Bicycle Van	-	1	
D.A.R.E. Van	-	2	
Citizen Patrol	-	4	(1-Tahoe, 3-Explorers)
		81	

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	3
Additional H.T. Radios	-	43

DONATED VEHICLES w/out equipment:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Satellite Office)	-	1 *
Hummer	-	1 *
		4

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[X] New / [ ] Change / [ ] Cancel	Vendor Code	SC Dept. SHR A		Contract Number **94-524 A15**
County Department: SHERIFF		Dept. SHR	Orgn. SHR	Contractor's License No.
County Department Contract Representative: RICHARD BEEMER, CAPTAIN		Telephone: (909) 387-0640		Total Contract Amount: $16,148,569

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$16,148,569

Project Name: Contract Law Enforcement 2004-05

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

FIFTEENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2004, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

cb CONRanchoCucamongaLE A15

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COUNTY OF SAN BERNARDINO

► _____

Dennis Hansberger, Chairman, Board of Supervisors

Dated: JUL 13 2004

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name JACK LAM
(Print or type name of person signing contract)

Title CITY MANAGER
(Print or Type)

Dated: 6-15-04

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91729-0807

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	►	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 6-24-04	Date	Date 6/25/04

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

LEVEL OF SERVICE			FY04/05 COST [1]
1	-	Captain	$ 189,213
1	-	Lieutenant	151,664
12	-	Sergeant	1,572,446
12	-	Detective/Corporal	1,368,410
84	-	Deputy Sheriff	8,855,295
10	-	Sheriff's Service Specialist	551,680
1	-	Secretary II	54,174
1	-	Secretary	51,294
16	-	Station Clerk	786,928
1	-	Supervising Station Clerk	53,615
2	-	Motor Pool Services Assistant	104,750
33	-	Marked Unit	400,191 [2]
20	-	Unmarked Unit	126,520 [2]
1	-	Full-Size Truck	5,893 [2]
1	-	Crime Prevention Van (Non-Code 3)	4,317 [2]
2	-	Ford Rangers	15,184 [2]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)	1,574 [3]
10	-	Motorcycle (equip, fuel & maintenance)	67,260 [2]
1	-	MAIT Van (Equipment & Insurance Only)	1,617 [3]
4	-	Citizen Patrol (fuel & maintenance only)	6,204 [3]
1	-	Bicycle Van (Equipment & Insurance Only)	1,617 [3]
2	-	DARE Van (Equipment & Insurance Only)	3,234 [3]
		Dispatch Services	905,257
3	-	Radar Unit	1,379
32	-	HTs (Access & Maint Only)	11,904
		Administrative Support	90,766
		Office Automation	10,269
		Vehicle Insurance	0
		Personnel Liability & Bonding	217,261
		TRU - Telephone Reporting Unit	86,979
		County Administrative Cost	444,674
		Startup Costs	7,000
		TOTAL COST:	**$ 16,148,569** [1]

Monthly Payment Schedule:

1st payment due July 15, 2004:	$1,345,715
2nd through 12th payments due 5th of each month:	$1,345,714

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2004-05 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for 2004-05 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	1
Sergeant	-	12
Deputy III	-	12
Deputy Sheriff	-	84
		110

GENERAL:		
Sheriff's Service Specialist	-	10.00
Secretary II	-	1.00
Secretary I	-	1.00
Supervising Station Clerk	-	1.00
Station Clerk	-	16.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	14.22
		45.22

VEHICLES:			
Marked Unit	-	33	
Unmarked Unit	-	20	
Full-size Truck w/MDC	-	1	
Mini Van Non-Code 3	-	1	
Mid-size Pickup w/MDC	-	2	
Motorcycle	-	10	
Rapid Inc. Resp. Vehicle	-	1	
M.A.I.T. Van	-	1	(Tahoe)
Bicycle Van	-	1	
D.A.R.E. Van	-	2	
Citizen Patrol	-	4	(1-Tahoe, 3-Explorers)
		76	

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	3
Additional H.T. Radios	-	32

DONATED VEHICLES w/out equipment:		
Chevy Van	-	1
Volkswagen Beetle	-	1
Motorhome (Satellite Office)	-	1
Hummer	-	1
		4

(Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

New / Change / Cancel	Vendor Code	Dept.	Contract Number
X Change		SC SHR A	94-524 A16

County Department	Dept.	Orgn.	Contractor's License No.
SHERIFF	SHR	SHR	

County Department Contract Representative	Telephone	Total Contract Amount
RICHARD BEEMER, CAPTAIN	(909) 387-0640	$16,195,318

Contract Type

[X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$16,195,318

Project Name: Contract Law Enforcement 2004-05

Estimated Payment Total by Fiscal Year

FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

SIXTEENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective October 1, 2004, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

cb CONRanchoCucamongaLE A16

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COUNTY OF SAN BERNARDINO

► _____
Dennis Hansberger, Chairman, Board of Supervisors

Dated: SEP 14 2004

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name Jack Lam
(Print or type name of person signing contract)

Title City Manager
(Print or Type)

Dated: 8/25/04

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91729-0807

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	►	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 8-2-04	Date	Date 8/27/04

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Eff: October 1, 2004 - Add: 3 - Marked Units, 2 - Unmarked Units and misc. equipment

LEVEL OF SERVICE				FY04/05 COST [1]
1	-	Captain	$	189,213
1	-	Lieutenant		151,664
12	-	Sergeant		1,572,446
12	-	Detective/Corporal		1,368,410
84	-	Deputy Sheriff		8,855,295
10	-	Sheriff's Service Specialist		551,680
1	-	Secretary II		54,174
1	-	Secretary		51,294
16	-	Station Clerk		786,928
1	-	Supervising Station Clerk		53,615
2	-	Motor Pool Services Assistant		104,750
36	-	Marked Unit (3 - effective 10/01/04)		427,477 [2]
22	-	Unmarked Unit (2 - effective 10/01/04)		136,009 [2]
1	-	Full-Size Truck		5,893 [2]
1	-	Crime Prevention Van (Non-Code 3)		4,317 [2]
2	-	Ford Rangers		15,184 [2]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)		1,574 [3]
10	-	Motorcycle (equip, fuel & maintenance)		67,260 [2]
1	-	MAIT Van (Equipment & Insurance Only)		1,617 [3]
4	-	Citizen Patrol (fuel & maintenance only)		6,204 [3]
1	-	Bicycle Van (Equipment & Insurance Only)		1,617 [3]
2	-	DARE Van (Equipment & Insurance Only)		3,234 [3]
		Dispatch Services		905,257
3	-	Radar Unit		1,379
43	-	HTs (10 HTs & 1 Base Station for Mall eff:10/1/04) - Access & Maint Only		14,973
		Administrative Support		90,766
		Office Automation		10,269
		Vehicle Insurance		0
		Personnel Liability & Bonding		217,261
		TRU - Telephone Reporting Unit		86,979
		County Administrative Cost		444,674
		Startup Costs		13,905
		TOTAL COST:	**$**	**16,195,318** [1]

Monthly Payment Schedule:

1st payment due July 15, 2004:	$1,345,715
2nd and 3rd payments due 5th of each month:	$1,345,714
4th payment due 5th of the month:	$1,350,911
5th through 12th payments due 5th of each month:	$1,350,908

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2004-05 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for 2004-05 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	1
Sergeant	-	12
Deputy III	-	12
Deputy Sheriff	-	84
		110

GENERAL:		
Sheriff's Service Specialist	-	10.00
Secretary II	-	1.00
Secretary I	-	1.00
Supervising Station Clerk	-	1.00
Station Clerk	-	16.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	14.22
		45.22

VEHICLES:			
Marked Unit	-	36	
Unmarked Unit	-	22	
Full-size Truck w/MDC	-	1	
Mini Van Non-Code 3	-	1	
Mid-size Pickup w/MDC	-	2	
Motorcycle	-	10	
Rapid Inc. Resp. Vehicle	-	1	
M.A.I.T. Van	-	1	(Tahoe)
Bicycle Van	-	1	
D.A.R.E. Van	-	2	
Citizen Patrol	-	4	(1-Tahoe, 3-Explorers)
		81	

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	3
Additional H.T. Radios	-	43

DONATED VEHICLES w/out equipment:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Satellite Office)	-	1 *
Hummer	-	1 *
		4

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[X] New / [ ] Change / [ ] Cancel	Vendor Code	SC / Dept. SHR / A		Contract Number: **94-524 A17**
County Department: SHERIFF		Dept.: SHR	Orgn.: SHR	Contractor's License No.
County Department Contract Representative: DENNIS J. CASEY, CAPTAIN		Telephone: (909) 387-0640		Total Contract Amount: $16,040,774

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$16,040,774

Project Name: Contract Law Enforcement 2004-05

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga — hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 — Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

SEVENTEENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective February 1, 2005, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

CB CONRanchoCucamongaLE A17

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COUNTY OF SAN BERNARDINO

►

Bill Postmus, Chairman, Board of Supervisors

Dated: FEB 8 2005

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors
of the County of San Bernardino.

By ► Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ►
(Authorized signature - sign in blue ink)

Name Jack Lam
(Print or type name of person signing contract)

Title City manager
(Print or Type)

Dated: 1-31-05

Address 10500 Civic Center Drive

Rancho Cucamonga, CA 91729-0807

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
►	►	►
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 1-24-05	Date	Date 01/27/05

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Eff: February 1, 2005 - Add 2 Deputys, 6 SSSs, 3 Mid-size trucks w/MDCs & 2 Motors

LEVEL OF SERVICE				FY04/05 COST [1]
1	-	Captain	$	183,830
1	-	Lieutenant		147,400
12	-	Sergeant		1,528,634
12	-	Detective/Corporal		1,330,442
86	-	Deputy Sheriff (2 - effective 02/01/05)		8,698,656
16	-	Sheriff's Service Specialist (6 - effective 02/01/05)		680,775
1	-	Secretary II		53,453
1	-	Secretary		50,618
16	-	Station Clerk		776,560
1	-	Supervising Station Clerk		52,903
2	-	Motor Pool Services Assistant		103,426
36	-	Marked Unit (3 - effective 10/01/04)		427,477 [2]
22	-	Unmarked Unit (2 - effective 10/01/04)		136,009 [2]
1	-	Full-Size Truck		5,893 [2]
1	-	Crime Prevention Van (Non-Code 3)		4,317 [2]
5	-	Ford Ranger w/MDC (3 - effective 02/01/05)		24,674 [2]
1	-	Rapid Incident Response Vehicle-Tahoe w/MDC (Equip & Ins. Only)		1,574 [3]
12	-	Motorcycle		72,865 [2]
1	-	MAIT Van (Equipment & Insurance Only)		1,617 [3]
4	-	Citizen Patrol (Equip & Insurance only)		6,204 [3]
1	-	Bicycle Van (Equipment & Insurance Only)		1,617 [3]
2	-	SRO Van (Equipment & Insurance Only)		3,624 [3]
		Dispatch Services		901,053
3	-	Radar Unit		1,379
43	-	HTs (10 HTs & 1 Base Station for Mail eff:10/1/04) - Access & Maint Only		14,973
		Administrative Support		90,346
		Office Automation		10,269
		Vehicle Insurance		0
		Personnel Liability & Bonding		220,136
		TRU - Telephone Reporting Unit		42,915
		County Administrative Cost		439,230
		Startup Costs		27,905
		TOTAL COST (with reduced retirement rate):	**$**	**16,040,774** [1]

Monthly Payment Schedule:

1st payment due July 15, 2004:	$1,345,715
2nd and 3rd payments due 5th of each month:	$1,345,714
4th payment due 5th of the month:	$1,350,911
5th through 7th payments due 5th of each month:	$1,350,908
Applied Credits for Jul - Jan (reduction in retirement contribution rate)	($202,039)
8th through 12th payments due 5th of each month:	$1,360,407

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2004-05 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for 2004-05 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	1
Sergeant	-	12
Deputy III	-	12
Deputy Sheriff	-	86
		112

GENERAL:		
Sheriff's Service Specialist	-	16.00
Secretary II	-	1.00
Secretary I	-	1.00
Supervising Station Clerk	-	1.00
Station Clerk	-	16.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	14.35
		51.35

VEHICLES:		
Marked Unit	-	36
Unmarked Unit	-	22
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	5
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
M.A.I.T. Van	-	1
Bicycle Van	-	1
SRO Van	-	2
Citizen Patrol (1 - Tahoe, 3 - Explorers)	-	4
		86

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	3
Additional H.T. Radios	-	43

DONATED VEHICLES w/out equipment:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Satellite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
		8

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[X] New / [ ] Change / [ ] Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number: **94-524 A-18**
County Department: SHERIFF		Dept. SHR	Orgn. SHR		Contractor's License No.
County Department Contract Representative: DENNIS J. CASEY, CAPTAIN		Telephone: (909) 387-0640			Total Contract Amount: $19,397,125

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$19,397,125

Project Name: Contract Law Enforcement 2005-06

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

EIGHTEENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2005, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

CB CONRanchoLE A18

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COUNTY OF SAN BERNARDINO

► _____
Bill Postmus, Chairman, Board of Supervisors

Dated: JUL 12 2005

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorizedsignature - sign in blue ink)

Name Jack Lam
(Print or type name of person signing contract)

Title City Manager
(Printor Type)

Dated: 7/6/05

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	►	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 6-30-05	Date	Date 7/08/05

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2005-06

Eff: 07/1/05 - Add: 1-Lt, 2-Det/Corp, 2-Deps, 1-SSS, 4 Mrkd Units, 3-Unmrkd Units, 1-pickup w/MDC
Eff: 10/1/05 - Add 4 Deps Eff: 1/1/06 - Add 3 Deps

LEVEL OF SERVICE				FY05/06 COST [1]
1	-	Captain	$	206,605
2	-	Lieutenant (1 - effective 7/1/05)		326,220
12	-	Sergeant		1,691,484
14	-	Detective/Corporal (2 - effective 7/1/05)		1,716,582
85	-	Deputy Sheriff (2 - eff 7/1/05, 4 - eff 10/1/05, 3 - eff 1/1/06)		9,344,940
10	-	Deputy Sheriff - Motorcycle		1,182,410
17	-	Sheriff's Service Specialist (1 - effective 7/1/05)		1,013,863
2	-	Secretary		107,900
16	-	Office Specialist (Formerly Station Clerk)		863,200
1	-	Supervising Office Specialist (Formerly Supervising Station Clerk)		63,950
2	-	Motor Pool Services Assistant		112,742
40	-	Marked Unit (4 - effective 7/1/05)		485,080 [2]
25	-	Unmarked Unit (3 - effective 7/1/05)		158,150 [2]
1	-	Full-Size Truck w/MDC		9,145 [2]
1	-	Crime Prevention Van (Non-Code 3)		4,317 [2]
6	-	Ford Ranger w/MDC (1 - effective 7/1/05)		43,752 [2]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)		1,574 [3]
12	-	Motorcycle		94,548 [2]
1	-	MAIT Van (Equipment & Insurance Only)		1,617 [3]
4	-	Citizen Patrol (Equip & Insurance only)		6,204 [3]
1	-	Bicycle Van (Equipment & Insurance Only)		1,617 [3]
2	-	SRO Van (Equipment & Insurance Only)		3,624 [3]
		Dispatch Services		1,058,564
3	-	Radar Unit		1,379
43	-	HTs (Includes 1 Base Station for Mall) - Access & Maint Only		15,996
		Administrative Support		105,755
		Office Automation		10,269
		Vehicle Insurance		23,515
		Personnel Liability & Bonding		188,883
		TRU - Telephone Reporting Unit		0
		County Administrative Cost		533,826
		Startup Costs		19,414
		TOTAL COST:	**$**	**19,397,125** [1]

Monthly Payment Schedule:

1st payment due July 15, 2005:	$1,616,428
2nd through 12th payments due 5th of each month:	$1,616,427

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2005-06

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2005-06 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2005-06 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:

Captain	-	1
Lieutenant	-	2
Sergeant	-	12
Deputy III	-	14
Deputy Sheriff	-	85
Deputy Sheriff - Motor	-	10
		124

GENERAL:

Sheriff's Service Specialist	-	16.00
Secretary I	-	2.00
Supervising Station Clerk	-	1.00
Station Clerk	-	16.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	15.78
		52.78

VEHICLES:

Marked Unit	-	40
Unmarked Unit	-	25
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	5
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
M.A.I.T. Van	-	1
Bicycle Van	-	1
SRO Van	-	2
Citizen Patrol (1 - Tahoe, 3 - Explorers)	-	4
		93

MISCELLANEOUS EQUIPMENT:

Radar Gun	-	3
Additional H.T. Radios	-	43

DONATED VEHICLES w/out equipment:

Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Satellite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
		8

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[ ] New [X] Change [ ] Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number **94-524 A-19**
County Department: SHERIFF		Dept. SHR	Orgn. SHR		Contractor's License No.
County Department Contract Representative: DENNIS J. CASEY, CAPTAIN		Telephone: (909) 387-0640			Total Contract Amount: $19,507,931

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$19,507,931

Project Name: Contract Law Enforcement 2005-06

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

NINETEENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective February 1, 2006, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

CB CONRanchoLE A19.DOC

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COUNTY OF SAN BERNARDINO

▶ _____

Bill Postmus, Chairman, Board of Supervisors

Dated: JAN 3 1 2006

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____

City of Rancho Cucamonga

(Print or type name of corporation, company, contractor, etc.)

By ▶ _____

(Authorized signature - sign in blue ink)

Name Jack Lam

(Print or type name of person signing contract)

Title City Manager

(Print or Type)

Dated: January 12, 2006

Address 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
▶ _____	▶ _____	▶ _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 1-9-06	Date _____	Date 01/10/06

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2005-06

Eff: 02/1/06 - Add: 2-Deps

LEVEL OF SERVICE			FY05/06 COST [1]
1	-	Captain	$ 206,605
2	-	Lieutenant (1 - effective 7/1/05)	326,220
12	-	Sergeant	1,691,484
14	-	Detective/Corporal (2 - effective 7/1/05)	1,716,582
87	-	Deputy Sheriff (2-eff 7/1/05, 4-eff 10/1/05, 3-eff 1/1/06, 2-eff 2/1/06)	9,439,333
10	-	Deputy Sheriff - Motorcycle	1,182,410
17	-	Sheriff's Service Specialist (1 - effective 7/1/05)	1,013,863
2	-	Secretary	107,900
16	-	Office Specialist (Formerly Station Clerk)	863,200
1	-	Supervising Office Specialist (Formerly Supervising Station Clerk)	63,950
2	-	Motor Pool Services Assistant	112,742
40	-	Marked Unit (4 - effective 7/1/05)	485,080 [2]
25	-	Unmarked Unit (3 - effective 7/1/05)	158,150 [2]
1	-	Full-Size Truck w/MDC	9,145 [2]
1	-	Crime Prevention Van (Non-Code 3)	4,317 [2]
6	-	Ford Ranger w/MDC (1 - effective 7/1/05)	43,752 [2]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)	1,574 [3]
12	-	Motorcycle	94,548 [2]
1	-	MAIT Van (Equipment & Insurance Only)	1,617 [3]
4	-	Citizen Patrol (Equip & Insurance only)	6,204 [3]
1	-	Bicycle Van (Equipment & Insurance Only)	1,617 [3]
2	-	SRO Van (Equipment & Insurance Only)	3,624 [3]
		Dispatch Services	1,066,843
3	-	Radar Unit	1,379
43	-	HTs (Includes 1 Base Station for Mall) - Access & Maint Only	15,996
		Administrative Support	106,582
		Office Automation	10,269
		Vehicle Insurance	23,515
		Personnel Liability & Bonding	190,085
		County Administrative Cost	536,931
		Startup Costs	22,414
		TOTAL COST:	**$ 19,507,931** [1]

Monthly Payment Schedule:

1st payment due July 15, 2005:	$1,616,428
2nd through 7th payments due 5th of each month:	$1,616,427
8th payment due the 5th of February:	$1,638,589
9th through 12th payments due 5th of each month:	$1,638,588

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2005-06

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2005-06 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2005-06 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	12
Deputy III	-	14
Deputy Sheriff	-	87
Deputy Sheriff - Motor	-	10
		126

GENERAL:		
Sheriff's Service Specialist	-	16.00
Secretary I	-	2.00
Supervising Station Clerk	-	1.00
Station Clerk	-	16.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	15.90
		52.90

VEHICLES:		
Marked Unit	-	40
Unmarked Unit	-	25
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	5
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
M.A.I.T. Van	-	1
Bicycle Van	-	1
SRO Van	-	2
Citizen Patrol (1 - Tahoe, 3 - Explorers)	-	4
		93

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	3
Additional H.T. Radios	-	43

DONATED VEHICLES w/out equipment:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Satellite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
		8

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY **ORIGINAL**

New / Change / Cancel	Vendor Code	Dept.	Contract Number
X Change		SC SHR A	94-524 A-21

County Department	Dept.	Orgn.	Contractor's License No.
SHERIFF	SHR	SHR	

County Department Contract Representative	Telephone	Total Contract Amount
DENNIS J. CASEY, CAPTAIN	(909) 387-0640	$22,428,328

Contract Type

☒ Revenue ☐ Encumbered ☐ Unencumbered ☐ Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
				$22,428,328

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$22,428,328

Project Name: Contract Law Enforcement 2006-07

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-FIRST AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective February 1, 2007, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

WB CONRanchoLE A21

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COUNTY OF SAN BERNARDINO

► _____

Bill Postmus, Chairman, Board of Supervisors

Dated: DEC 1 2 2006

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name Jack Lam
(Print or type name of person signing contract)

Title City Manager
(Print or Type)

Dated: November 30, 2006

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	► _____	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 11-27-06	Date	Date 11/30/06

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2006-07

Eff: 02/01/07 - Add 1 Sergeant, 1 SSS, 2 Office Specialists

LEVEL OF SERVICE				FY2006-07 COST [1]
1	-	Captain	$	237,494
2	-	Lieutenant		346,740
13	-	Sergeant (1-Effective 2/1/07)		1,873,710
15	-	Detective/Corporal		1,964,954
92	-	Deputy Sheriff		11,037,729
10	-	Deputy Sheriff - Motorcycle		1,255,649
19	-	Sheriff's Service Specialist (1-Effective 2/1/07)		1,153,567
1	-	Supv Office Specialist		71,192
1	-	Crime Analyst		88,248
2	-	Secretary		112,717
18	-	Office Specialist (Formerly Station Clerk) (2-Effective 2/1/07)		948,706
2	-	Motor Pool Services Assistant		119,831
44	-	Marked Unit		548,508 [2]
27	-	Unmarked Unit		179,012 [2]
1	-	Mini Van (Non-Code 3)		4,443 [2]
6	-	Mid-size Pickup		24,462 [2]
1	-	Full Size Pickup		6,005 [2]
1	-	Rapid Incident Response Vehicle (Equip Only)		1,705 [3]
12	-	Motorcycle		94,933 [2]
4	-	Citizen Patrol		6,972 [3]
1	-	Suburban (Homeland Security, Effective 12/1/06)		995 [3]
2	-	Bicycle & MAIT Van		3,486 [3]
2	-	SRO Van		4,214 [3]
		Dispatch Services		1,215,926
3	-	Radar Unit		1,379
43	-	HTs (Access & Maint Only)		17,632
8	-	Additional MDCs (1-Effective12/1/06)		18,056
		Administrative Support		117,234
		Office Automation		10,269
		Vehicle Insurance		29,912
		Personnel Liability & Bonding		259,001
		County Administrative Cost		616,311
		Startup Costs		57,336
		TOTAL COST:	**$**	**22,428,328** [1]

Monthly Payment Schedule:

1st payment due July 15, 2006:	$1,856,715
2nd through 7th payments due 5th of each month:	$1,856,708
8th through 12th payments due 5th of each month:	$1,886,273

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair) and replacement of any destroyed vehicles. If the vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset the City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2006-07

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2006-07 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2006-07 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	13
Deputy III	-	15
Deputy Sheriff	-	92
Deputy Sheriff - Motor	-	10
		133

GENERAL:		
Crime Analyst	-	1.00
Sheriff's Service Specialist	-	19.00
Secretary I	-	2.00
Supervising Office Specialist	-	1.00
Office Specialist	-	18.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	17.33
		60.33

VEHICLES:		
Marked Unit	-	44
Unmarked Unit	-	27
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	6
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
Bicycle & MAIT Van	-	2
SRO Van	-	2
Citizen Patrol (1 - Tahoe, 3 - Explorers)	-	4
Suburban(Home Sec)	-	1
		101

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	3
Additional H.T. Radios	-	43

DONATED VEHICLES w/out equipment:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Satellite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
		8

* (Included for insurance costs only)

ORIGINAL

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[ ] New [X] Change [ ] Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number **94-524 A-20**
County Department: SHERIFF		Dept. SHR	Orgn. SHR		Contractor's License No.
County Department Contract Representative: DENNIS J. CASEY, CAPTAIN		Telephone: (909) 387-0640			Total Contract Amount: $22,280,503

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
				$22,280,503

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$22,280,503

Project Name: Contract Law Enforcement 2006-07

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTIETH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2006, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

CB CONRanchoLE A20.DOC

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COUNTY OF SAN BERNARDINO

► _____
Bill Postmus, Chairman, Board of Supervisors

Dated: JUN 06 2006

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____ Deputy
JUN 06 2006

Approved as to Legal Form
► _____
County Counsel, by Kevin L. Norris, Deputy
Date 5-23-06

Reviewed by Contract Compliance
►
Date

Presented to BOS for Signature
► _____
Department Head
Date 5/24/06

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name JACK LAM
(Print or type name of person signing contract)

Title CITY MANAGER
(Print or Type)

Dated: 5-25-06

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2006-07

Eff: 07/01/06 - Add 1 Detective, 5 Deputies, 1 Crime Analyst, 1 SSS
4 Marked & 2 Unmarked Units

LEVEL OF SERVICE			FY2006-07 COST [1]
1	-	Captain	$ 237,494
2	-	Lieutenant	346,740
12	-	Sergeant	1,810,829
15	-	Detective/Corporal	1,964,954
92	-	Deputy Sheriff	11,037,729
10	-	Deputy Sheriff - Motorcycle	1,255,649
18	-	Sheriff's Service Specialist	1,127,466
1	-	Supv Office Specialist	71,192
1	-	Crime Analyst	88,248
2	-	Secretary	112,717
16	-	Office Specialist (Formerly Station Clerk)	901,736
2	-	Motor Pool Services Assistant	119,831
44	-	Marked Unit	548,508 [2]
27	-	Unmarked Unit	179,012 [2]
1	-	Mini Van (Non-Code 3)	4,443 [2]
6	-	Mid-size Pickup	24,462 [2]
1	-	Full Size Pickup	6,005 [2]
1	-	Rapid Incident Response Vehicle (Equip Only)	1,705 [3]
12	-	Motorcycle	94,933 [2]
4	-	Citizen Patrol	6,972 [3]
2	-	Bicycle & MAIT Van	3,486 [3]
2	-	SRO Van	4,214 [3]
		Dispatch Services	1,215,926
3	-	Radar Unit	1,379
43	-	HTs (Access & Maint Only)	17,632
7	-	Additional MDCs	16,667
		Administrative Support	117,234
		Office Automation	10,269
		Vehicle Insurance	29,849
		Personnel Liability & Bonding	258,153
		County Administrative Cost	612,232
		Startup Costs	52,836
		TOTAL COST:	**$ 22,280,503** [1]

Monthly Payment Schedule:

1st payment due July 15, 2006:	$1,856,715
2nd through 12th payments due 5th of each month:	$1,856,708

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair) and replacement of any destroyed vehicles. If the vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset the City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2006-07

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2006-07 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2006-07 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	12
Deputy III	-	15
Deputy Sheriff	-	92
Deputy Sheriff - Motor	-	10
		132

GENERAL:		
Sheriff's Service Specialist	-	18.00
Secretary I	-	2.00
Supervising Office Specialist	-	1.00
Office Specialist	-	16.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	17.33
		56.33

VEHICLES:		
Marked Unit	-	44
Unmarked Unit	-	27
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	6
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
Bicycle & MAIT Van	-	2
SRO Van	-	2
Citizen Patrol (1 - Tahoe, 3 - Explorers)	-	4
		100

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	3
Additional H.T. Radios	-	43

DONATED VEHICLES w/out equipment:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Satellite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
		8

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

New / Change / Cancel	Vendor Code		Dept.		Contract Number
X Change		SC	SHR	A	94-524 A-23

County Department	Dept.	Orgn.	Contractor's License No.
SHERIFF	SHR	SHR	

County Department Contract Representative	Telephone	Total Contract Amount
DENNIS J. CASEY, CAPTAIN	(909) 387-0640	$25,400,891

Contract Type

[X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
				$25,400,891

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$25,400,891
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount

Project Name: Contract Law Enforcement 2007-08

Estimated Payment Total by Fiscal Year

FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-THIRD AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective March 15, 2008, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

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COUNTY OF SAN BERNARDINO

► _____

Paul Biane, Chairman, Board of Supervisors

Dated: FEB 1 2 2008

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Dena M. Smith
Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____ Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name Jack Lam
(Print or type name of person signing contract)

Title City Manager
(Print or Type)

Dated: 1-22-08

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Agreement No. 94-524 A23

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	► _____	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 1-25-08	Date _____	Date 01/23/08

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2007-08

Additions: 1-Detective & 1-Deputy effective 3/15/08

LEVEL OF SERVICE				FY2007-08 COST [1]	
1	-	Captain	$	255,309	
2	-	Lieutenant		369,986	
13	-	Sergeant		2,094,684	
16	-	Detective/Corporal (1-effective 3/15/08)		2,110,421	
101	-	Deputy Sheriff (1-effective 3/15/08)		12,690,146	
10	-	Deputy Sheriff - Motorcycle		1,315,633	
20	-	Sheriff's Service Specialist		1,300,220	
1	-	Supv Office Specialist		69,307	
1	-	Crime Analyst		90,586	
2	-	Secretary		116,554	
18	-	Office Specialist (Formerly Station Clerk)		1,048,988	
2	-	Motor Pool Services Assistant		120,756	
47	-	Marked Unit		619,319	[2]
29	-	Unmarked Unit		208,075	[2]
1	-	Mini Van (Non-Code 3)		4,837	[2]
6	-	Mid-size Pickup		26,226	[2]
1	-	Full Size Pickup		6,299	[2]
1	-	Rapid Incident Response Vehicle (Equip Only)		2,004	[3]
12	-	Motorcycle		98,856	[2]
1	-	Suburban (Homeland Security)		2,004	[3]
4	-	Citizen Patrol		8,148	[3]
2	-	Bicycle & MAIT Van		4,074	[3]
2	-	SRO Van		4,778	[3]
		Dispatch Services		1,348,427	
51	-	HTs (Access & Maint Only)		24,480	
8	-	Additional MDCs		21,680	
143	-	Taser Replacement (Amortized over 4-years)		40,612	
		Administrative Support		118,761	
		Office Automation		59,183	
		Vehicle Insurance		79,080	
		Personnel Liability & Bonding		414,876	
		County Administrative Cost		691,493	
		Startup Costs		35,089	
		TOTAL COST:	**$**	**25,400,891**	[1]

Monthly Payment Schedule:

1st payment due July 15, 2007:	$2,109,473
2nd through 8th payments due 5th of each month:	$2,109,469
9th payment due March 15, 2008:	$2,131,286
10th through 12th payments due 5th of each month:	$2,131,283

1 Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

2 Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair) and replacement of any destroyed vehicles. If the vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset the City's cost.

3 Donated vehicles. The City is responsible for fuel and mainteance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2007-08

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2007-08 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2007-08 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	13
Detective/Corporal	-	16
Deputy Sheriff	-	101
Deputy Sheriff - Motor	-	10
Deputy Sheriff - SRO	-	0
Deputy Sheriff - DARE	-	0
		143

GENERAL:		
Crime Analyst	-	1.00
Crime Scene Specialist I	-	0.00
Sheriff's Service Specialist	-	20.00
Secretary I	-	2.00
Supervising Office Specialist	-	1.00
Office Specialist	-	18.00
Office Assistant	-	0.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	18.52
		62.52

VEHICLES:		
Marked Unit	-	47
CV- Slick Top	-	0
Unmarked Unit	-	29
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	6
Suburban(Homeland SEC)	-	1
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
Bicycle & MAIT Van	-	2
SRO Van	-	2
Citizen Patrol	-	4
		106

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	14
Additional H.T. Radios	-	51

DONATED VEHICLES:		
Chevy Van	-	1
Volkswagen Beetle	-	1 *
Motorhome (Satelite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
Motorcycle Trailer	-	1 *
		9 *

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[ ] New [X] Change [ ] Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number **94-524 A-22**
County Department: SHERIFF		Dept. SHR	Orgn. SHR		Contractor's License No.
County Department Contract Representative: DENNIS J. CASEY, CAPTAIN		Telephone: (909) 387-0640			Total Contract Amount: $25,313,632

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
				$25,313,632

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$25,313,632

Project Name: Contract Law Enforcement 2007-08

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-SECOND AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2007, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

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COUNTY OF SAN BERNARDINO

► _____

Paul Biane, Chairman, Board of Supervisors

Dated: JUL 24 2007

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Dena M. Smith
Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____
Deputy

agreement no 94-524 A22

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name JACK LAM
(Print or type name of person signing contract)

Title CITY MANAGER
(Print or Type)

Dated: JULY 2, 2007

Address 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	► _____	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 7-5-07	Date _____	Date 7/05/07

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2007-08

Additions: 8-Deputies, 1-SSS, 3-Marked Units, 2-Unmarked Units
1-trailer (insurance only)

LEVEL OF SERVICE			FY2007-08 COST [1]
1	-	Captain	$ 255,309
2	-	Lieutenant	369,986
13	-	Sergeant	2,094,684
15	-	Detective/Corporal	2,073,105
100	-	Deputy Sheriff (8-effective 7/1/07)	12,655,975
10	-	Deputy Sheriff - Motorcycle	1,315,633
20	-	Sheriff's Service Specialist (1-effective 7/1/07)	1,300,220
1	-	Supv Office Specialist	69,307
1	-	Crime Analyst	90,586
2	-	Secretary	116,554
18	-	Office Specialist (Formerly Station Clerk)	1,048,988
2	-	Motor Pool Services Assistant	120,756
47	-	Marked Unit (3-effective 7/1/07)	619,319 [2]
29	-	Unmarked Unit (2-effective 7/1/07)	208,075 [2]
1	-	Mini Van (Non-Code 3)	4,837 [2]
6	-	Mid-size Pickup	26,226 [2]
1	-	Full Size Pickup	6,299 [2]
1	-	Rapid Incident Response Vehicle (Equip Only)	2,004 [3]
12	-	Motorcycle	98,856 [2]
1	-	Suburban (Homeland Security)	2,004 [3]
4	-	Citizen Patrol	8,148 [3]
2	-	Bicycle & MAIT Van	4,074 [3]
2	-	SRO Van	4,778 [3]
		Dispatch Services	1,342,627
51	-	HTs (Access & Maint Only)	24,480
8	-	Additional MDCs	21,680
143	-	Taser Replacement (Amortized over 4-years)	40,612
		Administrative Support	118,250
		Office Automation	59,183
		Vehicle Insurance	79,080
		Personnel Liability & Bonding	413,363
		County Administrative Cost	689,159
		Startup Costs	29,475
		TOTAL COST:	**$ 25,313,632** [1]

Monthly Payment Schedule:

1st payment due July 15, 2007:	$2,109,473
2nd through 12th payments due 5th of each month:	$2,109,469

1 Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

2 Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair) and replacement of any destroyed vehicles. If the vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset the City's cost.

3 Donated vehicles. The City is responsible for fuel and mainteance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2007-08

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2007-08 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2007-08 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	13
Detective/Corporal	-	15
Deputy Sheriff	-	100
Deputy Sheriff - Motor	-	10
Deputy Sheriff - SRO	-	0
Deputy Sheriff - DARE	-	0
		141

GENERAL:		
Crime Analyst	-	1.00
Crime Scene Specialist I	-	0.00
Sheriff's Service Specialist	-	20.00
Secretary I	-	2.00
Supervising Office Specialist	-	1.00
Office Specialist	-	18.00
Office Assistant	-	0.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	18.52
		62.52

VEHICLES:		
Marked Unit	-	47
CV- Slick Top	-	0
Unmarked Unit	-	29
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	6
Suburban(Homeland SEC)	-	1
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
Bicycle & MAIT Van	-	2
SRO Van	-	2
Citizen Patrol	-	4
		106

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	14
Additional H.T. Radios	-	51

DONATED VEHICLES:		
Chevy Van	-	1
Volkswagen Beetle	-	1 *
Motorhome (Satelite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
Motorcycle Trailer	-	1 *
		9 *

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[X] New / [ ] Change / [ ] Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number **94-524 A-24**
County Department: SHERIFF		Dept. SHR	Orgn. SHR		Contractor's License No.
County Department Contract Representative: DENNIS J. CASEY, CAPTAIN		Telephone: (909) 387-0640			Total Contract Amount: $25,958,263

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
				$25,958,263

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$25,958,263

Project Name: Contract Law Enforcement 2008-09

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga — hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 — Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-FOURTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2008, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

AC CO 94-017

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COUNTY OF SAN BERNARDINO

► _____

Paul Biane, Chairman, Board of Supervisors

Dated: JUL 0 8 2008

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Dena M. Smith
Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____ Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name L. DENNIS MICHAEL
(Print or type name of person signing contract)

Title MAYOR PRO TEM
(Print or Type)

Dated: June 12, 2008

Address: 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	►	► _____
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date 6-26-08	Date	Date 6/30/08

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2008-09

Additions Effective 7/1/08: 2-Marked Units, 2-Unmarked Units, 1-Midsize Truck w/MDC

LEVEL OF SERVICE			FY2008-09 COST	
1	-	Captain	$ 263,737	1
2	-	Lieutenant	377,335	1
13	-	Sergeant	2,137,686	1
16	-	Detective/Corporal	2,248,342	1
101	-	Deputy Sheriff	12,964,262	1
10	-	Deputy Sheriff - Motorcycle	1,331,698	1
20	-	Sheriff's Service Specialist	1,266,374	1
1	-	Supervising Office Specialist	69,686	1
1	-	Crime Analyst	90,161	1
2	-	Secretary	116,068	1
18	-	Office Specialist	1,044,615	1
2	-	Motor Pool Services Assistant	117,672	1
46	-	Marked Unit	572,930	2
3	-	Crown Vic - Slick Top (2-effective 7/1/08)	36,459	2
31	-	Unmarked Unit (2-effective 7/1/08)	200,663	2
1	-	Mini Van (Non-Code 3)	4,371	2
7	-	Mid-size Pickup (1-effective 7/1/08)	28,035	2
1	-	Full Size Pickup	5,933	2
1	-	Rapid Incident Response Vehicle (Equip Only)	1,238	3
12	-	Motorcycle	94,824	2
1	-	Suburban (Homeland Security)	1,271	3
4	-	Citizen Patrol	5,084	3
2	-	Bicycle & MAIT Van	2,542	3
2	-	SRO Van	3,270	3
		Dispatch Services	1,357,768	1
111	-	HTs (Equipment cost) (5-effective 7/1/08)	53,502	
156	-	HTs (Access & Maint Only) (5-effective 7/1/08)	97,344	
9	-	Additional MDCs (1-effective 7/1/08)	24,390	
152	-	Taser Replacement (Amortized over 4-years)	40,584	
		Administrative Support	114,427	
		Office Automation	62,408	
		Vehicle Insurance	80,555	
		Personnel Liability & Bonding	434,290	
		County Administrative Cost	704,995	
		Startup Costs	3,744	
		TOTAL COST:	**$ 25,958,263**	1

Monthly Payment Schedule:

1st payment due July 15, 2008:	$2,163,195
2nd through 12th payments due 5th of each month:	$2,163,188

1 Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

2 No replacement cost is included for donated and grant-funded vehicles.

3 Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2008-09

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2008-09 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2008-09 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance.

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	13
Detective/Corporal	-	16
Deputy Sheriff	-	101
Deputy Sheriff - Motor	-	10
Deputy Sheriff - SRO	-	0
Deputy Sheriff - DARE	-	0
		143

GENERAL:		
Crime Analyst	-	1.00
Crime Scene Specialist I	-	0.00
Sheriff's Service Specialist	-	20.00
Secretary I	-	2.00
Supervising Office Specialist	-	1.00
Office Specialist	-	18.00
Secretary II	-	0.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	18.81
		62.81

VEHICLES:		
Marked Unit	-	46
CV- Slick Top	-	3
Unmarked Unit	-	31
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	7
Suburban(Homeland SEC)	-	1
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
Bicycle & MAIT Van	-	2
SRO Van	-	2
Citizen Patrol	-	4
		111

MISCELLANEOUS EQUIPMENT:		
H.T. Radios	-	156

DONATED VEHICLES:		
Chevy Van	-	1
Volkswagen Beetle	-	1 *
Motorhome (Satelite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
Motorcycle Trailer	-	1 *
		9 *

586

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

[X] New / [ ] Change / [ ] Cancel	Vendor Code	SC Dept. SHR A		Contract Number **94-524 A-24**
County Department: SHERIFF		Dept. SHR	Orgn. SHR	Contractor's License No.
County Department Contract Representative: DENNIS J. CASEY, CAPTAIN		Telephone: (909) 387-0640		Total Contract Amount: $25,958,263

Contract Type: [X] Revenue [ ] Encumbered [ ] Unencumbered [ ] Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
				$25,958,263

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount
AAA	SHR	SHR		9565	RANCHO	$25,958,263

Project Name: Contract Law Enforcement 2008-09

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-FOURTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2008, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions of this contract remain as stated therein.

RC CO 94-017

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COUNTY OF SAN BERNARDINO

►
Paul Biane, Chairman, Board of Supervisors

Dated: _____

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Dena M. Smith
Clerk of the Board of Supervisors
of the County of San Bernardino.

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name L. DENNIS MICHAEL
(Print or type name of person signing contract)

Title MAYOR PR OTEM
(Print or Type)

Dated: JUNE 12, 2008

Address: 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
►	►	►
County Counsel, by Kevin L. Norris, Deputy		Department Head
Date	Date	Date

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2008-09

Additions Effective 7/1/08: 2-Marked Units, 2-Unmarked Units, 1-Midsize Truck w/MDC

LEVEL OF SERVICE			FY2008-09 COST	
1	-	Captain	$ 263,737	1
2	-	Lieutenant	377,335	1
13	-	Sergeant	2,137,686	1
16	-	Detective/Corporal	2,248,342	1
101	-	Deputy Sheriff	12,964,262	1
10	-	Deputy Sheriff - Motorcycle	1,331,698	1
20	-	Sheriff's Service Specialist	1,266,374	1
1	-	Supervising Office Specialist	69,686	1
1	-	Crime Analyst	90,161	1
2	-	Secretary	116,068	1
18	-	Office Specialist	1,044,615	1
2	-	Motor Pool Services Assistant	117,672	1
46	-	Marked Unit	572,930	2
3	-	Crown Vic - Slick Top (2-effective 7/1/08)	36,459	2
31	-	Unmarked Unit (2-effective 7/1/08)	200,663	2
1	-	Mini Van (Non-Code 3)	4,371	2
7	-	Mid-size Pickup (1-effective 7/1/08)	28,035	2
1	-	Full Size Pickup	5,933	2
1	-	Rapid Incident Response Vehicle (Equip Only)	1,238	3
12	-	Motorcycle	94,824	2
1	-	Suburban (Homeland Security)	1,271	3
4	-	Citizen Patrol	5,084	3
2	-	Bicycle & MAIT Van	2,542	3
2	-	SRO Van	3,270	3
		Dispatch Services	1,357,768	1
111	-	HTs (Equipment cost) (5-effective 7/1/08)	53,502	
156	-	HTs (Access & Maint Only) (5-effective 7/1/08)	97,344	
9	-	Additional MDCs (1-effective 7/1/08)	24,390	
152	-	Taser Replacement (Amortized over 4-years)	40,584	
		Administrative Support	114,427	
		Office Automation	62,408	
		Vehicle Insurance	80,555	
		Personnel Liability & Bonding	434,290	
		County Administrative Cost	704,995	
		Startup Costs	3,744	
		TOTAL COST:	**$ 25,958,263**	1

Monthly Payment Schedule:

1st payment due July 15, 2008:	$2,163,195
2nd through 12th payments due 5th of each month:	$2,163,188

---

1 Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

2 No replacement cost is included for donated and grant-funded vehicles.

3 Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2008-09

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2008-09 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2008-09 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance.

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	13
Detective/Corporal	-	16
Deputy Sheriff	-	101
Deputy Sheriff - Motor	-	10
Deputy Sheriff - SRO	-	0
Deputy Sheriff - DARE	-	0
		143

GENERAL:		
Crime Analyst	-	1.00
Crime Scene Specialist I	-	0.00
Sheriff's Service Specialist	-	20.00
Secretary I	-	2.00
Supervising Office Specialist	-	1.00
Office Specialist	-	18.00
Secretary II	-	0.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	18.81
		62.81

VEHICLES:		
Marked Unit	-	46
CV- Slick Top	-	3
Unmarked Unit	-	31
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	7
Suburban(Homeland SEC)	-	1
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
Bicycle & MAIT Van	-	2
SRO Van	-	2
Citizen Patrol	-	4
		111

MISCELLANEOUS EQUIPMENT:		
H.T. Radios	-	156

DONATED VEHICLES:		
Chevy Van	-	1
Volkswagen Beetle	-	1 *
Motorhome (Satelite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
Motorcycle Trailer	-	1 *
		9 *

94-017

County of San Bernardino

F A S

STANDARD CONTRACT

ORIGINAL

FOR COUNTY USE ONLY

☐ New ☒ Change ☐ Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number 94-524 A-25
County Department: Sheriff		Dept.: SHR	Orgn.: SHR		Contractor's License No.
County Department Contract Representative: Dennis J. Casey, Captain		Telephone: (909)387-0640			Total Contract Amount: $25,573,762

Contract Type: ☒ Revenue ☐ Encumbered ☐ Unencumbered ☐ Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
	07/01/09	06/30/10	$	$25,573,762

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No	Amount
AAA	SHR	SHR		9565	RANCHO	$25,573,762
						$
						$

Project Name: Contract Law Enforcement 2009-10

Estimated Payment Total by Fiscal Year

FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga — hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 — Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-FIFTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2009, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions remain as stated therein.

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

[This page intentionally left blank]

COUNTY OF SAN BERNARDINO

► _____

Gary C. Ovitt, Chairman, Board of Supervisors

Dated: AUG 11 2009

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Dena M. Smith
Clerk of the Board of Supervisors
of the County of San Bernardino

By _____ Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name JACK LAM
(Print or type name of person signing contract)

Title CITY MANAGER
(Print or Type)

Dated: 6/30/09

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BDS for Signature
► _____	► _____	► _____
County Counsel, by Steven J. Singley, Deputy		Department Head
Date 6/23/09	Date	Date 7/30/09

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2009-10

Additions: 1-marked unit, 2-unmarked units and 1-mid-size truck
Does not include MOU increases for safety or general employees.

LEVEL OF SERVICE			FY 2009-10 COST	
1.00	-	Captain	$ 271,978	1
2.00	-	Lieutenant	369,752	1
13.00	-	Sergeant	2,092,802	1
16.00	-	Detective/Corporal	2,190,024	1
101.00	-	Deputy Sheriff	12,654,162	1
10.00	-	Deputy Sheriff - Motorcycle	1,299,949	1
20.00	-	Sheriff's Service Specialist	1,255,247	1
1.00	-	Supv Office Specialist	70,946	1
1.00	-	Crime Analyst	92,220	1
2.00	-	Secretary	117,593	1
18.00	-	Office Specialist	1,058,339	1
2.00	-	Motor Pool Services Assistant	116,418	1
47.00	-	Marked Unit (1-effective 7/1/09)	585,385	2
3.00	-	Crown Vic - Slick Top	36,459	2
33.00	-	Unmarked Unit (2 effective 7/1/09)	213,609	2
1.00	-	Mini Van (Non-Code 3)	4,371	2
8.00	-	Mid-size Pickup (1-effective 7/1/09)	32,040	2
1.00	-	Full Size Pickup	5,933	2
1.00	-	Rapid Incident Response Vehicle (Equip Only)	1,238	3
12.00	-	Motorcycle	88,260	2
1.00	-	Truck - Grant Funded	1,271	3
4.00	-	Citizen Patrol	5,084	3
1.00	-	Bicycle & MAIT Van	1,271	3
2.00	-	SRO Van	3,270	3
		Dispatch Services	1,382,883	1
113	-	HTs (Amortized over 7-years)	54,466	
158	-	HTs (Access & Maint Only)	98,592	
10	-	Additional MDCs (1-effective 7/1/09	27,100	
152	-	Taser Replacement (Amortized over 4-years)	43,168	
		Administrative Support	119,761	
		Office Automation	62,408	
		Vehicle Insurance	90,032	
		Personnel Liability & Bonding	432,953	
		County Administrative Cost	692,762	
		Startup Costs	2,016	
		TOTAL COST:	**$ 25,573,762**	1

Monthly Payment Schedule

1st payment due July 15, 2009:	$2,131,156
2nd through 12th payments due the 5th of each month:	$2,131,146

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2009-10

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost.
- Actual on-call cost (on-call pay for safety employees for FY2009-10 is $165 per week).
- Actual cost of vehicle fuel and maintenance.
- Professional services from private vendors and other services, supplies and personnel costs above the contract formula.

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1.00
Lieutenant	-	2.00
Sergeant	-	13.00
Detective/Corporal	-	16.00
Deputy Sheriff	-	101.00
Deputy Sheriff - Motor	-	10.00
		143.00

GENERAL:		
Crime Analyst	-	1.00
Sheriff's Service Specialist	-	20.00
Secretary I	-	2.00
Supv Office Specialist	-	1.00
Office Specialist	-	18.00
Motor Pool Services Asst	-	2.00
Dispatchers	-	18.81
		62.81

VEHICLES:		
Marked Patrol Units	-	50
Unmarked Units Code 3	-	33
Mini Vans	-	5
Pickup Trucks	-	10
Motorcycles	-	12
Citizen Patrol	-	4
Donated Vehicles-Ins Only	-	9 *
		123

DONATED VEHICLES:	
Chevy Van	1 *
Volkswagen Beetle	1 *
Motorhome (Command Post)	1 *
Hummer	1 *
Suzuki Enduro Motorcycle	2 *
Electric Vehicle	2 *
Motorcycle Trailer	1 *
	9 *

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

☐ New ☒ Change ☐ Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number 94-524 A-26
County Department: Sheriff			Dept. SHR	Orgn. SHR	Contractor's License No.
County Department Contract Representative: Mario Quesada, Captain			Telephone: (909)387-0640		Total Contract Amount: $25,877,943

Contract Type: ☒ Revenue ☐ Encumbered ☐ Unencumbered ☐ Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
	07/01/10	06/30/11	$	$25,877,943

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No	Amount
AAA	SHR	SHR		9565	RANCHO	$25,877,943
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount $
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount $

Project Name: Contract Law Enforcement 2010-11

Estimated Payment Total by Fiscal Year

FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga — hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477-2700 — Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-SIXTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2010, by replacing Schedule A, referred to in Paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions remain as stated therein.

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

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COUNTY OF SAN BERNARDINO

► _____
Gary C. Ovitt, Chairman, Board of Supervisors

Dated: AUG 24 2010

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Laura H. Welch
Clerk of the Board of Supervisors
of the County of San Bernardino

By _____ Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in ~~blue ink~~)

Name JACK LAM
(Print or type name of person signing contract)

Title CITY MANAGER
(Print or Type)

Dated: 07/26/10

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	► _____	► _____
County Counsel, by Phebe Chu, Deputy		Department Head
Date 8/17/10	Date	Date 8/17/10

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2010-11

Effective 7/1/10 - Less 1-Sergeant, 1-Detective
Effective 8/28/10 - Less 5-Deputies, 1-Motor Officer, 5-SSS, 1-Motorcycle

LEVEL OF SERVICE			FY 2010-11 COST	
1	-	Captain	$ 276,804	1
2	-	Lieutenant	400,305	1
12.00	-	Sergeant (less 1-effective 7/1/10)	2,094,910	1
15.00	-	Detective/Corporal (less 1-effective 7/1/10)	2,221,591	1
96.96	-	Deputy Sheriff (less 5 - effective 8/28/10)	13,094,334	1
9.19	-	Deputy Sheriff - Motorcycle (less 1-effective.8/28/10)	1,284,584	1
15.96	-	Sheriff's Service Specialist (less 5-effective 8/28/10	1,026,636	1
1	-	Supv Office Specialist	72,672	1
1	-	Crime Analyst	93,972	1
2	-	Secretary	121,032	1
18	-	Office Specialist	1,089,291	1
2	-	Motor Pool Services Assistant	119,561	1
47	-	Marked Unit	585,385	2
3	-	Crown Vic - Slick Top	36,459	2
33	-	Unmarked Unit	214,005	2
1	-	Mini Van (Non-Code 3)	4,371	2
8	-	Mid-size Pickup	32,040	2
1	-	Full Size Pickup	5,933	2
1	-	Rapid Incident Response Vehicle (Equip Only)	1,238	3
11.19	-	Motorcycle (less 1-effective 8/28/10)	84,312	2
1	-	Truck - Grant Funded	1,271	3
4	-	Citizen Patrol	5,084	3
1	-	Bicycle & MAIT Van	1,271	3
2	-	SRO Van	3,270	3
		Dispatch Services	1,410,470	1
111	-	HTs (Amortized over 7-years)	53,502	
156	-	HTs (Access & Maint Only)	97,344	
10	-	Additional MDCs	27,100	
144	-	Taser Replacement (Amortized over 4-years) (less 8)	40,896	
		Administrative Support	118,367	
		Office Automation	62,408	
		Vehicle Insurance	113,907	
		Personnel Liability & Bonding	380,882	
		County Administrative Cost	702,736	
		TOTAL COST:	**$ 25,877,943**	1

Monthly Payment Schedule

1st payment due July 15, 2010:	$2,156,498
2nd through 12th payments due the 5th of each month:	$2,156,495

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2010-11

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost.
- Actual on-call cost (on-call pay for safety employees for FY2010-11 is $175 per week).
- Actual cost of vehicle fuel and maintenance.
- Professional services from private vendors and other services, supplies and personnel costs above the contract formula.

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1.00
Lieutenant	-	2.00
Sergeant	-	12.00
Detective/Corporal	-	15.00
Deputy Sheriff	-	96.96
Deputy Sheriff - Motor	-	9.19
		136.15

GENERAL:		
Crime Analyst	-	1.00
Sheriff's Service Specialist	-	15.96
Secretary I	-	2.00
Supv Office Specialist	-	1.00
Office Specialist	-	18.00
Motor Pool Services Asst	-	2.00
Dispatchers	-	17.95
		57.91

VEHICLES:		
Marked Patrol Units	-	50
Unmarked Units Code 3	-	33
Mini Vans	-	5
Pickup Trucks	-	10
Motorcycles	-	11
Citizen Patrol	-	4
Donated Vehicles-Ins Only	-	9 *
		122

DONATED VEHICLES:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Command Post)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
Motorcycle Trailer	-	1 *
		9

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

☐ New ☒ Change ☐ Cancel	Vendor Code	SC	Dept. SHR	A	Contract Number 94-524 A-27
County Department: Sheriff			Dept. SHR	Orgn. SHR	Contractor's License No.
County Department Contract Representative: Greg Garland, Captain			Telephone (909)387-3649		Total Contract Amount $ 26,866,047

Contract Type: ☒ Revenue ☐ Encumbered ☐ Unencumbered ☐ Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
	07/01/11	06/30/12	$	$ 26,866,047

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No	Amount
AAA	SHR	SHR		9565	RANCHO	$ 26,866,047
						$
						$

Project Name: Contract Law Enforcement 2011-12

Estimated Payment Total by Fiscal Year

FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga — hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477 - 2700 — Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-SEVENTH AMENDMENT

Contract No. 94-524 providing law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2011, by replacing Schedule A, referred to in paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions remain as stated therein.

Auditor/Controller-Recorder Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

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COUNTY OF SAN BERNARDINO

► _____
Josie Gonzales, Chair, Board of Supervisors

Dated: OCT 04 2011

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Laura H. Welch
Clerk of the Board of Supervisors
of the County of San Bernardino

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name Isaac Lam
(Print or type name of person signing contract)

Title City Manager
(Print or Type)

Dated: _____

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	► _____	► _____
County Counsel, by Steve Singley, Deputy		Department Head
Date 7/13/11	Date	Date 7/14/11

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2011-12

LEVEL OF SERVICE			FY 2011-12 COST	
1	-	Captain	$ 269,278	1
2	-	Lieutenant	419,911	1
12	-	Sergeant	2,195,160	1
15	-	Detective/Corporal	2,339,926	1
96	-	Deputy Sheriff	13,648,451	1
9	-	Deputy Sheriff - Motorcycle	1,323,020	1
15	-	Sheriff's Service Specialist	1,003,281	1
1	-	Supv Office Specialist	75,474	1
1	-	Crime Analyst	97,469	1
2	-	Secretary	125,792	1
18	-	Office Specialist	1,132,130	1
2	-	Motor Pool Services Assistant	124,386	1
47	-	Marked Unit	572,836	2
3	-	Crown Vic - Slick Top	35,565	2
33	-	Unmarked Unit	246,741	2
1	-	Crime Prevention Van	4,371	2
8	-	Mid-size SSS Trucks	32,040	2
1	-	Rapid Incident Response Vehicle Suburban (Equip Only)	1,238	3
11	-	Motorcycles, Honda	85,580	2
1	-	Donated Fleet Truck	1,271	3
3	-	Citizen Patrol, 2-Escapes, 1-Saturn View	3,813	3
1	-	MAIT Van, Safari	1,271	3
2	-	Crime Prevention Van, Astro	3,332	3
		Dispatch Services	1,450,068	1
111	-	HTs (Amortized over 7-years)	53,502	
156	-	HTs (Access & Maint Only)	97,344	
10	-	Additional MDCs	27,100	
144	-	Taser Replacement (Amortized over 4-years)	40,896	
		Administrative Support	119,040	
		Office Automation	50,657	
		Vehicle Insurance	114,639	
		Personnel Liability & Bonding	440,763	
		County Administrative Cost	729,702	
		TOTAL COST:	**$ 26,866,047**	1

Monthly Payment Schedule

1st payment due July 15, 2011:	$2,238,840
2nd through 12th payments due the 5th of each month:	$2,238,837

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2011-12

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost.
- Actual on-call cost (on-call pay for safety employees for FY2011-12 is $185 per week).
- Actual cost of vehicle fuel and maintenance.
- Professional services from private vendors and other services, supplies and personnel costs above the contract formula.

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1.00
Lieutenant	-	2.00
Sergeant	-	12.00
Detective/Corporal	-	15.00
Deputy Sheriff	-	96.00
Deputy Sheriff - Motor	-	9.00
		135.00

GENERAL:		
Crime Analyst	-	1.00
Sheriff's Service Specialist	-	15.00
Secretary I	-	2.00
Supv Office Specialist	-	1.00
Office Specialist	-	18.00
Motor Pool Services Asst	-	2.00
Dispatchers	-	17.78
		56.78

VEHICLES:		
Marked Patrol Units	-	50
Unmarked Units Code 3	-	33
Mini Vans	-	5
Pickup Trucks	-	9
Motorcycles	-	11
Citizen Patrol	-	3
Donated Vehicles-Ins Only	-	12 *
		123

DONATED VEHICLES:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Command Post)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
Motorcycle Trailer	-	1 *
Ford Escape Hybrid	-	3 *
		12 *

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

☐ New ☒ Change ☐ Cancel	FAS Vendor Code	SC	Dept. SHC	A	Contract Number 94-524 A-28
ePro Vendor Number					ePro Contract Number
County Department: Sheriff			Dept. SHC	Orgn. SHC	Contractor's License No.
County Department Contract Representative: Steve Higgins, Captain			Telephone: (909)387-0640		Total Contract Amount: $28,074,274

Contract Type: ☒ Revenue ☐ Encumbered ☐ Unencumbered ☐ Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
	07/01/12	06/30/13	$	$28,074,274

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No	Amount
AAA	SHC	SHC		9565	RANCHO	$28,074,274
						$
						$

Project Name: Contract Law Enforcement 2012-13

Estimated Payment Total by Fiscal Year					
FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga — hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477 - 2700

Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-EIGHTH AMENDMENT

Contract No. 94-524 to provide law enforcement service to the City of Rancho Cucamonga is hereby amended, effective July 1, 2012, by replacing Schedule A, referred to in paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions remain as stated therein.

Auditor-Controller/Treasurer Tax Collector Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

[With the exception of signatures, this page intentionally left blank.]

COUNTY OF SAN BERNARDINO

► _____
Josie Gonzales, Chair, Board of Supervisors

Dated: SEP 11 2012

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD
Laura H. Welch
Clerk of the Board of Supervisors
of the County of San Bernardino

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name JOHN R. GILLISON
(Print or type name of person signing contract)

Title CITY MANAGER
(Print or Type)

Dated: 7-30-12

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	► _____	► _____
County Counsel, by Steve Singley, Deputy		Department Head, Stephen Higgins, Captain
Date 8/1/12	Date _____	Date 8/2/12

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2012-13

LEVEL OF SERVICE			FY 2012-13 COST	
1	-	Captain	$ 282,185	1
2	-	Lieutenant	436,200	1
12	-	Sergeant	2,250,050	1
15	-	Detective/Corporal	2,442,018	1
96	-	Deputy Sheriff	14,240,668	1
9	-	Deputy Sheriff - Motorcycle	1,380,259	1
15	-	Sheriff's Service Specialist	1,035,300	1
1	-	Supv Office Specialist	78,492	1
1	-	Crime Analyst	101,313	1
2	-	Secretary	130,167	1
18	-	Office Specialist	1,167,917	1
2	-	Motor Pool Services Assistant	128,274	1
44	-	Marked Unit	527,963	2
6	-	Crown Vic - Slick Top (3-Traffic, 3-Gang)	69,793	2
34	-	Unmarked Unit	245,718	2
8	-	Mid-size SSS Trucks	40,517	2
1	-	Rapid Incident Response Vehicle Suburban (Equip Only)	1,226	3
11	-	Motorcycles, Honda	90,552	2
1	-	Donated Fleet Truck, Ford F250	1,437	3
1	-	Command Post (Radio Cost Only)	624	3
3	-	Donated Vehicles 3-Escapes (radio cost only)	1,872	3
3	-	Citizen Patrol, 2-Escapes, 1-Saturn View	4,312	3
1	-	MAIT Van, Safari	1,437	3
1	-	Crime Prevention Van, Astro	1,437	3
		Dispatch Services	1,496,247	1
111	-	HTs (Amortized over 7-years)	53,502	
156	-	HTs (Access & Maint Only)	97,344	
10	-	Additional MDCs	6,600	
132	-	Taser Replacement (Amortized over 4-years)	43,956	
		Administrative Support	124,200	
		Office Automation	65,223	
		Vehicle Insurance	110,792	
		Personnel Liability & Bonding	404,947	
		County Administrative Cost (COWCAP)	1,264,665	
		Board Approved COWCAP Subsidy (one-time)	(252,933)	4
		TOTAL COST:	**$ 28,074,274**	1

Monthly Payment Schedule

1st payment due July 15, 2012 (includes COWCAP subsidy):	$ 2,318,449	4
2nd through 6th payments (includes COWCAP subsidy):	$ 2,318,445	4
7th through 12th payments due 5th of each month:	$ 2,360,600	

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

[4] On June 15, 2012, the Board of Supervisors approved a 6-month delay in the implementation of the COWCAP rate increase from 3% to 5% of contract salaries and benefits. The resultant cost savings is reflected in the first six monthly payments.

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2012-13

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost.
- Actual on-call cost (on-call pay for safety employees for FY2012-13 is $185 per week).
- Actual cost of vehicle fuel and maintenance.
- Professional services from private vendors and other services, supplies and personnel costs above the contract formula.

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1.00
Lieutenant	-	2.00
Sergeant	-	12.00
Detective/Corporal	-	15.00
Deputy Sheriff	-	96.00
Deputy Sheriff - Motor	-	9.00
		135.00

GENERAL:		
Crime Analyst	-	1.00
Sheriff's Service Specialist	-	15.00
Secretary I	-	2.00
Supv Office Specialist	-	1.00
Office Specialist	-	18.00
Motor Pool Services Asst	-	2.00
Dispatchers	-	17.78
		56.78

VEHICLES:		
Marked Patrol Units	-	50
Unmarked Units Code 3	-	34
Mini Vans	-	4
Pickup Trucks	-	12
Motorcycles	-	11
Citizen Patrol	-	3
Donated Vehicles-Ins Only	-	10 *
		124

DONATED VEHICLES:		
2011 Ford Edge	-	1 *
2010 Ford Ranger	-	1 *
2011 Honda Accord	-	1 *
2010 Toyota Sienna	-	1 *
2003 Suzuki Motorcycles	-	2 *
American General HMMV	-	1 *
GEM Electric Vehicle	-	3 *
		10 *

* (Included for insurance costs only)

County of San Bernardino

F A S

STANDARD CONTRACT

FOR COUNTY USE ONLY

☐ New ☒ Change ☐ Cancel	FAS Vendor Code	SC	Dept. SHC	A	Contract Number 94-524 A-29
ePro Vendor Number					ePro Contract Number
County Department: Sheriff			Dept. SHC	Orgn. SHC	Contractor's License No.
County Department Contract Representative: Steve Higgins, Captain			Telephone (909)387-0640		Total Contract Amount $28,209,685

Contract Type: ☒ Revenue ☐ Encumbered ☐ Unencumbered ☐ Other:

If not encumbered or revenue contract type, provide reason:

Commodity Code	Contract Start Date	Contract End Date	Original Amount	Amendment Amount
	07/01/12	06/30/13	$28,074,274	$135,411

Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No	Amount
AAA	SHC	SHC		9565	RANCHO	$28,209,685
						$
						$

Project Name: Contract Law Enforcement 2012-13

Estimated Payment Total by Fiscal Year

FY	Amount	I/D	FY	Amount	I/D

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name: City of Rancho Cucamonga — hereinafter called CITY

Address: 10500 Civic Center Drive

Rancho Cucamonga, CA 91730

Telephone: (909) 477 - 2700

Federal ID No. or Social Security No.:

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

TWENTY-NINTH AMENDMENT

Contract No. 94-524 to provide law enforcement service to the City of Rancho Cucamonga is hereby amended, effective October 6, 2012, by replacing Schedule A, referred to in paragraph IV, with the Schedule A attached hereto and incorporated herein by reference.

Except as amended, all other terms and conditions remain as stated therein.

Auditor-Controller/Treasurer Tax Collector Use Only

☐ Contract Database	☐ FAS
Input Date	Keyed By

[With the exception of signatures, this page intentionally left blank.]

COUNTY OF SAN BERNARDINO

► _____
Josie Gonzales, Chair, Board of Supervisors

Dated: OCT 02 2012

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF THE BOARD

Laura H. Welch
Clerk of the Board of Supervisors
of the County of San Bernardino

By _____
Deputy

City of Rancho Cucamonga
(Print or type name of corporation, company, contractor, etc.)

By ► _____
(Authorized signature - sign in blue ink)

Name John R. Gillison
(Print or type name of person signing contract)

Title City Manager
(Print or Type)

Dated: 9-18-12

Address 10500 Civic Center Drive
Rancho Cucamonga, CA 91730

Approved as to Legal Form	Reviewed by Contract Compliance	Presented to BOS for Signature
► _____	► _____	► _____
County Counsel, by Steve Singley, Deputy		Department Head, Stephen Higgins, Captain
Date 9/19/12	Date _____	Date 9/18/12

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2012-13

Add 1 Deputy effective 10/6/12

LEVEL OF SERVICE			FY 2012-13 COST	
1	-	Captain	$ 282,185	1
2	-	Lieutenant	436,200	1
12	-	Sergeant	2,250,050	1
15	-	Detective/Corporal	2,442,018	1
97	-	Deputy Sheriff (1-effective 10/6/12)	14,351,923	1
9	-	Deputy Sheriff - Motorcycle	1,380,259	1
15	-	Sheriff's Service Specialist	1,035,300	1
1	-	Supv Office Specialist	78,492	1
1	-	Crime Analyst	101,313	1
2	-	Secretary	130,167	1
18	-	Office Specialist	1,167,917	1
2	-	Motor Pool Services Assistant	128,274	1
44	-	Marked Unit	527,963	2
6	-	Crown Vic - Slick Top (3-Traffic, 3-Gang)	69,793	2
34	-	Unmarked Unit	245,718	2
8	-	Mid-size SSS Trucks	40,517	2
1	-	Rapid Incident Response Vehicle Suburban (Equip Only)	1,226	3
11	-	Motorcycles, Honda	90,552	2
1	-	Donated Fleet Truck, Ford F250	1,437	3
1	-	Command Post (Radio Cost Only)	624	3
3	-	Donated Vehicles 3-Escapes (radio cost only)	1,872	3
3	-	Citizen Patrol, 2-Escapes, 1-Saturn View	4,312	3
1	-	MAIT Van, Safari	1,437	3
1	-	Crime Prevention Van, Astro	1,437	3
		Dispatch Services	1,505,599	1
111	-	HTs (Amortized over 7-years)	53,502	
156	-	HTs (Access & Maint Only)	97,344	
10	-	Additional MDCs	6,600	
132	-	Taser Replacement (Amortized over 4-years)	43,956	
		Administrative Support	124,976	
		Office Automation	65,223	
		Vehicle Insurance	110,792	
		Personnel Liability & Bonding	407,133	
		County Administrative Cost (COWCAP)	1,270,734	PAID UNDER PROTEST
		Board Approved COWCAP Subsidy (one-time)	(254,147)	4
		Startup Costs	6,987	
		TOTAL COST:	**$ 28,209,685**	1

Monthly Payment Schedule

1st payment due July 15, 2012 (includes COWCAP subsidy):	$ 2,318,449	4
2nd and 3rd payments (includes COWCAP subsidy):	$ 2,318,445	4
4th payment (includes COWCAP subsidy):	$ 2,333,496	4
5th and 6th payments (includes COWCAP subsidy):	$ 2,333,490	4
7th through 12th payments due 5th of each month:	$ 2,375,645	

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

[4] On June 15, 2012, the Board of Supervisors approved a 6-month delay in the implementation of the COWCAP rate increase from 3% to 5% of contract salaries and benefits. The resultant cost savings is reflected in the first six monthly payments.

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2012-13

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost.
- Actual on-call cost (on-call pay for safety employees for FY2012-13 is $185 per week).
- Actual cost of vehicle fuel and maintenance.
- Professional services from private vendors and other services, supplies and personnel costs above the contract formula.

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1.00
Lieutenant	-	2.00
Sergeant	-	12.00
Detective/Corporal	-	15.00
Deputy Sheriff	-	96.75
Deputy Sheriff - Motor	-	9.00
		135.75

GENERAL:		
Crime Analyst	-	1.00
Sheriff's Service Specialist	-	15.00
Secretary I	-	2.00
Supv Office Specialist	-	1.00
Office Specialist	-	18.00
Motor Pool Services Asst	-	2.00
Dispatchers	-	17.89
		56.89

VEHICLES:		
Marked Patrol Units	-	50
Unmarked Units Code 3	-	34
Mini Vans	-	4
Pickup Trucks	-	12
Motorcycles	-	11
Citizen Patrol	-	3
Donated Vehicles-Ins Only	-	10 *
		124

DONATED VEHICLES:		
2011 Ford Edge	-	1 *
2010 Ford Ranger	-	1 *
2011 Honda Accord	-	1 *
2010 Toyota Sienna	-	1 *
2003 Suzuki Motorcycles	-	2 *
American General HMMV	-	1 *
GEM Electric Vehicle	-	3 *
		10 *

* (Included for insurance costs only)

Supporting Evidence and Reports

Comparison of Deputy Hourly Rates Allowed by State Controller

Comparison of SCO Allowable DEPUTY SHERIFF Houly Rates:

San Bernardino County vs Rancho Cucamonga (Contracting City)

ALLOWED BY SCO TO COUNTY				
	Hourly PHR	ICRP Rate	Total Hour Rate including benefits and Overhead	
FY 2011-12	$ 82.81	42.67%	$	**118.15**
FY 2012-13	$ 80.80	42.02%	$	**114.75**

ALLOWED BY SCO TO CITY			
	County Contract Billing Rates	SCO New Allowable Administrative Percentage	Total Hour Rate including benefits and Overhead
FY 2011-12	$ 78.98	5.42%	$ **83.26**
FY 2012-13	$ 82.41	6.14%	$ **87.47**

Comparison of Audited Rates: FY 11-12

	Salaries and Benefits	Overhead	allowed overhead rate	Total Productive Hourly Rate With overhead
Rancho Cucamonga (San Bernardino Co. Sheriff)	**$78.98**	**$4.28**	**5.42%**	**$83.26**
San Bernardino County Sheriff	$82.81	$35.34	42.67%	$118.15
Los Angeles County Sheriff	$80.30	$37.34	46.50%	$117.64
Los Angeles County Sheriff - Contract City	$114.82	$4.59	4.00%	$119.41
City of San Marcos (San Diego Sheriff)	$79.32	$37.44	47.20%	$116.76
City of Rialto (San Bernardio County)	$74.14	$46.24	103.84%	$120.38
City of Fresno	$71.49	$50.15	102.50%	$121.64

Comparison of Positions Allowed by SCO Audited ICRP Rates

From 3 audits of the in the same County

	City of Rancho Cucamonga [6]	County of San Bernardino [7]	City of Rialto [8]	
Captain	0%	100.0%	100.0%	
Lieutenant	0%	92.3%	90.0%	
Sergeant	0%	14.6%	60.0%	
Sheriff Services Specialist	0%	100.0%	80.0% [3]	USED POLICE SPECIALIST
Office Specialist	0%	92.4%	100.0% [5]	used admin clerk
Secretary	0%	95.4% [1]	100.0%	used snr admin clerk
Supervising Office Specialist	0%	100.0% [2]	90.0% [4]	used snr admin clerk
Motor Pool Assistant	0%	82.8%	n/a	
Crime Analyst	0%	88.1%	85.0%	

[1] This is the average rate of the Secretary I and Secretary II allowed rates

[2] Used Supervising Office Specialist rate as there was no postion with this exact title

[3] Used Law Enforcement Technician rate as there was no position with this exact title

[4] Used Snr Police Records Specialist rate as there was no position with this exact title

[5] Used Office Assistant II rate as there was no position with this exact title

[6] Subject of IRC - City of Rancho Cucamonga, Identity Theft Audit, 2023

[7] San Bernardino County Identity Theft Audit, April 2022 (see copies of State Mandate Reimbursement Claim submissions included in Appendix of this IRC)

[8] City of Rialto Interagency Child Abuse and Neglect Audit, March 2019 (see pages 35-37 of Audit Report)

San Bernardino County Identity Audit

and

Identity Theft Claim

IDENTITY THEFT CLAIM FOR PAYMENT

For State Controller Use Only
(19) Program Number 00321
(20) Date Filed
(21) LRS Input JAN 30 2013

PROGRAM 321

(01) Claimant Identification Number **9936**				Reimbursement Claim Data	
(02) Claimant Name **San Bernardino County**				(22) FORM 1, (04) 1. (a) (g)	$153,412
County of Location **San Bernardino County**				(23) FORM 1, (04) 1. (b) (g)	
Street Address or P.O. Box **222 West Hospitality Lane**		Suite **4th Floor**		(24) FORM 1, (04) 2. (g)	$132,182
City **San Bernardino**	State **CA**	Zip Code **92415-0018**		(25) FORM 1, (06)	43%
		Type of Claim		(26) FORM 1, (07)	$121,863
	(03)	(09) Reimbursement	[X]	(27) FORM 1, (09)	
	(04)	(10) Combined	[ ]	(28) FORM 1, (10)	
	(05)	(11) Amended	[ ]	(29)	
Fiscal Year of Cost	(06)	(12)	**2011-2012**	(30)	
Total Claimed Amount	(07)	(13)	**$407,458**	(31)	
Less: **10% Late Penalty** (refer to claiming instructions)		(14)		(32)	
Less: **Prior Claim Payment Received**		(15)		(33)	
Net Claimed Amount		(16)	**$407,458**	(34)	
Due from State	(08)	(17)	**$407,458**	(35)	
Due to State		(18)		(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer		Date Signed	1/22/13
		Telephone Number	(909) 386-8877
Jason Redden, Management Services Manager		E-Mail Address	jason.redden@atc.sbcounty.gov
Type or Print Name and Title of Authorized Signatory			
(38) Name of Contact Person for Claim		Telephone Number	(909) 386-8854
Jai Prasad		E-Mail Address	jai.prasad@atc.sbcounty.gov
Name of Claim Preparer		Telephone Number	(909) 387-1039
Elias Duenas		E-Mail Address	elias.duenas@atc.sbcounty.gov

Form FAM-27 (Revised 07/12)

Program 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant: **San Bernardino County**

(02) **Fiscal Year 2011-2012**

(03) Department: **Sheriff's Department**

Direct Costs — **Object Accounts**

(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5	$153,412.48						$153,412.48
b) Reviewing online ID theft report							
2. Investigation of facts	$132,182.40						$132,182.40
(05) Total Direct Costs	$285,594.88						$285,594.88

Indirect Costs

(06) Indirect Cost Rate	[From ICRP or 10%]	42.67%
(07) Total Indirect Costs	[Refer to Claim Summary instructions]	$121,863.34
(08) Total Direct and Indirect Costs	[Line (05)(g) + Line (07)]	$407,458.22

Cost Reduction

(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {Line (09) + Line (10)}]	$407,458.22

Revised 07/12

Program 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: San Bernardino County

(02) Fiscal Year: 2011/2012

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

- [X] Taking police report in violation of PC §530.5
- [ ] Investigation of facts
- [ ] Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials And Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Various Deputy Sheriffs	$82.81	1,405.00	$116,348.05					
Various Sheriff Office Assistant III's	$34.85	351.00	$12,232.35					
Various Sheriff Sergeants	$106.12	234.00	$24,832.08					
Mandated Activities Performed: Taking a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report.								
(5) Total [X] Subtotal [ ] Page: 1 of 1			$153,412.48					

Revised 07/12

Program 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: San Bernardino County

(02) Fiscal Year: 2011/2012

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

- [ ] Taking police report in violation of PC §530.5
- [X] Investigation of facts
- [ ] Reviewing online ID theft report

(04) **Description of Expenses** / **Object Accounts**

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials And Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Various Sheriff Detectives Mandated Activities Performed: Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.	$94.08	1,405.00	$132,182.40					
(5) Total [X] Subtotal [ ] Page: 1 of 1			$132,182.40					

Revised 07/12

COUNTY OF SAN BERNARDINO
SHERIFF
ICRP
Actual Costs FY 2011-2012
Claim Years 2012-2013

DEPARTMENT COSTS	COSTS INCURRED	UNALLOWABLE COSTS	INDIRECT COSTS	DIRECT COSTS
Salaries & Benefits	367 645 719	480 311	66 030 128	301 135 279
Office Expense	1 636 118	-	1 148 997	487 121
Staff Uniforms	111 915	-	95 608	16 307
Insurance	12 368 411	-	12 355 405	13 006
Mail Services	221 192	-	176 496	44 695
Printing Services	169 813	-	92 504	77 309
Document Shredding & Storage	25 435	-	21 097	4 339
Utilities	1 201 418	-	1 015 992	185 427
Communications	3 809 844	-	3 425 564	384 280
Training	404 337	-	201 011	203 326
Travel	692 166	-	276 635	415 532
Automotive & Transportation	9 710 099	-	6 162 075	3 548 024
Special Department Expense	2 796 753	-	1 733 974	1 062 779
Professional Services	7 000 672	-	2 389 526	4 611 145
Contributions to Other Agencies	501 164	-	310 722	190 442
Data Processing Charges	5 196 310	-	5 145 341	50 969
Computer Hardware/Software	2 140 426	-	1 322 087	818,339
Noninventoriable Equipment	1 778 584	-	934 388	844 196
Inventoriable Equipment	2 258 168	-	86 790	2 171 378
Clothing/Personal Supplies	191 670	-	9 581	182 089
Food	6 958 986	-	-	6 958 986
Kitchen & Dining	545 549	-	16 354	529 195
Bedding	184 471	-	-	184 471
Laundry & Dry Cleaning	120 841	-	9 667	111 174
General Household Expenses	1 037 946	-	62 221	975 725
Medical Services & Supplies	2 264 885	-	317 107	1 947 778
Medical Indigents	1 275 835	-	76 550	1 199 284
Maintenance	7 186 088	-	5 392 030	1 794 058
Rents & Leases-Equipment	430 020	-	388 129	41 891
Rents & Leases-Structures	946 417	-	699 185	247 232
Other Services & Supplies	715 561	379	65 194	649 988
Capitalized Expenditures	5 302 589	5 302 589	-	-
	446 829 402			
EXTERNAL INDIRECT COSTS				
County-Wide Cost Alloc Plan	18,536,045	-	18,536,045	-
Total Costs	465,365,447	5,783,279	128,496,403	331,085,766

$$\frac{\text{INDIRECT COSTS}}{\text{DIRECT SALARIES \& BENEFITS}} = \frac{128,496,403}{301\ 135\ 279} = 42.67\%$$

The ICRP rate decreased from 46 10% for Claim Year 11-12 to 42 67% for Claim Year 12-13

Factors that caused a lower rate for this year:

1 Indirect Costs for this year decreased by approximately $3 1 million (or 2 35%)
The primary cause of this decrease was related to COWCAP Claimable reduced by $5 3 million (or 22%)

2 Direct Salaries & Benefits increased by $15 million (or 5 25%)

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed FEB 18 2014
(21) LRS Input

PROGRAM **321**

(01) Claimant Identification Number
9936

(02) Claimant Name
San Bernardino County

County of Location
San Bernardino County

Street Address or P.O. Box
222 West Hospitality Lane

Suite
4th Floor

City
San Bernardino

State
CA

Zip Code
92415-0018

		Type of Claim	
	(03)	(09) Reimbursement	[X]
	(04)	(10) Combined	[ ]
	(05)	(11) Amended	[ ]
Fiscal Year of Cost	(06)	(12)	**2012-2013**
Total Claimed Amount	(07)	(13)	**$420,401**
Less: **10% Late Penalty** (refer to claiming instructions)		(14)	
Less: **Prior Claim Payment Received**		(15)	
Net Claimed Amount		(16)	**$420,401**
Due from State	(08)	(17)	**$420,401**
Due to State		(18)	

Reimbursement Claim Data

(22)	FORM 1, (04) 1. (a) (g)	159,500
(23)	FORM 1, (04) 1. (b) (g)	
(24)	FORM 1, (04) 2. (g)	136,516
(25)	FORM 1, (06)	42
(26)	FORM 1, (07)	124,386
(27)	FORM 1, (09)	
(28)	FORM 1, (10)	
(29)		
(30)		
(31)		
(32)		
(33)		
(34)		
(35)		
(36)		

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.
I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date Signed 2/11/14

Jason Redden, Management Services Manager
Type or Print Name and Title of Authorized Signatory

Telephone Number (909) 386-8877
E-Mail Address jason.redden@atc.sbcounty.gov

(38) Name of Contact Person for Claim
Jai Prasad JA 2/11/2014

Telephone Number (909) 386-8854
E-Mail Address jai.prasad@atc.sbcounty.gov

Name of Claim Preparer
Josue Palos

Telephone Number (909) 386-8848
E-Mail Address josue.palos@atc.sbcounty.gov

Form FAM-27 (Revised 07/13)

Program 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant:	(02) Fiscal Year
San Bernardino County	2012-2013
(03) Department:	Sheriff's Department

Direct Costs	Object Accounts						
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5	$159,499.55						$159,499.55
b) Reviewing online ID theft report							
2. Investigation of facts	$136,515.95						$136,515.95
(05) Total Direct Costs	$296,015.50						$296,015.50

Indirect Costs		
(06) Indirect Cost Rate	[From ICRP or 10%]	42.02%
(07) Total Indirect Costs	[Refer to Claim Summary instructions]	$124,385.71
(08) Total Direct and Indirect Costs	[Line (05)(g) + Line (07)]	$420,401.21

Cost Reduction		
(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {Line (09) + Line (10)}]	$420,401.21

Revised 07/13

Program 321

IDENTITY THEFT ACTIVITY COST DETAIL

FORM 2

(01) Claimant: San Bernardino County

(02) Fiscal Year: 2012-2013

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

- [X] 1. (a) Taking police report in violation of PC §530.5
- [ ] 2. Investigation of facts
- [ ] 1. (b) Reviewing online ID theft report

(04) **Description of Expenses** / **Object Accounts**

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Various Deputy Sheriffs	$80.80	1,501.00	$121,280.80					
Various Office Assistant III's	$33.21	375.00	$12,453.75					
Various Sheriff Sergeants	$103.06	250.00	$25,765.00					
Mandated Activities Performed: Taking a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report.								
(5) Total [X] Subtotal [ ] Page: 1 of 1			$159,499.55					

Revised 07/13

Program 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: County of San Bernardino

(02) Fiscal Year: 2012-2013

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

- ☐ 1. (a) Taking police report in violation of PC §530.5
- ☒ 2. Investigation of facts
- ☐ 1. (b) Reviewing online ID theft report

(04) **Description of Expenses** / **Object Accounts**

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Various Sheriff Detectives Mandated Activities Performed: Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.	$90.95	1,501.00	$136,515.95					
(5) Total ☒ Subtotal ☐ Page: 1 of 1			$136,515.95					

Revised 07/13

County of San Bernardino
Sheriff - ICRP
Actual Costs FY 2012-2013
Claim Years 2013-2014

DEPARTMENT COSTS	COSTS INCURRED	UNALLOWABLE COSTS	INDIRECT COSTS	DIRECT COSTS
Salaries & Benefits	379,777,678	634,504	65,505,468	313,637,707
Office Expense	1,155,977	-	621,162	534,816
Staff Uniforms	150,331	-	121,305	29,026
Insurance	11,715,592	-	11,715,592	-
Mail Services	245,928	-	192,857	53,071
Printing Services	167,821	-	70,009	97,812
Document Shredding & Storage	25,229	-	21,484	3,745
Utilities	1,119,337	-	944,149	175,189
Communications	5,816,123	-	4,638,586	1,177,537
Training	546,452	-	166,888	379,563
Travel	589,700	-	236,745	352,955
Automotive & Transportation	8,805,772	-	5,722,553	3,083,219
Special Department Expense	4,463,928	-	1,432,762	3,031,167
Professional Services	8,138,635	-	2,961,954	5,176,681
Contributions to Other Agencies	409,016	-	308,930	100,086
Data Processing Charges	5,337,968	-	5,336,220	1,748
Computer Hardware/Software	2,655,713	-	1,970,773	684,940
Noninventoriable Equipment	435,897	-	218,778	217,119
Inventoriable Equipment	389,414	-	217,326	172,087
Clothing/Personal Supplies	167,277	-	4	167,273
Food	7,757,456	-	20,148	7,737,308
Kitchen & Dining	488,091	-	718	487,373
Bedding	136,578	-	-	136,578
Laundry & Dry Cleaning	143,764	-	-	143,764
General Household Expenses	984,229	-	66,335	917,894
Medical Services & Supplies	2,544,742	-	394,425	2,150,317
Medical Indigents	1,116,418	-	122,463	993,956
Maintenance	7,821,289	-	6,022,237	1,799,053
Rents & Leases-Equipment	372,912	-	341,965	30,947
Rents & Leases-Structures	975,165	-	712,104	263,062
Other Services & Supplies	901,229	265	163,996	736,968
Capitalized Expenditures	9,865,825	9,865,825	-	-
	465,221,488			
EXTERNAL INDIRECT COSTS				
County-Wide Cost Alloc Plan	21,542,744	-	21,542,744	-
Total Costs	486,764,232	10,500,594	131,790,676	344,472,962

$$\frac{\text{INDIRECT COSTS}}{\text{DIRECT SALARIES \& BENEFITS}} = \frac{131,790,676}{313,637,707} = 42.02\%$$

The ICRP rate decreased from 43.00% for Claim Year 12-13 to 42.02% for Claim Year 13-14.

Factors that caused a lower rate this year:

1. Direct Salaries & Benefits increased by $13.2 million (or 4.4%) and Indirect Costs increased by $2.6 million (or 2.0%).

Fund	Dept	JOBCODE	DESC	Employee Count	AdjustedpAYROLL	Direct %	Indirect %	Unallowable %	Direct $	Indirect $	Unallowable $
AAA	SHR	01025	Accountant II	2.00	181,278.56		100.00%		-	181,278.56	-
AAA	SHR	01027	Help Desk Technician II	0.73	44,855.54		100.00%		-	44,855.54	-
AAA	SHR	01046	Accounting Technician	4.00	268,963.34	3.75%	96.25%		10,086.13	258,877.21	-
AAA	SHR	01095	Administrative Supervisor II	0.23	27,890.24		100.00%		-	27,890.24	-
AAA	SHR	01189	Lead Sheriff's Aviation Mechan	1.00	130,420.35		100.00%		-	130,420.35	-
AAA	SHR	01190	Sheriff's Aviation Mechanic	5.04	565,659.07		100.00%		-	565,659.07	-
AAA	SHR	01191	Sheriff's AviationMechanicSup	1.00	130,145.77		100.00%		-	130,145.77	-
AAA	SHR	01331	Deputy Director-Shrf Coroner	1.00	178,741.71		100.00%		-	178,741.71	-
AAA	SHR	01532	Assistant Sheriff	1.92	648,964.90		100.00%		-	648,964.90	-
AAA	SHR	01675	Automated Systems Analyst I	19.62	1,842,911.28	10.19%	89.81%		187,860.48	1,655,050.80	-
AAA	SHR	01679	Automated Systems Technician	1.96	122,461.07		100.00%		-	122,461.07	-
AAA	SHR	03118	CrimePreventionPrgmCoordinator	1.00	101,059.30		100.00%		-	101,059.30	-
AAA	SHR	03119	Crime Laboratory Director	1.00	142,497.15		100.00%		-	142,497.15	-
AAA	SHR	03122	Crime Analyst	6.81	643,681.43	11.89%	88.11%		76,561.23	567,120.20	-
AAA	SHR	03123	Supervising Crime Analyst	1.00	107,654.50		100.00%		-	107,654.50	-
AAA	SHR	03130	Fingerprint Examiner Trainee	0.88	45,136.51	100.00%			45,136.51	-	-
AAA	SHR	03131	Fingerprint Examiner I	3.04	224,785.01	100.00%			224,785.01	-	-
AAA	SHR	03132	Fingerprint Examiner II	15.00	1,305,724.12	100.00%			1,305,724.12	-	-
AAA	SHR	03133	Supvg Fingerprint Examiner	2.00	196,886.76	100.00%			196,886.76	-	-
AAA	SHR	03136	Crime Scene Specialist I	8.92	869,371.24	100.00%			869,371.24	-	-
AAA	SHR	03137	Crime Scene Specialist II	3.00	329,381.63		100.00%		-	329,381.63	-
AAA	SHR	03316	Office Assistant II	44.08	2,218,072.90	6.81%	93.19%		150,957.77	2,067,115.13	-
AAA	SHR	03317	Office Assistant III	28.12	1,616,084.34	7.11%	92.89%		114,941.99	1,501,142.35	-
AAA	SHR	03318	Office Assistant IV	8.69	505,997.26	23.01%	76.99%		116,455.07	389,542.19	-
AAA	SHR	03319	Supervising Office Assistant	10.50	701,030.13		100.00%		-	701,030.13	-
AAA	SHR	03320	Office Specialist	39.69	2,437,298.56	7.56%	92.44%		184,225.14	2,253,073.42	-
AAA	SHR	03381	Communications Tech I	2.00	175,137.48		100.00%		-	175,137.48	-
AAA	SHR	03387	Communications Installer	1.00	73,635.21		100.00%		-	73,635.21	-
AAA	SHR	03536	Criminalist I	9.69	1,015,973.87	100.00%			1,015,973.87	-	-
AAA	SHR	03537	Criminalist II	18.42	2,291,884.46	100.00%			2,291,884.46	-	-
AAA	SHR	03540	Supervising Criminalist	3.00	461,735.55		100.00%		-	461,735.55	-
AAA	SHR	03541	Criminalist III	1.54	201,386.74	100.00%			201,386.74	-	-
AAA	SHR	03542	Criminalist Trainee	1.54	115,222.18	100.00%			115,222.18	-	-
AAA	SHR	04080	Deputy Coroner Investigator	18.46	2,062,562.72	100.00%			2,062,562.72	-	-
AAA	SHR	04158	Deputy Public Administrator	2.69	211,980.12	100.00%			211,980.12	-	-
AAA	SHR	04193	Deputy Sheriff	215.12	31,285,218.81	100.00%			31,285,218.81	-	-
AAA	SHR	04196	Deputy Sheriff 12 Hr Shift-80	241.08	32,986,575.87	100.00%			32,986,575.87	-	-
AAA	SHR	04199	Sheriff's Sergeant 12 Hr - 80	0.27	49,998.98	100.00%			49,998.98	-	-
AAA	SHR	04202	Deputy Sheriff 12 Hr Shift-84	0.23	28,272.22	100.00%			28,272.22	-	-
AAA	SHR	04204	Sheriff's Detective/Corporal	130.92	22,812,810.27	100.00%			22,812,810.27	-	-
AAA	SHR	04205	Deputy Sheriff Resident	8.19	1,546,847.47	100.00%			1,546,847.47	-	-
AAA	SHR	04206	Deputy Sheriff III Resident	0.96	191,046.45	100.00%			191,046.45	-	-
AAA	SHR	04207	Sheriff Deputy Dir Admin Svcs	1.00	216,147.38		100.00%		-	216,147.38	-
AAA	SHR	04212	Sheriff's Emergency Svcs Cdntr	1.00	108,594.81		100.00%		-	108,594.81	-
AAA	SHR	04388	Director of County Safety&Secu	0.54	19,411.30			100.00%	-	-	19,411.30
AAA	SHR	05055	Sheriff/Coroner/Public Admin	1.04	615,092.40			100.00%	-	-	615,092.40
AAA	SHR	05128	Autopsy Assistant Trainee	1.00	67,484.31	100.00%			67,484.31	-	-
AAA	SHR	05129	Autopsy Assistant	6.15	442,284.71	100.00%			442,284.71	-	-
AAA	SHR	05300	Executive Secretary I	2.00	142,950.43		100.00%		-	142,950.43	-
AAA	SHR	05312	Executive Secretary III-Unclas	1.00	103,915.66		100.00%		-	103,915.66	-
AAA	SHR	06050	Fiscal Assistant	8.35	492,763.38		100.00%		-	492,763.38	-
AAA	SHR	06051	Fiscal Specialist	2.96	185,272.54		100.00%		-	185,272.54	-
AAA	SHR	06052	Supervising Fiscal Specialist	2.04	144,935.55		100.00%		-	144,935.55	-
AAA	SHR	06059	Payroll Specialist	5.27	310,126.86		100.00%		-	310,126.86	-
AAA	SHR	06118	Forensic Specialist I (DC)	1.46	117,094.97		100.00%		-	117,094.97	-
AAA	SHR	06119	Forensic Specialist II (DC)	1.00	79,847.85		100.00%		-	79,847.85	-
AAA	SHR	08045	Health Services Assistant I	0.00	0.08	100.00%			0.08	-	-
AAA	SHR	09008	Indigent Burial Specialist	1.00	66,811.69		100.00%		-	66,811.69	-
AAA	SHR	12010	Laboratory Aid 1	0.85	8,136.85		100.00%		-	8,136.85	-
AAA	SHR	13025	Maintenance Supervisor	0.04	4,748.08		100.00%		-	4,748.08	-
AAA	SHR	13072	Sheriff's Civil Technician	10.00	627,838.14		100.00%		-	627,838.14	-
AAA	SHR	13080	Mechanics Assistant	0.50	34,061.91		100.00%		-	34,061.91	-
AAA	SHR	13265	Motor Pool Services Assistant	5.81	381,058.17	17.21%	82.79%		65,586.60	315,471.57	-
AAA	SHR	13268	Multimedia Coordinator	1.00	82,607.61		100.00%		-	82,607.61	-
AAA	SHR	16122	Personnel Technician	2.00	140,874.74		100.00%		-	140,874.74	-
AAA	SHR	16192	Polygraph Examiner	2.00	247,191.63		100.00%		-	247,191.63	-
AAA	SHR	16321	Programmer Analyst II	1.00	109,117.94		100.00%		-	109,117.94	-
AAA	SHR	16322	Programmer Analyst III	1.00	122,871.90		100.00%		-	122,871.90	-
AAA	SHR	16409	Public Service Employee 1	5.08	60,293.36	19.69%	80.31%		11,868.77	48,424.59	-
AAA	SHR	19011	Safety Unit Extra Help 1	25.88	698,987.20	11.40%	88.60%		79,675.90	619,311.30	-
AAA	SHR	19040	Secretary I	21.81	1,409,649.04	9.17%	90.83%		129,266.30	1,280,382.74	-
AAA	SHR	19045	Secretary II	2.00	129,114.06		100.00%		-	129,114.06	-
AAA	SHR	19060	Accountant III	3.77	390,009.26		100.00%		-	390,009.26	-
AAA	SHR	19457	Sheriff's AutomatedSystemsSpv	2.00	245,571.89		100.00%		-	245,571.89	-
AAA	SHR	19458	Sheriff's TrainingSpecialist I	14.42	522,692.65	93.07%	6.93%		486,444.89	36,247.76	-
AAA	SHR	19459	Sheriff's Facilities Coordntr	2.00	207,178.80		100.00%		-	207,178.80	-
AAA	SHR	19460	Sheriff's DeputyChief	4.69	1,541,849.86		100.00%		-	1,541,849.86	-
AAA	SHR	19461	Sheriff's CustodySpecial 12 hr	16.62	1,348,143.34	100.00%	0.00%		1,348,143.34	-	-
AAA	SHR	19464	Sheriff's Civil Investigator	1.00	100,170.41		100.00%		-	100,170.41	-
AAA	SHR	19465	Sheriff's Captain	18.23	5,193,566.20		100.00%		-	5,193,566.20	-
AAA	SHR	19467	Sheriff's Custody Specialist	5.00	366,487.43	80.00%	20.00%		293,189.94	73,297.49	-
AAA	SHR	19468	Sheriff's Custody Assistant	1.00	51,951.31	100.00%	0.00%		51,951.31	-	-
AAA	SHR	19472	Sheriff's Commnty Relations Of	1.00	137,012.09		100.00%		-	137,012.09	-
AAA	SHR	19473	Sheriff's Communications Mgr	2.23	257,299.19		100.00%		-	257,299.19	-

Fund	Dept	JOBCODE	DESC	Employee Count	AdjustedpAYROLL	Direct %	Indirect %	Unallowable %	Direct $	Indirect $	Unallowable $
AAA	SHR	19476	Sheriff's CommDispatcher I Trn	3.96	206,080.11		100.00%		-	206,080.11	-
AAA	SHR	19477	Sheriff's CommDispatcher I	37.00	2,179,738.42		100.00%		-	2,179,738.42	-
AAA	SHR	19478	Sheriff's CommDispatcher II Tr	1.65	108,162.88		100.00%		-	108,162.88	-
AAA	SHR	19479	Sheriff's CommDispatcher II	77.15	5,450,884.28		100.00%		-	5,450,884.28	-
AAA	SHR	19481	Sheriff's Comm Dispatcher III	11.12	1,119,834.84		100.00%		-	1,119,834.84	-
AAA	SHR	19487	Supervising Polygraph Examiner	1.00	139,395.91		100.00%		-	139,395.91	-
AAA	SHR	19489	Sheriff's SupvCommDispatcher	16.31	1,625,618.53		100.00%		-	1,625,618.53	-
AAA	SHR	19498	Sheriff's TrainingSpecialst II	1.00	91,858.00		100.00%		-	91,858.00	-
AAA	SHR	19500	Sheriff's Training Supervisor	1.00	103,756.14	100.00%	0.00%		103,756.14	-	-
AAA	SHR	19504	Sheriff'sMotor/FabricMechanic	1.00	95,352.66	100.00%	0.00%		95,352.66	-	-
AAA	SHR	19515	Sheriff's Lieutenant	26.00	5,516,152.05	7.69%	92.31%		424,319.39	5,091,832.66	-
AAA	SHR	19520	Sheriff's Financial Manager	1.00	155,532.64		100.00%		-	155,532.64	-
AAA	SHR	19521	Sheriff's Administrative Manag	1.00	153,583.11		100.00%		-	153,583.11	-
AAA	SHR	19525	Sheriff's MaintenanceMechanic	0.35	28,591.18		100.00%		-	28,591.18	-
AAA	SHR	19526	Sheriff's Pilot	1.00	113,791.26		100.00%		-	113,791.26	-
AAA	SHR	19527	Sheriff's Public Info Offcr I	1.00	103,813.66		100.00%		-	103,813.66	-
AAA	SHR	19528	Sheriff's Public Info Offcr II	1.00	112,935.45		100.00%		-	112,935.45	-
AAA	SHR	19530	Sheriff's RecordsClerk	31.42	1,315,257.88		100.00%		-	1,315,257.88	-
AAA	SHR	19535	Sheriff's Sergeant	95.23	18,281,209.66	85.36%	14.64%		15,605,161.54	2,676,048.12	-
AAA	SHR	19536	Sheriff's Records Manager	1.00	108,330.61		100.00%		-	108,330.61	-
AAA	SHR	19540	Sheriff's Special Assistant	2.00	216,597.49		100.00%		-	216,597.49	-
AAA	SHR	19541	Sheriff's Spcl. Program Coordn	0.88	88,930.54		100.00%		-	88,930.54	-
AAA	SHR	19543	Sheriff's ServiceSpecialist	27.00	1,783,026.07		100.00%		-	1,783,026.07	-
AAA	SHR	19553	Sheriff's Trainee	30.96	2,070,178.24		100.00%		-	2,070,178.24	-
AAA	SHR	19563	Social Service Aide	0.04	724.44		100.00%		-	724.44	-
AAA	SHR	19646	Staff Analyst I	2.00	169,356.88		100.00%		-	169,356.88	-
AAA	SHR	19647	Staff Analyst II	2.00	158,760.14		100.00%		-	158,760.14	-
AAA	SHR	19767	Supervising Accountant II	0.77	102,457.81		100.00%		-	102,457.81	-
AAA	SHR	19823	Supvg Dpty Coroner Investgr I	5.00	603,698.52		100.00%		-	603,698.52	-
AAA	SHR	19829	Supvg Dpty Coroner Investgr II	1.00	146,970.75		100.00%		-	146,970.75	-
AAA	SHR	19956	Systems Development Team Ldr	3.00	472,337.90		100.00%		-	472,337.90	-
AAA	SHR	19960	Systems Support Analyst I	0.65	59,155.31		100.00%		-	59,155.31	-
AAA	SHR	19965	Systems Support Analyst II	3.85	512,459.07	33.77%	66.23%		173,038.13	339,420.94	-
AAA	SHR	19970	Systems Support Analyst III	5.23	728,324.31	13.19%	86.81%		96,088.68	632,235.63	-
AAA	SHR	21005	Undersheriff	1.00	377,149.66		100.00%		-	377,149.66	-
									-	-	-
									-	-	-
			Contract and ordinance unit employees are governed by ordinance terms and differing individual contract te						-	-	-
AAA	SHR	19710	Student Intern 1	0.58	8,995.56		100.00%		-	8,995.56	-
AAA	SHR	18066	Correctional Nurse - Per Diem 1	1.04	163.33	100.00%			163.33	-	-
AAA	SHR	19551	Sheriff's Station Officer 1	5.46	79,623.46	100.00%			79,623.46	-	-
AAA	SHR	04053	Cont Forensic Pathologist	2.00	464,631.02	100.00%			464,631.02	-	-
AAA	SHR	04054	Cont Forensic Pathologist	1.08	60,902.60	100.00%			60,902.60	-	-
AAA	SHR	27052	Cont Chief Forensic Pathologis	1.00	291,371.85	100.00%			291,371.85	-	-
AAA	SHR	27104	Cont Sheriff Training Program	0.92	27,968.21	100.00%			27,968.21	-	-
AAA	SHR	27197	Cont Motorcycle Instructor	2.19	44,215.87	100.00%			44,215.87	-	-
AAA	SHR	27198	Cont Lead Motorcycle Instrctr	0.96	57,093.03	100.00%			57,093.03	-	-
AAA	SHR	27204	Cont Range Safety Officer	1.00	66,720.68	100.00%			66,720.68	-	-
AAA	SHR	27250	Cont Dep Medical Examiner	0.54	149,190.51	100.00%			149,190.51	-	-
AAA	SHR	27328	Cont Sheriff's Armorer	1.00	73,218.11	100.00%			73,218.11	-	-
									-	-	-
									-	-	-
SCC	SHR	04208	Sheriff's PersonnelPublicGath 1	64.65	719,663.94	100.00%			719,663.94	-	-
SCC	SHR	04213	Deputy Sheriff Morissey Hearin	0.85	165.39	100.00%			165.39	-	-
									-	-	-
									-	-	-
AAA	SHC	03122	Crime Analyst	1.00	106,320.64	50.00%	50.00%		53,160.32	53,160.32	-
AAA	SHC	03316	Office Assistant II	0.88	44,123.94	100.00%			44,123.94	-	-
AAA	SHC	03317	Office Assistant III	0.04	2,265.09	100.00%			2,265.09	-	-
AAA	SHC	03320	Office Specialist	57.81	3,583,352.69	100.00%			3,583,352.69	-	-
AAA	SHC	03321	Supervising Office Specialist	2.77	236,810.73	100.00%			236,810.73	-	-
AAA	SHC	04193	Deputy Sheriff	84.88	12,878,882.46	100.00%			12,878,882.46	-	-
AAA	SHC	04196	Deputy Sheriff 12 Hr Shift-80	238.12	33,685,824.52	100.00%			33,685,824.52	-	-
AAA	SHC	04199	Sheriff's Sergeant 12 Hr - 80	16.12	3,083,640.75	100.00%			3,083,640.76	-	-
AAA	SHC	04203	Sheriff's Det/Corprl 12 Hr-84	0.23	40,133.32	100.00%			40,133.33	-	-
AAA	SHC	04204	Sheriff's Detective/Corporal	43.85	7,285,062.84	100.00%			7,285,062.84	-	-
AAA	SHC	13080	Mechanics Assistant	0.69	49,004.90	100.00%			49,004.90	-	-
AAA	SHC	13265	Motor Pool Services Assistant	3.00	199,548.29	100.00%			199,548.29	-	-
AAA	SHC	19040	Secretary I	8.00	506,121.61	100.00%			506,121.61	-	-
AAA	SHC	19465	Sheriff's Captain	7.04	2,001,918.86	100.00%			2,001,918.86	-	-
AAA	SHC	19515	Sheriff's Lieutenant	8.04	1,818,347.61	100.00%			1,818,347.60	-	-
AAA	SHC	19535	Sheriff's Sergeant	37.88	7,377,072.34	100.00%			7,377,072.34	-	-
AAA	SHC	19543	Sheriff's ServiceSpecialist	51.04	3,461,066.08	100.00%			3,461,066.07	-	-
									-	-	-
AAA	SHD	01025	Accountant II	0.27	21,600.73		100.00%		-	21,600.72	-
AAA	SHD	01046	Accounting Technician	1.00	72,605.21	100.00%			72,605.21	-	-
AAA	SHD	01193	Sheriff's Medical Stores Spcst	2.15	150,491.55		100.00%		-	150,491.55	-
AAA	SHD	01194	Dental Assistant-Corrections	2.00	123,753.62	100.00%			123,753.62	-	-
AAA	SHD	01217	Alcohol & Drug Counselor	2.00	154,215.46	100.00%			154,215.46	-	-
AAA	SHD	01675	Automated Systems Analyst I	1.77	168,860.05		100.00%		-	168,860.05	-
AAA	SHD	03316	Office Assistant II	1.85	87,475.93		100.00%		-	87,475.94	-
AAA	SHD	03317	Office Assistant III	2.00	126,846.41		100.00%		-	126,846.41	-
AAA	SHD	03320	Office Specialist	0.85	51,787.97		100.00%		-	51,787.97	-
AAA	SHD	03321	Supervising Office Specialist	1.00	88,802.03		100.00%		-	88,802.03	-

Fund	Dept	JOBCODE	DESC	Employee Count	AdjustedpAYROLL	Direct %	Indirect %	Unallowable %	Direct $	Indirect $	Unallowable $
AAA	SHD	03329	Clinic Assistant	2.23	121,806.40	100.00%			121,806.40	-	-
AAA	SHD	04193	Deputy Sheriff	74.54	11,389,856.91	100.00%			11,389,856.92	-	-
AAA	SHD	04196	Deputy Sheriff 12 Hr Shift-80	73.19	10,925,851.83	100.00%			10,925,851.82	-	-
AAA	SHD	04199	Sheriff's Sergeant 12 Hr - 80	6.81	1,360,415.74	100.00%			1,360,415.74	-	-
AAA	SHD	04201	Sheriff's Lieutenant 12hrShift	4.15	917,740.77	100.00%			917,740.77	-	-
AAA	SHD	04202	Deputy Sheriff 12 Hr Shift-84	286.69	40,531,937.44	100.00%			40,531,937.44	-	-
AAA	SHD	04203	Sheriff's Det/Corprl 12 Hr-84	2.31	384,012.88	100.00%			384,012.88	-	-
AAA	SHD	04204	Sheriff's Detective/Corporal	5.35	928,655.73	100.00%			928,655.73	-	-
AAA	SHD	04210	Detention Review Officer I	5.77	500,812.53	100.00%			500,812.52	-	-
AAA	SHD	04211	Detention Review Officer II	1.00	150,184.77	100.00%			150,184.77	-	-
AAA	SHD	05070	Electrician	2.00	175,089.94		100.00%		-	175,089.94	-
AAA	SHD	06050	Fiscal Assistant	14.65	940,599.22	6.82%	93.18%		64,187.87	876,411.35	-
AAA	SHD	06051	Fiscal Specialist	0.96	51,014.63		100.00%		-	51,014.62	-
AAA	SHD	06052	Supervising Fiscal Specialist	1.00	83,513.32		100.00%		-	83,513.32	-
AAA	SHD	08045	Health Services Assistant I	14.27	849,757.94	100.00%			849,757.94	-	-
AAA	SHD	09015	Inmate Programs Coordinator	1.00	104,053.37	100.00%			104,053.37	-	-
AAA	SHD	12157	Lic Vocatnl Nurse II-Correctns	32.77	2,612,956.49	100.00%			2,612,956.48	-	-
AAA	SHD	12159	Lic Vocatnl Nurse I-Correctns	0.62	44,568.61	100.00%			44,568.61	-	-
AAA	SHD	13025	Maintenance Supervisor	4.31	501,882.14		100.00%		-	501,882.14	-
AAA	SHD	13265	Motor Pool Services Assistant	0.58	34,639.24		100.00%		-	34,639.24	-
AAA	SHD	16005	Painter I	3.00	245,227.95		100.00%		-	245,227.95	-
AAA	SHD	18061	Correctional Nurse I	0.62	93,609.38	100.00%			93,609.38	-	-
AAA	SHD	18062	Correctional Nurse II	37.58	5,143,094.47	100.00%			5,143,094.48	-	-
AAA	SHD	18063	Correctional Nurse III	1.81	232,210.78	100.00%			232,210.78	-	-
AAA	SHD	18066	Correctional Nurse - Per Diem 1	11.73	467,055.38	100.00%			467,055.38	-	-
AAA	SHD	19011	Safety Unit Extra Help 1	0.27	12,169.39	100.00%			12,169.39	-	-
AAA	SHD	19040	Secretary I	6.00	408,227.09	16.67%	83.33%		68,037.85	340,189.24	-
AAA	SHD	19458	Sheriff's TrainingSpecialist I	6.00	529,303.00	16.67%	83.33%		88,217.17	441,085.84	-
AAA	SHD	19459	Sheriff's Facilities Coordntr	3.00	265,137.76	33.33%	66.67%		88,379.25	176,758.51	-
AAA	SHD	19460	Sheriff's DeputyChief	0.88	473,833.67		100.00%		-	473,833.68	-
AAA	SHD	19461	Sheriff's CustodySpecial 12 hr	137.81	11,806,208.11	100.00%			11,806,208.12	-	-
AAA	SHD	19465	Sheriff's Captain	4.15	1,157,313.85		100.00%		-	1,157,313.85	-
AAA	SHD	19467	Sheriff's Custody Specialist	109.81	8,617,715.84	100.00%			8,617,715.84	-	-
AAA	SHD	19468	Sheriff's Custody Assistant	77.81	4,288,341.96	100.00%			4,288,341.96	-	-
AAA	SHD	19470	Sheriff's Cook I	1.77	94,390.22	100.00%			94,390.22	-	-
AAA	SHD	19471	Sheriff's Cook II	48.96	4,023,451.86	100.00%			4,023,451.86	-	-
AAA	SHD	19482	Supvsg Sheriff's Custdy Spclst	2.77	238,109.63	100.00%			238,109.63	-	-
AAA	SHD	19498	Sheriff's TrainingSpecialst II	1.00	98,108.85	100.00%			98,108.85	-	-
AAA	SHD	19505	Sheriff's FoodServiceManager	1.00	119,366.64		100.00%		-	119,366.64	-
AAA	SHD	19506	Sheriff's FoodServiceSpvr	6.77	559,490.42	100.00%			559,490.41	-	-
AAA	SHD	19507	Sheriff's HealthServicesMgr	1.00	173,882.31		100.00%		-	173,882.31	-
AAA	SHD	19508	Sheriff's Food Svcs Director	1.00	166,093.75		100.00%		-	166,093.75	-
AAA	SHD	19515	Sheriff's Lieutenant	7.65	1,758,673.31	81.97%	18.03%		1,441,581.87	317,091.45	-
AAA	SHD	19523	Sheriff's Maintenance Manager	0.96	144,829.43		100.00%		-	144,829.44	-
AAA	SHD	19525	Sheriff's MaintenanceMechanic	19.88	1,800,623.59		100.00%		-	1,800,623.59	-
AAA	SHD	19529	Sheriff's Maint Mechanic Trnee	1.35	96,679.96		100.00%		-	96,679.96	-
AAA	SHD	19534	Sheriff's ResearchAnalyst	1.00	108,307.90		100.00%		-	108,307.90	-
AAA	SHD	19535	Sheriff's Sergeant	12.04	2,600,749.06	100.00%			2,600,749.06	-	-
AAA	SHD	19538	Sheriff's Nurse Supervisor I	3.42	588,186.73		100.00%		-	588,186.73	-
AAA	SHD	19539	Sheriff's Nurse Supervisor II	5.00	829,576.73	20.00%	80.00%		165,915.35	663,661.38	-
AAA	SHD	19544	Sheriff's Sergeant 12 Hr - 84	20.04	4,211,503.59	100.00%			4,211,503.59	-	-
AAA	SHD	19553	Sheriff's Trainee	13.81	1,041,107.18		100.00%		-	1,041,107.18	-
AAA	SHD	19563	Social Service Aide	0.00	(307.58)	100.00%			(307.58)	-	-
AAA	SHD	19610	Social Worker II	2.58	211,602.85	100.00%			211,602.85	-	-
AAA	SHD	19700	Stores Specialist	3.50	233,081.05		100.00%		-	233,081.05	-
AAA	SHD	19767	Supervising Accountant II	1.00	140,503.34	100.00%			140,503.34	-	-
									-	-	-
									-	-	-
			Contract and ordinance unit employees are governed by ordinance terms and differing individual contract te						-	-	-
AAA	SHD	12154	Lic Vocational Nurse-Per Diem 1	7.46	329,043.20	100.00%			329,043.19	-	-
AAA	SHD	25338	Cont Sheriff Dentist	2.92	127,297.76	100.00%			127,297.76	-	-
AAA	SHD	25365	Cont Sheriff Chaplain H Rng	1.00	67,858.34	100.00%			67,858.34	-	-
AAA	SHD	25366	Ct Sheriff Chaplain L Rng	1.00	67,095.62	100.00%			67,095.62	-	-
AAA	SHD	25367	CT Shrf Chap L Rng W/RTM	1.00	92,396.26	100.00%			92,396.26	-	-
AAA	SHD	25368	CT Shrf Chap H Rng W/RTM	1.00	94,925.43	100.00%			94,925.43	-	-
AAA	SHD	27312	Cont Sheriff Psychiatrist	1.00	39,549.37	100.00%			39,549.37	-	-
AAA	SHD	27314	Cont Sheriff Inst Landscape Sp	1.00	153,481.89	100.00%			153,481.89	-	-
AAA	SHD	27326	Cont Culinary Instructor	0.96	74,716.85	100.00%			74,716.85	-	-
AAA	SHD	27329	Cont Bakery Occupational Instr	1.00	104,455.16	100.00%			104,455.16	-	-
AAA	SHD	27330	Cont Dentist	1.00	189,694.65	100.00%			189,694.65	-	-
AAA	SHD	27374	Cont Sheriff's Regst Dietitian	1.00	72,780.17	100.00%			72,780.17	-	-
AAA	SHD	27412	Cont Radiologic Tech II	1.00	102,425.38	100.00%			102,425.38	-	-
AAA	SHD	28888	Cont Bakery Occupation Instr	0.96	25,053.59	100.00%			25,053.60	-	-
AAA	SHD	28911	Cont Print Shop Supervisor	1.00	71,771.69	100.00%			71,771.69	-	-
				3,223.65	**379,777,678.31**	**82.58%**	**17.25%**	**0.17%**	**313,637,706.58**	**65,505,468.05**	**634,503.70**

SAN BERNARDINO COUNTY

Reissued Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013



BETTY T. YEE
California State Controller

June 2022

BETTY T. YEE
California State Controller

June 22, 2022

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Ensen Mason, CPA, CFA, Auditor-Controller/Treasurer/Tax Collector
San Bernardino County
268 West Hospitality Lane, 4th Floor
San Bernardino, CA 92415

Dear Mr. Mason:

The State Controller's Office (SCO) audited the costs claimed by San Bernardino County for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

This report is a reissue of the April 20, 2022 final audit report. Subsequent to issuance of that report, we discovered that the "Allowable per Audit" amounts identified in the Schedule were incorrect for FY 2002-03 through FY 2010-11. We are re-issuing the final audit report to correct those amounts. Total allowable and unallowable amounts for the audit period were not affected, nor were the amounts identified within the Finding.

The county claimed $4,615,429 for costs of the mandated program. Our audit found that $606,540 is allowable ($662,432 less a $55,892 penalty for filing late claims) and $4,008,889 is unallowable, primarily because the county overstated the number of identity theft reports and the time increments required to perform the reimbursable activities, and misstated the job classifications for the county employees who performed the reimbursable activities. The State made no payments to the county. The State will pay $606,540, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ls

cc: Sakura Younger, Manager
Management Services Section
San Bernardino County Auditor-Controller/Treasurer/Tax Collector's Office
Jai Prasad, CPA, SB 90 Coordinator
Management Services Section
San Bernardino County Auditor-Controller/Treasurer/Tax Collector's Office
Sarkis Ohannessian, Deputy Chief
Information Services Division
San Bernardino County Sheriff's Department
Vicki Dela Cruz, Financial Manager
Bureau of Administration
San Bernardino County Sheriff's 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
Darryl Mar, Manager
Local Government Programs and Services Division
State Controller's Office
Everett Luc, Supervisor
Local Government Programs and Services Division
State Controller's Office

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Reissued Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Bernardino County for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The county claimed $4,615,429 for costs of the mandated program. Our audit found that $606,540 is allowable ($662,432 less a $55,892 penalty for filing late claims) and $4,008,889 is unallowable, primarily because the county overstated the number of identity theft reports and the time increments required to perform the reimbursable activities, and misstated the job classifications for the county employees who performed the reimbursable activities. The State made no payments to the county. The State will pay $606,540, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6, subdivision (a), as added by the Statutes of 2000, Chapter 956, requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission on State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following ongoing activities identified in the parameters and guidelines (Section IV., "Reimbursable Activities"):

1. Either a) or b) below:
   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
   b) Reviewing the identity theft report completed online by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts are not reimbursable activities.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the county's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated Identity Theft 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, 2002, through June 30, 2013.

To achieve our objective, we performed the following procedures:

- We reviewed the annual mandated cost claims filed by the county for the audit period and identified the significant cost components of each claim as salaries, benefits, and indirect costs. We determined whether there were any errors or unusual or unexpected variances from year to year. We reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines.

- We completed an internal control questionnaire by interviewing key county staff. We discussed the claim preparation process with county staff members to determine what information was obtained, who obtained it, and how it was used.

- We obtained system-generated lists of identity theft cases from the county's Tiburon computer-aided dispatch (CAD) system to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period. We found that the county claimed cases for both contract cities and unincorporated areas of the county. The county did not report on its mandated cost claims offsetting reimbursements for the contract city cases. We determined that the contract city cases are ineligible for reimbursement; each of the contract cities must file its own mandated cost claim in order to receive reimbursement for its contract costs related to the Identity Theft Program. We recalculated the costs based on the allowable number of cases for each of the reimbursable activities and found that the county overstated the claimed costs that were funded by other sources (see the Finding).

[1] Unreasonable and/or excessive costs include ineligible costs that are not identified in the programs parameters and guidelines as reimbursable costs.

- To determine the number of allowable identity theft cases, we obtained copies of the county's contracts for law enforcement services. We excluded cases originating within contract jurisdictions (cities, towns, and a casino, as indicated by jurisdiction codes), as the county was reimbursed a set fee for providing these services.

- We designed a statistical sampling plan to test approximately 25–50% of claimed costs, based on a moderate level of detection (audit) risk. We judgmentally selected the county's filed claims for fiscal year (FY) 2010-11 through FY 2012-13 for testing; these fiscal years comprised claimed costs totaling $1,174,700 (or 25.5%) of the total costs claimed ($4,615,249). The sampling plan is described in the Finding and Recommendation section.

- We used a random number table to select 436 out of 946 identity theft reports from the three fiscal years sampled. We tested the identity theft reports as follows:

  - We determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 occurred;

  - We obtained employee numbers, names, and classifications from sampled police reports documenting who performed the reimbursable activities. Compared the employee classifications obtained from the police reports to those claimed by the county;

  - We obtained system-generated time stamps from the county's CAD system for the "Time On Scene" and "Time Close" associated with each report to determine the time spent to begin an investigation. For reports with unreasonable and excessive time spent, we reviewed the detailed history of time stamps from the CAD system for the incident number related to the sampled police report, and adjusted for ineligible time spent on arrests and other incident numbers.

- We interviewed sworn and non-sworn county employees who performed the mandated activities documented in the sampled police reports about their time spent performing reimbursable activities not captured by the CAD system.

- We projected the audit results of the three fiscal years tested by multiplying the allowable case counts by the audited average time increments needed to perform the reimbursable activities, and multiplying the product by the productive hourly rates (PHRs) of employees who performed them. We applied the weighted three-year average error rate of identity theft cases from the results of testing our samples to the remaining eight years of the audit period due to the homogeneity of the population.

- We reviewed the county's Single Audit Reports to identify potential sources of offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. The county certified in its claims that it did not receive such offsetting revenues applicable to this mandated program.

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 did not audit the county'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 found that the county claimed overstated and ineligible costs and overstated the claimed costs that were funded by other sources; as quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, San Bernardino County claimed $4,615,429 for costs of the legislatively mandated Identity Theft Program. Our audit found that $606,540 is allowable ($662,432 less a $55,892 penalty for filing late claims) and $4,008,889 is unallowable. The State made no payments to the county. The State will pay $606,540, contingent upon available appropriations.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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 county's legislatively mandated Identity Theft Program.

Views of Responsible Officials

This report is a reissue of the April 20, 2022 final audit report. We informed Jai Prasad, SB 90 Coordinator, of the revisions to this audit report via email on April 22, 2022. Mr. Prasad responded by email on April 22, 2022, acknowledging the changes to the audit report.

Reason for Reissuance

Subsequent to issuance of the final audit report on April 20, 2022, we discovered errors in the calculation of "Allowable per Audit" amounts for FY 2002-03 through FY 2010-11 in the Schedule. We are re-issuing the final audit report to correct those amounts. Total allowable and unallowable amounts for the audit period were not affected, nor were the amounts identified within the Finding.

Restricted Use

This audit report is solely for the information and use of San Bernardino County, 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 audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

June 22, 2022

Revised Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 115,450	$ 19,345	$ (96,105)
Beginning an investigation of the facts	101,539	14,985	(86,554)
Total direct costs	216,989	34,330	(182,659)
Indirect costs	155,125	24,543	(130,582)
Total direct and indirect costs	372,114	58,873	(313,241)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	372,114	58,873	(313,241)
Less late filing penalty[4]	-	(5,887)	(5,887)
Total program costs	$ 372,114	52,986	$ (319,128)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 52,986	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 121,132	$ 19,170	$ (101,962)
Beginning an investigation of the facts	105,932	14,953	(90,979)
Total direct costs	227,064	34,123	(192,941)
Indirect costs	139,508	20,965	(118,543)
Total direct and indirect costs	366,572	55,088	(311,484)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	366,572	55,088	(311,484)
Less late filing penalty[4]	-	(5,509)	(5,509)
Total program costs	$ 366,572	49,579	$ (316,993)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 49,579	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 156,111	$ 24,671	$ (131,440)
Beginning an investigation of the facts	136,874	19,506	(117,368)
Total direct costs	292,985	44,177	(248,808)
Indirect costs	180,010	27,142	(152,868)
Total direct and indirect costs	472,995	71,319	(401,676)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	472,995	71,319	(401,676)
Less late filing penalty[4]	-	(7,132)	(7,132)
Total program costs	$ 472,995	64,187	$ (408,808)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 64,187	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 166,499	$ 24,878	$ (141,621)
Beginning an investigation of the facts	147,192	19,310	(127,882)
Total direct costs	313,691	44,188	(269,503)
Indirect costs	148,187	20,874	(127,313)
Total direct and indirect costs	461,878	65,062	(396,816)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	461,878	65,062	(396,816)
Less late filing penalty[4]	-	(6,506)	(6,506)
Total program costs	$ 461,878	58,556	$ (403,322)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 58,556	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 180,759	$ 27,697	$ (153,062)
Beginning an investigation of the facts	162,080	21,314	(140,766)
Total direct costs	342,839	49,011	(293,828)
Indirect costs	151,980	21,727	(130,253)
Total direct and indirect costs	494,819	70,738	(424,081)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	494,819	70,738	(424,081)
Less late filing penalty[4]	-	(7,074)	(7,074)
Total program costs	$ 494,819	63,664	$ (431,155)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 63,664	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 162,871	$ 28,740	$ (134,131)
Beginning an investigation of the facts	147,781	22,136	(125,645)
Total direct costs	310,652	50,876	(259,776)
Indirect costs	169,398	27,743	(141,655)
Total direct and indirect costs	480,050	78,619	(401,431)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	480,050	78,619	(401,431)
Less late filing penalty[4]	-	(7,862)	(7,862)
Total program costs	$ 480,050	70,757	$ (409,293)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 70,757	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 152,340	$ 24,470	$ (127,870)
Beginning an investigation of the facts	137,563	18,818	(118,745)
Total direct costs	289,903	43,288	(246,615)
Indirect costs	137,936	20,596	(117,340)
Total direct and indirect costs	427,839	63,884	(363,955)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	427,839	63,884	(363,955)
Less late filing penalty[4]	-	(6,388)	(6,388)
Total program costs	$ 427,839	57,496	$ (370,343)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 57,496	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 132,442	$ 19,475	$ (112,967)
Beginning an investigation of the facts	117,967	15,041	(102,926)
Total direct costs	250,409	34,516	(215,893)
Indirect costs	114,412	15,770	(98,642)
Total direct and indirect costs	364,821	50,286	(314,535)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	364,821	50,286	(314,535)
Less late filing penalty[4]	-	(5,029)	(5,029)
Total program costs	$ 364,821	45,257	$ (319,564)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 45,257	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 152,340	$ 24,470	$ (127,870)
Beginning an investigation of the facts	137,563	18,818	(118,745)
Total direct costs	289,903	43,288	(246,615)
Indirect costs	137,936	20,596	(117,340)
Total direct and indirect costs	427,839	63,884	(363,955)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	427,839	63,884	(363,955)
Less late filing penalty[4]	-	(6,388)	(6,388)
Total program costs	$ 427,839	57,496	$ (370,343)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 57,496	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 132,442	$ 19,475	$ (112,967)
Beginning an investigation of the facts	117,967	15,041	(102,926)
Total direct costs	250,409	34,516	(215,893)
Indirect costs	114,412	15,770	(98,642)
Total direct and indirect costs	364,821	50,286	(314,535)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	364,821	50,286	(314,535)
Less late filing penalty[4]	-	(5,029)	(5,029)
Total program costs	$ 364,821	45,257	$ (319,564)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 45,257	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 126,907	$ 17,379	$ (109,528)
Beginning an investigation of the facts	110,246	13,457	(96,789)
Total direct costs	237,153	30,836	(206,317)
Indirect costs	109,328	14,215	(95,113)
Total direct and indirect costs	346,481	45,051	(301,430)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	346,481	45,051	(301,430)
Less late filing penalty[4]	-	(4,505)	(4,505)
Total program costs	$ 346,481	40,546	$ (305,935)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 40,546	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 153,413	$ 21,590	$ (131,823)
Beginning an investigation of the facts	132,182	17,004	(115,178)
Total direct costs	285,595	38,594	(247,001)
Indirect costs	121,863	16,468	(105,395)
Total direct and indirect costs	407,458	55,062	(352,396)
Less offsetting revenues and reimbursements[3]	-	-	-
Total program costs	$ 407,458	55,062	$ (352,396)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 55,062	

Revised Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries and benefits[2]			
Taking a police report on a violation of PC §530.5	$ 159,499	$ 19,070	$ (140,429)
Beginning an investigation of the facts	136,516	15,045	(121,471)
Total direct costs	296,015	34,115	(261,900)
Indirect costs	124,386	14,335	(110,051)
Total direct and indirect costs	420,401	48,450	(371,951)
Less offsetting revenues and reimbursements[3]	-	-	-
Total program costs	$ 420,401	48,450	$ (371,951)
Less amount paid by the State[4]		-	
Allowable costs claimed in excess of amount paid		$ 48,450	
Summary: July 1, 2002, through June 30, 2013			
Direct costs	$ 3,063,295	$ 438,054	$ (2,625,241)
Indirect costs	1,552,134	224,378	(1,327,756)
Total direct and indirect costs	4,615,429	662,432	(3,952,997)
Less offsetting revenues and reimbursements[3]	-	-	-
Subtotal	4,615,429	662,432	(3,952,997)
Less late filing penalty[4]	-	(55,892)	(55,892)
Total program costs	$ 4,615,429	606,540	$ (4,008,889)
Less amount paid by the State[5]		-	
Allowable costs claimed in excess of amount paid		$ 606,540	

[1] See the Finding and Recommendation section.

[2] The county claimed salaries based on PHRs that included salaries and benefits.

[3] The offsets relating to the contract city cases have been accounted for in the direct and indirect cost audit adjustments.

[4] The SCO assesses late penalties on allowable costs for claims filed after the filing deadline specified in GC section 17568, equal to 10% of claimed costs, not to exceed $10,000.

[5] Payment amount current as of June 9, 2022.

Finding and Recommendation

FINDING — Overstated Identity Theft Program costs

The county claimed $4,615,429 ($3,063,295 in salaries and benefits and $1,552,134 in related indirect costs) for the Identity Theft Program. We found that $662,432 in direct and indirect costs is allowable and $3,952,997 is unallowable.[2]

Salary and benefit costs are determined by multiplying the number of identity theft police reports by the time increments required to perform the reimbursable activities, and then multiplying the product by the weighted average PHRs for the employee classifications that performed the reimbursable activities.

The costs are unallowable because the county misinterpreted the program's parameters and guidelines. As a result, the county overstated the number of identity theft reports, overstated the time increments required to perform the reimbursable activities, and misstated the job classifications and PHRs for the county employees who performed the reimbursable activities.

The following table summarizes the claimed and allowable amounts, and the audit adjustments by fiscal year:

Fiscal Year	Salaries and Benefits			Related Indirect Cost Adjustment	Total Audit Adjustment
	Amount Claimed	Amount Allowable	Audit Adjustment		
2002-03	$ 216,989	$ 34,330	$ (182,659)	$ (130,582)	$ (313,241)
2003-04	227,064	34,123	(192,941)	(118,543)	(311,484)
2004-05	292,985	44,177	(248,808)	(152,868)	(401,676)
2005-06	313,691	44,188	(269,503)	(127,313)	(396,816)
2006-07	342,839	49,011	(293,828)	(130,253)	(424,081)
2007-08	310,652	50,876	(259,776)	(141,655)	(401,431)
2008-09	289,903	43,288	(246,615)	(117,340)	(363,955)
2009-10	250,409	34,516	(215,893)	(98,642)	(314,535)
2010-11	237,153	30,836	(206,317)	(95,113)	(301,430)
2011-12	285,595	38,594	(247,001)	(105,395)	(352,396)
2012-13	296,015	34,115	(261,900)	(110,051)	(371,951)
Total	$ 3,063,295	$ 438,054	$ (2,625,241)	$ (1,327,756)	$ (3,952,997)

Overstated counts of identity theft police reports

Claimed and Allowable Case Counts

The county claimed costs incurred for taking police reports related to 18,572 identity theft cases during the audit period. During fieldwork, the county provided us with an internally generated summary report of claimed counts, actual counts, and estimated time increments by

[2] Our audit found that $662,432 in direct and indirect cots is allowable and $3,952,997 is unallowable. However, the county filed its FY 2002-03 through FY 2010-11 claims after the filing deadline specified in the SCO's claiming instructions and those late claims are subject to late filing penalties pursuant to GC section 17568, which is equal to 10% of allowable costs, not to exceed $10,000 per fiscal year.

Therefore, allowable costs for the audit period totals $606,540 ($662,432 less $55,892 in late filing penalties).

reimbursable activity per case for each fiscal year of the audit period. County representatives stated that this report was the county's basis for the costs claimed. However, the county did not have support from its CAD system for this report. The report disclosed that the county claimed 19,444 total cases and understated its case count by 872 cases for the audit period.

A Crime Analysis Supervisor within the Sheriff's Department provided us with an unduplicated list from the county's CAD system of initial police reports that supported violations of PC section 530.5. The county's CAD system showed that the county completed 18,968 police reports during the audit period.

This list of police reports identified the county jurisdiction code, the year of the report, and the report number. The county also provided a Jurisdiction Reference Chart, which disclosed county jurisdiction codes and jurisdiction codes for the cities that contracted with the county for law enforcement services. After examining the county's list of police reports, we found that 14,104 reports (74%) were from contract city jurisdictions and 4,864 reports (26%) were from county jurisdictions.

The county provided copies of its contracts for law enforcement services; during our analysis of the contracts, we noted that the county provided such services for a set fee to the following 13 cities, two towns, and one casino located in San Bernardino County:

- City of Adelanto;
- City of Big Bear Lake;
- City of Chino Hills;
- City of Colton;
- City of Grand Terrace;
- City of Hesperia;
- City of Highland;
- City of Loma Linda;
- City of Needles;
- City of Rancho Cucamonga;
- City of Twenty-Nine Palms;
- City of Victorville;
- City of Yucaipa;
- Town of Apple Valley;
- Town of Yucca Valley; and
- Yaamava' Resort and Casino at San Manuel (formerly San Manuel Casino).

As the county received reimbursement from its contract cities for preparing their police reports, the 14,104 reports originating from these locations are unallowable for reimbursement. For this audit, the relevant population is the 4,864 reports with county jurisdiction codes completed during the audit period.

Testing Police Reports

We determined the accuracy of the unduplicated counts of police reports by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

We developed a statistical sampling plan to test at least 25% of total claimed costs. We generated statistical samples of identity theft cases for these two procedures so that we could project our sample results to the population of identity theft cases. We selected our statistical samples of identity theft cases originating from the county based on a 95% confidence level, a sampling error of ±8%, and an expected (true) error rate of 50%. We judgmentally selected FY 2010-11, FY 2011-12, and FY 2012-13 for testing because the county claimed costs totaling $1,174,340—which constitutes 25.5% of the total claimed during the audit period ($4,615,429)—for these three fiscal years.

We discovered that San Bernardino County Sheriff's Department (SBCSD) staff took police reports from citizens at the front counter of the department's patrol stations as well as in the field. Therefore, we stratified our testing to differentiate between non-counter (field) reports and those taken at patrol stations (counter reports).

Our testing disclosed the following:

Counter Reports

- For FY 2010-11, we selected for testing 52 reports from the population of 80 counter reports. We found that two cases were unallowable (a 3.85% exception rate) because they did not support a violation of PC section 530.5.
- For FY 2011-12, we selected for testing 63 reports from the population of 108 counter reports. We found that five cases were unallowable (a 7.94% exception rate). Two cases did not support a violation of PC section 530.5, two cases were supplemental reports, and the complainant in the other case was a resident of Henderson, Nevada.
- For FY 2012-13, we selected for testing 49 reports from the population of 72 counter reports. We found that three cases were unallowable (a 6.12% exception rate) because the cases did not support a violation of PC section 530.5.

Field Reports

- For FY 2010-11, we selected for testing 90 reports from the population of 228 field reports. We found that 14 cases were unallowable (a 15.56% exception rate). Six cases did not support a violation of PC section 530.5, and eight cases were follow-up reports written by Detectives (of which six were based on courtesy reports received from other police or sheriff departments, and two were follow-up requests from SBCSD patrol stations).

- For FY 2011-12, we selected for testing 92 reports from the population of 236 field reports. We found that 10 cases were unallowable (a 10.87% exception rate). Five cases did not support a violation of PC section 530.5, one case was a courtesy report, and four cases were follow-up reports written by Detectives.

- For FY 2012-13, we selected for testing 90 reports from the population of 222 field reports. We found that four cases were unallowable (a 4.44% exception rate) because one case did not support a violation of PC section 530.5 and three cases were follow-up reports written by Detectives based on courtesy reports received from other police or sheriff departments.

We extrapolated and projected the results of our substantive tests of statistical samples to determine the number of allowable and unallowable identity theft reports for the entire 11-year audit period. We found that 4,413 police reports are allowable. For the three years that we tested (FY 2010-11, FY 2011-12, and FY 2012-13), we calculated a 5.97% average error rate for the counter reports and a 10.29% average error rate for the field reports. We applied these average error rates to the other eight years of the audit period (FY 2002-03 through FY 2009-10).

The following table summarizes the counts of claimed, supported, and allowable identity theft cases, and the difference by fiscal year:

					Allowable			
Fiscal Year	Claimed	Supported	Contracting Entities	County Reports	Counter Reports	Field Reports	Total	Difference
2002-03	1,694	1,822	(1,332)	490	97	347	444	(1,250)
2003-04	1,702	1,830	(1,363)	467	91	332	423	(1,279)
2004-05	1,939	2,042	(1,509)	533	107	376	483	(1,456)
2005-06	2,010	2,010	(1,497)	513	86	379	465	(1,545)
2006-07	2,090	2,090	(1,545)	545	120	374	494	(1,596)
2007-08	1,824	1,824	(1,278)	546	130	366	496	(1,328)
2008-09	1,678	1,676	(1,219)	457	115	301	416	(1,262)
2009-10	1,458	1,456	(1,090)	366	99	234	333	(1,125)
2010-11	1,271	1,325	(1,016)	309	77	193	270	(1,001)
2011-12	1,405	1,397	(1,053)	344	99	210	309	(1,096)
2012-13	1,501	1,496	(1,202)	294	68	212	280	(1,221)
Total	18,572	18,968	(14,104)	4,864	1,089	3,324	4,413	(14,159)

Overstated time increments

Claimed Time Increments

The county claimed time increments spent by various employee classifications within SBCSD to perform the following reimbursable activities:

- Drafting, reviewing, and editing identity theft police reports taken by Officers, and reviewing identity theft police reports taken at the police station counter (Activity 1a – Take a police report supporting a violation of PC section 530.5); and

- Determining where the crime occurred and what pieces of personal identifying information were used for unlawful purposes (Activity 2 – Begin an investigation of the facts).

For Activity 1a, the county tracked the time spent by Sergeants to review police reports separately from the time spent by other staff members to draft, review, and edit police reports. This time spent by Sergeants on the reimbursable activity is identified as "Activity 1a.1 – Sergeant review."

The county claimed the following time increments to perform the reimbursable activities:

- 60 minutes for Deputy Sheriffs to perform Activity 1a;
- 15 minutes for employees in the Station Clerk and Office Assistant III classifications to assist with Activity 1a;
- 10 minutes for Sergeants to perform Activity 1a.1 – Sergeant review; and
- 60 minutes for Sheriff Detectives to perform Activity 2.

The county did not provide support for the claimed time increments. Section IV., "Reimbursable Activities," of the program's parameters and guidelines state that "Actual costs must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities." As the county did not provide support that complies with this requirement, we determined that the claimed time increments are estimated and unsupported.

Allowable Time Increments

Taking a police report

The county's CAD system did not record time spent drafting, reviewing, and editing identity theft police reports (Activities 1a and 1a.1 – Sergeant review). We interviewed various SBCSD employees, who provided testimonial evidence of the approximate time spent on reimbursable activities not recorded by the CAD system. We found that this information provided a reasonable representation of the time needed to perform these reimbursable activities.

For Activity 1a, we interviewed three Deputy Sheriffs, three Service Specialists, and one Sergeant about drafting, reviewing, and editing identity theft police reports taken by Officers. Based on these interviews, we determined that SBCSD staff spent an average of 35 minutes drafting, reviewing, and editing identity theft police reports taken by Officers.

For Activity 1a.1 – Sergeant review, we interviewed four Detectives and three Sergeants about reviewing identity theft police reports taken at the police station counter. Based on these interviews, we determined that SBCSD staff spent an average of 13 minutes reviewing police reports taken at the police station counter.

The county did not have an online system during the audit period and did not claim any costs for reviewing identity theft reports that were completed online (Activity 1b).

Beginning an investigation

During audit fieldwork, the SBCSD provided system-generated contemporaneous records from its CAD system. These records showed the time, in minutes, from when SBCSD staff arrived at a victim's residence or business located in the county, or began taking information from a resident at the counter of a patrol station (Time On Scene) to the time that the initial call for service was completed (Time Complete). The time elapsed represents the time that county employees spent on determining where the crime occurred and what pieces of personal information were used for unlawful purposes (Activity 2).

We tested the time increments reported for the 154 allowable counter cases and the 244 allowable field cases from our sample selection. We reviewed the CAD system reports to determine the average time spent performing Activity 2. During testing, we noted that certain cases showed unreasonable time increments, as follows:

- 14 counter cases and 11 field cases with reported time increments of 0 to 9 minutes, and
- 19 counter cases and 52 field cases with reported time increments of greater than 60 minutes.

For these reports, the county provided detailed CAD history information. We found that time increments were understated because SBCSD staff members failed to record the time that the employee began preparing the counter report or when the officer arrived on scene for field reports. We found that time increments were overstated because SBCSD staff members recorded time spent on other incident numbers for other major crimes and arrests. We excluded all time recorded for follow-up investigation, search, pursuit, arrest, and changing location or transporting the suspect to jail for booking until the suspect is in custody and incarcerated. Based on our testing, we found that SBCSD staff members spent an average of 41 minutes performing Activity 2.

The following table summarizes the time claimed and allowable for the reimbursable activities by fiscal year:

	Claimed Minutes				Allowable Minutes		
	1a – Take a Police Report*		1a.1 – Review Reports†	2 – Begin an Investigation ‡			
Fiscal Year	Deputies	Clerks/ Assistants	Sergeants	Detectives	1a – Take a Police Report	1a.1 – Review Reports	2 – Begin an Investigation
2002-03	60	15	10	60	35	13	41
2003-04	60	15	10	60	35	13	41
2004-05	60	15	10	60	35	13	41
2005-06	60	15	10	60	35	13	41
2006-07	60	15	10	60	35	13	41
2007-08	60	15	10	60	35	13	41
2008-09	60	15	10	60	35	13	41
2009-10	60	15	10	60	35	13	41
2010-11	60	15	10	60	35	13	41
2011-12	60	15	10	60	35	13	41
2012-13	60	15	10	60	35	13	41

*The county claimed that the Deputy Sheriff classification took police reports, and the Station Clerk and Office Assistant III classifications assisted with taking police reports.

† The county claimed that Sergeants reviewed police reports taken at the station counter.

‡ The county claimed that Detectives began investigations.

Misstated job classifications and PHRs

Claimed Job Classifications

As noted previously, the county claimed that Deputy Sheriffs and Office Assistant IIIs prepared police reports (Activity 1a), and that Sergeants reviewed the reports taken at the police station counter (Activity 1a.1 – Sergeant review). The county also claimed that Sheriff Detectives began investigations (Activity 2).

Staff Allowable

In order to clarify which SBCSD staff members performed the mandated activities, we:

1. Prepared a schedule of employee numbers and names from the sampled police reports;
2. Requested information from the county supporting the actual job classifications for the employees identified;
3. Calculated the extent (percentage of involvement) that various employees performed the mandated activities for the county's sampled identity theft cases; and
4. Verified with the county the results of the above steps to confirm the actual job classifications that performed the reimbursable activities of drafting and editing a police report, reviewing police reports, and beginning an investigation.

The following table summarizes the actual job classifications of the employees who performed the reimbursable activities during FY 2010-11, FY 2011-12, and FY 2012-13, and the average percentage of their involvement in the reimbursable activities for the three fiscal years.

Classification	Average Involvement Percentage
Prepare a report/Begin an investigation[1]	
Deputy Sheriffs	91.0%
Sheriff Sergeants	0.5%
Sheriff Detectives	0.5%
Captains	1.0%
Service Specialists	7.0%
	100%
Review a police report	
Sheriff Sergeants	92.0%
Sheriff Detectives	7.0%
Captains	1.0%
	100%

[1] The same staff members performed the activities of Prepare a Report (Activity 1a) and Begin an Investigation (Activity 2).

The county provided schedules of the actual hourly rates for the employee classifications that performed the reimbursable activities during the audit period. To calculate allowable costs, we used claimed PHRs for Deputy Sheriffs, Sheriff Detectives, and Sergeants. We used rates provided by the county for the employee classifications not claimed (Captains and Service Specialists).

The following table summarizes the auditor-recalculated weighted PHRs for each fiscal year in the audit period by reimbursable activities performed:

Fiscal Year	Prepare a Report	Review a Report	Begin an Investigation
2002-03	$ 49.39	$ 68.12	$ 49.39
2003-04	51.73	69.90	51.73
2004-05	59.10	76.64	59.10
2005-06	60.77	83.32	60.77
2006-07	63.14	88.78	63.14
2007-08	65.31	91.60	65.31
2008-09	66.20	93.25	66.20
2009-10	66.10	91.96	66.10
2010-11	72.94	100.70	72.94
2011-12	80.53	105.66	80.53
2012-13	78.63	102.65	78.63

Using this salary rate information, the corrected number of case counts, the corrected time increments, and the employee classifications that performed the reimbursable activities during the audit period, we determined allowable salaries for each fiscal year.

For example, the following table shows the calculation of allowable salary and benefit costs for FY 2011-12:

Employee Classification	PHR [a]	Number of cases [b]	Minutes [c]	Hours [d=(b*g)/60]	Activity % [e]	Allowable costs [f=a*i*k]
Prepare a report:						
Deputy Sheriff	$ 82.81	309	35	180.25	91.0%	13,583
Sergeant	106.12	309	35	180.25	0.5%	96
Detective	94.08	309	35	180.25	0.5%	85
Captain	144.32	309	35	180.25	1.0%	260
Service Specialist	38.96	309	35	180.25	7.0%	492
Total, prepare a report						$ 14,516
Review a report:						
Sergeant	106.12	309	13	66.95	92.0%	6,536
Detective	94.08	309	13	66.95	7.0%	441
Captain	144.32	309	13	66.95	1.0%	97
Total, review a report						$ 7,074
Begin an investigation:						
Deputy Sheriff	$ 82.81	309	41	211.15	91.0%	15,912
Sergeant	106.12	309	41	211.15	0.5%	112
Detective	94.08	309	41	211.15	0.5%	99
Captain	144.32	309	41	211.15	1.0%	305
Service Specialist	38.96	309	41	211.15	7.0%	576
Total, begin an investigation						$ 17,004
Total allowable salary and benefit costs						$ 38,594

We performed similar calculations for each fiscal year of the audit period.

Allowable related indirect costs

The county claimed $1,552,134 in related indirect costs. We found that $224,378 is allowable and $1,327,756 is unallowable. The county used the indirect cost rates from the Indirect Cost Rate Proposals it prepared for each year of the audit period to claim indirect costs. Unallowable indirect costs are directly related to the previously identified unallowable salaries and benefits for each year of the audit period.

The following table summarizes the claimed and allowable amounts of indirect costs, and the audit adjustment by fiscal year:

Fiscal Year	Related indirect costs		
	Claimed	Allowable	Adjustment
2002-03	$ 155,125	$ 24,543	$ (130,582)
2003-04	139,508	20,965	(118,543)
2004-05	180,010	27,142	(152,868)
2005-06	148,187	20,874	(127,313)
2006-07	151,980	21,727	(130,253)
2007-08	169,398	27,743	(141,655)
2008-09	137,936	20,596	(117,340)
2009-10	114,412	15,770	(98,642)
2010-11	109,328	14,215	(95,113)
2011-12	121,863	16,468	(105,395)
2012-13	124,386	14,335	(110,051)
	$ 1,552,134	$ 224,378	$ (1,327,756)

Criteria

Item 1 of Section III., "Period of Reimbursement," of the parameters and guidelines states, "Actual costs for one fiscal year shall be included in each claim."

Section IV., "Reimbursable Activities," of the parameters and guidelines begins:

> To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Section IV., "Reimbursable Activities," of the parameters and guidelines also states:

> For each eligible claimant, the following ongoing activities are eligible for reimbursement:
>
> 1. Either a) or b) below:
>
> a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and

for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed online by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Section V.A.1, "Salaries and Benefits," of the parameters and guidelines states:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Section V.II., "Offsetting Revenues and Reimbursements," of the parameters and guidelines states:

> Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state, or non-local source shall be identified and deducted from this claim.

Recommendation

The California State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2021-22 Budget Acts. If the program becomes active again, we recommend that the county:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

> We have reviewed the State Controller's Office draft audit report for the above-mandated program dated March 2, 2022. The County review has been completed and we concur with the findings and recommendations proposed in the *Identity Theft Program* draft audit for the period of July 1, 2002 through June 30, 2013.
>
> Due to the amount of time that has elapsed between occurrence of the claimed reimbursable activities and the audit period **(spanning up to 19 years)**, the County is unable to provide any additional supporting documentation. Had the field audit been performed closer to the actual

> cost incurrence period, responsible claim preparation staff (who are retired or no longer employed) could have provided a much better response to audit inquiries, which would have resulted in favorable results for San Bernardino County.

SCO's Comment

The county states that it could have provided additional supporting documentation, had the audit been performed closer to the time period in which the reimbursable activities were performed. We would first point out that the county filed its claims for the first 11 years of the 12-year audit period on January 30, 2013. Except for documentation supporting the time increments claimed to perform the reimbursable activities, lack of supporting documentation was not the primary cause of the unallowable costs.

Instead, the initial 74% reduction in Identity Theft cases claimed (from 18,572 cases claimed to 4,864 cases) was the primary cause of the unallowable costs. As explained in the finding, we reduced the number of allowable cases because the county had claimed costs for taking police reports and beginning investigations for identity theft cases originating within its contract cities. As the county's contracting partners had already reimbursed the county for these costs, the costs were not reimbursable for the purposes of a State-mandated cost claim.

Attachment—
County's Response to Draft Audit Report

SHANNON D. DICUS, SHERIFF-CORONER

SAN BERNARDINO COUNTY

March 9, 2022

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

RE: **Response to Draft Audit Report**
Identity Theft Program
Audit period: July 1, 2002 through June 30, 2013

Dear Ms. Kurokawa:

We have reviewed the State Controller's Office draft audit report for the above-mandated program dated March 2, 2022. The County review has been completed and we concur with the findings and recommendations proposed in the *Identity Theft Program* draft audit for the period of July 1, 2002 through June 30, 2013.

Due to the amount of time that has elapsed between occurrence of the claimed reimbursable activities and the audit period **(spanning up to 19 years)**, the County is unable to provide any additional supporting documentation. Had the field audit been performed closer to the actual cost incurrence period, responsible claim preparation staff (who are retired or no longer employed) could have provided a much better response to audit inquiries, which would have resulted in favorable results for San Bernardino County.

If you have any questions, please contact Jose L. Torres, Sheriff's Administrative Manager, at (909) 387-3465 or e-mail jtorres@sbcsd.org.

Sincerely,

Shannon D. Dicus
Sheriff/Coroner/Public Administrator
San Bernardino County

By: _____
Kelly Welty
Chief Deputy Director
Sheriff's Bureau of Administration

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250

http://www.sco.ca.gov

City of San Marcos Crime Statistics Reporting Audit

and

Sample Crime Statistics Claim

CITY OF SAN MARCOS

Audit Report

CRIME STATISTICS REPORTS FOR THE DEPARTMENT OF JUSTICE PROGRAM

Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992;
Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998;
Chapter 571, Statutes 1999; Chapter 626, Statutes 2000;
Chapter 700, Statutes 2004

July 1, 2001, through June 30, 2012

BETTY T. YEE
California State Controller

June 2017

BETTY T. YEE
California State Controller

June 30, 2017

The Honorable Jim Desmond
Mayor of City of San Marcos
1 Civic Center Drive
San Marcos, CA 92069

Dear Mayor Desmond:

The State Controller's Office audited the costs claimed by the City of San Marcos for the legislatively mandated Crime Statistics Reports for the Department of Justice Program (Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992; Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998; Chapter 571, Statutes 1999; Chapter 626, Statutes 2000; Chapter 700, Statutes 2004) for the period of July 1, 2001, through June 30, 2012.

The city claimed $1,094,487 for the mandated program. Our audit found that $722,360 is allowable ($738,724 less allowable costs that exceed costs claimed totaling $16,364) and $372,127 is unallowable. The costs are unallowable because the city misstated the number of domestic violence-related calls for assistance incident reports, misstated the average time increments per activity, misstated the contract productive hourly rates, and misstated the contract indirect cost rates. The State made no payments to the city. The State will pay allowable costs claimed totaling $722,360, contingent upon available appropriations.

This final audit report contains an adjustment to costs claimed by the city. If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on the State Mandates (Commission). Pursuant to Section 1185, subdivision (c), of the Commission's regulations (*California Code of Regulations*, Title 3), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ls

cc: Laura Rocha, Finance Director
City of San Marcos
Stacey Tang, Accounting Manager
City of San Marcos
Chris Hill, Principal Program Budget Analyst
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of San Marcos for the legislatively mandated Crime Statistics Reports for the Department of Justice Program (Chapter 1172, Statutes 1989; Chapter 1338, Statutes 1992; Chapter 1230, Statutes 1993; Chapter 933, Statutes 1998; Chapter 571, Statutes 1999; Chapter 626, Statutes 2000; Chapter 700, Statutes 2004) for the period of July 1, 2001, through June 30, 2012.

The city claimed $1,094,487 for the mandated program. Our audit found that $722,360 is allowable ($738,724 less allowable costs that exceed costs claimed totaling $16,364) and $372,127 is unallowable. The costs are unallowable because the city misstated the number of domestic violence-related calls for assistance incident reports, misstated the average time increments per activity, misstated the contract productive hourly rates, and misstated the contract indirect cost rates. The State made no payments to the city. The State will pay allowable costs claimed totaling $722,360, contingent upon available appropriations.

Background

Penal Code (PC) section 12025, subdivisions (h)(1) and (h)(3); section 12031, subdivisions (m)(1) and (m)(3); section 13014 and 13023; and section 13730, subdivision (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 California Department of Justice (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 (Penal Code 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 (Penal Code 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 section 12025 (carrying a concealed firearm) or section 12031 of the Penal Code (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 is a reimbursable mandate from July 1, 2001 (the beginning of the reimbursement period for this test claim) until January 1, 2005. (Penal Code sections 12025, subdivisions (h)(1) and (h)(3), and 12031 subdivisions (m)(1) and (m)(3)).

- For local law enforcement agencies to support all domestic-violence related calls for assistance with a written incident report (Penal Code section 13730, subdivision (a), Chapter 1230, Statutes of 1993).

The Commission also found that, beginning January 1, 2005, local law enforcement agencies are entitled to reimbursement for reporting the following information in a manner to be prescribed by the Attorney General:

- Any information that may be required relative to hate crimes, as defined in Penal Code 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.

- Any information that may be required relative to hate crimes, defined in Penal Code 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, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012.

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted this 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we performed the following procedures:

- Reviewed claims to identify the material cost components of each claim, any errors, and any unusual or unexpected variances from year-to-year;
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained;
- Reviewed the city's contract provisions with the agency performing reimbursable activities;
- Interviewed the contracted agency's staff to determine the employee classifications involved in performing the reimbursable activities during the audit period;
- Assessed whether computer-processed data provided by the contracted agency to support claimed information was complete and accurate and could be relied upon;
- Reviewed the contracted agency's time study documentation to assess whether average time increments claimed to perform the reimbursable activities were reasonable per the requirements of the program;
- Reviewed and analyzed the contracted agency's detailed listing of incident report counts in selected fiscal years to identify any possible exclusions; and ensured that the counts were sufficiently free of errors;
- Verified incident report counts by tracing a sample of domestic violence calls for assistance to case files to ensure that the calls for assistance were supported by written incident reports;

- Traced contract productive hourly rate calculations to supporting information in the city's contract provisions with the agency performing reimbursable activities;
- Determined whether contract indirect costs claimed were for common or joint purposes and whether indirect cost rates were properly supported and applied; and
- Recalculated allowable costs claimed using audited data

Conclusion

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

For the audit period, the city claimed $1,094,487 for costs of the Crime Statistics Reports for the Department of Justice Program. Our audit found that $722,360 is allowable ($738,724 less allowable costs that exceed costs claimed totaling $16,364) and $372,127 is unallowable.

The State made no payments to the city. The State will pay allowable costs claimed that exceed the amount paid, totaling $722,360, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft audit report on May 23, 2017. Laura Rocha, Finance Director, responded by letter dated June 1, 2017 (Attachment), disagreeing with the audit results. 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 Marcos, 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

June 30, 2017

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

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2001, through June 30, 2002				
Direct costs - contract services:[2]				
Domestic violence related calls for assistance	$ 46,375	$ 30,931	$ (15,444)	Finding 1
Total direct costs	46,375	30,931	(15,444)	
Indirect costs	4,638	14,754	10,116	Finding 2
Total program costs	$ 51,013	45,685	$ (5,328)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 45,685		
July 1, 2002, through June 30, 2003				
Direct costs - contract services:[2]				
Domestic violence related calls for assistance	$ 85,600	$ 32,884	$ (52,716)	Finding 1
Total direct costs	85,600	32,884	(52,716)	
Indirect costs	8,560	15,686	7,126	Finding 2
Total program costs	$ 94,160	48,570	$ (45,590)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 48,570		
July 1, 2003, through June 30, 2004				
Direct costs - contract services:[2]				
Domestic violence related calls for assistance	$ 91,184	$ 40,044	$ (51,140)	Finding 1
Total direct costs	91,184	40,044	(51,140)	
Indirect costs	9,118	19,101	9,983	Finding 2
Total program costs	$ 100,302	59,145	$ (41,157)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 59,145		
July 1, 2004, through June 30, 2005				
Direct costs - contract services:[2]				
Domestic violence related calls for assistance	$ 108,999	$ 43,425	$ (65,574)	Finding 1
Total direct costs	108,999	43,425	(65,574)	
Indirect costs	10,900	20,714	9,814	Finding 2
Total program costs	$ 119,899	64,139	$ (55,760)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 64,139		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2005, through June 30, 2006				
Direct costs - contract services:[2]				
Domestic violence related calls for assistance	$ 120,823	$ 46,556	$ (74,267)	Finding 1
Total direct costs	120,823	46,556	(74,267)	
Indirect costs	12,082	22,207	10,125	Finding 2
Total program costs	$ 132,905	68,763	$ (64,142)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 68,763		
July 1, 2006, through June 30, 2007				
Direct costs - contract services:[2]				
Domestic violence related calls for assistance	$ 127,427	$ 48,953	$ (78,474)	Finding 1
Total direct costs	127,427	48,953	(78,474)	
Indirect costs	12,743	23,351	10,608	Finding 2
Total program costs	$ 140,170	72,304	$ (67,866)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 72,304		
July 1, 2007, through June 30, 2008				
Direct costs - contract services:[2]				
Homicide reports	$ 120	$ 120	$ -	
Domestic violence related calls for assistance	55,112	44,336	(10,776)	Finding 1
Total direct costs	55,232	44,456	(10,776)	
Indirect costs	44,628	20,405	(24,223)	Finding 2
Total program costs	$ 99,860	64,861	$ (34,999)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 64,861		
July 1, 2008, through June 30, 2009				
Direct costs - contract services:[2]				
Homicide reports	$ 120	$ 120	$ -	
Domestic violence related calls for assistance	43,987	50,419	6,432	Finding 1
Total direct costs	44,107	50,539	6,432	
Indirect costs	40,490	23,501	(16,989)	Finding 2
Total program costs	$ 84,597	74,040	$ (10,557)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 74,040		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2009, through June 30, 2010				
Direct costs - contract services:[2]				
Homicide reports	$ 116	$ 116	$ -	
Domestic violence related calls for assistance	54,494	62,062	7,568	Finding 1
Total direct costs	54,610	62,178	7,568	
Indirect costs	48,713	31,337	(17,376)	Finding 2
Total program costs	$ 103,323	93,515	$ (9,808)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 93,515		
July 1, 2010, through June 30, 2011				
Direct costs - contract services:[2]				
Domestic violence related calls for assistance	$ 58,530	$ 49,367	$ (9,163)	Finding 1
Total direct costs	58,530	49,367	(9,163)	
Indirect costs	51,799	24,042	(27,757)	Finding 2
Total program costs	$ 110,329	73,409	$ (36,920)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 73,409		
July 1, 2011, through June 30, 2012				
Direct costs - contract services:[2]				
Domestic violence related calls for assistance	$ 31,195	$ 50,471	$ 19,276	Finding 1
Total direct costs	31,195	50,471	19,276	
Indirect costs	26,734	23,822	(2,912)	Finding 2
Total direct and indirect costs	57,929	74,293	16,364	
Less allowable costs that exceed costs clalimed[3]	-	(16,364)	(16,364)	
Total program costs	$ 57,929	57,929	$ -	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 57,929		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
Summary: July 1, 2001, through June 30, 2012				
Direct costs - contract services:[2]				
Homicide reports	$ 356	$ 356	$ -	
Domestic violence related calls for assistance	823,726	499,448	(324,278)	
Total direct costs	824,082	499,804	(324,278)	
Indirect costs	270,405	238,920	(31,485)	
Total direct and indirect costs	1,094,487	738,724	(355,763)	
Less allowable costs that exceed costs clalimed[3]	-	(16,364)	(16,364)	
Total program costs	$ 1,094,487	722,360	$ (372,127)	
Less amount paid by the State		-		
Allowable costs claimed in excess of (less than) amount paid		$ 722,360		

[1] See the Findings and Recommendations section.

[2] The city claimed contract services costs that were misclassified as salaries and benefits during the audit period. We reallocated the claimed costs to the appropriate cost category of contract services.

[3] GC section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2011-12.

Findings and Recommendations

FINDING 1— Domestic Violence Related Calls for Assistance cost component – misstated contract services costs

The city claimed $823,726 in salaries and benefits for the Domestic Violence Related Calls for Assistance cost component during the audit period. The city incorrectly classified claimed costs as salaries and benefits costs. During the audit period, the city did not incur any salaries and benefits costs, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services. Out of the amount claimed, we found that $499,448 is allowable and $324,278 is unallowable. The costs are unallowable because the city misstated the number of incident report counts, misstated the time increments per activity, and misstated the contract productive hourly rates.

The following table summarizes the claimed, allowable, and unallowable contract services costs for the Domestic Violence Related Calls for Assistance cost component for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	$ 46,375	$ 30,931	$ (15,444)
2002-03	85,600	32,884	(52,716)
2003-04	91,184	40,044	(51,140)
2004-05	108,999	43,425	(65,574)
2005-06	120,823	46,556	(74,267)
2006-07	127,427	48,953	(78,474)
2007-08	55,112	44,336	(10,776)
2008-09	43,987	50,419	6,432
2009-10	54,494	62,062	7,568
2010-11	58,530	49,367	(9,163)
2011-12	31,195	50,471	19,276
Total	$ 823,726	$ 499,448	$ (324,278)

Contract Service Costs

The city contracts with the San Diego County Sheriff's Department (SDSO) to perform all law enforcement duties for the city. These duties include activities claimed for the mandated program. The city contracts for various SDSO staff positions (i.e. Deputy, Sergeant, and Detective Sergeant) each fiscal year (FY) and pays the SDSO annual contract rates for the positions. No city staff members performed any of the reimbursable activities under this program. Therefore, the city did not incur any salaries and benefits costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of contract services.

The city determined claimed hours by multiplying the number of domestic-violence related calls for assistance incidents reported by the SDSO by the estimated time taken to perform the activity. The city then multiplied the total hours claimed by the respective SDSO contract rates to determine total costs claimed.

Number of Domestic Violence-Related Calls for Assistance

Claimed

The city obtained the claimed number of domestic violence-related calls for assistance from both the SDSO's Automated Regional Justice Information System (ARJIS) and the DOJ's website.

Allowable

During fieldwork, we requested to review documentation supporting the number of domestic violence-related calls for assistance incidents that included a written report. The SDSO provided reports from the ARJIS supporting the number of incidents, for which reports were written, for FY 2007-08 through FY 2011-12. We found that the number of incidents claimed was misstated (overstated in some years and understated in other years).

We reviewed a sample of domestic violence-related calls for assistance incidents to verify that they occurred and were properly supported with a written incident report. We selected a random sample of 33 domestic violence-related calls for assistance incidents each for FY 2010-11 and FY 2011-12. Our review revealed that only one incident report did not include any information related to domestic violence. We determined that we would not need to expand our testing, as the discrepancy was immaterial. We concluded the SDSO did a sufficient and appropriate job of generating the data from ARJIS. Therefore, we concluded that the query reports provided for FY 2007-08 through FY 2011-12 were reliable.

The SDSO was not able to provide reports or supporting documentation for incidents claimed for FY 2001-02 through FY 2006-07. Because we identified discrepancies with claimed incidents, for which reports were written, for FY 2007-08 through FY 2011-12, we calculated an average incident count based on the data provided for the supported years. We applied the average incident count to FY 2001-02 through FY 2006-07, in which supporting documentation was not available.

The following table summarizes the claimed, allowable, and misstated number of domestic violence-related calls for assistance incidents for the audit period:

Fiscal Year	Claimed Incident Counts	Allowable Incident Counts	Difference
Incident Counts			
2001-02	208	274	66
2002-03	356	274	(82)
2003-04	323	274	(49)
2004-05	359	274	(85)
2005-06	371	274	(97)
2006-07	373	274	(99)
2007-08	291	236	(55)
2008-09	224	266	42
2009-10	288	336	48
2010-11	309	270	(39)
2011-12	155	264	109

Time Increments

Claimed

For each fiscal year, the city estimated that it took 126 minutes per incident for a deputy to support all domestic violence-related calls for assistance with a written incident report. For FY 2007-08 through FY 2011-12, the city estimated that it took an additional 19 minutes for a sergeant to review and edit the report. The city did not provide any source documentation based on actual data to support the estimated time increments.

Allowable

The SDSO conducted a month-long time study in April 2016. The time study determined the time it took the Deputies to support all domestic violence-related calls for assistance with a written incident report, and the time it took the Patrolling Sergeants to review and edit the reports. The time study also determined that the Deputies also spent time editing reports and Detective Sergeants also spent time reviewing reports, which were not claimed.

Based on the SDSO's time-study results, we determined that it takes Deputies an average of 1.92 hours (or 115.42 minutes) to support all domestic violence-related calls for assistance with a written incident report, and an average of 0.05 hours (or 3 minutes) to edit the written report. We also determined that it takes the Patrolling Sergeants an average of 0.27 hours (or 15.90 minutes) and Detective Sergeants an average of 0.07 hours (or 4.10 minutes) to review the written reports.

We applied the allowable time-study increments to the domestic violence-related calls for assistance incident counts to arrive at the total allowable hours.

The following table summarizes the claimed, allowable, and misstated hours for the Deputy classification for the activity of writing the reports:

Fiscal Year	Claimed Hours	Allowable Hours	Difference
Allowable Hours - Report Writing (Deputy)			
2001-02	436.80	526.08	89.28
2002-03	747.60	526.08	(221.52)
2003-04	678.30	526.08	(152.22)
2004-05	753.90	526.08	(227.82)
2005-06	779.10	526.08	(253.02)
2006-07	783.30	526.08	(257.22)
2007-08	611.10	453.12	(157.98)
2008-09	470.40	510.72	40.32
2009-10	604.80	645.12	40.32
2010-11	648.90	518.40	(130.50)
2011-12	334.03	506.88	172.85
Total	6,848.23	5,790.72	(1,057.51)

The following table summarizes the claimed, allowable, and unreported hours for the Deputy classification for the activity of editing the reports:

Fiscal Year	Claimed Hours	Allowable Hours	Difference
Allowable Hours - Editing Report (Deputy)			
2001-02	-	13.70	13.70
2002-03	-	13.70	13.70
2003-04	-	13.70	13.70
2004-05	-	13.70	13.70
2005-06	-	13.70	13.70
2006-07	-	13.70	13.70
2007-08	-	11.80	11.80
2008-09	-	13.30	13.30
2009-10	-	16.80	16.80
2010-11	-	13.50	13.50
2011-12	-	13.20	13.20
Total	-	150.80	150.80

The following table summarizes the claimed, allowable, and misstated hours for the Patrolling Sergeant classification for the activity of reviewing and editing the reports:

Fiscal Year	Claimed Hours	Allowable Hours	Difference
Allowable Hours - Reviewing Report (Patrolling Sergeant)			
2001-02	-	73.98	73.98
2002-03	-	73.98	73.98
2003-04	-	73.98	73.98
2004-05	-	73.98	73.98
2005-06	-	73.98	73.98
2006-07	-	73.98	73.98
2007-08	92.15	63.72	(28.43)
2008-09	70.93	71.82	0.89
2009-10	91.20	90.72	(0.48)
2010-11	97.85	72.90	(24.95)
2011-12	47.79	71.28	23.49
Total	399.92	814.32	414.40

The following table summarizes the claimed, allowable, and unreported hours for the Detective Sergeant classification for the activity of reviewing and editing the reports:

Fiscal Year	Claimed Hours	Allowable Hours	Difference
Allowable Hours - Reviewing Report (Detective Sergeant)			
2001-02	-	19.18	19.18
2002-03	-	19.18	19.18
2003-04	-	19.18	19.18
2004-05	-	19.18	19.18
2005-06	-	19.18	19.18
2006-07	-	19.18	19.18
2007-08	-	16.52	16.52
2008-09	-	18.62	18.62
2009-10	-	23.52	23.52
2010-11	-	18.90	18.90
2011-12	-	18.48	18.48
Total	-	211.12	211.12

Contract Hourly Rates

We reviewed the contract service agreements between the SDSO and the city, including Attachment B, CLEP Costing schedules, and contract hours for each fiscal year. Our analysis revealed that the city overstated claimed rates during the audit period. The rates were overstated because the city used inconsistent methodology to compute claimed rates, used contract salary and benefit amounts that were co-mingled with multiple classifications, and applied inconsistent annual contract hours to compute claimed hourly rates.

Contract Salary and Benefit Amounts

For FY 2001-02 through FY 2006-07, the city used contract salary and benefit amounts that co-mingled multiple classifications into one rate. The claimed amounts included classifications that did not perform reimbursable activities. During fieldwork, SDSO provided segregated contract salary and benefit amounts specific to those classifications performing reimbursable activities. We used the segregated contract salary and benefit information to compute allowable rates for FY 2001-02 through FY 2006-07.

For FY 2007-08 through FY 2011-12, the city used segregated contract salary and benefit amounts. We traced the claimed amounts to contract information and confirmed they were accurate.

Contract Productive Hours

For FY 2001-02 through FY 2006-07, the city used co-mingled contract productive hours consistent with contract salary and benefit amounts that included multiple classifications into one rate. Because we were able to segregate contract salary and benefit amounts, we also used productive hours consistent with classifications performing reimbursable activities. We used 1,743 productive hours noted in the contract to compute each classification's contract rate.

Misstated Contract Hourly Rates

We calculated hourly contract rates for each classification using the contract hours of 1,743 and the segregated contract salary and benefit amounts for each classification performing reimbursable activities.

The following table summarizes the audit adjustments to the hourly contract rate for the Deputy classification:

Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Difference
Allowable Hourly Contract Rate (Deputy)			
2001-02	106.17	47.34	(58.83)
2002-03	114.50	50.31	(64.19)
2003-04	134.43	61.22	(73.21)
2004-05	144.58	66.48	(78.10)
2005-06	155.08	71.46	(83.62)
2006-07	162.68	75.14	(87.54)
2007-08	76.38	78.87	2.49
2008-09	78.64	78.64	-
2009-10	76.48	76.48	-
2010-11	75.84	75.84	-
2011-12	79.32	79.32	-

The following table summarizes the audit adjustments to the hourly contract rate for Patrolling Sergeant classification:

Fiscal Year	Amount Hourly Rate	Amount Hourly Rate	Difference
Allowable Hourly Contract Rate (Patrolling Sergeant)			
2001-02	-	57.72	57.72
2002-03	-	61.49	61.49
2003-04	-	75.11	75.11
2004-05	-	80.94	80.94
2005-06	-	85.69	85.69
2006-07	-	90.10	90.10
2007-08	91.55	94.58	3.03
2008-09	98.61	101.84	3.23
2009-10	90.34	100.12	9.78
2010-11	95.22	98.34	3.12
2011-12	98.34	102.69	4.35

The following table summarizes the audit adjustments to the hourly contract rate for Detective Sergeant classification:

Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Difference
Allowable Hourly Contract Rate (Detective Sergeant)			
2001-02	-	57.72	57.72
2002-03	-	61.49	61.49
2003-04	-	75.11	75.11
2004-05	-	80.94	80.94
2005-06	-	85.69	85.69
2006-07	-	90.10	90.10
2007-08	-	99.29	99.29
2008-09	-	101.84	101.84
2009-10	-	100.12	100.12
2010-11	-	98.34	98.34
2011-12	-	102.69	102.69

Summary of Audit Adjustment

We applied the allowable domestic violence-related calls for assistance incident counts to the time study increments to arrive at the total allowable hours. We then applied the audited hourly contract rates to the allowable hours to determine allowable contract services costs. Our analysis revealed that the city overstated contract services costs totaling $324,278 for the Domestic Violence Related Calls for Assistance cost component for the audit period.

The following table summarizes the audit adjustments per fiscal year as described in the finding above:

Fiscal Year	Hours Related Adjustment	Contract Rate Related Adjustment	Audit Adjustment
2001-02	$ 15,505	$ (30,949)	$ (15,444)
2002-03	(18,947)	(33,769)	(52,716)
2003-04	(12,626)	(38,514)	(51,140)
2004-05	(24,487)	(41,087)	(65,574)
2005-06	(30,276)	(43,991)	(74,267)
2006-07	(32,421)	(46,053)	(78,474)
2007-08	(12,099)	1,323	(10,776)
2008-09	6,200	232	6,432
2009-10	6,681	887	7,568
2010-11	(9,390)	227	(9,163)
2011-12	18,966	310	19,276
Total	$ (92,894)	$ (231,384)	$ (324,278)

Criteria

The parameters and guidelines (section IV-Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

The parameters and guidelines (section IV-Ongoing Activities D. Domestic Violence Related Calls for Assistance) allow ongoing activities related to costs supporting calls with a written incident report and reviewing the report as follows:

> D. Domestic Violence Related Calls for Assistance: (Pen. Code, § 13730(a); Stats.1993, ch. 1230)
>
> The following activity, performed by city, county, and city and county law enforcement agencies, is eligible for reimbursement:
>
> 1. Support all domestic-violence related calls for assistance with a written incident report.
> 2. Review and edit the report.
>
> Reimbursement is ***not*** required to interview parties, complete a booking sheet or restraining order, transport the victim to the hospital, book the perpetrator, or other related activities to enforce a crime and assist the victim.
>
> In addition, reimbursement is ***not*** required to include the information in the incident report required by Penal Code section 13730(c)(1)(2), based on the Commission decision denying reimbursement for that activity in *Domestic Violence Training and Incident Reporting* (CSM-96-362-01). Reimbursement for including the information in the incident report required by Penal Code section 13730(c)(3) is not provided in these parameters and guidelines and may not be claimed under this program, but is addressed in *Domestic Violence Incident Reports II* (02-TC-18).

The parameters and guidelines (section V-Claim Preparation and Submission-Direct Cost Reporting-Contracted Services) state that, for salaries and benefits, claimants are required to:

> Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2016-17. If the program becomes active, we recommend the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

Issue 1: Number of Domestic Violence-Related Calls for Assistance

The City of San Marcos (City) requests the State Controller's Office (SCO) to use the actual Domestic Violence (DV) statistics provided for the period from FY 2001-02 through FY 2006-07 in lieu of the SCO's average of the five most recent fiscal years audited. These actual statistics of DV incidents were supported with written incident reports. The City also requests the SCO to take into account the crime rates in the older years were higher.

The City provided to the SCO both the San Diego County Sheriff's Office (SDSO) DV statistics reported in the Automated Regional Justice Information System (ARJIS), which recorded the number of actual DV incident reports by fiscal year, and the Department of Justice (DOJ) annual DV report statistics, which were reported by calendar year. While the SDSO maintains records of total case counts in a summary format, the information requested by the SCO for this audit (a detailed report showing each incident case number by date and Penal Code for all the fiscal years) is no longer accessible due to system data conversions and also requirements to expunge records for FY 2001-02 through FY 2006-07. Table 1 below shows DOJ and SDSO ARJIS data, while reported on calendar vs. fiscal year, respectively, tracked very closely. The City used the DOJ figures, which the SCO confirmed, to compute the claims (FY 2011-12 claimed statistic was an error, which was not known at the time the claim was filed).

Table 1 – Analysis of Incident Report Counts

Fiscal Year	Claimed	DOJ Stats (calendar year)	ARJIS Stats (fiscal year)	SCO Allowed
2001-02	208	208	333	274
2002-03	356	356	360	274
2003-04	323	323	394	274
2004-05	359	359	336	274
2005-06	371	371	350	274
2006-07	373	373	346	274
2007-08	291	291	236	236
2008-09	224	224	266	266
2009-10	288	288	336	336
2010-11	309	309	270	270
2011-12	155	251	264	264
Total	**3,257**	**3,353**	**3,491**	**3,016**
Average	296	305	317	274
Variance		12		
% Difference		4%		

Shaded area indicates the SCO audited and approved numbers.

The information the SDSO provided proved:

1) The data was contemporaneously generated and can be verified by other reliable contemporaneous source document.

    a) The City sent to the SCO faxed correspondences from the SDSO's office with report counts from the actual time periods dating back to 2002.

    b) The attached San Diego Association of Governments (SANDAG) Criminal Justice Research Division Report verifies the statistics provided to the SCO matched DOJ reported DV incidents. The attached SANDAG, "Twenty-Five Years of Crime in the San Diego Region: 1984 through 2008" report, Page 25, Appendix Table 9 shows the data for year 2004, 2007 and 2008 DV incident counts matched those claimed.

2) The actual incident counts are supported with written reports.

    a) The attached DOJ's Criminal Statistics Reporting Requirements manual shows on Page 14, DOJ is to be provided with "monthly summary statistical data on the number of domestic violence-related calls received" and "[a]ll domestic violence-related calls for assistance shall be supported with a written incident report".

    b) The attached email on May 15, 2017, from Brent Jordan, Sr. Crime and Intel Analyst, who provided those old faxed correspondences above in 1) a), states, "The SANDAG reports that are attached represent reported crime meaning that **they had a case number and a written report.** None of the statistics provided in the SANDAG report are considered calls for service." Also the attached email from Lieutenant Schaller on the same date said, "Just confirming Brent's statement here. These stats were generated by actual reports generated." (Emphasis added)

    3) The DV crime rates in the older years were higher. The attached SANDAG "Twenty-Five Years of Crime in the San Diego Region: 1984 through 2008" report, page 11, Figure 13 shows DV rates were higher during 2002 to 2007 and they were trending down. Also on page 26, Appendix Table 9 shows specifically the City's number of DV incidents decreasing.

During the audit, the SCO reviewed the ARJIS statistics and detail reports for the five most recent of the eleven audited fiscal years and verified the reliability of the SDSO ARJIS statistical data, as 100% of ARJIS incident counts were approved by the SCO. Page 9 of the Draft Audit Report states, "We reviewed a sample of domestic-violence related calls for assistance incidents to verify that they occurred and were properly supported with a written incident report" and "We concluded the SDSO did a sufficient and appropriate job of generating the data from ARJIS. Therefore, we concluded that the query reports provided for FY 2007-08 through FY 2011-12 were reliable."

Based on the above, either the ARJIS or the DOJ actual statistics, instead of the 274 incident count 5-year average, for FY 2001-02 through FY 2006-07 should be allowed.

Issue 2: Contract Hourly Rates

The City disagrees with the SCO statements regarding the City overstated claimed rates and that the rates were overstated because the City used inconsistent methodologies to compute claimed rates. The City also disagrees with the SCO statement, "For FY 2001-02 though FY 2006-07, the city used contract salary and benefit amounts that co-mingled multiple classifications into one rate."

The City contracts with the SDSO for provision of Law Enforcement services. There were three contracts that governed the City's Law Enforcement services with the SDSO during the time period under audit. The first contract dated June 25, 1996 covered the period from FY 1996-97 to FY2001-02. The second contract dated June 11, 2002 covered the period from FY2002-03 to FY2006-07. And the third contract dated November 6, 2007 covered the period from FY2007-08 to FY 2011-12.

The methodologies used by the City to compute the billing rates were consistent with the contract language for each year. During FY 2001-02 through FY 2006-07, the City was billed for law enforcement services on a full cost basis per Patrol Sedan Unit, which included all overhead costs (including Sergeants' administrative or supportive services) to reflect the "actual costs" for providing the Unit. The overhead costs built into the rates are fixed and non-negotiable, and the contracts state that they are "necessary and appropriate" as well as "efficient in achieving the law enforcement objectives of the department". This method of computation for the Unit cost was common and used by many Counties to charge for law enforcement services.

The rates for a Patrol Deputy were computed exactly as stated per Attachment B of the contracts, which specifies total unit cost for a Patrol Sedan Unit and total annual hours of service provided. The Patrol officers are the direct staff that performed the mandated activity, which included taking the call, writing, and editing a DV incident report. The City did not claim Sergeants' time during that time frame because Sergeants' support costs were included as overhead in the contracted rate for the Patrol Deputy.

The City disputes the SCO's use of deconstructed salaries and benefits for FY 2001-02 through FY 2006-07 because that was not how the contracts were structured. The City requests that actual Patrol Deputy hourly rates be allowed as originally claimed by the City as the method matches the June 25, 1996 and June 11, 2002 contract terms and conditions that dictate the rates for FY 2001-02 through FY 2006-07.

SCO's Comment

Issue 1: Number of Domestic Violence-Related Calls for Assistance

The finding and recommendation remain unchanged.

The city disagrees with the SCO's use of an average allowable incident count for FY 2001-02 through FY 2006-07, for which supporting documentation was not available. The SCO derived the average incident count based on actual reports from ARJIS for FY 2007-08 through FY 2011-12.

1. The city asserts that the claimed case counts were "contemporaneously generated and can be verified by other reliable contemporaneous source documents." The city's statement is misleading, as no contemporaneous source documents were provided to support incident counts in FY 2001-02 through FY 2006-07.

   The SCO requested and reviewed reports from ARJIS supporting the number of incidents, for which reports were written, for FY 2007-08 through FY 2011-12. We found deviations from claimed counts and used audited data to compute allowable costs. The same reports were not available for FY 2001-02 through FY 2006-07 to support claimed incident counts in the early years. The city agrees that "the information requested by the SCO for this audit (a detailed report showing each incident case number by date and Penal Code for all the fiscal years) is no longer accessible due to system data conversions…."

   As an alternative to allowing no costs in the early years of the audit period, the SCO worked with the city and the SDSO by computing an average incident count for FY 2001-02 through FY 2006-07 based on the actual data reports provided for FY 2007-08 through FY 2011-12. The SCO applied the average incident counts to the early years, for which supporting documentation was not available.

   a) The city states that it "sent to the SCO faxed correspondence from the SDSO's office with report counts from the actual time periods dating back to 2002." The city is correct that it provided fax cover sheets for our review. However, the fax correspondence showed only hand-written numbers representing total counts in each fiscal year. The fax cover sheets did not contain any detail or supporting information to show how the hand-written numbers related to domestic violence calls for assistance. The fax cover sheets also did not provide a listing of cases in each fiscal year, so that SCO could properly verify whether the hand-written total numbers actually related to the incident counts in the mandated program. The city did not provide any other documentation supporting the total number of incident counts.

   b) The city presented the SANDAG report "Twenty-Five Years of Crime in the San Diego Region: 1984 through 2008." The city asserts that this comprehensive report is supporting claimed incident counts for years 2004, 2007, and 2008. However, the SANDAG report is irrelevant as it does not provide the listing of incident counts for the SCO to review and perform testing to verify the accuracy of the counts.

2. The city asserts that the claimed incident counts were supported with written reports and that "these stats were generated by actual reports generated." However, the city did not provide supporting documentation listing the incident counts and identifying how they related to the mandated program.

   a) The city provided DOJ's Criminal Statistics Reporting Requirements manual for our review and pointed out page 14, which states "all domestic violence-related calls for assistance shall be supported with a written incident report." The referenced

statement is the requirement derived from the applicable Penal Code. This requirement does not provide any assurance as to the accuracy of the reports.

b) The city provided email correspondence between it and the SDSO discussing incident counts. The email correspondence is irrelevant as it does not provide the detailed reports for the SCO to review and perform testing to verify the accuracy of the counts.

3. The city points out that "the DV crime rates in older years were higher." The SCO relied on actual supporting documentation for the incident counts provided in FY 2007-08 through FY 2011-12. The SCO's analysis is based on actual source documents and not historical statistical data. The city is required to report actual costs and maintain supporting documentation for the costs claimed. The city was not able to provide actual source documents for the earlier years of the claim period.

The city quoted the SCO's statement from the draft audit report regarding accuracy of the ARJIS reports and took it out of context. The city implied that the ARJIS incident case counts should be accepted without verification for FY 2001-02 through FY 2006-07 because the SCO indicated ARJIS statistics were accurate. We disagree. In the draft audit report, the SCO indicated that the SDSO did a sufficient and appropriate job of generating the reports from ARJIS and concluded that the query reports provided for FY 2007-08 through FY 2011-12 were reliable. The SCO, therefore, was able to use the verified information to arrive at an average incident count that was reliable and based on actual verifiable data. However, the SCO did not assert to the reliability of counts claimed for other fiscal years of the audit period, as claimed incident counts were unsupported for FY 2001-02 through FY 2006-07.

Issue 2: Contract Hourly Rates

The finding and recommendation remain unchanged.

The city disagrees with the SCO finding relating to the city's use of co-mingled contract hourly rates. The city also "disputes the SCO's use of deconstructed salaries and benefits for FY 2001-02 through FY 2006-07 because that was not how the contracts were structured." The city asserts that the contract hourly rates claimed for FY 2001-02 through FY 2006-07 are accurate and should be used as claimed to calculate allowable costs for this audit.

We disagree that co-mingled contract rates are acceptable to claim costs when only certain classifications perform reimbursable activities. For FY 2001-02 through FY 2006-07, the city used contract salary and benefit amounts that co-mingled multiple classifications into one rate. The claimed rates included classifications that did not perform the mandated activities. By claiming the co-mingled rate, the city is seeking reimbursement of costs for the employees whose duties are not related to the mandated program or reimbursable activities.

The parameters and guidelines of this program require that, if contract services were used for purposes other than the reimbursable activities, only the pro rata portion of the services used to implement the reimbursable activities be claimed. It was not appropriate to claimed blended contract hourly rates as these rates included costs unrelated to this mandated program.

The SCO separated the rates for FY 2001-02 through FY 2006-07 in order to identify the specific employees who performed the mandated activities. The audited contract hourly rates represent costs for those specific contract employees.

FINDING 2— Misstated Indirect Costs

The city claimed $270,405 in indirect costs during the audit period. We determined that $238,920 is allowable and $31,485 is unallowable. Indirect costs are unallowable because the city misclassified claimed direct costs as salaries and benefits rather than contract services, inappropriately calculated indirect cost rates based on direct labor rather than contract services, and applied indirect cost rates to unallowable contract services costs as identified in Finding 1.

The following table summarizes the claimed, allowable, and unallowable indirect costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	$ 4,638	$ 14,754	$ 10,116
2002-03	8,560	15,686	7,126
2003-04	9,118	19,101	9,983
2004-05	10,900	20,714	9,814
2005-06	12,082	22,207	10,125
2006-07	12,743	23,351	10,608
2007-08	44,628	20,405	(24,223)
2008-09	40,490	23,501	(16,989)
2009-10	48,713	31,337	(17,376)
2010-11	51,799	24,042	(27,757)
2011-12	26,734	23,822	(2,912)
Total	$ 270,405	$ 238,920	$ (31,485)

Misclassified Costs

For FY 2001-02 through 2006-07, the city claimed 10% indirect cost rates and applied the rates to contract services costs that were incorrectly claimed as salaries and benefits. For FY 2007-08 through 2011-12, the city prepared Indirect Cost Rate Proposals (ICRPs) and also applied these rates to misclassified contract services costs that were incorrectly claimed as salaries and benefits. As discussed in Finding 1, the city did not incur any direct labor costs during the audit period. The city staff did not perform any of the reimbursable activities listed within the parameters and guidelines. The city contracted with the SDSO to perform all law enforcement activities including activities allowable for reimbursement

under this mandated program. Therefore, the city did not incur any direct labor costs for this program, but rather incurred contract services costs. The city's methodology to classify and compute costs as indirect based on direct labor costs was not appropriate.

Contract Indirect Costs

We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided supplemental schedules and identified contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, by the contracted labor costs identified in the contract supplemental schedules.

Such information was not available for FY 2001-02 through FY 2006-07. We therefore calculated an average contract indirect cost rate based on available data for FY 2007-08 through FY 2011-12 and applied the average contract indirect rate to FY 2001-02 through FY 2006-07, in which contract agreements did not contain detail schedules.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the audit period:

Fiscal Year	Claimed Indirect Cost Rate	Audited Contract Indirect Cost Rate	Difference
Indirect Cost Rates			
2001-02	10.00%	47.70%	37.70%
2002-03	10.00%	47.70%	37.70%
2003-04	10.00%	47.70%	37.70%
2004-05	10.00%	47.70%	37.70%
2005-06	10.00%	47.70%	37.70%
2006-07	10.00%	47.70%	37.70%
2007-08	80.80%	45.90%	-34.90%
2008-09	91.80%	46.50%	-45.30%
2009-10	89.20%	50.40%	-38.80%
2010-11	88.50%	48.70%	-39.80%
2011-12	85.70%	47.20%	-38.50%

Summary of Audit Adjustment

We applied the audited indirect cost rates to the total allowable contract services costs as described in Finding 1. The following table summarized the audit adjustments as they relate to misstated contract services costs in Finding 1 and misstated contract indirect cost rates as described in Finding 2:

Fiscal Year	Finding 1 Related Adjustment	Contract Indirect Cost Rate Adjustment	Audit Adjustment
2001-02	$ (1,544)	$ 11,660	$ 10,116
2002-03	(5,272)	12,398	7,126
2003-04	(5,114)	15,097	9,983
2004-05	(6,557)	16,371	9,814
2005-06	(7,427)	17,552	10,125
2006-07	(7,847)	18,455	10,608
2007-08	(8,707)	(15,516)	(24,223)
2008-09	5,905	(22,894)	(16,989)
2009-10	6,751	(24,127)	(17,376)
2010-11	(8,109)	(19,648)	(27,757)
2011-12	16,520	(19,432)	(2,912)
Total	$ (21,401)	$ (10,084)	$ (31,485)

Criteria

The parameters and guidelines (section V-Claim Preparation and Submission) state that, claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%. The parameters and guidelines (section V.B – Indirect Cost Rates) state, in part:

> Indirect costs are costs that are incurred for a common or join purpose, benefitting 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 both: (1) 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 procedures provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

The parameters and guidelines (section V-Claim Preparation and Submission-Direct Cost Reporting-Contracted Services) state that, for salaries and benefits, claimants are required to:

> Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged.

If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

Recommendation

The Crime Statistics Reports for the Department of Justice Program was suspended in the FY 2012-13 through FY 2016-17. If the program becomes active, we recommend the city ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

Due to changes in contract languages over the years, the City is addressing the indirect cost issues separately.

FY 2001-02 through FY 2006-07 Indirect Cost Rates

As stated above, the City disputes the SCO's use of deconstructed salaries and benefits for FY 2001-02 through FY 2006-07. However, if the SCO insists on using the deconstructed method, then the City requests the SCO to apply the same method to determine the contract indirect cost rates to be consistent.

The SCO allowed contract indirect costs for these years are not based on the actual contracted terms but rather based on the average of the five most recent fiscal years audited. This does not reflect actual contract indirect cost rates paid by the City. This is incorrect and denies the City reimbursement of its full actual costs incurred to comply with the mandate.

To justify the usage of an average, the SCO states on page 18 of the Draft Audit Report, "Such information was not available for FY 2001-02 through FY 2006-07." This SCO's statement is not accurate. As an example, the "Sheriff's Department F/Y 06-07 CLEP Costing" schedule the SCO obtained from the SDSO during this audit, which the SCO used to calculate the contract hourly rates, shows the actual direct (Law Enforcement Stations – Deputy and Sergeant) and indirect costs (Law Enforcement Stations – Other Support, Law Enforcement Support, and Services & Supplies) billed for each Patrol Sedan Unit. Based on these CLEP Costing schedules, the City computed the contract indirect cost rates as follows:

Fiscal Year	Contract Direct Cost	Contract Indirect Cost	Contract Indirect Cost Rate
2001-02	$169,655	$159,732	94%
2002-03	$181,791	$173,461	95%
2003-04	$221,342	$195,718	88%
2004-05	$240,118	$208,456	87%
2005-06	$257,716	$223,414	87%
2006-07	$273,479	$231,235	85%

Therefore, these actual contract indirect cost rates, instead of the 47.7% 5-year average, for FY 2001-02 through FY 2006-07 should be allowed.

FY 2007-08 through FY 2011-12 Indirect Costs

The City appreciates the SCO included the Administrative Sergeant costs as overhead costs in the computation of the contract indirect cost rates; however, the City requests a majority of the other Sergeants costs, which related to the administrative and or supervisory services, to also be considered as overhead costs to properly reflect actual overhead costs incurred. These Sergeant positions are first line supervisors of the Deputies as well as other non-sworn station staff and are an integral part of departmental support.

Section II B. of the contract states, the "COUNTY through SHERIFF will provide general and specialized law enforcement and traffic services…**as well as direct supervision of law enforcement personnel assigned**". (Emphasis added) County job descriptions state the "Purpose and Distinguishing Characteristics" of the Sergeant position "is to provide supervision over the activities of a team, unit or division of deputies and or professional staff." Further, it states, "This class represents the first level of supervision of sworn staff in the Sheriff's Department."

The contract's reference to SERGEANT and DETECTIVE SERGEANT positions in the Direct Costs section is to distinguish the positions that **are paid for directly** and their full positions are dedicated exclusively to the City as oppose to the other positions which are shared with other cities. Therefore, the term "direct" in the contract does not refer to their job duties. The San Marcos Station Lieutenant determined the percentage that each Sergeant spends on administrative and or supervisory duties are as follows:

- Admin Sergeant = (100% allowed by SCO)
- Dedicated Sergeants = 70%
- Sergeants (Patrol) = 70%
- Sergeant (Traffic) = 90%
- Sergeant (Detective) = 90%

According to the claiming instructions and OMB A-87, the "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 results achieved." The City believes these costs satisfy the requirements of OMB A-87 and are eligible as overhead costs for inclusion in the contract indirect cost rate calculation.

SCO's Comment

The finding and recommendation remain unchanged.

FY 2001-02 through FY 2006-07 Indirect Cost Rates

The city disagrees with the SCO's computation of the average indirect cost rates that were based on the five most recent fiscal years audited. The city indicates it should get reimbursed higher indirect cost rates than the 47.7% five-year average computed by the SCO during the course of the audit.

As indicated in the finding, the city claimed a 10% indirect cost rate for FY 2001-02 through FY 2006-07, based on a standard rate allowed by the parameters and guidelines. The SCO computed allowable costs based on available data in the city's contracts. The city is proposing higher alternative rates to be used for reimbursement. We disagree with the city's proposed methodology.

The city inappropriately claimed contract services costs as direct labor costs and computed indirect costs based on direct labor when in fact the city did not incur any direct or indirect labor costs. The city's proposed new methodology also subjectively classifies various costs as direct and indirect. All of the city's costs for this program are contract services costs. The SCO's methodology to compute allowable contract indirect costs accounted for contracted labor costs and contracted overhead costs that benefited the implementation of the entire contract.

FY 2007-08 through FY 2011-12 Indirect Costs

For FY 2006-07 through FY 2011-12, the city is proposing an increase in the allowable contract indirect cost rate. The city asserts that the majority of the other sergeant classification costs should be allocated as indirect costs in order to properly reflect actual overhead costs incurred for the calculation of contract indirect costs rates. We disagree with the city's proposed methodology as we already accounted for all appropriate contracted labor costs and contracted overhead costs that benefited the implementation of the entire contract.

Attachment—
City's Response to
Draft Audit Report

June 1, 2017

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

RE: RESPONSES TO STATE CONTROLLER'S OFFICE DRAFT AUDIT REPORT OF CRIME STATISTICS REPORTS FOR THE DEPARTMENT OF JUSTICE PROGRAM AUDIT ID #S16-MCC-0029 FOR PERIOD FY 2001-02 THROUGH FY 2011-12

Dear Mr. Spano:

Thank you for providing the City of San Marcos (City) the opportunity to review and respond to the audit findings and recommendations as presented in the Draft Audit Report issued by your office on May 23, 2017. Please find the enclosed City of San Marcos' responses and the additional support we collected since the Exit Conference on May 11, 2017 that show our costs claimed were mostly correct and represented the City's actual costs incurred.

We appreciate your time for reviewing the enclosed responses and additional information. We are confident you will find them to be sound and supportive and will reinstate most of the disallowable claimed costs.

Please feel free to contact me at (760) 744-1050 ext. 3131 or our consultant, Annette Chinn, at (916) 939-7901 with any questions you may have.

Sincerely,

Laura Rocha
Director of Finance and IT

Enclosures

City of San Marcos' Responses to State Controller's Office Draft Audit Report of Crime Statistics Reports for the Department of Justice Program Audit ID #S16-MCC-0029, for Period FY 2001-02 through FY 2011-12

FINDING 1 – DOMESTIC VIOLENCE-RELATED CALLS FOR ASSISTANCE COST COMPONENT – MISSTATED CONTRACT SERVICE COSTS

Issue 1: Number of Domestic Violence-Related Calls for Assistance

The City of San Marcos (City) requests the State Controller's Office (SCO) to use the actual Domestic Violence (DV) statistics provided for the period from FY 2001-02 through FY 2006-07 in lieu of the SCO's average of the five most recent fiscal years audited. These actual statistics of DV incidents were supported with written incident reports. The City also requests the SCO to take into account the crime rates in the older years were higher.

The City provided to the SCO both the San Diego County Sheriff's Office (SDSO) DV statistics reported in the Automated Regional Justice Information System (ARJIS), which recorded the number of actual DV incident reports by fiscal year, and the Department of Justice (DOJ) annual DV report statistics, which were reported by calendar year. While the SDSO maintains records of total case counts in a summary format, the information requested by the SCO for this audit (a detailed report showing each incident case number by date and Penal Code for all the fiscal years) is no longer accessible due to system data conversions and also requirements to expunge records for FY 2001-02 through FY 2006-07. Table 1 below shows DOJ and SDSO ARJIS data, while reported on calendar vs. fiscal year, respectively, tracked very closely. The City used the DOJ figures, which the SCO confirmed, to compute the claims (FY 2011-12 claimed statistic was an error, which was not known at the time the claim was filed).

Table 1 – Analysis of Incident Report Counts

Fiscal Year	Claimed	DOJ Stats (calendar year)	ARJIS Stats (fiscal year)	SCO Allowed
2001-02	208	208	333	274
2002-03	356	356	360	274
2003-04	323	323	394	274
2004-05	359	359	336	274
2005-06	371	371	350	274
2006-07	373	373	346	274
2007-08	291	291	236	236
2008-09	224	224	266	266
2009-10	288	288	336	336
2010-11	309	309	270	270
2011-12	155	251	264	264
Total	**3,257**	**3,353**	**3,491**	**3,016**
Average	296	305	317	274
Variance		12		
% Difference		4%		

Shaded area indicates the SCO audited and approved numbers.

The information the SDSO provided proved:

1) The data was contemporaneously generated and can be verified by other reliable contemporaneous source document.
   a) The City sent to the SCO faxed correspondences from the SDSO's office with report counts from the actual time periods dating back to 2002.

   b) The attached San Diego Association of Governments (SANDAG) Criminal Justice Research Division Report verifies the statistics provided to the SCO matched DOJ reported DV incidents. The attached SANDAG, "Twenty-Five Years of Crime in the San Diego Region: 1984 through 2008" report, Page 25, Appendix Table 9 shows the data for year 2004, 2007 and 2008 DV incident counts matched those claimed.

2) The actual incident counts are supported with written reports.
   a) The attached DOJ's Criminal Statistics Reporting Requirements manual shows on Page 14, DOJ is to be provided with "monthly summary statistical data on the number of domestic violence-related calls received" and "[a]ll domestic violence-related calls for assistance shall be supported with a written incident report".

   b) The attached email on May 15, 2017, from Brent Jordan, Sr. Crime and Intel Analyst, who provided those old faxed correspondences above in 1) a), states, "The SANDAG reports that are attached represent reported crime meaning that **they had a case number and a written report.** None of the statistics provided in the SANDAG report are considered calls for service." Also the attached email from Lieutenant Schaller on the same date said, "Just confirming Brent's statement here. These stats were generated by actual reports generated." (Emphasis added)

3) The DV crime rates in the older years were higher. The attached SANDAG "Twenty-Five Years of Crime in the San Diego Region: 1984 through 2008" report, page 11, Figure 13 shows DV rates were higher during 2002 to 2007 and they were trending down. Also on page 26, Appendix Table 9 shows specifically the City's number of DV incidents decreasing.

During the audit, the SCO reviewed the ARJIS statistics and detail reports for the five most recent of the eleven audited fiscal years and verified the reliability of the SDSO ARJIS statistical data, as 100% of ARJIS incident counts were approved by the SCO. Page 9 of the Draft Audit Report states, "We reviewed a sample of domestic-violence related calls for assistance incidents to verify that they occurred and were properly supported with a written incident report" and "We concluded the SDSO did a sufficient and appropriate job of generating the data from ARJIS. Therefore, we concluded that the query reports provided for FY 2007-08 through FY 2011-12 were reliable."

Based on the above, either the ARJIS or the DOJ actual statistics, instead of the 274 incident count 5-year average, for FY 2001-02 through FY 2006-07 should be allowed.

Issue 2: Contract Hourly Rates

The City disagrees with the SCO statements regarding the City overstated claimed rates and that the rates were overstated because the City used inconsistent methodologies to compute claimed rates. The City also disagrees with the SCO statement, "For FY 2001-02 though FY 2006-07, the city used contract salary and benefit amounts that co-mingled multiple classifications into one rate."

The City contracts with the SDSO for provision of Law Enforcement services. There were three contracts that governed the City's Law Enforcement services with the SDSO during the time period under audit. The first contract dated June 25, 1996 covered the period from FY 1996-97 to FY2001-02. The second contract dated June 11, 2002 covered the period from FY2002-03 to FY2006-07. And the third contract dated November 6, 2007 covered the period from FY2007-08 to FY 2011-12.

The methodologies used by the City to compute the billing rates were consistent with the contract language for each year. During FY 2001-02 through FY 2006-07, the City was billed for law enforcement services on a full cost basis per Patrol Sedan Unit, which included all overhead costs (including Sergeants' administrative or supportive services) to reflect the "actual costs" for providing the Unit. The overhead costs built into the rates are fixed and non-negotiable, and the contracts state that they are "necessary and appropriate" as well as "efficient in achieving the law enforcement objectives of the department". This method of computation for the Unit cost was common and used by many Counties to charge for law enforcement services.

The rates for a Patrol Deputy were computed exactly as stated per Attachment B of the contracts, which specifies total unit cost for a Patrol Sedan Unit and total annual hours of service provided. The Patrol officers are the direct staff that performed the mandated activity, which included taking the call, writing, and editing a DV incident report. The City did not claim Sergeants' time during that time frame because Sergeants' support costs were included as overhead in the contracted rate for the Patrol Deputy.

The City disputes the SCO's use of deconstructed salaries and benefits for FY 2001-02 through FY 2006-07 because that was not how the contracts were structured. The City requests that actual Patrol Deputy hourly rates be allowed as originally claimed by the City as the method matches the June 25, 1996 and June 11, 2002 contract terms and conditions that dictate the rates for FY 2001-02 through FY 2006-07.

FINDING 2 – MISSTATED INDIRECT COSTS

Due to changes in contract languages over the years, the City is addressing the indirect cost issues separately.

FY 2001-02 through FY 2006-07 Indirect Cost Rates

As stated above, the City disputes the SCO's use of deconstructed salaries and benefits for FY 2001-02 through FY 2006-07. However, if the SCO insists on using the deconstructed method, then the City requests the SCO to apply the same method to determine the contract indirect cost rates to be consistent.

The SCO allowed contract indirect costs for these years are not based on the actual contracted terms but rather based on the average of the five most recent fiscal years audited. This does not reflect actual contract indirect cost rates paid by the City. This is incorrect and denies the City reimbursement of its full actual costs incurred to comply with the mandate.

To justify the usage of an average, the SCO states on page 18 of the Draft Audit Report, "Such information was not available for FY 2001-02 through FY 2006-07." This SCO's statement is not accurate. As an example, the "Sheriff's Department F/Y 06-07 CLEP Costing" schedule the SCO obtained from the SDSO during this audit, which the SCO used to calculate the contract hourly rates, shows the actual direct (Law Enforcement Stations – Deputy and Sergeant) and indirect costs (Law Enforcement

Stations – Other Support, Law Enforcement Support, and Services & Supplies) billed for each Patrol Sedan Unit. Based on these CLEP Costing schedules, the City computed the contract indirect cost rates as follows:

Fiscal Year	Contract Direct Cost	Contract Indirect Cost	Contract Indirect Cost Rate
2001-02	$169,655	$159,732	94%
2002-03	$181,791	$173,461	95%
2003-04	$221,342	$195,718	88%
2004-05	$240,118	$208,456	87%
2005-06	$257,716	$223,414	87%
2006-07	$273,479	$231,235	85%

Therefore, these actual contract indirect cost rates, instead of the 47.7% 5-year average, for FY 2001-02 through FY 2006-07 should be allowed.

FY 2007-08 through FY 2011-12 Indirect Costs

The City appreciates the SCO included the Administrative Sergeant costs as overhead costs in the computation of the contract indirect cost rates; however, the City requests a majority of the other Sergeants costs, which related to the administrative and or supervisory services, to also be considered as overhead costs to properly reflect actual overhead costs incurred. These Sergeant positions are first line supervisors of the Deputies as well as other non-sworn station staff and are an integral part of departmental support.

Section II B. of the contract states, the "COUNTY through SHERIFF will provide general and specialized law enforcement and traffic services...**as well as direct supervision of law enforcement personnel assigned**". (Emphasis added) County job descriptions state the "Purpose and Distinguishing Characteristics" of the Sergeant position "is to provide supervision over the activities of a team, unit or division of deputies and or professional staff." Further, it states, "This class represents the first level of supervision of sworn staff in the Sheriff's Department."

The contract's reference to SERGEANT and DETECTIVE SERGEANT positions in the Direct Costs section is to distinguish the positions that **are paid for directly** and their full positions are dedicated exclusively to the City as oppose to the other positions which are shared with other cities. Therefore, the term "direct" in the contract does not refer to their job duties. The San Marcos Station Lieutenant determined the percentage that each Sergeant spends on administrative and or supervisory duties are as follows:

- Admin Sergeant = (100% allowed by SCO)
- Dedicated Sergeants = 70%
- Sergeants (Patrol) = 70%
- Sergeant (Traffic) = 90%
- Sergeant (Detective) = 90%

According to the claiming instructions and OMB A-87, the "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 results achieved." The City believes these costs satisfy the requirements of OMB A-87 and are eligible as overhead costs for inclusion in the contract indirect cost rate calculation.

bulletin
CJ

Criminal Justice Research Division, SANDAG

Twenty-Five Years of Crime in the San Diego Region: 1984 through 2008

April 2009

Cynthia Burke, Ph.D., Division Director

SANDAG

401 B Street
Suite 800
San Diego, CA 92101
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A SANDAG CJ BULLETIN

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As of March 6, 2009

TWENTY-FIVE YEARS OF CRIME IN THE SAN DIEGO REGION: 1984 THROUGH 2008

INTRODUCTION

Since 1980, SANDAG has been reporting crime statistics for the San Diego region through a cooperative agreement with local law enforcement agencies. This report presents and discusses crime trend data for the past 25 years. Crime rates per 1,000 resident population[1], as well as the actual number of crimes reported, are presented. SANDAG is the only local entity to compile these statistics across the 18 incorporated cities, as well as the unincorporated areas of the county, making this information some of the most frequently requested from SANDAG's Criminal Justice Clearinghouse. These data are useful to local law enforcement, policy makers, and the community in tracking public safety over time, as well as the effectiveness of prevention and response efforts on regional crime rates.

OVERALL CRIME

There was a total of 97,168 Part I crimes in the San Diego region in 2008 (Appendix Tables 1 and 5) which equated to 30.88 crimes per 1,000 population (Appendix Table 2). Part I crimes include 4 violent offenses (homicide, rape, robbery, and aggravated assault) and 3 property offenses (burglary, larceny, and motor vehicle theft) that are tracked nationwide in a standardized manner by the FBI, with agencies submitting crime data through the Uniform Crime Reporting (UCR) system. Other crimes, such as drug-related offenses, vandalism, and fraud, are also documented by local law enforcement, but as Part II crimes. However, because categorization schemes can vary across agencies, standardized numbers are not available, even though these crimes may be sizeable in number and require substantial attention and resources from law enforcement.

FAST FACTS

- In 2008, both the violent and property crime rates for the San Diego region decreased and were at 25-year lows (4.09 and 26.79, respectively, per 1,000 residents).
- There were 90 homicides in the San Diego region in 2008, the third lowest number in the past 25 years.
- After five consecutive increases, the number of robberies decreased eight percent in 2008, compared to 2007.
- While the number of burglaries that involved entry through an open or unlocked door or window declined in 2008, the number involving forced entry increased 12 percent from the previous year.
- Motor vehicle thefts decreased 18 percent from 2007, more than any other property crime. However, thefts of motor vehicle parts increased 9 percent.
- Firearms were used less frequently in both robberies and aggravated assaults in 2008, compared to 2007.
- According to preliminary statistics, there were 118 hate crime events reported to local law enforcement in 2008.

[1] The populations used to calculate rates are provided in Appendix Table 20.

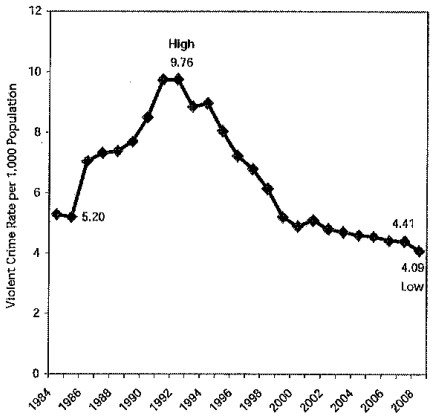
VIOLENT CRIME

In 2008, there were 12,873 Part I violent crimes reported to law enforcement in the San Diego region (Appendix Tables 1 and 6)[2]. The most common type was aggravated assault, which represented almost two-thirds (62%) of all violent crime in 2008; robbery represented 31 percent, rape 7 percent, and homicide 1 percent. According to statistics from the National Crime Victimization Survey, just under half (46%) of violent crimes were reported to law enforcement nationwide in 2007 (not shown).

As Figure 1 shows, the violent crime rate (per 1,000 population) in the San Diego region began to increase in 1986 (from 5.20 in 1985), reaching a peak of 9.76 in 1992. Since then, there has been a decline to 4.09 violent crimes per 1,000 residents in 2008, which represented a 7 percent decrease from 2007 (4.41), the largest one-year decrease since 1998 to 1999 (when the rate decreased 15%). This 2008 violent crime rate was also the lowest in the past 25 years. Possible factors related to this overall drop in crime since the 1990s could include declining numbers of young males in high-crime associated age groups, legislation which increased jail and prison time for violent offenses, and the implementation of effective crime prevention programs.

Across jurisdictions, the 2008 violent crime rate ranged from .54 in 4S Ranch to 7.93 in National City (Appendix Table 3 and Appendix Map 1). Over the past year, 16 jurisdictions had lower and 5 had higher violent crime rates, compared to 2007 (4 had numbers too small for valid comparisons). Fallbrook and Carlsbad led local jurisdictions with 39 and 30 percent one-year decreases, respectively, in their violent crime rate, with other declines ranging from 3 percent to 28 percent. Ongoing efforts by individual departments to address violent crime have included problem-solving strategies to identify and target specific high-crime areas, specific groups (e.g., gangs committing disproportionate amount of crime), and specific times (e.g., targeted patrols during high-crime hours).

Figure 1
VIOLENT CRIME RATE LOWEST IN 25 YEARS



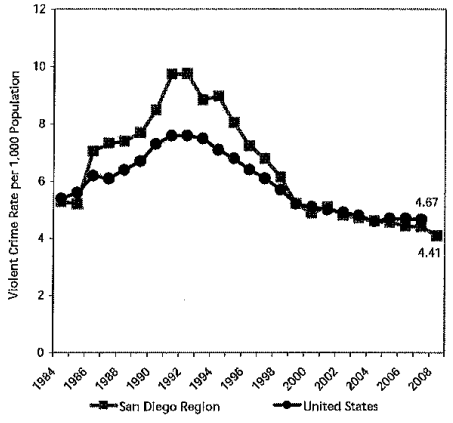
SOURCES: SANDAG; California Department of Finance; U.S. Census 1990; U.S. Census 2000

Annual statistics through 2007 from the FBI were used to compare changes over time in the violent crime rate reported in the San Diego region to those reported across the United States. As Figure 2 shows, the San Diego region experienced a greater rise in violent crime in the late 1980s and early 1990s compared to the nation, returning to a similar violent crime rate after 1998. This increase was possibly related to the prevalence of methamphetamine distribution and use in the region during this time period.

[2] The numbers of violent crimes reported in each jurisdiction for 2004 through 2008 are also presented in Appendix Tables 10 through 14.

In 2007, the violent crime rate in the San Diego region was 4.41, versus 4.67 for the nation as a whole[3].

Figure 2
SAN DIEGO REGION HAD A GREATER INCREASE IN VIOLENT CRIME THAN THE NATION IN LATE 1980s



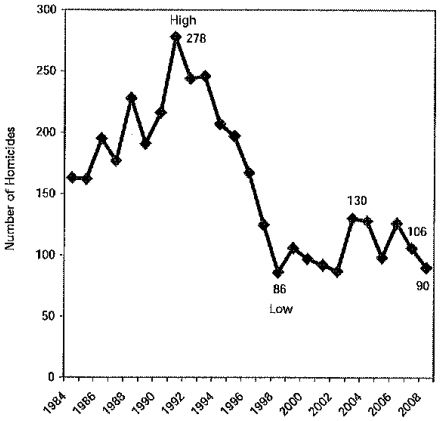
SOURCES: SANDAG; Federal Bureau of Investigation

Each jurisdiction also voluntarily documents violent crimes committed against senior citizens (individuals 60 years of age and older). In 2008, there were 481 violent crimes against senior citizens, a decrease of 5 percent from the previous year, similar to the decline in violent crime overall. These crimes included 13 homicides, 5 rapes, 200 robberies, and 263 aggravated assaults (not shown).

Homicide

Over the past 25 years, the number of homicides in the San Diego region peaked at 278 in 1991 and decreased fairly steadily to a low of 86 in 1998 (Figure 3). Since then, the number of homicides has fluctuated but has not exceeded 130 (in 2003) (Appendix Table 8). In 2008, there was a total of 90 homicides, which was the third lowest number in the past 25 years and a 15 percent decrease from 2007 (106). As reported in SANDAG's CJ Bulletin *San Diego Violent Crime Victims and Suspects in 2007* (available on the SANDAG Web site), in homicide cases across the region for which motive could be determined in 2007, 47 percent were related to gang activity, 19 percent to an argument, 13 percent to domestic violence, 9 percent to other motives, 7 percent to drugs, and 4 percent to robbery. Motive information for 2008 homicides will be available in another report later in the 2009 calendar year.

Figure 3
NUMBER OF HOMICIDES DECREASED TO THIRD LOWEST IN PAST 25 YEARS



SOURCE: SANDAG

Rape

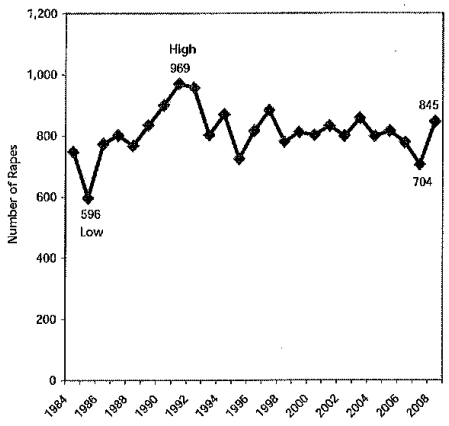
There were 845 rapes reported in the San Diego region in 2008, which was a 20 percent increase from 2007 (704) (Appendix Table 1). Analyses revealed that this increase was the result of a greater number of completed rapes being reported (694 in 2008

[3] Calendar year 2007 represents the most current annual statistics at the national level at the time of this publication. However, preliminary mid-year 2008 national statistics released by the FBI in January 2009 show a 3.5 percent decline in violent crime, compared to the same point in 2007.

versus 529 in 2007, a 31% increase), rather than attempted rape reports (which actually decreased 14% from 175 to 151) (not shown)[4].

As Figure 4 shows, the number of rapes reported to law enforcement has remained relatively stable over the past 25 years, compared to the number of homicides during the same period of time. The greatest number of rapes reported to law enforcement was 969 in 1991 and the lowest was 596 in 1985 (the second lowest number was 704 in 2007).

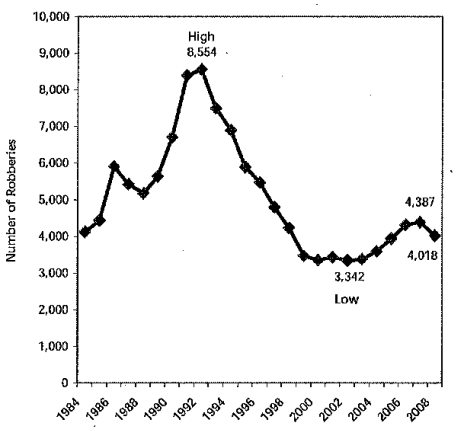
Figure 4
LESS VARIABILITY IN NUMBER OF RAPES COMPARED TO OTHER VIOLENT CRIMES



SOURCE: SANDAG

conducted public information campaigns, and increased crime prevention efforts. In 2008, this upward trend (5 consecutive years of increases) was reversed, with 4,018 robbery incidents reported to law enforcement, an 8 percent decrease from 2007 (4,387) (Figure 5 and Appendix Table 1). Over the past 25 years, the number of robberies has shown 2 declining trends prior to this most recent decrease, with the last beginning in 1993 (after the greatest number, 8,554, was reported in 1992). The lowest number, 3,342, was reported in 2002.

Figure 5
NUMBER OF ROBBERIES DECREASED FOR FIRST TIME IN PAST SIX YEARS



SOURCE: SANDAG

Robbery

Between 2003 and 2007, robbery was the only violent crime to increase in number (30%) across the region, generating increased attention from law enforcement. Specifically, representatives from local agencies increased their collaborative efforts to share intelligence and target enforcement,

As part of standardized UCR reporting requirements, the type of weapon used during a robbery and the location of the robbery are documented. In 2008, 20 percent of robberies involved a firearm, 11 percent a knife or other cutting instrument, 8 percent another weapon (e.g., bat, stick, or other blunt object), and the majority (61%) were considered strong-arm. Robberies committed with firearms and other weapons both decreased by 24 percent in 2008, from 2007. However, robberies committed with knives decreased only 9 percent and strong-arm robberies actually increased 1 percent (not shown).

[4] For the past 20 years, the proportion of attempted rapes of all reported rapes ranged from 15 percent to 29 percent, with an average of 24 percent. The number of rapes, either attempted or completed, that are reported may be tied in part to education and outreach efforts encouraging victims to do so.

Just under half (49%) of robberies occurred out in the open, on streets or in other public places, 24 percent in commercial establishments, 15 percent in other locations (which include wooded areas, churches, schools, and other public buildings), 8 percent in residences, and 4 percent in banks (not shown).

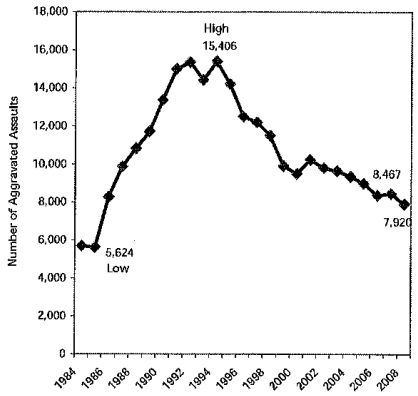
For the 14 jurisdictions with robbery numbers large enough for comparison (30 incidents or more) in 2007 and 2008, 10 experienced a decrease in the number of robberies (ranging from 2% to 46%) and 4 experienced an increase (ranging from 2% to 50%) (Appendix Tables 13 and 14).

Aggravated Assault

As Figure 6 and Appendix Table 1 show, there were fewer aggravated assaults reported in the region in 2008 (7,920), compared to one year earlier (8,467), a decrease of 6 percent. Over the past 25 years, the number of aggravated assaults followed an upward trend from 1985 (5,624) that peaked in 1994 (15,406). This overall increase was due at least in part to 1986 legislation requiring law enforcement agencies to report all domestic violence incidents. Since 1994, there has been an overall decline to 7,920 in 2008, the lowest number since 1985, the year before the legislation was put into place[5].

Like robbery, the type of weapon used in aggravated assaults is documented for reporting purposes. In 2008, 37 percent of aggravated assaults involved the use of another weapon (e.g., bat, stick, or other blunt object); 31 percent hands, feet, or fists; 19 percent a knife or other cutting instrument; and 13 percent a firearm. The number of aggravated assaults in each of these categories decreased over the past year (between 9% and 17%), with the exception of hands, feet, or fists, which increased by 3 percent (not shown).

Figure 6
NUMBER OF AGGRAVATED ASSAULTS DECREASED OVER ONE-YEAR PERIOD



SOURCE: SANDAG

The majority of jurisdictions (15 of 21 with large enough numbers for comparison) also experienced decreases in the number of reported aggravated assaults, ranging from 2 to 37 percent. Of the rest, 3 experienced an increase and 3 had no change (Appendix Tables 13 and 14).

PROPERTY CRIME

With 84,295 property crimes reported (Appendix Tables 1 and 7), 1 in every 37 residents was the victim of a property crime in 2008 and almost 9 in every 10 crimes (87%) reported to law enforcement in the region represented property crime (not shown)[6]. With the fifth consecutive annual decrease, the property crime rate was also at its lowest point in the past 25 years (26.79 from 28.97 in

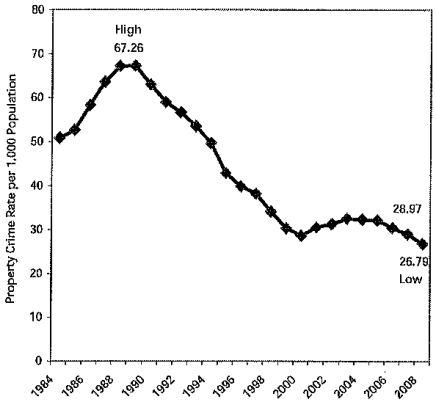
[5] In 2008, there were almost 3 simple assaults for every aggravated assault that was reported (for a total of 21,427 simple assaults). Simple assaults, which are not counted as Part I crimes, include all assaults and attempted assaults which are not of an aggravated nature and do not result in serious injury to the victim.

[6] According to statistics from the 2007 National Crime Victimization Survey, 37 percent of property crime nationwide was reported to law enforcement.

2007) (Figure 7). The highest property crime rate in the past 25 years was reported in 1988 (67.26). Over half (56%) of all property crime in 2008 represented larcenies, 24 percent were motor vehicle thefts, and 20 percent were burglaries (not shown).

Across the region, 15 jurisdictions had a lower property crime rate in 2008, compared to 2007, and 9 had a higher rate. These 2008 rates ranged from 8.95 (in 4S Ranch) to 37.77 (in Del Mar) per 1,000 population (Appendix Table 4 and Appendix Map 2)[7]. When interpreting these statistics, it is important to note that a variety of factors can affect a jurisdiction's crime rate, such as daytime populations and accessibility.

Figure 7
PROPERTY CRIME RATE DECREASED FOR FIFTH YEAR

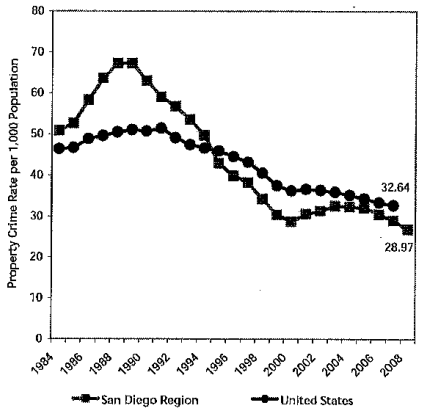


SOURCES: SANDAG; California Department of Finance; U.S. Census 1990; U.S. Census 2000

In terms of dollar value, $258.6 million worth of property was stolen in the San Diego region in 2008, compared to $266.4 million in 2007 (Appendix Table 17). Thirty-five percent (35%) of this property, which was valued at $89.8 million, was recovered in 2008, compared to 40 percent and $107.9 million recovered in 2007 (Appendix Tables 18 and 19).

Figure 8 compares property crime rates in the San Diego region from 1984 through 2008 to national rates from 1984 through 2007 (the most recent annual statistics available, as previously noted)[8]. In 1984, the San Diego region had a higher property crime rate compared to the U.S. overall. The local property crime rate began to decline in the early 1990s, however, falling and remaining below the national average since 1995. In 2007, the property crime rate for the region was 28.97, compared to 32.64 for the nation.

Figure 8
SAN DIEGO REGION HAS HAD A LOWER PROPERTY CRIME RATE THAN THE NATION SINCE 1995



SOURCES: SANDAG; Federal Bureau of Investigation

Burglary

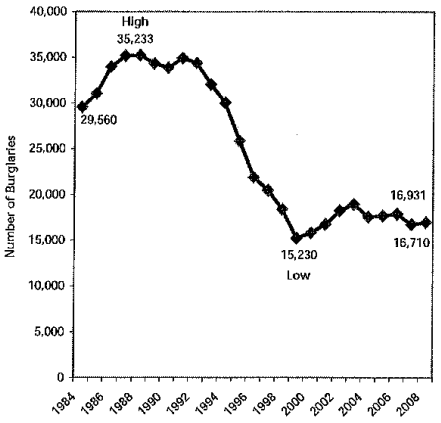
Burglary is the unlawful entry of a structure to commit a felony or theft. The number of burglaries (including residential and non-residential) reported in the region began an upward trend in 1985 (from 29,560 in 1984), reaching a 25-year high of 35,233 in 1988.

[7] The numbers of property crimes reported in each jurisdiction for 2004 through 2008 are also presented in Appendix Tables 10 through 14.

[8] Preliminary mid-year 2008 statistics released in January 2009 by the FBI show a 2.5 percent decline in property crime nationwide compared to the same point in 2007.

Four years later, an eight-year decline began, reaching a low of 15,230 in 1999. Since then, the number of burglaries has fluctuated slightly, with a 1 percent increase from 2007 (16,710) to 2008 (16,931) (Figure 9). In 2008, the number of burglaries which involved forced entry increased by 12 percent from 2007 (from 4,877 to 5,477), while the number involving no forced entry or which were unsuccessful attempts decreased (by 3% and 4%, respectively) (not shown).

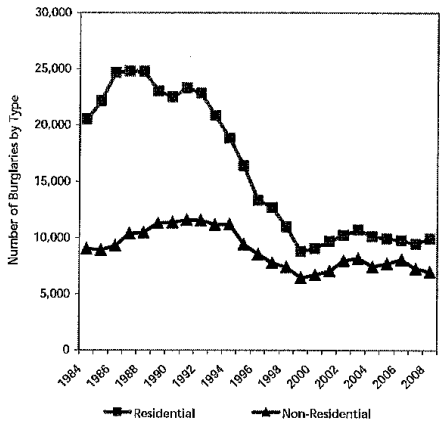
Figure 9
NUMBER OF BURGLARIES INCREASED OVER PAST YEAR



SOURCE: SANDAG

Of the 16,931 burglaries reported in the San Diego region in 2008, over half (59%) were residential, which equates to 1 in every 110 households being burglarized. While the number of residential and non-residential burglaries were both at a 25-year low in 1999, residential burglaries have decreased to a greater degree since 1984 (52%), compared to non-residential burglaries (23%), despite the large increase during the same time period in the number of occupied households in the region (51%, from 719,816 in 1984 to 1,089,451 in 2008)[9] (not shown). One possible factor related to these divergent trends is that residential burglary is considered a strike under California's Three Strikes Law (which was passed in 1994), but non-residential burglary is not, leading more sophisticated criminals to avoid residences when committing this crime. However, over the past year, the number of residential burglaries increased 5 percent (from 9,455 to 9,936), while the number of non-residential burglaries decreased 4 percent (from 7,255 to 6,995) (Figure 10 and Appendix Tables 13 and 14). According to law enforcement, some of this increase could be related in part to more vacant homes, including ones related to foreclosure.

Figure 10
RESIDENTIAL BURGLARIES DECREASED MORE OVER PAST 25 YEARS, BUT UP COMPARED TO PAST YEAR



SOURCE: SANDAG

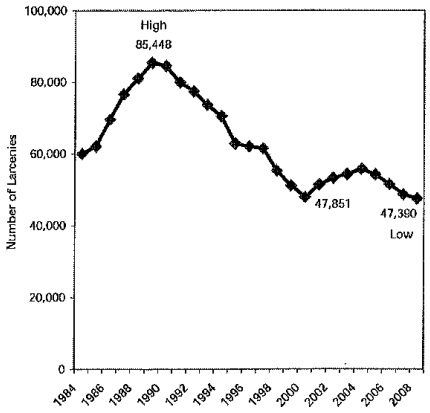
Across the 24 jurisdictions with more than 30 incidents of burglary in 2007 and 2008, 14 reported one-year decreases in the number (ranging from <1% to 20%) and 10 had increases (compared to only 2 reporting one-year increases between 2006 and 2007). The increases ranged from 1 to 63 percent (Appendix Tables 13 and 14).

[9] Comparable statistics regarding the number of business locations are not available.

Larceny

Larceny, or theft, is the most common crime, with 1 in every 66 residents a victim in 2008 (not shown). Beginning in 1985, the number of larcenies reported in the San Diego region began an upward trend, peaking at 85,448 in 1989, and then decreasing to 47,851 in 2000 (Figure 11). Since then, there were 4 years of consecutive increases, followed by 4 consecutive decreases, to a 25-year low of 47,390 in 2008.

Figure 11
LARCENIES DECREASED FOR FOURTH CONSECUTIVE YEAR



SOURCE: SANDAG

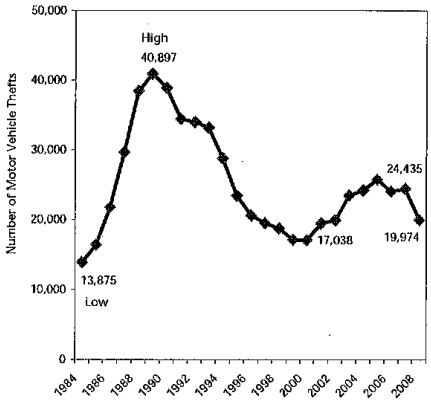
The most common larceny type (historically and in 2008) was theft from inside motor vehicles (45%), with the second most common from buildings (19%). Compared to 2007, both of these types of larcenies, as well as pickpocket, bicycle theft, and other types were down, but shoplifting and theft of motor vehicle parts were both up (3% and 9%, respectively). Most larcenies (61%) in 2008 were petty thefts, involving property valued at $400 or less (not shown).

Despite the fact that the number of larcenies was at a regional low, 13 of the jurisdictions did report one-year increases (which ranged from 2% to 87%), while 11 had decreases (ranging from <1% to 20%) (Appendix Tables 13 and 14).

Motor Vehicle Theft

Beginning in 1985, the number of motor vehicles stolen in the San Diego region also began to increase (from 13,875 in 1984), reaching a high in 1989 of 40,897 (Figure 12). This upward trend was followed by an overall decrease to 17,038 in 2000. Since then, there was a general increase to 24,435 in 2007, followed by an 18 percent one-year decrease to 19,974 vehicles stolen in 2008 (Appendix Table 1). This equates to 1 in every 117 registered motor vehicles. In terms of dollar amount, the value of these stolen vehicles was estimated at over $144 million and represented over half (56%) of the value of total property stolen (not shown).

Figure 12
VEHICLE THEFT SHOWS GREATEST ONE-YEAR DECREASE OF ALL PROPERTY CRIMES



SOURCE: SANDAG

Across the jurisdictions (with numbers large enough for comparison), all but 2 reported one-year decreases in the number of motor vehicle thefts, ranging from 6 percent to 53 percent (Appendix Tables 13 and 14). These decreases may reflect the success of targeting car prowlers at night in specific neighborhoods, as well as efforts undertaken by the Regional Auto Theft Task Force (RATT).

Arson

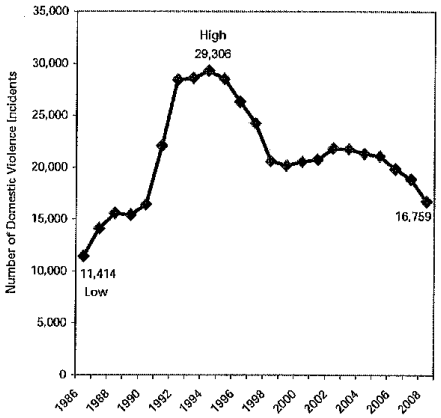
Unlike other FBI Index offenses, when arson is committed in concert with another FBI Index offense, both incidents must be reported, which is why arson is presented separately from other property crime statistics. There were 411 arsons reported in 2008, which was lower than in 2007 (when there were 458) (Appendix Tables 13 and 14). Forty-six percent (46%) of arsons in 2008 were of structures and 54 percent were categorized as mobile and other non-structural property types (not shown).

DOMESTIC VIOLENCE

Law enforcement agencies also track domestic violence incidents, some of which are included in the previously reported numbers in this bulletin. For example, a domestic violence incident could include a Part I violent crime (e.g., aggravated assault) or some type of property crime (e.g., burglary). Since 1986, when mandatory reporting was enacted, the number of domestic violence incidents has varied from a low of 11,414 in that first year to a high of 29,306 in 1994 (Figure 13). In 2008, 16,759 domestic violence incidents were reported. This 2008 number represented the sixth consecutive annual decrease.

Across nine of the jurisdictions[10], five agencies reported one-year increases in the number of domestic violence incidents (ranging from 3% to 19%) and four reported decreases (ranging from 4% to 28%) (Appendix Table 9).

Figure 13
DOMESTIC VIOLENCE DOWN FOR SIXTH CONSECUTIVE YEAR



SOURCE: SANDAG

HATE CRIMES

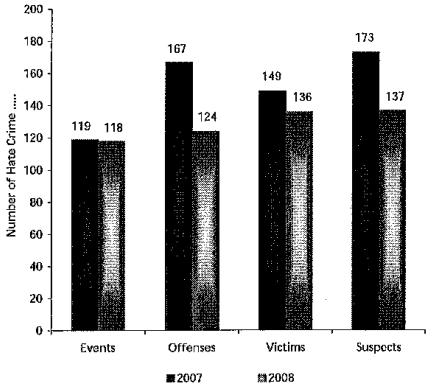
As part of California Penal code, the Attorney General is required to submit an annual report to the Legislature regarding crimes motivated by a bias related to a victim's race, ethnicity, religion, gender, sexual orientation, national origin, or physical or mental disability. For the first time in 2008, SANDAG asked local law enforcement agencies to share hate crime reports that were to be submitted to the State to allow for the reporting of more timely statistics, as well as

[10] The number of domestic violence incidents reported by the Sheriff's Department in 2008 may be an underestimate due to issues currently being investigated. As such, percentage changes are not highlighted in this text for the contract cities or unincorporated areas of the county and future reports will include updated numbers.

more detailed analysis for San Diego County not available in the State report.[11]

According to California Penal code, a hate crime is a criminal act committed in whole or in part because of the actual or perceived characteristics of the victim (described previously). Thus, hate crimes are not separate distinct crimes, but rather traditional offenses motivated by the offender's bias. More than 1 offense may be reported for each hate crime event. In 2008, a total of 118 hate crime events were reported by law enforcement from across the region, which included a total of 124 offenses, 136 victims, and 137 known suspects (Figure 14).

Figure 14
ABOUT ONE HATE CRIME REPORTED EVERY THREE DAYS IN THE SAN DIEGO REGION IN 2008



SOURCE: SANDAG; California Department of Justice, Criminal Justice Statistics Center

Compared to 2007 numbers reported by the California Attorney General's Office for San Diego County, the number of events was almost unchanged, but the number of offenses decreased (by 26%). In 2008, hate crimes were reported by police departments in Chula Vista, El Cajon, Escondido, Oceanside, and San Diego; the Sheriff's Department (for the jurisdictions of Encinitas, Imperial Beach, Poway, San Marcos, Santee, Vista, Fallbrook, and the unincorporated area); and by San Diego State University (SDSU) (not shown).

Other information compiled for this summary includes the following:

- Of the 118 events, almost two-thirds (63%) appeared motivated by the victim's race, ethnicity, or national origin; 22 percent by sexual orientation; and 15 percent by religion. Of the 74 cases related to the victim's actual or perceived race/ethnicity/national origin, 64 percent were described as being anti-Black and 18 percent as anti-Hispanic[12].

- Of the 118 events, the type of victim in more than three-quarters (78%) was an individual (or multiple individuals), 9 percent involved a business or financial institution, 5 percent government property, 5 percent a religious organization, and 3 percent were described as other.

- Of 107 events where location was noted, 35 percent occurred on a highway, road, alley, or street; 20 percent at a residence, home, or driveway; 11 percent in a parking lot or garage; 10 percent at a school or college; 7 percent at a church, synagogue, or temple; and 18 percent at other locations.

- Of the 124 offenses, 58 percent were described as violent, which included 24 simple assaults, 21 aggravated assaults, 21 acts of intimidation, and 6 robberies. For the property-related offenses (42%), 50 were vandalism or the destruction of property, 1 burglary, and 1 larceny (not shown).

[11] These hate crime data should be considered preliminary, dependent upon final verification with the Department of Justice when their data are released.

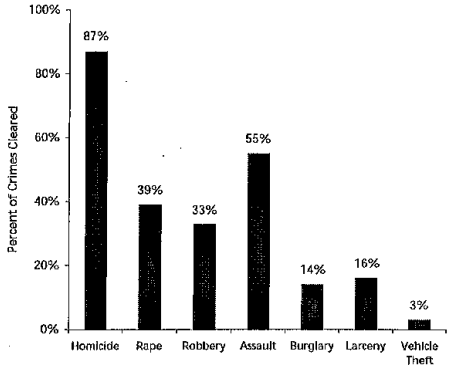
[12] These data are consistent with data from the State for 2007. According to the Attorney General, race/ethnicity/national origin hate crime offenses have consistently been the largest bias motivation category of hate crimes, with anti-Black accounting for the largest percent within this category.

CLEARANCE RATES

A crime is cleared or solved for reporting purposes when at least 1 person is arrested and charged with the offense[13]. Not surprisingly, the clearance rates in 2008 varied by crime type, with violent crimes cleared more frequently than property crimes. Overall, 47 percent of violent crimes that were open for investigation in the region were cleared (with a range across departments of 22% to 66%), compared to 13 percent of property crimes (with a range of 9% to 22%) (Appendix Tables 15 and 16).

As Figure 15 shows, the crimes of homicide and aggravated assault have the highest clearance rates. This is due to the fact that these crimes receive maximum resources given the seriousness of the crime and involvement of individuals with face-to-face contact. While the motor vehicle theft clearance rate is the lowest of the seven Part I crimes, it is important to note that the vehicle recovery rate is considerably higher (56%)[14] (not shown).

Figure 15
2008 REGIONAL CLEARANCE RATES VARY BY CRIME

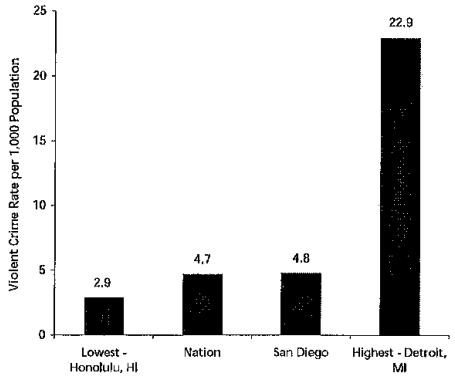


SOURCE: SANDAG

HOW DOES SAN DIEGO COMPARE TO OTHER U.S. CITIES?

National information for crime rates for 31 U.S. cities (rather than counties or regions) with populations of 500,000 or more is currently available for calendar year 2007 (1 year prior to the other statistics presented in this report). In 2007, the City of San Diego[15] was the seventh largest city in the U.S., with a population of almost 1.32 million. As Figures 16 and 17 show, the City of San Diego was one of the safest places to live, compared to other large metropolitan areas in terms of both violent crime (fourth lowest, following Honolulu, HI, San Jose, CA, and El Paso, TX) and property crime (sixth lowest, following New York, NY, San Jose, CA, Los Angeles, CA, Chicago, IL, and El Paso, TX). In 2006, San Diego was ranked fifth safest in both categories (not shown).

Figure 16
CITY OF SAN DIEGO'S 2007 VIOLENT CRIME FOURTH LOWEST IN NATION



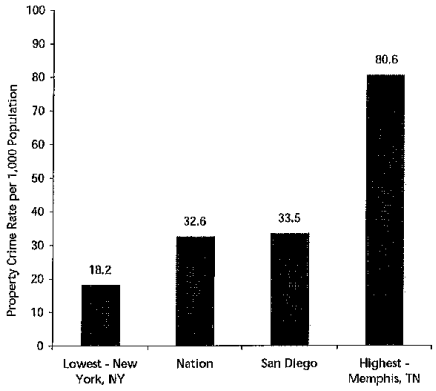
SOURCES: SANDAG; U.S. Department of Justice

[13] It is important to note that a crime can occur in one calendar year, but be cleared in that year or a future year.

[14] Motor vehicles represented 56 percent of stolen property in terms of dollar value, but 91 percent of the value of recovered property in 2008.

[15] In 2007, 46 percent of the region's violent crime and 49 percent of the property crime were reported by the San Diego Police Department.

Figure 17
CITY OF SAN DIEGO'S 2007 PROPERTY CRIME RATE SIXTH LOWEST IN NATION



SOURCES: SANDAG; U.S. Department of Justice

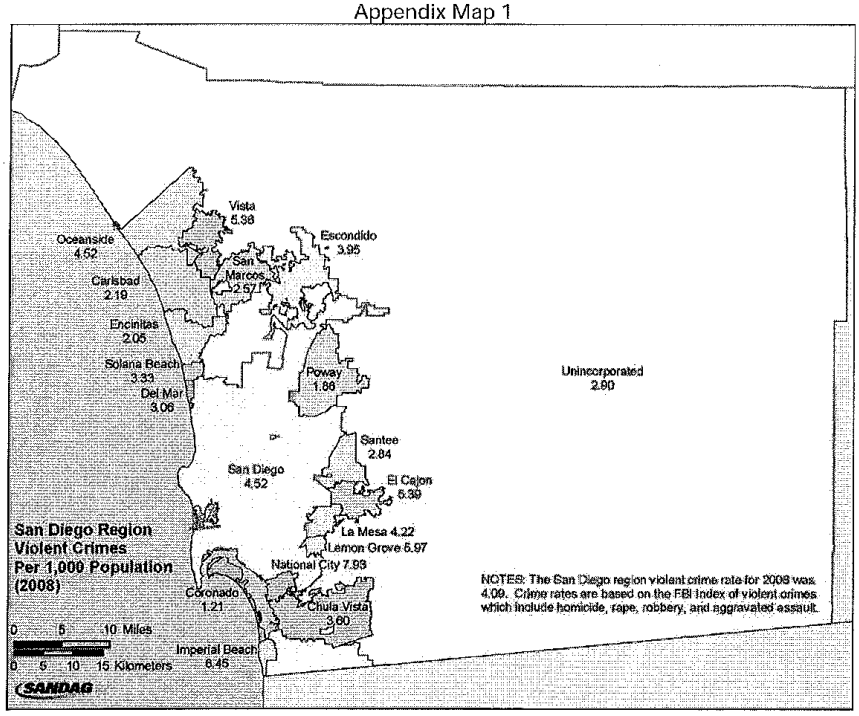
SUMMARY

Compared to 25 years earlier, the San Diego region is a safer place to live in terms of both violent and property crime. Local law enforcement is committed to continuing to effectively collaborate to identify and address crime issues in our communities, which are of growing importance during the economically uncertain times that may lie ahead.

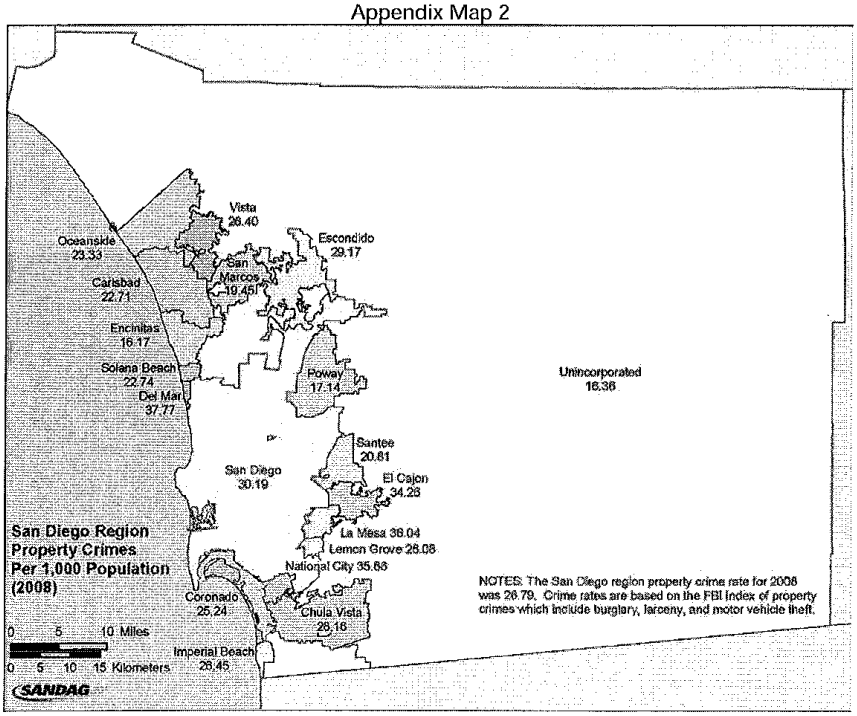
For those interested in more detailed 2008 statistics, please contact Donna Allnutt at (619) 699-6912. For those interested in more recent statistics for a specific area of San Diego County, as well as maps of specific areas, please visit the ARJIS (Automated Regional Justice Information System) Web site at www.arjis.org. The next CJ Bulletin in the 2009 series, *Public Safety Budgets in the San Diego Region, FY 2009*, will include a survey of local law enforcement regarding how recent and anticipated budget cuts may affect service delivery in the region and is scheduled for release this summer.

APPENDIX

Appendix Map 1



Appendix Map 2



Appendix Table 1
NUMBER OF CRIMES BY OFFENSE
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Homicide	128	106	90	-30%	-15%
Rape	797	704	845	6%	20%
Robbery	3,588	4,387	4,018	12%	-8%
Aggravated Assault	9,367	8,467	7,920	-15%	-6%
Violent Crime Total	**13,880**	**13,664**	**12,873**	**-7%**	**-6%**
Burglary	17,545	16,710	16,931	-3%	1%
Larceny Theft	55,669	48,679	47,390	-15%	-3%
Motor Vehicle Theft	24,172	24,435	19,974	-17%	-18%
Property Crime Total	**97,386**	**89,824**	**84,295**	**-13%**	**-6%**
FBI INDEX	**111,266**	**103,488**	**97,168**	**-13%**	**-6%**

SOURCE: SANDAG

Appendix Table 2
FBI INDEX CRIME RATE PER 1,000 POPULATION BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	26.25	27.28	24.90	-5%	-9%
Chula Vista	38.59	35.99	31.76	-18%	-12%
Coronado	26.29	24.47	26.45	1%	8%
El Cajon	49.19	45.69	39.65	-19%	-13%
Escondido	45.12	35.14	33.12	-27%	-6%
La Mesa	43.07	43.87	40.25	-7%	-8%
National City	58.11	42.41	43.58	-25%	3%
Oceanside	41.29	31.11	27.85	-33%	-10%
San Diego	40.32	38.33	34.72	-14%	-9%
Sheriff - Total	26.55	22.71	22.51	-15%	-1%
Del Mar	46.22	51.61	40.83	-12%	-21%
Encinitas	22.43	20.59	18.23	-19%	-11%
Imperial Beach	39.03	30.77	32.91	-16%	7%
Lemon Grove	42.36	29.45	32.06	-24%	9%
Poway	18.28	16.77	19.00	4%	13%
San Marcos	26.10	24.49	22.02	-16%	-10%
Santee	25.83	23.32	23.65	-8%	1%
Solana Beach	27.62	22.12	26.07	-6%	18%
Vista	35.74	28.14	31.75	-11%	13%
Unincorporated	23.46	20.32	19.26	-18%	-5%
4S Ranch	n/a	n/a	9.48	--	--
Alpine	25.28	23.67	21.72	-14%	-8%
Fallbrook	26.16	23.88	18.84	-28%	-21%
Lakeside	26.80	21.50	20.90	-22%	-3%
Ramona	15.18	12.75	15.24	<1%	20%
Spring Valley	28.98	26.27	25.57	-12%	-3%
Valley Center	26.03	25.73	22.66	-13%	-12%
TOTAL	**36.93**	**33.38**	**30.88**	**-16%**	**-7%**

NOTES: The FBI Crime Index includes homicide, rape, robbery, aggravated assault, burglary, larceny, and motor vehicle theft. "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that were determined to have occurred in a city not served by the Sheriff, or a location for which jurisdiction could not be determined. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category. Percent changes are based on computed crime rates rounded to the precision level of two decimal places. Populations used to compute crime rates reflect the most current California Department of Finance estimates.

SOURCES: California Department of Finance; SANDAG Estimates August 2008

Appendix Table 3
VIOLENT CRIME RATE PER 1,000 POPULATION BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	2.91	3.14	2.19	-25%	-30%
Chula Vista	4.02	4.04	3.60	-10%	-11%
Coronado	1.54	1.13	1.21	--	--
El Cajon	5.58	5.08	5.39	-3%	6%
Escondido	4.82	4.63	3.95	-18%	-15%
La Mesa	3.57	4.18	4.22	18%	1%
National City	7.52	6.93	7.93	5%	14%
Oceanside	5.92	5.15	4.52	-24%	-12%
San Diego	5.23	4.80	4.52	-14%	-6%
Sheriff - Total	3.63	3.82	3.47	-4%	-9%
Del Mar	2.86	3.95	3.06	--	--
Encinitas	2.40	2.51	2.05	-15%	-18%
Imperial Beach	6.83	5.66	6.45	-6%	14%
Lemon Grove	6.64	6.24	5.97	-10%	-4%
Poway	1.48	2.01	1.86	25%	-7%
San Marcos	3.74	3.59	2.57	-31%	-28%
Santee	3.05	2.66	2.84	-7%	6%
Solana Beach	2.69	1.94	3.33	--	--
Vista	4.95	5.53	5.36	8%	-3%
Unincorporated	3.05	3.39	2.90	-5%	-14%
4S Ranch	n/a	n/a	0.54	--	--
Alpine	3.41	3.24	3.06	-10%	-6%
Fallbrook	2.28	3.71	2.28	<-1%	-39%
Lakeside	2.84	4.32	3.77	33%	-13%
Ramona	2.15	3.14	2.46	14%	-22%
Spring Valley	5.47	4.85	4.53	-17%	-7%
Valley Center	4.18	5.27	4.53	8%	-14%
TOTAL	**4.61**	**4.41**	**4.09**	**-11%**	**-7%**

NOTES: FBI Index violent crimes include homicide, rape, robbery, and aggravated assault. "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that were determined to have occurred in a city not served by the Sheriff, or a location for which jurisdiction could not be determined. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category. Percent changes are based on computed crime rates rounded to the precision level of two decimal places. Percent changes are not presented if either comparison number used to compute the crime rate equals 30 or less. Populations used to compute crime rates reflect the most current California Department of Finance estimates.

SOURCES: California Department of Finance; SANDAG Estimates August 2008

Appendix Table 4
PROPERTY CRIME RATE PER 1,000 POPULATION BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	23.33	24.14	22.71	-3%	-6%
Chula Vista	34.57	31.94	28.16	-19%	-12%
Coronado	24.75	23.34	25.24	2%	8%
El Cajon	43.61	40.61	34.26	-21%	-16%
Escondido	40.30	30.51	29.17	-28%	-4%
La Mesa	39.50	39.69	36.04	-9%	-9%
National City	50.59	35.47	35.66	-30%	1%
Oceanside	35.37	25.96	23.33	-34%	-10%
San Diego	35.09	33.52	30.19	-14%	-10%
Sheriff - Total	22.92	18.88	19.03	-17%	1%
Del Mar	43.36	47.66	37.77	-13%	-21%
Encinitas	20.03	18.07	16.17	-19%	-11%
Imperial Beach	32.20	25.10	26.45	-18%	5%
Lemon Grove	35.72	23.21	26.08	-27%	12%
Poway	16.80	14.77	17.14	2%	16%
San Marcos	22.36	20.90	19.45	-13%	-7%
Santee	22.78	20.65	20.81	-9%	1%
Solana Beach	24.93	20.18	22.74	-9%	13%
Vista	30.80	22.62	26.40	-14%	17%
Unincorporated	20.41	16.93	16.36	-20%	-3%
4S Ranch	n/a	n/a	8.95	--	--
Alpine	21.87	20.43	18.66	-15%	-9%
Fallbrook	23.87	20.18	16.56	-31%	-18%
Lakeside	23.96	17.18	17.13	-29%	<-1%
Ramona	13.03	9.61	12.78	-2%	33%
Spring Valley	23.51	21.42	21.04	-11%	-2%
Valley Center	21.85	20.46	18.12	-17%	-11%
TOTAL	**32.32**	**28.97**	**26.79**	**-17%**	**-8%**

NOTES: FBI Index property crimes include larceny, burglary, and motor vehicle theft. "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that were determined to have occurred in a city not served by the Sheriff, or a location for which jurisdiction could not be determined. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category. Percent changes are based on computed crime rates rounded to the precision level of two decimal places. Populations used to compute crime rates reflect the most current California Department of Finance estimates.

SOURCES: California Department of Finance; SANDAG Estimates August 2008

Appendix Table 5
NUMBER OF FBI INDEX CRIMES BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	2,433	2,766	2,585	6%	-7%
Chula Vista	8,052	8,200	7,346	-9%	-10%
Coronado	699	562	611	-13%	9%
El Cajon	4,804	4,446	3,883	-19%	-13%
Escondido	6,331	4,986	4,749	-25%	-5%
La Mesa	2,412	2,469	2,281	-5%	-8%
National City	3,255	2,593	2,667	-18%	3%
Oceanside	7,138	5,498	4,980	-30%	-9%
San Diego	52,217	50,498	46,412	-11%	-8%
Sheriff - Total	22,076	19,471	19,583	-11%	1%
Del Mar	210	235	187	-11%	-20%
Encinitas	1,401	1,303	1,164	-17%	-11%
Imperial Beach	1,085	853	928	-14%	9%
Lemon Grove	1,084	750	821	-24%	9%
Poway	924	853	971	5%	14%
San Marcos	1,745	1,956	1,822	4%	-7%
Santee	1,397	1,287	1,326	-5%	3%
Solana Beach	370	297	352	-5%	19%
Vista	3,361	2,674	3,041	-10%	14%
Unincorporated	10,140	8,983	8,643	-15%	-4%
4S Ranch	n/a	79	159	--	--
Alpine	704	686	639	-9%	-7%
Fallbrook	1,294	1,199	960	-26%	-20%
Lakeside	1,417	1,145	1,130	-20%	-1%
Ramona	536	455	552	3%	21%
Spring Valley	2,046	1,862	1,840	-10%	-1%
Valley Center	548	576	515	-6%	-11%
Other Sheriff	359	280	328	-9%	17%
California Highway Patrol	127	133	186	46%	40%
California State University San Marcos	52	66	65	25%	-2%
San Diego State University	589	618	686	16%	11%
University of California San Diego	648	476	521	-20%	9%
San Diego Harbor Police	347	602	549	58%	-9%
California State Parks	86	104	64	-26%	-38%
TOTAL	**111,266**	**103,488**	**97,168**	**-13%**	**-6%**

NOTES: The FBI Crime Index includes homicide, rape, robbery, aggravated assault, burglary, larceny, and motor vehicle theft. "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that were determined to have occurred in a city not served by the Sheriff or a location for which jurisdiction could not be determined. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category.

SOURCE: SANDAG

Appendix Table 6
NUMBER OF VIOLENT CRIMES BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	270	318	227	-16%	-29%
Chula Vista	838	921	832	-1%	-10%
Coronado	41	26	28	--	--
El Cajon	545	494	528	-3%	7%
Escondido	676	657	567	-16%	-14%
La Mesa	200	235	239	20%	2%
National City	421	424	485	15%	14%
Oceanside	1,023	910	808	-21%	-11%
San Diego	6,774	6,331	6,047	-11%	-4%
Sheriff - Total	3,022	3,279	3,022	0%	-8%
Del Mar	13	18	14	--	--
Encinitas	150	159	131	-13%	-18%
Imperial Beach	190	157	182	-4%	16%
Lemon Grove	170	159	153	-10%	-4%
Poway	75	102	95	27%	-7%
San Marcos	250	287	213	-15%	-26%
Santee	165	147	159	-4%	8%
Solana Beach	36	26	45	25%	--
Vista	465	525	513	10%	-2%
Unincorporated	1,317	1,498	1,303	-1%	-13%
4S Ranch	n/a	9	9	--	--
Alpine	95	94	90	-5%	-4%
Fallbrook	113	186	116	3%	-38%
Lakeside	150	230	204	36%	-11%
Ramona	76	112	89	17%	-21%
Spring Valley	386	344	326	-16%	-5%
Valley Center	88	118	103	17%	-13%
Other Sheriff	191	201	214	12%	6%
California Highway Patrol	15	8	18	--	--
California State University San Marcos	3	0	4	--	--
San Diego State University	24	30	37	--	--
University of California San Diego	6	5	6	--	--
San Diego Harbor Police	17	21	22	--	--
California State Parks	5	5	3	--	--
TOTAL	**13,880**	**13,664**	**12,873**	**-7%**	**-6%**

NOTES: FBI Index violent crimes include homicide, rape, robbery, and aggravated assault. "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that were determined to have occurred in a city not served by the Sheriff or a location for which jurisdiction could not be determined. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category. Percent changes are not presented if either comparison number equals 30 or less.

SOURCE: SANDAG

Appendix Table 7
NUMBER OF PROPERTY CRIMES BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	2,163	2,448	2,358	9%	-4%
Chula Vista	7,214	7,279	6,514	-10%	-11%
Coronado	658	536	583	-11%	9%
El Cajon	4,259	3,952	3,355	-21%	-15%
Escondido	5,655	4,329	4,182	-26%	-3%
La Mesa	2,212	2,234	2,042	-8%	-9%
National City	2,834	2,169	2,182	-23%	1%
Oceanside	6,115	4,588	4,172	-32%	-9%
San Diego	45,443	44,167	40,365	-11%	-9%
Sheriff - Total	19,054	16,192	16,561	-13%	2%
Del Mar	197	217	173	-12%	-20%
Encinitas	1,251	1,144	1,033	-17%	-10%
Imperial Beach	895	696	746	-17%	7%
Lemon Grove	914	591	668	-27%	13%
Poway	849	751	876	3%	17%
San Marcos	1,495	1,669	1,609	8%	-4%
Santee	1,232	1,140	1,167	-5%	2%
Solana Beach	334	271	307	-8%	13%
Vista	2,896	2,149	2,528	-13%	18%
Unincorporated	8,823	7,485	7,340	-17%	-2%
4S Ranch	n/a	70	150	--	--
Alpine	609	592	549	-10%	-7%
Fallbrook	1,181	1,013	844	-29%	-17%
Lakeside	1,267	915	926	-27%	1%
Ramona	460	343	463	1%	35%
Spring Valley	1,660	1,518	1,514	-9%	<-1%
Valley Center	460	458	412	-10%	-10%
Other Sheriff	168	79	114	-32%	44%
California Highway Patrol	112	125	168	50%	34%
California State University San Marcos	49	66	61	24%	-8%
San Diego State University	565	588	649	15%	10%
University of California San Diego	642	471	515	-20%	9%
San Diego Harbor Police	330	581	527	60%	-9%
California State Parks	81	99	61	-25%	-38%
TOTAL	**97,386**	**89,824**	**84,295**	**-13%**	**-6%**

NOTES: FBI Index property crimes include larceny, burglary, and motor vehicle theft. "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that were determined to have occurred in a city not served by the Sheriff or a location for which jurisdiction could not be determined. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category.

SOURCE: SANDAG

Appendix Table 8
NUMBER OF CRIMES BY OFFENSE
San Diego Region, 1999-2008

	Homicide	Rape	Robbery	Aggravated Assault	Residential Burglary	Non-Residential Burglary	Total Burglary	Larceny Over $400	Larceny $400 and Under	Total Larceny	Motor Vehicle Theft	FBI Crime Index	California Crime Index	Population
1999	106	810	3,468	9,915	8,772	6,458	**15,230**	15,820	35,263	**51,083**	17,113	**97,725**	46,642	2,751,000
2000	97	801	3,347	9,504	9,066	6,711	**15,777**	15,457	32,394	**47,851**	17,038	**94,415**	46,564	2,813,833
2001	92	830	3,430	10,237	9,681	7,044	**16,725**	17,164	34,156	**51,320**	19,421	**102,055**	50,735	2,863,657
2002	87	798	3,342	9,805	10,236	7,963	**18,199**	18,568	34,684	**53,252**	19,884	**105,367**	52,115	2,920,010
2003	130	856	3,375	9,646	10,706	8,187	**18,893**	18,179	36,102	**54,281**	23,460	**110,641**	56,360	2,971,805
2004	128	797	3,588	9,367	10,108	7,437	**17,545**	19,293	36,376	**55,669**	24,172	**111,266**	55,597	3,013,014
2005	98	814	3,943	8,996	9,948	7,720	**17,668**	19,892	34,309	**54,201**	25,755	**111,475**	57,274	3,038,074
2006	126	777	4,313	8,362	9,783	8,072	**17,855**	19,657	31,797	**51,454**	24,046	**106,933**	55,479	3,065,077
2007	106	704	4,387	8,467	9,455	7,255	**16,710**	18,750	29,929	**48,679**	24,435	**103,488**	54,809	3,100,132
2008	90	845	4,018	7,920	9,936	6,995	**16,931**	18,418	28,972	**47,390**	19,974	**97,168**	49,778	3,146,274

NOTES: The FBI Crime Index includes homicide, rape, robbery, and aggravated assault in the violent category and burglary, larceny, and motor vehicle theft in the property category. The California Crime Index includes all FBI offenses except larceny.

SOURCES: California Department of Finance; U.S. Census 2000; SANDAG crime statistics; SANDAG Population Estimates August 2008

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Appendix Table 9
NUMBER OF DOMESTIC VIOLENCE INCIDENTS BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	360	438	382	6%	-13%
Chula Vista	1,818	1,818	1,613	-11%	-11%
Coronado	58	83	99	71%	19%
El Cajon	672	537	555	-17%	3%
Escondido	898	930	987	10%	6%
La Mesa	365	347	394	8%	14%
National City	624	351	366	-41%	4%
Oceanside	2,070	2,405	1,726	-17%	-28%
San Diego	10,033	8,137	7,829	-22%	-4%
Sheriff - Total	4,407	3,718	2,675	-39%	-28%
Del Mar	14	9	9	--	--
Encinitas	208	177	146	-30%	-18%
Imperial Beach	297	170	168	-43%	-1%
Lemon Grove	191	163	101	-47%	-38%
Poway	204	145	121	-41%	-17%
San Marcos	359	291	224	-38%	-23%
Santee	322	275	174	-46%	-37%
Solana Beach	34	28	20	--	--
Vista	557	502	394	-29%	-22%
Unincorporated	2,221	1,958	1,318	-41%	-33%
TOTAL	**21,351**	**18,874**	**16,759**	**-22%**	**-11%**

NOTES: "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). The individual unincorporated areas in the Sheriff's jurisdiction are not required to report domestic violence to the State Department of Justice. Region total includes a relatively small number of incidents reported by the San Diego Harbor Police, California Highway Patrol, California State Parks, California State University San Marcos, San Diego State University, and University of California San Diego. Percent changes are not presented if either comparison number equals 30 or less.

SOURCE: SANDAG

Appendix Table 10
NUMBER OF CRIMES BY OFFENSE BY JURISDICTION
San Diego Region, 2004

	Homicide	Rape	Robbery	Aggravated Assault	Residential Burglary	Non-Residential Burglary	Total Burglary	Larceny Over $400	Larceny $400 and Under	Total Larceny	Motor Vehicle Theft	Arson	FBI Crime Index	California Crime Index
Carlsbad	2	13	42	213	253	204	457	502	974	1,476	230	8	2,433	957
Chula Vista	15	50	296	477	687	497	1,184	1,252	2,735	3,987	2,043	31	8,052	4,065
Coronado	0	10	15	16	74	41	115	108	347	455	88	1	699	244
El Cajon	7	21	164	353	395	420	815	736	1,618	2,354	1,090	32	4,804	2,450
Escondido	3	22	198	453	412	373	785	1,026	2,268	3,294	1,576	35	6,331	3,037
La Mesa	0	10	72	118	183	210	393	399	886	1,285	534	5	2,412	1,127
National City	5	16	139	261	135	255	390	366	1,178	1,544	900	15	3,255	1,711
Oceanside	9	77	289	648	706	419	1,125	1,181	2,985	4,166	824	33	7,138	2,972
San Diego	62	373	1,650	4,689	4,495	2,810	7,305	9,399	15,769	25,168	12,970	191	52,217	27,049
Sheriff - Total	25	192	709	2,096	2,713	2,119	4,832	3,802	6,711	10,513	3,709	160	22,076	11,563
Del Mar	0	2	3	8	14	15	29	78	63	141	27	0	210	69
Encinitas	2	15	38	95	145	140	285	298	503	801	165	6	1,401	600
Imperial Beach	1	8	48	133	137	99	236	124	332	456	203	23	1,085	629
Lemon Grove	1	7	47	115	83	150	233	115	338	453	228	5	1,084	631
Poway	0	4	10	61	83	107	190	202	359	561	98	13	924	363
San Marcos	1	17	61	171	148	198	346	264	580	844	305	12	1,745	901
Santee	1	16	44	104	103	135	238	260	530	790	204	4	1,397	607
Solana Beach	0	0	17	19	25	47	72	111	98	209	53	1	370	161
Vista	3	28	162	272	473	268	741	567	1,069	1,636	519	16	3,361	1,725
Unincorporated	16	92	275	934	1,496	936	2,432	1,761	2,769	4,530	1,861	80	10,140	5,610
4S Ranch	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alpine	0	2	21	72	99	74	173	119	178	297	139	4	704	407
Fallbrook	1	13	22	77	248	124	372	229	426	655	154	7	1,294	639
Lakeside	3	14	28	105	173	146	319	238	433	671	277	0	1,417	746
Ramona	0	6	2	68	70	60	130	91	161	252	78	1	536	284
Spring Valley	9	12	110	255	242	165	407	273	483	756	497	0	2,046	1,290
Valley Center	1	8	26	53	76	70	146	99	113	212	102	11	548	336
Other Sheriff	0	3	4	184	6	24	30	22	70	92	46	0	359	267
California Highway Patrol	0	0	0	15	0	3	3	2	36	38	71	0	127	89
California State University San Marcos	0	2	0	1	3	4	7	4	38	42	0	0	52	10
San Diego State University	0	9	6	9	19	31	50	162	270	432	83	6	589	157
University of California San Diego	0	2	1	3	32	31	63	157	375	532	47	4	648	116
San Diego Harbor Police	0	0	7	10	0	12	12	167	150	317	1	1	347	30
California State Parks	0	0	0	5	1	8	9	30	36	66	6	3	86	20
TOTAL	**128**	**797**	**3,588**	**9,367**	**10,108**	**7,437**	**17,545**	**19,293**	**36,376**	**55,669**	**24,172**	**525**	**111,266**	**55,597**

NOTES: The FBI Crime Index includes homicide, rape, robbery, and aggravated assault in the violent category and burglary, larceny, and motor vehicle theft in the property category. The California Crime Index (CCI) includes all FBI Index crimes except larceny. "Sheriff-Total" includes the contract cities and the unincorporated area served by the Sheriff, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that occurred in a city not served by the Sheriff or a location for which jurisdiction could not be determined. Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category. (The Sheriff's area of 4S Ranch began reporting separately in July 2007.)

SOURCE: SANDAG

Appendix Table 11
NUMBER OF CRIMES BY OFFENSE BY JURISDICTION
San Diego Region, 2005

	Homicide	Rape	Robbery	Aggravated Assault	Residential Burglary	Non-Residential Burglary	Total Burglary	Larceny Over $400	Larceny $400 and Under	Total Larceny	Motor Vehicle Theft	Arson	FBI Crime Index	California Crime Index
Carlsbad	2	11	79	164	285	232	517	540	1,108	1,648	246	11	2,667	1,019
Chula Vista	5	66	338	518	626	609	1,235	1,277	2,481	3,758	2,496	23	8,416	4,658
Coronado	0	6	6	10	69	20	89	127	222	349	89	5	549	200
El Cajon	2	40	171	305	296	473	769	658	1,480	2,138	1,136	36	4,561	2,423
Escondido	2	31	186	473	399	402	801	996	2,035	3,031	1,079	37	5,603	2,572
La Mesa	2	10	107	82	190	138	328	453	892	1,345	556	6	2,430	1,085
National City	4	16	182	254	122	254	376	369	1,040	1,409	941	15	3,182	1,773
Oceanside	7	78	264	634	718	347	1,065	1,096	2,750	3,846	746	33	6,640	2,794
San Diego	51	376	1,862	4,314	4,611	2,851	7,462	9,771	14,842	24,613	14,138	233	52,816	28,203
Sheriff - Total	23	170	725	2,189	2,589	2,320	4,909	3,982	6,361	10,343	4,066	151	22,425	12,082
Del Mar	0	0	1	9	24	26	50	87	92	179	37	0	276	97
Encinitas	3	11	45	112	165	159	324	330	394	724	186	7	1,405	681
Imperial Beach	0	3	41	88	99	89	188	111	224	335	267	4	922	587
Lemon Grove	1	6	59	90	93	115	208	102	237	339	258	6	961	622
Poway	1	11	20	63	70	102	172	201	350	551	92	7	910	359
San Marcos	0	15	57	165	121	238	359	318	671	989	282	10	1,867	878
Santee	1	16	30	116	143	138	281	301	499	800	235	9	1,479	679
Solana Beach	0	1	12	11	48	39	87	81	98	179	46	1	336	157
Vista	4	21	190	315	404	367	771	547	1,074	1,621	579	29	3,501	1,880
Unincorporated	13	82	266	1,032	1,413	1,036	2,449	1,900	2,678	4,578	2,042	78	10,462	5,884
4S Ranch	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alpine	1	5	15	54	104	71	175	164	189	353	121	1	724	371
Fallbrook	0	11	43	123	259	203	462	260	499	759	177	7	1,575	816
Lakeside	0	13	34	169	169	138	307	289	426	715	309	0	1,547	832
Ramona	1	7	12	76	58	61	119	116	145	261	84	1	560	299
Spring Valley	7	14	77	227	245	135	380	275	466	741	572	0	2,018	1,277
Valley Center	1	9	6	63	62	101	163	114	116	230	106	13	578	348
Other Sheriff	0	4	4	188	9	11	20	4	44	48	42	0	306	258
California Highway Patrol	0	0	2	18	2	9	11	4	28	32	96	0	159	127
California State University San Marcos	0	1	0	2	1	7	8	9	43	52	2	0	65	13
San Diego State University	0	8	10	11	14	11	25	217	330	547	88	0	689	142
University of California San Diego	0	1	4	7	25	30	55	157	462	619	68	1	754	135
San Diego Harbor Police	0	0	7	10	0	9	9	204	177	381	1	2	408	27
California State Parks	0	0	0	5	1	8	9	32	58	90	7	2	111	21
TOTAL	**98**	**814**	**3,943**	**8,996**	**9,948**	**7,720**	**17,668**	**19,892**	**34,309**	**54,201**	**25,755**	**555**	**111,475**	**57,274**

NOTES: The FBI Crime Index includes homicide, rape, robbery, and aggravated assault in the violent category and burglary, larceny, and motor vehicle theft in the property category. The California Crime Index (CCI) includes all FBI Index crimes except larceny. "Sheriff-Total" includes the contract cities and the unincorporated area served by the Sheriff, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that occurred in a city not served by the Sheriff or a location for which jurisdiction could not be determined. Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category. (The Sheriff's area of 4S Ranch began reporting separately in July 2007.)

SOURCE: SANDAG

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Appendix Table 12
NUMBER OF CRIMES BY OFFENSE BY JURISDICTION
San Diego Region, 2006

	Homicide	Rape	Robbery	Aggravated Assault	Residential Burglary	Non-Residential Burglary	Total Burglary	Larceny Over $400	Larceny $400 and Under	Total Larceny	Motor Vehicle Theft	Arson	FBI Crime Index	California Crime Index
Carlsbad	1	11	77	240	320	267	587	657	991	1,648	220	18	2,784	1,136
Chula Vista	7	70	351	519	687	497	1,184	1,321	2,496	3,817	2,033	41	7,981	4,164
Coronado	0	3	9	11	48	19	67	114	265	379	70	1	539	160
El Cajon	4	28	154	287	270	368	638	618	1,336	1,954	1,020	25	4,085	2,131
Escondido	3	33	235	442	407	351	758	885	1,802	2,687	962	17	5,120	2,433
La Mesa	3	8	111	113	222	225	447	480	979	1,459	591	16	2,732	1,273
National City	2	9	211	302	143	310	453	314	811	1,125	885	12	2,987	1,862
Oceanside	8	48	245	635	682	297	979	999	2,262	3,261	633	21	5,809	2,548
San Diego	68	348	2,164	3,811	4,491	3,255	7,746	9,824	14,301	24,125	13,338	185	51,600	27,475
Sheriff - Total	30	211	737	1,964	2,459	2,366	4,825	3,754	5,656	9,410	4,013	144	21,190	11,780
Del Mar	0	1	7	18	22	32	54	108	82	190	30	0	300	110
Encinitas	3	8	48	104	160	164	324	279	425	704	170	3	1,361	657
Imperial Beach	1	17	34	116	94	75	169	119	223	342	236	3	915	573
Lemon Grove	1	12	65	92	65	146	211	99	220	319	263	9	963	644
Poway	0	13	21	69	84	126	210	207	248	455	119	5	887	432
San Marcos	3	19	75	189	196	288	484	311	607	918	333	14	2,021	1,103
Santee	0	14	44	93	122	148	270	243	342	585	199	8	1,205	620
Solana Beach	1	0	12	13	31	46	77	68	92	160	40	1	303	143
Vista	1	34	152	259	383	346	729	541	981	1,522	587	19	3,284	1,762
Unincorporated	20	92	275	881	1,300	981	2,281	1,766	2,403	4,169	1,993	82	9,711	5,542
4S Ranch	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Alpine	1	4	17	51	102	82	184	127	154	281	123	4	661	380
Fallbrook	2	11	46	84	179	163	342	329	461	790	153	7	1,428	638
Lakeside	2	16	32	150	151	120	271	233	318	551	268	0	1,290	739
Ramona	0	6	16	59	61	76	137	95	144	239	70	4	527	288
Spring Valley	2	14	84	184	256	177	433	268	460	728	638	0	2,083	1,355
Valley Center	4	7	15	57	55	77	132	100	152	252	68	3	535	283
Other Sheriff	0	1	4	130	2	14	16	13	33	46	43	0	240	194
California Highway Patrol	0	0	0	16	2	10	12	2	20	22	76	0	126	104
California State University San Marcos	0	1	0	1	0	6	6	6	33	39	1	0	48	9
San Diego State University	0	7	13	5	20	15	35	152	258	410	119	2	589	179
University of California San Diego	0	0	1	2	30	61	91	176	337	513	75	5	682	169
San Diego Harbor Police	0	0	5	11	1	23	24	334	219	553	2	0	595	42
California State Parks	0	0	0	3	1	2	3	21	31	52	8	1	66	14
TOTAL	**126**	**777**	**4,313**	**8,362**	**9,783**	**8,072**	**17,855**	**19,657**	**31,797**	**51,454**	**24,046**	**488**	**106,933**	**55,479**

NOTES: The FBI Crime Index includes homicide, rape, robbery, and aggravated assault in the violent category and burglary, larceny, and motor vehicle theft in the property category. The California Crime Index (CCI) includes all FBI Index crimes except larceny. "Sheriff-Total" includes the contract cities and the unincorporated area served by the Sheriff, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that occurred in a city not served by the Sheriff or a location for which jurisdiction could not be determined. Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category. (The Sheriff's area of 4S Ranch began reporting separately in July 2007.)

SOURCE: SANDAG

Appendix Table 13
NUMBER OF CRIMES BY OFFENSE BY JURISDICTION
San Diego Region, 2007

	Homicide	Rape	Robbery	Aggravated Assault	Residential Burglary	Non-Residential Burglary	Total Burglary	Larceny Over $400	Larceny $400 and Under	Total Larceny	Motor Vehicle Theft	Arson	FBI Crime Index	California Crime Index
Carlsbad	2	13	88	215	298	230	528	722	962	1,684	236	10	2,766	1,082
Chula Vista	8	57	396	460	637	456	1,093	1,276	2,514	3,790	2,396	28	8,200	4,410
Coronado	1	6	10	9	46	17	63	105	273	378	95	4	562	184
El Cajon	4	21	184	285	270	314	584	746	1,381	2,127	1,241	15	4,446	2,319
Escondido	4	28	280	345	456	352	808	827	1,601	2,428	1,093	23	4,986	2,558
La Mesa	0	7	125	103	188	192	380	496	859	1,355	499	8	2,469	1,114
National City	6	19	180	219	133	246	379	267	575	842	948	8	2,593	1,751
Oceanside	3	51	257	599	598	241	839	993	2,109	3,102	647	31	5,498	2,396
San Diego	58	296	2,095	3,882	4,500	3,179	7,679	9,162	14,102	23,264	13,224	200	50,498	27,234
Sheriff - Total	20	194	758	2,307	2,266	1,914	4,180	3,477	4,742	8,219	3,793	122	19,471	11,252
Del Mar	0	2	5	11	18	28	46	71	63	134	37	1	235	101
Encinitas	0	9	42	108	151	155	306	302	400	702	136	7	1,303	601
Imperial Beach	0	17	46	94	87	74	161	93	174	267	268	10	853	586
Lemon Grove	1	10	46	102	68	73	141	88	145	233	217	4	750	517
Poway	0	7	19	76	70	113	183	218	257	475	93	3	853	378
San Marcos	2	12	101	172	199	215	414	344	593	937	318	8	1,956	1,019
Santee	0	12	23	112	100	106	206	271	391	662	272	5	1,287	625
Solana Beach	0	2	10	14	33	41	74	80	66	146	51	2	297	151
Vista	4	24	170	327	333	261	594	418	620	1,038	517	6	2,674	1,636
Unincorporated	13	95	291	1,099	1,205	840	2,045	1,580	1,998	3,578	1,862	76	8,983	5,404
4S Ranch	0	0	1	8	16	10	26	20	14	34	10	0	79	45
Alpine	0	5	16	73	92	57	149	149	157	306	137	5	686	380
Fallbrook	1	6	46	133	138	134	272	218	351	569	172	8	1,199	630
Lakeside	3	14	28	185	133	88	221	221	269	490	204	0	1,145	655
Ramona	3	7	22	80	65	68	133	78	80	158	52	2	455	297
Spring Valley	2	24	102	216	222	166	388	229	348	577	553	0	1,862	1,285
Valley Center	0	7	11	100	76	64	140	105	119	224	94	6	576	352
Other Sheriff	0	4	5	192	2	8	10	12	35	47	22	0	280	233
California Highway Patrol	0	0	0	8	1	6	7	2	27	29	89	0	133	104
California State University San Marcos	0	0	0	0	3	5	8	15	40	55	3	0	66	11
San Diego State University	0	9	7	14	28	47	75	121	279	400	113	0	618	218
University of California San Diego	0	1	2	2	28	28	56	135	238	373	42	4	476	103
San Diego Harbor Police	0	0	4	17	3	26	29	353	196	549	3	1	602	53
California State Parks	0	2	1	2	0	2	2	53	31	84	13	4	104	20
TOTAL	**106**	**704**	**4,387**	**8,467**	**9,455**	**7,255**	**16,710**	**18,750**	**29,929**	**48,679**	**24,435**	**458**	**103,488**	**54,809**

NOTES: The FBI Crime Index includes homicide, rape, robbery, and aggravated assault in the violent category and burglary, larceny, and motor vehicle theft in the property category. The California Crime Index (CCI) includes all FBI Index crimes except larceny. "Sheriff-Total" includes the contract cities and the unincorporated area served by the Sheriff, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that occurred in a city not served by the Sheriff or a location for which jurisdiction could not be determined. Unincorporated statistics have also been updated to exclude crimes now categorized in the Sheriff's "other" category. (The Sheriff's area of 4S Ranch began reporting separately in July 2007.)

SOURCE: SANDAG

Appendix Table 14
NUMBER OF CRIMES BY OFFENSE BY JURISDICTION
San Diego Region, 2008

	Homicide	Rape	Robbery	Aggravated Assault	Residential Burglary	Non-Residential Burglary	Total Burglary	Larceny Over $400	Larceny $400 and Under	Total Larceny	Motor Vehicle Theft	Arson	FBI Crime Index	California Crime Index
Carlsbad	2	24	51	150	272	235	507	656	1,006	1,662	189	7	2,585	923
Chula Vista	6	55	321	450	633	375	1,008	1,285	2,054	3,339	2,167	27	7,346	4,007
Coronado	0	2	12	14	57	46	103	149	286	435	45	3	611	176
El Cajon	1	35	204	288	260	311	571	629	1,276	1,905	879	16	3,883	1,978
Escondido	4	31	195	337	464	434	898	867	1,538	2,405	879	18	4,749	2,344
La Mesa	0	14	122	103	189	116	305	509	894	1,403	334	10	2,281	878
National City	0	24	183	278	114	251	365	305	719	1,024	793	4	2,667	1,643
Oceanside	5	61	193	549	642	194	836	841	1,959	2,800	536	37	4,980	2,180
San Diego	55	376	2,019	3,597	4,864	2,879	7,743	8,773	13,172	21,945	10,677	190	46,412	24,467
Sheriff - Total	17	208	699	2,098	2,380	2,037	4,417	3,713	5,219	8,932	3,212	90	19,583	10,651
Del Mar	0	3	5	6	11	40	51	68	39	107	15	1	187	80
Encinitas	0	15	33	83	121	154	275	308	361	669	89	3	1,164	495
Imperial Beach	0	12	69	101	105	60	165	109	229	338	243	9	928	590
Lemon Grove	0	17	58	78	106	102	208	78	210	288	172	8	821	533
Poway	0	8	20	67	94	117	211	259	311	570	95	1	971	401
San Marcos	1	8	55	149	163	238	401	324	610	934	274	2	1,822	888
Santee	1	12	34	112	104	118	222	270	486	756	189	3	1,326	570
Solana Beach	0	2	9	34	42	75	117	111	56	167	23	2	352	185
Vista	1	37	154	321	414	343	757	457	863	1,320	451	12	3,041	1,721
Unincorporated	14	88	258	943	1,214	775	1,989	1,708	2,009	3,717	1,634	49	8,643	4,926
4S Ranch	0	0	2	7	23	19	42	43	47	90	18	0	159	69
Alpine	1	9	13	67	87	53	140	145	166	311	98	2	639	328
Fallbrook	3	8	21	84	139	122	261	197	276	473	110	4	960	487
Lakeside	4	10	26	164	117	99	216	211	308	519	191	0	1,130	611
Ramona	0	7	11	71	48	63	111	117	179	296	56	2	552	256
Spring Valley	1	23	86	216	258	121	379	269	357	626	509	0	1,840	1,214
Valley Center	2	9	18	74	70	57	127	107	98	205	80	1	515	310
Other Sheriff	0	6	4	204	6	15	21	21	45	66	27	0	328	262
California Highway Patrol	0	0	0	18	1	5	6	6	16	22	140	0	186	164
California State University San Marcos	0	1	0	3	1	9	10	11	40	51	0	0	65	14
San Diego State University	0	8	10	19	32	59	91	132	336	468	90	3	686	218
University of California San Diego	0	3	1	2	25	28	53	192	238	430	32	4	521	91
San Diego Harbor Police	0	3	6	13	1	14	15	311	201	512	0	1	549	37
California State Parks	0	0	2	1	1	2	3	39	18	57	1	1	64	7
TOTAL	**90**	**845**	**4,018**	**7,920**	**9,936**	**6,995**	**16,931**	**18,418**	**28,972**	**47,390**	**19,974**	**411**	**97,168**	**49,778**

NOTES: The FBI Crime Index includes homicide, rape, robbery, and aggravated assault in the violent category and burglary, larceny, and motor vehicle theft in the property category. The California Crime Index (CCI) includes all FBI Index crimes except larceny. "Sheriff-Total" includes the contract cities and the unincorporated area served by the Sheriff, as well as crimes reported in the Sheriff's new "other" category that includes the Sheriff's detention facilities, courts staffed by the Sheriff, and crimes reported to the Sheriff that occurred in a city not served by the Sheriff or a location for which jurisdiction could not be determined.

SOURCE: SANDAG

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Appendix Table 15
VIOLENT CRIME CLEARANCE RATE BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Difference	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	69%	41%	49%	-20%	8%
Chula Vista	34%	33%	35%	1%	2%
Coronado	--	--	--	--	--
El Cajon	39%	45%	36%	-3%	-8%
Escondido	46%	49%	47%	1%	-2%
La Mesa	68%	65%	58%	-9%	-7%
National City	28%	21%	22%	-6%	1%
Oceanside	43%	43%	41%	-2%	-1%
San Diego	53%	48%	49%	-3%	1%
Sheriff - Total	58%	47%	54%	-5%	7%
Del Mar	--	--	--	--	--
Encinitas	49%	41%	45%	-4%	4%
Imperial Beach	58%	51%	52%	-7%	1%
Lemon Grove	58%	49%	43%	-15%	-6%
Poway	45%	44%	63%	18%	19%
San Marcos	55%	37%	58%	3%	21%
Santee	69%	56%	64%	-6%	8%
Solana Beach	--	--	--	--	--
Vista	56%	41%	56%	-1%	14%
Unincorporated	68%	57%	63%	-5%	5%
4S Ranch	n/a	--	--	--	--
Alpine	60%	48%	52%	-8%	4%
Fallbrook	53%	41%	66%	13%	26%
Ramona	93%	61%	51%	-43%	-10%
Valley Center	67%	52%	50%	-17%	-1%
TOTAL	**51%**	**46%**	**47%**	**-3%**	**2%**

NOTES: "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). Clearance rates based on reported incidents or cases cleared numbering 30 or less are not computed for this table.

SOURCE: SANDAG

Appendix Table 16
PROPERTY CRIME CLEARANCE RATE BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Difference	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	26%	10%	21%	-5%	11%
Chula Vista	14%	15%	16%	2%	1%
Coronado	11%	12%	22%	10%	9%
El Cajon	15%	16%	16%	1%	0%
Escondido	13%	15%	16%	3%	1%
La Mesa	18%	17%	13%	-5%	-5%
National City	18%	10%	14%	-4%	4%
Oceanside	13%	11%	12%	-1%	1%
San Diego	10%	10%	11%	0%	1%
Sheriff - Total	14%	12%	13%	0%	1%
Del Mar	--	--	--	--	--
Encinitas	15%	12%	12%	-4%	0%
Imperial Beach	11%	10%	11%	0%	1%
Lemon Grove	22%	18%	20%	-2%	2%
Poway	18%	14%	14%	-5%	0%
San Marcos	18%	16%	21%	3%	5%
Santee	15%	14%	19%	4%	5%
Solana Beach	--	--	--	--	--
Vista	14%	12%	13%	-1%	1%
Unincorporated	12%	11%	12%	-1%	1%
4S Ranch	n/a	--	--	--	--
Alpine	13%	9%	9%	-4%	1%
Fallbrook	11%	9%	12%	2%	3%
Ramona	20%	17%	16%	-4%	-1%
Valley Center	11%	13%	16%	4%	2%
TOTAL	**13%**	**11%**	**13%**	**0%**	**1%**

NOTES: "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista). Clearance rates based on reported incidents or cases cleared numbering 30 or less are not computed for this table.

SOURCE: SANDAG

Appendix Table 17
DOLLAR VALUE OF PROPERTY STOLEN BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

	2004	2007	2008	Change 2004-2008	Change 2007-2008
Carlsbad	$4,899,601	$9,329,553	$6,806,737	39%	-27%
Chula Vista	23,490,562	26,510,763	26,022,780	11%	-2%
Coronado	1,243,404	1,290,186	1,195,438	-4%	-7%
El Cajon	11,897,051	12,981,609	11,568,795	-3%	-11%
Escondido	12,453,424	8,870,575	9,580,399	-23%	8%
La Mesa	12,280,454	5,609,481	3,771,133	-69%	-33%
National City	7,167,043	7,379,198	7,974,320	11%	8%
Oceanside	10,404,715	9,031,000	7,860,690	-24%	-13%
San Diego	112,325,318	132,900,129	122,403,091	9%	-8%
Sheriff - Total	51,605,605	48,990,341	56,866,190	10%	16%
Del Mar	997,935	926,695	731,582	-27%	-21%
Encinitas	2,813,560	2,949,443	2,951,825	5%	<1%
Imperial Beach	1,850,147	2,495,396	3,364,688	82%	35%
Lemon Grove	1,894,963	1,975,663	1,630,241	-14%	-17%
Poway	2,088,613	2,358,304	2,500,570	20%	6%
San Marcos	3,395,298	3,849,259	4,919,595	45%	28%
Santee	2,300,273	2,879,318	4,831,353	110%	68%
Solana Beach	1,045,086	1,026,521	1,039,949	<-1%	1%
Vista	6,538,814	5,017,407	5,234,854	-20%	4%
Unincorporated	28,680,916	25,512,335	29,661,533	3%	16%
4S Ranch	n/a	113,801	2,073,069	--	--
Alpine	2,059,404	1,627,260	2,009,602	-2%	23%
Fallbrook	3,148,786	2,325,075	1,987,458	-37%	-15%
Ramona	1,059,615	1,124,762	2,090,144	97%	86%
Valley Center	1,569,641	1,656,217	1,492,089	-5%	-10%
California Highway Patrol	410,608	376,019	1,011,224	146%	169%
California State University San Marcos	19,484	42,517	27,245	40%	-36%
San Diego State University	684,664	1,157,684	1,236,584	81%	7%
University of California San Diego	613,396	616,482	570,645	-7%	-7%
San Diego Harbor Police	743,291	1,163,004	1,494,007	101%	28%
California State Parks	116,514	173,824	239,974	106%	38%
TOTAL	**$250,355,134**	**$266,422,365**	**$258,629,252**	**3%**	**-3%**

NOTES: Dollar amounts are not adjusted for inflation and reflect the reported dollar values associated with stolen items reported by individual jurisdictions. "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista).

SOURCE: SANDAG

Appendix Table 18
DOLLAR VALUE OF PROPERTY RECOVERED BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

	2004	2007	2008	Change 2004-2008	Change 2007-2008
Carlsbad	$1,763,787	$1,847,860	$1,152,685	-35%	-38%
Chula Vista	10,671,401	12,967,166	11,133,503	4%	-14%
Coronado	279,693	396,581	179,653	-36%	-55%
El Cajon	6,086,351	5,878,084	4,608,671	-24%	-22%
Escondido	6,844,538	3,819,858	3,776,015	-45%	-1%
La Mesa	2,148,688	2,914,458	1,810,979	-16%	-38%
National City	3,921,863	3,610,678	3,631,295	-7%	1%
Oceanside	4,268,694	4,002,520	3,209,276	-25%	-20%
San Diego	52,094,176	52,937,962	40,326,107	-23%	-24%
Sheriff - Total	21,873,553	18,551,159	18,687,376	-15%	1%
Del Mar	288,053	386,687	189,035	-34%	-51%
Encinitas	1,218,507	1,287,112	622,922	-49%	-52%
Imperial Beach	985,961	1,093,726	1,169,131	19%	7%
Lemon Grove	1,073,563	1,050,067	558,257	-48%	-47%
Poway	591,610	676,197	831,439	41%	23%
San Marcos	1,811,411	1,433,312	1,408,776	-22%	-2%
Santee	911,735	1,058,980	2,557,182	180%	141%
Solana Beach	257,568	353,340	147,434	-43%	-58%
Vista	2,800,825	1,920,983	2,008,070	-28%	5%
Unincorporated	11,934,320	9,290,755	9,195,130	-23%	-1%
4S Ranch	n/a	50,728	127,699	--	--
Alpine	683,332	550,459	754,486	10%	37%
Fallbrook	847,497	837,986	568,874	-33%	-32%
Ramona	497,504	343,046	213,935	-57%	-38%
Valley Center	744,970	681,336	554,593	-26%	-19%
California Highway Patrol	128,740	167,900	456,940	255%	172%
California State University San Marcos	3,265	1,002	2,301	-30%	130%
San Diego State University	131,440	570,510	186,684	42%	-67%
University of California San Diego	139,427	132,411	93,384	-33%	-29%
San Diego Harbor Police	19,861	66,228	588,938	2865%	789%
California State Parks	5,106	14,150	1,109	-78%	-92%
TOTAL	**$110,380,583**	**$107,878,527**	**$89,844,916**	**-19%**	**-17%**

NOTES: Dollar amounts are not adjusted for inflation and reflect the reported dollar values associated with stolen items reported by individual jurisdictions. "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista).

SOURCE: SANDAG

Appendix Table 19
PROPERTY RECOVERY RATE BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Difference	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	36%	20%	17%	-19%	-3%
Chula Vista	45%	49%	43%	-3%	-6%
Coronado	22%	31%	15%	-7%	-16%
El Cajon	51%	45%	40%	-11%	-5%
Escondido	55%	43%	39%	-16%	-4%
La Mesa	17%	52%	48%	31%	-4%
National City	55%	49%	46%	-9%	-3%
Oceanside	41%	44%	41%	0%	-3%
San Diego	46%	40%	33%	-13%	-7%
Sheriff - Total	42%	38%	33%	-9%	-5%
Del Mar	29%	42%	26%	-3%	-16%
Encinitas	43%	44%	21%	-22%	-23%
Imperial Beach	53%	44%	35%	-19%	-9%
Lemon Grove	57%	53%	34%	-22%	-19%
Poway	28%	29%	33%	5%	5%
San Marcos	53%	37%	29%	-24%	-8%
Santee	40%	37%	53%	13%	16%
Solana Beach	25%	34%	14%	-10%	-20%
Vista	43%	38%	38%	-4%	0%
Unincorporated	42%	36%	31%	-11%	-5%
4S Ranch	n/a	45%	6%	--	--
Alpine	33%	34%	38%	4%	4%
Fallbrook	27%	36%	29%	2%	-7%
Ramona	47%	30%	10%	-37%	-20%
Valley Center	47%	41%	37%	-10%	-4%
California Highway Patrol	31%	45%	45%	14%	1%
California State University San Marcos	17%	2%	8%	-8%	6%
San Diego State University	19%	49%	15%	-4%	-34%
University of California San Diego	23%	21%	16%	-6%	-5%
San Diego Harbor Police	3%	6%	39%	37%	34%
California State Parks	4%	8%	0%	-4%	-8%
TOTAL	**44%**	**40%**	**35%**	**-9%**	**-5%**

NOTES: "Sheriff-Total" includes the contract cities and the unincorporated area served by the San Diego County Sheriff's Department. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (6 months of 2007 and all of 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas for which crime data are not individually shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista).

SOURCE: SANDAG

Appendix Table 20
POPULATION BY JURISDICTION
San Diego Region, 2004, 2007, and 2008

				Change	
	2004	2007	2008	2004-2008	2007-2008
Carlsbad	92,695	101,398	103,811	12%	2%
Chula Vista	208,675	227,863	231,305	11%	2%
Coronado	26,591	22,968	23,101	-13%	1%
El Cajon	97,670	97,313	97,934	<1%	1%
Escondido	140,328	141,874	143,389	2%	1%
La Mesa	56,007	56,286	56,666	1%	1%
National City	56,018	61,146	61,194	9%	<1%
Oceanside	172,866	176,755	178,806	3%	1%
San Diego	1,295,147	1,317,625	1,336,865	3%	1%
Sheriff - Total	831,490	857,445	870,112	5%	1%
Del Mar	4,543	4,553	4,580	1%	1%
Encinitas	62,463	63,298	63,864	2%	1%
Imperial Beach	27,799	27,726	28,200	1%	2%
Lemon Grove	25,590	25,467	25,611	<1%	1%
Poway	50,534	50,862	51,103	1%	<1%
San Marcos	66,850	79,863	82,743	24%	4%
Santee	54,084	55,193	56,068	4%	2%
Solana Beach	13,396	13,427	13,500	1%	1%
Vista	94,030	95,020	95,770	2%	1%
Unincorporated	432,201	442,036	448,673	4%	2%
4S Ranch	n/a	16,513	16,767	--	2%
Alpine	27,848	28,977	29,421	6%	2%
Fallbrook	49,471	50,200	50,965	3%	2%
Lakeside	52,872	53,247	54,055	2%	2%
Ramona	35,300	35,685	36,223	3%	2%
Spring Valley	70,598	70,868	71,949	2%	2%
Valley Center	21,053	22,388	22,732	8%	2%
Camp Pendleton	35,527	39,459	43,091	21%	9%
TOTAL	**3,013,014**	**3,100,132**	**3,146,274**	**4%**	**1%**
Occupied Households	1,048,197	1,081,234	1,089,451	4%	1%
Registered Vehicles	2,202,352	2,353,063	2,343,062	6%	<-1%
Female Population	1,508,367	1,556,919	1,577,542	5%	1%

NOTES: Population figures are based on current California Department of Finance estimates. "Sheriff-Total" includes contract cities and the unincorporated area served by the San Diego County Sheriff's Department. Camp Pendleton is not included. "Unincorporated" includes 4S Ranch (2007 and 2008), Alpine, Fallbrook, Lakeside, Ramona, Spring Valley, and Valley Center, as well as the unincorporated areas not shown (Campo, Julian, Pine Valley, Ranchita, and the unincorporated areas of Encinitas, Imperial Beach, Lemon Grove, Poway, San Marcos, Santee, and Vista).

SOURCES: California Department of Finance; SANDAG Estimates August 2008

CRIMINAL STATISTICS REPORTING REQUIREMENTS

April 2014

California Department of Justice
Kamala D. Harris, Attorney General
California Justice Information Services Division
Bureau of Criminal Information and Analysis
Criminal Justice Statistics Center

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Attorney General on the Internet ➜ **http://oag.ca.gov/**
Revised April 2014

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Appendix

Database Spreadsheet

INTRODUCTION

The Department of Justice (DOJ), Bureau of Criminal Information and Analysis (BCIA), Criminal Justice Statistics Center (CJSC) collects, analyzes, and develops statistical reports and information which provide valid measures of crime and the criminal justice process in California, as required by the Penal Code Sections outlined in this publication, *DOJ's Data Collection and Reporting Responsibility*. The goal of the CJSC is to provide accurate, complete, and timely criminal statistical information to the public, local government, criminal justice administrators and planners, the legislature, the Attorney General, the Governor, state agencies, federal agencies, and criminal justice researchers through a variety of publications and services. To provide these services and publications, the CJSC collects and compiles data from more than 1,000 city, county, and state criminal justice agencies in California.

This document provides general guidelines to law enforcement agencies, District Attorneys, Public Defenders, and Probation Departments regarding their requirements to report to the CJSC. For each reporting requirement there is a brief description of what data are collected (introduction), which agencies are required to report the data (who), the statutory code section(s) that require reporting (why), the due date of the report (when), and the form or alternative method required to be used to report the data (how).

For any additional information or clarification, please write or call the Criminal Justice Statistics Center. They can be reached by telephone, FAX, or e-mail:

California Department of Justice

California Justice Information Services Division
Bureau of Criminal Information and Analysis
Criminal Justice Statistics Center
P.O. Box 903427
Sacramento, CA 94203-4270

Telephone: (916) 227-3594
Fax: (916) 227-0427
E-mail: doj.cjsc@doj.ca.gov
Internet: http://oag.ca.gov/

DEPARTMENT OF JUSTICE'S
DATA COLLECTION AND REPORTING RESPONSIBILITY

PC 13010

It shall be the duty of the department:

(a) To collect data necessary for the work of the department from all persons and agencies mentioned in Section 13020 and from any other appropriate source.

(b) To prepare and distribute to all those persons and agencies, cards, forms, or electronic means used in reporting data to the department. The cards, forms, or electronic means may, in addition to other items, include items of information needed by federal bureaus or departments engaged in the development of national and uniform criminal statistics.

(c) To recommend the form and content of records which must be kept by those persons and agencies in order to ensure the correct reporting of data to the department.

(d) To instruct those persons and agencies in the installation, maintenance, and use of those records and in the reporting of data therefrom to the department.

(e) To process, tabulate, analyze and interpret the data collected from those persons and agencies.

(f) To supply, at their request, to federal bureaus or departments engaged in the collection of national criminal statistics data they need from this state.

(g) To present to the Governor, on or before July 1st, an annual report containing the criminal statistics of the preceding calendar year and to present at other times as the Attorney General may approve reports on special aspects of criminal statistics. A sufficient number of copies of all reports shall be prepared to enable the Attorney General to send a copy to all public officials in the state dealing with criminals and to distribute them generally in channels where they will add to the public enlightenment.

(h) To periodically review the requirements of units of government using criminal justice statistics, and to make recommendations for changes it deems necessary in the design of criminal justice statistics systems, including new techniques of collection and processing made possible by automation.

PC 13010.5

The department shall collect data pertaining to the juvenile justice system for criminal history and statistical purposes. This information shall serve to assist the department in complying with the reporting requirement of subdivisions (c) and (d) of Section 13012, measuring the extent of juvenile delinquency, determining the need for and effectiveness of relevant legislation, and identifying long-term trends in juvenile delinquency. Any data collected pursuant to this section may include criminal history information which may be used by the department to comply with the requirements of Section 602.5 of the Welfare and Institutions Code.

PC 13012

The annual report of the department provided for in Section 13010 shall contain statistics showing all of the following:

(a) The amount and the types of offenses known to the public authorities.

(b) The personal and social characteristics of criminals and delinquents.

(c) The administrative actions taken by law enforcement, judicial, penal, and correctional agencies or institutions, including those in the juvenile justice system, in dealing with criminals or delinquents.

(d) The administrative actions taken by law enforcement, prosecutorial, judicial, penal, and correctional agencies, including those in the juvenile justice system, in dealing with minors who are the subject of a petition or hearing in the juvenile court to transfer their case to the jurisdiction of an adult criminal court or whose cases are directly filed or otherwise initiated in an adult criminal court.

(e) The number of citizens' complaints received by law enforcement agencies under Section 832.5. These statistics shall indicate the total number of these complaints, the number alleging criminal conduct of either a felony or misdemeanor, and the number sustained in each category. The report shall not contain a reference to any individual agency but shall be by gross numbers only.

It shall be the duty of the department to give adequate interpretation of the statistics and so to present the information that it may be of value in guiding the policies of the Legislature and of those in charge of the apprehension, prosecution, and treatment of the criminals and delinquents, or concerned with the prevention of crime and delinquency. The report shall also include statistics which are comparable with national uniform criminal statistics published by federal bureaus or departments heretofore mentioned.

PC 13012.5

(a) The annual report published by the department under Section 13010 shall, in regard to the contents required by subdivision (d) of Section 13012, include the following statewide information:

(1) The annual number of fitness hearings held in the juvenile courts under Section 707 of the Welfare and Institutions Code, and the outcomes of those hearings including orders to remand to adult criminal court, cross-referenced with information about the age, gender, ethnicity, and offense of the minors whose cases are the subject of those fitness hearings.

(2) The annual number of minors whose cases are filed directly in adult criminal court under Sections 602.5 and 707 of the Welfare and Institutions Code, cross-referenced with information about the age, gender, ethnicity, and offense of the minors whose cases are filed directly to the adult criminal court.

(3) The outcomes of cases involving minors who are prosecuted in adult criminal courts, regardless of how adult court jurisdiction was initiated, including whether the minor was acquitted or convicted, or whether the case was dismissed and returned to juvenile court, including sentencing outcomes, cross-referenced with the age, gender, ethnicity, and offense of the minors subject to these court actions.

(b) The department's annual report published under Section 13010 shall include the information described in subdivision (d) of Section 13012, as further delineated by this section, beginning with the report due on July 1, 2003, for the preceding calendar year.

CRIMINAL STATISTICS

REPORTING REQUIREMENTS

ADULT PROBATION

Introduction

Data regarding adult probation are to be reported to the DOJ to provide a statistical profile of the probation function for superior and lower courts by county, type of placement, reasons for removal from probation, and the number of persons in supervision caseloads. These data are published annually in *Crime in California* and the *Criminal Justice Profile* series.

Who

Probation Departments

Why

PC 13020. It shall be the duty of every city marshal, chief of police, railroad and steamship police, sheriff, coroner, district attorney, city attorney and city prosecutor having criminal jurisdiction, probation officer, county board of parole commissioners, work furlough administrator, the Department of Justice, Health and Welfare Agency, Department of Corrections, Department of Youth Authority, Youthful Offender Parole Board, Board of Prison Terms, State Department of Health, Department of Benefit Payments, State Fire Marshal, Liquor Control Administrator, constituent agencies of the State Department of Investment, and every other person or agency dealing with crimes or criminals or with delinquency or delinquents, when requested by the Attorney General:

(a) To install and maintain records needed for the correct reporting of statistical data required by him or her.

(b) To report statistical data to the department at those times and in the manner that the Attorney General prescribes.

(c) To give to the Attorney General, or his or her accredited agent, access to statistical data for the purpose of carrying out this title.

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting is accomplished manually by submitting form BCIA 726.

ANTI-REPRODUCTIVE-RIGHTS CRIMES (ARRC)

Introduction

Anti-Reproductive-Rights Crimes data are to be reported to the DOJ to provide information on crimes that are committed against reproductive health services providers, clients, assistants, or the facilities where these services are provided or at a place of worship because of the church's beliefs regarding reproductive rights. The data include the location of the crime, victim type (individual/property), race/ethnicity, gender of victims and suspects, weapon involved, and property loss or damage. These data are published annually in *Anti-Reproductive-Rights Crimes in California.*

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

PC 13777 (a). . . .the Attorney General shall do each of the following:

(1) Collect and analyze information relating to anti-reproductive-rights crimes, including, but not limited to, the threatened commission of these crimes and persons suspected of committing these crimes or making these threats.

(2) Direct local law enforcement agencies to report to the Department of Justice, in a manner that the Attorney General prescribes, any information that may be required relative to anti-reproductive-rights crimes. . . .

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting System (E-CARS) Plus, or manually by submitting forms BCIA 8370 and 8371.

ARRESTS

Introduction

Arrest information is reported to the DOJ and is maintained in the Monthly Arrest and Citation Register database. This database contains information on felony and misdemeanor level arrests for adults and juveniles. Data elements include name, race/ethnicity, date of birth, sex, date of arrest, offense level, offense type, status of the offense, and law enforcement disposition. This information is used annually in publishing *Crime in California, Homicide in California,* and the *Criminal Justice Profile* series. Age, sex, race/ethnicity, and offense information is forwarded to the FBI for publication in *Crime in the United States.*

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

PC 13020. It shall be the duty of every city marshal, chief of police, railroad and steamship police, sheriff, coroner, district attorney, city attorney and city prosecutor having criminal jurisdiction, probation officer, county board of parole commissioners, work furlough administrator, the Department of Justice, Health and Welfare Agency, Department of Corrections, Department of Youth Authority, Youthful Offender Parole Board, Board of Prison Terms, State Department of Health, Department of Benefit Payments, State Fire Marshal, Liquor Control Administrator, constituent agencies of the State Department of Investment, and every other person or agency dealing with crimes or criminals or with delinquency or delinquents, when requested by the Attorney General:

(a) To install and maintain records needed for the correct reporting of statistical data required by him or her.

(b) To report statistical data to the department at those times and in the manner that the Attorney General prescribes.

(c) To give to the Attorney General, or his or her accredited agent, access to statistical data for the purpose of carrying out this title.

PC 13021. Local law enforcement agencies shall report to the Department of Justice such information as the Attorney General may by regulation require relative to misdemeanor violations of Chapter 7.5 (commencing with Section 311) of Title 9 of Part 1 of this code.

When

Reports are due monthly, by the 10th working day of the month.

How
Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting System (E-CARS) Plus, via FTP, CD-ROM, or manually, by submitting form JUS 750.

ARSON

Introduction

Arson data are to be reported to the DOJ to provide information on the type of arson, the number of actual offenses, the number of clearances, and the estimated dollar value of property damaged. These data are published annually in *Crime in California* and the *Criminal Justice Profile* series.

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

PC 13020. It shall be the duty of every city marshal, chief of police, railroad and steamship police, sheriff, coroner, district attorney, city attorney and city prosecutor having criminal jurisdiction, probation officer, county board of parole commissioners, work furlough administrator, the Department of Justice, Health and Welfare Agency, Department of Corrections, Department of Youth Authority, Youthful Offender Parole Board, Board of Prison Terms, State Department of Health, Department of Benefit Payments, State Fire Marshal, Liquor Control Administrator, constituent agencies of the State Department of Investment, and every other person or agency dealing with crimes or criminals or with delinquency or delinquents, when requested by the Attorney General:

(a) To install and maintain records needed for the correct reporting of statistical data required by him or her.

(b) To report statistical data to the department at those times and in the manner that the Attorney General prescribes.

(c) To give to the Attorney General, or his or her accredited agent, access to statistical data for the purpose of carrying out this title.

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting System (E-CARS) Plus, or manually by submitting form FBI 1-725.

CITIZENS' COMPLAINTS AGAINST PEACE OFFICERS SURVEY

Introduction

Agencies are to report to the DOJ statewide summary information on the number of non-criminal and criminal (misdemeanor and felony) complaints reported by citizens against law enforcement personnel and the number of complaints that were sustained. Data are published annually in *Crime in California.*

Who

Sheriff Departments, Police Departments, District Attorneys, Probation Departments, and other state and local agencies with peace officer powers.

Why

PC 13012. The annual report of the department provided for in Section 13010 shall contain statistics showing all of the following:

(e) The number of citizens' complaints received by law enforcement agencies under Section 832.5. These statistics shall indicate the total number of these complaints, the number alleging criminal conduct of either a felony or misdemeanor, and the number sustained in each category. The report shall not contain a reference to any individual agency but shall be by gross numbers only.

When

Annually – the third week of December.

How

Reporting is accomplished manually by submitting form BCIA 724.

CRIMES AND CLEARANCES

Introduction

Crimes and clearances information is to be reported to the DOJ to provide statistical data on the offenses of criminal homicide, forcible rape, robbery, assault, burglary, larceny-theft, and motor vehicle theft. The data are to include the number of actual offenses as well as the number of clearances. Supplemental data are also collected on the nature of crime and the value of property stolen and recovered. Data are published annually in *Crime in California* and the *Criminal Justice Profile* Series. This information is also forwarded to the FBI for publication in *Crime in the United States.*

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

PC 13020. It shall be the duty of every city marshal, chief of police, railroad and steamship police, sheriff, coroner, district attorney, city attorney and city prosecutor having criminal jurisdiction, probation officer, county board of parole commissioners, work furlough administrator, the Department of Justice, Health and Welfare Agency, Department of Corrections, Department of Youth Authority, Youthful Offender Parole Board, Board of Prison Terms, State Department of Health, Department of Benefit Payments, State Fire Marshal, Liquor Control Administrator, constituent agencies of the State Department of Investment, and every other person or agency dealing with crimes or criminals or with delinquency or delinquents, when requested by the Attorney General:

(a) To install and maintain records needed for the correct reporting of statistical data required by him or her.

(b) To report statistical data to the department at those times and in the manner that the Attorney General prescribes.

(c) To give to the Attorney General, or his or her accredited agent, access to statistical data for the purpose of carrying out this title.

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting System (E-CARS) Plus, or manually by submitting form FBI 1-720 (Return A) and JUS 729.

DEATH IN CUSTODY

Introduction

Information on persons who die while in the custody of a local or state law enforcement agency is to be reported to the DOJ to provide descriptive statistical information on the circumstances relating to the death. In addition to an agency's initial report of an inmate death, an annual survey will be conducted to verify the total number of inmate deaths per agency per calendar year.

Who

Sheriff Departments, Police Departments, Probation Departments, and other state and local agencies with peace officer powers.

Why

GC 12525. In any case in which a person dies while in the custody of any law enforcement agency or while in custody in a local or state correctional facility in this state, the law enforcement agency or the agency in charge of the correctional facility shall report in writing to the Attorney General, within 10 days after the death, all facts in the possession of the law enforcement agency or agency in charge of the correctional facility concerning the death. These writings are public records within the meaning of subdivision (d) of Section 6252 of the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of Title 1), are open to public inspection pursuant to Sections 6253, 6256, 6257, and 6258. Nothing in this section shall permit the disclosure of confidential medical information that may have been submitted to the Attorney General's office in conjunction with the report except as provided in Part 2.6 (commencing with Section 56) of Division 1 of the Civil Code.

When

Reports are due within 10 days of the date of death. The annual survey will be conducted the first week of February.

How

Reporting an "in custody" death is accomplished manually by submitting form BCIA 713. Reporting for the annual survey is accomplished manually by submitting form BCIA 8299.

DOMESTIC VIOLENCE -RELATED CALLS FOR ASSISTANCE

Introduction

Domestic violence information is to be reported to the DOJ to provide monthly summary statistical data on the number of domestic violence-related calls received, number of cases involving weapons, and the type of weapon used during the incident. This information is published annually in *Crime in California* and the *Criminal Justice Profile* series.

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

PC 13730 (a). Each law enforcement agency shall develop a system, by January 1, 1986, for recording all domestic violence-related calls for assistance made to the department including whether weapons are involved. All domestic violence-related calls for assistance shall be supported with a written incident report, as described in subdivision (c), identifying the domestic violence incident. Monthly, the total number of domestic violence calls received and the numbers of those cases involving weapons shall be compiled by each law enforcement agency and submitted to the Attorney General. . . .

(c) Each law enforcement agency shall develop an incident report form that includes a domestic violence identification code by January 1, 1986. In all incidents of domestic violence, a report shall be written and shall be identified on the face of the report as a domestic violence incident. The report shall include at least all of the following:

(1) A notation of whether the officer or officers who responded to the domestic violence call observed any signs that the alleged abuser was under the influence of alcohol or a controlled substance.

(2) A notation of whether the officer or officers who responded to the domestic violence call determined if any law enforcement agency had previously responded to a domestic violence call at the same address involving the same alleged abuser or victim.

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting System (E-CARS) Plus, or manually by submitting form BCIA 715.

HATE CRIME PROSECUTION SURVEY

Introduction

Hate crime data are to be reported to the DOJ to provide information regarding criminal acts to cause physical injury, emotional suffering, or property damage where there is a reasonable cause to believe that the crime was motivated by the victim's race, ethnicity, religion, gender, sexual orientation, or physical or mental disability. These data are published annually in *Hate Crime in California.*

Who

District Attorneys

Why

PC 13023 (a). Subject to the availability of adequate funding, the Attorney General shall direct local law enforcement agencies to report to the Department of Justice, in a manner to be prescribed by the Attorney General, any information that may be required relative to hate crimes.

. . .

(b). On or before July 1 of each year, the Department of Justice shall submit a report to the Legislature analyzing the results of the information obtained from local law enforcement agencies pursuant to this section.

When

Annually – the first week in February.

How

Reporting is accomplished manually by submitting form BCIA 5.

HATE CRIMES

Introduction

Hate Crime data are to be reported to the DOJ to provide information on the location of crime, type of bias-motivation, victim type (individual/property), number of victims/suspects, and victim's/suspect's race. This information is published in *Hate Crime in California*, an annual report to the California Legislature, and provided to the FBI for publication in *Crime in the United States*.

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

PC 13023 (a). Subject to the availability of adequate funding, the Attorney General shall direct local law enforcement agencies to report to the Department of Justice, in a manner to be prescribed by the Attorney General, any information that may be required relative to hate crimes.

. . .

(b). On or before July 1 of each year, the Department of Justice shall submit a report to the Legislature analyzing the results of the information obtained from local law enforcement agencies pursuant to this section.

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting may be accomplished electronically via the Hate Crime Analysis, Tracking & Evaluation (HATE) System, or manually by submitting forms BCIA 7 and BCIA 8373.

HOMICIDE

Introduction

Homicide data are to be reported to the DOJ to provide information on the number of homicides, the victim/offender relationship, the day and month of the homicide, location, type of weapon used, and precipitating event. Homicide data are published annually in *Homicide in California, Crime in California*, and the *Criminal Justice Profile* series. Data are also reported to the FBI for publication in *Crime in the United States*.

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

PC 13014 (b). Every state or local governmental entity responsible for the investigation and prosecution of a homicide case shall provide the department with demographic information about the victim and the person or persons charged with the crime, including age, gender, race, and ethnic background.

PC 13022. Each sheriff and chief of police shall annually furnish the Department of Justice, in the manner prescribed by the Attorney General, a report of all justifiable homicides committed in his or her jurisdiction. In cases where both a sheriff and chief of police would be required to report a justifiable homicide under this section, only the chief of police shall report the homicide.

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting System (E-CARS) Plus, or manually by submitting form BCIA 15 along with FBI 1-720 (Return A).

JUVENILE COURT AND PROBATION STATISTICAL SYSTEM (JCPSS)

Introduction

Juvenile justice data are to be reported to the DOJ to provide information on the administration of juvenile justice in California. Information is collected on a juvenile's progress through the juvenile justice system from probation intake to final case disposition. These data are published annually in *Juvenile Justice in California.*

Who

Probation Departments

Why

PC 13020. It shall be the duty of every city marshal, chief of police, railroad and steamship police, sheriff, coroner, district attorney, city attorney and city prosecutor having criminal jurisdiction, probation officer, county board of parole commissioners, work furlough administrator, the Department of Justice, Health and Welfare Agency, Department of Corrections, Department of Youth Authority, Youthful Offender Parole Board, Board of Prison Terms, State Department of Health, Department of Benefit Payments, State Fire Marshal, Liquor Control Administrator, constituent agencies of the State Department of Investment, and every other person or agency dealing with crimes or criminals or with delinquency or delinquents, when requested by the Attorney General:

(a) To install and maintain records needed for the correct reporting of statistical data required by him or her.

(b) To report statistical data to the department at those times and in the manner that the Attorney General prescribes.

(c) To give to the Attorney General, or his or her accredited agent, access to statistical data for the purpose of carrying out this title.

WI 285. All probation officers shall make periodic reports to the Attorney General at those times and in the manner prescribed by the Attorney General, provided that no names or social security numbers shall be transmitted regarding any proceeding under Section 300 or 601.

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting is accomplished electronically via the Juvenile Court and Probation Statistical System (JCPSS).

LAW ENFORCEMENT AND CRIMINAL JUSTICE PERSONNEL SURVEY

Introduction

Agencies are to report to the DOJ the number of full time, sworn, and non-sworn male and female law enforcement personnel employed by law enforcement agencies, District Attorneys, Public Defenders, or Probation Departments. Data are published annually in *Crime in California* and the *Criminal Justice Profile* series. Data are also provided to the FBI for publication in *Crime in the United States.*

Who

Sheriff Departments, Police Departments, District Attorneys, Public Defenders, Probation Departments, and other state and local agencies with peace officer powers.

Why

PC 13020. It shall be the duty of every city marshal, chief of police, railroad and steamship police, sheriff, coroner, district attorney, city attorney and city prosecutor having criminal jurisdiction, probation officer, county board of parole commissioners, work furlough administrator, the Department of Justice, Health and Welfare Agency, Department of Corrections, Department of Youth Authority, Youthful Offender Parole Board, Board of Prison Terms, State Department of Health, Department of Benefit Payments, State Fire Marshal, Liquor Control Administrator, constituent agencies of the State Department of Investment, and every other person or agency dealing with crimes or criminals or with delinquency or delinquents, when requested by the Attorney General:

(a) To install and maintain records needed for the correct reporting of statistical data required by him or her.

(b) To report statistical data to the department at those times and in the manner that the Attorney General prescribes.

(c) To give to the Attorney General, or his or her accredited agent, access to statistical data for the purpose of carrying out this title.

When

Annually – varies by the type of agency

How

Reporting is accomplished manually by submitting form JUS 02, BCIA 700, BCIA 701, and BCIA 703.

LAW ENFORCEMENT OFFICERS KILLED OR ASSAULTED

Introduction

Data on peace officers who were killed or assaulted in the line of duty are to be reported to the DOJ to provide information on the type of criminal activity, type of weapon used, type of assignment, time of assault, number with or without personal injury, police assaults cleared, and officers killed by felonious act or by accident or negligence. This information is published annually in *Homicide in California.*

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

PC 13020. It shall be the duty of every city marshal, chief of police, railroad and steamship police, sheriff, coroner, district attorney, city attorney and city prosecutor having criminal jurisdiction, probation officer, county board of parole commissioners, work furlough administrator, the Department of Justice, Health and Welfare Agency, Department of Corrections, Department of Youth Authority, Youthful Offender Parole Board, Board of Prison Terms, State Department of Health, Department of Benefit Payments, State Fire Marshal, Liquor Control Administrator, constituent agencies of the State Department of Investment, and every other person or agency dealing with crimes or criminals or with delinquency or delinquents, when requested by the Attorney General:

(a) To install and maintain records needed for the correct reporting of statistical data required by him or her.

(b) To report statistical data to the department at those times and in the manner that the Attorney General prescribes.

(c) To give to the Attorney General, or his or her accredited agent, access to statistical data for the purpose of carrying out this title.

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting System (E-CARS) Plus, or manually by submitting form FBI 1-705 along with FBI 1-720 (Return A).

VIOLENT CRIMES COMMITTED AGAINST SENIOR CITIZENS

Introduction

Information regarding violent crimes committed against senior citizens is to be reported to the DOJ to provide summary data on the number of persons 60 years of age or older who were victims of homicide, forcible rape, robbery, and aggravated assault.

Who

Sheriff Departments, Police Departments, and other state and local agencies with peace officer powers.

Why

Senate Concurrent Resolution No. 64, Chapter 147, 1982, be it resolved by the Senate of the State of California, the Assembly thereof concurring, that local law enforcement officials are requested to make every attempt to modify their data gathering procedures and computer storage systems to provide information as to the number of victims of violent crimes who are 60 years of age or older.
. . .

When

Reports are due monthly, by the 10th working day of the month.

How

Reporting may be accomplished electronically via the Electronic-Crime and Arrest Reporting System (E-CARS) Plus, or manually by submitting form BCIA 727.

APPENDIX

Database	Reporting Agencies						Frequency	Reporting Statute(s)	Publication Statute(s)	Reporting Form	Electronic Reporting
	SD	PD	Other*	District Attorneys	Public Defenders	Probation Dept.					
Adult Probation						X	Monthly-10th working day	PC 13020	PC 13010 (g)	BCIA 726	N/A
Anti-Reproductive-Rights Crimes (ARRC)	X	X	X				Monthly-10th working day	PC 13777 (a)(2)	PC 13777 (a)(1) and (a)(2)	BCIA 8370, BCIA 8371	X
Arrests	X	X	X				Monthly-10th working day	PC 13020 and PC 13021	PC 13010 (g) and PC 13012 (b)	JUS 750	X
Arson	X	X	X				Monthly-10th working day	PC 13020	PC 13010 (g) and PC 13012 (a)	FBI 1-725	X
Citizens' Complaints Against Peace Officers	X	X	X	X		X	Annually December 20	PC 13012(e)	PC 13010 (g) and PC 13012 (e)	BCIA 724	N/A
Crimes and Clearance	X	X	X				Monthly-10th working day	PC 13020	PC 13010 (g) and PC 13012 (a)	FBI 1-720, JUS 729B/C	X
Death in Custody	X	X	X			X	As needed w/in 10 days of death	GC 12525		BCIA 713	N/A
Death in Custody Survey	X	X	X			X	Annually February 4	GC 12525		BCIA 8299	N/A
Domestic Violence-Related Calls for Assistance	X	X	X				Monthly-10th working day	PC 13730 (a)	PC 13730 (b)	BCIA 715	X
Hate Crime Prosecution Survey				X			Annually February 4	PC 13023	PC 13023	BCIA 5	N/A
Hate Crimes	X	X	X				Monthly-10th working day	PC 13023	PC 13023	BCIA 7, BCIA 8373	X
Homicide	X	X	X				Monthly-10th working day	PC 13014 (b) and PC 13022	PC 13010 (g) and PC 13014	BCIA 15, FBI 1-720	X
Juvenile Court and Probation Statistical System (JCPSS)						X	Monthly-10th working day	PC 13020 and WI 285	PC 13010.5 and PC 13012 (c) & (d)		X
Law Enforcement & Criminal Justice Personnel Survey	X	X	X	X	X	X	Annually, varies by agency type	PC 13020	PC 13010 (g)	JUS 02, BCIA 700, 701, 703	N/A
Law Enforcement Officers Killed or Assaulted	X	X	X				Monthly-10th working day	PC 13020	PC 13010 (g)	FBI 1-705, FBI 1-720	X
Violent Crimes Committed Against Senior Citizens	X	X	X				Monthly-10th working day	Senate Con. Res. 64, Chapter 147, 1982		BCIA 727	X

* State and local agencies with peace officer powers.

April 2014

Subj: **RE: Audit Request**
Date: 5/15/2017 11:19:37 A.M. Pacific Daylight Time
From: Dave.Schaller@sdsheriff.org
To: Brent.Jordan@sdsheriff.org
CC: AChinnCRS@aol.com

Annette,

Just confirming Brent's statement here. These stats were generated by actual reports generated.

Dave

Dave Schaller, Lieutenant
San Diego Sheriff's Department
San Marcos Station
182 Santar Pl. San Marcos, CA 92069
Dave.schaller@sdsheriff.org
(760) 510-5252

From: Jordan, Brent
Sent: Monday, May 15, 2017 11:18 AM
To: Schaller, Dave
Subject: RE: Audit Request

The SANDAG reports that are attached represent reported crime meaning that they had a case number and written report. None of the statistics provided in the SANDAG report are considered calls for service.

Brent Jordan
Sr. Crime and Intel Analyst
San Diego Sheriff Dept.- San Marcos Command
©858-275-0053

From: Jordan, Brent
Sent: Monday, May 15, 2017 11:06 AM
To: 'Annette'; Schaller, Dave
Subject: RE: Audit Request

Annette,

Since our RMS (Report Management System) doesn't back data past 2007 we can only pull the official numbers that we report to SANDAG (San Diego Association of Government). Please see the attached documents for SANDAG reported domestic violence cases in San Marcos for 2001,2002,2006, and 2007.

SANDAG 2001 (Pg38*)
SANDAG 2002 (Pg50*)
SANDAG 2006 (Pg25)
SANDAG 2006 (Pg25)
*page of the scanned documents

Thanks

Brent Jordan
Sr. Crime and Intel Analyst
San Diego Sheriff Dept.- San Marcos Command
©858-275-0053

From: Annette [mailto:achinncrs@aol.com]
Sent: Thursday, May 11, 2017 6:13 PM
To: Schaller, Dave
Cc: Jordan, Brent
Subject: Re: Audit Request

Thanks so much for forwarding this on to Jordan!

Sent from my iPhone

On May 11, 2017, at 5:42 PM, Schaller, Dave <Dave.Schaller@sdsheriff.org> wrote:

> Annette,
>
> Renae no longer works for the department and Kevin is in Hawaii for his daughter's college graduation. I have included Senior Analyst Brent Jordan, since I suspect this will fall on him.
>
> Dave
>
> **From:** AChinnCRS@aol.com [mailto:AChinnCRS@aol.com]

Subj: RE: Audit Request
Date: 5/16/2017 11:07:05 A.M. Pacific Daylight Time
From: Brent.Jordan@sdsheriff.org
To: achinncrs@aol.com, Dave.Schaller@sdsheriff.org

Annette,

Since our RMS (Report Management System) doesn't back data past 2007 we can only pull the official numbers that we report to SANDAG (San Diego Association of Government). Please see the attached documents for SANDAG reported domestic violence cases in San Marcos for 2001,2002,2006, and 2007.

SANDAG 2001 (Pg38*)
SANDAG 2002 (Pg50*)
SANDAG 2006 (Pg25)
SANDAG 2006 (Pg25)
*page of the scanned documents

Thanks

Brent Jordan
Sr. Crime and Intel Analyst
San Diego Sheriff Dept.- San Marcos Command
©858-275-0053

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Sent: Thursday, May 11, 2017 6:13 PM
To: Schaller, Dave
Cc: Jordan, Brent
Subject: Re: Audit Request

Thanks so much for forwarding this on to Jordan!

Sent from my iPhone

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Annette,

Renae no longer works for the department and Kevin is in Hawaii for his daughter's college graduation. I have included Senior Analyst Brent Jordan, since I suspect this will fall on him.

Dave

From: AChinnCRS@aol.com [mailto:AChinnCRS@aol.com]
Sent: Thursday, May 11, 2017 5:35 PM
To: Schaller, Dave; Schaller, Dave
Cc: stang@san-marcos.net
Subject: Fwd: Audit Request

Hi Lieutenant,

I am contacting you because this request was time sensitive and neither Kevin (out of office) or Renae (full inbox) were able to get this message.

Can you please forward to appropriate personal ASAP?

Thank you,

Annette S. Chinn
Cost Recovery Systems, Inc.
705-2 E. Bidwell Street #294
Folsom, CA 95630

phone (916) 939-7901
fax (916) 939-7801

From: AChinnCRS@aol.com
To: renae.flores@sdsheriff.org, kevin.menzies@sdsheriff.org
CC: stang@san-marcos.net
Sent: 5/11/2017 3:34:06 P.M. Pacific Daylight Time
Subj: Audit Request

Hi Renae and Lt. Menzies,

The City received it's draft audit results for the Crime Statistics reporting claim that allows costs for preparing Domestic Violence Reports, and we had an approximately 15% reduction in our claims because the auditor said the County was not able to produce a detailed report to support the number of DV cases from FY 01-02 through FY 06-07. This represents about a loss of about $87,000 to the City. Excellent job on your efforts on the other components - the more recent stats were approved completely (100%) and the time studies were right on target! Thank you!

	Actual County Provided ARJIS Stats (fiscal year)	SCO ALLOWED
FY 01-02	333	274
FY 02-03	360	274
FY 03-04	394	274

Monday, May 15, 2017 AOL: AChinnCRS

FY 04-05	336	274
FY 05-06	350	274
FY 06-07	346	274
FY 07-08	236	236
FY 08-09	266	266
FY 09-10	336	336
FY 10-11	270	270
FY 11-12	264	264
TOTAL	**3,491**	**3,016**

What they said would satisfy them would be a report - like an excel spreadsheet that listed each case number, date, PC section or something to indicate that it was indeed a DV case for those year.
EXAMPLE:

BCS Area	Incident Number	Fiscal Year	Incident Date	Domestic Violence Flag	UCR Index Code	Violation Section	Violation Type	Violation Description
CITY OF SAN MARCOS	70482772	2007	7/1/2007 5:40	1	V	13730(CASE)	PC	DOMESTIC VIOLENCE CASE
CITY OF SAN MARCOS	70482782	2007	7/1/2007 7:00	1	V	13730(CASE)	PC	DOMESTIC VIOLENCE CASE
CITY OF SAN MARCOS	70483392	2007	7/1/2007 14:26	1	V	13730(CASE)	PC	DOMESTIC VIOLENCE CASE

Is this something you or perhaps the Central San Diego stats office could provide to us? The sooner we can get this the better - they said if we get this to them within a week, they can alter the findings to take our supported stats into account and restore those reductions.
City staff also stated that they don't want you to spend excessive time on this - but anything you can do to help is appreciated.
Thank you,

Annette S. Chinn
Cost Recovery Systems, Inc.
705-2 E. Bidwell Street #294
Folsom, CA 95630

phone (916) 939-7901
fax (916) 939-7801

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov

Claim for Payment
Pursuant to Government Code Section 17561
CRIME STATISTICS REPORTS FOR THE DOJ

For State Controller Use Only

(19) Program Number: 00310
(20) Date Filed ___/___/___
(21) LRS Input ___/___/___

Program **310**

(01) Claimant Identification Number	9837815
(02) Claimant Name	City of San Marcos
Mailing Address	1 Civic Center Drive
Street Address or P.O. Box	
City	San Marcos
State CA	Zip Code 92069

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2009-10
Total Claimed	(07)	(13) $103,323
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $103,323
Due from State	(08)	(17) $103,323
Due to State	(09)	(18)

(22) FORM (04)1.A(g)	
(23) FORM (04)2.A.1)(g)	58
(24) FORM (04)2.A.2(g)	58
(25) FORM (04)2.A,3(g)	
(26) FORM (04)2.B.1(g)	46,255
(27) FORM (04)2.B.2(g)	8,239
(28) FORM (04)2.C.1(g)	
(29) FORM (04)2.C.2(g)	
(30) FORM (04)2.C.3(g)	
(31) FORM (04)2.D.1(g)	
(32) FORM (04)2.D.2(g)	
(33) FORM (06)	89
(34) FORM (07)	48,713
(35) FORM (09)	
(35) FORM (10)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for costs mandated by Chapter 783, statues of 1995, Chapter 156 and 749, Statutes of 1996; and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all ocosts claimed are supported by source documentation currently maintained by the claimant.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of pergury of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative **Date**

Date Signed 3/28/11

Liliane Serio — Telephone Number (760) 744-1050

Finance Director — Email Address LSerio@ci.san-marcos.ca.us

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Form FAM-27

MANDATED COSTS
CRIME STATISTICS REPORTS FOR THE DOJ
CLAIM SUMMARY

FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of San Marcos	Reimbursement [X]	2009-10
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Police

Direct Costs — Object Accounts

(04) Reimbursable Components	(a) Salaries	(b) Benefits	(c & d) Services and Supplies	(e) Fixed Assets	(f) Travel	(g) Total
1. ONE-TIME ACTIVITY						
A. Revise Policies and Procedures						
2. ON-GOING ACTIVITIES						
Reimbursable Period: FY 2001-02 through FY 2009-10						
A. Homicide Reports (PC 13014)						
1. Extract Demographic Information	$58					$58
2. Monthly Report to DOJ	$58					$58
3. Verify/provide Additional Explaination						
B. Domestic Violence Related Calls for Assistance (PC 13730)						
1. Write Incident Report	$46,255					$46,255
2. Review and Edit Report	$8,239					$8,239
Reimbursable Period: FY 2004-05 beginning 01/01/05 through FY 2009-10						
C. Hate Crime Reports (PC 13023)						
1. Extract Information from PD Records						
2. Monthly/ Annual Report to DOJ						
3. Verify/provide Additional Explaination						
Reimbursable Period: FY 2001-02 through FY 2004-05 (ending 12/31/04)						
D. Firearm Reports (PC 12031)						
1. Extract Information from PD Records						
2. Report to Attorney General						
(05) Total Direct Costs	$54,610					$54,610

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	89.2%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$48,713
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$103,323

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(11) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$103,323**

MANDATED COSTS
CRIME STATISTICS REPORTS FOR THE DOJ
CLAIM SUMMARY

FORM AA-2

(01) Claimant: City of San Marcos **(02) Fiscal Year Costs Were Incurred:** 2009-10

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

A. One-Time Costs

☐ Policies and Procedures

B. On-Going Costs

☒ Homicide Report Demographic Info ☐ Hate Crime Extract Info ☐ Fire Arm Report extract info

☐ Homicide Monthly Report to DOJ ☐ Hate Crime Report to DOJ ☐ Firearem Report to DOJ

☐ Homicide Addidtional Info & Explanation ☐ Hate Crime Additional Info

☐ Domestic Violence - Write Incid. Report ☐ Domestic Violence Review & Edit Report

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f & g) Services and Supplies	(h) Fixed Assets	(i) Travel and Training	Total Salaries & Benefits
Detective Extract demographic information from existing local records as required by state statute to report information to DOJ.	$77.48		0.75	$58					$58
(05) Total			**0.75**	**$58**					**$58**

MANDATED COSTS
CRIME STATISTICS REPORTS FOR THE DOJ
CLAIM SUMMARY

FORM AA-2

(01) Claimant: City of San Marcos **(02) Fiscal Year Costs Were Incurred:** 2009-10

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

A. One-Time Costs

☐ Policies and Procedures

B. On-Going Costs

☐ Homicide Report Demographic Info ☐ Hate Crime Extract Info ☐ Fire Arm Report extract info

☒ **Homicide Monthly Report to DOJ** ☐ Hate Crime Report to DOJ ☐ Firearem Report to DOJ

☐ Homicide Addidtional Info & Explanation ☐ Hate Crime Additional Info

☐ Domestic Violence - Write Incid. Report ☐ Domestic Violence Review & Edit Report

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f & g) Services and Supplies	(h) Fixed Assets	(i) Travel and Training	Total Salaries & Benefits
Detective Report the demographic information about the homicide victim and the person or persons charged with the crime to the DOJ.	$77.48		0.75	$58					$58
(05) Total			**0.75**	**$58**					**$58**

MANDATED COSTS
CRIME STATISTICS REPORTS FOR THE DOJ
CLAIM SUMMARY

FORM AA-2

(01) Claimant: City of San Marcos **(02) Fiscal Year Costs Were Incurred:** 2009-10

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

A. One-Time Costs

☐ Policies and Procedures

B. On-Going Costs

☐ Homicide Report Demographic Info ☐ Hate Crime Extract Info ☐ Fire Arm Report extract info

☐ Homicide Monthly Report to DOJ ☐ Hate Crime Report to DOJ ☐ Firearem Report to DOJ

☐ Homicide Addidtional Info & Explanation ☐ Hate Crime Additional Info

☒ **Domestic Violence - Write Incid. Report** ☐ Domestic Violence Review & Edit Report

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f & g) Services and Supplies	(h) Fixed Assets	(i) Travel and Training	Total Salaries & Benefits
Deputy Write & type Domestic Violence Report as required by State Statutes.	$76.48		604.80	$46,255					$46,255
(05) Total			**604.80**	**$46,255**					**$46,255**

MANDATED COSTS
CRIME STATISTICS REPORTS FOR THE DOJ
CLAIM SUMMARY

FORM AA-2

(01) Claimant: City of San Marcos **(02) Fiscal Year Costs Were Incurred:** 2009-10

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

A. One-Time Costs

☐ Policies and Procedures

B. On-Going Costs

☐ Homicide Report Demographic Info ☐ Hate Crime Extract Info ☐ Fire Arm Report extract info

☐ Homicide Monthly Report to DOJ ☐ Hate Crime Report to DOJ ☐ Firearem Report to DOJ

☐ Homicide Addidtional Info & Explanation ☐ Hate Crime Additional Info

☐ Domestic Violence - Write Incid. Report ☒ **Domestic Violence Review & Edit Report**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f & g) Services and Supplies	(h) Fixed Assets	(i) Travel and Training	Total Salaries & Benefits
Sergeant Review and edit Domestic Violence Reports	$90.34		91.20	$8,239					$8,239
(05) Total			**91.20**	**$8,239**					**$8,239**

INDIRECT COST RATE PROPOSAL

San Marcos

Sheriff

Fiscal Year

2009-10

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$10,216,271		$2,769,425	$7,446,846
Overtime				
Benefits				
Total	$10,216,271		$2,769,425	$7,446,846
Services & Supplies				
Ancillary Support	$1,789,014		$1,789,014	
Supplies	$296,832		$296,832	
Vehicles	$757,427		$757,427	
Space	$319,446		$319,446	
Management Support	$520,069		$520,069	
Liability	$116,618		$116,618	
Less: Beat Factor	-$10,578		-$10,578	
Adjustments	$87,325		$87,325	
Total	$3,876,153		$3,876,153	
Capital Expenditures				
Total				
Total Expenditures	$14,092,424		$6,645,578	$7,446,846
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	$14,092,424		$6,645,578	$7,446,846

ICRP RATE = **89.2%**

(Rate is Based on Salaries)

$6,645,578 = Total Allowable Indirect Costs

$7,446,846 Total Direct Salaries

San Marcos

Sheriff

Fiscal Year

2009-10

Name/Position	100% Admin. or Support Staff Annual Salary
Detective (5)	$697,321
Sergeant (8)	$1,300,917
Station Staff	$771,187

TOTAL INDIRECT SALARIES $2,769,425

ATTACHMENT B
City of San Marcos
Effective 7/1/09 through 6/30/10

SERVICE CATEGORY	Staff Cost	# of Staff	Unit Factor	Total Net Cost	Notes
Deputy Patrol	$133,298.08	32.000		4,265,538.65	
Deputy Traffic	$133,298.08	6.000		799,788.50	
Deputy Motor	$142,547.37	2.000		285,094.74	
Deputy SPO	$133,298.08	15.000		1,999,471.24	(1 SRO Cancelled)
Detective	$139,464.27	5.000		697,321.36	
CSO	$60,212.77	-		-	
Sergeant	$174,513.35	7.455		1,300,917.68	
Detective Sgt	$174,513.35	0.556		96,951.86	
Station Staff				771,187.12	
Subtotal				10,216,271.15	
Ancillary Support				1,789,013.60	
Supply				296,831.92	
Vehicles				757,426.57	
Space				319,446.39	
Management Support				520,068.63	
Liability				116,618.68	
Less: Beat Factor				(10,578.20)	
				3,788,827.57	
Adjustments:	CCCA: Contract City Cooperative Agreement			87,324.54	
	TOTAL AMOUNT			$ 14,092,423.26	

City of San Marcos

(contract city in San Diego County)

Allowed ICRP costs in SCO Audit

under this mandated program. Therefore, the city did not incur any direct labor costs for this program, but rather incurred contract services costs. The city's methodology to classify and compute costs as indirect based on direct labor costs was not appropriate.

Contract Indirect Costs

We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided supplemental schedules and identified contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, by the contracted labor costs identified in the contract supplemental schedules.

Such information was not available for FY 2001-02 through FY 2006-07. We therefore calculated an average contract indirect cost rate based on available data for FY 2007-08 through FY 2011-12 and applied the average contract indirect rate to FY 2001-02 through FY 2006-07, in which contract agreements did not contain detail schedules.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the audit period:

Fiscal Year	Claimed Indirect Cost Rate	Audited Contract Indirect Cost Rate	Difference
Indirect Cost Rates			
2001-02	10.00%	47.70%	37.70%
2002-03	10.00%	47.70%	37.70%
2003-04	10.00%	47.70%	37.70%
2004-05	10.00%	47.70%	37.70%
2005-06	10.00%	47.70%	37.70%
2006-07	10.00%	47.70%	37.70%
2007-08	80.80%	45.90%	-34.90%
2008-09	91.80%	46.50%	-45.30%
2009-10	89.20%	50.40%	-38.80%
2010-11	88.50%	48.70%	-39.80%
2011-12	85.70%	47.20%	-38.50%

INDIRECT COST RATE PROPOSAL

San Marcos

Sheriff

Fiscal Year
2011-12

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$10,559,864		$940,746	$9,619,118
Overtime				
Benefits				
Total	$10,559,864		$940,746	$9,619,118
Services & Supplies				
Ancillary Support	$1,707,574		$1,707,574	
Supplies	$176,932		$176,932	
Vehicles	$774,762		$774,762	
Space	$298,148		$298,148	
Management Support	$532,476		$532,476	
Liability	$117,014		$117,014	
Less: Beat Factor	-$9,742		-$9,742	
Adjustments				
Total	$3,597,164		$3,597,164	
Capital Expenditures				
Total				
Total Expenditures	**$14,157,028**		**$4,537,910**	**$9,619,118**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$14,157,028**		**$4,537,910**	**$9,619,118**

ICRP RATE = **47.2%**
(Rate is Based on Salaries)

$4,537,910 = Total Allowable Indirect Costs
$9,619,118 Total Direct Salaries

San Marcos

Sheriff

Fiscal Year

2011-12

Name/Position	100% Admin. or Support Staff Annual Salary
Admin Sergeant	$130,966
Station Staff	$809,780

TOTAL INDIRECT SALARIES **$940,746**

ATTACHMENT B
City of San Marcos
Effective 7/1/11 through 6/30/12
Draft - Subject to Change

SERVICE CATEGORY	Staff Cost	# of Staff	Unit Factor	Total Net Cost	Notes
Deputy Patrol	$138,249.15	32.000		4,423,972.75	
Deputy Traffic	$138,249.15	6.000		829,494.89	
Deputy Motor	$147,843.86	2.000		295,687.71	
Deputy SPO	$138,249.15	15.000		2,073,737.23	
Detective	$144,645.62	5.000		723,228.10	
CSO	$64,694.00	-		-	
Sergeant Patrol	$178,986.73	2.612		467,557.18	
Sergeant Traffic	$178,986.73	1.000		178,986.73	
Sergeant Admin	$178,986.73	0.732		130,965.90	
Sergeant Dedicated	$178,986.73	3.000		536,960.20	
Detective Sgt	$178,986.73	0.500		89,493.37	
Station Staff				809,779.79	
Subtotal				10,559,863.86	
Ancillary Support				1,707,574.36	
Supply				176,932.14	
Vehicles				774,762.25	
Space				298,147.95	
Management Support				532,475.71	
Liability				117,013.82	
Less: Beat Factor				(9,742.14)	
				3,597,164.10	
Adjustments:	CCCA: Contract City Cooperative Agreement			-	
	TOTAL AMOUNT			$ 14,157,027.95	

allowed indirect costs

City of Rialto

(similar sized city in San Bernadino County)

Allowed ICRP costs in SCO Audit

INDIRECT COST RATE PROPOSAL
City of Rialto
Police
Fiscal Year 2011-12

Description of Costs		Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits					
Salaries & Wages		$10,272,473		$3,567,822	$6,704,651
Overtime		$1,014,166			$1,014,166
Benefits	66.5%	$6,827,335		$2,371,261	$4,456,074
Total		$18,113,974		$5,939,083	$12,174,891
Services & Supplies					
TELEPHONE		$45,786		$45,786	
ELECTRICITY		$91,763		$91,763	
GAS		$2,742		$2,742	
WATER/SEWER		$4,128		$4,128	
LEGAL SERVICES		$244,628			$244,628
CONTRACT SERVICES		$1,071,337		$535,669	$535,669
OTHER SERVICES AND SUI		$310,649		$310,649	
TRAINING, MEETINGS AND		$59,370		$59,370	
MAINTENANCE - OFFICE A		$146,736		$146,736	
ADVERTISING		$385		$385	
PRIOR PERIOD ADJUSTMEI		$84			$84
ITS		$136,735		$136,735	
FLEET MAINT/REPLACEME		$804,364	$689,455	$114,909	$0
SIMONSON CENTER DEPAI		$19,380		$19,380	
BUILDING MAINTENANCE		$198,620		$198,620	
POSTAGE		$15,626		$15,626	
LIABILITY INSURANCE		$1,524,970		$1,524,970	
CAPITAL IMPROVEMENTS		$400,738	$392,723	$8,015	$0
OFFICE/EQUIPMENT/MACH		$35,221	$32,873	$2,348	$0
ROLLING STOCK		$148,834			$148,834
TRANSFERS OUT - SUCCES		$458,398			$458,398
Total		$5,720,494	$1,115,051	$3,217,831	$1,387,612
Capital Expenditures					
Total					
Total Expenditures		**$23,834,467**	**$1,115,051**	**$9,156,914**	**$13,562,503**
Cost Plan Costs					
Total					
Total Alloc. Indirect Costs		**$23,834,467**	**$1,115,051**	**$9,156,914**	**$13,562,503**

ICRP RATE = **118.6%**
(Rate is Based on Salaries)

$9,156,914 = Total Allowable Indirect Costs
$7,718,817 Total Direct Salaries

City of Rialto
Police
Fiscal Year
2011-12

Name/Position	100% Admin. or Support Staff Annual Salary
ADMINISTRATIVE ASSISTANT	$ 55,569.00
EXECUTIVE ASSISTANT	$ 50,974.00
INFORMATION SYSTEMS ANALYST	$ 79,623.00
LAW ENFORCEMENT TECHNICIAN (7)	$ 352,812.00
POLICE CAPTAIN	$ 192,737.00
POLICE CHIEF	$ 233,949.00
POLICE OFFICER ADMIN DUTY	$ 66,590.00
POLICE SERGEANT (6)	$ 666,303.00
SR. ACCOUNTING ASST. (PT)	$ 12,150.00
CRIME ANALYST	$ 48,790.00
EMERG. DISPATCH SUPV	$ 65,331.00
EMERGENCY DISPATCHER I (2)	$ 89,934.00
EMERGENCY DISPATCHER II (9)	$ 515,409.00
LAW ENFORCEMENT TECHNICIAN (5)	$ 313,580.00
POLICE CORPORAL (5)	$ 486,748.00
POLICE LIEUTENANT	$ 143,463.00
POLICE RECORDS ASST. I (3)	$ 107,034.00
POLICE RECORDS ASST. II (2)	$ 86,826.00

TOTAL INDIRECT SALARIES **$3,567,822**

CITY OF RIALTO

Audit Report

INTERAGENCY CHILD ABUSE AND NEGLECT INVESTIGATION REPORTS PROGRAM

Penal Code sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) as added and/or amended by various legislation

July 1, 1999, through June 30, 2012

BETTY T. YEE
California State Controller

March 2019

The fourth complete paragraph on page 41 of this audit report has been revised to reflect minor edits requested by the city.

The position title of "Police Records Supervisor II," cited in the draft audit report, has been amended to "Police Records Supervisor" in the first paragraph on page 45 of this audit report, per the city's request.

The audit adjustments and recommendations of this audit report remain unchanged for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components. The additional documentation provided with the Draft Audit response, CAD logs, written crime reports, police officer interviews, discussions with Captain William Wilson and Crime Analyst Jennifer Krutak, and documentation obtained throughout the course of the audit does not provide adequate support for additional time or eligible reimbursable costs for these cost components.

FINDING 4— Overstated indirect costs

The city claimed $377,036 in indirect costs for the audit period. During testing, we found that $105,430 is allowable and $271,606 is unallowable. Costs claimed are unallowable because the city misinterpreted the program's parameters and guidelines and, as a result, overstated its indirect cost rates for all fiscal years excluding FY 1999-2000, and applied the indirect cost rates to unallowable salaries.

The following table summarizes the claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	$ 16,591	$ 5,098	$ (11,493)
2000-01	18,892	5,151	(13,741)
2001-02	21,512	5,953	(15,559)
2002-03	17,241	4,623	(12,618)
2003-04	29,165	7,937	(21,228)
2004-05	34,240	9,304	(24,936)
2005-06	36,417	10,160	(26,257)
2006-07	32,649	8,903	(23,746)
2007-08	24,515	6,362	(18,153)
2008-09	39,790	9,526	(30,264)
2009-10	35,319	8,971	(26,348)
2010-11	44,258	11,366	(32,892)
2011-12	26,447	12,076	(14,371)
Total	$377,036	$105,430	$ (271,606)

Salaries claimed as indirect costs

The city classified various classifications as indirect positions and allocated the related salary and benefit costs to the indirect cost pool when computing claimed indirect cost rates. In our analysis, we noted that the indirect salaries and related benefits claimed as indirect costs might have included positions that were not indirect. The city provided a worksheet listing the classifications that it considered to be indirect.

The following table lists the 42 classifications that the city claimed as being 100% indirect in its ICRPs at some point during the audit period. Some of the classifications were claimed every fiscal year, while others were claimed in only some fiscal years.

Classifications Claimed as Indirect

Administrative Assistant	Police Chief
Administrative Secretary	Police Officer (Administrative Duty)
Accounting Technician	Police Cadet
Captain	Police Records Analyst II
Crime Analyst	Police Records Assistant I/II
Crime Analyst Assistant	Police Records Supervisor
Commander	Police Sergeant
Corporal	Police Training Sergeant
Corporal (Administrative)	Police Transcriber
Deputy Police Chief	Police Transcriptionist
Emergency Dispatcher (Part-time)	Property and Evidence Assistant
Emergency Dispatcher I/II	Senior Accounting Assistant
Emergency Dispatcher Supervisor	Senior Community Services Officers (2)
Emergency Services Supervisor	Senior Office Assistant
Executive Assistant	Senior Office Specialist
Executive Secretary	Senior Police Records Specialist
Information System Analyst	Sergeant
Law Enforcement Technician	Sergeant (Administrative)
Lieutenant	Transcriber
Office Assistant II	Technical Assistant

We identified 16 of the 42 positions as likely not 100% indirect, based on the nature of the positions and tasks performed. The remaining classifications are support roles or mostly administrative in nature, and therefore we accepted the city's assessment. The positions in question were the following:

- Crime Analyst
- Crime Analyst Assistant
- Emergency Dispatcher (Part-time)
- Emergency Dispatcher I/II
- Emergency Dispatch Supervisor
- Emergency Services Supervisor
- Law Enforcement Technician
- Lieutenant
- Police Cadet
- Police Corporal
- Police Sergeant
- Police Records Assistant II
- Property and Evidence Assistant
- Senior Community Services Officers
- Senior Police Records Specialist

For these positions, we reviewed the tasks identified on the city's duty statements. The duty statements served as a tool for determining an allocation between direct and indirect duties based on the list of typical duties performed.

As a general rule, any classification involved in providing specific, identifiable, and direct services should be considered as a direct labor cost. Indirect labor costs are those which are not readily identifiable or assignable to one unit and would typically benefit more than one department.

Recalculation of Fractional Percentages for Indirect Cost Pool

We analyzed the duties listed on the duty statements for the 16 classifications that we determined to be not 100% indirect. For each classification, we calculated how many of the duties listed on the duty statements were indirect and how many were direct. The city requested that we re-evaluate the duties that were determined to be direct versus indirect for each of these classifications. The city provided a supplemental reassessment analysis document identifying 16 classifications and their associated tasks, with clarifying details of the duties performed. The supplemental reassessment analysis document was completed using input provided by the city's Administrative Support Services Captain, who is responsible for overseeing all administrative functions of the Rialto Police Department and who determines how frequently duties will be performed by personnel as well as assigning responsibilities that may be outside of the standard duty statement. In addition, the city recalculated the direct and indirect percentages based on the duty statement tasks identified on the supplemental reassessment analysis document. Based on our review of the city's supplemental reassessment analysis document and discussion with the city's Administrative Support Services Captain, we accepted the city's recalculated direct and indirect percentages for each of these 16 classifications.

We calculated fractional percentages of indirect labor for each of the 16 classifications. The final determination of the allocation of indirect labor is as follows:

- Crime Analyst – 85%
- Crime Analyst Assistant – 70%
- Emergency Dispatcher (Part-time) – 94%
- Emergency Dispatcher I/II – 94%
- Emergency Dispatch Supervisor – 90%
- Emergency Services Supervisor – 90%
- Law Enforcement Technician – 80%
- Lieutenant – 90%
- Police Cadet – 20%
- Police Corporal – 50%
- Police Sergeant – 60%
- Police Records Assistant II – 90%

- Property and Evidence Assistant – 80%
- Senior Community Services Officers – 80%
- Senior Police Records Specialist – 90%

Recalculated Rates

For each fiscal year of the audit period, excluding FY 1999-2000, we recalculated the indirect cost rates by adjusting the salaries and related benefits costs allocated into the indirect cost pool based on the final determination of the allocation of direct and indirect labor ratio for the 16 classifications.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the audit period:

Fiscal Year	Indirect Cost Rate Claimed (a)	Allowable Indirect Cost Rates (b)	Rate Difference (c) = (b) - (a)
1999-2000	58.50%	58.50%	-
2000-01	66.20%	62.29%	-3.91%
2001-02	70.10%	66.52%	-3.58%
2002-03	66.40%	61.30%	-5.10%
2003-04	75.00%	69.96%	-5.04%
2004-05	85.20%	79.96%	-5.24%
2005-06	89.40%	86.05%	-3.35%
2006-07	84.30%	79.54%	-4.76%
2007-08	98.40%	88.01%	-10.39%
2008-09	107.00%	88.56%	-18.44%
2009-10	107.90%	95.69%	-12.21%
2010-11	118.80%	105.98%	-12.82%
2011-12	118.60%	103.84%	-14.76%

Summary of Audit Adjustment

For each fiscal year of the audit period, we recalculated allowable indirect costs by applying the audited indirect cost rates to the allowable salaries. We found that the city overstated indirect costs totaling $271,606 for the audit period ($10,107 related to overstated indirect cost rates and $261,499 related to overstated salaries and benefits in Findings 1, 2, and 3).

Fiscal Year	Indirect Cost Rate Difference Adjustment	Unallowable Salaries Cost Adjustment	Total Audit Adjustment
1999-2000	$ -	$ (11,493)	$ (11,493)
2000-01	(323)	(13,418)	(13,741)
2001-02	(319)	(15,240)	(15,559)
2002-03	(385)	(12,233)	(12,618)
2003-04	(571)	(20,657)	(21,228)
2004-05	(610)	(24,326)	(24,936)
2005-06	(396)	(25,861)	(26,257)
2006-07	(532)	(23,214)	(23,746)
2007-08	(751)	(17,402)	(18,153)
2008-09	(1,985)	(28,279)	(30,264)
2009-10	(1,145)	(25,203)	(26,348)
2010-11	(1,374)	(31,518)	(32,892)
2011-12	(1,716)	(12,655)	(14,371)
Total	$ (10,107)	$ (261,499)	$ (271,606)

Criteria

The parameters and guidelines (section V.B. – Claim Preparation and Submission – Indirect Cost Rates) state:

> Indirect costs are cost that are incurred for a common or joint purpose...
>
> Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10%.
>
> If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B [OMB Circular A-87 Attachments A and B]. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.
>
> The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.
>
> In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:
>
> 1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or
> 2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) diving the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

Recommendation

The ICAN Investigation Reports Program was suspended from FY 2015-16 through FY 2017-18. If the program becomes active again, we recommend that the city follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

The city did not provide a response to this audit finding.

City of Rialto

Interagency Child Abuse and Neglect Reporting

Claim & Audit Report

Claim for Payment
INTERAGENCY CHILD ABUSE AND NEGLECT (ICAN) INVESTIGATION REPORTS

For State Controller Use Only

(19) Program Number: 00358
(20) Date Filed ____/____/____
(21) LRS Input ____/____/____

Program 358

(01) Claimant Identification Number	9836722
(02) Claimant Name	City of Rialto
Mailing Address	150 South Palm Avenue
Street Address or P.O. Box	
City	Rialto
State CA	**Zip Code** 92376

Type of Claim	**Estimated Claim**	**Reimbursement Claim**
	(03) Estimated ☐	(09) Reimbursement ☐
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☒
Fiscal Year of Cost	(06)	(12) 2011-12
Total Claimed	(07)	(13) $63,576
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $63,576
Due from State	(08)	(17) $63,576
Due to State	(09)	(18)

(22) FORM 1, (04) A.1.g	
(23) FORM 1. (04) A.2.g	
(24) FORM 1, (04) B.1.g	
(25) FORM 1,(04.1) g	5483
(26) FORM 1,(04) B.2.f.1) g	
(27) FORM 1, (04.2) g	
(28) FORM 1, (04) B.3.a. g	20594
(29) FORM 1, (04) B.3.b. g	11052
(30) FORM 1, (04) B.4. g	
(31) FORM 1, (04) B.5. g	
(32) FORM 1, (04) B.6. g	
(33) FORM 1, (06)	119
(34) FORM 1, (07)	26447
(35) FORM 1, (09)	
(36) FORM 1, (10)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 & 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for mandated cost claims with the State of California for this program and I and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all ocosts claimed are supported by source documentation currently maintained by the claimant.

The amounts for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statements. I certify under penalty of pergury of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative **Date**

Date Signed 7-14-2015

George N. Harris II — Telephone Number gharris@rialtoca.gov

Finance Director — Email Address (909) 421-7219

Name of Contact Person for Claim	**Telephone Number**	**E-Mail Address**
Annette S. Chinn (CRS)	***(916) 939-7901***	***AChinnCRS@aol.com***

New 3/14 **Form FAM-27**

Claim for Payment
INTERAGENCY CHILD ABUSE AND NEGLECT (ICAN) INVESTIGATION REPORTS

For State Controller Use Only

(19) Program Number: 00358
(20) Date Filed ____/____/____
(21) LRS Input ____/____/____

Program 358

(01) Claimant Identification Number	9836722
(02) Claimant Name	City of Rialto
Mailing Address	150 South Palm Avenue
Street Address or P.O. Box	
City	Rialto
State CA	**Zip Code** 92376

Type of Claim	**Estimated Claim**	**Reimbursement Claim**
	(03) Estimated ☐	(09) Reimbursement ☐
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☒
Fiscal Year of Cost	(06)	(12) 2011-12
Total Claimed	(07)	(13) $63,576
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $63,576
Due from State	(08)	(17) $63,576
Due to State	(09)	(18)

(22) FORM 1, (04) A.1.g	
(23) FORM 1. (04) A.2.g	
(24) FORM 1, (04) B.1.g	
(25) FORM 1,(04.1) g	5483
(26) FORM 1,(04) B.2.f.1) g	
(27) FORM 1, (04.2) g	
(28) FORM 1, (04) B.3.a. g	20594
(29) FORM 1, (04) B.3.b. g	11052
(30) FORM 1, (04) B.4. g	
(31) FORM 1, (04) B.5. g	
(32) FORM 1, (04) B.6. g	
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I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all ocosts claimed are supported by source documentation currently maintained by the claimant.

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Signature of Authorized Representative **Date**

Date Signed

George N. Harris II — Telephone Number gharris@rialtoca.gov

Finance Director — Email Address (909) 421-7219

Name of Contact Person for Claim	**Telephone Number**	**E-Mail Address**
Annette S. Chinn (CRS)	***(916) 939-7901***	***AChinnCRS@aol.com***

INTERAGENCY CHILD ABUSE AND NEGLECT (ICAN) INVESTIGATION REPORTS CLAIM SUMMARY

FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rialto	Reimbursement ☐	2011-12

Claim Statistics

(03) Department - POLICE — **Number of Cases = 242**

Direct Costs	Object Accounts					
(04) Reimbursable Components	(a) Salaries	(b) Benefits	(c & d) Services and Supplies	(e) Fixed Assets	(f) Travel and Training	(g) Total
A. ONE-TIME ACTIVITIES						
1. Policies and Procedures						
2. Training to implement ICAN						
B. ON-GOING ACTIVITIES						
1. Distribute Child Abuse Report (SS8572)						
2. Reporting between local departments						
2.a. Accept & refer reports when lacking jurisdiction						
2.b. Cross reporting from County to law enforcement						
2.c. Cross reporting from law enf. to county and DA	$3,293	$2,190				$5,483
2.d. Receipt of cross-reports by DA's office						
2.e. Report by phone & send to licensing agencies						
(04.1) Subtotal B.2 (a through e)	$3,293	$2,190				$5,483
2.f. Addnl cross reporting in case of child death						
1) Law enforcement cross report to Co. Welfare						
2) County Welfare department						
i. Cross rpt child death case to law enforcement						
ii. Created record in County CWS/CMS system						
ii. Enter info in CWS/CMS if death not abuse/nglct						
(04.2) Subtotal B.2 f. 2) (i through iii)						
3. Reporting to DOJ (see item 4 claiming instructions)						
a. Complete an investigation to prepare a report	$12,369	$8,225				$20,594
b. Prepare/submit/amend rpt for substantiated cases	$6,638	$4,414				$11,052
4. Notify suspected abuser they are in CACI						
5. Records retention post required period						
6. Provide due process procedures to those in CACI						
(05) TOTAL DIRECT COSTS	$22,300	$14,829				$37,129

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	118.6%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$26,447
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$63,576

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(11) TOTAL CLAIMED AMOUNT	Line (08)- (line(09) + Line(10)]	**$63,576**

MANDATED COSTS
(ICAN) INVESTIGATION REPORTS
CLAIM SUMMARY

FORM AA-2

(01) Claimant: **City of Rialto** **(02) Fiscal Year Costs Were Incurred:** 2011-12

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

A. One-Time Costs

- [ ] Update Policies and Procedures & develop ICAN due process procedures
- [ ] Develop training to implement ICAN requirements

B. On-Going Costs

- [ ] 1. Distribute Suspected Child Abuse Rpt Form (SS 8572)
- 2. Reporting Between Local Departments
  - [ ] a. Accept & refer abuse report when a dept. lacks jurisdiction
  - [ ] b. Cross-rept from Co. Welfare to law enforcement
  - [X] c. Cross-report from Law Enforcement to Co Welfare &DA
  - [ ] d. Receipt of cross report by DA
  - [ ] e. Report by phone & send written report to licensing agency
  - f. Additional cross reporting in cases of child death
    - [ ] 1) Police/Sheriff cross report all cases of child death to Co. Welfare
  - f. Additional cross-reporting in cases of death
- 2. County welfare department
  - [ ] i. Cross report death cases to law enforcement
  - [ ] ii. Create a record in the CWS.CMS system
  - [ ] iii, Enter info in CWS/CMS if death not abuse
- 3. Reporting to DOJ
  - [ ] a. Complete investigation to prepare a report
  - [ ] b. Prepare/submit report for substantiated cases
- [ ] 4. Notify abuser they are reported to CACI
- [ ] 5. Mandated 8 yr record retention
- [ ] 6. Provide due process procedures to CACI

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f & g) Services and Supplies	(h) Fixed Assets	(i) Travel and Training	Total Salaries & Benefits
Officer	$44.53	66.5%	40.33	$1,796	$1,194				$2,990
Sergeant	$61.87	66.5%	24.20	$1,497	$996				$2,493
Report to the appropriate County Department and/or the District Attorney's Office as mandated.									
(05) Total			**64.53**	**$3,293**	**$2,190**				**$5,483**

MANDATED COSTS
(ICAN) INVESTIGATION REPORTS
CLAIM SUMMARY

FORM AA-2

(01) Claimant: **City of Rialto** **(02) Fiscal Year Costs Were Incurred:** 2011-12

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

A. One-Time Costs

- [ ] Update Policies and Procedures & develop ICAN due process procedures
- [ ] Develop training to implement ICAN requirements

B. On-Going Costs

- [ ] 1. Distribute Suspected Child Abuse Rpt Form (SS 8572)
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  - [ ] a. Accept & refer abuse report when a dept. lacks jurisdiction
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  - [ ] c. Cross-report from Law Enforcement to Co Welfare &DA
  - [ ] d. Receipt of cross report by DA
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    - [ ] 1) Police/Sheriff cross report all cases of child death to Co. Welfare
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  - [ ] iii, Enter info in CWS/CMS if death not abuse
- 3. Reporting to DOJ
  - [X] a. Complete investigation to prepare a report
  - [ ] b. Prepare/submit report for substantiated cases
- [ ] 4. Notify abuser they are reported to CACI
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- [ ] 6. Provide due process procedures to CACI

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f & g) Services and Supplies	(h) Fixed Assets	(i) Travel and Training	Total Salaries & Benefits
Officer Complete investigation to determine whether report of suspected child abuse or severe neglect is unfounded, substantiated, or inconclusive (per PC 11165.12) for purposes of preparing & submitting Fomr SS 8583 and prepare report forms.	$44.53	66.5%	277.76	$12,369	$8,225				$20,594
(05) Total			**277.76**	**$12,369**	**$8,225**				**$20,594**

MANDATED COSTS
(ICAN) INVESTIGATION REPORTS
CLAIM SUMMARY

FORM AA-2

(01) Claimant: **City of Rialto** **(02) Fiscal Year Costs Were Incurred:** 2011-12

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

A. One-Time Costs

- [ ] Update Policies and Procedures & develop ICAN due process procedures
- [ ] Develop training to implement ICAN requirements

B. On-Going Costs

- [ ] 1. Distribute Suspected Child Abuse Rpt Form (SS 8572)
- 2. Reporting Between Local Departments
  - [ ] a. Accept & refer abuse report when a dept. lacks jurisdiction
  - [ ] b. Cross-rept from Co. Welfare to law enforcement
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  - [ ] d. Receipt of cross report by DA
  - [ ] e. Report by phone & send written report to licensing agency
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- [ ] 4. Notify abuser they are reported to CACI
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(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f & g) Services and Supplies	(h) Fixed Assets	(i) Travel and Training	Total Salaries & Benefits
Officer	$44.53	66.5%	128.96	$5,743	$3,819				$9,561
Sergeant	$61.87	66.5%	14.47	$895	$595				$1,490
Prepare, review, approve, and forward reports of substantiated child abuse cases.									
(05) Total			**143.43**	**$6,638**	**$4,414**				**$11,052**

INDIRECT COST RATE PROPOSAL
City of Rialto
Police
Fiscal Year 2011-12

Description of Costs		Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits					
Salaries & Wages		$10,272,473		$3,567,822	$6,704,651
Overtime		$1,014,166			$1,014,166
Benefits	66.5%	$6,827,335		$2,371,261	$4,456,074
Total		$18,113,974		$5,939,083	$12,174,891
Services & Supplies					
TELEPHONE		$45,786		$45,786	
ELECTRICITY		$91,763		$91,763	
GAS		$2,742		$2,742	
WATER/SEWER		$4,128		$4,128	
LEGAL SERVICES		$244,628			$244,628
CONTRACT SERVICES		$1,071,337		$535,669	$535,669
OTHER SERVICES AND SUI		$310,649		$310,649	
TRAINING, MEETINGS ANI		$59,370		$59,370	
MAINTENANCE - OFFICE A		$146,736		$146,736	
ADVERTISING		$385		$385	
PRIOR PERIOD ADJUSTMEI		$84			$84
ITS		$136,735		$136,735	
FLEET MAINT/REPLACEMI		$804,364	$689,455	$114,909	$0
SIMONSON CENTER DEPAI		$19,380		$19,380	
BUILDING MAINTENANCE		$198,620		$198,620	
POSTAGE		$15,626		$15,626	
LIABILITY INSURANCE		$1,524,970		$1,524,970	
CAPITAL IMPROVEMENTS		$400,738	$392,723	$8,015	$0
OFFICE/EQUIPMENT/MACI		$35,221	$32,873	$2,348	$0
ROLLING STOCK		$148,834			$148,834
TRANSFERS OUT - SUCCES		$458,398			$458,398
Total		$5,720,494	$1,115,051	$3,217,831	$1,387,612
Capital Expenditures					
Total					
Total Expenditures		$23,834,467	$1,115,051	$9,156,914	$13,562,503
Cost Plan Costs					
Total					
Total Alloc. Indirect Costs		$23,834,467	$1,115,051	$9,156,914	$13,562,503

ICRP RATE = **118.6%**
(Rate is Based on Salaries)

$9,156,914 ÷ Total Allowable Indirect Costs
$7,718,817 Total Direct Salaries

City of Rialto

Police

Fiscal Year
2011-12

100% Admin. or Support Staff

Name/Position	Annual Salary
ADMINISTRATIVE ASSISTANT	$ 55,569.00
EXECUTIVE ASSISTANT	$ 50,974.00
INFORMATION SYSTEMS ANALYST	$ 79,623.00
LAW ENFORCEMENT TECHNICIAN (7)	$ 352,812.00
POLICE CAPTAIN	$ 192,737.00
POLICE CHIEF	$ 233,949.00
POLICE OFFICER ADMIN DUTY	$ 66,590.00
POLICE SERGEANT (6)	$ 666,303.00
SR. ACCOUNTING ASST. (PT)	$ 12,150.00
CRIME ANALYST	$ 48,790.00
EMERG. DISPATCH SUPV	$ 65,331.00
EMERGENCY DISPATCHER I (2)	$ 89,934.00
EMERGENCY DISPATCHER II (9)	$ 515,409.00
LAW ENFORCEMENT TECHNICIAN (5)	$ 313,580.00
POLICE CORPORAL (5)	$ 486,748.00
POLICE LIEUTENANT	$ 143,463.00
POLICE RECORDS ASST. I (3)	$ 107,034.00
POLICE RECORDS ASST. II (2)	$ 86,826.00

TOTAL INDIRECT SALARIES **$3,567,822**

Police 6150-6948		FY 11-12
1001 SALARIES	$	10,103,066.74
1010 PARTTIME	$	169,405.99
	$	**10,272,472.73**
1020 OVERTIME	$	1,014,166.04
	$	**1,014,166.04**
1030 RETIREMENT	$	4,407,981.52
1040 WORKER'S COMPENSATION	$	486,689.52
1050 OTHER FRINGE BENEFITS	$	1,932,663.90
	$	**6,827,334.94**
	$	18,113,973.71
2001 TELEPHONE	$	45,785.61
2002 ELECTRICITY	$	91,762.94
2003 GAS	$	2,742.06
2004 WATER/SEWER	$	4,127.74
2010 LEGAL SERVICES	$	244,627.81
2011 CONTRACT SERVICES	$	1,071,337.44
2021 OTHER SERVICES AND SUPPLIES	$	310,649.06
2022 TRAINING, MEETINGS AND CONFERI	$	59,369.63
2030 MAINTENANCE - OFFICE AND MACH	$	146,736.08
2065 ADVERTISING	$	385.00
2090 PRIOR PERIOD ADJUSTMENTS	$	83.60
2105 ITS	$	136,735.20
2110 FLEET MAINT/REPLACEMENT CHGS.	$	804,363.94
2122 SIMONSON CENTER DEPARTMENT F	$	19,380.00
2125 BUILDING MAINTENANCE	$	198,620.16
2140 POSTAGE	$	15,625.93
2145 LIABILITY INSURANCE	$	1,524,970.44
3001 CAPITAL IMPROVEMENTS	$	400,737.86
3030 OFFICE/EQUIPMENT/MACHINERY	$	35,221.39
3050 ROLLING STOCK	$	148,833.85
5080 TRANSFERS OUT - SUCCESSOR AGEI	$	458,398.04
	$	**5,720,493.78**
Total Police	$	**23,834,467.49**
	$	23,834,467.49

CITY OF RIALTO

Audit Report

INTERAGENCY CHILD ABUSE AND NEGLECT INVESTIGATION REPORTS PROGRAM

Penal Code sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) as added and/or amended by various legislation

July 1, 1999, through June 30, 2012

BETTY T. YEE
California State Controller

March 2019

BETTY T. YEE
California State Controller

March 5, 2019

The Honorable Deborah Robertson, Mayor
City of Rialto
150 South Palm Avenue
Rialto, CA 92375

Dear Ms. Robertson:

The State Controller's Office (SCO) audited the costs claimed by the City of Rialto for the legislatively mandated Interagency Child Abuse and Neglect Investigation Reports Program for the period of July 1, 1999, through June 30, 2012.

The city claimed $996,998 for the mandated program. Our audit found that $292,512 is allowable ($294,204 less a $1,692 penalty for filing a late claim) and $704,486 is unallowable because the city claimed estimated and overstated costs, claimed unallowable activities, overstated the number of Suspected Child Abuse Reports cross-reported and investigated, overstated the number of Child Abuse Investigation Report Forms prepared and submitted to the California Department of Justice, and overstated the indirect cost rates and related indirect costs. The State made no payments to the city. The State will pay $292,512, 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.

This final audit report contains an adjustment to costs claimed by the city. If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to the Commission's regulations, outlined in Title 2, *California Code of Regulations*, section 1185.1, subdivision (c), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

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: Jessica Brown, Director of Finance
City of Rialto
William Wilson, Captain
Administrative Support Services Bureau
Rialto Police Department
Jennifer Krutak, Crime Analyst
Crime Analysis Unit
Rialto 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
Anita Dagan, Manager
Local Government Programs and Services Division
State Controller's Office

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Attachment—City's Response to Draft Audit Report

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Rialto for the legislatively mandated Interagency Child Abuse and Neglect (ICAN) Investigation Reports Program for the period of July 1, 1999, through June 30, 2012.

The city claimed $996,998 for the mandated program. Our audit found that $292,512 is allowable ($294,204 less a $1,692 penalty for filing a late claim) and $704,486 is unallowable because the city claimed estimated and overstated costs, claimed unallowable activities, overstated the number of Suspected Child Abuse Reports (SCARs) cross-reported and investigated, overstated the number of Child Abuse Investigation Report Forms (SS 8583 forms) prepared and submitted to the California Department of Justice (DOJ), and overstated the indirect cost rates and related indirect costs. The State made no payments to the city. The State will pay $292,512, contingent upon available appropriations.

Background

Various statutory provisions; Title 11, *California Code of Regulations,* section 903; and the SS 8583 form require cities and counties to perform specific duties for reporting child abuse to the State, as well as record-keeping and notification activities that were not required by prior law, thus mandating a new program or higher level of service.

Penal Code (PC) sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) were added and/or amended by various legislation:

- Statutes of 1977, Chapter 958;
- Statutes of 1980, Chapter 1071;
- Statutes of 1981, Chapter 435;
- Statutes of 1982, Chapters 162 and 905;
- Statutes of 1984, Chapters 1423 and 1613;
- Statutes of 1985, Chapter 1598;
- Statutes of 1986, Chapters 1289 and 1496;
- Statutes of 1987, Chapters 82, 531, and 1459;
- Statutes of 1988, Chapters 269, 1497, and 1580;
- Statutes of 1989, Chapter 153;
- Statutes of 1990, Chapters 650, 1330, 1363, and 1603;
- Statutes of 1992, Chapters 163, 459, and 1338;
- Statutes of 1993, Chapters 219 and 510;
- Statutes of 1996, Chapters 1080 and 1081;
- Statutes of 1997, Chapters 842, 843, and 844;
- Statutes of 1999, Chapters 475 and 1012; and
- Statutes of 2000, Chapter 916.

The ICAN Investigation Reports Program addresses statutory amendments to California's mandatory child abuse reporting laws. A child abuse reporting law was first added to the Penal Code in 1963, and initially required medical professionals to report suspected child abuse to local law enforcement or child welfare authorities. The law was regularly expanded to include more professions required to report suspected child abuse (now termed "mandated reporters"), and in 1980, California reenacted and amended the law, entitling it the "Child Abuse and Neglect Reporting Act." As part of this program, the DOJ maintains the Child Abuse Centralized Index (CACI), which has tracked reports of child abuse statewide since 1965. A number of changes to the law have occurred, including a reenactment in 1980 and substantive amendments in 1997 and 2000.

The Act, as amended, provides for reporting of suspected child abuse or neglect by certain individuals, identified by their profession as having frequent contact with children. The Act provides rules and procedures for local agencies, including law enforcement, that receive such reports. The Act provides for cross-reporting among law enforcement and other child protective agencies, and to licensing agencies and District Attorney's (DA) offices. The Act requires reporting to the DOJ when a report of suspected child abuse is "not unfounded." The Act requires an active investigation before a report can be forwarded to the DOJ. As of January 1, 2012, the Act no longer requires law enforcement agencies to report to the DOJ, and now requires reporting only of "substantiated" reports by other agencies. The Act imposes additional cross-reporting and recordkeeping duties in the event of a child's death from abuse or neglect. The Act requires agencies and the DOJ to keep records of investigations for a minimum of 10 years, and to notify suspected child abusers that they have been listed in the CACI. The Act imposes certain due process protections owed to persons listed in the CACI, and provides certain other situations in which a person would be notified of his or her listing in the CACI.

On December 19, 2007, the Commission on State Mandates (Commission) adopted a statement of decision finding that the test claim statutes impose a partially reimbursable state-mandated program upon local agencies within the meaning of article XIII B, section 6 of the California Constitution and Government Code (GC) section 17514. The Commission approved the test claim for the reimbursable activities described in the program's parameters and guidelines, section IV, performed by city and county police or sheriff's departments, county welfare departments, county probation departments designated by the county to receive mandated reports, DAs' offices, and county licensing agencies. The Commission outlined reimbursable activities relating to the following categories:

- Distributing the SCAR form;
- Reporting between local departments;
- Reporting to the DOJ;
- Providing notifications following reports to the CACI;
- Retaining records; and
- Complying with due process procedures offered to persons listed in the CACI.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on December 6, 2013. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies 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 ICAN Investigation Reports 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.

The audit period was July 1, 1999, through June 30, 2012.

To achieve our audit objective, we:

- Reviewed the annual mandated cost claims filed by the city for the audit period and identified the material cost components of each claim to determine whether there were any errors or any unusual or unexpected variances from year to year. Reviewed the activities claimed 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, and 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 which employee classifications were involved in performing the reimbursable activities;
- Interviewed city staff to determine allowable average time increments (ATIs) for specific reimbursable activities (see Findings 1, 2, and 3);
- Reviewed and analyzed the SCAR data compiled by the Rialto Police Department's subject matter expert to determine the total eligible number of SCARs cross-reported to Child Protective Services (CPS) and the DA's office for each fiscal year of the audit period that were allowable for reimbursement by excluding the SCARs that were other agency-generated and cases that were non-mandate-related. We calculated the number of law enforcement agency (LEA)-generated SCARs using data from fiscal year (FY) 2003-04, FY 2007-08, and FY 2010-11. We used these three fiscal years to calculate a weighted average percentage of LEA-generated SCARs. Consistent with the American Institute of Certified Public Accountants' (AICPA) Audit Sampling Guide, we projected the results by applying the weighted average percentage of 50.40% to the total number of mandate-related SCARs to determine the total allowable number of LEA-generated SCARs for all fiscal years (FY 1999-2000 through FY 2011-12) that were cross-reported to CPS and the DA's office (see Finding 1);
- Reviewed and analyzed the SCAR data compiled by the Rialto Police Department's subject matter expert to determine the eligible number of SCARs investigated that were allowable for reimbursement in each

fiscal year of the audit period, by excluding the SCARs that were LEA-generated and cases that were non-mandate-related. We calculated the number of other agency-generated SCARs using data from FY 2003-04, FY 2007-08, and FY 2010-11. We used these three fiscal years to calculate a weighted average percentage of other agency-generated SCARs. Consistent with the AICPA Audit Sampling Guide, we projected the results by applying weighted average percentages (24.00% for fully-investigated SCARs and 25.60% for partially-investigated SCARs) to the total number of mandate-related SCARs to determine the total allowable number of other agency-generated SCARs for all fiscal years in the audit period (see Finding 2);

- Reviewed and analyzed the SCAR data compiled by the Rialto Police Department's subject matter expert to determine the total eligible number of SS 8583 forms prepared and sent to the DOJ for each fiscal year of the audit period that were allowable for reimbursement, by excluding the SCAR cases that were determined to be unfounded, cases that were only partially investigated, and non-mandate-related cases. We calculated the number of LEA-generated and other agency-generated SCAR cases that were determined to be substantiated or inconclusive, in which a SS 8583 form was prepared and sent to the DOJ using data from FY 2003-04, FY 2007-08, and FY 2010-11. We used the data from these three years to calculate an average percentage of LEA-generated (79.37%) and other agency-generated (76.67%) SCARs that were determined to be substantiated or inconclusive. Consistent with the AICPA Audit Sampling Guide, we projected the results by applying these weighted average percentages to the total allowable number of LEA-generated and other agency-generated SCARs for FY 1999-00 through FY 2011-12 to determine the allowable number of LEA-generated and other agency-generated SS 8583 forms that were prepared and forwarded to the DOJ (see Finding 3);
- Traced productive hourly rate (PHR) calculations to supporting documentation for each classification claimed. For fiscal years in which the department did not claim costs, we calculated an allowable PHR using the supporting documentation that was provided;
- Reviewed and analyzed the benefit rates claimed for each fiscal year. We recomputed the benefit rates and verified that they were properly supported;
- Traced the indirect costs rates claimed to supporting documentation, and determined that the indirect cost rates were improperly computed for all fiscal years of the audit period excluding FY 1999-2000. We recomputed the claimed indirect cost rates, as the city had included salaries and benefits costs for 16 classifications that were not 100% indirect in its indirect cost rate proposals (ICRPs) (see Finding 4); and
- Verified that costs claimed were not funded by another source, based on discussions with the Rialto Police Department's Finance Director.

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 found that the city did not claim costs that were funded by another source; however, it did claim unsupported and ineligible costs as quantified in the accompanying Schedule and described in the Findings and Recommendations section of this report.

For the audit period, the City of Rialto claimed $996,998 for costs of the legislatively mandated ICAN Investigation Reports Program. Our audit found that $292,512 is allowable ($294,204 less a $1,692 penalty for filing a late claim) and $704,486 is unallowable. The State made no payments to the city. The State will pay $292,512, 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 ICAN Investigation Reports Program.

Views of Responsible Officials

We issued a draft audit report on January 22, 2019. Jessica Brown, Director of Finance, responded by letter dated February 4, 2019 (Attachment), disagreeing with the audit results. This final audit report includes the city's response.

Restricted Use

This audit report is solely for the information and use of the City of Rialto, 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 audit report, which is a matter of public record.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

March 5, 2019

Schedule—
Summary of Program Costs
July 1, 1999, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 1999, through June 30, 2000				
Direct costs – salaries and benefits:				
Policies and procedures	$ 365	$ 365	$ -	
Training	631	631	-	
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	2,992	932	(2,060)	Finding 1
Reporting to DOJ				
Complete an investigation	22,749	7,638	(15,111)	Finding 2
Prepare and submit reports to DOJ	11,747	2,257	(9,490)	Finding 3
Total direct costs	38,484	11,823	(26,661)	
Indirect costs	16,591	5,098	(11,493)	Finding 4
Subtotal	55,075	16,921	(38,154)	
Less late filing penalty[2]	-	(1,692)	(1,692)	
Total program costs	$ 55,075	15,229	$ (39,846)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 15,229		
July 1, 2000, through June 30, 2001				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 3,088	$ 958	$ (2,130)	Finding 1
Reporting to DOJ				
Complete an investigation	23,480	7,949	(15,531)	Finding 2
Prepare and submit reports to DOJ	12,157	2,314	(9,843)	Finding 3
Total direct costs	38,725	11,221	(27,504)	
Indirect costs	18,892	5,151	(13,741)	Finding 4
Total program costs	$ 57,617	16,372	$ (41,245)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 16,372		
July 1, 2001, through June 30, 2002				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 3,275	$ 1,021	$ (2,254)	Finding 1
Reporting to DOJ				
Complete an investigation	25,241	8,596	(16,645)	Finding 2
Prepare and submit reports to DOJ	12,975	2,481	(10,494)	Finding 3
Total direct costs	41,491	12,098	(29,393)	
Indirect costs	21,512	5,953	(15,559)	Finding 4
Total program costs	$ 63,003	18,051	$ (44,952)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 18,051		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2002, through June 30, 2003				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 2,658	$ 836	$ (1,822)	Finding 1
Reporting to DOJ				
Complete an investigation	20,875	6,934	(13,941)	Finding 2
Prepare and submit reports to DOJ	10,169	2,018	(8,151)	Finding 3
Total direct costs	33,702	9,788	(23,914)	
Indirect costs	17,241	4,623	(12,618)	Finding 4
Total program costs	$ 50,943	14,411	$ (36,532)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 14,411		
July 1, 2003, through June 30, 2004				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 4,033	$ 1,283	$ (2,750)	Finding 1
Reporting to DOJ				
Complete an investigation	30,214	10,339	(19,875)	Finding 2
Prepare and submit reports to DOJ	16,110	3,070	(13,040)	Finding 3
Total direct costs	50,357	14,692	(35,665)	
Indirect costs	29,165	7,937	(21,228)	Finding 4
Total program costs	$ 79,522	22,629	$ (56,893)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 22,629		
July 1, 2004, through June 30, 2005				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 5,053	$ 1,607	$ (3,446)	Finding 1
Reporting to DOJ				
Complete an investigation	38,090	12,914	(25,176)	Finding 2
Prepare and submit reports to DOJ	20,274	3,841	(16,433)	Finding 3
Total direct costs	63,417	18,362	(45,055)	
Indirect costs	34,240	9,304	(24,936)	Finding 4
Total program costs	$ 97,657	27,666	$ (69,991)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 27,666		
July 1, 2005, through June 30, 2006				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 4,890	$ 1,537	$ (3,353)	Finding 1
Reporting to DOJ				
Complete an investigation	37,131	12,553	(24,578)	Finding 2
Prepare and submit reports to DOJ	19,367	3,703	(15,664)	Finding 3
Total direct costs	61,388	17,793	(43,595)	
Indirect costs	36,417	10,160	(26,257)	Finding 4
Total program costs	$ 97,805	27,953	$ (69,852)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 27,953		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2006, through June 30, 2007				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 4,581	$ 1,419	$ (3,162)	Finding 1
Reporting to DOJ				
Complete an investigation	33,845	11,531	(22,314)	Finding 2
Prepare and submit reports to DOJ	18,121	3,391	(14,730)	Finding 3
Total direct costs	56,547	16,341	(40,206)	
Indirect costs	32,649	8,903	(23,746)	Finding 4
Total program costs	$ 89,196	25,244	$ (63,952)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 25,244		
July 1, 2007, through June 30, 2008				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 2,941	$ 919	$ (2,022)	Finding 1
Reporting to DOJ				
Complete an investigation	21,870	7,473	(14,397)	Finding 2
Prepare and submit reports to DOJ	11,687	2,199	(9,488)	Finding 3
Total direct costs	36,498	10,591	(25,907)	
Indirect costs	24,515	6,362	(18,153)	Finding 4
Total program costs	$ 61,013	16,953	$ (44,060)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 16,953		
July 1, 2008, through June 30, 2009				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 4,386	$ 1,334	$ (3,052)	Finding 1
Reporting to DOJ				
Complete an investigation	32,434	11,112	(21,322)	Finding 2
Prepare and submit reports to DOJ	17,361	3,229	(14,132)	Finding 3
Total direct costs	54,181	15,675	(38,506)	
Indirect costs	39,790	9,526	(30,264)	Finding 4
Total program costs	$ 93,971	25,201	$ (68,770)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 25,201		
July 1, 2009, through June 30, 2010				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 4,002	$ 1,192	$ (2,810)	Finding 1
Reporting to DOJ				
Complete an investigation	29,516	10,024	(19,492)	Finding 2
Prepare and submit reports to DOJ	15,811	2,912	(12,899)	Finding 3
Total direct costs	49,329	14,128	(35,201)	
Indirect costs	35,319	8,971	(26,348)	Finding 4
Total program costs	$ 84,648	23,099	$ (61,549)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 23,099		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference[1]
July 1, 2010, through June 30, 2011				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 4,884	$ 1,437	$ (3,447)	Finding 1
Reporting to DOJ				
Complete an investigation	34,942	11,987	(22,955)	Finding 2
Prepare and submit reports to DOJ	18,888	3,476	(15,412)	Finding 3
Total direct costs	58,714	16,900	(41,814)	
Indirect costs	44,258	11,366	(32,892)	Finding 4
Total program costs	$ 102,972	28,266	$ (74,706)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 28,266		
July 1, 2011, through June 30, 2012				
Direct costs – salaries and benefits:				
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	$ 5,483	$ 1,645	$ (3,838)	Finding 1
Reporting to DOJ				
Complete an investigation	20,594	13,733	(6,861)	Finding 2
Prepare and submit reports to DOJ	11,052	3,984	(7,068)	Finding 3
Total direct costs	37,129	19,362	(17,767)	
Indirect costs	26,447	12,076	(14,371)	Finding 4
Total program costs	$ 63,576	31,438	$ (32,138)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 31,438		
Summary: July 1, 1999, through June 30, 2012				
Direct costs – salaries and benefits:				
Policies and procedures	$ 365	$ 365	-	
Training	631	631		
Reporting between local departments				
Cross-reporting to county welfare and DA's Office	52,266	16,120	(36,146)	Finding 1
Reporting to DOJ				
Complete an investigation	370,981	132,783	(238,198)	Finding 2
Prepare and submit reports to DOJ	195,719	38,875	(156,844)	Finding 3
Total direct costs	619,962	188,774	(431,188)	
Indirect costs	377,036	105,430	(271,606)	Finding 4
Subtotal	996,998	294,204	(702,794)	
Less late filing penalty[2]	-	(1,692)	(1,692)	
Total program costs	$ 996,998	292,512	$ (704,486)	
Less amount paid by the State[3]		-		
Allowable costs claimed in excess of amount paid		$ 292,512		

[1] See the Findings and Recommendations section.

[2] The city filed its FY 1999-2000 initial reimbursement claim after the due date specified in GC section 17560. Pursuant to GC section 17561, subdivision (d)(3), the state assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount (for claims filed on or after September 30, 2002).

[3] Payment amount current as of December 12, 2018.

Findings and Recommendations

FINDING 1— Unallowable salaries and benefits – Cross-reporting from Law Enforcement to the County Welfare and District Attorney's Office cost component

The city claimed $52,266 in salaries and benefits for the Cross-reporting to County Welfare and DA's Office cost component during the audit period. During testing, we found that $16,120 is allowable and $36,146 is unallowable. Costs claimed are unallowable because the city misinterpreted the program's parameters and guidelines. As a result, the city overstated the number of SCARs that it cross-reported, and estimated and overstated the number of hours performing the mandated activity.

The following table summarizes the claimed, allowable, and adjusted salaries and benefits costs for the Cross-reporting cost component for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	$ 2,992	$ 932	$ (2,060)
2000-01	3,088	958	(2,130)
2001-02	3,275	1,021	(2,254)
2002-03	2,658	836	(1,822)
2003-04	4,033	1,283	(2,750)
2004-05	5,053	1,607	(3,446)
2005-06	4,890	1,537	(3,353)
2006-07	4,581	1,419	(3,162)
2007-08	2,941	919	(2,022)
2008-09	4,386	1,334	(3,052)
2009-10	4,002	1,192	(2,810)
2010-11	4,884	1,437	(3,447)
2011-12	5,483	1,645	(3,838)
Total	$ 52,266	$ 16,120	$ (36,146)

Number of SCARs Cross-reported

Claimed

For the audit period, the city claimed the SCAR case count totals in the city's SCAR summary document. The SCAR summary document identifies the total number of SCAR cases that the city worked on during each fiscal year of the audit period. For FY 1999-2000 through FY 2001-02, the number of SCAR cases identified on the SCAR summary document was based on estimates.

From FY 1999-2000 to FY 2001-02, the city was transitioning to new dispatch and records management systems that did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying both the Computer Aided Dispatch (CAD) System and the Records Management System (RMS). The city used the total number of SCAR cases in the SCAR summary document to compute the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components.

Allowable

Our audit found that the SCAR case count totals in the SCAR summary document were inaccurate counts to use for this cost component. The SCAR summary document included SCARs generated by other agencies and cross-reported to the Rialto Police Department, without identifying which SCARs were other agency-generated versus generated by the Rialto Police Department. We also found that the SCAR summary document included non-mandate-related cases.

The city did not maintain copies of the SCARs that were initiated by the Rialto Police Department and cross-reported to CPS and the DA's office. In addition, during the course of the audit, the city was unable to access historical electronic records for an extended period of time due to a system upgrade. Consequently, we requested and the city was able to provide detailed SCAR case listings for FY 2003-04, FY 2007-08, and FY 2010-11. We worked with the city to devise a reasonable methodology for approximating the number of other agency-generated SCARs and non-mandate-related cases for each fiscal year to exclude from the total population. We calculated a weighted average based on the results of our testing.

For testing purposes, we judgmentally selected a non-statistical sample from the SCAR case listings by selecting every fourth case until a sample size of 20% was attained, totaling 151 SCAR cases (66 out of 328 in FY 2003-04, 37 out of 186 in FY 2007-08, and 48 out of 242 in FY 2010-11) out of 756 to review. Based on our review of the FY 2003-04 SCAR cases, we found that of the 66 cases sampled, 13 were non-mandate and 53 were mandate-related; of the 53 mandate-related SCAR cases, 27 were LEA-generated and 26 were other agency-generated. For FY 2007-08, we found that of the 37 cases sampled, five were non-mandate and 32 were mandate-related; of the 32 mandate-related SCAR cases, 14 were LEA-generated and 18 were other agency-generated. For FY 2010-11, we found that of the 48 cases sampled, eight were non-mandate and 40 were mandate-related; of the 40 mandate-related SCAR cases, 22 were LEA-generated and 18 were other agency-generated.

We calculated weighted averages using the total number of LEA-generated SCAR cases. The weighted average of LEA-generated SCAR cases for these fiscal years was 50.40%. The weighted average of non-mandate-related cases for these fiscal years was 17.22%. We applied the weighted average percentage of 17.22% (non-mandate-related SCAR cases) to the total number of SCAR cases claimed by fiscal year to calculate the total number of non-mandate-related SCAR cases. We subtracted the total number of non-mandate-related SCARs from the total number of SCARs claimed to calculate the number of mandate-related SCAR cases by fiscal year. We applied the weighted average percentage of 50.40% (LEA-generated SCAR cases) to the number of mandate-related SCAR cases to calculate the total number of LEA-generated SCAR cases that were mandate-related. These calculations allowed us to determine the total allowable number of LEA-generated SCAR cases that were cross-reported from the Rialto Police Department to CPS and the DA's office.

After performing these calculations, we determined that 1,416 SCAR cases (out of 3,396 total SCAR cases) were LEA-generated during the audit period. Therefore, the allowable number of SCARs cross-reported for the audit period totals 1,416.

The following table summarizes the total claimed, non-mandate and mandate-related cases; the percent of LEA-generated SCARs and the allowable number of LEA-generated SCARs cross-reported; and the audit adjustment per fiscal year:

Fiscal Year	Claimed Number of SCARs Cross-reported (a)	Non-mandate-related Cases 17.22% (b) = (a) * 17.22%	Mandate-related Cases (c) = (a) - (b)	Percent of LEA-generated SCARs (d)	Allowable Number of LEA-generated SCARs Cross-reported (e) = (c) * (d)	Audit Adjustment (f) = (e) - (a)
1999-2000	249	43	206	50.40%	104	(145)
2000-01	257	44	213	50.40%	107	(150)
2001-02	265	46	219	50.40%	110	(155)
2002-03	224	39	185	50.40%	93	(131)
2003-04	326	56	270	50.40%	136	(190)
2004-05	319	55	264	50.40%	133	(186)
2005-06	314	54	260	50.40%	131	(183)
2006-07	293	50	243	50.40%	122	(171)
2007-08	186	32	154	50.40%	78	(108)
2008-09	256	44	212	50.40%	107	(149)
2009-10	223	38	185	50.40%	93	(130)
2010-11	242	42	200	50.40%	101	(141)
2011-12	242	42	200	50.40%	101	(141)
Total	3,396	585	2,811		1,416	(1,980)

Time Increments

Claimed

The city did not have actual time records to support the time increments claimed. For the audit period, the city estimated that it took a Police Officer classification 10 minutes (0.17 hours) to call CPS and cross-report each occurrence of suspected child abuse or severe neglect, and it took a Sergeant classification six minutes (0.10 hours) to review each written report before sending it to CPS and the DA's office. Reviewing written reports before sending them to CPS and the DA's office is not a mandate-related activity. Therefore, costs claimed for the Sergeant to review written reports before sending them to CPS and the DA's office are unallowable.

Allowable

Based on interviews conducted with Police Department staff, we found the estimated time for a Police Officer classification to call CPS and cross-report each occurrence of suspected child abuse or severe neglect is 10 minutes (0.17 hours). However, during our audit, the city requested that we re-evaluate the classifications claimed for the cross-reporting activity. The city requested that we include the Police Record Assistant I/II classification in the cross-reporting activity. The city explained that the

Police Record Assistant I/II is responsible for sending the written reports to CPS and the DA's office. We conducted interviews with a Police Records Supervisor and a Police Records Assistant II from the Rialto Police Department. They explained that it took a Police Records Assistant I/II classification, on average, six minutes to mail/fax/email written reports to CPS and the DA's office. We determined that the time increment of six minutes to mail/fax/email written reports to CPS and the DA's office is allowable.

Hours Adjustment

The following table summarizes the claimed, allowable, and adjusted hours based on the adjustments made to the number of LEA-generated SCARs cross-reported and to ATIs for the audit period:

Fiscal Year	Hours Claimed (a)	Hours Allowable (b)	Audit Adjustment (c) = (b) - (a)
1999-2000	66.40	28.08	(38.32)
2000-01	68.53	28.89	(39.64)
2001-02	70.67	29.70	(40.97)
2002-03	59.73	25.11	(34.62)
2003-04	86.93	36.72	(50.21)
2004-05	85.07	35.91	(49.16)
2005-06	83.73	35.37	(48.36)
2006-07	78.13	32.94	(45.19)
2007-08	49.60	21.06	(28.54)
2008-09	68.27	28.89	(39.38)
2009-10	59.47	25.11	(34.36)
2010-11	64.53	27.27	(37.26)
2011-12	64.53	27.27	(37.26)
Total	905.59	382.32	(523.27)

Criteria

The parameters and guidelines (section IV – Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

The parameters and guidelines (section IV-B.2.c) allow ongoing activities related to costs for reporting between local departments, as follows:

> Cross-Reporting of Suspected Child Abuse or Neglect from the Law Enforcement Agency to the County Welfare and Institutions Code Section 300 Agency, County Welfare, and the District Attorney's Office:
>
> City and county police or sheriff's departments shall:
>
> 1) Report by telephone immediately, or as soon as practically possible, to the agency given responsibility for investigation of cases under Welfare and Institutions Code section 300 and to the district attorney's office every known or suspected instance of child abuse reported to it, except acts or omissions coming within Penal Code section 11165.2(b), which shall be reported only to the county welfare department (Penal Code section 11166(i) (As added by Stats. 1980, ch. 1071; amended by Stats. 1981, ch. 435; Stats. 1982, ch. 905; Stats. 1984, ch. 1423; Stats. 1986, ch. 1289; Stats. 1987, ch. 1459; Stats. 1988, chs. 269 and 1580; Stats. 1990, ch. 1603; Stats. 1992, ch. 459; Stats. 1993, ch. 510; Stats. 1996, chs. 1080 and 1081; and Stats. 2000, ch. 916 (AB 1241)). Renumbered at subdivision (j) by Statutes 2004, chapter 842 (SB 1313), and renumbered again at subdivision (k) by Statutes 2005, chapter 42 (AB 299)).
>
> 2) Report to the county welfare department every known or suspected instance of child abuse reported to it which is alleged to have occurred as a result of the action of a person responsible for the child's welfare, or as the result of the failure of a person responsible for the child's welfare to adequately protect the minor from abuse when the person responsible for the child's welfare knew or reasonably should have known that the minor was in danger of abuse.
>
> 3) Send a written report thereof within 36 hours of receiving the information concerning the incident to any agency to which it is required to make a telephone report under Penal Code section 11166.
>
> As of January 1, 2006, initial reports may be made by fax or electronic transmission, instead of by telephone, and will satisfy the requirement for a written report within 36 hours (Ibid).

The parameters and guidelines (section V.A.1. – Claim Preparation and Submission – Actual Costs Claims, Direct Cost Reporting) state, in part:

> 1. Salaries and Benefits
>
> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The ICAN Investigation Reports Program was suspended from FY 2015-16 through FY 2017-18. If the program becomes active again, we recommend that the city follow the mandated program claiming

instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

FINDING 1 – UNALLOWABLE SALARIES AND BENEFITS – CROSS-REPORTING FROM LAW ENFORCEMENT TO THE COUNTY WELFARE AND DISTRICT ATTORNEY'S OFFICE COST COMPONENT

On January 8, 2019, during the audit exit conference call, Captain William Wilson of the City of Rialto Police Department mentioned concerns he had regarding references and misstatements made [in] the Draft Audit Report referencing systems used to query the data examined for this audit as well as the city's document availability. SCO Audit Manager Lisa Kearney advised the City of Rialto to submit language that best reflects the systems and available data when responding to the SCO's official draft report so that it can be corrected and incorporated into the final report issued by the SCO.

The following are city's proposed corrections for Finding 1:

CITY'S PROPOSED CHANGE TO PAGE 11, SECOND PARAGRAPH, UNDER "CLAIMED" SUBHEADER (changes reflect the system names queried for this audit; changes from SCO original language are in **bold** for ease of identification):

"From FY 1999-2000 to FY 2001-02, the city was transitioning to **new dispatch and records management systems,** which did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying **both the Computer Aided Dispatch (CAD) System and the Records Management System (RMS)**. The city used the total number of SCAR cases in the SCAR summary document to compute the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components."

CITY'S PROPSED CHANGE TO PAGE 12, SECOND PARAGRAPH, UNDER "ALLOWABLE" SUB-HEADER

"In April 2017, the city was asked to begin providing SCAR case listings for us to randomly select for review. Due to a system upgrade preventing the city from accessing these historical electronic records, the audit was set back nearly five months before records could be fully accessed and submitted to us by the city. In the interest of time and to remain on track with audit deadlines, we selected FY 2003-04, FY 2007-08, and FY 2010-11 to serve as a representative sample of the audit period. The city was able to provide detailed SCAR case listings for each of these three fiscal years. We worked with the city to devise a reasonable methodology for approximating the number of other agency-generated SCARs and non-mandate-related cases for each fiscal year to exclude from the total population. Both parties agreed that we would calculate a weighted average based on the results of our testing as there was insufficient time and staffing to obtain detailed SCAR case listings for the remaining years."

CITY'S PROPOSED CHANGE TO POSITION TITLE, PAGE 14, FIRST PARTIAL PARAGRAPH – Change "Police Records

Supervisor II" to "Police Records Supervisor"
The following are city's objections to Finding 1:

CITY'S OPPOSITION TO FINDING 1 – SERGEANT'S REVIEW TIME UNALLOWABLE

The City claimed time for the Sergeant to review written reports that are cross-reported to the County Welfare (hereinafter "CPS") and the District Attorney's Office (hereinafter "DA"). According to the draft report, "reviewing written reports before sending them to CPS and the DA's office is not a mandate-related activity. Therefore, costs claimed for the Sergeant to review written reports before sending them to CPS and the DA's office are unallowable."

The City disagrees with this finding as reviewing a written report is:

1) **Eligible** – Parameters and Guidelines, Section IV.B.3.a.1, allows for "… this activity includes review of the initial Suspected Child Abuse Report (Form 8572) … and making a report of the findings of those interviews, which may be reviewed by a supervisor."

   It is clear from the language of the Parameters and Guidelines that the Commission found report review a reasonably necessary activity and intended to allow for the reimbursement of supervisor review time for written reports. Further, nowhere in the Parameters and Guidelines, nor the Statement of Decision, does it specify what type of document is eligible or ineligible for supervisory review.

2) **Reasonably Necessary** – Pursuant to Government Code Section 17557(a) and Section 1183.7(d) of the Commission's regulations, a reasonably necessary activity is defined as, "…those activities necessary to comply with the statutes, regulations and other executive orders found to impose a state mandated program."

It is the City's position, that any written document that is required to be cross-reported as a part of the child abuse investigation to CPS or the DA satisfies a mandated activity under Section IV.B.3.a.1 and therefore, should be allowed for reimbursement of claimed costs for sergeant's review/approval of any written report for such investigations.

CITY'S OPPOSITION TO FINDING 1 – ALLOWABLE TIME INCREMENT TO SEND REPORT

On November 21, 2018, the SCO conducted interviews with police records staff to inquire on the clerical steps a Police Records Assistant I/II takes to process a written report for the purpose of sending to CPS and the DA. Employees interviewed identified the following key steps:

1) Pull and process electronic report written by officer

2) Prepare copies of report (per officer instructions) – includes watermarking documents for confidentiality purposes per California Penal Code 11142-43 prior to release

3) Release documents via fax/email/mail

Discussions immediately following the interviews between the City of Rialto and the SCO yielded an agreed average of six minutes per

activity (steps 1-3 listed above) for a total of 18 minutes to process a written report to send to CPS and the DA. During subsequent conversations, the SCO reduced the total amount of time to six minutes stating that only step three involved the activity of physically sending the report, and therefore, steps one and two did not apply. The SCO has stated during discussions with the City that the "plain language" of the Parameters and Guidelines, Section IV.B.2.c.3, says "send a written report within 36 hours of receiving the information concerning the incident to any agency to which it is required to make a telephone report under Penal Code Section 11166" strictly limits reimbursement to sending the report (the physical activity of transmitting the document).

The City disagrees with this interpretation and contends that:

1) **Steps one and two are <u>necessary</u> in order to complete step three** – the physical act of sending a report cannot be completed without first pulling it over via the electronic system and processing the document(s) that will be faxed/emailed/mailed (to include scanning, if applicable, prior to emailing)

2) **Reasonably Necessary** – Pursuant to Government Code Section 17557(a) and Section 1183.7(d) of the Commission's regulations, a reasonably necessary activity is defined as, "… those activities necessary to comply with the statutes, regulations and other executive orders found to impose a state mandated program."

3) **Actual Costs to Completed Mandated Activity –** Page 3 of the Parameters and Guidelines states, "Actual costs are those costs actually incurred to implement the mandated activities." Steps one and two (aforementioned paragraph) are actual costs incurred to complete step three, the physical act of sending the written report.

Therefore, it is the City's position that all three steps are inclusive of the process to send a written report to CPS and the DA. Accordingly, the SCO should allow costs for this activity at 18 minutes for Police Records Assistant I/II.

<u>SCO Comment</u>

The audit adjustment and the recommendation for the Cross-reporting cost component remain unchanged.

We will address the city's response in the same order that it was presented.

The fourth paragraph on page 11 of this audit report has been revised per the city's request.

The second paragraph on page 12 of this audit report has been revised to reflect minor edits requested by the city.

The position title of "Police Records Supervisor II," cited in the draft audit report, has been amended to "Police Records Supervisor" in the first partial paragraph on page 14 of this audit report, per the city's request.

The parameters and guidelines (section IV-B.2.c) allow ongoing activities related to costs for reporting between local departments, as follows:

> Cross-Reporting of Suspected Child Abuse or Neglect from the Law Enforcement Agency to the County Welfare and Institutions Code Section 300 Agency, County Welfare, and the District Attorney's Office:
>
> City and county police or sheriff's departments shall:
>
> 1) Report by telephone immediately, or as soon as practically possible, to the agency given responsibility for investigation of cases under Welfare and Institutions Code section 300 and to the district attorney's office every known or suspected instance of child abuse reported to it, except acts or omissions coming within Penal Code section 11165.2(b), which shall be reported only to the county welfare department (Penal Code section 11166(i) (As added by Stats. 1980, ch. 1071; amended by Stats. 1981, ch. 435; Stats. 1982, ch. 905; Stats. 1984, ch. 1423; Stats. 1986, ch. 1289; Stats. 1987, ch. 1459; Stats. 1988, chs. 269 and 1580; Stats. 1990, ch. 1603; Stats. 1992, ch. 459; Stats. 1993, ch. 510; Stats. 1996, chs. 1080 and 1081; and Stats. 2000, ch. 916 (AB 1241)). Renumbered at subdivision (j) by Statutes 2004, chapter 842 (SB 1313), and renumbered again at subdivision (k) by Statutes 2005, chapter 42 (AB 299)).
> 2) Report to the county welfare department every known or suspected instance of child abuse reported to it which is alleged to have occurred as a result of the action of a person responsible for the child's welfare, or as the result of the failure of a person responsible for the child's welfare to adequately protect the minor from abuse when the person responsible for the child's welfare knew or reasonably should have known that the minor was in danger of abuse.
> 3) Send a written report thereof within 36 hours of receiving the information concerning the incident to any agency to which it is required to make a telephone report under Penal Code section 11166.
>
> As of January 1, 2006, initial reports may be made by fax or electronic transmission, instead of by telephone, and will satisfy the requirement for a written report within 36 hours (Ibid).

The city disagrees with the SCO's interpretation that the time it took a Sergeant classification six minutes (0.10 hours) to review/approve each written report before sending it to CPS and the DA's office is not a mandate-related activity. The city contends that any written document that is required to be cross-reported as part of the child abuse investigation to CPS or the DA's office is a mandated activity under section IV.B.3.a.1 and should be allowed for reimbursement. Section IV.B.3.a.1 of the parameters and guidelines is applicable to the Reporting to the State DOJ: Complete an Investigation cost component and is irrelevant to the Cross-reporting cost component. The reimbursable activities for the Cross-reporting cost component identified in the parameters and guidelines are noted above (1 through 3). The six minutes (0.10 hours) claimed for a Sergeant classification to review and approve each written report before it is sent to CPS and the DA's office are ineligible activities within the Cross-reporting cost component. As a result, the costs claimed for time spent by a Sergeant classification to review and approve each written report before it is sent to CPS and the DA's office is out of scope of the reimbursable activities, and is unallowable for reimbursement under this cost component.

The city also disagrees with the SCO's interpretation that the time it took a Police Records Assistant I/II classification to process a written report for purposes of sending it to CPS and the DA's office—totaling six minutes (0.10 hours) for pulling down and processing the electronic report written by an officer and six minutes (0.10 hours) for preparing copies of the written report (per officer instructions), which includes watermarking the documents for confidentiality purposes per PC section 11142-43 prior to release—are not mandate-related activities. The city contends that these time increments should be allowed. The reimbursable activities for the Cross-reporting cost component identified in the parameters and guidelines are noted above (1 through 3). The steps to pull down and process the electronic report, and to prepare copies, are ineligible activities within the Cross-reporting cost component. Therefore, they are out of scope of the reimbursable activities. Additionally, the city did not claim costs for these activities or time associated with performing these activities during the audit period. As a result, there is no impact on the costs claimed, and, therefore there is nothing to "restore."

Our audit determined whether costs claimed represent increased costs resulting from the mandated program. The city is not entitled to mandated reimbursement for costs not allowable under the parameters and guidelines or for costs that were not claimed.

FINDING 2— Unallowable salaries and benefits – Reporting to the State Department of Justice: Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component

The city claimed $370,981 in salaries and benefits for the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component during the audit period. During testing, we found that $132,783 is allowable and $238,198 is unallowable. Costs claimed are unallowable because the city misinterpreted the program's parameters and guidelines. As a result, the city estimated and overstated the number of hours spent performing the mandated activity, and neglected to base costs on the actual number of eligible SCARs investigated.

The following table summarizes the claimed, allowable, and adjusted salaries and benefits costs related to the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	$ 22,749	$ 7,638	$ (15,111)
2000-01	23,480	7,949	(15,531)
2001-02	25,241	8,596	(16,645)
2002-03	20,875	6,934	(13,941)
2003-04	30,214	10,339	(19,875)
2004-05	38,090	12,914	(25,176)
2005-06	37,131	12,553	(24,578)
2006-07	33,845	11,531	(22,314)
2007-08	21,870	7,473	(14,397)
2008-09	32,434	11,112	(21,322)
2009-10	29,516	10,024	(19,492)
2010-11	34,942	11,987	(22,955)
2011-12	20,594	13,733	(6,861)
Total	$ 370,981	$ 132,783	$ (238,198)

Number of SCARs

Claimed

For the audit period, the city claimed the SCAR case count totals in the city's SCAR summary document. The SCAR summary document identifies the total number of SCAR cases that the city worked on during each fiscal year of the audit period. For FY 1999-2000 through FY 2001-02, the number of SCARs identified in the SCAR summary document was based on estimates.

From FY 1999-2000 to FY 2001-02, the city was transitioning to new dispatch and records management systems that did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying both the CAD System and the RMS. The city used the total number of SCAR cases in the SCAR summary document to compute the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components.

Allowable

This component provides reimbursement for costs associated with completing an initial investigation of SCARs for the purposes of preparing and submitting the SS 8583 report form to the DOJ. Reimbursable activities are limited to reviewing the SCAR, conducting initial interviews, and writing a report of the interviews, which may be reviewed by a supervisor.

Our audit found that the SCAR case count totals in the SCAR summary document were inaccurate counts to use for this cost component. The SCAR summary document included LEA-generated SCARs investigated by the Rialto Police Department, without identifying which SCARs were LEA-generated versus other agency-generated. We also found that the SCAR summary document included non-mandate-related cases.

The city did not maintain copies of the SCARs that were initiated by the Rialto Police Department and cross-reported to CPS and the DA's office or copies of SCARs that were cross-reported by other mandated reporters to the Rialto Police Department. In addition, during the course of the audit, the city was unable to access historical electronic records for an extended period of time due to a system upgrade. There was a lack of time and staffing to search the master case files (electronic and paper) for each record to retrieve a copy of the SS 8583 Report Form. Consequently, we requested and the city was able to provide detailed SCAR case listings for FY 2003-04, FY 2007-08, and FY 2010-11. We worked with the city to devise a reasonable methodology for approximating the number of LEA-generated SCARs and non-mandate-related cases for each fiscal year to exclude from the total population. We calculated a weighted average based on the results of our testing.

For testing purposes, we judgmentally selected a non-statistical sample from the SCAR case listings by selecting every fourth case until a sample size of 20% was attained, totaling 151 SCAR cases (66 out of 328 in

FY 2003-04, 37 out of 186 in FY 2007-08, and 48 out of 242 in FY 2010-11) out of 756 to review. Based on our review of the FY 2003-04 SCAR cases, we found that of the 66 cases sampled, 13 were non-mandate-related and 53 were mandate-related; of the 53 mandate-related SCAR cases, 27 were LEA-generated, 12 were other agency-generated SCARs that were fully investigated, and 14 were other agency-generated SCARs that were only partially investigated. For FY 2007-08, we found that out of the 37 cases sampled, five were non-mandate-related and 32 were mandate-related; of the 32 mandate-related SCAR cases, 14 were LEA-generated, 14 were other agency-generated that were fully investigated, and four were other agency-generated SCARs that were only partially investigated. For FY 2010-11, we found that of the 48 cases sampled, eight were non-mandate-related and 40 were mandate-related; of the 40 mandate-related SCAR cases, 22 were LEA-generated, four were other agency-generated SCARs that were fully investigated, and 14 were other agency-generated SCARs that were only partially investigated.

Number of SCARS – Fully Investigated

We calculated a weighted average using the number of other agency-generated SCAR cases that were investigated, totaling 30 (12 for FY 2003-04, 14 for FY 2007-08, and four for FY 2010-11). We divided this amount by the number of mandate-related SCAR cases, totaling 125 (53 for FY 2003-04, 32 for FY 2007-08, and 40 for FY 2010-11). The weighted average for other agency-generated SCAR cases that were investigated during these fiscal years was 24.00%. The weighted average for non-mandate-related cases was 17.22%. We applied the weighted average percentage of 17.22% (non-mandate-related cases) to the number of SCAR cases claimed by fiscal year to calculate the total number of non-mandate-related SCAR cases. We subtracted the total number of non-mandate-related SCARs from the total number of SCARs claimed to calculate the number of mandate-related SCAR cases by fiscal year. We applied the weighted average percentage of 24.00% (other agency-generated SCAR cases that were fully investigated) to the total number of mandate-related SCAR cases by fiscal year to calculate the number of other agency-generated, mandate-related SCAR cases that were fully investigated. These calculations allowed us to determine the total allowable number of other agency-generated SCAR cases that were fully investigated by the Rialto Police Department.

After performing these calculations, we determined that 673 other agency-generated SCAR cases (out of 3,396 total SCAR cases) were fully investigated during the audit period. Therefore, the allowable number of other agency-generated SCARs investigated for the audit period totals 673.

The following table summarizes the total claimed, non-mandate and mandate-related cases; the percent of other agency-generated SCARs that were fully investigated and the allowable number of other agency-generated SCARs that were fully investigated; and the audit adjustment per fiscal year:

Fiscal Year	Claimed Number of SCARs Investigated (a)	Non-mandate-related Cases 17.22% (b) = (a) * 17.22%	Mandate-related Cases (c) = (a) - (b)	Percent of Other Agency-generated SCARS Fully Investigated (d)	Allowable Number of Other Agency-generated SCARs Fully Investigated (e) = (c) * (d)	Audit Adjustment (f) = (e) - (a)
1999-2000	249	43	206	24.00%	49	(200)
2000-01	257	44	213	24.00%	51	(206)
2001-02	265	46	219	24.00%	53	(212)
2002-03	224	39	185	24.00%	44	(180)
2003-04	326	56	270	24.00%	65	(261)
2004-05	319	55	264	24.00%	63	(256)
2005-06	314	54	260	24.00%	62	(252)
2006-07	293	50	243	24.00%	58	(235)
2007-08	186	32	154	24.00%	37	(149)
2008-09	256	44	212	24.00%	51	(205)
2009-10	223	38	185	24.00%	44	(179)
2010-11	242	42	200	24.00%	48	(194)
2011-12	242	42	200	24.00%	48	(194)
Total	3,396	585	2,811		673	(2,723)

Number of SCARs – Partially Investigated

Based on follow-up discussions with Police Department staff, we determined that for some of the SCAR cases where a full initial investigation was not performed, preliminary investigative activities did occur. The city suggested re-evaluating cases that were determined to be unallowable; we agreed to the city's suggestion. Based on supplemental case note information provided by the city, as well as discussions with Police Department staff, we determined that some of the cases that were originally determined to be unallowable should in fact be eligible for time spent conducting a partial initial investigation, to review the referral.

We calculated a weighted average using the total number of other agency-generated SCAR cases that were only partially investigated, totaling 32 (14 for FY 2003-04, four for FY 2007-08, and 14 for FY 2010-11). We divided this amount by the number of mandate-related SCAR cases, totaling 125 (53 for FY 2003-04, 32 for FY 2007-08, and 40 for FY 2010-11). The weighted average for other agency-generated SCAR cases that were only partially investigated for these fiscal years was 25.60%. The weighted average for non-mandate-related cases was 17.22%. We applied the weighted average percentage of 17.22% (non-mandate-related cases) to the total number of SCAR cases claimed by fiscal year to calculate the total number of non-mandate-related SCAR cases. We subtracted the total number of non-mandate-related SCARs from the total number of SCARs claimed to calculate the number of mandate-related SCAR cases by fiscal year. We applied the weighted average of 25.60% (other agency-generated SCAR cases that were only partially investigated) to the number of mandate-related SCAR cases to calculate the number of other agency-generated, mandate-related SCAR cases that were only partially

investigated. These calculations allowed us to determine the total allowable number of other agency-generated SCAR cases that were only partially investigated.

After performing these calculations, we determined that 719 other agency-generated SCAR cases (out of 3,396 total SCAR cases) were only partially investigated during the audit period. Therefore, the allowable number of other agency-generated SCARs that were only partially investigated for the audit period totals 719.

The following table summarizes the total claimed, non-mandate and mandate-related cases; the percent of other agency-generated SCARs that were only partially investigated and the allowable number of SCARs that were only partially investigated; and the audit adjustment per fiscal year:

Fiscal Year	Claimed Number of SCARs Investigated (a)	Non-mandate-related Cases 17.22% (b) = (a) * 17.22%	Mandate-related Cases (c) = (a) - (b)	Percent of Other Agency-generated SCARs – Partial Investigation Only (d)	Allowable Number of Other Agency-generated SCARs – Partial Investigation Only (e) = (c) * (d)	Audit Adjustment (f) = (e) - (a)
1999-2000	249	43	206	25.60%	53	(196)
2000-01	257	44	213	25.60%	55	(202)
2001-02	265	46	219	25.60%	56	(209)
2002-03	224	39	185	25.60%	47	(177)
2003-04	326	56	270	25.60%	69	(257)
2004-05	319	55	264	25.60%	68	(251)
2005-06	314	54	260	25.60%	67	(247)
2006-07	293	50	243	25.60%	62	(231)
2007-08	186	32	154	25.60%	39	(147)
2008-09	256	44	212	25.60%	54	(202)
2009-10	223	38	185	25.60%	47	(176)
2010-11	242	42	200	25.60%	51	(191)
2011-12	242	42	200	25.60%	51	(191)
Total	3,396	585	2,811		719	(2,677)

Time Increments

Claimed

The city claimed between 1.15 hours and 2.30 hours per case for a Police Officer classification to perform the initial investigation of every SCAR claimed, and between 35 minutes (0.58 hours) and 2.40 hours per case (for a cumulative total of 5.51 hours for the audit period) for a Sergeant classification to review and approve the written reports.

Allowable

The city provided a time study to support time spent by a Police Officer classification to perform the initial investigation on SCAR cases. The time study supported 2.24 hours for completing the initial investigation. The time study also included time increments of 1.04 hours for writing, editing, and forwarding reports; six minutes (0.10 hours) for reviewing unfounded reports; and seven minutes (0.12 hours) for reviewing substantiated and inconclusive reports. As discussed in Finding 3, the city claimed the time increments of 1.04 hours for writing, editing, and forwarding reports and

six to seven minutes for reviewing unfounded, substantiated, and inconclusive reports under the wrong cost component. During discussions with Police Department staff members, we advised them that time increments for these activities should not be claimed under the Forwarding the SS 8583 Report Forms to the Department of Justice cost component. However, we informed Police Department staff that we would reclassify these time increments to the correct cost component. As a result, the time increment of 2.24 hours for the Police Officer classification to perform the initial investigation and 1.04 hours to write and edit reports, and a combined total of 13 minutes (0.21 hours) for the Sergeant classification to review substantiated, inconclusive, and unfounded reports are allowable and applicable to those other agency-generated SCARs for which the Rialto Police Department completed and documented an investigation, totaling 673 SCARs during the audit period.

Additional Time Increment for SCARs – Review of Referral Only

Based on the information above, we determined that it was reasonable to allow partial investigation time for reviewing the Suspected Child Abuse Report (SS 8572 form) for SCAR cases that we determined were mandate-related and referred by CPS or other mandated reporters, for which the Police Department began but did not complete or document a full initial investigation. Based on interviews with Police Department staff, it takes the Police Officer classification 16 minutes (0.27 hours) on average to review a SS 8572 form. We determined that 16 minutes (0.27 hours) to perform this activity is allowable.

Hours Adjustment

The following table summarizes the claimed, allowable, and adjusted hours based on adjustments made to the number of SCAR cases that were referred by CPS and other mandated reporters, for which the Police Department completed and documented an investigation; the number of SCAR cases for which the Police Department reviewed the SS 8572 form but did not complete or document an investigation; and the allowable ATIs per SCAR case for the audit period:

Fiscal Year	Hours Claimed (a)	Hours Allowable (b)	Audit Adjustment (c) = (b) - (a)
1999-2000	563.52	185.90	(377.62)
2000-01	581.63	193.44	(388.19)
2001-02	600.17	201.15	(399.02)
2002-03	516.64	168.65	(347.99)
2003-04	730.24	245.48	(484.76)
2004-05	714.56	238.23	(476.33)
2005-06	708.39	235.34	(473.05)
2006-07	656.32	219.16	(437.16)
2007-08	416.64	139.66	(276.98)
2008-09	573.44	192.57	(380.87)
2009-10	499.52	166.25	(333.27)
2010-11	542.08	181.29	(360.79)
2011-12	277.76	181.29	(96.47)
Total	7,380.91	2,548.41	(4,832.50)

Criteria

The parameters and guidelines (section IV – Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part:

> 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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

The parameters and guidelines (section IV – B.3.a.1.) allow ongoing activities related to costs for reporting to the DOJ. For the following reimbursable activities:

> From July 1, 1999 to December 31, 2011, city and county police or sheriff's departments, county probation departments if designated by the county to receive mandated reports, and county welfare departments shall: (Pursuant to amendments to Penal Code section 11169(b) enacted by Statutes 2011, chapter 468 (AB 717), the mandate to report to DOJ for law enforcement agencies only ends on January 1, 2012. In addition, the duty for all other affected agencies is modified to exclude an "inconclusive" report.)
>
> 1) Complete an investigation for purposes of preparing the report
>
> Complete an investigation to determine whether a report of suspected child abuse or severe neglect is unfounded, substantiated or inconclusive, as defined in Penal Code section 11165.12, for purposes of preparing and submitting the state "Child Abuse Investigation Report" Form SS 8583 [emphasis added], or subsequent designated form, to the Department of Justice. (Penal Code section 11169(a) (Stats. 1997, ch. 842, § 5 (SB 644); Stats. 2000, ch. 916 (AB 1241); Stats. 2011, ch. 468, § 2 (AB 717)); Code of Regulations, Title 11, section 903; "Child Abuse Investigation Report" Form SS 8583.) Except as provided in paragraph below, this activity includes review of the initial Suspected Child Abuse Report (Form 8572), conducting initial interviews with parents, victims, suspects, or witnesses, where applicable, and making a report of the findings of those interviews, which may be reviewed by a supervisor.
>
> ***Reimbursement is not required in the following circumstances:***
>
> i. Investigative activities conducted by a mandated reporter to complete the Suspected Child Abuse Report (Form SS 8572) pursuant to Penal Code section 11166(a).
>
> ii. In the event that the mandated reporter is employed by the same child protective agency required to investigate and submit the "Child Abuse Investigation Report" Form SS 8583 or subsequent designated form to the Department of Justice, pursuant to Penal Code section 11169(a), reimbursement is not required if the investigation required to complete the Form SS 8572 is also sufficient to make the determination required under section

11169(a), and sufficient to complete the essential information items required on the Form SS 8583, pursuant to Code of Regulations, title 11, section 903 (Register 98, No. 29).

iii. Investigative activities undertaken subsequent to the determination whether a report of suspected child abuse is substantiated, inconclusive, or unfounded, as defined in Penal Code section 11165.12, for purposes of preparing the Form SS 8583, including the collection of physical evidence, the referral to a child abuse investigator, and the conduct of follow-up interviews.

The parameters and guidelines (section V.A.1. – Claim Preparation and Submission – Actual Costs Claims, Direct Cost Reporting) state:

1. Salaries and Benefits

   Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The ICAN Investigation Reports Program was suspended from FY 2015-16 through FY 2017-18. If the program becomes active again, we recommend that the city follow the mandated program claiming instructions and parameters and guidelines to ensure that claimed costs include only eligible costs are based on actual costs, and are properly supported.

City's Response

FINDING 2 – UNALLOWABLE SALARIES AND BENEFITS – REPORTING TO THE STATE DEPARTMENT OF JUSTICE: COMPLETE AN INVESTIGATION FOR PURPOSES OF PREPARING SS 8583 REPORT FORM COST COMPONENT

As previously discussed in response to Finding 1, the City mentioned concerns about misstatements made [in] the Draft Audit Report referencing systems used to query the data examined for this audit as well as the city's document availability to which SCO Audit Manager Lisa Kearney suggested providing revised language to best reflect systems and available data when responding to the SCO's official draft report so that it can be corrected and incorporated into the final report issued by the SCO.

The following are city's proposed corrections for Finding 2:

CITY'S PROPOSED CHANGE TO PAGE 16, SECOND PARAGRAPH, UNDER "CLAIMED" SUBHEADER (changes reflect the system names queried for this audit; changes from SCO original language are in **bold** for ease of identification):

"From FY 1999-2000 to FY 2001-02, the city was transitioning to **new dispatch and records management systems,** which did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying **both the Computer**

Aided Dispatch (CAD) System and the Records Management System (RMS). The city used the total number of SCAR cases in the SCAR summary document to compute the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components."

CITY'S PROPSED CHANGE TO PAGE 17, THIRD PARAGRAPH, UNDER "ALLOWABLE" SUB-HEADER

"In April 2017, the city was asked to begin providing SCAR case listings for us to randomly select for review. Due to a system upgrade preventing the city from accessing these historical electronic records, the audit was set back nearly five months before records could be fully accessed and submitted to us by the city. In the interest of time and to remain on track with audit deadlines, we selected FY 2003-04, FY 2007-08, and FY 2010-11 to serve as a representative sample of the audit period. The city as able to provide detailed SCAR case listings for each of these three fiscal years. We worked with the city to devise a reasonable methodology for approximating the number of LEA-generated SCARs and non-mandate-related cases for each fiscal year to exclude from the total population. Both parties agreed that we would calculate a weighted average based on the results of our testing as there was insufficient time and staffing to obtain detailed SCAR case listings for the remaining years."

The following are city's objections to Finding 2:

CITY'S OPOSITION TO FINDING 2 – NUMBER OF SCARS – FULLY INVESTIGATED

The SCO denied investigative costs for all substantiated/inconclusive Law Enforcement Generated (hereinafter "LEA-generated") cases that were fully investigated for purposes of reporting to the Department to of Justice (hereinafter "DOJ"). The SCO contends that these cases do not qualify for investigation or reporting writing (including supervisor review) despite the fact that almost 100% of the LEA-generated cases claimed were founded or inconclusive, therefore, requiring reporting to the DOJ. The SCO based the denial of costs on the following claiming wording of the Parameters and Guidelines (Section IV.B.3.a.1):

> ii. In the event that the mandated reporter is employed by the same child protective agency required to investigate and submit the "Child Abuse Investigation Report" Form SS 8583 or subsequent designated form to the Department of Justice, pursuant to Penal Code section 11169(a), reimbursement is not required if the investigation required to complete the Form SS 8572 is also sufficient to make the determination required under section 11169(a), and sufficient to complete the essential information items required on the Form SS 8583…"

The City firmly believes that it has adequately proven, through actual source documents and police staff interviews outlining investigative procedures, that the level of investigation performed to complete the SS 8583 exceeded that which was needed to cross report to CPS. A significant amount of time is spent to fully investigate an allegation of child abuse as is demonstrated with officer on-scene time logs, multiple officers assisting with the investigation, numerous parties being interviewed to determine the outcome of the allegation, written crime reports, etc. This level of effort would not have been required to simply

fill out the cross reporting form to notify CPS of a suspected child abuse that has been fully investigated, and in some instances, where the investigation has not yet begun.

The main objective of cross reporting to CPS (SS 8572) is to make the county aware of the alleged child abuse in order for CPS to assess if there is potential harm to the alleged victim(s) in the home.

The SS 8572 form is not required to be 100% completed to be accepted by CPS; only the reporting party and victim's basic information need to be included. An investigation does not need to be started or completed to obtain this information. As explained by Captain Wilson (and verified during subsequent officer interviews), the level of investigation required to complete SS 8572 is typically not sufficient to complete SS 8583. The SS 8572 generally involves talking to one person and gathering basic components of information. There are no requirements to first contract involved parties or conclude investigative findings before submitting the form.

However, in order to complete the SS 8583, and be accepted by the Department of Justice, a basic patrol level investigation must be completed. The SS 8583 has specific requirements that cannot be answered without first contacting parties involved:

- Section A – requires officer indicate if investigation is substantiated or inconclusive, this cannot be determined without completing an investigation (not required for SS 8572)
- Section C – officer must indicate if suspect was properly notified per PC 11169(b) regarding agency's requirement to notify DOJ of the subject being a suspected child abuse offender; investigation must be completed first (not required for SS 8572)
- Requires suspect's demographic information – date of birth, height, weight, eye color, hair color, social security number, driver's license number, and relationship to victim (most of these fields are not contained on SS 8572)

For a full list of the California Department of Justice's reporting components under SS 8583 that are not required to complete SS 8572, refer to http://ag.ca.gov/childabuse/pdf/8583guide.pdf. **The main requirement that exceeds SS 8572 is that a full, active, investigation must be completed** (pgs 2-4). A full investigation requires contact [with] not only a victim, but description/nature of injuries (not required under SS 8572). This guide further states that the form SS 8583 is to be sent to the DOJ only after the following four elements have been satisfied:

a) made investigative contacts

b) determined child abuse was not unfounded

c) confirmed the suspected abuse or neglect is reportable to the DOJ as stipulated in previously mentioned statutes

d) completed the investigation.

None of these elements are required for cross reporting. Therefore, to disallow all investigative costs for 100% of LEA-generated cases determined to be substantiated or inconclusive is unreasonable given that the source documents provided clearly support all the mandated

activities were performed in furtherance of Parameters and Guidelines Section IV.B.3.a.1.

The SCO accepted the merits of the City's arguments and advised it was allowing costs during the December 4, 2018, status conference call. These allowed investigative costs were at the agreed amount of 1.74 hours. However, the very next day, the decision was reversed via email with no explanation other than "after further review of the parameters and guidelines, the statement of decision, and the documentation we have to date, it is unclear that an investigation did in fact occur on LEA-generated cases (white cases)."

The City is aware that all decisions made to allow costs must be supported by the Parameters and Guidelines and Commission's Statement of Decision. Therefore, it is difficult to understand how those very same guidelines used to support the SCO allowing costs for LEA-generated cases on December 4, 2018, also justify denying costs on December 5, 2018. Despite numerous requests for specifics on what evidence is lacking in our documentation, the SCO has failed to provide them. The City can better assess the SCO's position if the SCO can point the City to specific sections of the Parameters and Guidelines and Statement of Decision that support their denial along with explanation of their interpretation of same language.

The City affirms it has provided actual evidence from CAD logs[1], written crime reports, officer interviews, and discussions supported by Captain [William] Wilson and Crime Analyst Jennifer Krutak that actual, eligible costs were incurred for the reimbursement components including:

- actual officer on-scene time to conduct the preliminary investigation
- number of officers on-scene conducting the preliminary investigation
- size and complexity of the written report
- number of parties interviewed including relationship to case and summary of statements

The City contends that all these factors demonstrate that the level of effort and time to conduct an investigation to complete SS 8583 exceeds that which would have been required to simply gather basic information to complete SS 8572 mandated reporter form.

Accordingly, it is the City's position that LEA-generated cases, determined to be substantiated or inconclusive, which have been allowed for forwarding the SS 8583 form to the DOJ (that showed more than one party was interviewed, as previously agreed by SCO on December 4, 2018) should also be allowed full investigative time, associated report writing time and supervisor review/approval.

CITY'S OPPOSITION TO FINDING 2 – NUMBER OF SCARS – PARTIALLY INVESTIGATED

[1] A CAD log (synonymous for call for service record) is used as a police department's first form of documentation when an officer is assigned to handle a patrol investigation. This is an entry to the Computer Aided Dispatch (CAD) system which logs basic information about a call for service: nature of alleged crime, officer assigned to investigation, date/time of call, location(s) involved, reporting/referring party, disposition of investigation as determined by officer. There is a corresponding CAD log for every investigation (substantiated/unfounded). Substantiated cases are followed by a formal written crime report in the Records Management System (RMS). Unfounded cases are closed out in the CAD system with no report to follow.

The SCO denied associated investigative costs stating, on page 21 of the draft report, that "the Police Department began but did not complete or document a full initial investigation" however, did allow time to review each referral. These reports were investigated by officers and determined to be unfounded. Because they were unfounded, no formal report was written to document the investigation once the call for service was closed. The SCO audit analysis spreadsheet identified these records in blue (calls for service).

The City would like to clarify, for the record, that the police department fully investigates all allegations of known or suspected child abuse. The SCO's statement that "a full initial investigation was not performed" is completely false, contradicts police policies and procedures, and is a violation of Penal Code statutes. It is impossible for an officer to determine the case as unfounded without completing an investigation.

Throughout this audit, there has been disagreement between the City and the SCO on what constitutes acceptable source documentation to support that an investigation took place in order for costs to be deemed allowable. The fact that the SCO is unwilling to accept the police department's call for service documents as adequate investigative support does not mean that "a full initial investigation was not performed."

The City explained that the process for documenting an unfounded incident varies significantly from a substantiated investigation, and the call for service record is procedural for serving as the only form of documentation. The only source document for these unfounded investigations is the CAD log (call for service record) created during the officer's initial investigation.

Despite lengthy review and discussions with police department staff on the procedures for documenting unfounded incidents in CAD, including confirmation from Support Services Captain William Wilson that a CAD log for an unfounded incident indicates that a preliminary investigation did, in fact occur, the SCO concluded to deny investigative costs.

The City disagrees with this conclusion for the following reasons:

1) **City produced actual and contemporaneously prepared documents** – Per the Parameters and Guidelines, "a source document is a document created at or near the same time the actual cost was incurred for the event or activity in question…may include, but are not limited to, employee time records or time logs…" The City believes that CAD logs provided for review meet this criteria and:
    - are electronic records created at the time the investigation took place
    - are valid source documentation to support investigative costs incurred by the City
    - are legal documents produced for Public Records Act and subpoena requests as well as used for official court purposes
    - provide actual officer on-scene time logs (defined as an example in the Commission's source documentation definition of the Parameters and Guidelines)

2) **City provided specific examples to support [that] an investigation occurred –** The records originally determined to be unallowable by the SCO were re-evaluated through a collaborative

process in November 2018. Each unallowed record was discussed in order for the city to present arguments as to why the record should be allowed for investigation time.

The City believes it provided ample justification to support that an investigation took place at the patrol level despite the minimal narrative comments contained in the CAD logs. Officer interviews conducted by the SCO, as well as clarification provided by Captain William Wilson and Crime Analyst Jennifer Krutak, further explained possible reasons why CAD log narratives would be minimal or lacking.

The following are examples of cases that were referred by other mandated reporters to the Rialto Police Department that were allowed for review of referral only but denied investigation time (redacted copies of the CAD logs are attached):

Record # 148: CPS referral – mother addicted to meth/not caring for children; officer made contact with alleged suspect and both children; determined "no signs of any abuse going on in house"

Record # 108: CPS referral – allegations of physical abuse/four children in home; officer comments indicate "advisal only, kids chk'd C4 custody battle between families"; in order for officer to give an advisal to the family and ascertain there was a custody issue and not abuse, he would have had to make contact with the subjects in the home (also contacted children based on comment in call)

Record # 24: CPS referral – mother on drugs/not feeding child/living in filthy conditions; officer made contact with alleged suspect and child; determined "no signs of neglect"

Record # 44: Hospital referral – child admitted with leg fracture; officer made contact with parent and doctor; determined "appears to be no sign of child abuse, no bruising, no sign of abuse, just fracture"

Record # 64: Hospital referral – child admitted with large bump on head; officer made contact with child, parent and doctor; determined "it is my opinion that the injury happened as explained…Dr. Thomas was also in agreement with my findings…I did not see any reason for CPS notification.

Although full incident reports were not written for the above allegations, there is still sufficient information documented in the CAD logs to determine that contact was made with at least one party, satisfying the investigation requirements of the mandate, providing this activity did take place.

3) **City followed Level 2 Investigation accepted by the Commission on State Mandates –** The Rialto Police Department's practice not to document unfounded investigations of child abuse with a formal incident report complies with the Commission's ruling to accept varying levels of investigation presented by the test claimant, LA County, in the Statement of Decision adopted on December 6, 2013.

   Pages 24-25 of the Statement of Decision describe three basic types of investigation. In the Level 2 Investigation (most common), "Patrol Officer Investigation, No Child Abuse," LA County outlined eight steps for initiating/completing an investigation of child abuse where the outcome was deemed no child abuse/unfound:

a. Officer receives, prints or transcribes child abuse reports (SCARs or calls-for-service) from the public, cross-reporting agency department, and mandated reporters

b. Officer processes child abuse report into agency's tracking system

c. Officer reviews report and assigns for appropriate follow-up investigation

d. Patrol officer receives call-for-service and acknowledges call

e. Patrol officer conducts preliminary interview with child/children

f. Patrol officer conducts preliminary interviews with parents, siblings, witnesses, and/or suspect(s)

g. Patrol officer enters findings into agency's systems (ends call in computer aided system and documents findings)

h. Supervising officer reviews investigation findings and approves closure of the report indicating no child abuse.

**it should be noted that step H does not apply to the Rialto Police Department – the patrol officer is authorized to close the report in the computer aided system without the supervisor review using his/her discretion of the proper use of call disposition (unfounded, necessary action taken, etc.)*

Steps a – g are the same procedures the Rialto Police Department follows for investigating and documenting its unfounded allegations of child abuse, where the computer aided dispatch record serves as the final source document (no written report follows).

A comparison of Level 2 (No Child Abuse) and Level 3 (Reported CACI Investigation) investigations, Step 7, shows that the only difference is in documentation where a Level 3 investigation (determined to be substantiated or inconclusive) requires an officer to write a report; this is <u>not</u> required for Level 2 investigation (unfounded) that ends at the closure of the CAD call.

In addition to the above, the Parameters and Guidelines, Section IV.B.3.a.1, state that the time to "Complete an investigation to determine whether a report of suspected child abuse or severe neglect is unfounded, substantiated or inconclusive" is reimbursable. This activity includes, "…conducting initial interviews with parents, victims, suspects or witnesses, **<u>where applicable,</u>** and making a report of the finding of those interviews."

The wording above "where applicable," shows that an investigation may or may not require interview with parties. Although the City of Rialto still affirms that officers contacted at least one party for all mandate-related cases claimed for investigative costs, to require documented proof that an interview <u>always</u> occurred contradicts the statement above by the Commission.

The key point to consider is that the Commission only requires that a documentation of the investigative finding take place at the closure of the call (Level 2 Investigation, Step 7). The officer's call disposition and/or call notes, however minimal, meet this very objective; the disposition of unfounded reflects the officer's observations, interviews and overall conclusions as a result of conducting an investigation. Not

having a detailed narrative report should not nullify reimbursement for the eligible preliminary investigative procedure.

Accordingly, it is the City's position that records allowed for review of referral only should be eligible for full investigative time as the City has provided ample source documentation to support that an initial investigation, in compliance with the mandate, occurred. It would be impossible, and negligent, for an officer to conclude an outcome of unfounded without first contacting involved parties to gather necessary facts to make a determination of the allegation of abuse. The fact that an unfounded investigation is not documented identically as a substantiated investigation (allowed by SCO) does not negate that the investigative activity took place, and therefore, costs should be allowed.

CITY'S OPPOSITION TO FINDING 2 – ALLOWABLE TIME INCREMENTS – PAGE 20

The SCO accepted the City's time study supporting 2.24 hours for completing an initial investigation and applied this to SCARs allowed for full investigation (673 cases total). The SCO also allowed review of referral as this is a mandate activity and [the SCO] believes the time spent to review the referral is inclusive of the investigation time of 2.24 hours.

The City disagrees with this interpretation for the following reasons:

1) **Intake of referral occurs <u>before</u> investigation begins** – either by reading SS 8572 submitted by other mandated reporter or talking to mandated reporter over the phone

2) Officer interviews with SCO indicated review of referral takes place prior to officer being assigned to handle child abuse investigation

3) It is clear from the Rialto Police Department Memorandum dated May 22, 2014 (copy attached) and officer interviews that the time spent to review and log the SCAR referral was not part of the initial time study documenting investigation time, but is a separate, allowable, activity.

   Instructions provided to complete time study were specific to logging time spent to:

   a. conduct an investigation
   b. write report
   c. complete SS 8583 form
   d. supervisor review/approval

The City asserts that including the time increment for accepting/reviewing the SCAR referral as part of the 2.24 hours of allowable time for those cases fully investigated is inappropriate and unfair. A more equitable conclusion is to allow the time increment for accepting/reviewing the SCAR referral to be added to the 2.24 hours for all cases allowed for investigation (review time plus investigation time).

CITY'S OPPOSITION TO FINDING 2 – ADDITIONAL TIME INCREMENT FOR SCARS – REVIEW OF REFERRAL ONLY

The SCO determined that 16 minutes is allowable to perform the mandated activity of an officer to review the Suspected Child Abuse Report (SS 8572 form) referral. This time was based on interviews conducted with officers whose responses yielded the following:

- Officer 1 – takes 10 to 15 minutes to review SCAR form (this averages to 13 minutes)
- Officer 2 – takes 20 to 25 minutes to review SCAR form (this averages to 23 minutes)
- **Combined average to review SCAR form = 17.5 minutes**

Based on the above factual data, the City requests that the SCO correct the allowable review of referral time from 16 minutes to 17.5 minutes based on the combined average determined as a result of the interview statements provided by both officers.

SCO Comment

The audit adjustment and recommendation for the Complete an Investigation cost component remain unchanged.

We will address the city's response in the same order that it was presented.

The second paragraph on page 21 of this audit report has been revised per the city's request.

The fifth paragraph on page 21 of this audit report has been revised to reflect minor edits requested by the city.

The city strongly disagrees with the denial of investigative costs for LEA-generated cases. The city argues that the SCO's claiming instructions and parameters and guidelines clearly specify that reimbursement is allowable if the level of investigation performed to complete the SS 8583 Report Form exceeds that which is required to complete the SS 8572 Form. The city claims that the documentation provided to support other agency-generated cases was determined to be allowable by the SCO while equivalent documentation to support LEA-generated cases was denied. In addition, the city asserts that the investigative steps taken by police officers were the same for LEA-generated cases that the SCO determined were unallowable and other-agency generated cases that were allowable.

The city maintains that—through actual source documents, including CAD logs and written crime reports, police officer interviews, and discussions with Captain William Wilson and Crime Analyst Jennifer Krutak—the city has demonstrated that the level of investigation exceeded the basic requirements needed to complete the SS 8572 Form, and that the level of investigation required to complete a SS 8572 Form is not sufficient to complete the SS 8583 Report Form. The city contends that it incurred eligible costs for LEA-generated cases and reimbursement should be allowed for full investigative and report writing time and supervisory review and approval. The city is requesting the following:

- 1.74 hours for a Police Officer classification to perform the initial investigation on LEA-generated cases

- 1.04 hours for a Police Officer classification to write a report on LEA-generated cases that were investigated

- Seven minutes (0.12 hours) for a Sergeant classification to review and approve the written reports

The Commission's Statement of Decision, pages 40 through 42, discusses in detail what activities are and are not reimbursable when a mandated reporter (Police Department, County Welfare, and Probation Department) is also the investigating agency. Per PC section 11166(a), a mandated reporter is already compelled by the nature of his/her duty to report instances of suspected child abuse via the SS 8572 form. No higher level of service is mandated and, therefore, the duty to investigate under PC section 11166(a) is not reimbursable. Furthermore, the level of investigation performed by the mandated reporter to gather the necessary information for completing the SS 8572 form is frequently sufficient to complete form SS 8583 Report Form.

Page 41 of the Statement of Decision states the following:

> The precise scope of this investigative duty is not specified, but all mandated reporters are expected to employ the Form SS 8572 to report suspected child abuse… This duty is triggered whenever the mandated reporter, in his or her professional capacity or within the scope of his or her employment, has knowledge of or observes a child whom the mandated reporter knows or reasonably suspects has been the victim of child abuse or neglect. Given the scope of employment within a law enforcement agency, county probation department, or county welfare agency generally includes investigation and observation for crime prevention, law enforcement and child protection purposes, information may be obtained by an employee which triggers the requirements of 11166(a), and ultimately leads to an investigation and report to DOJ under section 11169(a). Ultimately, some of the same information to satisfy the reporting requirements of section 11169 and the DOJ regulations may be obtained in the course of completing a mandated reporter's (non-reimbursable) duties under section 11166(a)

Page 42 of the Statement of Decision states the following:

> The test claim statement of decision approved only Code of Regulations, title 11, section 903 as amended by Register 98, No. 29, which adopted the Form SS 8583, and required that only "certain information items…must be completed." Those information items, as discussed above, impose a very low standard of investigation for reporting to DOJ regarding instances of known or suspected child abuse.

The Statement of Decision emphasizes that a mandated reporter who is an employee of a child protective agency already has a greater responsibility to investigate when he/she has suspicions of child abuse. The Statement of Decision states, "[t]herefore, the regulations and statutes approved in the test claim statement of decision impose very little beyond what would otherwise be expected of a mandated reporter." The threshold of what makes the SS 8583 Report Form retainable is relatively low. Investigative work performed to identify suspects or gather proof for criminal charges is not necessary to complete the SS 8583 Report Form.

The Statement of Decision also states:

> [t]herefore, any investigation conducted by an employee of a county law enforcement agency, county welfare department, or county probation department, *prior to the completion of a Form SS 8572 under section 11166(a),* is not reimbursable under this mandated program. If the Form SS 8572 is *completed by an employee of the same agency, and the information contained in the* Form SS 8572 *is sufficient to make the determination and complete the essential information items required by section 11169 and the regulations*, then no further investigation is reimbursable.

Additionally, the Commission, when crafting the Statement of Decision, was aware of the potential of over-claiming when a mandated reporter is also the investigating agency. Page 40 of the Statement of Decision states, "the parameters and guidelines must be crafted to avoid over-claiming when the mandated reporter in a particular case is also an employee of the child protective agency that will complete the investigation under section 11169."

The city did not provide supporting documentation for all of its costs claimed, which is not consistent with the rules in place when the claims were filed. The documentation requirements for the city's mandated cost claims are contained within the parameters and guidelines adopted by the Commission on December 6, 2013.The parameters and guidelines require that all costs claimed be traceable to source documents that show evidence of the validity of such costs and their relationship to this mandate.

The city is responsible for maintaining documentation for the period the claims were subject to audit. However, the Rialto Police Department staff advised us that some of the supporting documentation has been destroyed, (specifically SS 8572 forms) as the term specified in the record retention policy for these forms had expired. Additionally, the city was unable to retrieve copies of the SS 8583 Report Forms, due to a lack of time and staffing necessary to search the master case files (electronic and paper) for each record. The city contends that the documentation provided to support the LEA-generated cases is equivalent to the documentation provided and accepted to support eligible reimbursement costs for other agency-generated cases.

However, the SCO is not required to make a determination on other agency-generated cases because the SS 8572 Forms are completed by another mandated reporter and cross-reported to the Rialto Police Department. The city is the mandated reporter for LEA-generated cases and must complete the SS 8572 Forms for these cases. Although the term specified in the city's record retention policy had expired for maintaining copies of the SS 8572 Forms, the city advised us that there was a possibility of obtaining copies of the SS 8572 Forms from CPS. However, the SCO did not receive copies of the SS 8572 Forms from CPS. As the SS 8572 Forms were not available to review, the SCO is unable to make a determination regarding whether the SS 8572 Forms were in fact completed and cross-reported to CPS and the DA's office.

Additionally, if the SS 8572 Forms were completed and cross-reported to CPS and the DA's office, SCO is unable to confirm that an investigation

occurred prior to the completion of the SS 8572 Forms. Costs are ineligible for reimbursement if an investigation occurred prior to completion of the SS 8572 Forms. Costs are also ineligible for reimbursement if information obtained by the mandated reporter through the completion of the SS 8572 Forms was sufficient to make the determination and complete the essential information items required by PC section 11169.

Without being able to review the SS 8572 Forms completed by the city, the SCO is unable to determine whether the city was able to obtain sufficient information to make a determination and complete the essential information items required by PC section 11169. In addition, although the investigative steps performed by the city's police officers may have been the same for both the LEA-generated and other agency-generated cases, the city did not provide completed SS 8583 Report Forms for our review. For this particular component, the reimbursable activity is to complete an investigation *"for purposes of"* [emphasis added] preparing an SS 8583 Report Form.

Although the city provided additional documentation with the actual CAD logs, written crime reports, police officer interviews, and discussions with Captain William Wilson and Crime Analyst Jennifer Krutak, the city was unable to provide SS 8572 Forms and SS 8583 Report Forms—as required by the mandate for reporting purposes—for the SCO to review. As a result, we were unable to confirm whether the city performed eligible reimbursable activities on LEA-generated cases. Therefore, costs associated with investigation, report writing, and supervisory review and approval of LEA-generated cases are ineligible for reimbursement.

The city disagrees with the denial of the associated investigative costs for the SCAR cases that were determined to be partially investigated. The city contends that the SCAR cases that the SCO identified as "partially investigated" were investigated by officers and determined to be unfounded. The city maintains that no formal report was written to document the investigation once the call for service was closed. The city asserts that although the SCO is unwilling to accept the police department's call for service documents as adequate investigative support does not mean a full investigation was not performed.

The city maintains that the process for documenting an unfounded incident varies significantly from substantiated investigation, and the call for service record is procedural for serving as the only form of documentation. The city contends that the only source document for these unfounded investigations is the CAD log (call for service record) created during the officer's initial investigation. The city argues that it has provided ample justification to support that an investigation took place, and provided examples of other agency-generated cases referred to the Rialto Police Department, which the SCO allowed as partially-investigated SCAR cases. The city is seeking full reimbursement for investigative costs related to these SCAR cases determined to be partially investigated. The city maintains that there is sufficient information documented in the CAD logs to show that an investigation occurred and, therefore, costs should be allowable.

For this particular component, the reimbursable activity is to complete an investigation "*for purposes of*" [emphasis added] preparing an SS 8583 Report Form. The documentation provided does not support that the city prepared a written report to document the findings of the interviews. Although unfounded reports are not filed with the DOJ, one of the reimbursable activities in this cost component is making a report of the findings of the interviews. The city asserts that the no formal reports are written for unfounded cases. During our interviews conducted on November 29 and 30, 2018, with Captain William Wilson and Crime Analyst Jennifer Krutak, we requested that the city provide a copy of the city's policies and procedures (Police Report Manual) for the audit period to support the city's position that cases with a call disposition of unfounded or necessary action taken do not require a written police report to be completed.

The city has yet to provide the requested documentation. Therefore, the city has not provided sufficient source documentation to show that these SCAR cases, which were determined to be partially investigated, warrant full investigative reimbursement costs. The SCO is unable to rely upon the CAD log (call for service records) as adequate source documentation to support eligible reimbursable costs. Therefore, the city's request for investigation time for cases with a call disposition of "unfounded" or "necessary action taken," with only a CAD log as supporting documentation, is unsupported and unallowable. As a result, the reimbursable costs allowed for these partially investigated SCAR cases remains unchanged.

Time Increment – Fully Investigated

The city asserts that the SCO included the time increment of reviewing the SS 8572 Form as part of the 2.24 hours of allowable investigation time for other agency-generated SCARS that were fully investigated. However, this is an inaccurate statement. The SCO did not include the time increment of reviewing the SS 8572 Form as part of the 2.24 hours of allowable investigation time for other agency-generated SCARs that were fully investigated because the time increment to review the SS 8572 Form was not claimed. The city is requesting that the SCO allow the time increment of 2.24 hours of investigation time for other agency-generated cases and 17.5 minutes (0.29 hours) to review the SS 8572 Forms for the other agency-generated SCARs that were fully investigated. The city did not claim costs for reviewing the SS 8572 Forms or time associated with performing this activity. Therefore, the city's request to allow 17.5 minutes (0.29 hours) to review the SS 8572 Forms for the other agency-generated cases is out of scope for this audit and is unallowable. As a result, there is no impact on the costs claimed, and therefore, nothing to "restore."

Time Increment – Partially Investigated

For SCAR cases where a full initial investigation was not performed, preliminary investigative activities did occur. Therefore, the SCO conducted interviews with Police Officers to determine the time associated with reviewing a SS 8572 Form for SCARs that were partially investigated. The city disagrees with the time increment of 16 minutes

(0.27 hours) for a Police Officer classification to review a SS 8572 Form for SCARs that were partially investigated. For the cases that were determined not to have been fully investigated, the SCO determined that it would be reasonable to allow time spent conducting a partial initial investigation, to review the referral. The city contends that the time was based on officer interviews conducted that resulted in a combined average of 17.5 minutes (0.29 hours). The SCO conducted interviews with Police Officers on November 27 and 28, 2018, which resulted in the following:

- Police Officer 1 – takes 10 minutes to review a SS 8572 Form
- Police Officer 2 – takes 20 to 25 minutes to review a SS 8572 Form

Based on our interviews, we determined that 16 minutes (0.27 hours) to review a SS 8572 Form is allowable for SCARs that were partially investigated. As a result, the city's request to apply the time increment of 17.5 minutes (0.29 hours) to review SS 8572 Forms is unsupported and unallowable.

FINDING 3— Unallowable salaries and benefits – Reporting to the State Department of Justice: Forwarding the SS 8583 Report Forms to the Department of Justice cost component

The city claimed $195,719 in salaries and benefits for the Forwarding the SS 8583 Report Forms to the Department of Justice cost component during the audit period. During testing, we found that $38,875 is allowable and $156,844 is unallowable. Costs claimed are unallowable because the city misinterpreted the program's parameters and guidelines. As a result, the city estimated and overstated the number of hours spent performing the mandated activity, and neglected to base costs on the actual number of eligible SS 8583 report forms that were prepared and submitted to the DOJ.

The following table summarizes the claimed, allowable, and adjusted salaries and benefits costs related to the Forwarding the SS 8583 Report Forms to the Department of Justice cost component for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	$ 11,747	$ 2,257	$ (9,490)
2000-01	12,157	2,314	(9,843)
2001-02	12,975	2,481	(10,494)
2002-03	10,169	2,018	(8,151)
2003-04	16,110	3,070	(13,040)
2004-05	20,274	3,841	(16,433)
2005-06	19,367	3,703	(15,664)
2006-07	18,121	3,391	(14,730)
2007-08	11,687	2,199	(9,488)
2008-09	17,361	3,229	(14,132)
2009-10	15,811	2,912	(12,899)
2010-11	18,888	3,476	(15,412)
2011-12	11,052	3,984	(7,068)
Total	$ 195,719	$ 38,875	$ (156,844)

Number of SS 8583 Forms Forwarded to the DOJ

Claimed

For the audit period, the city claimed the SCAR case count totals in the city's SCAR summary document. The SCAR summary document identifies the total number of SCAR cases that the city worked on during each fiscal year of the audit period. For FY 1999-2000 through FY 2001-02, the number of SCAR cases identified in the SCAR summary document was based on estimates.

From FY 1999-2000 to FY 2001-02, the city was transitioning to new dispatch and records management systems that did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying both the CAD System and the RMS. The city used the total number of SCAR cases in the SCAR summary document to compute the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components.

Allowable

This component provides reimbursement for costs associated with preparing and submitting the SS 8583 form to the DOJ for every case in which the Rialto Police Department investigated known or suspected child abuse or severe neglect, and which it determined to be substantiated or inconclusive.

Our audit found that the SCAR case count totals in the SCAR summary document were inaccurate counts to use for this cost component. The SCAR summary document included cumulative totals of all SCARs that the Rialto Police Department worked on during the audit period. The SCAR summary document included cases of known or suspected child abuse or severe neglect that were determined to be unfounded after the Rialto Police Department investigated them; cases that were only partially investigated (only the referral was reviewed); and non-mandate-related cases.

During the course of the audit, the city was unable to access historical electronic records for an extended period of time due to a system upgrade. There was a lack of time and staffing to search the master case files (electronic and paper) for each record to retrieve a copy of the SS 8583 Report Form. Consequently, we requested and the city was able to provide detailed SCAR case listings for FY 2003-04, FY 2007-08, and FY 2010-11. We worked with the city to devise a reasonable methodology for approximating the number of LEA-generated SCARs and non-mandate-related cases for each fiscal year to exclude from the total population. We calculated a weighted average based on the results of our testing.

For testing purposes, we judgmentally selected a non-statistical sample from the SCAR case listings by selecting every fourth case until a sample size of 20% was attained, totaling 151 SCAR cases (66 out of 328 in FY 2003-04, 37 out of 186 in FY 2007-08, and 48 out of 242 in FY 2010-11) out of 756 to review. Based on our review of the FY 2003-

04 SCAR cases, we found that of the 66 cases sampled, 13 were non-mandate-related and 53 were mandate-related; of the 53 mandate-related SCAR cases, 27 were LEA-generated and 26 were other agency-generated. For FY 2007-08, we found that of the 37 cases sampled, five were non-mandate-related and 32 were mandate-related; of the 32 mandate-related SCAR cases, 14 were LEA-generated and 18 were other agency-generated. For FY 2010-11, we found that of the 48 cases sampled, eight were non-mandate-related and 40 were mandate-related; of the 40 mandate-related SCAR cases, 22 were LEA-generated and 18 were other agency-generated.

Number of SCARs – LEA-generated

We calculated a weighted average using the total number of LEA-generated SCAR cases, totaling 63 (27 for FY 2003-04, 14 for FY 2007-08, and 22 for FY 2010-11). We divided this amount by the number of mandate-related SCAR cases, totaling 125 (53 for FY 2003-04, 32 for FY 2007-08, and 40 for FY 2010-11). The weighted average of LEA-generated SCAR cases for these fiscal years was 50.40%. The weighted average of non-mandate-related cases was 17.22%. We applied the weighted average percentage of 17.22% (non-mandate-related SCAR cases) to the total number of SCAR cases claimed by fiscal year to calculate the total number of non-mandate-related SCAR cases. We subtracted the total number of non-mandate-related SCARs from the total number of SCARs claimed to calculate the number of mandate-related SCAR cases by fiscal year. We applied the weighted average percentage of 50.40% (LEA-generated SCAR cases) to the total number of mandate-related SCAR cases by fiscal year to calculate the total number of mandate-related SCAR cases that were LEA-generated. These calculations allowed us to determine the total allowable number of LEA-generated SCAR cases.

To determine the total number of LEA-generated SCAR cases that were determined to be substantiated or inconclusive, we calculated a weighted average. We used the total number of LEA-generated SCAR cases that were determined to be substantiated or inconclusive, totaling 50 (22 for FY 2003-04, 12 for FY 2007-08, and 16 for FY 2010-11). We divided this amount by the number of LEA-generated cases, totaling 63 (27 for FY 2003-04, 14 for FY 2007-08, and 22 for FY 2010-11). The weighted average of LEA-generated SCAR cases that were determined to be substantiated or inconclusive for these fiscal years was 79.37%. We applied 79.37% to the allowable number of LEA-generated SCAR cases to determine the allowable number of SS 8583 forms prepared and submitted to the DOJ.

After performing these calculations, we determined that 1,125 LEA-generated SCAR cases (out of 3,396 total SCAR cases) were determined to be substantiated or inconclusive after the Rialto Police Department investigated them during the audit period. Therefore, the allowable number of LEA-generated SCAR cases that were substantiated or inconclusive for the audit period totals 1,125.

The following table summarizes the total claimed, non-mandate-related and mandate-related cases; the percent of LEA-generated SCARs and the allowable number of LEA-generated SCARs; the percent of SS 8583 forms that were LEA-generated and the allowable number of SS 8583 forms that were LEA-generated; and the audit adjustment per fiscal year:

Fiscal Year	Claimed Number of SCARs Investigated (a)	Non-mandate-related Cases 17.22% (b) = (a) * 17.22%	Mandate-related Cases (c) = (a) - (b)	Percent of LEA-generated SCARs (d)	Allowable Number of LEA-generated SCARs (e) = (c) * (d)	Percent of SS 8583 Forms Prepare/Submit LEA-Generated (f)	Allowable SS 8583 Forms Prepare/Submit LEA-Generated (g) = (e) * 79.37%	Audit Adjustment (h) = (g) - (a)
1999-2000	249	43	206	50.40%	104	79.37%	83	(166)
2000-01	257	44	213	50.40%	107	79.37%	85	(172)
2001-02	265	46	219	50.40%	110	79.37%	87	(178)
2002-03	224	39	185	50.40%	93	79.37%	74	(150)
2003-04	326	56	270	50.40%	136	79.37%	108	(218)
2004-05	319	55	264	50.40%	133	79.37%	106	(213)
2005-06	314	54	260	50.40%	131	79.37%	104	(210)
2006-07	293	50	243	50.40%	122	79.37%	97	(196)
2007-08	186	32	154	50.40%	78	79.37%	62	(124)
2008-09	256	44	212	50.40%	107	79.37%	85	(171)
2009-10	223	38	185	50.40%	93	79.37%	74	(149)
2010-11	242	42	200	50.40%	101	79.37%	80	(162)
2011-12	242	42	200	50.40%	101	79.37%	80	(162)
Total	3,396	585	2,811		1,416		1,125	2,271

Number of SCARs – Other Agency-Generated

We calculated a weighted average using the total number of other agency-generated SCAR cases, totaling 30 (12 for FY 2003-04, 14 for FY 2007-08, and four for FY 2010-11). We divided this amount by the number of mandate-related SCAR cases, totaling 125 (53 for FY 2003-04, 32 for FY 2007-08, and 40 for FY 2010-11). The weighted average of other agency-generated SCAR cases for these fiscal years was 24.00%. The weighted average of non-mandate-related cases was 17.22%. We applied the weighted average percentage of 17.22% (non-mandate-related cases) to the total number of SCAR cases claimed by fiscal year to calculate the total number of non-mandate-related SCAR cases. We subtracted the total number of non-mandate-related SCARs from the total number of SCARs claimed to calculate the number of mandate-related SCAR cases by fiscal year. We applied the weighted average percentage of 24.00% (other agency-generated SCAR cases) to the total number of mandate-related SCAR cases by fiscal year to calculate the number of mandate-related SCAR cases that were other agency-generated. These calculations allowed us to determine the total allowable number of other agency-generated SCAR cases.

We then calculated a weighted average of the total number of other agency-generated SCAR cases that were determined to be substantiated or inconclusive. We used the number of other agency-generated SCAR cases that were determined to be substantiated or inconclusive, totaling 23 (eight for FY 2003-04, 12 for FY 2007-08, and three for FY 2010-11). We divided this amount by the number of other agency-generated cases,

totaling 30 (12 for FY 2003-04, 14 for FY 2007-08, and four for FY 2010-11). The calculated weighted average of other agency-generated SCAR cases that were determined to be substantiated or inconclusive for these fiscal years was 76.67%. We applied 76.67% to the allowable number of other agency-generated SCAR totals to determine the allowable number of SS 8583 forms prepared and submitted to the DOJ.

After performing these calculations, we determined that 517 other agency-generated SCAR cases (out of 3,396 total SCAR cases) were determined to be substantiated or inconclusive after the Rialto Police Department investigated them during the audit period. Therefore, the allowable number of other agency-generated SCAR cases that were substantiated or inconclusive for the audit period totals 517.

The following table summarizes the total claimed, non-mandate-related and mandate-related cases; the percent of other agency-generated SCARs and the allowable number of other agency-generated SCARs; the percent of other agency-generated SS 8583 forms and the allowable number of other agency-generated SS 8583 forms that were prepared and submitted to the DOJ; and the audit adjustment per fiscal year:

Fiscal Year	Claimed Number of SCARs Investigated (a)	Non-mandate-related Cases 17.22% (b) = (a) * 17.22%	Mandate-related Cases (c) = (a) - (b)	Percent of Other Agency-generated SCARs (d)	Allowable Number of Other Agency-generated SCARs (e) = (c) * (d)	Percent of SS 8583 Forms Prepare/Submit Other Agency (f)	Allowable SS 8583 Forms Prepare/Submit Other Agency (g) = (e) * 76.67%	Audit Adjustment (h) = (g) - (a)
1999-2000	249	43	206	24.00%	49	76.67%	38	(211)
2000-01	257	44	213	24.00%	51	76.67%	39	(218)
2001-02	265	46	219	24.00%	53	76.67%	41	(224)
2002-03	224	39	185	24.00%	44	76.67%	34	(190)
2003-04	326	56	270	24.00%	65	76.67%	50	(276)
2004-05	319	55	264	24.00%	63	76.67%	48	(271)
2005-06	314	54	260	24.00%	62	76.67%	48	(266)
2006-07	293	50	243	24.00%	58	76.67%	44	(249)
2007-08	186	32	154	24.00%	37	76.67%	28	(158)
2008-09	256	44	212	24.00%	51	76.67%	39	(217)
2009-10	223	38	185	24.00%	44	76.67%	34	(189)
2010-11	242	42	200	24.00%	48	76.67%	37	(205)
2011-12	242	42	200	24.00%	48	76.67%	37	(205)
Total	3,396	585	2,811		673		517	2,879

Time Increments

Claimed

The city claimed between 59 minutes (0.98 hours) and 1.04 hours per case for a Police Officer classification to write, prepare, and forward written reports and between six and seven minutes (0.11 hours to 0.12 hours) for a Sergeant classification to review and approve written reports. These time increments were included in the Forwarding the SS 8583 Report Forms to the Department of Justice cost component, although they should have been claimed under the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component. We informed the city of this discrepancy during the audit, as discussed in Finding 2.

Allowable

As a result of the time increments for this cost component being allocated to the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component, we needed to determine the time increments associated with preparing and submitting the SS 8583 forms to DOJ. We interviewed a Police Records Supervisor and a Police Records Assistant II from the Rialto Police Department to obtain an understanding of the city's processes for preparing and submitting the SS 8583 forms to the DOJ. Based on our discussions with Police Department staff members, we determined that it takes a Police Officer classification 24 minutes (0.40 hours) ATI to prepare a SS 8583 form and a Police Records Assistant I/II classification seven minutes (0.12 hours) ATI to submit a SS 8583 form to the DOJ. We determined that the allowable ATIs for these classifications to prepare and submit the SS 8583 forms to the DOJ total 0.52 hours.

Hours Adjustment

The following table summarizes the claimed, allowable, and adjusted hours based on the adjustments made to the number of SS 8583 forms submitted to the DOJ and the allowable ATIs to prepare and submit each SS 8583 form to the DOJ for the audit period:

Fiscal Year	Hours Claimed (a)	Hours Allowable (b)	Audit Adjustment (c) = (b) - (a)
1999-2000	282.25	62.92	(219.33)
2000-01	291.91	64.48	(227.43)
2001-02	300.39	66.56	(233.83)
2002-03	245.21	56.16	(189.05)
2003-04	377.07	82.16	(294.91)
2004-05	368.98	80.08	(288.90)
2005-06	358.57	79.04	(279.53)
2006-07	338.90	73.32	(265.58)
2007-08	215.14	46.80	(168.34)
2008-09	296.11	64.48	(231.63)
2009-10	257.94	56.16	(201.78)
2010-11	279.91	60.84	(219.07)
2011-12	143.43	60.84	(82.59)
Total	3,755.81	853.84	(2,901.97)

Criteria

The parameters and guidelines (section IV – Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part:

> 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. A source document is a document created at or near the same time the actual cost was

> incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

The parameters and guidelines (section IV-B.3.a.2.) allow ongoing activities related to costs for reporting to the DOJ for the following reimbursable activities:

> 2) Forward [SS 8583] reports to the Department of Justice
>
> Prepare and submit to the Department of Justice a report in writing of every case it investigates of known or suspected child abuse or severe neglect which is determined to be substantiated or inconclusive, as defined in Penal Code section 11165.12. Unfounded reports, as defined in Penal Code section 11165.12, shall not be filed with the Department of Justice. If a report has previously been filed which subsequently proves to be unfounded, the Department of Justice shall be notified in writing of that fact. The reports required by this section shall be in a form approved by the Department of Justice (currently form 8583) and may be sent by fax or electronic transmission. (Penal Code section 11169(a) (Stats. 1997, ch. 842, § 5 (SB 644); Stats. 2000, ch. 916 (AB1241); Stats. 2011, ch. 468, § 2 (AB 717)); Code of Regulations, Title 11, section 903; "Child Abuse Investigation Report" Form SS 8583).
>
> This activity includes costs of preparing and submitting an amended report to DOJ, when the submitting agency changes a prior finding of substantiated or inconclusive to a finding of unfounded or from inconclusive or unfounded to substantiated.
>
> ***Reimbursement is not required for the costs of the investigation required to make the determination to file an amended report.***

The parameters and guidelines (section V.A.1. – Claim Preparation and Submission – Actual Costs Claims, Direct Cost Reporting) state:

> 1. Salaries and Benefits
>
> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The ICAN Investigation Reports Program was suspended from FY 2015-16 through FY 2017-18. If the program becomes active again, we recommend that the city follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

FINDING 3 – UNALLOWABLE SALARIES AND BENEFITS – REPORTING TO THE STATE DEPARTMENT OF JUSTICE: FORWARDING THE SS 8583 REPORT FORMS TO THE DEPARMENT OF JUSTICE COST COMPONENT

As previously discussed in response to Finding 1, the City mentioned concerns about misstatements made [in] the Draft Audit Report referencing systems used to query the data examined for this audit as well as the city's document availability to which SCO Audit Manager Lisa Kearney suggested providing revised language to best reflect systems and available data when responding to the SCO's official draft report so that it can be corrected and incorporated into the final report issued by the SCO.

The following are city's proposed corrections for Finding 3:

CITY'S PROPOSED CHANGE TO PAGE 24, SECOND PARAGRAPH, UNDER "CLAIMED" SUBHEADER (changes reflect the system names queried for this audit; changes from SCO original language are in **bold** for ease of identification):

"From FY 1999-2000 to FY 2001-02, the city was transitioning to **new dispatch and records management systems,** which did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying **both the Computer Aided Dispatch (CAD) System and the Records Management System (RMS)**. The city used the total number of SCAR cases in the SCAR summary document to compute the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components."

CITY'S PROPSED CHANGE TO PAGE 24, THIRD PARAGRAPH, UNDER "ALLOWABLE" SUB-HEADER

"In April 2017, the city was asked to begin providing SCAR case listings for us to randomly select for review. Due to a system upgrade preventing the city from accessing these historical electronic records, the audit was set back nearly five months before records could be fully accessed and submitted to us by the city. In the interest of time and to remain on track with audit deadlines, we selected FY 2003-04, FY 2007-08, and FY 2010-11 to serve as a representative sample of the audit period. The city as able to provide detailed SCAR case listings for each of these three fiscal years. We worked with the city to devise a reasonable methodology for approximating the number of SS 8583 forms that were prepared and submitted to the DOJ for the audit period. Both parties agreed that we would calculate a weighted average based on the results of our testing as there was insufficient time and staffing to search the master case file (electronic and paper) for each record to retrieve a copy of the SS 8583 form."

CITY'S PROPOSED CHANGE TO POSITION TITLE, PAGE 28, FIRST PARAGRAPH – Change "Police Records Supervisor II" to "Police Records Supervisor"

City request for future consideration:

The city has requested the reclassification of numerous cases that were determined to be non-mandate related or not fully documented in the SCO's Draft Audit Report. If the city's explanations and evidence presented in this response have convinced the SCO to reclassify some of the cases from unallowable to allowable, the City requests that those corresponding cases found to be allowable be credited appropriate time under this eligible component **Finding 3: Unallowable Salaries and benefits – Reporting to the State Department of Justice: Forwarding the SS 8583 Report Forms to the Department of Justice cost component.**

In closing, the City of Rialto would like to reaffirm its position that the SCO has unjustly denied costs for several mandated activities we believe have been supported with ample source documentation, time studies, CAD logs to support officer time to complete an investigation, and staff interviews.

If agreeable to the SCO, Captain William Wilson will prepare and submit a declaration to further substantiate the city's arguments outlined in this response. Captain Wilson has been employed by the Rialto Police Department for 17 ½ years, has 27 years of total law enforcement experience, and has extensive experience in the area of child abuse investigations.

The intent of submitting the declaration is to offer additional support to the previously submitted documentation that was reviewed by the SCO throughout this audit. Per page 3 of the Parameters and Guidelines:

> Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The City appreciates the opportunity to respond to the SCO's Draft Audit Report. We believe we have accurately interpreted and supported our costs claimed in accordance with claiming instructions and Commission guidelines. Additional documentation is available should the SCO determine to reconsider allowable costs and make adjustments to the findings of this audit.

SCO Comment

The audit adjustment and the recommendation for the forwarding reports to the DOJ cost component remain unchanged.

We will address the city's response in the same order that it was presented.

The first complete paragraph on page 41 of this audit report has been revised per the city's request.

The fourth complete paragraph on page 41 of this audit report has been revised to reflect minor edits requested by the city.

The position title of "Police Records Supervisor II," cited in the draft audit report, has been amended to "Police Records Supervisor" in the first paragraph on page 45 of this audit report, per the city's request.

The audit adjustments and recommendations of this audit report remain unchanged for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components. The additional documentation provided with the Draft Audit response, CAD logs, written crime reports, police officer interviews, discussions with Captain William Wilson and Crime Analyst Jennifer Krutak, and documentation obtained throughout the course of the audit does not provide adequate support for additional time or eligible reimbursable costs for these cost components.

FINDING 4— Overstated indirect costs

The city claimed $377,036 in indirect costs for the audit period. During testing, we found that $105,430 is allowable and $271,606 is unallowable. Costs claimed are unallowable because the city misinterpreted the program's parameters and guidelines and, as a result, overstated its indirect cost rates for all fiscal years excluding FY 1999-2000, and applied the indirect cost rates to unallowable salaries.

The following table summarizes the claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	$ 16,591	$ 5,098	$ (11,493)
2000-01	18,892	5,151	(13,741)
2001-02	21,512	5,953	(15,559)
2002-03	17,241	4,623	(12,618)
2003-04	29,165	7,937	(21,228)
2004-05	34,240	9,304	(24,936)
2005-06	36,417	10,160	(26,257)
2006-07	32,649	8,903	(23,746)
2007-08	24,515	6,362	(18,153)
2008-09	39,790	9,526	(30,264)
2009-10	35,319	8,971	(26,348)
2010-11	44,258	11,366	(32,892)
2011-12	26,447	12,076	(14,371)
Total	$377,036	$105,430	$ (271,606)

Salaries claimed as indirect costs

The city classified various classifications as indirect positions and allocated the related salary and benefit costs to the indirect cost pool when computing claimed indirect cost rates. In our analysis, we noted that the indirect salaries and related benefits claimed as indirect costs might have included positions that were not indirect. The city provided a worksheet listing the classifications that it considered to be indirect.

The following table lists the 42 classifications that the city claimed as being 100% indirect in its ICRPs at some point during the audit period. Some of the classifications were claimed every fiscal year, while others were claimed in only some fiscal years.

Classifications Claimed as Indirect

Administrative Assistant	Police Chief
Administrative Secretary	Police Officer (Administrative Duty)
Accounting Technician	Police Cadet
Captain	Police Records Analyst II
Crime Analyst	Police Records Assistant I/II
Crime Analyst Assistant	Police Records Supervisor
Commander	Police Sergeant
Corporal	Police Training Sergeant
Corporal (Administrative)	Police Transcriber
Deputy Police Chief	Police Transcriptionist
Emergency Dispatcher (Part-time)	Property and Evidence Assistant
Emergency Dispatcher I/II	Senior Accounting Assistant
Emergency Dispatcher Supervisor	Senior Community Services Officers (2)
Emergency Services Supervisor	Senior Office Assistant
Executive Assistant	Senior Office Specialist
Executive Secretary	Senior Police Records Specialist
Information System Analyst	Sergeant
Law Enforcement Technician	Sergeant (Administrative)
Lieutenant	Transcriber
Office Assistant II	Technical Assistant

We identified 16 of the 42 positions as likely not 100% indirect, based on the nature of the positions and tasks performed. The remaining classifications are support roles or mostly administrative in nature, and therefore we accepted the city's assessment. The positions in question were the following:

- Crime Analyst
- Crime Analyst Assistant
- Emergency Dispatcher (Part-time)
- Emergency Dispatcher I/II
- Emergency Dispatch Supervisor
- Emergency Services Supervisor
- Law Enforcement Technician
- Lieutenant
- Police Cadet
- Police Corporal
- Police Sergeant
- Police Records Assistant II
- Property and Evidence Assistant
- Senior Community Services Officers
- Senior Police Records Specialist

For these positions, we reviewed the tasks identified on the city's duty statements. The duty statements served as a tool for determining an allocation between direct and indirect duties based on the list of typical duties performed.

As a general rule, any classification involved in providing specific, identifiable, and direct services should be considered as a direct labor cost. Indirect labor costs are those which are not readily identifiable or assignable to one unit and would typically benefit more than one department.

Recalculation of Fractional Percentages for Indirect Cost Pool

We analyzed the duties listed on the duty statements for the 16 classifications that we determined to be not 100% indirect. For each classification, we calculated how many of the duties listed on the duty statements were indirect and how many were direct. The city requested that we re-evaluate the duties that were determined to be direct versus indirect for each of these classifications. The city provided a supplemental reassessment analysis document identifying 16 classifications and their associated tasks, with clarifying details of the duties performed. The supplemental reassessment analysis document was completed using input provided by the city's Administrative Support Services Captain, who is responsible for overseeing all administrative functions of the Rialto Police Department and who determines how frequently duties will be performed by personnel as well as assigning responsibilities that may be outside of the standard duty statement. In addition, the city recalculated the direct and indirect percentages based on the duty statement tasks identified on the supplemental reassessment analysis document. Based on our review of the city's supplemental reassessment analysis document and discussion with the city's Administrative Support Services Captain, we accepted the city's recalculated direct and indirect percentages for each of these 16 classifications.

We calculated fractional percentages of indirect labor for each of the 16 classifications. The final determination of the allocation of indirect labor is as follows:

- Crime Analyst – 85%
- Crime Analyst Assistant – 70%
- Emergency Dispatcher (Part-time) – 94%
- Emergency Dispatcher I/II – 94%
- Emergency Dispatch Supervisor – 90%
- Emergency Services Supervisor – 90%
- Law Enforcement Technician – 80%
- Lieutenant – 90%
- Police Cadet – 20%
- Police Corporal – 50%
- Police Sergeant – 60%
- Police Records Assistant II – 90%

- Property and Evidence Assistant – 80%
- Senior Community Services Officers – 80%
- Senior Police Records Specialist – 90%

Recalculated Rates

For each fiscal year of the audit period, excluding FY 1999-2000, we recalculated the indirect cost rates by adjusting the salaries and related benefits costs allocated into the indirect cost pool based on the final determination of the allocation of direct and indirect labor ratio for the 16 classifications.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the audit period:

Fiscal Year	Indirect Cost Rate Claimed (a)	Allowable Indirect Cost Rates (b)	Rate Difference (c) = (b) - (a)
1999-2000	58.50%	58.50%	-
2000-01	66.20%	62.29%	-3.91%
2001-02	70.10%	66.52%	-3.58%
2002-03	66.40%	61.30%	-5.10%
2003-04	75.00%	69.96%	-5.04%
2004-05	85.20%	79.96%	-5.24%
2005-06	89.40%	86.05%	-3.35%
2006-07	84.30%	79.54%	-4.76%
2007-08	98.40%	88.01%	-10.39%
2008-09	107.00%	88.56%	-18.44%
2009-10	107.90%	95.69%	-12.21%
2010-11	118.80%	105.98%	-12.82%
2011-12	118.60%	103.84%	-14.76%

Summary of Audit Adjustment

For each fiscal year of the audit period, we recalculated allowable indirect costs by applying the audited indirect cost rates to the allowable salaries. We found that the city overstated indirect costs totaling $271,606 for the audit period ($10,107 related to overstated indirect cost rates and $261,499 related to overstated salaries and benefits in Findings 1, 2, and 3).

Fiscal Year	Indirect Cost Rate Difference Adjustment	Unallowable Salaries Cost Adjustment	Total Audit Adjustment
1999-2000	$ -	$ (11,493)	$ (11,493)
2000-01	(323)	(13,418)	(13,741)
2001-02	(319)	(15,240)	(15,559)
2002-03	(385)	(12,233)	(12,618)
2003-04	(571)	(20,657)	(21,228)
2004-05	(610)	(24,326)	(24,936)
2005-06	(396)	(25,861)	(26,257)
2006-07	(532)	(23,214)	(23,746)
2007-08	(751)	(17,402)	(18,153)
2008-09	(1,985)	(28,279)	(30,264)
2009-10	(1,145)	(25,203)	(26,348)
2010-11	(1,374)	(31,518)	(32,892)
2011-12	(1,716)	(12,655)	(14,371)
Total	$ (10,107)	$ (261,499)	$ (271,606)

Criteria

The parameters and guidelines (section V.B. – Claim Preparation and Submission – Indirect Cost Rates) state:

> Indirect costs are cost that are incurred for a common or joint purpose…
>
> Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10%.
>
> If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B [OMB Circular A-87 Attachments A and B]. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.
>
> The distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.
>
> In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:
>
> 1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) classifying a department's total costs for the base period as either direct or indirect, and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or
> 2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect, and (2) diving the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

Recommendation

The ICAN Investigation Reports Program was suspended from FY 2015-16 through FY 2017-18. If the program becomes active again, we recommend that the city follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

The city did not provide a response to this audit finding.

Attachment—
City's Response to Draft Audit Report

City of Rialto
California

February 4, 2019

Ms. Lisa Kurokawa, Chief
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250

RE: City of Rialto Interagency Child Abuse and Neglect (ICAN) Investigation Reports Program Claims Audit, Fiscal Years 99-00 through 11-12

Dear Ms. Kurokawa:

Enclosed are the City of Rialto's comments to the draft audit report issued by the State Controller's Office for costs claimed related to the legislatively mandated Interagency Child Abuse and Neglect Investigation Reports Program for the period July 1, 1999 through June 30, 2012.

Please contact me and Jennifer Krutak after review and additional consideration of the enclosed comments and data should your office determine to make any modifications to the draft report submitted to the City of Rialto on January 22, 2019. I can be reached at (909) 820-7219 or jbrown@rialtoca.gov; Ms. Krutak can be reached at (909) 820-2645 or jkrutak@rialtopd.com.

Respectfully Submitted,

Jessica Brown, Finance Director

Enclosures

cc: Erica Velasquez, Auditor-in-Charge, State Controller's Office
Lisa Kearney, Audit Manager, State Controller's Office
William Wilson, Support Services Captain, Rialto Police Department
Jennifer Krutak, Crime Analyst, Rialto Police Department

After reviewing the Interagency Child Abuse and Neglect Investigation Reports Program draft report of findings issued by the State Controller's Office (hereinafter, "SCO") on January 22, 2019, the City of Rialto (hereinafter, "city") responds and objects as follows:

FINDING 1 – UNALLOWABLE SALARIES AND BENEFITS – CROSS-REPORTING FROM LAW ENFORCEMENT TO THE COUNTY WELFARE AND DISTRICT ATTORNEY'S OFFICE COST COMPONENT

On January 8, 2019, during the audit exit conference call, Captain William Wilson of the City of Rialto Police Department mentioned concerns he had regarding references and misstatements made of the Draft Audit Report referencing systems used to query the data examined for this audit as well as the city's document availability. SCO Audit Manager Lisa Kearney advised the City of Rialto to submit language that best reflects the systems and available data when responding to the SCO's official draft report so that it can be corrected and incorporated into the final report issued by the SCO.

The following are city's proposed corrections for Finding 1:

CITY'S PROPOSED CHANGE TO PAGE 11, SECOND PARAGRAPH, UNDER "CLAIMED" SUB-HEADER (changes reflect the system names queried for this audit; changes from SCO original language are in **bold** for ease of identification):

"From FY 1999-2000 to FY 2001-02, the city was transitioning to **new dispatch and records management systems**, which did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying **both the Computer Aided Dispatch (CAD) System and the Records Management System (RMS)**. The city used the total number of SCAR cases in the SCAR summary document to compute the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components."

CITY'S PROPOSED CHANGE TO PAGE 12, SECOND PARAGRAPH, UNDER "ALLOWABLE" SUB-HEADER

"In April 2017, the city was asked to begin providing SCAR case listings for us to randomly select for review. Due to a system upgrade preventing the city from accessing these historical electronic records, the audit was set back nearly five months before records could be fully accessed and submitted to us by the city. In the interest of time and to remain on track with audit deadlines, we selected FY 2003-04, FY 2007-08, and FY 2010-11 to serve as a representative sample of the audit period. The city was able to provide detailed SCAR case listings for each of these three fiscal years. We worked with the city to devise a reasonable methodology for approximating the number of other agency-generated SCARs and non-mandate-related cases for each fiscal year to exclude from the total population. Both parties agreed that we would calculate a weighted average based on the results of our testing as there was insufficient time and staffing to obtain detailed SCAR case listings for the remaining years."

CITY'S PROPOSED CHANGE TO POSITION TITLE, PAGE 14, FIRST PARTIAL PARAGRAPH – Change "Police Records Supervisor II" to "Police Records Supervisor"

The following are city's objections to Finding 1:

CITY'S OPPOSITION TO FINDING 1 – SERGEANT'S REVIEW TIME UNALLOWABLE

The City claimed time for the Sergeant to review written reports that are cross-reported to the County Welfare (hereinafter "CPS") and the District Attorney's Office (hereinafter "DA"). According to the draft report, "reviewing written reports before sending them to CPS and the DA's office is not a mandate-related activity. Therefore, costs claimed for the Sergeant to review written reports before sending them to CPS and the DA's office are unallowable."

The City disagrees with this finding as reviewing a written report is:

1) **Eligible** - Parameters and Guidelines, Section IV.B.3.a.1, allows for "... this activity includes review of the initial Suspected Child Abuse Report (Form 8572) ... and making a report of the findings of those interviews, which may be reviewed by a supervisor."

   It is clear from the language of the Parameters and Guidelines that the Commission found report review a reasonably necessary activity and intended to allow for the reimbursement of supervisor review time for written reports. Further, nowhere in the Parameters and Guidelines, nor the Statement of Decision, does it specify what type of document is eligible or ineligible for supervisor review.

2) **Reasonably Necessary** - Pursuant to Government Code Section 17557(a) and Section 1183.7(d) of the Commission's regulations, a reasonably necessary activity is defined as, "... those activities necessary to comply with the statutes, regulations and other executive orders found to impose a state mandated program."

It is the City's position, that any written document that is required to be cross-reported as a part of the child abuse investigation to CPS or the DA satisfies a mandated activity under Section IV.B.3.a.1 and therefore, should be allowed for reimbursement of claimed costs for sergeant's review/approval of any written report for such investigations.

CITY'S OPPOSITION TO FINDING 1 – ALLOWABLE TIME INCREMENT TO SEND REPORT

On November 21, 2018, the SCO conducted interviews with police records staff to inquire on the clerical steps a Police Records Assistant I/II takes to process a written report for the purpose of sending to CPS and the DA. Employees interviewed identified the following key steps:

1) Pull and process electronic report written by officer

2) Prepare copies of report (per officer instructions) – includes watermarking documents for confidentiality purposes per California Penal Code 11142-43 prior to release

3) Release documents via fax/email/mail

Discussions immediately following the interviews between the City of Rialto and the SCO yielded an agreed average of six minutes per activity (steps 1-3 listed above) for a total of 18 minutes to process a written report to send to CPS and the DA. During subsequent conversations, the SCO reduced the total amount of time to six minutes stating that only step three involved the activity of physically sending the report, and therefore, steps one and two did not apply. The SCO has stated during discussions with the City that the "plain language" of the Parameters and Guidelines, Section IV.B.2.c.3, says "send a written report within 36 hours of receiving the information concerning the incident to any agency to which it is required to make a telephone report under Penal Code Section 11166" strictly limits reimbursement to sending the report (the physical activity of transmitting the document).

The City disagrees with this interpretation and contends that:

1) **Steps one and two are necessary in order to complete step three** – the physical act of sending a report cannot be completed without first pulling it over via the electronic system and processing the document(s) that will be faxed/emailed/mailed (to include scanning, if applicable, prior to emailing)

2) **Reasonably Necessary** - Pursuant to Government Code Section 17557(a) and Section 1183.7(d) of the Commission's regulations, a reasonably necessary activity is defined as, "... those activities necessary to comply with the statutes, regulations and other executive orders found to impose a state mandated program."

3) **Actual Costs to Completed Mandated Activity** - Page 3 of the Parameters and Guidelines states, "Actual costs are those costs actually incurred to implement the mandated activities." Steps one and two (aforementioned paragraph) are actual costs incurred to complete step three, the physical act of sending the written report.

Therefore, it is the City's position that all three steps are inclusive of the process to send a written report to CPS and the DA. Accordingly, the SCO should allow costs for this activity at 18 minutes for Police Records Assistant I/II.

FINDING 2 – UNALLOWABLE SALARIES AND BENEFITS – REPORTING TO THE STATE DEPARTMENT OF JUSTICE: COMPLETE AN INVESTIGATION FOR PURPOSES OF PREPARING SS 8583 REPORT FORM COST COMPONENT

As previously discussed in response to Finding 1, the City mentioned concerns about misstatements made of the Draft Audit Report referencing systems used to query the data examined for this audit as well as the city's document availability to which SCO Audit Manager Lisa Kearney suggested providing revised

language to best reflect systems and available data when responding to the SCO's official draft report so that it can be corrected and incorporated into the final report issued by the SCO.

The following are city's proposed corrections for Finding 2:

CITY'S PROPOSED CHANGE TO PAGE 16, SECOND PARAGRAPH, UNDER "CLAIMED" SUB-HEADER (changes reflect the system names queried for this audit; changes from SCO original language are in **bold** for ease of identification):

"From FY 1999-2000 to FY 2001-02, the city was transitioning to **new dispatch and records management systems**, which did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying **both the Computer Aided Dispatch (CAD) System and the Records Management System (RMS)**. The city used the total number of SCAR cases in the SCAR summary document to compute the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components."

CITY'S PROPOSED CHANGE TO PAGE 17, THIRD PARAGRAPH, UNDER "ALLOWABLE" SUB-HEADER

"In April 2017, the city was asked to begin providing SCAR case listings for us to randomly select for review. Due to a system upgrade preventing the city from accessing these historical electronic records, the audit was set back nearly five months before records could be fully accessed and submitted to us by the city. In the interest of time and to remain on track with audit deadlines, we selected FY 2003-04, FY 2007-08, and FY 2010-11 to serve as a representative sample of the audit period. The city was able to provide detailed SCAR case listings for each of these three fiscal years. We worked with the city to devise a reasonable methodology for approximating the number of LEA-generated SCARs and non-mandate-related cases for each fiscal year to exclude from the total population. Both parties agreed that we would calculate a weighted average based on the results of our testing as there was insufficient time and staffing to obtain detailed SCAR case listings for the remaining years."

The following are city's objections to Finding 2:

CITY'S OPPOSITION TO FINDING 2 – NUMBER OF SCARS - FULLY INVESTIGATED

The SCO denied investigative costs for all substantiated/inconclusive Law Enforcement Generated (hereinafter "LEA-generated") cases that were fully investigated for purposes of reporting to the Department of Justice (hereinafter "DOJ"). The SCO contends that these cases do not qualify for investigation or reporting writing (including supervisor review) despite the fact that almost 100% of the LEA-generated cases claimed were founded or inconclusive, therefore, requiring reporting to the DOJ. The SCO based the denial of costs on the following claiming wording of the Parameters and Guidelines (Section IV.B.3.a.1):

ii. In the event that the mandated reporter is employed by the same child protective agency required to investigate and submit the "Child Abuse Investigation Report" Form SS 8583 or subsequent designated form to the Department of Justice, pursuant to Penal Code section 11169(a), reimbursement is not required if the investigation required to complete the Form SS 8572 is also sufficient to make the determination required under section 11169(a), and sufficient to complete the essential information items required on the Form SS 8583..."

The City of Rialto believes that the denial of all actual, eligible costs for this component violates the Commission's intent and denies the City actual, documented costs incurred. The City strongly objects to this denial of all documented investigative costs for these LEA-generated cases for the following reasons:

1) Claiming instructions, and Parameters and Guidelines, clearly specify that reimbursement is eligible if the investigation required to report to the DOJ exceeds that which would have been required simply to complete the SS 8572 form. Rialto police officers conducted extensive investigations, as supported with actual time logs, which go beyond investigation time needed to satisfy the SS 8572 completion, thereby making these LEA-generated investigations eligible.

2) Documentation provided in support of other agency-generated cases was allowed by the SCO while identical documentation to support LEA-generated cases was denied

3) Investigative steps taken by officers were the same in LEA-generated (denied) and other-agency generated (allowed) investigations

4) City contends it has demonstrated that the investigation level **exceeded** the base requirements needed to fill out a mandated reporter form (SS 8572) - level of investigation required to fill in the SS 8572 was **not** sufficient to complete the SS 8583 form for DOJ reporting

5) SCO advised the City of Rialto these cases would be allowed at the rate of 1.74 hours per case for investigative time for all LEA-generated investigations that showed more than one interview of parties was conducted as of the December 4, 2018, audit status conference call.

The City firmly believes that it has adequately proven, through actual source documents and police staff interviews outlining investigative procedures, that the level of investigation performed to complete the SS 8583 exceeded that which was needed to cross report to CPS. A significant amount of time is spent to fully investigate an allegation of child abuse as is demonstrated with officer on-scene time logs, multiple officers assisting with the investigation, numerous parties being interviewed to determine the outcome of the allegation, written crime reports, etc. This level of effort would not have been required to simply fill out the cross reporting form to notify CPS of a suspected child abuse that has not been fully investigated, and in some instances, where the investigation has not yet begun.

The main objective of cross reporting to CPS (SS 8572) is to make the county aware of the alleged child abuse in order for CPS to assess if there is potential harm to the alleged victim(s) in the home.

The SS 8572 form is not required to be 100% completed to be accepted by CPS; only the reporting party and victim's basic information need to be included. An investigation does not need to be started or completed to obtain this information. As explained by Captain Wilson (and verified during subsequent officer interviews), the level of investigation required to complete SS 8572 is typically not sufficient to complete SS 8583. The SS 8572 generally involves talking to one person and gathering basic components of information. There are no requirements to first contact involved parties or conclude investigative findings before submitting the form.

However, in order to complete the SS 8583, and be accepted by the Department of Justice, a basic patrol level investigation must be completed. The SS 8583 has specific requirements that cannot be answered without first contacting parties involved:

- Section A - requires officer indicate if investigation is substantiated or inconclusive; this cannot be determined without completing an investigation (not required for SS 8572)

- Section C - officer must indicate if suspect was properly notified per PC 11169(b) regarding agency's requirement to notify DOJ of the subject being a suspected child abuse offender; investigation must be completed first (not required for SS 8572)

- Requires suspect's demographic information - date of birth, height, weight, eye color, hair color, social security number, driver's license number, and relationship to victim (most of these fields are not contained on SS 8572)

For a full list of the California Department of Justice's reporting components under SS 8583 that are not required to complete SS 8572, refer to http://ag.ca.gov/childabuse/pdf/8583guide.pdf. **The main requirement that exceeds SS 8572 is that a full, active, investigation must be completed** (pgs 2-4). A full investigation requires contact of not only a victim, but description/nature of injuries (not required under SS 8572). This guide further states that the form SS 8583 is to be sent to the DOJ only after the following four elements have been satisfied:

a) made investigative contacts
b) determined child abuse was not unfounded
c) confirmed the suspected abuse or neglect is reportable to the DOJ as stipulated in previously mentioned statutes
d) completed the investigation.

None of these elements are required for cross reporting. Therefore, to disallow all investigative costs for 100% of LEA-generated cases determined to be substantiated or inconclusive is unreasonable given that the source documents provided clearly support all the mandated activities were performed in furtherance of Parameters and Guidelines Section IV.B.3.a.1.

The SCO accepted the merits of the City's arguments and advised it was allowing costs during the December 4, 2018, status conference call. These allowed investigative costs were at the agreed amount of 1.74 hours. However, the very next day, the decision was reversed via email with no explanation other

than "after further review of the parameters and guidelines, the statement of decision, and the documentation we have to date, it is unclear that an investigation did in fact occur on LEA-generated cases (white cases)."

The City is aware that all decisions made to allow costs must be supported by the Parameters and Guidelines and Commission's Statement of Decision. Therefore, it is difficult to understand how those very same guidelines used to support the SCO allowing costs for LEA-generated cases on December 4, 2018, also justify denying costs on December 5, 2018. Despite numerous requests for specifics on what evidence is lacking in our documentation, the SCO has failed to provide them. The City can better assess the SCO's position if the SCO can point the City to the specific sections of the Parameters and Guidelines and Statement of Decision that support their denial along with an explanation of their interpretation of same language.

The City affirms it has provided actual evidence from CAD logs[1], written crime reports, officer interviews, and discussions supported by Captain Wilson and Crime Analyst Jennifer Krutak that actual, eligible costs were incurred for the reimbursable components including:

- actual officer on-scene time to conduct the preliminary investigation
- number of officers on-scene conducting the preliminary investigation
- size and complexity of the written report
- number of parties interviewed including relationship to case and summary of statements

The City contends that all these factors demonstrate that the level of effort and time to conduct an investigation to complete SS 8583 exceeds that which would have been required to simply gather basic information to complete SS 8572 mandated reporter form.

Accordingly, it is the City's position that LEA-generated cases, determined to be substantiated or inconclusive, which have been allowed for forwarding the SS 8583 form to the DOJ (that showed more than one party was interviewed, as previously agreed to by the SCO on December 4, 2018) should also be allowed full investigative time, associated report writing time and supervisor review/approval.

CITY'S OPPOSITION TO FINDING 2 – NUMBER OF SCARS – PARTIALLY INVESTIGATED

The SCO denied associated investigative costs stating, on page 21 of the draft report, that "the Police Department began but did not complete or document a full initial investigation" however, did allow time to review each referral. These reports were investigated by officers and determined to be unfounded. Because they were unfounded, no formal report was written to document the investigation once the call

[1] A CAD log (synonymous for call for service record) is used as a police department's first form of documentation when an officer is assigned to handle a patrol investigation. This is an entry to the Computer Aided Dispatch (CAD) system which logs basic information about a call for service: nature of alleged crime, officer assigned to investigation, date/time of call, location(s) involved, reporting/referring party, disposition of investigation as determined by officer. There is a corresponding CAD log for every investigation (substantiated/unfounded). Substantiated cases are followed by a formal written crime report in the Records Management System (RMS). Unfounded cases are closed out in the CAD system with no report to follow.

for service was closed. The SCO audit analysis spreadsheet identified these records in blue (calls for service).

The City would like to clarify, for the record, that the police department fully investigates all allegations of known or suspected child abuse. The SCO's statement that "a full initial investigation was not performed" is completely false, contradicts police policies and procedures, and is a violation of California Penal Code statutes. It is impossible for an officer to determine the case was unfounded without completing an investigation.

Throughout this audit, there has been disagreement between the City and the SCO on what constitutes acceptable source documentation to support that an investigation took place in order for costs to be deemed allowable. The fact that the SCO is unwilling to accept the police department's call for service documents as adequate investigative support does not mean that "a full initial investigation was not performed."

The City explained that the process for documenting an unfounded incident varies significantly from a substantiated investigation, and the call for service record is procedural for serving as the only form of documentation. The only source document for these unfounded investigations is the CAD log (call for service record) created during the officer's initial investigation.

Despite lengthy review and discussions with police department staff on the procedures for documenting unfounded incidents in CAD, including confirmation from Support Services Captain William Wilson that a CAD log for an unfounded incident indicates that a preliminary investigation did, in fact occur, the SCO concluded to deny investigative costs.

The City disagrees with this conclusion for the following reasons:

1) **City produced actual and contemporaneously prepared documents** – Per the Parameters and Guidelines, "a source document is a document created at or near the same time the actual cost was incurred for the event or activity in question...may include, but are not limited to, employee time records or time logs..." The City believes the CAD logs provided for review meet this criteria and:

    - are electronic records created at the time the investigation took place
    - are valid source documentation to support investigative costs incurred by the City
    - are legal documents produced for Public Records Act and subpoena requests as well as used for official court purposes
    - provide actual officer on-scene time logs (defined as an example in the Commission's source documentation definition of the Parameters and Guidelines)

2) **City provided specific examples to support an investigation occurred** – The records originally determined to be unallowable by the SCO were re-evaluated through a collaborative process in November 2018. Each unallowed record was discussed in order for the city to present arguments as to why the record should be allowed for investigation time.

The City believes it provided ample justification to support that an investigation took place at the patrol level despite minimal narrative comments contained in the CAD logs. Officer interviews conducted by the SCO, as well as clarification provided by Captain William Wilson and Crime Analyst Jennifer Krutak, further explained possible reasons why CAD log narratives would be minimal or lacking.

The following are examples of cases that were referred by other mandated reporters to the Rialto Police Department that were allowed for review of referral only but denied for investigation time (redacted copies of the CAD logs are attached):

Record # 148: CPS referral – mother addicted to meth/not caring for children; officer made contact with alleged suspect and both children; determined "no signs of any abuse going on in the house"

Record # 108: CPS referral – allegations of physical abuse/four children in home; officer comments indicate "advisal only, kids chk'd C4 custody battle between families"; in order for officer to give an advisal to the family and ascertain there was a custody issue and not abuse, he would have had to make contact with the subjects in the home (also contacted children based on comment in call)

Record # 24: CPS referral – mother on drugs/not feeding child/living in filthy conditions; officer made contact with alleged suspect and child; determined "no signs of neglect"

Record # 44: Hospital referral – child admitted with leg fracture; officer made contact with parent and doctor; determined "appears to be no sign of child abuse, no bruising, no sign of abuse, just a fracture"

Record # 64: Hospital referral – child admitted with large bump on head; officer made contact with child, parent and doctor; determined "it is my opinion that the injury happened as explained…Dr. Thomas was also in agreement with my findings…I did not see any reason for CPS notification."

Although full incident reports were not written for the above investigations, there is still sufficient information documented in the CAD logs to determine that contact was made with at least one party, satisfying the investigation requirements of the mandate, proving this activity did take place.

3) **City followed Level 2 Investigation accepted by the Commission on State Mandates** – The Rialto Police Department's practice not to document unfounded investigations of child abuse with a formal incident report complies with the Commission's ruling to accept varying levels of investigation presented by the test claimant, LA County, in the Statement of Decision adopted on December 6, 2013.

Pages 24-25 of the Statement of Decision describe three basic types of investigation. In the Level 2 Investigation (most common), "Patrol Officer Investigation, No Child Abuse," LA County outlined eight steps for initiating/completing an investigation of child abuse where the outcome was deemed no child abuse/unfounded:

a. Officer receives, prints or transcribes child abuse reports (SCARs or calls-for-service) from the public, cross-reporting agency department, and mandated reporters
b. Officer processes child abuse report into agency's tracking system
c. Officer reviews report and assigns for appropriate follow-up investigation
d. Patrol officer receives call-for-service and acknowledges call
e. Patrol officer conducts preliminary interview with child/children
f. Patrol officer conducts preliminary interviews with parents, siblings, witnesses, and/or suspect(s)
g. Patrol officer enters findings into agency's systems (ends call in computer aided system and documents findings)
h. Supervising officer reviews investigation findings and approves closure of the report indicating no child abuse

**it should be noted that step H does not apply to the Rialto Police Department – the patrol officer is authorized to close the report in the computer aided system without the supervisor review using his/her discretion of the proper use of call disposition (unfounded, necessary action taken, etc.)*

Steps a – g are the same procedures the Rialto Police Department follows for investigating and documenting its unfounded allegations of child abuse, where the computer aided dispatch record serves as the final source document (no written report follows).

A comparison of Level 2 (No Child Abuse) and Level 3 (Reported CACI Investigation) investigations, Step 7, shows that the only difference is in documentation where a Level 3 investigation (determined to be substantiated or inconclusive) requires an officer to write a report; this is not required for a Level 2 investigation (unfounded) that ends at the closure of the CAD call.

In addition to the above, the Parameters and Guidelines, Section IV.B.3.a.1, state that the time to "Complete an investigation to determine whether a report of suspected child abuse or severe neglect is unfounded, substantiated or inconclusive" is reimbursable. This activity includes, "...conducting initial interviews with parents, victims, suspects or witnesses, **where applicable**, and making a report of the finding of those interviews."

The wording above, "where applicable," shows that an investigation may or may not require interview with parties. Although the City of Rialto still affirms that officers contacted at least one party for all mandate-related cases claimed for investigative costs, to require documented proof that an interview always occurred contradicts the statement above by the Commission.

The key point to consider is that the Commission only requires that a documentation of the investigative finding take place at the closure of the call (Level 2 Investigation, Step 7). The officer's call disposition and/or call notes, however minimal, meet this very objective; the disposition of unfounded reflects the officer's observations, interviews and overall conclusions as a result of conducting an investigation. Not having a detailed narrative report should not nullify reimbursement for the eligible preliminary investigative procedure.

Accordingly, it is the City's position that records allowed for review of referral only should be eligible for full investigative time as the City has provided ample source documentation to support that an initial investigation, in compliance with the mandate, occurred. It would be impossible, and negligent, for an officer to conclude an outcome of unfounded without first contacting involved parties to gather necessary facts to make a determination of the allegation of abuse. The fact that an unfounded investigation is not documented identically as a substantiated investigation (allowed by SCO) does not negate that the investigative activity took place, and therefore, costs should be allowed.

CITY'S OPPOSITION TO FINDING 2 – ALLOWABLE TIME INCREMENTS – PAGE 20

The SCO accepted the City's time study supporting 2.24 hours for completing an initial investigation and applied this to SCARs allowed for full investigation (673 cases total). The SCO also allowed review of referral as this is a mandate activity and believes the time spent to review the referral is inclusive of the investigation time at 2.24 hours.

The City disagrees with this interpretation for the following reasons:

1) **Intake of referral occurs <u>before</u> investigation begins** - either by reading SS 8572 submitted by other mandated reporter or talking to mandated reporter over the phone

2) Officer interviews with SCO indicated review of referral takes place prior to officer being assigned to handle child abuse investigation

3) It is clear from the Rialto Police Department Memorandum dated May 22, 2014 (copy attached) and officer interviews that the time spent to review and log the SCAR referral was not part of the initial time study documenting investigation time, but is a separate, allowable, activity.

   Instructions provided to complete time study were specific to logging time spent to:

   a. conduct an investigation
   b. write report
   c. complete SS 8583 form
   d. supervisor review/approval

The City asserts that including the time increment for accepting/reviewing the SCAR referral as part of the 2.24 hours of allowable time for those cases fully investigated is inappropriate and unfair. A more

equitable conclusion is to allow the time increment for accepting/reviewing the SCAR referral to be added to the 2.24 hours for all cases allowed for investigation (review time plus investigation time).

CITY'S OPPOSITION TO FINDING 2 – ADDITIONAL TIME INCREMENT FOR SCARS – REVIEW OF REFERRAL ONLY

The SCO determined that 16 minutes is allowable to perform the mandated activity of an officer to review the Suspected Child Abuse Report (SS 8572 form) referral. This time was based on interviews conducted with officers whose responses yielded the following:

- Officer 1 - takes 10 to 15 minutes to review SCAR form (this averages to 13 minutes)
- Officer 2 - takes 20 to 25 minutes to review SCAR form (this averages to 23 minutes)
- **combined average to review SCAR form = 17.5 minutes**

Based on the above factual data, the City requests that the SCO correct the allowable review of referral time from 16 minutes to 17.5 minutes based on the combined average determined as a result of the interview statements provided by both officers.

FINDING 3 – UNALLOWABLE SALARIES AND BENEFITS – REPORTING TO THE STATE DEPARTMENT OF JUSTICE: FORWARDING THE SS 8583 REPORT FORMS TO THE DEPARTMENT OF JUSTICE COST COMPONENT

As previously discussed in response to Finding 1, the City mentioned concerns about misstatements made of the Draft Audit Report referencing systems used to query the data examined for this audit as well as the city's document availability to which SCO Audit Manager Lisa Kearney suggested providing revised language to best reflect systems and available data when responding to the SCO's official draft report so that it can be corrected and incorporated into the final report issued by the SCO.

The following are city's proposed corrections for Finding 3:

CITY'S PROPOSED CHANGE TO PAGE 24, SECOND PARAGRAPH, UNDER "CLAIMED" SUB-HEADER (changes reflect the system names queried for this audit; changes from SCO original language are in **bold** for ease of identification):

"From FY 1999-2000 to FY 2001-02, the city was transitioning to **new dispatch and records management systems**, which did not capture all of the SCAR cases. For FY 2002-03 through FY 2011-12, the city determined the SCAR case counts by querying **both the Computer Aided Dispatch (CAD) System and the Records Management System (RMS)**. The city used the total number of SCAR cases in the SCAR summary document to computer the claimed costs for the Cross-reporting (Finding 1), Completing an Investigation (Finding 2), and Forwarding Reports to the DOJ (Finding 3) cost components."

CITY'S PROPOSED CHANGE TO PAGE 24, THIRD PARAGRAPH, UNDER "ALLOWABLE" SUB-HEADER

"In April 2017, the city was asked to begin providing SCAR case listings for us to randomly select for review. Due to a system upgrade preventing the city from accessing these historical electronic records, the audit was set back nearly five months before records could be fully accessed and submitted to us by the city. In the interest of time and to remain on track with audit deadlines, we selected FY 2003-04, FY 2007-08, and FY 2010-11 to serve as a representative sample of the audit period. The city was able to provide detailed SCAR case listings for each of these three fiscal years. We worked with the city to devise a reasonable methodology for approximating the number of SS 8583 forms that were prepared and submitted to the DOJ for the audit period. Both parties agreed that we would calculate a weighted average based on the results of our testing as there was insufficient time and staffing to search the master case files (electronic and paper) for each record to retrieve a copy of the SS 8583 form."

CITY'S PROPOSED CHANGE TO POSITION TITLE, PAGE 28, FIRST PARAGRAPH – Change "Police Records Supervisor II" to "Police Records Supervisor"

City request for future consideration:

The city has requested the reclassification of numerous cases that were determined to be non-mandate related or not fully documented in the SCO's Draft Audit Report. If the city's explanations and evidence presented in this response have convinced the SCO to reclassify some of the cases from unallowable to allowable, the City requests that those corresponding cases found to be allowable be credited appropriate time under this eligible component **Finding 3: Unallowable Salaries and benefits – Reporting to the State Department of Justice: Forwarding the SS 8583 Report Forms to the Department of Justice cost component.**

In closing, the City of Rialto would like to reaffirm its position that the SCO has unjustly denied costs for several mandated activities we believe have been supported with ample source documentation, time studies, CAD logs to support officer time to complete an investigation, and staff interviews.

If agreeable to the SCO, Captain William Wilson will prepare and submit a declaration to further substantiate the city's arguments outlined in this response. Captain Wilson has been employed by the Rialto Police Department for 17 ½ years, has 27 years of total law enforcement experience, and has extensive experience in the area of child abuse investigations.

The intent of submitting the declaration is to offer additional support to the previously submitted documentation that was reviewed by the SCO throughout this audit. Per page 3 of the Parameters and Guidelines:

> Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the

reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The City appreciates the opportunity to respond to the SCO's Draft Audit Report. We believe we have accurately interpreted and supported our costs claimed in accordance with claiming instructions and Commission guidelines. Additional documentation is available should the SCO determine to reconsider allowable costs and make adjustments to the findings of this audit.

ATTACHMENTS IN SUPPORT OF

CITY OF RIALTO

INTERAGENCY CHILD ABUSE & NEGLECT (ICAN) INVESTIGATION REPORTS

RESPONSE TO SCO DRAFT AUDIT

CAD Operations Report

RIALTO POLICE DEPARTMENT

Call Number 080415-0066 Printed: 01/27/2018 02:56 PM

Call Detail Information

Jurisdiction: RIALTO

Call Number	Taker	Pos	Call Owner	Status	Date - Time Received	Inj
080415-0066	[redacted]	3		C	Tue 04/15/2008 09:42:15	0

Complaint	Ten Code	Priority	Fire Grade	Class	Alarm	How Received
WELCK		2		F		PHONE

Incident Location	Apart/Suite	Floor/Bldg	Incident City	State	ZIP
[redacted]			RIALTO		

Caller Name	Telephone	Alt Telephone	Tower ID
[redacted]	909- -	- -	- -

Caller Location	Apart/Suite	Floor/Bldg	Caller City	State	ZIP
[redacted]			RIALTO		

Landmark Weapons

IRA	Grid	Disp Zone	Fire Run Zn	EMS Run Zn	ESN	Tract
95						1

☐ Contacts ☐ Fire Plan ☐ Hazard ☐ Images ☐ Medical ☐ Traffic ☑ Previous

☐ BOLO ☐ Warrant RMS CH RMS Alerts ☐ In Progress ☐ Report Req ☐ Subject Req

ALI Time	Call Rec'd	Xmit	Dispatch	Enroute	OnScene	Departed	Arrived	Comp	Unit
00:00:00	09:42:15	09:47:25	10:05:21	10:05:21	10:51:51	10:51:51		11:32:04	P32D

X: Y: Z: Lwr: Upr:

Narrative...

[04/15/2008 11:28:13 : P32D]
there is no signs of any abuse going on in the house. and the female does not appear to be under the influence
[04/15/2008 11:27:37 : P32D]
the children were well dressed.... mother works full time in upland 5 days a week and does not come home until 2030 hours in evening.. children are not picked up by her from school they go to a babysitter
[04/15/2008 11:25:50 : P32D]
[redacted] was advised to obtain a restraining order
[04/15/2008 11:25:35 : P32D]
I attempted to contact [redacted] and she did not answer message left
[04/15/2008 11:25:12 : P32D]
she had several missed calls from [redacted] as well as text messages
[04/15/2008 11:24:56 : P32D]
she showed me text messages from [redacted] stating sh was gnna make her life hell and she would make sure [redacted] lost her kids and her house and her perfect life would no longer be perfect
[04/15/2008 11:24:17 : P32D]
stated she knows she called because she has had problems with her for the last 3 years states they used to be friends however after [redacted] tried to pick up on her husband they fell out
[04/15/2008 11:23:40 : P32D]
[redacted] stated she has been having problems with a girl by the name of [redacted] who lives down the street [redacted]
[04/15/2008 11:23:05 : P32D]
spoke with [redacted] she advised she does not use drugs or alcohol,,, the house was clean there was food and there were no signs of abuse with the children.

[04/15/2008 10:51:49 : [redacted]]
Unit : P32D
ENR [redacted]

[04/15/2008 9:47:25 : [redacted]]
Cross streets: CULDESAC//EASTON ST

***CPS REFERRAL

V#1: [redacted] - HMJ - [redacted]
V#2: [redacted] - HFA - [redacted]

S#1: [redacted] - HFA - [redacted]
S#2: [redacted] - HMA - [redacted]

MOTHER IS ADDICTED TO METH - HAS BEEN TO HIGH IN THE PAST TO BE ABLE TO P/UP VICTIMS FROM SCHOOL OR ABLE TO FEED CHILDREN - FATHER IS AWARE OF PROBLEMS BUT ADVS MOTHER NOT TO TELL ANYONE BECAUSE IT WILL MESS UP THEIR HOME - MOTHER IS SUPPOSDLY COMMITING WELFARE FRAUD AND ALSO HAS A FELON LIVING IN THE RES

****PAPERWORK IS AVAIL IN DISPATCH

Location Comment

Department Numbers

Department	Dept Number	Unit ID
3609	080415-00057	P32D

Call Log

Unit	Status	Date - Time	Dept	Type	Comments	Officers	Odo
P32D	ENR	4/15/2008 10:05:21	3609	POL	[redacted] RIALTO	[redacted]	0.0
P32D	LEF	4/15/2008 10:51:51	3609	POL	Left Scene, [redacted], RIALTO		0.0
P32D	REM	4/15/2008 11:32:04	3609	POL	REM		
P32D	COM	4/15/2008 11:32:04	3609	POL	Call Completed		0.0
P32D	AVA	4/15/2008 11:32:04	3609	POL	Call Completed		0.0

Unit	Dept	DIS	ENR	ONS	LEF	ARR	BUS	REM	COM
P32D	3609		10:05:21		10:51:51			11:32:04	11:32:04

Unit Log

Date-Time	Dept	Unit	Officer ID	Action	Comments
4/15/2008 10:51:49	3609	P32D	[redacted]	Note	Unit : P32D ENR [redacted]

Category	Last Name	First Name	Middle Name	Suffix	Crim Hist	RMS Alerts
		Race	Sex	Ethnic	Height	Weight	Age	DOB	OLN
		Clothing			Demeanor	
		Relationship			Hair Color	Eye Clr	Complexion
Business Name		Description				
Location		Apt/Ste	Flr/Bld	City	ST	ZIP	Phone

Call Subject Statistics

Question	Answer

Call References

Reference_Type	Reference	Related_Calls

CAD Operations Report

RIALTO POLICE DEPARTMENT

Call Number 031002-0090 Printed: 10/26/2017 08:45 AM

Call Detail Information

Jurisdiction: RIALTO

Call Number	Taker	Pos	Call Owner	Status	Date - Time Received	Inj
031002-0090	[redacted]	4		C	Thu 10/02/2003 12:28:59	0

Complaint	Ten Code	Priority	Fire Grade	Class	Alarm	How Received
WELCK		2		F		

Incident Location	Apart/Suite	Floor/Bldg	Incident City	State	ZIP
[redacted]			RIALTO		

Caller Name	Telephone	Alt Telephone	Tower ID
[redacted] CPS HOTLINE	[redacted]		

Caller Location	Apart/Suite	Floor/Bldg	Caller City	State	ZIP

Landmark Weapons

IRA	Grid	Disp Zone	Fire Run Zn	EMS Run Zn	ESN	Tract
04						1

☐ Contacts ☐ Fire Plan ☐ Hazard ☐ Images ☐ Medical ☐ Traffic ☑ Previous

☐ BOLO ☐ Warrant RMS CH RMS Alerts ☐ In Progress ☐ Report Req ☐ Subject Req

ALI Time	Call Rec'd	Xmit	Dispatch	Enroute	OnScene	Departed	Arrived	Comp	Unit
00:00:00	12:28:59	12:44:19	15:05:58	15:05:58	16:58:51			17:41:41	P10D

X: Y: Z: Lwr: Upr:

Narrative...

[10/02/2003 17:41:28 : P10D]
ADVISAL ONLY, KIDS CHK'D C4 CUSTODY BATTLE BETWEEN FAMILIES
[10/02/2003 12:46:35 : [redacted]]
BC RD04

[10/02/2003 12:45:36 : [redacted]]
Cross streets: [redacted]

R/P STATES [redacted] AUNT . SHE STATES THAT [redacted] BOYFRIEND HAS PHYSICALLY ABUSED ONE OF [redacted] CHILDREN . THE DATE THE INCIDENT OCCURRED IS UNKNOWN. THE MOTHER DOES DRUGS AND THERE ARE 4 CHILDREN [redacted] AGE 18, [redacted] BFJ 10, [redacted] , [redacted] [redacted] BMJ [redacted] , [redacted] [redacted] BFJ , 14 , [redacted] .CHILDREN ARE LEFT WITH THE AUNT.

Location Comment

Department Numbers

Department	Dept Number	Unit ID
3609	031002-00089	P10D

Call Number 031002-0090 Printed: 10/26/2017 08:45 AM

Call Dispositions

Date - Time	Disposition	Unit Id
2003/10/02 17:41:39.	NECESSARY ACTION TAKEI	P10D

Call Complaints

Date - Time	Complaint	Action E
10/2/2003 12:51:07	270R	[redacted]

Call Log

Unit	Status	Date - Time	Dept	Type	Comments	Officers	Odo
P10D	ENR	10/2/2003 15:05:58	3609	POL	[redacted], RIALTO	[redacted]	0.0
P10D	REM	10/2/2003 15:09:58	3609	POL	REM		0.0
P10D	ENR	10/2/2003 16:37:48	3609	POL	[redacted], RIALTO		0.0
P10D	ONS	10/2/2003 16:58:51	3609	POL	[redacted], RIALTO		0.0
P10D	REM	10/2/2003 17:41:41	3609	POL	REM		
P10D	COM	10/2/2003 17:41:41	3609	POL	Call Completed		0.0
P10D	AVA	10/2/2003 17:41:41	3609	POL	Call Completed		0.0

Unit	Dept	DIS	ENR	ONS	LEF	ARR	BUS	REM	COM
P10D	3609		16:37:48	16:58:51				15:09:58	17:41:41

Category | Last Name | First Name | Middle Name | Suffix | Crim Hist | RMS Alerts

Race | Sex | Ethnic | Height | Weight | Age | DOB | OLN

Clothing | Demeanor

Relationship | Hair Color | Eye Clr | Complexion

Business Name | Description

Location | Apt/Ste | Flr/Bld | City | ST | ZIP | Phone

Call Subject Statistics

Question	Answer

Call References

Reference_Type	Reference	Related_Calls

CAD Operations Report

RIALTO POLICE DEPARTMENT

Call Number 100729-0147 Printed: 01/27/2018 03:41 PM

Call Detail Information

Jurisdiction: RIALTO

Call Number	Taker	Pos	Call Owner	Status	Date - Time Received	Inj
100729-0147	[redacted]	2		C	Thu 07/29/2010 17:01:38	0

Complaint	Ten Code	Priority	Fire Grade	Class	Alarm	How Received
WELCK		2		F		PHONE

Incident Location	Apart/Suite	Floor/Bldg	Incident City	State	ZIP
[redacted]	[redacted]		RIALTO		

Caller Name	Telephone	Alt Telephone	Tower ID
CPS [redacted]	[redacted]	- -	- -

Caller Location	Apart/Suite	Floor/Bldg	Caller City	State	ZIP
[redacted]	[redacted]		RIALTO		

Landmark Weapons

IRA	Grid	Disp Zone	Fire Run Zn	EMS Run Zn	ESN	Tract
620						3

☐ Contacts ☐ Fire Plan ☐ Hazard ☐ Images ☐ Medical ☐ Traffic ☑ Previous

☐ BOLO ☐ Warrant ☑ RMS CH ☐ RMS Alerts ☐ In Progress ☐ Report Req ☐ Subject Req

ALI Time	Call Rec'd	Xmit	Dispatch	Enroute	OnScene	Departed	Arrived	Comp	Unit
00:00:00	17:01:38	17:05:45	18:58:17	18:58:17	19:01:24			19:30:10	P30G

X: Y: Z: Lwr: Upr:

Narrative...

[07/29/2010 19:30:10 : pos4 : [redacted]
[Cleared with unit P30G]

[07/29/2010 19:24:56 : P30G]
NO SIGNS OF NEGLECT BY [redacted] TO CHILD..

[07/29/2010 19:24:33 : P30G]
APT HAD RUNNING WATER, ELECTRICITY, AND FOOD IN THE REFRIDGERATOR..APT WAS BEING CLEANED BY [redacted]..

[07/29/2010 19:23:27 : P30G]
APARTMENT WAS AT A COMFORTABLE TEMP W/AC IN BEDROOM WHERE CHILD WAS SLEEPING..

[07/29/2010 19:22:32 : P30G]
CONTACTED [redacted] AND CHILD..CHILD WAS ASLEEP IN HER PLAY PEN..CHILD APPEARED TO BE IN GOOD HEALTH AND SLEEPING COMFORTABLY..

[redacted]

[redacted]

[redacted]

DMV RECORD FOR LAW ENFORCEMENT USE ONLY

[redacted]

[redacted]

END

[07/29/2010 17:05:45 : pos2 : [redacted]]
Cross streets: [redacted]
Geo Comment: POSTED PC602K

RP W. CPS REQ WELCL ON 1 YO LIVING AT LOC W. MOTHER [redacted] BFA MOTHER TO 1 YO POSS NOT FEEDING CHILD AND LIVING IN FILTHY RESD FEMALE IS POSS DOING METH AND STEALING MONEY FRM ELDERY FATHER

RP WAS OUT AT LOC ON 7/16 TODAY AND FEMALE AT LOC REFUSED TO ALLOW CPS TO CHECK ON THE CHILD AND ADVSD THAT [redacted] WAS NOT AT THE LOCATION AND APPEARED TO BE UTI

WELCK ON 1 YO FEMALE [redacted] BFJ
Location Comment
Geo Comment: POSTED PC602K

Department Numbers

Department	Dept Number	Unit ID
3609	100729-00122	P30G

Call Dispositions

Date - Time	Disposition	Unit Id
2010/07/29 19:30:10.31	NECESSARY ACTION TAKEN	

Call Log

Unit	Status	Date - Time	Dept	Type	Comments	Officers	Odo
P30G	ENR	7/29/2010 18:58:17	3609	POL	[redacted] AVE, RIALTO	[redacted]	0.0
P21G	ENR	7/29/2010 18:58:19	3609	POL	[redacted] AVE, RIALTO		0.0
P30G	ONS	7/29/2010 19:01:24	3609	POL	[redacted] AVE, RIALTO		0.0
P21G	ONS	7/29/2010 19:04:02	3609	POL	[redacted] AVE, RIALTO		0.0
P21G	COM	7/29/2010 19:30:10	3609	POL	COM		0.0
P30G	COM	7/29/2010 19:30:10	3609	POL	COM		0.0

Unit	Dept	DIS	ENR	ONS	LEF	ARR	BUS	REM	COM
P21G	3609		18:58:19	19:04:02					19:30:10
P30G	3609		18:58:17	19:01:24					19:30:10

CONFIDENTIAL COPY
CONFIDENTIAL COPY

Unit Log

Date-Time	Dept	Unit	Officer ID	Action	Comments
7/29/2010 18:59:56	3609	P21G	[redacted]	Change Patrol	Patrol SEC 2, [redacted] RIALTO
7/29/2010 19:00:09	3609	P30G	[redacted]	Change Patrol	Patrol 3, [redacted], RIALTO

Call Persons

Category	Last Name	First Name	Middle Name	Suffix	Crim Hist	RMS Alerts
		Race	Sex	Ethnic	Height	Weight	Age	DOB	OLN
		Clothing						Demeanor	
		Relationship						Hair Color	Eye Clr	Complexion
Business Name		Description							
Location		Apt/Ste	Flr/Bld	City			ST	ZIP	Phone
[redacted]		[redacted]						☑	☐
		F					32	[redacted]			CA

Call Subject Statistics

Question	Answer

Category	Last Name	First Name	Middle Name	Suffix	Crim Hist	RMS Alerts
		Race	Sex	Ethnic	Height	Weight	Age	DOB	OLN
		Clothing						Demeanor	
		Relationship						Hair Color	Eye Clr	Complexion
Business Name		Description							
Location		Apt/Ste	Flr/Bld	City			ST	ZIP	Phone
								☐	☐
							0	0			CA

Call Subject Statistics

Question	Answer

Call References

Reference_Type	Reference	Related_Calls

CAD Operations Report

RIALTO POLICE DEPARTMENT

Call Number 100829-0102 Printed: 01/27/2018 04:24 PM

Call Detail Information

Jurisdiction: RIALTO

Call Number	Taker	Pos	Call Owner	Status	Date - Time Received	Inj
100829-0102	[redacted]	1		C	Sun 08/29/2010 13:17:18	0

Complaint	Ten Code	Priority	Fire Grade	Class	Alarm	How Received
273DR		3		C		

Incident Location	Apart/Suite	Floor/Bldg	Incident City	State	ZIP
[redacted]			RIALTO		

Caller Name	Telephone	Alt Telephone	Tower ID
MONTCLAIR HOSPITAL	[redacted]	- -	- -

Caller Location	Apart/Suite	Floor/Bldg	Caller City	State	ZIP
[redacted]			RIALTO		

Landmark Weapons

IRA	Grid	Disp Zone	Fire Run Zn	EMS Run Zn	ESN	Tract
124						1

☐ Contacts ☐ Fire Plan ☐ Hazard ☐ Images ☐ Medical ☐ Traffic ☑ Previous

☐ BOLO ☐ Warrant ☑ RMS CH ☐ RMS Alerts ☐ In Progress ☐ Report Req ☐ Subject Req

ALI Time	Call Rec'd	Xmit	Dispatch	Enroute	OnScene	Departed	Arrived	Comp	Unit
00:00:00	13:17:18	13:18:34	13:24:12	13:24:12	13:26:06	13:26:06		15:33:19	P10D

X: Y: Z: Lwr: Upr:

Narrative...

[08/29/2010 15:33:19 : pos2 : [redacted]]
[Cleared with unit P10D]

[08/29/2010 14:50:27 : P10D]
MOTHER OF CHILD TOLD FATHER CHILD FELL WHILE AT LAKE PERRIS

[08/29/2010 14:50:10 : P10D]
SPOKE TO DOCTOR AND HE SAID IN HIS MEDICAL PROFESSIONAL OPINION THERE IS NO SIGN OF CHILD ABUSE

[08/29/2010 14:49:34 : P10D]
APPEARS TO BE NO SIGN OF CHILD ABUSE, NO BRUISING, NO SIGN OF ABUSE, JUST A FRACTURE

[redacted]

[redacted]

DMV RECORD FOR LAW ENFORCEMENT USE ONLY

[redacted]

[redacted]

[redacted]

[08/29/2010 13:22:30 : pos1 : [redacted]]
PER S10 UNIT NEEDS TO REPSOND TO MONTCLAIR HOSPITAL

[08/29/2010 13:18:34 : pos1 : [redacted]
Cross streets: [redacted]
JUVIE IN ER // RIGHT LEG FRACTURED // FATHER : [redacted]
JUVIE 2YOA
Location Comment

Department Numbers

Department	Dept Number	Unit ID
3609	100829-00082	P10D

Call Dispositions

Date - Time	Disposition	Unit Id
2010/08/29 15:33:19.69	UNFOUNDED	

Call Number 100829-0102 Printed: 01/27/2018 04:24 PM

Call Log

Unit	Status	Date - Time	Dept	Type	Comments	Officers	Odo
P10D	ENR	8/29/2010 13:24:12	3609	POL	[redacted] ST, RIALTO	[redacted]	0.0
P10D	LEF	8/29/2010 13:26:06	3609	POL	Left Scene, MONTCLAIR HOSPTIAL , RIALTO		0.0
P10D	ONS	8/29/2010 14:08:49	3609	POL	MONTCLAIR HOSPTIAL , RIALTO		0.0
P10D	LEF	8/29/2010 15:00:43	3609	POL	Left Scene, ENRT CITY, RIALTO		0.0
P10D	COM	8/29/2010 15:33:19	3609	POL	COM		0.0

Unit	Dept	DIS	ENR	ONS	LEF	ARR	BUS	REM	COM
P10D	3609		13:24:12	14:08:49	13:26:06				15:33:19

Call Persons

Category	Last Name	First Name	Middle Name	Suffix	Crim Hist	RMS Alerts
		Race	Sex	Ethnic	Height	Weight	Age	DOB	OLN
		Clothing						Demeanor	
		Relationship						Hair Color	Eye Clr	Complexion
Business Name		Description							
Location		Apt/Ste	Flr/Bld	City				ST	ZIP	Phone
[redacted]		[redacted]						☑	☐	
		M			0			[redacted]		CA

Call Subject Statistics

Question	Answer

Category	Last Name	First Name	Middle Name	Suffix	Crim Hist	RMS Alerts
		Race	Sex	Ethnic	Height	Weight	Age	DOB	OLN
		Clothing						Demeanor	
		Relationship						Hair Color	Eye Clr	Complexion
Business Name		Description							
Location		Apt/Ste	Flr/Bld	City				ST	ZIP	Phone
								☐	☐	
					0	0		[redacted]		CA

Call Subject Statistics

Question	Answer

Call References

Reference_Type	Reference	Related_Calls

CAD Operations Report

RIALTO POLICE DEPARTMENT

Call Number 100927-0233 Printed: 01/27/2018 05:13 PM

Call Detail Information

Jurisdiction: RIALTO

Call Number	Taker	Pos	Call Owner	Status	Date - Time Received	Inj
100927-0233	[redacted]	2		C	Mon 09/27/2010 20:09:09	0

Complaint	Ten Code	Priority	Fire Grade	Class	Alarm	How Received
INC		3		G		PHONE

Incident Location	Apart/Suite	Floor/Bldg	Incident City	State	ZIP
[redacted]			RIALTO		

Caller Name	Telephone	Alt Telephone	Tower ID
ARMC[redacted]	[redacted]	- -	- -

Caller Location	Apart/Suite	Floor/Bldg	Caller City	State	ZIP
[redacted]			RIALTO		

Landmark Weapons

IRA	Grid	Disp Zone	Fire Run Zn	EMS Run Zn	ESN	Tract
164						4

☐ Contacts ☐ Fire Plan ☐ Hazard ☐ Images ☐ Medical ☐ Traffic ☑ Previous

☐ BOLO ☐ Warrant ☑ RMS CH ☐ RMS Alerts ☐ In Progress ☐ Report Req ☐ Subject Req

ALI Time	Call Rec'd	Xmit	Dispatch	Enroute	OnScene	Departed	Arrived	Comp	Unit
00:00:00	20:09:09	20:12:46	20:14:22	20:14:22	20:14:30	20:14:30		21:25:26	P40G

X: Y: Z: Lwr: Upr:

Narrative...

[09/27/2010 21:18:07 : P40G]
SGT. [redacted] ADVISED OF THE CIRCS VIA 21.

[09/27/2010 21:17:51 : P40G]
FINDINGS. [redacted] WAS RELEASED FROM THE HOSPITAL IN [redacted] CARE. I DID NOT SEE ANY REASON FOR CPS NOTIFICATION.

[09/27/2010 21:17:10 : P40G]
HEAD. HER SYMPTOMS WERE DIZZINESS AND NAUSEA AS WELL AS A SLIGHT HEADACHE. DR [redacted] WAS ALSO IN AGREEMENT WITH MY

[09/27/2010 21:16:19 : P40G]
IT IS MY OPINON THAT THE INJURY HAPPENED AS EXPLAINED BY [redacted] THE INJURY IS CONSISTENT WITH SOMEONE HITTING THERE

[09/27/2010 21:15:37 : P40G]
CONTACT NUMBERS FOR [redacted] ARE AS FOLLOWS;
[redacted]
[redacted]

[09/27/2010 21:14:47 : P40G]
TO BE HIDING ANY INFORMATION. SHE WAS ALERT AND COMPREHENDING MY QUESTIONS CLEARLY.

[09/27/2010 21:13:59 : P40G]
ER FOR FURTHER DIAGNOSIS. [redacted] WAS VERY COOPERATIVE AND CALM. [redacted] WAS VERY RESPONSIVE AND DID NOT APPEAR

[09/27/2010 21:13:14 : P40G]
[redacted] TOOK [redacted] TO THEIR PERSONAL DOCTOR, [redacted], WHO ADVISED THAT [redacted] TAKE [redacted] TO THE

[09/27/2010 21:12:26 : P40G]
TODAY AND NOTICED THAT HER EYES LOOKED VERY DROOPY AND TIRED. THEN [redacted] NOTICED A LARGE BUMP ON [redacted] HEAD

[09/27/2010 21:11:54 : P40G]
I CONTACTED [redacted] MOTHER, [redacted], AT THE HOSPITAL. [redacted] TOLD ME THAT SHE PICKED UP [redacted] FROM SCHOOL

[09/27/2010 21:10:58 : P40G]
[redacted] DID NOT TELL ANYONE ABOUT THE INC.

[09/27/2010 21:10:36 : P40G]
HER COUSIN PUSHED [redacted] AND [redacted] HIT HER HEAD ON THE CLOSET DOOR. [redacted] FELT DIZZY AND LAID DOWN.

[09/27/2010 21:10:01 : P40G]
WITH HER COUSINS. [redacted] WAS IN THE CLOSET WITH HER COUSIN AND TRIED TO GET HER OFF A HIGH AREA IN THE CLOSET

[09/27/2010 21:09:02 : P40G]
I SPOKE WITH [redacted] AT THE HOSPITAL. SHE TOLD ME THAT SHE WAS AT HER AUNTS HOUSE, [redacted], ON SUNDAY PLAYING

[09/27/2010 21:08:17 : P40G]
HE STATED THAT IT DID NOT LOOK LIKE [redacted] HAD BEEN STRUCK WITH A BLUNT OBJECT.

[09/27/2010 21:07:36 : P40G]
POLICE TO KNOW ABOUT THE INCIDENT. DR [redacted] STATED THAT THERE WAS BLEEDING UNDER THE SCALP AND DRAINED SOME OF IT

[09/27/2010 21:06:59 : P40G]
CONTACTED DR. [redacted] AT HOSPITAL. HE STATED THAT HE DID NOT SUSPECT ANY SUSP CIRCS BUT WANTED THE

[redacted]

[redacted]

END

[09/27/2010 20:13:55 : pos4 : [redacted]]
S30 ADV

[09/27/2010 20:12:46 : pos2 : [redacted]
Cross streets: [redacted]
PATIENT [redacted] 9 YO IN THE ER AT ARMC BEING SEEN FOR A LRG BUMP ON HER HEAD. STS

Call Number 100927-0233 Printed: 01/27/2018 05:13 PM

SHE HIT IT ON THE DOOR, BUT INJ NOT CONSISTENT WITH STORY. MOM IS ALSO 97 AND COOP. JUVIE IS IN THE TRIAGE AREA RIGHT NOW

Location Comment

Department Numbers

Department	Dept Number	Unit ID
3609	100927-00187	P40G

Call Dispositions

Date - Time	Disposition	Unit Id
2010/09/27 21:25:26.58	NECESSARY ACTION TAKEN	

Call Complaints

Date - Time	Complaint	Action E
9/27/2010 20:13:13	INC	[redacted]
9/27/2010 21:25:21	273DR	[redacted]

Call Log

Unit	Status	Date - Time	Dept	Type	Comments	Officers	Odo
P40G	ENR	9/27/2010 20:14:22	3609	POL	[redacted] RIALTO	[redacted]	0.0
P40G	LEF	9/27/2010 20:14:30	3609	POL	Left Scene, ARMC ER, RIALTO		0.0
P40G	ONS	9/27/2010 20:37:43	3609	POL	ARMC ER, RIALTO		0.0
P40G	COM	9/27/2010 21:25:26	3609	POL	COM		0.0

Unit	Dept	DIS	ENR	ONS	LEF	ARR	BUS	REM	COM
P40G	3609		20:14:22	20:37:43	20:14:30				21:25:26

Call Persons

Category	Last Name	First Name	Middle Name	Suffix	Crim Hist	RMS Alerts
		Race	Sex	Ethnic	Height	Weight	Age	DOB	OLN
		Clothing						Demeanor	
		Relationship						Hair Color	Eye Clr	Complexion
Business Name		Description							
Location		Apt/Ste	Flr/Bld	City			ST	ZIP	Phone
[redacted]		[redacted]					☑		☐
		F			0		[redacted]		CA

Call Subject Statistics

Question	Answer

Call References

Reference_Type	Reference	Related_Calls

RIALTO POLICE DEPARTMENT

MEMORANDUM

TO: Patrol Sergeants

FROM: Jennifer Krutak, Crime Analyst

SUBJECT: State Mandated Cost Recovery, Child Abuse Reporting

DATE: May 22, 2014

Each year, the department is required to submit detailed statistics in support of various reimbursement claims submitted to the State. The State recently finalized parameters to be used for the Child Abuse & Neglect section added. All agencies are required to provide data going back to 1999 and must submit supporting time logs related to the initial investigation/contact with victim, report writing and report approval. Since it is not feasible to provide time logs for all prior fiscal years, we are required to complete a 30-day time study which will then be used to calculate annual average time spent for current and prior years.

The following are the categories that allow for reimbursement on the attached forms:

- **Initial Investigation:** time spent gathering necessary facts to conduct an investigation "to determine whether a report of suspected child abuse or severe neglect is unfounded, substantiated or inconclusive" – use time log for process "Child Abuse Investigation"

- **Report Writing:** drafting (includes dictation), reviewing and editing of incident reports before submitting to supervisor; this includes time spent by officer to review transcribed report – use time log for process "Child Abuse Report Prep"

- **Filling Out Form SS 8583:** time spent to fill out State Form SS 8583 (and/or subsequent DOJ form) – use time log for process "Child Abuse Report Prep"

- **Report Review:** time spent by supervisor to approve officer's report and Form SS 8583 – use time log for process "Child Abuse Report (SS 8593) Review & Approve"

Investigations for the following should all be included: physical, mental, and sexual abuse; child neglect; child endangerment; child pornography.

Time logs are to be filled out by all employees that are involved in any of the above steps during the period 05/25/14 – 06/21/14. **Please have completed time logs turned into CAU no later than Wednesday, June 25, 2014.**

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250

http://www.sco.ca.gov

Los Angeles County Identity Theft Claims and Audit Report

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only
(19) Program Number 00321
(20) Date Filed 12/10/12
(21) LRS Input

PROGRAM 321

(01) Claimant Identification Number: 9919			Reimbursement Claim Data	
(02) Claimant Name: Auditor - Controller			(22) FORM-1, (04) 1, (a) (g)	185,776
County of Location: County of Los Angeles			(23) FORM -1, (04) 1. (b) (g)	17,660
Street Address or P.O. Box: 500 West Temple Street; Suite: 603			(24) FORM -1, (04) 2. (g)	174,928
City: Los Angeles; State: CA; Zip Code: 90012			(25) FORM 1, (06)	46
		Type of Claim	(26) FORM 1, (07)	118,006
	(03)	(09) Reimbursement [X]	(27) FORM 1, (09)	312,713
	(04)	(10) Combined [ ]	(28) FORM 1, (10)	
	(05)	(11) Amended [ ]	(29)	
Fiscal Year of Cost	(06)	(12) 2011/12	(30)	
Total Claimed Amount	(07)	(13) $183,657	(31)	
Less: 10% Late Penalty (refer to attached Instructions)		(14)	(32)	
Less: Prior Claim Payment Received		(15)	(33)	
Net Claimed Amount		(16) $183,657	(34)	
Due from State	(08)	(17) $183,657	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenue and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amounts for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer: Wendy L. Watanabe

Date Signed: 11/30/12

Wendy L. Watanabe Auditor - Controller
Type or Print Name and Title of Authorized Signatory

Telephone Number: (213) 974 - 8302
E-Mail Address: wwatanabe@auditor.lacounty.gov

(38) Name of Agency Contact Person for Claim
Hasmik Yaghobyan

Telephone Number: (213) 893 - 0792
E-Mail Address: hyaghobyan@auditor.lacounty.gov

Name of Consulting Firm/Claim Preparer

Telephone Number
E-Mail Address

Form FAM-27 (New 09/11)

FORM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant
COUNTY OF LOS ANGELES

(02) Fiscal Year
2011/2012

(03) Department

Direct Costs — **Object Accounts**

(04) Reimbursable Activities	(a) Salaries	(b) 49.087% Benefits [1]	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC 530.5	$124,608.88	$61,166.76					$185,775.64
b) Reviewing online ID theft report	$11,845.43	$5,814.57					$17,660.00
2. Investigation of facts	$117,332.93	$57,595.22					$174,928.15
(05) Total Direct Costs	$253,787.24	$124,576.55					$378,363.79

Indirect Costs

(06) Indirect Cost Rate	[from ICRP or 10%] **[1]**	46.498%
(07) Total Indirect Costs	[Line (06) x line (05)(a)]or [Line (06)x{line (05)(a)+ line (05)(b)}]	$118,005.99
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	$496,369.78

Cost Reduction

(09) Less: Offsetting Revenues - (Contract Cities - 63%)		$312,712.96
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	$183,656.82

New 09/11

[1] Please refer to Tab-A

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: COUNTY OF LOS ANGELES

(02) Fiscal Year costs were incurred: 2011/2012

(03) Reimbursable Activities: Check only **one** box per form to identify the activity being claimed.

- [X] **Taking police report in violation of PC 530.5**
- [ ] **Investigation of facts**
- [ ] **Reviewing online ID theft report**

(04) **Description of Expenses** / **Object Accounts**

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost [1]	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits 49.087% [1]	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Deputy General, Deputy BI or Deputy BII took police report related to PC 530.5: [2]								
Average process time - 29.065 min. [2]	$53.86	2,313.57	$124,608.88	$61,166.76				
29.065 minutes x 4,776 reports [3] = 138,814.44 minutes/60 = 2,313.57 hours								
(05) Total [X] Subtotal [ ]		Page: 1 of 1	$124,608.88	$61,166.76				

New 09/11

[1] Please refer to Tab-A
[2] Please refer to Tab-B
[3] Please refer to Tab-C

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: **COUNTY OF LOS ANGELES**

(02) Fiscal Year costs were incurred: **2011/2012**

(03) Reimbursable Activities: Check only **one** box per form to identify the activity being claimed.

- ☐ **Taking police report in violation of PC 530.5**
- ☐ **Investigation of facts**
- ☒ **Reviewing online ID theft report**

(04) **Description of Expenses** — **Object Accounts**

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost [1]	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits **49.087%** [1]	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Deputy General, Deputy BI or Deputy BII reviewed the report: **[2]**								
Average process time - 2.763 min.**[2]**	$53.86	219.93	$11,845.43	$5,814.57				
2.763 minutes x 4,776 reports **[3]** = 13,196.09 minutes/60 = 219.93 hours								

(05) Total ☒ Subtotal ☐ Page: 1 of 1 $11,845.43 $5,814.57

New 09/11

[1] Please refer to Tab-A
[2] Please refer to Tab-B
[3] Please refer to Tab-C

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: **COUNTY OF LOS ANGELES**

(02) Fiscal Year costs were incurred: **2011/2012**

(03) Reimbursable Activities: Check only **one** box per form to identify the activity being claimed.

- ☐ **Taking police report in violation of PC 530.5**
- ☒ **Investigation of facts**
- ☐ **Reviewing online ID theft report**

(04) **Description of Expenses** — **Object Accounts**

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost [1]	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits 49.087% [1]	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Deputy General, Deputy BI or Deputy BII investigated the facts: [2]								
Average process time - 27.368 min. [2]	$53.86	2,178.48	$117,332.93	$57,595.22				
27.368 minutes x 4,776 reports [3] = 130,708.57 minutes/60 = 2,178.48 hours								

(05) Total ☒ Subtotal ☐ Page: 1 of 1 $117,332.93 $57,595.22

New 09/11

[1] Please refer to Tab-A
[2] Please refer to Tab-B
[3] Please refer to Tab-C

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT
SB90 PROGRAMS - IDENTITY THEFT
SALARY, EB, OH INFORMATION - FY 2011-2012

	DEPUTY	DEPUTY / BONUS I	DEPUTY / BONUS II	AVERAGE
MONTHLY SALARY EFFECTIVE	$6,975.00	$7,575.00	$9,202.00	
ANNUAL SALARY W/TOP STEP VARIANCE	$83,700.00	$90,900.00	$110,424.00	
PRODUCTIVE WORK HOURS	1,764	1,764	1,764	
PRODUCTIVE HOURLY RATE	$47.45	$51.53	$62.60	$53.86
EMPLOYEE BENEFITS (1)	49.087%	49.087%	49.087%	
OVERHEAD - Avg. Reg I, II, & III (1)	46.498%	46.498%	46.498%	

[1] Please refer to Tab-D

LAW ENFORCEMENT CONTRACTUAL COSTS

FISCAL YEAR 2011-12

SALARIES AND WAGES - SWORN

ItemNumber/ Title	Salary Component	Adjustment Factor	Adjusted Monthly S & W	Number of Positions	Weighted Monthly Salary	Adjusted Annual Salary
2708 Deputy Sheriff - Generalist	Base Rate		$6,511			
	Salary Increase	0.000%	6,511			
	Top Step Variance	97.1352%	6,325			
	POST Certificate - Basic	6.50%	6,736	2,716	$2,745	
	POST Certificate - Inter.	9.50%	6,926	1,188	1,235	
	POST Certificate - Adv.	12.50%	7,115	1,866	1,992	
	Longevity - 20 years	3.00%	7,329	560	616	
	Longevity - 25 years	4.00%	7,622	226	258	
	Longevity - 30 years	4.00%	7,927	108	128	
	Total				$6,975	$83,700
2712 Deputy Sheriff IV	Base Rate		$6,874			
	Salary Increase	0.000%	6,874			
	Top Step Variance	97.1352%	6,677			
	POST Certificate - Basic	6.50%	7,111	0	$0	
	POST Certificate - Inter.	9.50%	7,312	0	0	
	POST Certificate - Adv.	12.50%	7,512	1	3,756	
	Longevity - 20 years	3.00%	7,737	0	0	
	Longevity - 25 years	4.00%	8,047	0	0	
	Longevity - 30 years	4.00%	8,369	1	4,184	
	Total				$7,940	$95,283
2708 Deputy Sheriff Bonus I	Base Rate		$6,874			
	Salary Increase	0.000%	6,874			
	Top Step Variance	97.1352%	6,677			
	POST Certificate - Basic	6.50%	7,111	212	$579	
	POST Certificate - Inter.	9.50%	7,312	321	901	
	POST Certificate - Adv.	12.50%	7,512	1,210	3,489	
	Longevity - 20 years	3.00%	7,737	567	1,684	
	Longevity - 25 years	4.00%	8,047	210	649	
	Longevity - 30 years	4.00%	8,369	85	273	
	Total				$7,575	$90,900
	Sr Field Training Officer	5.500%				$95,900
	Mr Field Training Officer	11.000%				$100,899
2708 Deputy Sheriff - Bonus II	Base Rate		$8,210			
	Salary Increase	0.000%	8,210			
	Top Step Variance	97.1352%	7,975			
	POST Certificate - Basic	6.50%	8,493	12	$209	
	POST Certificate - Inter.	9.50%	8,732	17	305	
	POST Certificate - Adv.	12.50%	8,971	224	4,126	
	Longevity - 20 years	3.00%	9,240	110	2,087	
	Longevity - 25 years	4.00%	9,610	89	1,756	
	Longevity - 30 years	4.00%	9,995	35	718	
	Total				$9,202	$110,424
2717 Sergeant	Base Rate		$8,210			
	Salary Increase	0.000%	8,210			
	Top Step Variance	97.1352%	7,975			
	POST Certificate - Basic	6.50%	8,493	46	$174	
	POST Certificate - Inter.	9.50%	8,732	69	269	
	POST Certificate - Adv.	12.50%	8,971	1,133	4,530	
	Longevity - 20 years	3.00%	9,240	582	2,397	
	Longevity - 25 years	4.00%	9,610	280	1,199	
	Longevity - 30 years	4.00%	9,995	134	597	
	Total				$9,165	$109,980

SHERIFF
COST FACTORS
FISCAL YEAR 2011-12

Top Step Variance Factor:	**97.1352%**
MAPP TIER I Variance Factor:	**90.0804%**
MAPP TIER II Variance Factor:	**103.4308%**
Contract Cities Liability Insurance Rates:	**(1)**
Productive Work Hours:	**1764**
Countywide Cost:	
Group III	
Group IV	

---

(1) The appropriate Contract City Liability Insurance rate should be applied to total billable cost. Contact Risk Management for the appropriate rates.

SHERIFF
COST FACTORS
FISCAL YEAR 2011-12

Top Step Variance Factor:	97.1352%
MAPP TIER I Variance Factor:	90.0804%
MAPP TIER II Variance Factor:	103.4308%
Contract Cities Liability Insurance Rates:	(1)
Productive Work Hours:	1764
Countywide Cost:	
Group III	
Group IV	

---

(1) The appropriate Contract City Liability Insurance rate should be applied to total billable cost. Contact Risk Management for the appropriate rates.

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT

IDENTITY THEFT SB90 PROGRAM

TAB-B1

IDENTITY THEFT SURVEY FOR PATROLS

SUMMARY

		TOTAL MINUTES	ENTRIES	AVERAGE
Enter on computer		713	92	7.750
Assign Case		403	75	5.373
Review/Ack	[2]	210	76	2.763
Investigation/Interview	[3]	2,407	125	19.256
Collect/Review Evid/Docs	[3]	795	98	8.112
Book Evid		138	13	10.615
Jurisdiction decision		111	32	3.469
Initial Repot	[1]	3,023	130	23.254
Approve		735	117	6.282
Revise	[1]	308	53	5.811
Re-Approve		249	53	4.698
Assign/Distr		507	120	4.225

[1] Taking police report in violation of PC 530.5 - 29.065 minutes

[2] Reviewing ID theft report - 2.763 minutes

[3] Investigation of facts - 27.368 minutes

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - LAKEWOOD STATION

																															Total Minutes	Entries	Average
Enter on computer			1	10	10	5	3	4	20	3	5	3		20	20	30	21				2	3	5	1		2	1		57	5	231	22	10.50
Assign Case			1	10	10	5	1	1			5	3				5	1				2	2	3	5		1	31		5	1	92	18	5.11
Review/Ack	[2]		1	1	1	5	1	3			5	1	5			5	5				2	1	5	1		1	1		1	1	46	19	2.42
Investigation/Interview	[3]	15	20	10	10	15	45	20	20	4	20	10	20	20		15	15	15	20	10	30	10	10	15	5	15	5		15	30	439	27	16.26
Collect/Review Evid/Docs	[3]	10	10	1	1	5	90	5	20	2	10	5	2	10				5	5	5	5	5	5		20	2	5		15	5	248	24	10.33
Book Evid				10	10		20														15									55	4	13.75
Initial Repot	[1]	40	25	10	10	20	35	15	20	20	25	15	30	20	20	20	25	20	45	35	20	10	20	30	20	15	20	15	25	30	655	29	22.59
Approve		15	10	5	1	10	15	5	2		5	5		2		5	15	5			10	5	10	5	15	5	3	3	12	5	173	24	7.21
Revise	[1]					5	10	2			5		10				20		15	10	10						2		15	1	105	12	8.75
Re-Approve						5	2	1			5					5	15			15	10						3		4	2	67	11	6.09
Assign/Distr			15	1	1	5	1	1					5	1	5	85	15	5	10	3	5	5	5	5	5	5	1	1	3	1	189	24	7.88
TOTAL		80	83	58	54	80	223	57	82	29	85	42	72	73	45	170	132	50	95	78	111	41	63	62	65	46	72	19	152	81	2300	29	79.31
Jurisdiction Decision			1								5	1				5			5	2	1										20	7	2.86

29 cases: 79.31 MINS/CALL

[1] Taking police report in violation of PC 530.5
[2] Reviewing ID theft report
[3] Investigation of facts

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - PALMDALE STATION

TAB-B3

																										Total Minutes	Entries	Average
Enter on computer		1	1	2	2	1	1		1	1	1	1	2	3	2	1	2	1	2		3	1	1	2	1	33	22	1.5
Assign Case		1	1	1	2	1	1		1	1	1	1	1	3	1	1	3	1	1	1	2	1	1	1	1	29	23	1.26
Review/Ack	[2]	2	1	1	1	1	1		1	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	25	23	1.09
Investigation/Interview	[3]	20	47	32	40	11	5	130	29	22	20	25	31	10	15	7	27	17	40	22	15	45	20	40	31	701	24	29.2
Collect/Review Evid/Docs	[3]	25				2	2	11	4		2	2	2			2	2	4			3	15	2		4	82	15	5.47
Book Evid							5	6																		11	2	5.5
Initial Repot	[1]	50	26	21	24	15	17	70	25	20	10	23	17	15	25	22	20	26	15	18	30	30	30	15	25	589	24	24.54
Approve		6	4	4	4	4	4	8	4	4	6	5	5	5		5	6	5	5	4	4	6	5	5	7	115	23	5
Revise	[1]																						2			2	1	2
Re-Approve																							1			1	1	1
Assign/Distr		1	1	1	1	1	1	1	1	1	1	1	1	1		1	1	1	1	1	1	1	1	1	1	23	23	1
TOTAL		106	81	62	74	36	37	226	66	50	42	59	60	39	44	40	62	56	65	47	59	100	64	65	71	1611	24	67.13
Jurisdiction Decision													11													11	1	11

24 cases: 67.13 MINS/CALL

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - SANTA CLARITA STATION

TAB-B4a

Enter on computer		1		2		2	2	1	1		1	2				2	8	1	1	2	3		2	2		2	3			1
Assign Case		40		2		2	4	1	3			1				28	1			1	2		3	8		2	1			
Review/Ack	[2]	2		1		2	16	1	1			8				2	1		15	1	1		1	1		1	1			
Investigation/Interview	[3]	34	20	10		10	7	24	31	20	15	8	17	11	15	30	15	15		10	20	10	34	31	10	20	10	15	5	15
Collect/Review Evid/Docs	[3]	10	10		20	6	1	1	1	5		2	4	2	5	5	10			5	20	3			3	50	2	5	10	1
Book Evid		10		10	10	5										10	12													
Initial Repot	[1]	40	20	30	20	30	15	17	21	25	30	20	21	10	22	30	25	30	30	30	30	15	30	30	13	20	17	20	20	30
Approve		8	5	10	2	10	2	2	3	10		10	10	5	10	10	3	2		4	10	5	5	5	10	10	5	9	3	2
Revise	[1]	15	5	10		6	2	2		5		0	4	3	5							3			3			5		
Re-Approve		1		5		10	2	2		5	5	5	5		6			5	5			2						5		5
Assign/Distr			3	5	1	1	1	2	1	4	1	1	3	2	5	5	1	1	1	2	2	1	1	1	2	1	39	2	1	1
TOTAL		161	63	85	53	84	52	53	62	74	52	57	64	33	68	122	76	54	52	55	88	39	76	78	41	106	78	61	39	55
Jurisdiction Decision						2									4		5		2					5		5		5		

77 cases: 72.43 MINS/CALL

[1] Taking police report in violation of PC 530.5
[2] Reviewing ID theft report
[3] Investigation of facts

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - SANTA CLARITA STATION

TAB-B4b

Enter on computer	1			21	2		1		2	15	3	2	47	4	5					45			2	2	2		200	5	1	1
Assign Case				3	2				7		2	19	4	4	2								9	3	1		10		34	13
Review/Ack				7					1		1	14	1	10	2								5	1	4		1		1	6
Investigation/Interview	15	15	10	15	23	10	15	12	12	10	20	7	38	19	30	10	15	10	10	20	10	10	31	20	76	20	10	15	17	27
Collect/Review Evid/Docs		5	5	1		5		5		2	20	3	10		5	2	4	5	4	20	3	2	31	5		5	10			
Book Evid													15																	
Initial Repot	30	20	15	25	20	20	30	20	30	15	30	22	35	30	30	10	20	20	15	15	15	10	15	30	30	25	30	30	30	15
Approve	2	9	5	20	5	12	2	10	5	5		7	20	5	5	5	9		5	5		5	5	2			10	2	10	5
Revise		4	3	10		5		5						1		3	5	5	5	5	3	2			10	5	10		4	
Re-Approve	5	4	5			6	5	4						1			5	5	2	5	1				10	5	10		3	
Assign/Distr	1	3	1		2	5	1	4	3	1	2	2	2	1	1	2	2	1	1	120	1	1	2		2	1	2	1	1	2
TOTAL	54	60	44	102	54	63	54	60	60	48	78	76	172	75	80	32	60	46	42	235	33	30	100	63	135	61	293	53	101	69
Jurisdiction Decision						5		5	1	1			1	1						5		1	1			3				

77 cases: 72.43 MINS/CA

[1] Taking police report in vio
[2] Reviewing ID theft report
[3] Investigation of facts

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - SANTA CLARITA STATION

TAB-B4c

																			Total Minutes	Entries	Averages
Enter on computer	1	15		5	20	1	1	2					1		1			2	449	48	9.35
Assign Case	1			1		4		63										1	282	34	8.29
Review/Ack	1			14		13		1										1	139	34	4.09
Investigation/Interview	26	15	15	34	5	14	15	15	15	12	10	15		5	15	16	11	15	1267	74	17.12
Collect/Review Evid/Docs		1	4		1	47	5		6	10	5	7	5	15	1	5	10	10	465	59	7.88
Book Evid																			72	7	10.29
Initial Repot	25	25	20	20	30	30	15	22	20	20	15	25	25	30	30	20	24	10	1779	77	23.10
Approve	5	5	11	3	5	5	5	5	5	3	5	8	15	5	2	4	1	10	447	70	6.39
Revise			3					10	5	5	5	6		5		4	5		201	40	5.03
Re-Approve			4					5	4	3	2	5	2	5		4	3		181	41	4.41
Assign/Distr	1		5	1	2	3	1	2	4	1	1	2	2	5	2	1	1	2	295	73	4.04
TOTAL	60	61	62	78	63	117	42	125	59	54	43	68	50	70	51	54	55	51	5577	77	72.43
Jurisdiction Decision			5		2					5	5	5				5		1	80	24	3.33

77 cases: 72.43 MINS/CA

[1] Taking police report in viol
[2] Reviewing ID theft report
[3] Investigation of facts

Wong, Hsi-Wen Wu

From: Ferrell, Suzanne P.
Sent: Thursday, September 20, 2012 1:49 PM
To: Wong, Hsi-Wen Wu
Cc: Unland, Kevin G.
Subject: Identity Theft Stats

Here are the identity theft stats for fiscal years:

2002/2003 – 1
2003/2004 – 7
2004/2005 – 3309
2005/2006 – 4595
2006/2007 – 5681
2007/2008 – 5798
2008/2009 – 5424
2009/2010 – 4391
2010/2011 – 4223
2011/2012 – 4776

Total – 38,205

These stats are for July 1st through June 30th of the years indicated.

Thanks.

Suzie Ferrell, Deputy
Field Operations Support Services
Risk Management Bureau
Leadership & Training Division
Los Angeles County Sheriff's Department
(323) 890-5473
spferrel@lasd.org

SHERIFF'S DEPARTMENT
FISCAL YEAR 2011-12 INDIRECT COST PROPOSAL
CLAIMABLE COSTS
BASED ON FY 2008-09 ACTUAL

			INCURRED BY OTHER DEPARTMENT	DEPT'L COSTS		FOD-REGION I		FOD-REGION II		FOD-REGION III	
				INDIRECT	DIRECT	INDIRECT	DIRECT	INDIRECT	DIRECT	INDIRECT	DIRECT
SALARIES & WAGES											
EXECUTIVE				$7,045,065	$0	$0	$0	$0	$0	$0	$0
ADMINISTRATIVE				$93,770,765	$93,581,184	$14,671,566	$1,132,791	$18,436,702	$1,423,498	$12,237,605	$944,865
FOD-REGION I				$3,651,947	$190,989,738	$3,968,719	$187,021,019				
FOD-REGION II				$4,589,139	$194,520,708			$4,605,726	$189,914,982		
FOD-REGION III				$3,046,102	$159,305,211					$3,449,099	$155,856,112
DETECTIVE					$77,365,153						
CUSTODY					$476,564,092						
COURT SVCS					$137,000,165						
SUB-TOTAL				**$112,103,018**	**$1,329,326,252**	**$18,640,285**	**$188,153,810**	**$23,042,428**	**$191,338,480**	**$15,686,703**	**$156,800,977**
OTHER IND COSTS:											
SERVICES & SUPPLIES	[E-1]			$67,681,620		$13,409,746		$16,662,302		$11,073,868	
EMP BENEFITS	[C-1]	49.087%		$55,027,705		$9,149,906		$11,310,774		$7,700,090	
DEPT'L OH	[A-1]	16.208%				$3,021,287		$3,734,803		$2,542,560	
COUNTYWIDE OH	[A-1]	5.810%				$1,083,005		$1,338,770		$911,401	
DEPT'L CARRY FWD	[D-1-1]			($19,350,164)							
DIV'L CARRY FWD	[D-1]					($5,303,487)		$3,476,994		($4,910,566)	
UNBILLED SVCS:											
COUNTYWIDE CARRY FWD	[D-1-1]		$24,439,380								
INSURANCE	[I-3]		$5,577,063								
OUTSIDE AUDITORS	[I-3]		$191,922								
RENTAL EXP	[I-3]		($21,658,460)								
BLDG USE ALLOWANCE	[I-3]		$21,788,956								
EQUIPT USE ALLOWANCE	[I-3]		$15,410,961								
VEHICLE EQUIPMENT DEPRECIATI	[I-3]		$9,303,501								
UTILITY EXPENSE	[I-3]		$2,671,548								
VACANT SPACE	[I-3]		$681,405								
AFFIRM ACTION	[I-3]		$897,228								
AUDITOR-CONTR	[I-3]		$7,273,830								
BOARD OF SUPERV	[I-3]		$320,909								
CHIEF EXEC. OFFICE	[I-3]		$3,116,452								
CHIEF INFORMATION OFFICER	[I-3]		$886,957								
COUNTY COUNSEL	[I-3]		$839,673								
HUMAN RESOURCES	[I-3]		$2,238,085								
INTERNAL SERVICES	[I-3]		$3,086,625								
TREAS & TAX COLL	[I-3]		$97,485								
PUBLIC SAFETY	[I-3]		($29,712)								
ADJUSTMENTS	[I-3]		$100,338								
CLAIMABLE COSTS[A-1]			**$77,234,146**	**$215,462,179**	**$1,329,326,252**	**$40,000,742**	**$188,153,810**	**$59,566,071**	**$191,338,480**	**$33,004,055**	**$156,800,977**
			5.810%	**16.208%**		**21.260%**		**31.131%**		**21.048%**	

L.A. COUNTY SHERIFF'S DEPARTMENT
FY 2011-12 INDIRECT COST PROPOSAL
EB RATE CALCULATION
FY 2008-09 ACTUAL

FY 2011-12 ESTIMATED EB RATE:				
ESTIMATED EB BILLED COST [C-1-1]		$721,102,000		
ADD: EB UNBILLED COST [I-3]		-$1,389,612		
FY 2011-12 ESTIMATED E.B. COST			$719,712,388	
FY 2011-12 ESTIMATED S&W [C-1-1]			$1,416,313,000	
FY 2011-12 ESTIMATED EB RATE (EB COST/S&W)				50.816%
FY 2008-09 EB CARRY FORWARD RATE:				
FY 2008-09 ACTUAL EB BILLED COST [F-1]	$664,623,133			
ADD: EB UNBILLED COST EB [I-3]	-$1,389,612			
FY 2008-09 ACTUAL E.B. COST		$663,233,521		
FY 2008-09 ACTUAL S&W (F-1)		$1,441,429,270		
FY 2008-09 ACTUAL EB RATE (EB COST/S&W)		46.012%		
ESTIMATED VARIANCE:				
FY 2008-09 ACTUAL EB RATE (ABOVE)		46.012%		
LESS: ESTIMATED EB RATE FOR FY 2008-09 ICP (J-3)		47.836%		
		-1.824%		
THEN DIFFERENCE MULTIPLIED BY				
FY 2008-09 ACTUAL S&W(F-1)		$1,441,429,270	($26,288,585)	
CARRY FORWARD VARIANCE:				
FY 2008-09 ESTIMATED S&W (FY 2011-12 ICP[J-3])	$1,396,883,000			
LESS: FY 2008-09 ACTUAL S&W (F-1)	$1,441,429,270			
DIFFERENCE DIVIDED BY THE		-$44,546,270		
FY 2008-09 ESTIMATED S&W(J-3)		$1,396,883,000	-3.189%	
THEN MULTIPLIED BY THE				
FY 2008-09 TOTAL CARRY FORWARD(J-3)		-$56,379,474	$1,797,928	
FY 2011-12 CARRY FORWARD RATE:				
FY 2008-09 TOTAL CARRY FORWARD (ESTIMATED VARIANCE PLUS CARRY FORWARD VARIANCE)			($24,490,657)	
DIVIDED BY FY 2011-12 ESTIMATED S&W(C-1-1)			$1,416,313,000	-1.729%
FY 2011-12 ICP EB RATE (FY 2011-12 ESTIMATED RATE PLUS FY 2011-12 CARRY FORWARD RATE)				**49.087%**

[B-1]
[B-1-1]

TAB–A5

L.A. COUNTY SHERIFF'S DEPARTMENT
FY 2011-12 INDIRECT COST PROPOSAL
OVERHEAD RATES
FISCAL YEAR 2008-09 ACTUAL

			REGION I	REGION II	REGION III	DETECTIVE	CUSTODY	COURT SVCS.	AVERAGE OH RATES	
COUNTYWIDE OH RATE:										
$77,234,146 [B-1]	/	$1,329,326,252 [B-1]	5.810%	5.810%	5.810%	5.810%	5.810%	5.810%	5.810%	
DEPARTMENTAL OH RATE:										
$215,462,179 [B-1]	/	$1,329,326,252 [B-1]	16.208%	16.208%	16.208%	16.208%	16.208%	16.208%	16.208%	
FOD-REGION I OH RATE:										
$40,000,742 [B-1]	/	$188,153,810 [B-1]	21.260%							
FOD-REGION II OH RATE:										
$59,566,071 [B-1]	/	$191,338,480 [B-1]		31.131%						
FOD-REGION III OH RATE:										
$33,004,055 [B-1]	/	$156,800,977 [B-1]			21.048%					
DETECTIVE OH RATE:										
$22,573,469 [B-1-1]	/	$75,976,526 [B-1-1]				29.711%				
CUSTODY DIV OH RATE:										
$106,813,936 [B-1-1]	/	$465,111,857 [B-1-1]					22.965%			
COURT SERVICES OH RATE:										
$60,840,379 [B-1-1]	/	$116,696,185 [B-1-1]						52.136%	29.709%	[1]
TOTAL OVERHEAD RATES			**43.278%**	**53.150%**	**43.067%**	**51.730%**	**44.984%**	**74.154%**	**51.727%**	[2]

[1] AVERAGE DIVISIONAL OVERHEAD RATE

[2] AVERAGE TOTAL OVERHEAD RATE

46.498%

FILE: ICP SMRY FY 2011-12/OVERHEADRATES

TAB-A6

L.A. COUNTY SHERIFF'S DEPARTMENT
FY 2011-12 INDIRECT COST PROPOSAL
EB RATE CALCULATION
FY 2008-09 ACTUAL

FY 2011-12 ESTIMATED EB RATE:				
ESTIMATED EB BILLED COST [C-1-1]		$721,102,000		
ADD: EB UNBILLED COST [I-3]		-$1,389,612		
FY 2011-12 ESTIMATED E.B. COST			$719,712,388	
FY 2011-12 ESTIMATED S&W [C-1-1]			$1,416,313,000	
FY 2011-12 ESTIMATED EB RATE (EB COST/S&W)				50.816%
FY 2008-09 EB CARRY FORWARD RATE:				
FY 2008-09 ACTUAL EB BILLED COST [F-1]	$664,623,133			
ADD: EB UNBILLED COST EB [I-3]	-$1,389,612			
FY 2008-09 ACTUAL E.B. COST		$663,233,521		
FY 2008-09 ACTUAL S&W (F-1)		$1,441,429,270		
FY 2008-09 ACTUAL EB RATE (EB COST/S&W)		46.012%		
ESTIMATED VARIANCE:				
FY 2008-09 ACTUAL EB RATE (ABOVE)		46.012%		
LESS: ESTIMATED EB RATE FOR FY 2008-09 ICP (J-3)		47.836%		
		-1.824%		
THEN DIFFERENCE MULTIPLIED BY				
FY 2008-09 ACTUAL S&W(F-1)		$1,441,429,270	($26,288,585)	
CARRY FORWARD VARIANCE:				
FY 2008-09 ESTIMATED S&W (FY 2011-12 ICP[J-3])	$1,396,883,000			
LESS: FY 2008-09 ACTUAL S&W (F-1)	$1,441,429,270			
DIFFERENCE DIVIDED BY THE		-$44,546,270		
FY 2008-09 ESTIMATED S&W(J-3)		$1,396,883,000	-3.189%	
THEN MULTIPLIED BY THE				
FY 2008-09 TOTAL CARRY FORWARD(J-3)		-$56,379,474	$1,797,928	
FY 2011-12 CARRY FORWARD RATE:				
FY 2008-09 TOTAL CARRY FORWARD (ESTIMATED VARIANCE PLUS CARRY FORWARD VARIANCE)			($24,490,657)	
DIVIDED BY FY 2011-12 ESTIMATED S&W(C-1-1)			$1,416,313,000	-1.729%
FY 2011-12 ICP EB RATE (FY 2011-12 ESTIMATED RATE PLUS FY 2011-12 CARRY FORWARD RATE)				**49.087%**

[B-1]
[B-1-1]

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed FEB 1 2 2014
(21) LRS Input

PROGRAM 321

(01) Claimant Identification Number 9919			**Reimbursement Claim Data**	
(02) Claimant Name Auditor-Controller			(22) FORM 1, (04) 1. (a) (g)	200,428
County of Location County of Los Angeles			(23) FORM 1, (04) 1. (b) (g)	19,053
Street Address or P.O. Box 500 W. Temple Street Suite 603			(24) FORM 1, (04) 2. (g)	188,725
City Los Angeles State CA Zip Code 90012			(25) FORM 1, (06)	47
		Type of Claim	(26) FORM 1, (07)	123,640
	(03)	(09) Reimbursement ☑	(27) FORM 1, (09)	335,063
	(04)	(10) Combined ☐	(28) FORM 1, (10)	
	(05)	(11) Amended ☐	(29)	
Fiscal Year of Cost	(06)	(12) 2012 / 2013	(30)	
Total Claimed Amount	(07)	(13) $196,783	(31)	
Less: **10% Late Penalty** (refer to attached Instructions)		(14)	(32)	
Less: **Prior Claim Payment Received**		(15)	(33)	
Net Claimed Amount		(16) $196,783	(34)	
Due from State	(08)	(17) $196,783	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Wendy J. Watanabe

Wendy L. Watanabe Auditor-Controller

Type or Print Name and Title of Authorized Signatory

Date Signed 2-4-2014

Telephone Number (213) 974-8302

E-Mail Address wwatanabe@auditor.lacounty.gov

(38) Name of Agency Contact Person for Claim

Hasmik Yaghobyan

Telephone Number (213) 974-9653

E-mail Address hyaghobyan@auditor.lacounty.gov

Name of Consulting Firm/Claim Preparer

Telephone Number

E-mail Address

Form FAM-27 (Revised 07/13)

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant: County of Los Angeles

(02) Fiscal Year: 2012 /2013

(03) Department

Direct Costs — **Object Accounts**

(04) Reimbursable Activities	(a) Salaries	(b) 54.649% Benefits (1)	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either (a) or (b)							
a) Taking police report in violation of PC §530.5	129,601.63	70,826.00					200,427.63
b) Reviewing online ID theft report	12,320.03	6,732.78					19,052.81
2. Investigation of facts	122,034.69	66,690.74					188,725.43
(05) Total Direct Costs	263,956.35	144,249.52					408,205,87

Indirect Costs

(06) Indirect Cost Rate	[From ICRP or 10%] (1)	46,841 %
(07) Total Indirect Costs	[Refer to Claim Summary Instructions]	123,639.80
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	531,845.67

Cost Reduction

(09) Less: Offsetting Revenues - (Contract Cities - 63%) ($531,845.67 x 63%)	335,062.78
(10) Less: Other Reimbursements	
(11) Total Claimed Amount [Line (08) - {line (09) + line (10)}]	196,782.89

Revised 07/13 (1) See Tab C.

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: County of Los Angeles

(02) Fiscal Year: 2012/2013

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

- [x] 1.(a) Taking police report in violation of PC §530.5
- [ ] 2. Investigation of facts
- [ ] 1.(b) Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost (1)	(c) Hours Worked or Quantity	(d) Salaries	(e) 54.649% Benefits (3)	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Deputy General, Deputy BI or Deputy BII took police report related to PC 530.5: (2) Average process time 29.065 min. (2) 29.065 minutes x 4,928 reports (2) = 143,232 minutes/60 = 2,387.21 hours	54.29	2,387.21	129,601.63	70,826.00				
(05) Total [x] Subtotal [ ] Page: 1 of 1			129,601.63	70,826.00				

Revised 07/13

(1) See Tab A
(2) See Tab B
(3) See Tab C

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: County of Los Angeles

(02) Fiscal Year: 20 12 /20 13

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

- ☐ 1.(a) Taking police report in violation of PC §530.5
- ☐ 2. Investigation of facts
- ☑ 1.(b) Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost (1)	(c) Hours Worked or Quantity	(d) Salaries	(e) 54.649% Benefits (3)	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Deputy General, Deputy BI or Deputy BII reviewed the report: (2)								
Average process time 2.763 min. (2)	54.29	226.93	12,320.03	6,732.78				
2.763 minutes x 4,928 reports (2) = 13,616.06 minutes/60 = 226.93 hours								
(05) Total ☑ Subtotal ☐ Page: 1 of 1			12,320.03	6,732.78				

Revised 07/13

(1) See Tab A
(2) See Tab B
(3) See Tab C

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: County of Los Angeles

(02) Fiscal Year: 2012/2013

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

- ☐ 1.(a) Taking police report in violation of PC §530.5
- ☑ 2. Investigation of facts
- ☐ 1.(b) Reviewing online ID theft report

(04) Description of Expenses

(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost (1)	(c) Hours Worked or Quantity	Object Accounts (d) Salaries	(e) 54.649% Benefits (3)	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
Deputy General, Deputy BI or Deputy BII investigated the facts: (2)								
Average process time 27.368 min. (2)	54.29	2,247.83	122,034.69	66,690.74				
27.368 minutes x 4,928 reports (2) = 134,869.5016.06 minutes/60 = 2,247.83 hours								
(05) Total ☑ Subtotal ☐ Page: 1 of 1			122,034.69	66,690.74				

Revised 07/13

(1) See Tab A
(2) See Tab B
(3) See Tab C

LOS ANGELES COUNTY SHERIFF'S DEPARTMENT
SB90 PROGRAMS - IDENTITY THEFT
SALARY, EB, OH INFORMATION - FY 2012-2013

	DEPUTY	DEPUTY BONUS I	DEPUTY BONUS II	AVERAGE
MONTHLY SALARY EFFECTIVE	$7,031.00	$7,644.00	$9,280.00	
ANNUAL SALARY W/TOP STEP VARIANCE	$84,372.00	$91,728.00	$111,360.00	
PRODUCTIVE WORK HOURS	1,765	1,765	1,765	
PRODUCTIVE HOURLY RATE	$47.80	$51.97	$63.09	$54.29
EMPLOYEE BENEFITS	54.649%	54.649%	54.649%	
OVERHEAD - Avg. Reg I, II, & III	46.841%	46.841%	46.841%	

LAW ENFORCEMENT CONTRACTUAL COSTS FISCAL YEAR 2012-13

Estimated Weighted Sworn Salaries

ItemNumber/ Title	Salary Component	Adjustment Factor	Adjusted Monthly S&W	Number of Positions	Weighted Monthly Salary	Adjusted Annual Salary
2708 Deputy Sheriff - Generalist	Base Rate		$6,511			
	Salary Increase	0.000%	6,511			
	Top Step Variance	97.7435%	6,364			
	POST Certificate - Basic	6.50%	6,778	2,398	$2,496	
	POST Certificate - Inter.	9.50%	6,969	1,249	1,337	
	POST Certificate - Adv.	12.50%	7,160	2,034	2,237	
	Longevity - 20 years	3.00%	7,375	501	567	
	Longevity - 25 years	4.00%	7,670	197	232	
	Longevity - 30 years	4.00%	7,977	132	162	
	Total				$7,031	$84,372
2708 Deputy Sheriff Bonus I	Base Rate		$6,874			
	Salary Increase	0.000%	6,874			
	Top Step Variance	97.7435%	6,719			
	POST Certificate - Basic	6.50%	7,156	147	$455	
	POST Certificate - Inter.	9.50%	7,357	235	748	
	POST Certificate - Adv.	12.50%	7,559	1,144	3,742	
	Longevity - 20 years	3.00%	7,786	479	1,614	
	Longevity - 25 years	4.00%	8,097	213	746	
	Longevity - 30 years	4.00%	8,421	93	339	
	Total				$7,644	$91,728
	Sr Field Training Officer	5.500%				$96,773
	Mr Field Training Officer	11.000%				$101,818
2708 Deputy Sheriff - Bonus II	Base Rate		$8,210			
	Salary Increase	0.000%	8,210			
	Top Step Variance	97.7435%	8,024			
	POST Certificate - Basic	6.50%	8,546	11	$195	
	POST Certificate - Inter.	9.50%	8,787	13	236	
	POST Certificate - Adv.	12.50%	9,028	228	4,261	
	Longevity - 20 years	3.00%	9,298	95	1,829	
	Longevity - 25 years	4.00%	9,670	92	1,842	
	Longevity - 30 years	4.00%	10,057	44	916	
	Total				$9,280	$111,360

LAW ENFORCEMENT CONTRACTUAL COSTS FISCAL YEAR 2012-13

Estimated Weighted Sworn Salaries

ItemNumber/ Title	Salary Component	Adjustment Factor	Adjusted Monthly S&W	Number of Positions	Weighted Monthly Salary	Adjusted Annual Salary
2708 Deputy Sheriff - Generalist	Base Rate		$6,511			
	Salary Increase	0.000%	6,511			
	Top Step Variance	97.7435%	6,364			
	POST Certificate - Basic	6.50%	6,778	2,398	$2,496	
	POST Certificate - Inter.	9.50%	6,969	1,249	1,337	
	POST Certificate - Adv.	12.50%	7,160	2,034	2,237	
	Longevity - 20 years	3.00%	7,375	501	567	
	Longevity - 25 years	4.00%	7,670	197	232	
	Longevity - 30 years	4.00%	7,977	132	162	
	Total				$7,031	$84,372
2708 Deputy Sheriff Bonus I	Base Rate		$6,874			
	Salary Increase	0.000%	6,874			
	Top Step Variance	97.7435%	6,719			
	POST Certificate - Basic	6.50%	7,156	147	$455	
	POST Certificate - Inter.	9.50%	7,357	235	748	
	POST Certificate - Adv.	12.50%	7,559	1,144	3,742	
	Longevity - 20 years	3.00%	7,786	479	1,614	
	Longevity - 25 years	4.00%	8,097	213	746	
	Longevity - 30 years	4.00%	8,421	93	339	
	Total				$7,644	$91,728
	Sr Field Training Officer	5.500%				$96,773
	Mr Field Training Officer	11.000%				$101,818
2708 Deputy Sheriff - Bonus II	Base Rate		$8,210			
	Salary Increase	0.000%	8,210			
	Top Step Variance	97.7435%	8,024			
	POST Certificate - Basic	6.50%	8,546	11	$195	
	POST Certificate - Inter.	9.50%	8,787	13	236	
	POST Certificate - Adv.	12.50%	9,028	228	4,261	
	Longevity - 20 years	3.00%	9,298	95	1,829	
	Longevity - 25 years	4.00%	9,670	92	1,842	
	Longevity - 30 years	4.00%	10,057	44	916	
	Total				$9,280	$111,360

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT

IDENTITY THEFT SB90 PROGRAM

TAB-B1

IDENTITY THEFT SURVEY FOR PATROLS

SUMMARY

		TOTAL MINUTES	ENTRIES	AVERAGE
Enter on computer		713	92	7.750
Assign Case		403	75	5.373
Review/Ack	[2]	210	76	2.763
Investigation/Interview	[3]	2,407	125	19.256
Collect/Review Evid/Docs	[3]	795	98	8.112
Book Evid		138	13	10.615
Jurisdiction decision		111	32	3.469
Initial Repot	[1]	3,023	130	23.254
Approve		735	117	6.282
Revise	[1]	308	53	5.811
Re-Approve		249	53	4.698
Assign/Distr		507	120	4.225

[1] Taking police report in violation of PC 530.5 - 29.07 minutes
[2] Reviewing ID theft report - 2.76 minutes
[3] Investigation of facts - 27.37 minutes

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - LAKEWOOD STATION

																																	Total Minutes	Entries	Average
Enter on computer			1	10	10	5	3	4	20	3	5	3		20	20	30	21				2	3	5	1		2	1		57	5	231	22	10.50
Assign Case			1	10	10	5	1	1			5	3				5	1				2	2	3	5		1	31		5	1	92	18	5.11
Review/Ack	[2]		1	1	1	5	1	3			5	1	5			5	5				2	1	5	1		1	1		1	1	46	19	2.42
Investigation/Interview	[3]	15	20	10	10	15	45	20	20	4	20	10	20	20		15	15	15	20	10	30	10	10	15	5	15	5		15	30	439	27	16.26
Collect/Review Evid/Docs	[3]	10	10	1	1	5	90	5	20	2	10	5	2	10				5	5	5	5	5	5		20	2	5		15	5	248	24	10.33
Book Evid				10	10		20														15										55	4	13.75
Initial Repot	[1]	40	25	10	10	20	35	15	20	20	25	15	30	20	20	20	25	20	45	35	20	10	20	30	20	15	20	15	25	30	655	29	22.59
Approve		15	10	5	1	10	15	5	2		5	5		2		5	15	5			10	5	10	5	15	5	3	3	12	5	173	24	7.21
Revise	[1]					5	10	2			5		10				20		15	10	10						2		15	1	105	12	8.75
Re-Approve						5	2	1			5					5	15			15	10						3		4	2	67	11	6.09
Assign/Distr			15	1	1	5	1	1					5	1	5	85	15	5	10	3	5	5	5	5	5	5	1	1	3	1	189	24	7.88
TOTAL		80	83	58	54	80	223	57	82	29	85	42	72	73	45	170	132	50	95	78	111	41	63	62	65	46	72	19	152	81	2300	29	79.31
Jurisdiction Decision			1								5	1				5			5	2	1										20	7	2.86

29 cases: 79.31 MINS/CALL

[1] Taking police report in violation of PC 530.5
[2] Reviewing ID theft report
[3] Investigation of facts

TAB-B2

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - PALMDALE STATION

TAB-B3

																											Total Minutes	Entries	Average
Enter on computer		1	1	2	2	1	1		1	1	1	1	2	3	2	1	2	1	2		3	1	1	2	1		33	22	1.5
Assign Case		1	1	1	2	1	1		1	1	1	1	1	3	1	1	3	1	1	1	2	1	1	1	1		29	23	1.26
Review/Ack	[2]	2	1	1	1	1	1		1	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1		25	23	1.09
Investigation/Interview	[3]	20	47	32	40	11	5	130	29	22	20	25	31	10	15	7	27	17	40	22	15	45	20	40	31		701	24	29.2
Collect/Review Evid/Docs	[3]	25				2	2	11	4		2	2	2			2	2	4			3	15	2		4		82	15	5.47
Book Evid							5	6																			11	2	5.5
Initial Repot	[1]	50	26	21	24	15	17	70	25	20	10	23	17	15	25	22	20	26	15	18	30	30	30	15	25		589	24	24.54
Approve		6	4	4	4	4	4	8	4	4	6	5	5	5		5	6	5	5	4	4	6	5	5	7		115	23	5
Revise	[1]																						2				2	1	2
Re-Approve																							1				1	1	1
Assign/Distr		1	1	1	1	1	1	1	1	1	1	1	1	1		1	1	1	1	1	1	1	1	1	1		23	23	1
TOTAL		106	81	62	74	36	37	226	66	50	42	59	60	39	44	40	62	56	65	47	59	100	64	65	71		1611	24	67.13
Jurisdiction Decision													11														11	1	11

24 cases: 67.13 MINS/CALL

TAB-B3

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - SANTA CLARITA STATION

TAB-B4a

Enter on computer		1		2		2	2	1	1		1	2				2	8	1	1	2	3		2	2		2	3			1	1
Assign Case		40		2		2	4	1	3			1				28	1			1	2		3	8		2	1				
Review/Ack	[2]	2		1		2	16	1	1			8				2	1		15	1	1		1	1		1	1				
Investigation/Interview	[3]	34	20	10		10	7	24	31	20	15	8	17	11	15	30	15	15		10	20	10	34	31	10	20	10	15	5	15	15
Collect/Review Evid/Docs	[3]	10	10		20	6	1	1	1	5		2	4	2	5	5	10			5	20	3			3	50	2	5	10	1	
Book Evid		10		10	10	5										10	12														
Initial Repot	[1]	40	20	30	20	30	15	17	21	25	30	20	21	10	22	30	25	30	30	30	30	15	30	30	13	20	17	20	20	30	30
Approve		8	5	10	2	10	2	2	3	10		10	10	5	10	10	3	2		4	10	5	5	5	10	10	5	9	3	2	2
Revise	[1]	15	5	10		6	2	2		5		0	4	3	5							3			3			5			
Re-Approve		1		5		10	2	2		5	5	5	5		6			5	5			2						5		5	5
Assign/Distr			3	5	1	1	1	2	1	4	1	1	3	2	5	5	1	1	1	2	2	1	1	1	2	1	39	2	1	1	1
TOTAL		161	63	85	53	84	52	53	62	74	52	57	64	33	68	122	76	54	52	55	88	39	76	78	41	106	78	61	39	55	54
Jurisdiction Decision						2									4		5		2					5		5		5			

77 cases: 72.43 MINS/CALL

[1] Taking police report in violation of PC 530.5
[2] Reviewing ID theft report
[3] Investigation of facts

TAB-B4a

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - SANTA CLARITA STATION

Enter on computer				21	2		1		2	15	3	2	47	4	5					45			2	2	2		200	5	1	1
Assign Case				3	2				7		2	19	4	4	2								9	3	1		10		34	13
Review/Ack	[2]			7					1		1	14	1	10	2								5	1	4		1		1	6
Investigation/Interview	[3]	15	10	15	23	10	15	12	12	10	20	7	38	19	30	10	15	10	10	20	10	10	31	20	76	20	10	15	17	27
Collect/Review Evid/Docs	[3]	5	5	1		5		5		2	20	3	10		5	2	4	5	4	20	3	2	31	5		5	10			
Book Evid													15																	
Initial Repot	[1]	20	15	25	20	20	30	20	30	15	30	22	35	30	30	10	20	20	15	15	15	10	15	30	30	25	30	30	30	15
Approve		9	5	20	5	12	2	10	5	5		7	20	5	5	5	9		5	5		5	5	2			10	2	10	5
Revise	[1]	4	3	10		5		5						1		3	5	5	5	5	3	2			10	5	10		4	
Re-Approve		4	5			6	5	4						1			5	5	2	5	1				10	5	10		3	
Assign/Distr		3	1		2	5	1	4	3	1	2	2	2	1	1	2	2	1	1	120	1	1	2		2	1	2	1	1	2
TOTAL		60	44	102	54	63	54	60	60	48	78	76	172	75	80	32	60	46	42	235	33	30	100	63	135	61	293	53	101	69
Jurisdiction Decision						5		5	1	1			1	1						5		1	1			3				

77 cases: 72.43 MINS/CALL

[1] Taking police report in violatic
[2] Reviewing ID theft report
[3] Investigation of facts

TAB-B4b

LOS ANGELES COUNTY - SHERIFF'S DEPARTMENT
IDENTITY THEFT SB90 PROGRAM
SURVEY - SANTA CLARITA STATION

																				Total Minutes	Entries	Averages
Enter on computer		1	15		5	20	1	1	2					1		1			2	449	48	9.35
Assign Case		1			1		4		63										1	282	34	8.29
Review/Ack	[2]	1			14		13		1										1	139	34	4.09
Investigation/Interview	[3]	26	15	15	34	5	14	15	15	15	12	10	15		5	15	16	11	15	1267	74	17.12
Collect/Review Evid/Docs	[3]		1	4		1	47	5		6	10	5	7	5	15	1	5	10	10	465	59	7.88
Book Evid																				72	7	10.29
Initial Repot	[1]	25	25	20	20	30	30	15	22	20	20	15	25	25	30	30	20	24	10	1779	77	23.10
Approve		5	5	11	3	5	5	5	5	5	3	5	8	15	5	2	4	1	10	447	70	6.39
Revise	[1]			3					10	5	5	5	6		5		4	5		201	40	5.03
Re-Approve				4					5	4	3	2	5	2	5		4	3		181	41	4.41
Assign/Distr		1		5	1	2	3	1	2	4	1	1	2	2	5	2	1	1	2	295	73	4.04
TOTAL		60	61	62	78	63	117	42	125	59	54	43	68	50	70	51	54	55	51	5577	77	72.43
Jurisdiction Decision				5		2					5	5	5				5		1	80	24	3.33

77 cases: 72.43 MINS/CALL

[1] Taking police report in violatic
[2] Reviewing ID theft report
[3] Investigation of facts

TAB-B4c

Wong, Hsi-Wen Wu

From: Ferrell, Suzanne P.
Sent: Tuesday, July 16, 2013 11:34 AM
To: Wong, Hsi-Wen Wu
Subject: RE: SB90 - Identity Theft

Here are the last two year's stats:

2011 – 2012 = 4,776
2012 – 2013 = 4,928

Thanks.

Suzie Ferrell, Deputy
Field Operations Support Services
Risk Management Bureau
Administrative Services & Training Division
Los Angeles County Sheriff's Department
(323) 890-5473
spferrel@lasd.org

From: Wong, Hsi-Wen Wu
Sent: Tuesday, July 16, 2013 11:05 AM
To: Ferrell, Suzanne P.
Subject: RE: SB90 - Identity Theft

Ok. I just wait and do the estimated from fiscal year 2011-12 information.

Thank you.

From: Ferrell, Suzanne P.
Sent: Tuesday, July 16, 2013 10:26 AM
To: Wong, Hsi-Wen Wu
Subject: RE: SB90 - Identity Theft

Hi there. I am having problems accessing the program. I contacted the programmers and they are trying to figure it out.

Thanks.

Suzie Ferrell, Deputy
Field Operations Support Services
Risk Management Bureau
Administrative Services & Training Division
Los Angeles County Sheriff's Department
(323) 890-5473

COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

JUDI E. THOMAS
CHIEF DEPUTY

ADDRESS ALL CORRESPONDENCE TO:
ACCOUNTING DIVISION
500 W. TEMPLE ST., ROOM 603
LOS ANGELES, CA 90012-2713

October 26, 2012

TO: Conrad Meredith, Director
Financial Programs Bureau
Sheriff's Department

FROM: Connie Yee, Division Chief
Accounting Division

SUBJECT: **2012-13 INDIRECT COST PROPOSAL**

As requested, we reviewed the Fiscal Year 2012-13 Indirect Cost Proposal (ICP) for the Sheriff's Department. Based on our review, the indirect expense rates as shown in your ICP dated October 23, 2012, are approved.

If you have any questions, please call Rick Vandenberg at (213) 893-0972.

CY:RV
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SHERIFF'S DEPARTMENT
FISCAL YEAR 2012-13 INDIRECT COST PROPOSAL
CLAIMABLE COSTS
BASED ON FY 2009-10 ACTUAL

			INCURRED BY OTHER DEPARTMENT	DEPT'L COSTS INDIRECT	DEPT'L COSTS DIRECT	FOD-REGION I INDIRECT	FOD-REGION I DIRECT	FOD-REGION II INDIRECT	FOD-REGION II DIRECT	FOD-REGION III INDIRECT	FOD-REGION III DIRECT
SALARIES & WAGES											
EXECUTIVE				$15,516,821	$0	$0	$0	$0	$0	$0	$0
ADMINISTRATIVE				$91,735,686	$88,942,986	$14,393,181	$1,117,349	$17,685,697	$1,372,948	$12,164,093	$944,304
FOD-REGION I				$3,568,686	$192,335,858	$3,578,112	$188,757,746				
FOD-REGION II				$4,385,041	$190,866,511			$3,685,988	$187,180,523		
FOD-REGION III				$3,015,999	$162,548,592					$3,066,409	$159,482,183
DETECTIVE					$78,013,271						
CUSTODY					$476,690,209						
COURT SVCS					$133,829,830						
SUB-TOTAL				**$118,222,234**	**$1,323,227,256**	**$17,971,294**	**$189,875,095**	**$21,371,685**	**$188,553,471**	**$15,230,502**	**$160,426,487**
OTHER IND COSTS:											
SERVICES & SUPPLIES	[E-1]			$63,842,438		$13,401,250		$16,464,544		$11,316,518	
EMP BENEFITS	[C-1]	54.649%		$64,607,848		$9,821,220		$11,679,517		$8,323,392	
DEPT'L OH	[A-1]	18.468%				$3,318,977		$3,946,969		$2,812,802	
COUNTYWIDE OH	[A-1]	3.995%				$717,977		$853,827		$608,479	
DEPT'L CARRY FWD	[D-1-1]			($2,296,055)							
DIV'L CARRY FWD	[D-1]					($2,901,412)		($480,623)		($2,534,930)	
UNBILLED SVCS:											
COUNTYWIDE CARRY FWD	[D-1-1]		$22,926,419								
INSURANCE	[I-3]		($7,317,354)								
OUTSIDE AUDITORS	[I-3]		$227,289								
RENTAL EXP	[I-3]		($24,334,914)								
BLDG USE ALLOWANCE	[I-3]		$18,773,647								
EQUIPT USE ALLOWANCE	[I-3]		$16,380,832								
VEHICLE EQUIPMENT DEPRECIATI	[I-3]		$12,606,126								
UTILITY EXPENSE	[I-3]		($3,156,832)								
VACANT SPACE	[I-3]		$29,269								
AFFIRM ACTION	[I-3]		$734,195								
AUDITOR-CONTR	[I-3]		$6,468,957								
BOARD OF SUPERV	[I-3]		$392,375								
CHIEF EXEC. OFFICE	[I-3]		$3,322,686								
CHIEF INFORMATION OFFICER	[I-3]		$935,026								
COUNTY COUNSEL	[I-3]		$593,014								
HUMAN RESOURCES	[I-3]		$1,250,759								
INTERNAL SERVICES	[I-3]		$2,961,036								
TREAS & TAX COLL	[I-3]		$92,937								
PUBLIC SAFETY	[I-3]		($7,995)								
EB-GENERAL	[I-3]		($32,633)								
ADJUSTMENTS	[I-3]		$19,854								
CLAIMABLE COSTS[A-1]			$52,864,693	$244,376,464	$1,323,227,256	$42,329,306	$189,875,095	$53,835,919	$188,553,471	$35,756,763	$160,426,487
			3.995%	18.468%		22.293%		28.552%		22.289%	

TAB-A3

L.A. COUNTY SHERIFF'S DEPARTMENT
FY 2012-13 INDIRECT COST PROPOSAL
EB RATE CALCULATION
FY 2009-10 ACTUAL

FY 2012-13 ESTIMATED EB RATE:				
ESTIMATED EB BILLED COST [C-1-1]		$801,902,000		
ADD: EB UNBILLED COST [I-3]		-$32,633		
FY 2012-13 ESTIMATED E.B. COST			$801,869,367	
FY 2012-13 ESTIMATED S&W [C-1-1]			$1,454,027,000	
FY 2012-13 ESTIMATED EB RATE (EB COST/S&W)				55.148%
FY 2009-10 EB CARRY FORWARD RATE:				
FY 2009-10 ACTUAL EB BILLED COST [F-1]	$694,711,188			
ADD: EB UNBILLED COST EB [I-3]	-$32,633			
FY 2009-10 ACTUAL E.B. COST		$694,678,555		
FY 2009-10 ACTUAL S&W (F-1)		$1,441,449,490		
FY 2009-10 ACTUAL EB RATE (EB COST/S&W)		48.193%		
ESTIMATED VARIANCE:				
FY 2009-10 ACTUAL EB RATE (ABOVE)		48.193%		
LESS: ESTIMATED EB RATE FOR FY 2009-10 ICP (J-3)		48.805% ok		
		-0.612%		
THEN DIFFERENCE MULTIPLIED BY				
FY 2009-10 ACTUAL S&W(F-1)		$1,441,449,490	($8,820,869)	
CARRY FORWARD VARIANCE:				
FY 2009-10 ESTIMATED S&W (FY 2009-10 ICP[J-3])	$1,406,907,000 ok			
LESS: FY 2009-10 ACTUAL S&W (F-1)	$1,441,449,490			
DIFFERENCE DIVIDED BY THE		-$34,542,490		
FY 2009-10 ESTIMATED S&W(J-3)		$1,406,907,000	-2.455%	
THEN MULTIPLIED BY THE				
FY 2009-10 TOTAL CARRY FORWARD(J-3)		-$63,939,183 ok	$1,569,840	
FY 2012-13 CARRY FORWARD RATE:				
FY 2009-10 TOTAL CARRY FORWARD (ESTIMATED VARIANCE PLUS CARRY FORWARD VARIANCE)			($7,251,029)	
DIVIDED BY FY 2012-13 ESTIMATED S&W(C-1-1)			$1,454,027,000	-0.499%
FY 2012-13 ICP EB RATE (FY 2012-13 ESTIMATED RATE PLUS FY 2012-13 CARRY FORWARD RATE)				54.649%
				[B-1]
				[B-1-1]

TAB-A4

SHERIFF
COST FACTORS
FISCAL YEAR 2012-13

Top Step Variance Factor:	97.7435%
MAPP TIER I Variance Factor:	90.1232%
MAPP TIER II Variance Factor:	101.3942%
Contract Cities Liability Insurance Rates:	(1)
Productive Work Hours:	1765
Countywide Cost:	
Group III	$ 45,953,613
Group IV	$ 34,340,452

(1) The appropriate Contract City Liability Insurance rate should be applied to total billable cost. Contact Risk Management for the appropriate rates.

L.A. COUNTY SHERIFF'S DEPARTMENT
FY 2012-13 INDIRECT COST PROPOSAL
OVERHEAD RATES
FISCAL YEAR 2009-10 ACTUAL

			REGION I	REGION II	REGION III	DETECTIVE	CUSTODY	COURT SVCS.	AVERAGE OH RATES	
COUNTYWIDE OH RATE:										
$52,864,693 [B-1]	/	$1,323,227,256 [B-1]	3.995%	3.995%	3.995%	3.995%	3.995%	3.995%	3.995%	
DEPARTMENTAL OH RATE:										
$244,376,464 [B-1]	/	$1,323,227,256 [B-1]	18.468%	18.468%	18.468%	18.468%	18.468%	18.468%	18.468%	
FOD-REGION I OH RATE:										
$42,329,306 [B-1]	/	$189,875,095 [B-1]	22.293%							
FOD-REGION II OH RATE:										
$53,835,919 [B-1]	/	$188,553,471 [B-1]		28.552%						
FOD-REGION III OH RATE:										
$35,756,763 [B-1]	/	$160,426,487 [B-1]			22.289%					
DETECTIVE OH RATE:										
$17,057,753 [B-1-1]	/	$76,249,372 [B-1-1]				22.371%				
CUSTODY DIV OH RATE:										
$97,392,183 [B-1-1]	/	$464,033,874 [B-1-1]					20.988%			
COURT SERVICES OH RATE:										
$63,023,479 [B-1-1]	/	$112,969,827 [B-1-1]						55.788%	28.713%	[1]
TOTAL OVERHEAD RATES			**44.757%**	**51.015%**	**44.752%**	**44.834%**	**43.452%**	**78.251%**	51.177%	[2]

[1] AVERAGE DIVISIONAL OVERHEAD RATE

[2] AVERAGE TOTAL OVERHEAD RATE

46.841%

FILE: ICP09_10/OVERHEADRATES

TAB-A6

LOS ANGELES COUNTY

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2004, through June 30, 2013

BETTY T. YEE
California State Controller

June 2017

BETTY T. YEE
California State Controller

June 12, 2017

The Honorable Mark Ridley-Thomas, Chairman
Los Angeles County Board of Supervisors
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 866
Los Angeles, CA 90012

Dear Mr. Ridley-Thomas:

The State Controller's Office audited the costs claimed by Los Angeles County for the legislatively mandated Identity Theft Program (Chapter 956, Statutes of 2000) for the period of July 1, 2004, through June 30, 2013.

The county claimed $1,531,844 for the mandated program. Our audit found that $1,030,517 is allowable ($1,113,948 less a $83,431 penalty for filing late claims) and $501,327 is unallowable. The costs are unallowable because the county overstated the number of identity theft cases, misstated the time increments required to perform the reimbursable activities, and misstated the productive hourly rates. In addition, based on the methodology used to claim costs, we found that the county also overstated offsetting revenues. The State made no payments to the county. The State will pay $1,030,517, contingent upon available appropriations.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/as

cc: John Naimo, Auditor-Controller
Department of the Auditor-Controller, Los Angeles County
Rick Cavataio, Director
Financial Programs Bureau, Los Angeles County Sheriff's Department
Richard Martinez, Assistant Director
Financial Programs Bureau, Los Angeles County Sheriff's Department
Edward Jewik, Program Specialist IV
Department of the Auditor-Controller, Los Angeles County
Hasmik Yaghobyan, J.D., SB 90 Coordinator
Department of the Auditor-Controller, Los Angeles County
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
Anita Dagan, Manager
Local Government Programs and Services Division
State Controller's Office

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County for the legislatively mandated Identity Theft Program (Chapter 956, Statutes of 2000) for the period of July 1, 2004, through June 30, 2013.

The county claimed $1,531,844 for the mandated program. Our audit found that $1,030,517 is allowable ($1,113,948 less a $83,431 penalty for filing late claims) and $501,327 is unallowable. The costs are unallowable because the county overstated the number of identity theft cases, misstated the time increments required to perform the reimbursable activities, and misstated the productive hourly rates. In addition, based on the methodology used to claim costs, we found that the county also overstated offsetting revenues. The State made no payments to the county. The State will pay $1,030,517, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6, subdivision (a), as added by Statutes 2000, Chapter 956, requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission of State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is only allowed to claim and be reimbursed for the following ongoing activities identified in parameters and guidelines (Section IV. Reimbursable Activities):

1. Either a) or b) below:
   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
   b) Reviewing the identity theft report completed online by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that providing a copy of the report to the complainant and referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts are not reimbursable activitites.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies, school districts, and community college districts in claiming mandated program reimbursable costs.

Objectives, Scope, and Methodology

We conducted this performance audit to determine whether costs claimed represent increased costs resulting from the Identity Theft Program for the period of July 1, 2004, through June 30, 2013.

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted this 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 county'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.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

To achieve our audit objectives, we:

- Reviewed annual claims filed with the SCO to identify the material cost components of each claim and any mathematical errors; and performed analytical procedures to determine any unusual or unexpected variances from year-to-year;
- Completed an internal control questionnaire and performed a walk-through of the claim preparation process to determine what information was used, who obtained it, and how it was obtained;
- Assessed whether computer-processed data provided by the county to support claimed costs was complete, accurate, and could be relied upon;
- Obtained system-generated lists of identity theft cases for the unincorporated areas of the county to verify the existence, completeness, and accuracy of unduplicated counts; and tested statistical samples of identity theft cases to determine if each is supported by an approved police report;

- Interviewed Operations Lieutenants, Sergeants, and Deputy Sheriffs who participated in the time surveys to gain an understanding of the surveyed activities and to determine the reasonableness of time increments claimed; and tested the time surveys to determine if each is adequately supported, the job classifications of the employees who performed the identity theft activities, and if the time increments claimed were properly calculated; and
- Tested the productive hourly rates of the job classifications of the employees who performed the reimbursable activities.

Conclusion

Our audit found an instance of noncompliance with the requirements outlined in the Objectives section. This instance is described in the accompanying Schedule (Summary of Program Costs) and in the Finding and Recommendation section of this report.

For the audit period, the county claimed $1,531,844 for costs of the Identity Theft Program. Our audit found that $1,030,517 is allowable ($1,113,948 less a $83,431 penalty for filing late claims) and $501,327 is unallowable. The State made no payments to the county. The State will pay $1,030,517, contingent upon available appropriations.

Views of Responsible Officials

We discussed our audit results with the county's representatives during an exit conference conducted on May 16, 2017. Richard Martinez, Assistant Director, Financial Programs Bureau, Los Angeles County Sheriff's Department, agreed with the audit results. Mr. Martinez declined a draft audit report and agreed we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of Los Angeles County, 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

June 12, 2017

Schedule—
Summary of Program Costs
July 1, 2004, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 98,781	$ 25,399	$ (73,382)
1b. Reviewing online identity theft report	9,390	-	(9,390)
2. Begin an investigation of facts	93,013	16,620	(76,393)
Total salaries and benefits	201,184	42,019	(159,165)
Indirect costs	57,906	12,094	(45,812)
Total direct and indirect costs	259,090	54,113	(204,977)
Less offsetting revenues	(163,227)	-	163,227
Subtotal	95,863	54,113	(41,750)
Less late filing penalty [2]	-	(5,411)	(5,411)
Total program costs	$ 95,863	48,702	$ (47,161)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 48,702	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 148,580	$ 52,468	$ (96,112)
1b. Reviewing online identity theft report	14,124	-	(14,124)
2. Begin an investigation of facts	139,907	34,281	(105,626)
Total salaries and benefits	302,611	86,749	(215,862)
Indirect costs	85,932	24,634	(61,298)
Total direct and indirect costs	388,543	111,383	(277,160)
Less offsetting revenues	(244,782)	-	244,782
Subtotal	143,761	111,383	(32,378)
Less late filing penalty [2]	-	(11,138)	(11,138)
Total program costs	$ 143,761	100,245	$ (43,516)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 100,245	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 195,742	$ 67,676	$ (128,066)
1b. Reviewing online identity theft report	18,609	-	(18,609)
2. Begin an investigation of facts	184,316	44,177	(140,139)
Total salaries and benefits	398,667	111,853	(286,814)
Indirect costs	116,131	32,583	(83,548)
Total direct and indirect costs	514,798	144,436	(370,362)
Less offsetting revenues	(324,323)	-	324,323
Subtotal	190,475	144,436	(46,039)
Less late filing penalty [2]	-	(14,444)	(14,444)
Total program costs	$ 190,475	129,992	$ (60,483)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 129,992	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 205,054	$ 69,545	$ (135,509)
1b. Reviewing online identity theft report	19,493	-	(19,493)
2. Begin an investigation of facts	193,081	45,434	(147,647)
Total salaries and benefits	417,628	114,979	(302,649)
Indirect costs	138,645	38,171	(100,474)
Total direct and indirect costs	556,273	153,150	(403,123)
Less offsetting revenues	(350,452)	-	350,452
Subtotal	205,821	153,150	(52,671)
Less late filing penalty [2]	-	(15,315)	(15,315)
Total program costs	$ 205,821	137,835	$ (67,986)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 137,835	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 194,735	$ 66,796	$ (127,939)
1b. Reviewing online identity theft report	18,511	-	(18,511)
2. Begin an investigation of facts	183,365	43,595	(139,770)
Total salaries and benefits	396,611	110,391	(286,220)
Indirect costs	137,584	38,294	(99,290)
Total direct and indirect costs	534,195	148,685	(385,510)
Less offsetting revenues	(336,543)	-	336,543
Subtotal	197,652	148,685	(48,967)
Less late filing penalty [2]	-	(14,868)	(14,868)
Total program costs	$ 197,652	133,817	$ (63,835)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 133,817	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 158,182	$ 56,990	$ (101,192)
1b. Reviewing online identity theft report	15,038	-	(15,038)
2. Begin an investigation of facts	148,947	37,212	(111,735)
Total salaries and benefits	322,167	94,202	(227,965)
Indirect costs	96,963	28,352	(68,611)
Total direct and indirect costs	419,130	122,554	(296,576)
Less offsetting revenues	(264,052)	-	264,052
Subtotal	155,078	122,554	(32,524)
Less late filing penalty [2]	-	(12,255)	(12,255)
Total program costs	$ 155,078	110,299	$ (44,779)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 110,299	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 163,307	$ 55,653	$ (107,654)
1b. Reviewing online identity theft report	15,524	-	(15,524)
2. Begin an investigation of facts	153,772	36,346	(117,426)
Total salaries and benefits	332,603	91,999	(240,604)
Indirect costs	107,273	29,672	(77,601)
Total direct and indirect costs	439,876	121,671	(318,205)
Less offsetting revenues	(277,122)	-	277,122
Subtotal	162,754	121,671	(41,083)
Less late filing penalty [3]	-	(10,000)	(10,000)
Total program costs	$ 162,754	111,671	$ (51,083)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 111,671	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 185,777	$ 60,770	$ (125,007)
1b. Reviewing online identity theft report	17,659	-	(17,659)
2. Begin an investigation of facts	174,928	39,414	(135,514)
Total salaries and benefits	378,364	100,184	(278,180)
Indirect costs	118,006	31,246	(86,760)
Total direct and indirect costs	496,370	131,430	(364,940)
Less offsetting revenues	(312,713)	-	312,713
Total program costs	$ 183,657	131,430	$ (52,227)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 131,430	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment [1]
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 200,427	$ 58,666	$ (141,761)
1b. Reviewing online identity theft report	19,053	-	(19,053)
2. Begin an investigation of facts	188,726	38,446	(150,280)
Total salaries and benefits	408,206	97,112	(311,094)
Indirect costs	123,640	29,414	(94,226)
Total direct and indirect costs	531,846	126,526	(405,320)
Less offsetting revenues	(335,063)	-	335,063
Total program costs	$ 196,783	126,526	$ (70,257)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 126,526	
Summary: July 1, 2004, through June 30, 2013			
Direct costs:			
Salaries and benefits:			
1a. Taking a police report in violation of PC § 530.5	$ 1,550,585	$ 513,963	$ (1,036,622)
1b. Reviewing online identity theft report	147,401	-	(147,401)
2. Begin an investigation of facts	1,460,055	335,525	(1,124,530)
Total salaries and benefits	3,158,041	849,488	(2,308,553)
Indirect costs	982,080	264,460	(717,620)
Total direct and indirect costs	4,140,121	1,113,948	(3,026,173)
Less offsetting revenues	(2,608,277)	-	2,608,277
Subtotal	1,531,844	1,113,948	(417,896)
Less late filing penalty	-	(83,431)	(83,431)
Total program costs	$ 1,531,844	1,030,517	$ (501,327)
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		$ 1,030,517	

[1] See the Finding and Recommendation section.

[2] The county filed its fiscal year (FY) 2004-05 through FY 2009-10 initial reimbursement claims after the due date specified in Government Code section 17560. Pursuant to Government Code section 17561, subdivision (d)(3), the State assessed a late filing penalty equal to 10% of allowable costs, with no maximum penalty amount.

[3] The county filed its FY 2010-11 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.

Finding and Recommendation

FINDING—
Overstated identity theft program costs

The county claimed $1,531,844 in identity theft program costs for the audit period. We found that $1,113,948 is allowable and $417,896 is unallowable. The costs are unallowable because the county overstated the number of identity theft cases, misstated the time increments required to perform the reimbursable activities, and misstated the productive hourly rates. In addition, based on the methodology used to claim costs, we found that the county also overstated offsetting revenues.

The following table summarizes the audit adjustment by fiscal year:

	Amount Claimed				Amount Allowable				
Fiscal Year	Salaries and Benefits	Indirect Costs	Less: Offsetting Revenues	Total	Salaries and Benefits	Indirect Costs	Less: Offsetting Revenues	Total	Audit Adjustment
2004-05	$ 201,184	$ 57,906	$ (163,227)	$ 95,863	$ 42,019	$ 12,094	$ -	$ 54,113	$ (41,750)
2005-06	302,611	85,932	(244,782)	143,761	86,749	24,634	-	111,383	(32,378)
2006-07	398,667	116,131	(324,323)	190,475	111,853	32,583	-	144,436	(46,039)
2007-08	417,628	138,645	(350,452)	205,821	114,979	38,171	-	153,150	(52,671)
2008-09	396,611	137,584	(336,543)	197,652	110,391	38,294	-	148,685	(48,967)
2009-10	322,167	96,963	(264,052)	155,078	94,202	28,352	-	122,554	(32,524)
2010-11	332,603	107,273	(277,122)	162,754	91,999	29,672	-	121,671	(41,083)
2011-12	378,364	118,006	(312,713)	183,657	100,184	31,246	-	131,430	(52,227)
2012-13	408,206	123,640	(335,063)	196,783	97,112	29,414	-	126,526	(70,257)
Total	$3,158,041	$ 982,080	$(2,608,277)	$ 1,531,844	$849,488	$ 264,460	$ -	$1,113,948	$ (417,896)

The program's parameters and guidelines (Section III. Period of Reimbursement) state, in part, "Actual costs for one fiscal year shall be included in each claim."

The parameters and guidelines (Section IV. Reimbursable Activities) state:

> To be eligible for mandated cost reimbursement for any given fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual cost must be traceable to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Section IV. also identifies the specific activities reimbursable under the mandate (see the Background section of this report).

The parameters and guidelines allow reimbursement for salaries and benefits if claimants report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate; and provide a description of the specific reimbursable activities performed and the hours devoted to these activities.

Overstated counts of identity theft cases

The county reported costs incurred for performing mandated activities related to 43,125 identity theft cases. The Los Angeles Sheriff's Department's (LASD) Field Operations Support Services, Risk Management Bureau, obtained counts of cases from a system-generated Regional Allocation of Police Services (RAPS) summary report of identity-theft-related police reports. The RAPS report annually provided subtotals of police reports with identity theft statistical codes 117, 118, and 119 for each of the county's 27 patrol stations.

During audit fieldwork, we reviewed an online RAPS report that listed case numbers for one of the fiscal years claimed. We discovered that the total number of cases from the online list was significantly greater than the total number of cases from the summary report that the county used as the basis of its claim. Additionally, some case numbers in the online list were reported numerous times. LASD stated that the RAPS report is intended to track all law enforcement staff that worked on a case. Also, statistical codes for police reports could be changed from the initial call for service through supplemental reports or when a case is transferred, either to a detective within the same patrol station, or to the commercial crimes or major crimes bureau at LASD headquarters.

Each patrol station provides law enforcement services to multiple contract cities and unincorporated areas of the county. The RAPS report did not provide a breakdown identifying where the reports originated—whether from a city within Los Angeles County that did not have its own police force (a contract city) or from the county's unincorporated areas. Historically, the county's reimbursement claims for other mandates did not include costs for contract cities. However, for this mandate, the county neither had time nor staff to stratify the incident reports in order to determine where they originated. As a result, the county included identity theft reports originating from its contracting cities and estimated the offsetting revenues received from those cities. The county's Auditor-Controller and Sheriff's Department estimated that revenues received from contract cities offset 63% of its annual costs for providing law enforcement services to residents of Los Angeles County. The county provided samples of Municipal Law Enforcement Services Agreements; however, information contained in those agreements did not support reported offsets.

From the interviews held with Operations Lieutenants and Deputy Sheriffs who participated in the identity theft surveys, we discovered that the county has a database system, the Los Angeles Regional Crime Information System (LARCIS), which can provide unduplicated counts of incident reports with identity theft statistical codes 117, 118, and 119, as well as the specific origin of each report.

Using the LARCIS database, we received a detailed system-generated list of identity theft reports for the entire nine-year audit period from LASD's Crime Analysis Program, Criminal Intelligence Bureau. This list provided sufficient and appropriate data to obtain complete, accurate, and unduplicated populations of reports originating from the county, the county's unincorporated area, and the contract cities.

The county agreed with our proposal to calculate the county's cost for processing identity theft reports that would not include the costs of processing reports for contract cities.

The following table summarizes the counts of identity theft cases provided by the county by source:

Fiscal Year	09/20/2012 RAPS Unincorporated area including contract cities	06/20/2016 LARCIS Unincorporated area including contract cities	06/20/2016 LARCIS Unincorporated area excluding contract cities
2004-05	3,309	3,775	839
2005-06	4,595	4,597	1,591
2006-07	5,681	5,451	1,922
2007-08	5,798	5,368	1,908
2008-09	5,424	4,904	1,803
2009-10	4,391	4,012	1,533
2010-11	4,223	3,928	1,395
2011-12	4,776	4,386	1,514
2012-13	4,928	4,653	1,468
Total	43,125	41,074	13,973

We tested the number of claimed identity theft incident reports by verifying whether:

- Each identity theft case is supported by a contemporaneously prepared and approved incident report; and
- The incident report is for a violation of PC section 530.5.

We conducted a statistical sample for these two procedures so that we could project our sample results to the population of identity theft reports. We selected our statistical samples of identity theft incident reports from the county's unincorporated area based on a 95% confidence level, a sampling error of +/- 8%, and an expected (true) error rate of 50%.

Our testing for FY 2011-12 and FY 2012-13 disclosed the following:

- For FY 2011-12, we sampled 137 incident reports from the population of 1,514 incident reports and found that 3% were unallowable because they were either unsupported (three instances) or not a violation of PC 530.5 (one instance).
- For FY 2012-13, we sampled 136 incident reports from the population of 1,468 incident reports and found that 10% of the incident reports were unallowable because they were either unsupported (eleven instances) or not a violation of PC section 530.5 (three instances).

As the county destroyed the incident reports for FY 2004-05 through FY 2010-11, we were unable to determine the actual error rates in the incident reports for those years. Rather than determining all costs claimed for these fiscal years to be unsupported, we calculated an average error

rate of 6.5% (3% for FY 2011-12 and 10% for FY 2012-13) and applied this error rate to FY 2004-05 through FY 2010-11.

We extrapolated and projected the results of our substantive tests of statistical samples of identity theft cases to determine the number of allowable and unallowable identity theft incident reports for the entire nine-year audit period. Of the 13,973 identity theft incident reports for the county's unincorporated area, we found that 13,066 are allowable (13,973 less a 6.5% average error rate), and 907 incident reports are either unsupported or were not a violation of PC section 530.5.

The following table summarizes the claimed and allowable counts of identity theft incident reports by fiscal year:

Fiscal Year	Claimed No. of Identity Theft Cases	Allowable No. of Identity Theft Cases	Difference
2004-05	3,309	784	2,525
2005-06	4,595	1,488	3,107
2006-07	5,681	1,797	3,884
2007-08	5,798	1,784	4,014
2008-09	5,424	1,686	3,738
2009-10	4,391	1,433	2,958
2010-11	4,223	1,304	2,919
2011-12	4,776	1,469	3,307
2012-13	4,928	1,321	3,607
Total	43,125	13,066	30,059

Misstated time increments

For the audit period, the county claimed salaries and benefits based on a time survey that was conducted in the Sheriff's Department during the month of June 2012. The county supported its time survey with 130 survey forms completed at LASD patrol stations, as follows:

- Lakewood station – 29 surveys
- Palmdale station – 24 surveys
- Santa Clarita station – 77 surveys

We reviewed the county's June 2012 time survey and noted the following issues:

- The county did not prepare a plan indicating how its survey was to be conducted;
- Employees did not sign the survey form, thus we are unable to determine who completed the form;
- All surveys completed at the Palmdale station were typewritten; and

- The surveys did not include a declaration under penalty of perjury under the laws of the State of California that the declarations of time increments were true and correct.

Due to these issues, we tested the time surveys to: 1) determine if they were adequately supported, 2) identify the job classification of the employee who performed the identity theft activities, and 3) determine if the time increments claimed were correctly calculated.

Inadequately supported time surveys

From the population of 130 surveys, we selected a statistical sample of 70 surveys, based on a 95% confidence level, a sampling error rate of +/- 8%, and an expected (true) error rate of 50%. Our tests disclosed a 38% error rate, as follows:

- Thirty-four percent of the sampled police (incident) reports listed Penal Code charges for burglary, forgery and counterfeiting, larceny, and grand theft, instead of violations of PC section 530.5, which is specific to identity theft. The parameters and guidelines specify that the program's reimbursable activities pertain only to violations of PC section 530.5.
- In addition, 4% of the incident reports were not available for review; therefore, they were unsupported.

From the county's time surveys of 130 incident reports, 43 surveys (five from the Lakewood station, three from the Palmdale station, and 35 from the Santa Clarita station) are ineligible for calculation of identity theft time increments because these were either unsupported with approved incident reports or were supported with incident reports that were not a violation of PC section 530.5. The remaining 87 time surveys, which were completed at the LASD patrol stations, were supported with approved incident reports, and were for violations of PC section 530.5, are as follows:

- Lakewood station – 24 surveys
- Palmdale station – 21 surveys
- Santa Clarita station – 42 surveys

As such, we recalculated time increments for each reimbursable activity by excluding those surveys that were not supported by an approved incident report and/or were not for violations of PC section 530.5.

Underclaimed and misclassified time survey activities

The June 2012 identity theft surveys disclosed time tracked by employees in four job classifications to perform 12 activities related to initial calls for service for identity theft cases, as follows:

Time Survey Activity No.	Job Classification	Activity
1	Complaint Deputy	Handled and entered the initial call for service
2	Dispatcher	Assigned the call to handling deputy
3	Handling Deputy	Reviewed and acknowledged the call
4	Handling Deputy	Investigated / interviewed the victim
5	Handling Deputy	Collected / reviewed evidence and documents
6	Handling Deputy	Booked the evidence at the station
7	Handling Deputy	Determined that the crime did not occur in the county's jurisdiction
8	Handling Deputy	Wrote the incident report
9	Watch Sergeant	Reviewed the incident report
10	Handling Deputy	Revised / edited the incident report
11	Watch Sergeant	Reviewed the revised / edited incident report
12	Watch Sergeant	Assigned / distributed the report

For the purposes of preparing its mandated cost claims, the county used the time tracked in its survey forms for the activities noted above as follows:

- Activities 8 and 10 were combined to support the time required to take a police report in violation of PC section 530.5 (Section IV Reimbursable Activity 1a in the parameters and guidelines);
- Activity 3 was used to support the time required to review identity theft reports completed online (Section IV. Reimbursable Activity 1b in the parameters and guidelines); and
- Activities 4 and 5 were combined to support the time required to begin an investigation of the facts (Section IV. Reimbursable Activity 2 in the parameters and guidelines).

We found that even though Activities 9 and 11 were not claimed by the county, these activities performed by watch sergeants equate to Section IV. Reimbursable Activity 1a in the parameters and guidelines; and are allowable.

We also found that the county erroneously claimed Activity 3 time increments to support the time required to review identity theft reports completed online (reimbursable activity Section IV. 1b in the parameters and guidelines). Representatives of the LASD Field Operations Support Services, Risk Management Bureau (FOSS), stated that identity theft is one of the six crimes that cannot be reported online by crime victims to LASD. All initial incident reports are manually handwritten and approved. FOSS clarified that Activity 3 pertains to a deputy out on patrol acknowledging the LASD station dispatch's initial call for service. Deputies perform this activity before responding to the victim, interviewing the victim, and taking a police report. As such, we added the time increments for Activity 3 to the time increments for Activities 8 and 10.

Miscalculated time survey results

To compute the incremental amount of time to perform each of the reimbursable activities, the county accumulated the total amount of minutes reported on the survey forms and divided the total by the number of survey forms submitted.

We found that the county overstated the time increments because it did not compile the results accurately. For example, the county's time surveys recorded the following results for taking a police report in violation of PC section 530.5:

- Activity 8 – Write the initial incident report – 3,023 minutes recorded for the 130 surveys
- Activity 10 – Revise/edit incident reports – 308 minutes for 53 surveys

The two activities together comprise the activity of taking a police (incident) report. The county should have added the total time required for writing and revising incident reports (3,023 minutes + 308 minutes = 3,331 minutes) and divided the total by the 130 surveys, which results in an average of 25.62 minutes per incident report. However, the county determined the time required for each sub-activity separately and added them together. For example, 3,023 minutes divided by 130 surveys results in 23.254 minutes to write the initial report, and 308 minutes divided by 53 surveys results in 5.811 minutes to revise the original report. Adding 23.254 and 5.811 together results in 29.065 minutes per incident report. However, multiplying 130 surveys by 29.065 minutes equals 3,779 minutes to perform the reimbursable activity, which exceeds the actual time recorded (3,331 minutes) by 448 minutes.

The county made the same calculation error when compiling the results for Activities 4 and 5, which together comprise the reimbursable activity of beginning an investigation. Instead of an average time increment of 27.368 minutes to perform the reimbursable activity, we found that the average should have been 24.06 minutes.

The following table summarizes the time increment, in minutes, for each identity theft police report claimed by the county and the time increment allowable:

Reimbursable Activity	Time Increment Claimed	Time Increment Allowable
1a. Taking incident reports for PC 530.5 violations	29.065	26.94
1a. Reviewing incident reports for PC 530.5 violations	-	7.31
1b. Reviewing incident reports submitted online	2.763	-
2. Beginning an investigation	27.368	24.06

Misstated productive hourly rates

The county claimed an average productive hourly rate (PHR) of the following three job classifications: Deputy Sheriff Generalists, Deputy Sheriff Bonus Is, and Deputy Sheriff Bonus IIs.

As previously noted, the county's time surveys did not indicate who prepared them. Therefore, to validate the county's assertion as to who performed the reimbursable activities, we requested information supporting the actual job classifications related to the statistical samples of approved and supported PC section 530.5 incident reports.

The following summarizes the actual job classifications of employees who performed the reimbursable activities for the June 2012 identity theft survey and the extent to which they performed them:

- 74% Deputy Sheriffs (Los Angeles County sworn officers)
- 5% Community Services Assistants (Los Angeles County non-sworn officers)
- 21% Community Services Officers (Employees of contract cities)

Due to the large variation between the job classifications claimed and our testing of the job classifications identified in the time survey, we expanded our testing of the job classifications to instead use statistical samples related to incident reports originating from the unincorporated areas of the county (1,514 for FY 2011-12, and 1,468 for FY 2012-13).

The following table summarizes the actual job classifications of employees who performed the reimbursable activities for FY 2011-12 and FY 2012-13, as well as the average of the two fiscal years:

	Fiscal Year		
Classification	2011-12	2012-13	Average
Deputy Sheriff Generalists	76%	84%	80%
Deputy Sheriff Bonus Is	11%	8%	10%
Deputy Sheriff Bonus IIs	2%	1.5%	2%
Deputy Sheriff Sergeants	1%	1.5%	1%
Community Services Assistants	7%	4%	5%
Community Services Officers	3%	1%	2%
	100%	100%	100%

We were unable to test job classifications for years earlier than FY 2011-12 because the county, in compliance with its own documentation-retention policies, destroyed reports for those years. Therefore, we used the average for FY 2011-12 and FY 2012-13, and applied the results to FY 2004-05 through FY 2010-11.

The county's claimed PHRs were the average of three sworn officers' job classifications. Our recalculated PHRs are weighted averages, based on the percentages for the job classifications shown above. The recalculated

PHRs were applied to two reimbursable activities: taking a police report supporting a violation of PC section 530.5 (Section IV. Reimbursable Activity 1a), and beginning an investigation of facts (Section IV. Reimbursable Activity 2). In addition, we applied the actual PHR for deputy sergeants reviewing identity theft incident reports, a reimbursable activity that was included in the time survey but not claimed by the county

The following table summarizes the claimed and allowable productive hourly rates by fiscal year:

		Amount Allowable	
Fiscal Year	Average PHR Claimed	Average PHR (1a, 2)	Average PHR (1a Dpt. Sgt.)
2004-05	$ 41.59	$ 35.68	$ 47.96
2005-06	44.08	37.94	51.30
2006-07	47.94	41.32	56.06
2007-08	50.81	44.20	59.79
2008-09	51.54	44.84	60.88
2009-10	51.55	44.89	60.84
2010-11	52.05	45.32	61.39
2011-12	53.86	44.88	62.35
2012-13	54.29	46.93	62.75

Overstated offsetting revenues

For the audit period, the county reported offsetting revenues of $2,608,277. We found that the county should not have offset any costs on its claims.

The county based its reported offsets on claimed salaries, benefits, and related indirect costs incurred for an estimated 63% of identity theft cases completed for its contracting cities. Forty-four cities with no police forces of their own contracted with and annually reimbursed Los Angeles County for general law-enforcement services. The LASD Financial Programs Bureau staff obtained the percentage of offsets from estimates jointly decided by LASD's Contract Law Enforcement Bureau, the Auditor-Controller, and Special Accounts. However, due to the discovery of database information provided by the county's LARCIS system, the calculation of allowable costs for identity theft reports applicable only to the unincorporated areas of Los Angeles County is now possible and calculating offsetting revenues is no longer necessary.

Recommendation

We recommend that the county ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov

Los Angeles County

Contract City

Billing Rates

ATTACHMENT C

MUNICIPAL LAW ENFORCEMENT SERVICES AGREEMENT BY AND BETWEEN COUNTY OF LOS ANGELES AND CITY OF LAKEWOOD

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ATTACHMENT A: Los Angeles County Sheriff's Department SH-AD 575 Deployment of Personnel form

MUNICIPAL LAW ENFORCEMENT SERVICES AGREEMENT BY AND BETWEEN COUNTY OF LOS ANGELES AND CITY OF LAKEWOOD

This Municipal Law Enforcement Services Agreement (hereinafter referred to as "Agreement") is made and entered into this 1ST day of SEPTEMBER, 2009 by and between the COUNTY OF LOS ANGELES, (hereinafter referred to as "County") and the CITY OF LAKEWOOD (hereinafter referred to as "City").

RECITALS

Whereas, the City is desirous of contracting with the County for the performance of law enforcement services by the Los Angeles County Sheriff's Department (hereinafter referred to as "Sheriff's Department"); and

Whereas, the County is agreeable to rendering such law enforcement services on the terms and conditions set forth in this Agreement; and

Whereas, such law enforcement services agreements are authorized and provided for by the provisions of Section 56 1/2 and 56 3/4 of the County Charter and California Government Code Section 51301.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for good and valuable consideration, the parties mutually agree as follows:

1.0 SCOPE OF SERVICES

1.1 The County agrees, through the Sheriff of the County of Los Angeles (hereinafter referred to as "Sheriff"), to provide general law enforcement services within the corporate limits of the City to the extent and in the manner hereinafter set forth in this Agreement.

1.2 Except as otherwise specifically set forth in this Agreement, such services shall only encompass duties and functions of the type coming within the jurisdiction of and customarily rendered by the Sheriff under the County Charter and the statutes of the State of California, and under the City municipal codes.

1.3 General law enforcement services performed hereunder may include, if requested by the City, supplemental security support, supplemental sworn officer support, and supplemental professional civilian support staff.

2.0 ADMINISTRATION OF PERSONNEL

2.1 During the term of this Agreement, the Sheriff or his designee shall serve as Chief of Police of the City and shall perform the functions of the Chief of Police at the direction of the City.

2.2 The rendition of the services performed by the Sheriff's Department, the standards of performance, the discipline of officers, and other matters incident to the performance of such services and the control of personnel so employed shall remain with the County.

2.3 In the event of a dispute between the parties to this Agreement as to the extent of the duties and functions to be rendered hereunder, or the minimum level or manner of performance of such service, the City shall be consulted and a mutual determination thereof shall be made by both the Sheriff and the City.

2.4 With regard to Sections 2.2 and 2.3 above, the Sheriff, in an unresolved dispute, shall have final and conclusive determination as between the parties hereto.

2.5 All City employees who work in conjunction with the Sheriff's Department pursuant to this Agreement shall remain employees of the City and shall not have any claim or right to employment, civil service protection, salary, or benefits or claims of any kind from the County based on this Agreement. No City employee as such shall become employees of the County unless by specific additional agreement in the form of a merger agreement which must be concurrently adopted by the City and the County.

2.6 For the purpose of performing services and functions, pursuant to this Agreement and only for the purpose of giving official status to the performance thereof, every County officer and/or employee engaged in performing any such service and function shall be deemed to be an officer or employee of the City while performing such service for the City, as long as the service is within the scope of their duties performing law enforcement services pursuant to this Agreement.

2.7 The City shall not be called upon to assume any liability for the direct payment of any Sheriff's Department salaries, wages, or other compensation to any County

personnel performing services hereunder for said City. Except as herein otherwise specified, the City shall not be liable for compensation or indemnity to any County employee or agent of the County for injury or sickness arising out of his/her employment as a contract employee of the City.

2.8 As part of its compliance with all applicable laws and regulations relating to employee hiring, the County agrees that the County Civil Service Rules to which it is subject and which prohibit discrimination on the basis of non-merit factors, shall for purposes of this Agreement be read and understood to prohibit discrimination on the basis of sexual orientation.

3.0 DEPLOYMENT OF PERSONNEL

3.1 Services performed hereunder and specifically requested by the City shall be developed in conjunction with the Sheriff and indicated on a Los Angeles County Sheriff's Department SH-AD 575 Deployment of Personnel form, attached hereto as Attachment A and incorporated herein by this reference.

3.2 A new SH-AD 575 Deployment of Personnel form shall be authorized and signed annually by the City and the Sheriff or his designee each July 1, and attached hereto as an Amendment to this Agreement.

3.3 Should the City request a change in level of service other than pursuant to the annual July 1 readjustment, an additional SH-AD 575 Deployment of Personnel form shall be signed and authorized by the City and the Sheriff or his designee and attached hereto as an Amendment to this Agreement.

3.4 The most recent dated and signed SH-AD 575 Deployment of Personnel form attached to this Agreement shall be the staffing level in effect between the County and the City.

3.5 The City is not limited to the services indicated in Attachment A, but the City may also request any other service in the field of public safety, law, or related fields within the legal power of the Sheriff to provide. Such other services shall be reflected in an amended SH-AD 575 Deployment of Personnel form under the procedures set forth in Sections 3.2 and 3.3 above.

4.0 PERFORMANCE OF AGREEMENT

4.1 For the purpose of performing said general law enforcement services, County shall furnish and supply all necessary labor, supervision, equipment,

communication facilities, and supplies necessary to maintain the agreed level of service to be rendered hereunder.

4.2 Notwithstanding the foregoing, the City may provide additional resources for the County to utilize in performance of the services.

4.3 When and if both parties to this Agreement concur as to the necessity of maintaining a law enforcement headquarters or Sheriff's Department substation within the City which would not normally be provided by the Sheriff, the City shall furnish at its own cost and expense all necessary office space, and the Sheriff shall have authority to negotiate with the City regarding which entity shall pay for furniture and furnishings, office supplies, janitor service, telephone, light, water and other utilities.

4.4 It is expressly further understood that in the event a local office or building is maintained in said City, such local office or building may be used by the Sheriff in connection with the performance of his duties in territory outside of the City, provided, however, that the performance of such outside duties shall not be at any additional cost to the City.

4.5 Notwithstanding the foregoing, it is mutually agreed that in all instances where special supplies, stationery, notices, forms, and the like must be issued in the name of said City, the same shall be supplied by the City at its own cost and expense.

5.0 INDEMNIFICATION

5.1 The parties hereto have executed an Assumption of Liability Agreement approved by the Board of Supervisors on December 27, 1977, and/or a Joint Indemnity Agreement approved by the Board of Supervisors on October 8, 1991. Whichever of these documents the City has signed later in time is currently in effect and hereby made a part of and incorporated into this Agreement as if set out in full herein.

5.2 The parties hereto have also executed a County-City Special Indemnity Agreement approved by the Board of Supervisors on August 25, 2009. This document is made a part of and incorporated into this Agreement as if set out in full herein.

5.3 In the event the Board of Supervisors later approves a revised Joint Indemnity

Agreement and the City executes the revised agreement, the subsequent agreement as of its effective date shall supersede the agreement previously in effect between the parties hereto.

6.0 TERM OF AGREEMENT

6.1 The term of this Agreement shall be from September 1, 2009 through June 30, 2014, unless sooner terminated or extended as provided for herein.

6.2 At the option of the County Board of Supervisors and with the consent of the City Council, this Agreement may be renewed or extended for successive periods not to exceed five (5) years each.

6.3 Nine (9) months prior to the expiration of this Agreement, the parties shall meet and confer in good faith to discuss the possible renewal or extension of this Agreement pursuant to Section 6.2 above. The parties shall reach an agreement as to the terms of any renewal or extension period no later than six (6) months prior to the expiration of this Agreement. Absent mutual agreement by the parties within that time frame, this Agreement shall expire at the conclusion of the then-existing term.

7.0 RIGHT OF TERMINATION

7.1 Either party may terminate this Agreement as of the first day of July of any year upon notice in writing to the other party of not less than sixty (60) days prior thereto.

7.2 Notwithstanding any provision herein to the contrary, the City may terminate this Agreement upon notice in writing to the County given within sixty (60) days of receipt of written notice from the County of any increase in the rate for any service to be performed hereunder, and in such an event this Agreement shall terminate sixty (60) calendar days from the date of the City's notice to the County.

7.3 This Agreement may be terminated at anytime, with or without cause, by either party upon written notice given to the other party at least one hundred eighty (180) days before the date specified for such termination.

7.4 In the event of a termination, each party shall fully discharge all obligations owed to the other party accruing prior to the date of such termination, and, except as otherwise provided herein, each party shall be released from all obligations which

would otherwise accrue subsequent to the date of termination.

8.0 BILLING RATES

8.1 The City shall pay the County for the services provided under the terms of this Agreement at the rates set forth on Attachment A, Los Angeles County Sheriff's Department SH-AD 575 Deployment of Personnel form, as established by the County Auditor-Controller.

8.2 The rates set forth on Attachment A, Los Angeles County Sheriff's Department SH-AD 575 Deployment of Personnel form shall be readjusted by the County Auditor-Controller annually effective July 1 of each year, and attached hereto as an Amendment to this Agreement, to reflect the cost of such service in accordance with the policies and procedures for the determination of such rates as adopted by the County Board of Supervisors.

8.3 The City shall be billed based on the service level provided within the parameters of Attachment A, Los Angeles County Sheriff's Department SH-AD 575 Deployment of Personnel form.

8.4 The cost of other services requested pursuant to Section 3.5 of this Agreement and not set forth in Attachment A, Los Angeles County Sheriff's Department SH-AD 575 Deployment of Personnel form shall be determined by the Auditor-Controller in accordance with the policies and procedures established by the County Board of Supervisors.

9.0 PAYMENT PROCEDURES

9.1 The County, through the Sheriff, shall render to said City within ten (10) days after the close of each calendar month a summarized invoice which covers all services performed during said month, and said City shall pay County for all undisputed amounts within sixty (60) days after date of said invoice.

9.2 If such payment is not delivered to the County office which is described on said invoice within sixty (60) days after the date of the invoice, the County is entitled to recover interest thereon. For all disputed amounts, the City shall provide County with written notice of the dispute including the invoice date, amount, and reasons for dispute within ten (10) days after receipt of the invoice. The parties shall memorialize the resolution of the dispute in writing. For any disputed amounts, interest shall accrue if payment is not received within sixty (60) days

after the dispute resolution is memorialized.

9.3 Interest shall be at the rate of ten percent (10%) per annum or any portion thereof, calculated from the last day of the month in which the services were performed, or in the case of disputed amounts, calculated from the date the resolution is memorialized.

9.4 Notwithstanding the provisions of California Government Code Section 907, if such payment is not delivered to the County office which is described on said invoice within sixty (60) days after the date of the invoice, or in the case of disputed amounts, from the date the resolution is memorialized, the County may satisfy such indebtedness, including interest thereon, from any funds of the City on deposit with the County without giving further notice to the City of the County's intention to do so.

10.0 NOTICES

Unless otherwise specified herein, all notices or demands required or permitted to be given or made under this Agreement shall be in writing and shall be hand delivered with signed receipt or mailed by first class registered or certified mail, postage prepaid, addressed to the parties at the following addresses and to the attention of the person named. Addresses and persons to be notified may be changed by either party by giving ten (10) calendar days prior written notice thereof to the other party.

Notices to County of Los Angeles shall be addressed as follows:

Los Angeles County Sheriff's Department
Contract Law Enforcement Bureau
Attn: Unit Commander
4700 Ramona Boulevard
Monterey Park, California 91754
Phone #:
Fax

Notices to City of shall be addressed as follows:

City of Lakewood
Attn: City Clerk
Address: 5050 Clark Avenue, Lakewood, CA 90712
Phone #: 562/866-9771
Fax #: 562/866-0505

11.0 AMENDMENTS

All changes, modifications, or amendments to this Agreement must be in the form of a written Amendment duly executed by the County Board of Supervisors and an authorized representative of the City. Notwithstanding, the Sheriff or his designee is hereby authorized to execute on behalf of the County any Amendments and/or supplemental agreements referenced in Sections 1.3, 3.0, 4.3, 8.2, and 9.2 of this Agreement.

12.0 AUTHORIZATION WARRANTY

12.1 The City represents and warrants that the person executing this Agreement for the City is an authorized agent who has actual authority to bind the City to each and every term, condition, and obligation of this Agreement and that all requirements of the City have been fulfilled to provide such actual authority.

12.2 The County represents and warrants that the person executing this Agreement for the County is an authorized agent who has actual authority to bind the County to each and every term, condition, and obligation of this Agreement and that all requirements of the County have been fulfilled to provide such actual authority.

13.0 ENTIRE AGREEMENT

This Agreement, Attachment A, and any executed Amendments thereto constitute the complete and exclusive statement of understanding of the parties which supersedes all previous agreements, written or oral, and all communications between the parties relating to the subject matter of this Agreement. No change to this Agreement shall be valid unless prepared pursuant to Section 11.0, Amendments, of this Agreement.

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MUNICIPAL LAW ENFORCEMENT SERVICES AGREEMENT
BY AND BETWEEN
COUNTY OF LOS ANGELES
AND CITY OF LAKEWOOD

IN WITNESS WHEREOF, the County of Los Angeles, by order of its Board of Supervisors, has caused this Agreement to be executed by the Chairman of said Board and attested by the Executive Officer-Clerk of the Board of Supervisors thereof, and the City has caused this Agreement to be executed on its behalf by its duly authorized representative.

COUNTY OF LOS ANGELES

By _____
DON KNABE
Chairman, Board of Supervisors

ATTEST:
SACHI HAMAI
Executive Officer-Clerk
Board of Supervisors

By _____
Deputy

OCT 21 2009

CITY OF LAKEWOOD

By _____
CITY OF LAKEWOOD, MAYOR

ATTEST:

By _____
City Clerk

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

#19 AUG 25 2009

SACHI A. HAMAI
EXECUTIVE OFFICER

APPROVED AS TO FORM:
ROBERT E. KALUNIAN
Acting County Counsel

By _____
Deputy County Counsel

APPROVED AS TO FORM:
CITY ATTORNEY

By _____

Patrol Officer Rate

FY 2011-12 Cost

Los Angeles County - Contract Cities
Law Enforcement Services

The City contracts with the County Sheriff's Department for police patrol services. These officers perform the mandated law enforcement activities described in this claim.

HOURLY RATE CALCULATION:

The hourly rate of a patrol unit (single officer) is calculated as follows:

$$\textit{Hourly Rate} = \frac{\$348{,}681}{(56 \text{ hrs/week} \times 52 \text{ weeks/yr})} = \frac{\$348{,}681}{2920 \text{ hrs/year}} = \frac{\mathbf{\$119.41}}{\text{Hour}}$$

Rate includes a county assessed 4% Liability Insurance Surcharge

HOURS OF SERVICE & ESTIMATED CHARGES

CITY: Palmdale 7/1/2011

SERVICE UNITS	UNIT COST	TOTAL UNITS PURCHASED	TOTAL ESTIMATED UNIT COST	LIABILITY @ 4%	TOTAL COST WITH LIABILITY	YEARLY HOURS PER SERVICE UNIT		ANNUAL GOAL (MINUTES)	PERSONNEL REQUIRED
DEPUTY SHERIFF SERVICE UNIT									
40 Hour	$239,478	6	1,436,868.00	57,474.72	1,494,342.72	2086	12,516	750,960	6.9960
56 Hour	$335,270	36	12,069,720.00	482,788.80	12,552,508.80	2920	105,120	6,307,200	58.7520
70 Hour	$419,087	0	0.00	0.00	0.00	3650	0	0	0.0000
Non-Relief	$217,708	8	1,741,664.00	69,666.56	1,811,330.56	1789	14,312	858,720	8.0000
DEPUTY SHERIFF SERVICE UNIT (BONUS LEVEL)									
40 Hour	$252,766	0	0.00	0.00	0.00	2086	0	0	0.0000
56 Hour	$353,873	0	0.00	0.00	0.00	2920	0	0	0.0000
70 Hour	$442,341	0	0.00	0.00	0.00	3650	0	0	0.0000
Non-Relief	$229,788	4	919,152.00	36,766.08	955,918.08	1789	7,156	429,360	4.0000
GROWTH DEPUTY UNITS (Non-Relief Only)									
Deputy	$146,732	4	586,928.00	23,477.12	610,405.12	1789	7,156	429,360	4.0000
Deputy (with dedicated vehicle)	$166,935	0	0.00	0.00	0.00	1789	0	0	0.0000
Deputy, B-1	$159,355	0	0.00	0.00	0.00	1789	0	0	0.0000
Deputy B-1 (with dedicated vehicle)	$179,742	0	0.00	0.00	0.00	1789	0	0	0.0000
GRANT UNITS (Non-Relief Only)									
Deputy	$146,732	3	440,196.00	17,607.84	457,803.84	1789	5,367	322,020	3.0000
Deputy (with dedicated vehicle)	$166,935	0	0.00	0.00	0.00	1789	0	0	0.0000
Deputy B-1 (Motor)	$159,355	2	318,710.00	12,748.40	331,458.40	1789	3,578	214,680	2.0000
Deputy B-1 (with dedicated vehicle)	$179,742	0	0.00	0.00	0.00	1789	0	0	0.0000
SUPPLEMENTAL POSITIONS (Non-Relief Only)									
Lieutenant	$231,501	0	0.00	N/A	0.00	1789	0	0	0.0000
Sergeant (SAO)	$192,725	2	385,450.00	N/A	385,450.00	1789	3,578	214,680	2.0000
Sergeant (Motor)	$203,408	1	203,408.00	8,136.32	211,544.32	1789	1,789	107,340	1.0000
Watch Deputy	$156,059	0	0.00	0.00	0.00	1789	0	0	0.0000
Motor Deputy	$229,788	3	689,364.00	27,574.56	716,938.56	1789	5,367	322,020	3.0000
CSA	$52,726	0	0.00	0.00	0.00	1789	0	0	0.0000
Security Officer	$88,245	0	0.00	0.00	0.00	1789	0	0	0.0000
Law Enforcement Tech (With Vehicle)	$80,102	0	0.00	0.00	0.00	1789	0	0	0.0000
Operations Asst I	$72,374	0	0.00	N/A	0.00	1789	0	0	0.0000
Operations Asst II	$89,942	0	0.00	N/A	0.00	1789	0	0	0.0000
Operations Asst III	$102,997	0	0.00	N/A	0.00	1789	0	0	0.0000
Stn Clerk II	$66,936	1	66,936.00	N/A	66,936.00	1789	1,789	107,340	1.0000
Crime Analyst	$101,721	0	0.00	N/A	0.00	1789	0	0	0.0000
Custody Assistant	$88,518	0	0.00	0.00	0.00	1789	0	0	0.0000
Other (Need to insert cost in next column)		0	0.00	N/A	0.00	1789	0	0	0.0000
ESTIMATED COST FOR SERVICE UNITS **			$18,858,396.00						
			LIABILITY @ 4% =	$736,240.40					
			TOTAL ESTIMATED COST		$19,594,636.40				

	HOURS	MINUTES	PERSONNEL
DEPUTY	149,838	8,990,280	83.7480
DEPUTY, B-1	10,734	644,040	6.0000
LT/SERGEANT	5,367	322,020	3.0000
CSA	0	0	0.0000
CIVILIAN	1,789	107,340	1.0000

SH-AD 575 (REV. 4/11)

Patrol Officer Rate

FY 2012-13 Cost

Los Angeles County - Contract Cities
Law Enforcement Services

The City contracts with the County Sheriff's Department for police patrol services. These officers perform the mandated law enforcement activities described in this claim.

HOURLY RATE CALCULATION:

The hourly rate of a patrol unit (single officer) is calculated as follows:

$$\textit{Hourly Rate} = \frac{\$356{,}454}{(56 \text{ hrs/week} \times 52 \text{ weeks/yr})} = \frac{\$356{,}454}{2920 \text{ hrs/year}} = \frac{\mathbf{\$122.07}}{\text{Hour}}$$

Rate includes a county assessed 4% Liability Insurance Surcharge

HOURS OF SERVICE & ESTIMATED CHARGES

CITY: PALMDALE 7/1/2012

SERVICE UNITS	UNIT COST	TOTAL UNITS PURCHASED	TOTAL ESTIMATED UNIT COST	LIABILITY @ 4 %	TOTAL COST WITH LIABILITY	YEARLY HOURS PER SERVICE UNIT	ANNUAL GOAL (HOURS)	ANNUAL GOAL (MINUTES)	PERSONNEL REQUIRED
DEPUTY SHERIFF SERVICE UNIT									
40 Hour	$244,817	6	1,468,902.00	58,756.08	**1,527,658.08**	2086	12,516	750,960	6.9960
56 Hour	$342,744	36	12,338,784.00	493,551.36	**12,832,335.36**	2920	105,120	6,307,200	58.7520
70 Hour	$428,430	0	0.00	0.00	**0.00**	3650	0	0	0.0000
Non-Relief	$222,561	10	2,225,610.00	89,024.40	**2,314,634.40**	1789	17,890	1,073,400	10.0000
DEPUTY SHERIFF SERVICE UNIT (BONUS LEVEL)									
40 Hour	$258,706	0	0.00	0.00	**0.00**	2086	0	0	0.0000
56 Hour	$362,188	0	0.00	0.00	**0.00**	2920	0	0	0.0000
70 Hour	$452,735	0	0.00	0.00	**0.00**	3650	0	0	0.0000
Non-Relief	$235,187	4	940,748.00	37,629.92	**978,377.92**	1789	7,156	429,360	4.0000
GROWTH DEPUTY UNITS (Non-Relief Only)									
Deputy	$148,175	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Deputy (with dedicated vehicle)	$168,561	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Deputy, B-1	$161,093	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Deputy B-1 (with dedicated vehicle)	$181,479	0	0.00	0.00	**0.00**	1789	0	0	0.0000
GRANT UNITS (Non-Relief Only)									
Deputy	$148,175	3	444,525.00	17,781.00	**462,306.00**	1789	5,367	322,020	3.0000
Deputy (with dedicated vehicle)	$168,561	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Deputy B-1	$161,093	2	322,186.00	12,887.44	**335,073.44**	1789	3,578	214,680	2.0000
Deputy B-1 (with dedicated vehicle)	$181,479	0	0.00	0.00	**0.00**	1789	0	0	0.0000
SUPPLEMENTAL POSITIONS (Non-Relief Only)									
Lieutenant	$233,821	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Sergeant (SAO)	$194,496	2	388,992.00	N/A	**388,992.00**	1789	3,578	214,680	2.0000
Sergeant (Motor)	$205,194	1	205,194.00	8,207.76	**213,401.76**	1789	1,789	107,340	1.0000
Watch Deputy	$159,375	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Motor Deputy	$235,187	2	470,374.00	18,814.96	**489,188.96**	1789	3,578	214,680	2.0000
CSA	$55,996	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Security Officer	$95,568	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Law Enforcement Tech	$80,393	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Operations Asst I	$74,456	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Operations Asst II	$92,488	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Operations Asst III	$105,912	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Stn Clerk II	$68,863	1	68,863.00	N/A	**68,863.00**	1789	1,789	107,340	1.0000
Crime Analyst	$106,441	0	0.00	N/A	**0.00**	1789	0	0	0.0000
Custody Assistant	$86,318	0	0.00	0.00	**0.00**	1789	0	0	0.0000
Other (Need to insert cost in next column)		0	0.00	N/A	**0.00**	1789	0	0	0.0000
ESTIMATED COST FOR SERVICE UNITS **			$18,874,178.00						
			LIABILITY @ 4% =	$736,652.92					
			TOTAL ESTIMATED COST		$19,610,830.92				

	HOURS	MINUTES	PERSONNEL
DEPUTY	144,471	8,668,260	80.7480
DEPUTY, B-1	10,734	644,040	6.0000
LT/SERGEANT	5,367	322,020	3.0000
CSA	0	0	0.0000
CIVILIAN	1,789	107,340	1.0000

SH-AD 575 (REV. 4/12)

City of Fresno

Domestic Violence Arrest Policies and Standards Claim & Audit Report

Claim for Payment
Pursuant to Government Code Section 17561
DOMESTIC VIOLENCE ARREST POLICIES & STANDARDS

For State Controller Use Only	
(19) Program Number: 00167	Program 167
(20) Date Filed ____/____/____	
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9810320
(02) Claimant Name	City of Fresno
Mailing Address	2600 Fresno Street, Suite 2156
Street Address or P.O. Box	
City	Fresno
State CA	Zip Code 93721

Type of Claim	Estimated Claim	Reimbursement Claim			
	(03) Estimated ☐	(09) Reimbursement	X	(22) FORM-1,(04)(a)	5,214
	(04) Combined ☐	(10) Combined	☐	(23) FORM-1,(04)(b)	49
	(05) Amended ☐	(11) Amended	☐	(24) FORM-1,(06)	306,545
				(25) FORM-1,(07)(A)(g)	
				(26) FORM-1,(07)(B)(g)	
				(27) FORM-1,(07)(C)(g)	
				(28) FORM-1, (09)	103
Fiscal Year of Cost	(06)	(12) 2011-12		(29) FORM-1, (10)	126391
Total Claimed	(07)	(13) $306,545		(30) FORM-1, (12)	
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)		(31) FORM-1, (13)	
s: Estimated Claim Payment Received		(15)		(32)	
Net Claimed Amount		(16) $306,545		(32)	
Due from State	(08)	(17) $306,545		(33)	
Due to State	(09)	(18)		(34)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Divison 4 of Title 1 Government Code.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Lauren Bradley — Date Signed 1/20/2013

Kren Bradley — Telephone Numbe (559) 621-7033

ntroller/ Finance Director — Email Address kim.jackson@fresno.gov

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) Form FAM-27

Claim for Payment
Pursuant to Government Code Section 17561
DOMESTIC VIOLENCE ARREST POLICIES & STANDARDS

For State Controller Use Only

(19) Program Number: 00167
(20) Date Filed ____/____/____
(21) LRS Input ____/____/____

Program **167**

(01) Claimant Identification Number	9810320
(02) Claimant Name	City of Fresno
Mailing Address	2600 Fresno Street, Suite 2156
Street Address or P.O. Box	
City	Fresno
State CA	**Zip Code** 93721

Type of Claim	**Estimated Claim**	**Reimbursement Claim**
	(03) Estimated ☐	(09) Reimbursement **X**
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐

Fiscal Year of Cost	(06)	(12) 2011-12	(29) FORM-1, (10)	126391
Total Claimed	(07)	(13) $306,545	(30) FORM-1, (12)	
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)	(31) FORM-1, (13)	
Less: Estimated Claim Payment Received		(15)	(32)	
Net Claimed Amount		(16) $306,545	(32)	
Due from State	(08)	(17) $306,545	(33)	
Due to State	(09)	(18)	(34)	

(22) FORM-1,(04)(a)	5,214
(23) FORM-1,(04)(b)	49
(24) FORM-1,(06)	306,545
(25) FORM-1,(07)(A)(g)	
(26) FORM-1,(07)(B)(g)	
(27) FORM-1,(07)(C)(g)	
(28) FORM-1, (09)	103

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Divison 4 of Title 1 Government Code.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Date Signed

Karen Bradley — Telephone Numbe (559) 621-7033

Controller/ Finance Director — Email Address kim.jackson@fresno.gov

Name of Contact Person for Claim	**Telephone Number**	**E-Mail Address**
Annette S. Chinn (CRS)	***(916) 939-7901***	***AChinnCRS@aol.com***

Revised (12/09) **Form FAM-27**

MANDATED COSTS
DOMESTIC VIOLENCE ARREST POLICIES & STANDARDS
CLAIM SUMMARY

FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Fresno	Reimbursement [X]	2011-12
	Estimated [ ]	(see FAM-27 for estimate)

(03) Department Police

(04) Claim Statistics

(a) Number of reported domestic violence incident responses in the fiscal year of claim	5,214
(b) Average productive hourly rate	$48.93
c) Standard time allowed - 29 minutes	0.48 hour

Unit Cost Method

(05) Ongoing Activity D - Implementation of New Policiies	$123,308
(06) Total Direct and Indirect Costs for Activity D	$306,545

Direct Costs	**Object Accounts**				
Actual Cost Method (07) One-Time Activities	(a) Salaries	(b) Benefits	(c) & (e) Services& Supplies and Fixed Assets	(d) Training and Travel	(f) Total
A. Develop of Written Arrest Policies					
B. Adoption of Policies					
C. Training Officers on New Policies					
Ongoing Activity - Implementation of New Policies					
D. Implementation of Written Arrest Policies	$123,308	$56,845			$180,154
(08) Total Direct Costs	$123,308	$56,845			$180,154

Indirect Costs

(09) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	102.5%
(10) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$126,391
(11) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$306,545

Cost Reductions

(12) Less: Offsetting Savings, if applicable		
(13) Less: Other Reimbursements, if applicable		
(14) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$306,545**

Revised (12/09)

INDIRECT COST RATE PROPOSAL
City of Fresno
Police
Fiscal Year
2011-12

Description of Costs		Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits					
Salaries & Wages		$74,097,688		$25,078,485	$49,019,203
Overtime		$2,798,758			$2,798,758
Benefits	46.1%	$34,157,296		$11,560,593	$22,596,703
Total		$111,053,742		$36,639,078	$74,414,664
Services & Supplies					
Prof Svcs/Consulting - Outs		$13,580			$13,580
Public Relations & Informat		$744		$744	
Prof Svcs (Non-Consulting)		$891,936		$891,936	
Outside Legal Services		$121,151		$121,151	
Hazardous Waste Managem		$13,324		$13,324	
Specialized Services /Tech		$160,217		$160,217	
Utilities		$508,618		$508,618	
Landscaping & Grounds Ma		$17,807		$17,807	
O/S Repair, Maint & Serv- I		$22,152		$22,152	
Service Contracts-Office Eq		$446,970		$446,970	
O/S Repair & Maint.--Equip		$16,537		$16,537	
Space Rentals		$348,888		$348,888	
Equipment Rentals--Ex Offi		$5,552		$5,552	
Buildings & Improvements		$17,403	$17,055	$348	$0
Insurance Payments		$826		$826	
Communications		$11,608		$11,608	
Printing & Binding--O/S Ve					
Training		$50,258		$50,258	
Travel & Conference		$21,874		$21,874	
Misc. Subsistence Expense		$287		$287	
Mileage Reimbursement-Nc		$3,746		$3,746	
Clothing & Personal Suppli		$58,580		$58,580	
Office Equipment--Under 3		$19,596	$15,677	$3,919	
Copiers		$29,223	$23,378	$5,845	$0
Small Tools For Field Oper		$1,175	$940	$235	$0
Postage		$21,386		$21,386	
Office Supplies		$112,394		$112,394	
Photographic Supplies & Pr		$456		$456	
Office Equipment Rentals		$3,810		$3,810	
Computer Software		$999	$799	$200	$0
Spec Operating Materials					
Cleaning & Janitorial Suppl		$2,840		$2,840	
Specialty Chemicals & Gas		$55,999		$55,999	
Materials & Parts--Vehicles		$33,442		$33,442	
Materials & Parts--Equipme		$101,412		$101,412	
Provisions & Forage		$11,947		$11,947	
Ammunition		$43,259		$43,259	
Laboratory & Medical Supp		$27,175		$27,175	
Materials & Parts - Bldg & I		$1,449		$1,449	
Oils & Lubricants		$19		$19	
Gasoline		$113,360		$113,360	
New Machinery & Equipme		$20,274	$18,923	$1,352	$0
Replacement Machinery & I		$3,443	$3,214	$230	$0
Equipment		$350	$327	$23	$0
Furniture & Fixtures		$8,002	$7,468	$533	$0
Contract Construction					
County Jail Booking Fees		-$6,301			-$6,301
Outside Agency Support		$3,128			$3,128
Miscellaneous Expenditures		$24		$24	
Oral Board Reimbursement		$434		$434	
Petty Cash--Initial/Increase		-$500		-$500	
Membership & Dues		$6,980	$6,980		
Subscriptions & Publication		$3,936		$3,936	
Interdepartmental Charges		$13,232,477		$13,232,477	
Total		$16,584,246	$94,760	$16,479,079	$10,407
Capital Expenditures					
Total					
Total Expenditures		**$127,637,988**	**$94,760**	**$53,118,157**	**$74,425,071**
Cost Plan Costs					
Total					
Total Alloc. Indirect Costs		**$127,637,988**	**$94,760**	**$53,118,157**	**$74,425,071**

ICRP RATE = **102.5%**
(Rate is Based on Salaries)

$53,118,157 = Total Allowable Indirect Costs
$51,817,962 Total Direct Salaries

City of Fresno
Police
Fiscal Year
2011-12

Name/Position	100% Admin. or Support Staff Annual Salary	
Accountant Auditor II	$	56,270.00
Accounting Techician	$	42,714.00
Admin Clerk II (13)	$	413,076.68
Administrative Manager	$	89,657.00
Background Investigator (7)	$	117,035.60
Community Coordinator	$	37,772.81
Community Sanitation Manager	$	83,754.10
Community Services Officer II (8)	$	334,315.59
Computer Systems Specialist II (1)	$	69,091.13
Computer Systems Specialist III (2)	$	70,371.18
Data Base Administrator	$	79,417.36
Deputy Police Chief (4)	$	522,038.42
Emergency Services Comm. Supr. (5)	$	362,968.78
Emergency Services Dispatcher I (6)	$	103,755.71
Emergency Services Dispatcher II (67)	$	3,232,624.13
Emergency Services Dispatcher III (12)	$	653,878.44
Executive Assist to Director (1)	$	63,976.16
Grant Writer	$	66,878.00
Helicopter Mechanic	$	62,827.11
Helicopter Mechanic Ldwrkr	$	68,770.52
Helicopter Pilot	$	18,541.45
Identification Technician II (12)	$	680,541.33
Identification Technician III (3)	$	196,845.75
Information Services Manager	$	103,477.71
Information Services Supervisor	$	90,139.59
Laborer (10)	$	378,462.78
Law Enforcement Instructor (2)	$	26,656.00
Management Analyst II (2)	$	157,196.00
Management Analyst III (2)	$	168,641.88
Networks Systems Specialist	$	79,700.34
PAR Program Specialist	$	41,354.36
Phlebotomist (3)	$	75,380.02
Police Captain (7)	$	934,934.99
Police Chief	$	192,573.03
Police Data Transcriptionist (2)	$	83,149.75
Police Lieutenant (20)	$	2,289,753.39
Police Officer Recruit (2)	$	90,391.68
Police Sergeant (83)	$	9,307,434.70
Police Specialist (11)	$	887,477.72
Police Tech Services Manager	$	21,701.17
Programmer/Analyst II (1)	$	45,175.15
Programmer/Analyst III (3)	$	220,835.00
Programmer/Analyst IV	$	82,222.90
Property & Evidence Tech (1)	$	50,215.57
Records Supervisor (4)	$	244,548.31
Senior Accountant-Auditor	$	62,834.00
Senior Admin Clerk (27)	$	1,025,298.32
Senior Secretary (3)	$	135,004.30
Senior Storeskeeper	$	45,044.58
Services Aide (1) (PT)	$	5,724.75
Senior Comm. Services Officer (6)	$	338,795.33
Senior Property & Evidence Tech. (2)	$	111,831.31
Staff Assistant (3)	$	36,456.87
Supervising Identification Tech (4)	$	230,014.63
Utility Leadworker (2)	$	88,937.30
TOTAL INDIRECT SALARIES		**$25,078,485**

	51101	Permanent Salaries	$	64,481,938.42
	51103	Employee Leave Payoff-Non Term	$	2,958,004.50
	51109	Leave Payoff At Termination	$	713,300.00
	51201	Non-Permanent Salaries	$	472,588.01
	51401	Premium Pay	$	5,406,206.95
	52901	Recurring Vehicle Allowance	$	65,650.00
			$	**74,097,687.88**
	51301	Overtime	$	2,683,658.09
	51302	Voluntary Overtime	$	115,100.31
			$	**2,798,758.40**
	51102	Permanent Fringe	$	2,473,565.51
	51104	Perm Fringe-Health&Welfare	$	8,207,122.44
	51105	Perm Fringe-Life&Disab. Ins.	$	22,637.33
	51106	Perm Fringe-Pension Fire, PD	$	16,058,422.41
	51107	Perm Fringe-Pension, Employees	$	984,976.99
	51190	Furlough Savings	$	-
	51202	Non-Permanent Fringe	$	34,205.42
	51405	Other Employee Benefits	$	722,054.13
	51602	Severance H & W	$	11,820.00
	52403	HRA Payments	$	679,735.88
	52601	Worker's Compensation	$	4,962,755.66
			$	**34,157,295.77**
Tot:		**51000 Employee Services**	**$**	**111,053,742.05**
	53302	Prof Svcs/Consulting - Outside	$	13,580.00
	53303	Public Relations & Information	$	744.24
	53304	Prof Svcs (Non-Consulting)-O/S	$	891,936.12
	53306	Outside Legal Services	$	121,150.87
	53401	Hazardous Waste Management	$	13,323.85
	53402	Specialized Services /Tech	$	160,217.39
	54101	Utilities	$	508,618.17
	54241	Landscaping & Grounds Maint	$	17,806.93
	54301	O/S Repair, Maint & Serv- Bldg	$	22,151.65
	54303	Service Contracts-Office Equip	$	446,970.38
	54305	O/S Repair & Maint.--Equipment	$	16,536.77
	54411	Space Rentals	$	348,888.24
	54421	Equipment Rentals--Ex Office	$	5,551.54
	54501	Buildings & Improvements	$	17,402.58
	55201	Insurance Payments	$	826.00
	55301	Communications	$	11,607.85
	55501	Printing & Binding--O/S Vendor	$	-
	55801	Training	$	50,258.40
	55803	Travel & Conference	$	21,874.09
	55804	Misc. Subsistence Expense	$	286.94
	55805	Mileage Reimbursement-Nonrecur	$	3,745.97
	56101	Clothing & Personal Supplies	$	58,579.76
	56102	Office Equipment--Under 300	$	19,595.72
	56103	Copiers	$	29,222.61
	56105	Small Tools For Field Oper	$	1,175.30
	56106	Postage	$	21,385.51
	56107	Office Supplies	$	112,394.17
	56108	Photographic Supplies & Proc	$	456.07
	56109	Office Equipment Rentals	$	3,810.43
	56110	Computer Software	$	999.00
	56111	Spec Operating Materials	$	-
	56112	Cleaning & Janitorial Supplies	$	2,840.42
	56114	Specialty Chemicals & Gases	$	55,998.82
	56115	Materials & Parts--Vehicles	$	33,442.18
	56116	Materials & Parts--Equipment	$	101,411.58
	56117	Provisions & Forage	$	11,946.87
	56119	Ammunition	$	43,258.99
	56122	Laboratory & Medical Supplies	$	27,174.53
	56123	Materials & Parts - Bldg & Imp	$	1,448.53
	56240	Oils & Lubricants	$	19.38
	56260	Gasoline	$	113,360.49
	57411	New Machinery & Equipment	$	20,274.40
	57412	Replacement Machinery & Equip	$	3,443.05
	57413	Equipment	$	350.00
	57431	Furniture & Fixtures	$	8,001.69
	57507	Contract Construction	$	-
	58001	County Jail Booking Fees	$	(6,301.12)
	58002	Outside Agency Support	$	3,128.02
	58005	Miscellaneous Expenditures	$	24.38
	58008	Oral Board Reimbursement	$	433.71
	58015	Petty Cash--Initial/Increase	$	(500.00)
	58016	Membership & Dues	$	6,980.00
	58017	Subscriptions & Publications	$	3,936.30
Tot:		**NONPER Non Personnel Expenditure**	**$**	**3,351,768.77**
		Interdepartmental Charges	**$**	**13,232,477.07**
Tot Dept:		**150000 'Police Department**	**$**	**127,637,987.89**
			$	127,637,987.89

CITY OF FRESNO

Audit Report

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS PROGRAM

Chapter 246, Statutes of 1995

July 1, 2008, through June 30, 2012

BETTY T. YEE
California State Controller

May 2015

BETTY T. YEE
California State Controller

May 26, 2015

The Honorable Ashley Swearengin, Mayor
City of Fresno
2600 Fresno Street, Room 2075
Fresno, CA 93721

Dear Mayor Swearengin:

The State Controller's Office audited the costs claimed by the City of Fresno for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2008, through June 30, 2012.

The city claimed and was paid $1,132,578 for the mandated program. Our audit found that $717,846 is allowable and $414,732 is unallowable. The costs are unallowable primarily because the city claimed non-mandate-related costs. The State will offset $414,732 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

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/as

cc: Michael Lima, Controller/Finance Director
City of Fresno
Jerry Dyer, Chief of Police
City of Fresno Police Department
Kim Jackson, Management Analyst III
City of Fresno, Finance Department
Evelyn Suess, 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 Fresno for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (Chapter 246, Statutes of 1995) for the period of July 1, 2008, through June 30, 2012.

The city claimed and was paid $1,132,578 for the mandated program. Our audit found that $717,846 is allowable and $414,732 is unallowable. The costs are unallowable primarily because the city claimed non-mandate-related costs. The State will offset $414,732 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 (Commission) 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 Commission 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.

Objectives, 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, 2008, through June 30, 2012.

The objectives of our audit were to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The legal authority to conduct this audit is provided by Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. 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 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. Our audit scope did not assess the efficiency or effectiveness of program operations.

To achieve our audit objectives, we performed the following audit procedures:

- Interviewed employees, completed the internal control questionnaire, and performed a walk-through of the cost components of each claim.
- Traced costs claimed to supporting documentation that showed when the costs were incurred, the validity of such costs, and their relationship to mandated activities.

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 Fresno claimed $1,132,578 for costs of the Domestic Violence Arrest Policies and Standards Program. Our audit found that $717,846 is allowable and $414,732 is unallowable.

For the fiscal year (FY) 2008-09 claim, the State paid the city $245,600. Our audit found that $139,574 is allowable. The State will offset $106,026 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2009-10 claim, the State paid the city $261,388. Our audit found that $162,346 is allowable. The State will offset $99,042 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2010-11 claim, the State paid the city $319,045. Our audit found that $194,976 is allowable. The State will offset $124,069 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

For the FY 2011-12 claim, the State paid the city $306,545. Our audit found that $220,950 is allowable. The State will offset $85,595 from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Views of Responsible Officials

We issued a draft audit report on April 15, 2015. Kim Jackson, Management Analyst III, Finance Department responded by email dated May 5, 2015, stating that the city has no changes to the draft audit report.

Restricted Use

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

May 26, 2015

Schedule 1—
Summary of Program Costs
July 1, 2008, through June 30, 2012

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference [1]
July 1, 2008, through June 30, 2009				
Direct costs:				
Salaries and benefits	$ 152,442	$ 88,694	$ (63,748)	Findings 1, 2
Indirect costs	93,158	50,880	(42,278)	Findings 1, 2, 3
Total program costs	$ 245,600	139,574	$ (106,026)	
Less amount paid by the state		(245,600)		
Allowable costs claimed in excess of (less than) amount paid		$ (106,026)		
July 1, 2009, through June 30, 2010				
Direct costs:				
Salaries and benefits	$ 159,503	$ 103,369	$ (56,134)	Findings 1, 2
Indirect costs	101,885	58,977	(42,908)	Findings 1, 2, 3
Total program costs	$ 261,388	162,346	$ (99,042)	
Less amount paid by the state		(261,388)		
Allowable costs claimed in excess of (less than) amount paid		$ (99,042)		
July 1, 2010, through June 30, 2011				
Direct costs:				
Salaries and benefits	$ 170,829	$ 111,529	$ (59,300)	Findings 1, 2
Indirect costs	148,216	83,447	(64,769)	Findings 1, 2, 3
Total program costs	$ 319,045	194,976	$ (124,069)	
Less amount paid by the state		(319,045)		
Allowable costs claimed in excess of (less than) amount paid		$ (124,069)		
July 1, 2011, through June 30, 2012				
Direct costs:				
Salaries and benefits	$ 180,154	$ 137,190	$ (42,964)	Findings 1, 2
Indirect costs	126,391	83,760	(42,631)	Findings 1, 2, 3
Total program costs	$ 306,545	220,950	$ (85,595)	
Less amount paid by the state		(306,545)		
Allowable costs claimed in excess of (less than) amount paid		$ (85,595)		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference [1]
Summary: July 1, 2008, through June 30, 2012				
Direct costs:				
Salaries and benefits	$ 662,928	$ 440,782	$ (222,146)	
Indirect costs	469,650	277,064	(192,586)	
Total program costs	$ 1,132,578	717,846	$ (414,732)	
Less amount paid by the state		(1,132,578)		
Allowable costs claimed in excess of (less than) amount paid		$ (414,732)		

[1] See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Overstated and understated claimed costs

The city overstated and understated the number of domestic violence incident reports it claimed during the audit period. This resulted in net understated salaries and benefits costs totaling $5,753; the related indirect cost is $9,607.

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 case management system. The case management system's 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:

Understated/(overstated) number of reports		(927)		(226)		637		357		
Uniform time allowance (hours)	x	0.48	x	0.48	x	0.48	x	0.48		
Understated/overstated hours		(445)		(108)		306		171		
Claimed productive hourly rate, salaries [1]	x	$37.63	x	$41.09	x	$47.14	x	$48.93		
Understated/(overstated) salaries (A)	$	(16,745)	$	(4,438)	$	14,425	$	8,367		
Benefit rate [1]	x	24.20%	x	29.00%	x	39.00%	x	46.10%		
Understated/(overstated) benefits (B)		(4,052)		(1,287)		5,626		3,857		
Understated/(overstated) salaries and benefits ((C) = (A) + (B))		(20,797)		(5,725)		20,051		12,224	$	5,753
Indirect cost rate claimed (D)	x	75.90%	x	82.40%	x	120.60%	x	102.50%		
Related indirect costs ((E) = (A) x (D))		(12,709)		(3,657)		17,397		8,576		9,607
Audit adjustment, ((F) = (C) + (E))	$	(33,506)	$	(9,382)	$	37,448	$	20,800	$	15,360

[1] Rate applied to salaries.

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 is supported by the city's case management system.

City's Response

The city has no changes to the finding.

FINDING 2— Non-reimbursable costs

The city claimed non-reimbursable salaries and benefits totaling $227,899; the related indirect costs total $166,012.

As noted in Finding 1, the city 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			
	2008-09	2009-10	2010-11	2011-12
Documented number of domestic violence incident reports	5,822	6,000	6,031	5,571
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48	x 0.48
Claimed hours attributable to documented incident reports [1]	2,814	2,900	2,915	2,693

[1] Calculated using 0.4833

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 146 incident reports for each fiscal year in the audit period. We reviewed the sample incident reports to determine whether the city performed the required mandated program activities. Our review found the following:

- 303 incident reports were fully reimbursable under the mandated program. These reports are reimbursable at 29 minutes (0.48 hours) per report.

- 121 incident reports were 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.

- 160 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 court order violations, annoying phone calls, and verbal arguments.

The following table summarizes the results of our statistical samples:

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	Total
Allowable incident reports	82	79	64	78	303
Partially reimbursable incident reports - only one party interviewed	24	28	31	38	121
Non-mandate-related incident reports	40	39	51	30	160
Total reports sampled	146	146	146	146	584

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

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	Total
Allowable incident reports	82	79	64	78	303
Uniform time allowance (hours)	x 0.48	x 0.48	x 0.48	x 0.48	
Subtotal (G)	39.36	37.92	30.72	37.44	
Partially reimbursable incident reports - only one party interviewed	24	28	31	38	121
Allowable uniform time allowance (hours)	x 0.34	x 0.34	x 0.34	x 0.34	
Subtotal (H)	8.16	9.52	10.54	12.92	
Total reimbursable hours for sampled reports ((G) + (H))	47.52	47.44	41.26	50.36	
Statistical sample size	÷ 146	÷ 146	÷ 146	÷ 146	
Reimbursable hours per report	0.3255	0.3249	0.2826	0.3449	
Number of documented incident reports	x 5,822	x 6,000	x 6,031	x 5,571	
Total reimbursable hours	1,895	1,949	1,704	1,921	
Less claimed hours attributable to documented incident reports	(2,814)	(2,900)	(2,915)	(2,693)	
Unallowable hours	(919)	(951)	(1,211)	(772)	

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

	Fiscal Year				
	2008-09	2009-10	2010-11	2011-12	Total
Unallowable hours	(919)	(951)	(1,211)	(772)	
Claimed average productive hourly rate (salary)	x $37.63	x $41.09	x $47.14	x $48.93	
Unallowable salaries (J) [1]	$ (34,582)	$ (39,077)	$ (57,087)	$ (37,774)	
Benefit rate	x 24.20%	x 29.00%	x 39.00%	x 46.10%	
Unallowable benefits (K) [1]	(8,369)	(11,332)	(22,264)	(17,414)	
Unallowable salary and benefits ((L) = (J) + (K))	(42,951)	(50,409)	(79,351)	(55,188)	$ (227,899)
Indirect cost rate claimed	x 75.90%	x 82.40%	x 120.60%	x 102.50%	
Related indirect costs (M)	(26,248)	(32,199)	(68,847)	(38,718)	(166,012)
Audit adjustment ((L) + (M))	$ (69,199)	$ (82,608)	$ (148,198)	$ (93,906)	$ (393,911)

[1] Applied to salaries

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 has no changes to the finding.

FINDING 3— Overstated indirect costs rates

The city claimed indirect costs based on indirect cost rate proposals (ICRP) prepared for the city's police department. The city overstated its indirect cost rate for each fiscal year. As a result, the city overstated indirect costs claimed by $36,181 for the audit period.

For all fiscal years, the city's ICRP excluded salaries attributable to grant programs (e.g., Cops in School grant, HUD Capitol Program, and Airport Public Safety). Title 2, *Code of Federal Regulations*, Part 225 (Office of Management and Budget (OMB) Circular A-87), Appendix A, Part C, subdivision 3.b. states, "All activities which benefit from the governmental unit's indirect cost . . . will receive an appropriate allocation of indirect costs." We adjusted direct salaries and benefits to include the grant program costs.

The following table summarizes the indirect cost rate audit adjustments:

Cost Component	Costs Reported	Allowable Costs	Audit Adjustment
Fiscal Year (FY) 2008-09			
Direct costs:			
Salaries (A)	$ 66,814,370	$ 71,178,258	$ 4,363,888
Indirect Costs:			
Salaries and benefits	29,469,580	29,469,580	-
Sevices and supplies	21,243,973	21,243,973	-
Total indirect costs (B)	$ 50,713,553	$ 50,713,553	$ -
Allowable indirect cost rate FY 2008-09 ((B) ÷ (A))		71.25%	
FY 2009-10			
Direct costs:			
Salaries (C)	$ 58,436,456	$ 65,430,050	$ 6,993,594
Indirect Costs:			
Salaries and benefits	31,421,412	31,421,412	-
Sevices and supplies	16,719,734	16,719,734	-
Total indirect costs (D)	$ 48,141,146	$ 48,141,146	$ -
Allowable indirect cost rate FY 2009-10 ((D) ÷ (C))		73.60%	
FY 2010-11			
Direct costs:			
Salaries (E)	$ 47,405,439	$ 54,941,936	$ 7,536,497
Indirect Costs:			
Salaries and benefits	39,213,267	39,213,267	-
Sevices and supplies	17,944,771	17,944,771	-
Total indirect costs (F)	$ 57,158,038	$ 57,158,038	$ -
Allowable indirect cost rate FY 2009-10 (F ÷ E)		104.00%	
FY 2011-12			
Direct costs:			
Salaries (G)	$ 51,817,962	$ 59,537,311	$ 7,719,349
Indirect Costs:			
Salaries and benefits	36,639,078	36,639,078	-
Sevices and supplies	16,479,079	16,479,079	-
Total indirect costs (H)	$ 53,118,157	$ 53,118,157	$ -
Allowable indirect cost rate FY 2009-10 (H ÷ G)		89.20%	

The following table summarizes the audit adjustments:

	Fiscal Year				
	2008-09	2009-10	2010-11	2010-11	Total
Allowable indirect cost rate	71.25%	73.60%	104.00%	89.20%	
Less claimed indirect cost rate	(75.90)%	(82.40)%	(120.60)%	(102.50)%	
Unallowable indirect cost rate	(4.65)%	(8.80)%	(16.60)%	(13.30)%	
Allowable salaries	x $ 71,412	x $ 80,131	x $ 80,237	x $ 93,901	
Audit adjustment	$ (3,321)	$ (7,052)	$ (13,319)	$ (12,489)	$ (36,181)

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 counties may claim indirect costs using the procedures provided in OMB Circular A-87.

Recommendation

We recommend that the city prepare ICRPs that are supported by its expenditure ledgers and inclusive of all departmental costs. We also recommend that the city allocate costs consistently between fiscal years in accordance with OMB Circular A-87.

City's Response

The city has no changes to the finding.

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov

Commission on State Mandates
November 2018 Meeting Minutes

Minutes

COMMISSION ON STATE MANDATES

Location of Meeting: Room 447
State Capitol, Sacramento, California
November 30, 2018

Present: Member Mark Hariri, Vice Chairperson
Representative of the State Treasurer
Member Lee Adams
County Supervisor
Member Ken Alex
Director of the Office of Planning and Research
Member Yvette Stowers
Representative of the State Controller

Absent: Member Sarah Olsen
Public Member
Member Carmen Ramirez
City Council Member
Member Jacqueline Wong-Hernandez, Chairperson
Representative of the Director of the Department of Finance

NOTE: The transcript for this hearing is attached. These minutes are designed to be read in conjunction with the transcript.

CALL TO ORDER AND ROLL CALL

Vice Chairperson Hariri called the meeting to order at 10:04 a.m. Executive Director Heather Halsey stated that Ms. Olsen, Ms. Ramirez, and Ms. Wong-Hernandez would not be able to attend the hearing, noted that the existing membership of the Commission is seven and with four members present, a majority, there was a quorum, and called the roll.

APPROVAL OF MINUTES

Member Adams made a motion to adopt the minutes. With a second by Member Stowers, the September 28, 2018 hearing minutes were adopted by a vote of 4-0 with Members Olsen, Ramirez, and Wong-Hernandez absent.

PUBLIC COMMENT FOR MATTERS NOT ON THE AGENDA

The Vice Chairperson asked if there was any public comment. There was no response.

HEARINGS AND DECISIONS PURSUANT TO CALIFORNIA CODE OF REGULATIONS, TITLE 2, CHAPTER 2.5, ARTICLE 7 (GOV. CODE, § 17551, 17557, 17559, and 17570) (action)

Executive Director Halsey swore in the parties and witnesses participating in the Article 7 portion of the hearing.

APPEAL OF EXECUTIVE DIRECTOR DECISIONS PURSUANT TO CALIFORNIA CODE OF REGULATIONS, TITLE 2, SECTION 1181.1(c) (info/action)

Item 2 Appeal of Executive Director Decisions

Executive Director Halsey stated that there were no appeals to consider for this hearing.

INCORRECT REDUCTION CLAIM

Item 3 *Enrollment Fee Collection and Waivers*, 15-9913-I-02

Education Code Section 76300; California Code of Regulations, Title 5, Sections 58501-58503, 58611-58613, 58620, and 58630
Fiscal Years: 1998-1999, 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, and 2010-2011

North Orange County Community College District, Claimant

Executive Director Halsey stated that the claimant notified Commission staff that they would not be sending a representative to the hearing. Senior Commission Counsel Eric Feller presented this item, and recommended that the Commission deny this Incorrect Reduction Claim.

Parties were represented as follows: Jim Venneman appeared on behalf of the State Controller's Office.

Following discussion among the Commission members, staff, and Mr. Venneman, Member Adams made a motion to adopt the staff recommendation. With a second by Member Stowers, the motion to deny this Incorrect Reduction Claim was adopted by a vote of 4-0 with Members Olsen, Ramirez, and Wong-Hernandez absent.

INCORRECT REDUCTION CLAIM

Item 4 *Interagency Child Abuse and Neglect Investigation Reports (ICAN)*, 17-0022-I-01

Penal Code Sections 11165.9, 11166, 11166.2, 11166.9[1], 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) as added or amended by Statutes 1977, Chapter 958; Statutes 1980, Chapter 1071; Statutes 1981, Chapter 435; Statutes 1982, Chapters 162 and 905; Statutes 1984, Chapters 1423 and 1613; Statutes 1985, Chapter 1598; Statutes 1986, Chapters 1289 and 1496; Statutes 1987, Chapters 82, 531, and 1459; Statutes 1988, Chapters 269, 1497, and 1580; Statutes 1989, Chapter 153; Statutes 1990, Chapters 650, 1330, 1363, 1603; Statutes 1992, Chapters 163, 459, and 1338; Statutes 1993, Chapters 219 and 510; Statutes 1996, Chapters 1080 and 1081; Statutes 1997, Chapters 842, 843, and 844; Statutes 1999, Chapters 475 and 1012; and Statutes 2000, Chapter 916; California Code of Regulations, Title 11, Section 903 (Register 98, Number 29); "Child Abuse Investigation Report" Form SS 8583 (Rev. 3/91)

Fiscal Years: 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, and 2012-2013

[1] Renumbered as Penal Code section 11174.34 (Stats. 2004, ch. 842 (SB 1313)).

City of Palmdale, Claimant

Senior Commission Counsel Matt Jones presented this item and recommended that the Commission deny this Incorrect Reduction Claim.

Parties were represented as follows: Annette Chinn, appeared on behalf of the claimant. Masha Vorobyova, appeared on behalf of the State Controller's Office.

Following discussion among the Commission members, staff, and parties, Member Alex made a motion to adopt the staff recommendation. With a second by Member Stowers, the motion to deny this Incorrect Reduction Claim was adopted by a vote of 4-0 with Members Olsen, Ramirez, and Wong-Hernandez absent.

HEARINGS ON COUNTY APPLICATIONS FOR FINDINGS OF SIGNIFICANT FINANCIAL DISTRESS PURSUANT TO WELFARE AND INSTITUTIONS CODE SECTION 17000.6 AND CALIFORNIA CODE OF REGULATIONS, TITLE 2, ARTICLE 6.5 (info/action)

Item 5 Assignment of County Application to Commission, a Hearing Panel of One or More Members of the Commission, or to a Hearing Officer

No applications were filed.

STAFF REPORTS

Item 6 Legislative Update (info)

Executive Director Heather Halsey stated that there is nothing new to report.

Item 7 Chief Legal Counsel: New Filings, Recent Decisions, Litigation Calendar (info)

Chief Legal Counsel Camille Shelton presented this item.

Item 8 Executive Director: Litigation and Personnel Subcommittee Appointments, Workload Update, and Tentative Agenda Items for the January and March 2019 Meetings (info/action)

Executive Director Heather Halsey presented this item, first describing the action item for the Commission's Litigation and Personnel Subcommittee appointments, to replace Member Chivaro. Executive Director Halsey explained that subcommittees serve in an advisory capacity to the Commission but do not take actions, any member may volunteer to serve, recommended that members nominate themselves and serve upon approval of the Commission, and nominated the Director of Finance or the Director's designee (in their absence) to serve on the Personnel Subcommittee.

Vice Chairperson Hariri inquired if the Commission needed to vote on this item and Executive Director Halsey asked that it be opened up for discussion among the members, and requested that if anyone wanted to volunteer for either position and then the members could vote on that upon making the motion. Member Adams stated that he would accept the Executive Director's recommendation for the Personnel Subcommittee and suggested that there are a few attorneys who may be most appropriate for the Litigation Subcommittee.

Member Alex stated that the November 2018 meeting would be his last meeting. Executive Director Halsey noted that Member Ramirez was not present and that a replacement for Member

Alex would also be needed. Member Alex suggested that the nominations be split and suggested dealing with the Litigation subcommittee nominations at the next meeting.

Member Adams made a motion to adopt staff's recommendation for the Personnel Subcommittee. With a second by Member Stowers, the motion to approve the Director of the Department of Finance or the Director's designee to serve on the Commission's Personnel Subcommittee was adopted by a vote of 4-0 with Members Olsen, Ramirez, and Wong-Hernandez absent. Executive Director Halsey then presented the workload and administrative workload updates.

CLOSED EXECUTIVE SESSION PURSUANT TO GOVERNMENT CODE SECTIONS 11126 AND 11126.2 (info/action)

A. PENDING LITIGATION

To confer with and receive advice from legal counsel, for consideration and action, as necessary and appropriate, upon the following matters pursuant to Government Code section 11126(e)(1):

Trial Courts:

1. ***On Remand from the Third District Court of Appeal, Case No. C070357***
   State of California Department of Finance, State Water Resources Control Board, and California Regional Water Quality Board, San Diego Region v. Commission on State Mandates and County of San Diego, et al. (petition and cross-petition)
   Sacramento County Superior Court Case No. 34-2010-80000604
   [*Discharge of Stormwater Runoff*, Order No. R9-207-000 (07-TC-09), California Regional Water Control Board, San Diego Region Order No. R9-2007-001, NPDES No. CAS0108758, Parts D.1.d.(7)-(8), D.1.g., D.3.a.(3), D.3.a.(5), D.5, E.2.f, E.2.g,F.1, F.2, F.3, I.1, I.2, I.5, J.3.a.(3)(c) iv-vii & x-xv, and L]
2. *Fresno Unified School Dist. v. Commission on State Mandates*
   Sacramento County Superior Court, Case No. 34-2017-80002768
   [*Certificated School Employees – Parental Leave*, 16-TC-01]

Courts of Appeal:

1. *Coast Community College District, et al. v. Commission on State Mandates,*
   Third District Court of Appeal, Case No. C080349
   Sacramento County Superior Court, Case No. 34-2014-80001842
   [*Minimum Conditions for State Aid*, 02-TC-25/02-TC-31
   (Education Code Sections 66721, 66721.5, 66722, 66722.5, 66731, 66732, 66736, 66737, 66738, 66740, 66741, 66742, 66743, 70901, 70901.5, 70902, 71027, 78015, 78016, 78211.5, 78212, 78213, 78214, 78215, 78216, 87482.6, and 87482.7; Statutes 1975, Chapter 802; Statutes 1976, Chapters 275, 783, 1010, and 1176; Statutes 1977, Chapters 36 and 967; Statutes 1979, Chapters 797 and 977; Statutes 1980, Chapter 910; Statutes 1981, Chapters 470 and 891; Statutes 1982, Chapters 1117 and 1329; Statutes 1983, Chapters 143 and 537; Statutes 1984, Chapter 1371; Statutes 1986, Chapter 1467; Statutes 1988, Chapters 973 and 1514; Statutes 1990, Chapters 1372 and 1667; Statutes 1991, Chapters 1038, 1188, and 1198; Statutes 1995, Chapters 493 and 758; Statutes 1998, Chapter 365, 914, and 1023; Statutes 1999, Chapter 587; Statutes 2000, Chapter 187; and Statutes 2002, Chapter 1169; California Code of Regulations, Title 5, Sections

51000, 51002, 51004, 51006, 51008, 51012, 51014, 51016, 51018, 51020, 51021, 51022, 51023, 51023.5, 51023.7, 51024, 51025, 51027, 51100, 51102, 53200, 53202, 53203, 53204, 53207, 53300, 53301, 53302, 53308, 53309, 53310, 53311, 53312, 53314, 54626, 54805, 55000, 55000.5, 55001, 55002, 55002.5, 55004, 55005, 55006, 55100, 55130, 55150, 55160, 55170, 55182, 55200, 55201, 55202, 55205, 55207, 55209, 55211, 55213, 55215, 55217, 55219, 55300, 55316, 55316.5, 55320, 55321, 55322, 55340, 55350, 55401, 55402, 55403, 55404, 55500, 55502, 55510, 55512, 55514, 55516, 55518, 55520, 55521, 55522, 55523, 55524, 55525, 55526, 55530, 55532, 55534, 55600, 55601, 55602, 55602.5, 55603, 55605, 55607, 55620, 55630, 55750, 55751, 55752, 55753, 55753.5, 55753.7, 55754, 55755, 55756, 55756.5, 55757, 55758, 55758.5, 55759, 55760, 55761, 55762, 55763, 55764, 55765, 55800, 55800.5, 55801, 55805, 55805.5, 55806, 55807, 55808, 55809, 55825, 55827, 55828, 55829, 55830, 55831, 58102, 58104, 58106, 58107, 58108, 59404, and 59410; Handbook of Accreditation and Policy Manual, Accrediting Commission for Community and Junior Colleges (Summer 2002); and "Program and Course Approval Handbook" Chancellor's Office California Community Colleges (September 2001).]

2. *Paradise Irrigation District, et al. v. Commission on State Mandates, Department of Finance, and Department of Water Resources*
   Third District Court of Appeal, Case No. C081929
   Sacramento County Superior Court, Case No. 34-2015-80002016
   [*Water Conservation* (10-TC-12/12-TC-01, adopted December 5, 2014), Water Code Division 6, Part 2.55 [sections 10608-10608.64] and Part 2.8 [sections 10800-10853] as added by Statutes 2009-2010, 7th Extraordinary Session, Chapter 4California Code of Regulations, Title 23, Division 2, Chapter 5.1, Article 2, Sections 597-597.4; Register 2012, No. 28.]

3. ***On Remand from California Supreme Court, Case No. S214855,*** *State of California Department of Finance, State Water Resources Control Board, and California Regional Water Quality Control Board, Los Angeles Region v. Commission on State Mandates and County of Los Angeles, et al* (petition and cross-petition)
   Second District Court of Appeal Case No. B292446
   [Los Angeles County Superior Court, Case No. BS130730, Related Appeal from Second District Court of Appeal, Case No. B237153 [*Municipal Storm Water and Urban Runoff Discharges*, 03-TC-04, 03-TC-19, 03-TC-20, and 03-TC-21, Los Angeles Regional Quality Control Board Order No. 01-182, Permit CAS004001, Parts 4C2a., 4C2b, 4E & 4Fc3]

California Supreme Court:

1. *Counties of San Diego, Los Angeles, San Bernardino, Orange, and Sacramento v. Commission on State Mandates, et al*.
   California Supreme Court, Case No. S239907
   Fourth District Court of Appeal, Division One, Case No. D068657
   San Diego County Superior Court, Case No. 37-2014-00005050-CU-WM-CTL
   [Mandate Redetermination, *Sexually Violent Predators*, (12-MR-01, CSM-4509); Welfare and Institutions Code Sections 6601, 6602, 6603, 6604, 6605, and 6608; Statutes 1995, Chapter 762 (SB 1143); Statutes 1995, Chapter 763 (AB 888); Statutes 1996,

Chapter 4 (AB 1496) As modified by Proposition 83, General Election, November 7, 2006]

2. *California School Board Association (CSBA) v. State of California* et al.
   California Supreme Court, Case No S247266
   First District Court of Appeal, Case No. A148606
   Alameda County Superior Court, Case No. RG11554698
   [2010-2011 Budget Trailer Bills; Education Code sections 42238.24 and 56523]

To confer with and receive advice from legal counsel, for consideration and action, as necessary and appropriate, upon the following matter pursuant to Government Code section 11126(e)(2):

Based on existing facts and circumstances, there is a specific matter which presents a significant exposure to litigation against the Commission on State Mandates, its members or staff.

B. PERSONNEL

To confer on personnel matters pursuant to Government Code section 11126(a).

The Commission adjourned into closed executive session at 11:05 a.m., pursuant to Government Code section 11126(e), to confer with and receive advice from legal counsel for consideration and action, as necessary and appropriate, upon the pending litigation listed on the published notice and agenda; and to confer with and receive advice from legal counsel regarding potential litigation; and to confer on personnel matters pursuant to Government Code section 11126(a)(1).

RECOVENE IN PUBLIC SESSION

REPORT FROM CLOSED EXECUTIVE SESSION

At 11:26 a.m., the Commission reconvened in open session, and Vice Chairperson Hariri reported that the Commission met in closed executive session pursuant to Government Code section 11126(e)(2) to confer with and receive advice from legal counsel for consideration and action, as necessary and appropriate, upon the pending litigation listed on the public notice and agenda, and to confer with and receive advice from legal counsel regarding potential litigation, and, pursuant to Government Code section 11126(a)(1) to confer on personnel matters.

ADJOURNMENT

Hearing no further business, Vice Chairperson Hariri adjourned the meeting by a unanimous voice vote of the Commission at 11:27 a.m.

Heather Halsey
Executive Director

STATE OF CALIFORNIA

COMMISSION ON STATE MANDATES

RECEIVED
DEC 27 2018
COMMISSION ON
STATE MANDATES

PUBLIC MEETING

FRIDAY, NOVEMBER 30, 2018

10:04 A.M.

STATE CAPITOL BUILDING

ROOM 447

SACRAMENTO, CALIFORNIA

REPORTER'S TRANSCRIPT OF PROCEEDINGS

ORIGINAL

REPORTED BY:
KATHRYN S. SWANK
Certified Shorthand Reporter No. 13061
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A P P E A R A N C E S

COMMISSIONERS

MARK HARIRI
Representative for JOHN CHIANG, Director
State Treasurer
(Vice Chair of the Commission)

KEN ALEX, Director
Office of Planning & Research

LEE ADAMS III
Sierra County Supervisor
Local Agency Member

YVETTE STOWERS
Representative for BETTY T. YEE
State Controller

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COMMISSION STAFF

HEATHER A. HALSEY
Executive Director

HEIDI PALCHIK
Assistant Executive Director

MATTHEW B. JONES
Senior Commission Counsel

ERIC FELLER
Senior Commission Counsel

CAMILLE N. SHELTON
Chief Legal Counsel

---o0o---

A P P E A R A N C E S C O N T I N U E D

PUBLIC PARTICIPANTS

Annette Chinn
Cost Recovery Systems
for Claimant City of Palmdale

Jim Venneman, Audit Manager
State Controller's Office, Division of Audits

Masha Vorobyova, Audit Manager
State Controller's Office, Division of Audits

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E R R A T A S H E E T

Page	Line	Correction
2	4	Representative for JOHN CHIANG, ~~Director~~
21	24	not excessive or <u>un</u>reasonable
42	18	distribution ~~basis~~ <u>bases</u>

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SACRAMENTO, CALIFORNIA

FRIDAY, NOVEMBER 30, 2018, 10:04 A.M.

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VICE CHAIRPERSON HARIRI: Good morning, everyone. The meeting of the Commission on State Mandates will come to order.

Ms. Halsey, will you please call the roll.

MS. HALSEY: Sure.

Ms. Ramirez, Ms. Olsen, and Ms. Wong-Hernandez contacted me to let me know they will be unable to attend today's hearing.

The existing membership of the Commission is seven; so with four members present today, a majority, we have a quorum.

Mr. Adams.

MEMBER ADAMS: Here.

MS. HALSEY: Mr. Alex.

MEMBER ALEX: Here.

MS. HALSEY: Mr. Hariri.

VICE CHAIRPERSON HARIRI: Here.

MS. HALSEY: Ms. Stowers.

MEMBER STOWERS: Here.

MS. HALSEY: Thank you.

VICE CHAIRPERSON HARIRI: Okay. The first item on the agenda is the minutes of the last September 28th,

2018, meeting.

Are there any objections or corrections to the minutes from the September meeting?

MEMBER ADAMS: I would move approval.

MEMBER STOWERS: Second.

VICE CHAIRPERSON HARIRI: Is there a second?

We have a motion and a second for adoption of the September 28, 2018, minutes.

All those in favor, please signify "aye."

(Ayes)

VICE CHAIRPERSON HARIRI: Any opposition?

(No response)

VICE CHAIRPERSON HARIRI: Any abstention?

(No response)

VICE CHAIRPERSON HARIRI: Okay. The minutes are adopted.

MS. HALSEY: Now we will --

VICE CHAIRPERSON HARIRI: Is there any public comment?

Oh, sorry.

MS. HALSEY: We will take up public comment now for items not on the agenda. Please note that the Commission cannot take action on items not on the agenda. However, it can schedule issues raised by the public for consideration at future meetings.

VICE CHAIRPERSON HARIRI: Okay. Is there any public comment?

(No response)

VICE CHAIRPERSON HARIRI: Hearing no public comments, we will move on to the next item, please.

MS. HALSEY: Since there are no proposed items for consent this morning, let's move to the Article 7 portion of the hearing.

Will the parties and witnesses for Items 3 and 4 please rise.

(Parties/witnesses stood to be sworn or affirmed.)

MS. HALSEY: Do you solemnly swear or affirm that the testimony which you are about to give is true and correct, based on your personal knowledge, information, or belief?

(Affirmative responses were heard.)

MS. HALSEY: Thank you.

Item 2 is reserved for appeals of Executive Director decisions. There are no appeals to consider for this hearing.

Senior Commission Counsel Eric Feller will present Item 3, an incorrect reduction claim on enrollment fee collection and waivers.

The Claimant notified Commission staff that

they would not be sending a representative to today's hearing.

MR. FELLER: Good morning. This incorrect reduction claim challenges the Controller's reduction of costs claimed for salaries and benefits for enrollment fee collection and waiver activities and the adjustments to offsetting revenues for Fiscal Years 98/99 through 10/11.

Staff finds the IRC is timely filed and the Controller's reductions are correct as a matter of law and not arbitrary, capricious, or entirely lacking in evidentiary support.

The Controller agrees with the proposed decision, but the Claimant does not.

Accordingly, staff recommends the Commission adopt the proposed decision to deny the IRC and authorize staff to make any technical, nonsubstantive changes to the proposed decision following the hearing.

Will the parties and witnesses please state your full name for the record, please.

MR. VENNEMAN: Jim Venneman, State Controller's Office.

Controller's Office supports staff's conclusion and recommendation.

VICE CHAIRPERSON HARIRI: Are there any public

comments on this item?

(No response)

VICE CHAIRPERSON HARIRI: Are there any questions from the members?

(No response)

MEMBER ADAMS: Mr. Chairman, I would just make the comment that I'm sorry the Claimant is not here. Because what jumped out at me is there are estimates of almost ten times over what was reality, and I would have liked to have asked why such a discrepancy. If something is a little off, that's fine, but ten times off, some explanation would have been nice to hear.

VICE CHAIRPERSON HARIRI: So how do we deal with issues like that? Just hold off to the question?

MS. HALSEY: The Claimant is not here to answer that so...

MR. FELLER: According to the record, the employees -- they took surveys of their employers [sic], and based on those employee surveys, they estimated the time that it took to perform the mandated activities. So that's -- that's -- I believe that's where they received that data.

MEMBER STOWERS: Chair? A question on that. With respect to the surveys, can you elaborate how the surveys -- do you know how they did the surveys? Is it

just interviewing the employees? Documenting their time?

MR. FELLER: The -- each employee filled out a form that had the columns and rows; and the rows for each reimbursable activity were listed; and then they listed the estimated number of minutes it took them to perform that activity; and then the -- they -- the employee signed the bottom of the form, certified under penalty of perjury, that that was -- that was correct, and they signed that.

But again, it differed with the Controller's time study.

MEMBER STOWERS: But this particular office was -- actually watched them perform the task and came up with a different time frame?

MR. FELLER: According to the record. Yeah, the Controller probably would be better qualified to answer that one, however.

MR. VENNEMAN: Yes. We actually went to the district and went to the various offices where the activities were performed, and we observed the employees performing the reimbursable activities and recorded the average times it took them to do those. We asked the district to comment on our observations about the time it took, and they didn't respond one way or the other.

We felt that our -- the time estimate -- the time, actual time, increments that we observed were representative of the actual time it took to perform the reimbursable activities.

MEMBER STOWERS: Thank you.

VICE CHAIRPERSON HARIRI: Okay. Is there any further discussion?

(No response)

VICE CHAIRPERSON HARIRI: With no further discussion, is there a motion?

MEMBER ADAMS: Mr. Chairman, I would make a motion to approve the staff recommendation.

VICE CHAIRPERSON HARIRI: Is there a second?

MEMBER STOWERS: Second.

VICE CHAIRPERSON HARIRI: Okay. It has been moved by Mr. Alex and -- sorry, by Mr. Adams; and seconded by Ms. Stowers.

If there are no other questions, would you please call the roll?

MS. HALSEY: Mr. Adams.

MEMBER ADAMS: Aye.

MS. HALSEY: Mr. Alex.

MEMBER ALEX: Aye.

MS. HALSEY: Mr. Hariri.

VICE CHAIRPERSON HARIRI: Aye.

MS. HALSEY: Ms. Stowers.

MEMBER STOWERS: Aye.

VICE CHAIRPERSON HARIRI: Okay. Motion carries.

We'll go on to the next item.

MS. HALSEY: Senior Commission Counsel Matt Jones will present Item 4, an incorrect reduction claim on interagency child abuse and neglect investigation reports, or ICAN.

MR. JONES: Good morning.

This IRC challenges reductions made by the Controller to reimbursement claims filed by the City of Palmdale for costs incurred during fiscal years 1999/2000 through 2012/2013 for the interagency child abuse and neglect investigation reports mandate, or ICAN.

The reductions at issue turn on adjustments made to the Claimant's time study and indirect costs as claimed. Staff recommends that the Commission deny this IRC based on the following findings:

The Controller's adjustments to the time study are correct as a matter of law and are not arbitrary, capricious, or entirely lacking in evidentiary support; and the Controller's disallowance of indirect costs as claimed was correct as a matter of law and not

arbitrary, capricious, or entirely lacking in evidentiary support.

Staff further recommends that the Commission authorize staff to make any technical, nonsubstantive changes following the hearing.

Will the parties and witnesses please state your names for the record.

MS. CHINN: Annette Chinn, Cost Recovery Systems, representative for the City of Palmdale.

MS. VOROBYOVA: Masha Vorobyova representing State Controller's Office.

VICE CHAIRPERSON HARIRI: Okay. Would you please explain your findings.

MS. CHINN: I have never done an incorrect reduction claim before, so I apologize in advance.

First, I would like to thank staff and the Commission for their time and consideration of our issue. I have over 30 years of experience in working in the field of government finance and as a consultant for filing these claims for state reimbursement, but zero experience with presenting IRCs.

One of the issues we wish to bring up today for your consideration is the area where the State Controller reduced our overhead costs, or ICRP rates, to zero. We believe that we were denied overhead costs

that we were eligible for under the state laws, which require reimbursement of both direct and indirect costs, and the denial of these indirect costs resulted in loss of revenue of approximately half a million dollars.

The City of Palmdale, like many cities in the state of California, contract for their law enforcement services. Palmdale's contract is with Los Angeles County Sheriff Department; and within their contract, there is a preset charge for the patrol deputies established by the county. Within this billable hourly rate, certain city -- or countywide overhead costs are included, such as the benefits of the employee; base supervisory support; countywide support, such as providing dispatch evidence records; and other specialized services, such as access to SWAT teams and homicide units when needed. However, it does not include all overhead costs.

We showed through our record that there were supplemental charges both within the contract, such as charges for additional clerical support, administrative support. In the case of Palmdale, usually they had additional administrative sergeants and clerks that they had contracted with to be dedicated staff for just their station. And then there were other outside costs, such as the contract -- I'm sorry -- countywide -- let me

back up.

Sorry. There were citywide support costs that were supported in the Cost Allocation Plan. In the Cost Allocation Plan, cities are able to bill for the cost of citywide services, such as of the City Attorney's Office, City Manager's Office, support for review of the contract, Finance Department's costs; and those are all approved and eligible under the federal OMB guidelines.

We believe that Commission staff agrees with us in the facts that we presented, that we did show that our costs were indeed above zero percent, and they, in theory, should be actual for state reimbursement.

I've worked for the City of Palmdale since 2000, and I have prepared their claims for state reimbursement. As a part of my services, I annually compute departmental overhead rates, or ICRPs, for all the programs that have direct costs. This also includes preparing overhead costs for the sheriff's contract as well. The rates I computed range between 6 and 13 percent without taking account the citywide overhead, which I mentioned was through the cost allocation plan.

We claimed 10 percent as an average because, one, when you request a rate of 10 percent or less per the claiming instructions, submission of backup to support that rate is not required; and, two, because we

felt that in the case of audit, we would be able to support or justify the rate that we submitted.

This was a fair rate, and not having to present documentation was advantageous since we were on a tight time frame. We were required to submit 14 years' worth of claims in the three-month period. And usually, when we do our annual claims, we have the same three-month time allotment, so doing 14 years' worth of claims in one 3-month chunk is a difficult task.

We presented our computations to the auditor during our audit and provided the support to prove that the rates that we claimed were supported and justified.

In addition to the overhead charges with the L.A. County contract, as I said, the City also included overhead contracts outside the contract to support the law enforcement service program, and I have kind of explained those. So when we factored in those county -- or the Cost Allocation Plan costs, our rates averaged between 12 and 15 percent, so we felt that our request for 10 was justified and reasonable.

According to the federal OMB and CFR guidelines, these costs are eligible for inclusion in the ICRP. And I will just read a quote to you. It says, "Indirect costs may include both, one, overhead costs of the unit performing the mandate; and, two, the

costs of central government services distributed by other departments, based on a systematic and rational basis through a Cost Allocation Plan." And that's exactly what we did in preparation of our rates.

The State Controller auditor refused to consider or allow any additional overhead costs, and our ICRP was reduced to zero.

Our auditor explained -- and, again, I quote -- "I have reviewed the City's indirect cost support and our position has not changed. The program's parameters and guidelines allow a 10 percent indirect cost against direct salaries claimed."

Because our salaries -- and that's the end of the quote.

Because our salaries were technically contract salaries, which included some base overhead, the State Controller denied to add any additional overhead even though we demonstrated that that overhead did exist.

We believe that the Controller's rationale is not correct nor is it supported by federal OMB or statutory guidelines. The rates we prepared were appropriate, were actual, and were computed in compliance with, again, federal and -- guidelines. Appendix E of the federal guidelines on page 180 states that the distribution base of indirect costs do not just

have to be based on salaries, but are allowed to be computed based on, one, total direct costs, excluding capital or other distorting items; two, direct salaries and wages; or, three, another base which results in an equitable distribution.

So again, the State Controller's stance that just because our rates were not based on direct salaries and wages invalidated them is not correct, because, again, based on the federal guidelines, which instructions say our mandates are supposed to comply with, we can also compute those rates based on, again, total direct costs or another base, which results in equitable distribution, and we did exactly that.

It should be noted that nowhere in the claiming instructions are there directions on how a local agency is supposed to address or show claims for overhead costs that are incurred under a contract-type scenario, as in this situation. And we should not be penalized for this deficiency in the instructions because we are simply doing our best to claim what our actual costs were.

We understand that the State Controller has broad authority and discretion over modifying the claiming instructions. And I guess my question is, if they feel that the presentation of overhead in a certain way has to be presented in a certain format, I would

request that they make those rules clear to claimants, because there are many cities in the state of California that do contract for law enforcement services, and there's no readily available means to include overhead that we can do, other than what was done in the claim. So I don't think it should just be not -- be denied for that technicality.

Government Code section 17561(a) states, "The state shall reimburse each local agency and school district for all costs mandated by the state."

The instructions, again, say that both direct and indirect costs are eligible costs for including in our claim.

Government Code section 17561(d)(i) states that the Controller shall "audit the records of any local agencies or school district to verify the actual amount of the mandated cost."

All that we requested during our audit was that they give our ICRP, or our overhead rate, adequate consideration and verify that those amounts were actually -- are actual costs.

The Government Code and regulations state that the auditor is to verify costs to determine if they are not excessive or reasonable. We believe that the costs of 10 percent were not excessive or unreasonable.

Denial of eligible costs due to a formatting dispute, we believe, is arbitrary and capricious, which denied us of costs close to half a million dollars. This denial of costs represents a -- you know, a hardship to the City, and we ask that the Commission respectfully consider this issue and ask the State Controller's Office to rereview our overhead rates and reinstate them to actual.

VICE CHAIRPERSON HARIRI: Thank you, Ms. Chinn.

MS. CHINN: I have another issue, but I don't know what the protocol is. Do we talk about this one first or go on to the next one?

MS. HALSEY: That's really up to the members.

VICE CHAIRPERSON HARIRI: Okay. That's fine. Go ahead. Go ahead.

MS. CHINN: Do you want issue 2 now too?

VICE CHAIRPERSON HARIRI: Please.

MS. CHINN: Okay. All right.

So our second issue or contention, that we believe there was a inappropriate disallowance made to our claims for state reimbursement, pertain to the application of time for report writing.

In the parameters of this program, the main eligible activities involve the time for the officer to conduct the preliminary investigation in order to

prepare a report and determine if the case was founded, unfounded, or inconclusive. When we prepared our claims for state reimbursement, we started early, because I knew that doing 14 years' worth of claims in three months was going to be pretty much an impossible task.

So when I began contacting my clients, I asked them for information based on what I thought was going to be approved for state reimbursement. When I did those analyses, you know, I reviewed all the documentations; Statements of Decision; I attended the prehearing conversations. It was pretty clear that the scope was going to be primarily that investigative component and then the report writing component.

However, I had interpreted a little bit more conservatively than what was finally granted. I thought that the time that was spent by the officer to prepare the report was only going to be eligible for substantiated cases.

So when I met with my clients, I explained to them, you know -- you know, asked for time for these different activities; have your time study track these four major components. And when the City did so, the first time when they prepared their time study, it wasn't a true time study in the definition of what the State Controller was looking for.

What the City had done was, they went back to their computer-aided dispatch records, and they were able to -- for those types of instances and investigations, they were able to determine the time that the officer arrived on scene, and then the time that the officer departed from that call for service. So they determined that that was the initial preliminary investigation time, and we thought that that was reasonable.

When I came back to the City the following year, I reviewed their time study results. Oh, also, just to back up.

During that time study, they also had done a time study for report preparation, and it's not really clear how they came up with their times. It averaged to be about 1.28 hours of report writing time for those investigations. And I know that cities have also similar programs where they can record when an officer logs in, types a report, and logs out. So I suspect that that was the method in which they derived that 1.28 hours per case.

So technically, while it's not a time study in the way the state, you know, wants you to sit there and track minute by minute, we felt that those times were reflective of actual costs.

So when I came to the City the next year, instructions had still not been released, so we still had more time, so I said, it's probably a good idea if we do another time study that would comply with the State Controller's rules. So I explained to them, you know, here's a new form; here are the activities; track them contemporaneously, so that when the deputy who does those investigations goes out on those calls for service, they would be tracking minute by minute what that cost was.

So the following year when I returned and I reviewed their reports again, while they had done that, they had lumped together all the activities under one line entry. And on that entry, they would enter Item 1, review of the SCAR form; Item 2, conduct investigation; Item 3, prepare the report; and Item 4, review and approve of the report.

So what my intention had been was that there would be Item 1 takes this amount of time; Item 2 takes this. But they had lumped it all together. And at this point in time, it was already too late to do another time study, so we had to prepare based on the information that we had.

So we knew in our time study, it was flawed because, again, I told you in the beginning, that my

instructions to my clients were that we only thought that the time to prepare substantiated reports would be included, but not for the unfounded cases.

So accordingly, the deputy who did those time studies, in her logs, did not note report writing time for about 80 percent of the cases in that time study. And that's pretty much reflective of what actual statistics are. When law enforcements go out and conduct these investigations, typically 80 percent are unfounded. Maybe 10 to 20 percent are actual founded and substantiated cases of child abuse. So the time study reflected, in general, what actually occurs as a whole, from what we observed.

So during the audit, we noticed that the state had reduced our request by approximately an hour, and I was trying to determine, well, where did that one-hour reduction come from, and, at first, it wasn't clear to me how -- how that reduction was made. And then it, you know, became clear that the reduction is because, in our time study, which the State took verbatim, they didn't factor in that 80 percent of our cases had not included report writing time. So we requested that they include time for report writing, but the State Controller denied that request.

So our stance is that that is not a fair

outcome. We asked for the opportunity to conduct another time study, at which time -- you know, the original time study was over a month period. We could have done -- during a two-year audit, it would have been a simple matter to do another time study that would capture the time that it takes to prepare unfounded or inconclusive reports, but we were denied that opportunity.

So, therefore, I'm here before you today, asking for an opportunity to do that, which wasn't granted to us during our original audit.

VICE CHAIRPERSON HARIRI: Thank you, Ms. Chinn.

Can we hear from Ms. Vorobyova this morning.

MS. VOROBYOVA: Good morning.

Well, first of all, I would like to start with saying that the State Controller's Office agrees with the staff-proposed decision, and to quickly comment on the two issues of indirect costs and the report writing time.

The -- as Ms. Chinn indicated, the City did not incur any direct costs because they don't have the agency to perform the reimbursable activity. They contract with Los Angeles County Sheriff's Department to perform the reimbursable activities, and, therefore, the costs that were claimed are the contract services costs.

The billable rates that the City paid to Los Angeles Sheriff's Department do include some overhead items built into the rates, and we have showed that in our record. So some overhead costs are reimbursable through the contract service rate.

The City did not claim indirect costs in accordance with parameters and guidelines. The 10 percent rate that Ms. Chinn is referring to is only allowable to be claimed on top of direct salary costs, which, in this instance, were not incurred.

And on the subject matter of report writing time, I would like to be clear that the time increment that is allowable for the specific claim does include report writing time within the average time increment.

As Ms. Chinn indicated, the time increment was all encompassing without segregating the time increment into each specific activity. So to validate those four reimbursable activities, our staff performed interviews with the deputies who actually performed these investigations, and we asked about the report -- report writing time in those interviews and validated that the report writing time was, in fact, included in the average time increment.

The reduction of the average time increment actually would not reduce any report writing time. It

had to do with the -- eliminating from the time study population one case that was ineligible to be claimed, because that one case included activities that went beyond the scope of the mandate and included activities that happened after the case is found to be substantiated and further investigation continues.

So I want to be clear that the change in the time increment has nothing to do with report time -- report writing time. And I believe report writing time is an additional increase that the Claimant is requesting.

VICE CHAIRPERSON HARIRI: Thank you.

Are there any public comments on this item?

MS. CHINN: Can I -- rebuttal?

Okay. So the first point of the 10 percent not being applicable and that cities are not incurring direct costs is -- it's rather naive. I mean, the City is incurring direct costs. They are just contract costs. When a city hires an attorney, those rates -- if they are doing the valid activities -- those are eligible for reimbursement, as we were reimbursed for that.

Masha, Ms. Vorobyova, mentioned that some overhead was included in the rates that we requested, and that's true. They did give us a 4 percent liability

rate that was a part of the contract. However, it did not include any of the administrative staff, the support staff, the clericals. Did not include cost allocation, planned costs. Again, all of those costs are eligible for reimbursement under federal guidelines. The way in which we prepared the overhead rates are in compliance in federal rules and federal guidelines. So the 10 percent is supported and is properly applied to the contracted hourly rate. So that is not a valid point.

MEMBER ALEX: Maybe I can try to cut through this.

It seems to me, there are two separate questions here. One is, is it -- is it reasonable for Palmdale to have overhead in addition to that in the contract? That's one question.

It rolls into the next question, which is whether those -- I think it's very likely -- I mean, the State obviously charges overhead when it does contracting and gets reimbursed. So I -- I think that's pretty clear that you could.

So the real question, for me, is, does it -- is it covered by the -- by the reimbursement requirements here? And maybe you can speak to that. Because I think it's pretty clear, there are -- there are indirect costs incurred by the City. And the question is, is it

reimbursable in this context?

MS. CHINN: Maybe the legal staff can comment, but based on legal descriptions in the California constitution, it says local agencies are entitled --

MEMBER ALEX: Don't -- don't -- the constitution and federal requirements, they are not relevant to this --

MS. CHINN: Okay. So I am trying to answer the question.

MEMBER ALEX: I -- I am asking the Controller --

MS. CHINN: I believe the OMB guidelines do.

MEMBER ALEX: I am asking the Controller.

MS. CHINN: Okay. I'm sorry.

MEMBER ALEX: Okay. Thank you.

MS. VOROBYOVA: I believe determining reasonableness applies a bit of subjectivity. When we do our audits, we audit to the parameters and guidelines. And parameters and guidelines are very clear in how to claim where 10 percent applied and where it does not. And, therefore, our reduction is in accordance with parameters and guidelines, which is a judgment criteria for the mandated cost claims.

MS. CHINN: So in other audits where we have a -- and I know you guys don't like to go into other

audits but --

MEMBER ALEX: Hang on. Hang on a second.

MS. CHINN: Okay.

MEMBER ALEX: Maybe I can ask staff as well, if you have an opinion on that.

Because, to me, the question is, the parameters and guidelines control unless there's something that overrules this. And so I just want to know your view of the -- of the City's ability --

MR. JONES: Yes, sir. That's staff's recommendation too: The parameters and guidelines only allow 10 percent to be applied to direct costs, direct salaries, and benefit costs. So when your salaries are incurred through a contract, as this City's are, maybe there's -- you know, maybe that's a flaw in the parameters and guidelines, but it's -- there's just not -- there's not a provision for that. It suggests that -- the parameters and guidelines, in plain language, says that if your direct -- your indirect cost rate exceeds 10 percent, then you can prepare an indirect cost rate.

And there is some documentation in the record here that that was -- there was an attempt to do that. But it's not clear -- when I look at the documentation, I don't see anything supporting what the direct cost

basis is versus the indirect costs that are allocated. I don't see anything -- and, again, the Commission staff shouldn't be in the position of reweighing the evidence that the Controller was looking at either.

So the finding here, that we're recommending that you adopt, is that rejecting the -- or that disallowing the 10 percent as claimed was correct as a matter of law, and that, essentially, there was not enough -- there's nothing here that would compel the Commission to find that the Controller was arbitrary in what came after that.

MEMBER ALEX: Right.

So you -- so you have a pretty high burden here. I mean, it has to be on the record, and it has to be in -- relevant to the parameters and guidelines.

MS. CHINN: So what if the parameters and guidelines don't cover something like this adequately, that the parameters and guidelines should allow for overhead costs to be charged regardless of how it -- what the basis is, if it's salaries or if it's total direct costs.

I think that there's an issue here with the parameters and guidelines, in that it doesn't comply with federal OMB guidelines. So to say that a local agency is denied their overhead costs simply because the

way that the instructions are written, that it applies only to salaries, is incorrect.

In cost accounting practice, that basis can be salaries, benefits, and, as I read to you, can be total costs. It can be another allocable basis that is a fair representation of costs.

And, again, you know, I understand that the Commission staff, they are not cost accountants, and, perhaps, it would be wise for them to have some cost accountants to give them some advice in matters such as these. Because when parameters and guidelines -- I would imagine, when they don't comply with federal guidelines, then the federal guidelines should trump instructions that are perhaps not adequately written to allow for the provision of overhead costs that are clearly reimbursable under constitution and the parameters -- of the basic parameters that say direct and indirect costs are eligible.

So deny it just, again, a "gotcha," like, oh, sorry, you didn't exactly meet these requirements not based on salaries; it's based on salaries and total costs of that contracted position's hourly rate, it just seems like it's overlooking the intent of the law for the minuscule description of that law, which is written by the State Controller's Office. And if that's not

correct and doesn't match federal guidelines, again, I would think federal guidelines should trump State Controller instructions.

MEMBER ALEX: Not in a state proceeding.

But -- but anyway, Camille, maybe talk to the --

MS. SHELTON: Let me just comment a little bit.

MEMBER ALEX: Yeah.

MS. SHELTON: So the plain language of the parameters and guidelines does allow the 10 percent for employee costs, but does have that catch-all provision, which is consistent with federal OMB. It allows you to prepare an indirect cost rate proposal in those situations. And that opportunity was provided, at least based on the record, that you could have prepared an indirect cost rate proposal, which was reviewed by the Controller's Office, and we don't see any evidence that they didn't review your proposal. So it's there.

Number 2, the Ps and Gs are binding. They went through the process; all parties had an opportunity to comment. If there's something lacking or you wanted more clarity in the indirect cost rate language, that needs to come up through comments and discussion when the Ps and Gs are being adopted, or a request to amend the parameters and guidelines is also available for

those reasons.

So these do comply with federal law because of that catch-all proposal that allows you to prepare an indirect cost rate proposal.

MS. CHINN: So which is it? If we can prepare one, but they won't allow it?

MS. SHELTON: That is within the Controller's discretion under the law.

MS. CHINN: How is that not arbitrary and capricious, that we prepare a rate, it's in compliance with federal law guidelines, but the State won't allow or consider it?

I guess I am not understanding the transition of the logical flow here.

MS. VOROBYOVA: We did consider it. And the evidence in the record does show that we reviewed those proposals, and it also shows some of the issues we found with those proposals.

MS. CHINN: There were no discussions in -- in earnest.

We only had two responses from the State Controller's auditor, and, basically, he said, (as read), "I have reviewed the indirect cost support and the program's parameters allow a 10 percent indirect cost rate against direct salaries claimed. Therefore,

no allowance of indirect costs were allowed."

There was no back and forth. There was no discussion of -- "So why are you including this sergeant? Why are you including this secretary? What is proof of your departmental countywide overhead costs?" None of that was ever addressed.

The only answer we got -- we presented and presented and presented. And all we got back from the State Controller's Office was a basic, flat-out, "no"; it doesn't comply with this. It's not a salary in the sense of a salary; even though it is a salary, it's just a contract salary. So, again, based on technicality, the State is able to rob us of half a million dollars, and that is not a just outcome.

They should be required to -- again, it says in their guidelines, they are supposed to review based on actual. So they are supposed to come to your claimed city and reconcile to actual. Zero overhead is not actual. So, clearly, a complete disallowance of costs is not a fair outcome.

All we're asking for is that they come back and review our actual rates, as they should have in the beginning.

MEMBER ADAMS: Good morning.

A few different questions. Just on the comment

you just said of zero overhead, there actually is some overhead that's reimbursed because of what is in the contract with Los Angeles County, correct?

MS. VOROBYOVA: Thank you.

MS. CHINN: There was only 4 percent.

MEMBER ADAMS: Okay.

MS. VOROBYOVA: Yes. There's -- it's not only liability and we included the sheet from the L.A. County Sheriff's Office, which identifies what's included on -- in billable rates. There's also administrative positions that are included. There's some overhead built into the rates.

MS. CHINN: There is.

MEMBER ADAMS: With that -- with that said, I don't want this to be a "gotcha" moment. I heard that word.

And under the parameters -- parameters and guidelines, would there have been an appropriate way to claim these indirect costs? And did they miss that opportunity? Or under the P and Gs, there's just no way?

MR. JONES: May I speak to that, Mr. Adams?

MEMBER ADAMS: Please.

MR. JONES: Staff's position is that, yes, there was an appropriate way, and it was to develop an

indirect cost rate proposal with documentation that the Controller could review. And there's some evidence that at least in the latter half of the audit prepared, there is some documentation in the record.

But the way I read the record, and all the correspondence between the auditor's staff and the Claimant representative and the Claimant's finance director, finance manager of the City, all -- the way I read the record, the entire time up until this very last comment that we have in our record, Exhibit E, the Claimant has only ever sought the 10 percent and sought to use that documentation to justify why the 10 percent is a reasonable figure.

But it's not -- staff's position is that it's -- it shouldn't be the Commission's place to tell the Controller to do what's reasonable. The Commission should only be determining whether the Controller did something that was arbitrary or capricious.

And since the 10 percent -- by the plain language, the 10 percent rate is clearly not available to this Claimant, based on the Ps and Gs, that documentation being used to justify the 10 percent or, you know, to -- to support a rate that was reasonable is just -- that's not really within the Commission's purview, in our opinion.

MEMBER ADAMS: Understand.

MS. CHINN: So --

MEMBER ADAMS: Just -- just one other comment, if I can. And that is, I'm finding interesting the real property that is somehow part of this. I'm not quite getting that nexus of how throwing in a piece of real property becomes an indirect cost.

MS. CHINN: Oh. Oh, purchase of a facility for the sheriff's office?

So that was one of the items -- I am assuming that you were reading through in the record -- where the City and the County partnered to construct a new facility for -- for the sheriff's office. And as a part of that partnership, there were certain infrastructure improvements, land donation, which the State Controller said that land donations technically do not comply under OMB, which is true. But there were a lot of other infrastructure improvements that were provided by the City that we presented to the State, that show that there were other valid costs.

We -- when we -- when I originally prepared my claim, as I said, my first rates were 6 to 13 percent. The question that the Commission staff mentioned was, why did we wait until the last minute? Well, that was because at the last minute, we were told that we were

going to be denied our 10 percent. All through the audit process, we were focused on time, activities, documentation, and then, at the last minute, we were told, oh, and by the way, you are not going to get any reimbursement for your overhead costs.

At that point, we scrambled and said, hey, we have documentation, plenty of it. As I said, I've been working with the City since 2000, and every year I've been preparing these rates. I wouldn't have submitted those requests for 10 percent if I did not believe that we couldn't justify those rates and that those rates wouldn't be reviewed in case of an audit.

So when the auditor said, we're not going to give you your 10 percent, I said, wait, hold on, here's -- I have tons of documentation, and I, you know, kept sending more and more. Here's -- you know, here are my rates that I prepared at the time, contemporaneously. Here are additional costs that we didn't even include or build into those 6 to 13 percent rates.

So I feel like we -- as a City side, we did our due diligence of requesting for costs that we felt were supported and were actual.

And -- and those parameters and guidelines, if it says direct salaries and benefits, well, then, it

should read to match the federal OMB guidelines which lists those three components under which indirect costs may be included.

Overhead costs may be based on -- sorry, too many papers -- salaries and benefits and total direct costs or another basis that results in a just and reasonable allocation of costs.

So those parameters should match, you know, I guess the State's parameters just took salaries and benefits. In most cases that's what's going to happen. But in contract cities, they are salaries and benefits, but they are through a contract.

So, again, I don't know what the answer is. It is a "gotcha" moment. But we -- you know, we just feel that we've been treated unfairly and would like some restoration of costs based upon our actual costs.

MR. JONES: Just to clarify, for the members, the three direct costs or distribution basis that the Claimant is describing are, in fact, in the parameters and guidelines, but it's under the section that requires you to actually prepare an indirect cost rate proposal.

MS. CHINN: Which we did.

MR. JONES: It's not -- the 10 percent does not apply to those three options. The 10 percent only applies to direct salaries and benefits placed -- based

on the plain language.

And as Camille said, if Claimants have an issue with that language, then it needs to be brought up when the parameters and guidelines are being adopted. They are, in fact, binding --

MS. CHINN: Well, if it's --

MR. JONES: -- in this context.

MS. CHINN: -- there, then what do we have to fix? You just said that they're in the parameters and guidelines. So what is there to fix?

MR. JONES: Yes. But you've always been claiming your -- excuse me. I don't mean to -- I will address the members.

MS. CHINN: That's fine.

MR. JONES: The Claimant has been claiming their indirect costs based on the 10 percent default rate, in attempting to justify that 10 percent default rate throughout the audit process. And essentially what they are asking the members to do now is to rewrite their claim and request that the Controller revisit this audit many years past the deadline for amended claims.

MS. CHINN: Again, the --

MR. JONES: So that's -- staff's position is that it's just not appropriate to do it at this time.

MS. CHINN: The instructions do not require us

to prepare or present --

MEMBER ALEX: Can I ask you to have the Chair recognize you before you speak --

MS. CHINN: Yes.

MEMBER ALEX: -- so that we can have a proceeding.

MS. CHINN: I'm sorry.

MEMBER ALEX: Thank you.

VICE CHAIRPERSON HARIRI: All right. Please go ahead.

Are you done, first? Excuse me. Are you finished?

Go ahead.

MS. CHINN: I just wanted to say that in the claiming instructions, it says specifically, you do not have to attach your overhead rate computations if your rates are below 10 percent.

So we feel that we followed the instructions. It said, you do not have to include -- do you want me to show you where that is, Mr. Jones?

MR. JONES: No, thank you.

That -- you are actually misrepresenting the parameters and guidelines at this point.

If I may, for the members, the parameters and guidelines say that you can -- you can prepare an

indirect cost rate proposal if the indirect cost rate claimed exceeds 10 percent, not if it's less than 10 percent.

MS. CHINN: It did not exceed 10 percent. Okay? So our -- our amount we requested was 10 percent under that amount.

Under the instructions, we weren't required to submit those forms. We didn't submit them, but we had them as back-up in case of audit. We understood that the purpose of the audit was reconciled to actual. We had actual ready. We had prepared them contemporaneously. We had proof of actual costs. The actual costs are not zero, yet the State reduced everything. And I guess that there's not much more.

VICE CHAIRPERSON HARIRI: Thank you again for your testimony. I think we have had enough information.

More questions?

MEMBER ALEX: Camille, I think you've wanted to say something for a minute.

MS. SHELTON: Only to remind the members that the standard -- the legal standard of review for these audit issues, that the Commission may not reweigh the evidence or substitute its judgment for that of the Controller. The Commission's review is limited to ensuring that the Controller has adequately considered

all relevant factors and has demonstrated a rational connection between those factors and the choices made.

VICE CHAIRPERSON HARIRI: Thank you.

MEMBER ALEX: I -- I have a comment.

I mean, I -- I'm sympathetic to the City because I do think their -- you know, my experience is that there is overhead associated with a contract, and I think it's typical.

But I have to say that there -- there is a process to have -- if it was a parameters and guidelines problem, that should have been raised in an -- in an appropriate way. And then once that wasn't the case, that it -- it does seem that the requirements, in terms of the review and what's on the record, is not supporting the City's position.

And so it's really hard for this Commission to, as Camille just said, given the standard of review, to go outside of that process.

MEMBER ADAMS: Mr. Chairman, if I could add just some comments.

VICE CHAIRPERSON HARIRI: Sure. Go ahead.

MEMBER ADAMS: I, too, am sympathetic, but it appears, to me, that there may be an issue with the parameters and guidelines not fitting what you folks are necessarily wanting to do. And that is -- my

understanding is, you get those administrative costs on direct costs, not contract costs, but direct costs. And for any other costs, if it's less than 10 percent, you don't have to itemize. If it's over 10 percent, you have to itemize.

But in this instance, yours were less than 10 percent, but they weren't based on direct costs, and there lies your problem.

MS. CHINN: No. They were based on direct costs.

MS. SHELTON: He means direct employee costs.

MEMBER ADAMS: Right. Yeah.

MS. CHINN: Oh.

MEMBER ADAMS: Yeah. As opposed to contract costs.

MS. CHINN: They are direct costs. They are just through a contract.

MEMBER ADAMS: Right.

So, again, I am sympathetic, but I'm not sure we have many options here.

MS. SHELTON: The parameters and guidelines are binding. You can't -- you have to follow the plain language of the parameters and guidelines. You don't have any authority to go beyond that.

MEMBER STOWERS: Mr. Chair?

VICE CHAIRPERSON HARIRI: Yes.

MEMBER STOWERS: Just a simple question for me, to staff. You talked about the time period has expired for them to have amended their claim. Can you, for the record, share what that time period was.

MR. JONES: I don't know the exact date that claiming instructions were issued in this case. Perhaps the Controller's representative can speak to that.

But I do know that the claims, the original claims, were filed sometime around June or July of 2014, and then amended claims have already been filed in this case in July of 2015, and the amended claims were timely by maybe a week or a few days. So the time period for filing the amended claims would have run out mid July 2015.

MEMBER STOWERS: State Controller's Office?

MS. VOROBYOVA: That is correct.

And like Mr. Jones indicated, the original claims were filed. And subsequent to that, about a year later, claims were amended for a higher amount, and we evaluated the amended claims clearly.

And I also would like to make a quick comment that we always try to avoid a "gotcha" moment -- moment to the State Controller's office. As we provided evidence here and documentation to show that even though

we may have disagreed with some of the documentation that was provided early on in the process, we worked with the City, at length, to justify the time study that was not performed contemporaneously. And if we wanted to audit to a technicality, we would have disallowed the entire time study, but we did not. And we take pride in the fact that we did work with the City. We always work with our claimants.

If there's evidence that activities did take place -- which, in this case, of course they did -- we work with the claimants as much as possible, trying to provide for reimbursable costs.

And in this instance, even though we may disagree with some of the findings, however, we believe we did everything possible to review the proposed indirect cost proposals, and they were always presented to justify the 10 percent rate.

MEMBER STOWERS: Okay. Thank you.

VICE CHAIRPERSON HARIRI: Thank you.

Thank you. Thank you both.

MS. CHINN: Can I comment? Am I allowed to?

VICE CHAIRPERSON HARIRI: Okay. Go ahead.

MS. CHINN: That all sounds great. But there are some issues with what Ms. Vorobyova said.

She said that we did not have a contemporaneous

time study, and that's incorrect. We had two. As I mentioned, we had the first one that was done with the CAD Report, and then we had a second one that was contemporaneous, and the State found that it was contemporaneous. So questioning our documentation is not -- that was just not a correct comment.

And then the fact that they are saying that they worked so hard with us, the evidence in the record shows that that's not the case. If you look at the -- the span from when we were notified that we were not going to get overhead rates included to the exit conference, it was, like, a two-week time frame.

So their representation that, oh, we've done everything that we can to review their rates is not true. I mean, if that was true, there would be more evidence in the record where they would say, well, prove to us that your sergeants are administrative; prove to us that these clerks are providing direct benefits to the departmental costs.

None of that is in the record because none of that took place. There was no back and forth. It was a pretty clear definition and a decision by the State Controller's Office that they were just going to deny all indirect costs. There was no opportunity for back and forth.

I was sending these attachments at the last minute because that's all we had to do. We had two weeks before we were notified we were not get getting our indirect costs to, our exit conference is going to be in two weeks from now. So, you know, if -- if that was the case, then there wouldn't be incorrect reduction claims. The Claimants would feel that they were treated fairly by the State Controller's Office, but that's not the case, as can be attested by the length and the number of incorrect reduction claims that are out there.

And I think that there should be something like a Claimant Bill of Rights that says, when you are being audited, here are your rights: You have the right to ask for a time study if something is not included, and the State is just denying outright. What are the rights that a city has to protect their reimbursements; there's nothing like that.

So we're all forced to come here before you, and then we're told by the legal staff that you can't do anything to help us. So we're put in a catch-22 position of, we're playing by some set of rules, that we're not aware of, what we have to do in order to be able to substantiate and keep our money.

And the ball is always in the State Controller's Court, where they can, like, bully you

around and do whatever they want, and you don't have a chance --

VICE CHAIRPERSON HARIRI: Thank you. Thank you very much.

I think we have taken enough time on this issue.

MS. CHINN: Okay. I --

VICE CHAIRPERSON HARIRI: I would like to ask, is there any public comments?

(No response)

VICE CHAIRPERSON HARIRI: Okay. Any further questions from the members?

(No response)

VICE CHAIRPERSON HARIRI: Any further discussion?

(No response)

VICE CHAIRPERSON HARIRI: Thank you.

I understand your further comment and we sympathize with you as well.

I would like -- is there a motion?

MEMBER ALEX: I will move the staff report.

MEMBER STOWERS: Second.

VICE CHAIRPERSON HARIRI: Okay. Is there a second?

Second.

Okay. There has been a motion moved by Mr. Lee [sic] and a second by Ms. Stowers to adopt and approve staff's recommendation.

Would you please take a roll call.

MS. HALSEY: Mr. Adams.

MEMBER ADAMS: Aye.

MS. HALSEY: Mr. Alex.

MEMBER ALEX: Aye.

MS. HALSEY: Mr. Hariri.

VICE CHAIRPERSON HARIRI: Aye.

MS. HALSEY: Ms. Stowers.

MEMBER STOWERS: Aye.

MS. HALSEY: Thank you.

VICE CHAIRPERSON HARIRI: Motion is carried.

MS. CHINN: Thank you.

MS. VOROBYOVA: Thank you.

VICE CHAIRPERSON HARIRI: Thank you both.

MS. HALSEY: Item 5 is reserved for County applications for a finding of significant financial distress, or SB 1033 applications.

No SB 1033 applications have been filed.

Item 6 is the legislative update, and there is nothing new to report on that.

Chief Legal Counsel Camille Shelton will present Item 7, the Chief Legal Counsel's Report.

MS. SHELTON: Good morning.

There have been no new filings since the last Commission meeting, but there have been some recent court decisions:

On November 19th, the California Supreme Court did issue its decision in the County of San Diego versus Commission on State Mandates decision on the sexually violent predator mandate redetermination case.

The Court found that the Commission erred when it treated Proposition 83 as a basis for terminating the state's obligation to reimburse counties, simply because certain provisions of the Sexually Violent Predator Act had been restated without substantive change in Proposition 83. The Court remands the matter to the Commission to determine whether the expanded definition of a "sexually violent predator" in Proposition 83 transformed the test claim statutes as a whole into a voter-imposed mandate or, alternatively, did so to the extent the expanded definition incrementally imposed new additional duties on counties.

A second decision has been issued by the Sacramento County Superior Court in Fresno Unified School District versus Commission on State Mandates, which challenged the test claim on certificated school employees parental leave. There, the Court found that

the statute imposed a new program or higher level of service, but agreed with the Commission's finding that the test claim statute did not result in increased actual costs mandated by the State.

We are still waiting for the Court's decision in Paradise Irrigation District versus Commission on State Mandates. And we have one hearing on the calendar set for February 8th, 2019, on the remand for the discharge of stormwater runoff.

And that's all I have.

VICE CHAIRPERSON HARIRI: Okay.

MS. HALSEY: Item 8 is the Executive Director's Report.

I first have an action item, and that is for our Litigation and Personnel Subcommittee appointments.

On -- the September 2018 meeting was the last Commission hearing for Member Chivaro, who was an active member of the Litigation Subcommittee and Personnel Subcommittee for many years. As such, the Commission needs to seek a replacement for him in these capacities.

Subcommittees serve in an advisory capacity to the Commission, but do not take actions. Any member may volunteer to serve and, upon vote of the Commission, may serve on a subcommittee of the Commission. Commission staff recommends allowing members to nominate themselves

and upon -- and serve upon approval of the Commission.

And on behalf of Finance, I would like to nominate the director or the director's designee to serve on the Personnel Subcommittee.

VICE CHAIRPERSON HARIRI: Do we need to vote on this?

MS. HALSEY: I would first open it up for discussion among the members, and if anyone wants to volunteer for either of those positions, and then the members could vote on that or make a motion.

MEMBER ADAMS: Mr. Chairman, I certainly would accept the Executive Director's recommendation for the Personnel Committee.

And as far as the Litigation Subcommittee, I was going to suggest that I think there's a few attorneys on the Commission. Whether or not that would be most appropriate, to have somebody with a legal background on that committee.

MS. HALSEY: That's -- that's true. And Carmen is not here today --

MEMBER ADAMS: Yeah. I hate to push her under the bus --

MS. HALSEY: Should we nominate her in her absence?

MEMBER ADAMS: -- while she's not here.

MEMBER ALEX: And I should note, this is my last Commission meeting.

MS. HALSEY: We'll be revisiting this again next hearing to -- to replace Ken.

MEMBER ALEX: If it's appropriate, do you want to split these? And I would make a motion to support your recommendation for the Personnel Committee. And if you want to deal with the next one at the next meeting, so that we're not shoving Carmen under the bus while she's not looking.

MS. HALSEY: If you like, we could do that.

MEMBER ADAMS: So that would be my motion.

MEMBER STOWERS: Second.

MS. HALSEY: Okay. Thank you.

So then Department of Finance will serve on the Personnel Subcommittee.

And we're going to leave the Litigation Subcommittee open until next hearing.

Thank you.

Oh, do we have a motion?

VICE CHAIRPERSON HARIRI: Make a motion on this one?

MS. HALSEY: Yes, please.

MEMBER ALEX: A motion and a second.

VICE CHAIRPERSON HARIRI: Okay. Do I have a

motion?

MEMBER ADAMS: Yes.

VICE CHAIRPERSON HARIRI: Motion adopted.

MEMBER STOWERS: Second.

MEMBER ADAMS: Do we have to vote?

MS. HALSEY: Motion to appoint the Director of Finance to Personnel Subcommittee.

VICE CHAIRPERSON HARIRI: Please do a roll call.

MS. HALSEY: Okay.

MEMBER STOWERS: Do you want to restate the motion?

VICE CHAIRPERSON HARIRI: Need some practice on this one.

MS. HALSEY: Mr. Adams.

MEMBER ADAMS: Aye.

MS. HALSEY: Mr. Alex.

VICE CHAIRPERSON HARIRI: First time I'm doing it.

MEMBER ALEX: Aye.

MS. HALSEY: Mr. Hariri.

VICE CHAIRPERSON HARIRI: Aye.

MS. HALSEY: Ms. Stowers.

MEMBER STOWERS: Aye.

MS. HALSEY: I think -- I think we could have

done that with a voice vote too.

VICE CHAIRPERSON HARIRI: Oh, okay.

MS. HALSEY: Thank you.

Also, we have a workload update. After this hearing, there are 43 pending test claims. We have 22 notices of complete test claim filing that have issued since we last met. And four of those issued after the binder was issued for this hearing. Forty of these test claims are regarding Stormwater NPDES Permits. Two parameters and guidelines, including one regarding Stormwater NPDES permits, and three statewide cost estimates, including one regarding NPDES permits, are pending. And the NPDES matters are on inactive status pending the outcome of litigation regarding the test claim decisions underlying those two matters.

In addition, there is one parameters and guidelines amendment on inactive status pending the outcome of litigation in the CSBA case, which is currently pending before the California Supreme Court.

Finally, we have five incorrect reduction claims pending. As of today, the Commission staff expects to hear all currently pending test claims and IRCs by approximately the March 2024 Commission meeting, although that may be earlier if some of these test claims are consolidated, which they may be.

And that is all I have.

If you have -- oh, sorry. No, it's not all I have.

With regard to administrative workload, in addition to preparing and presenting hearing matters before the Commission, Commission staff are responsible for all administrative duties of an agency. In that respect, Commission staff is in the process of implementing compliance measures and preparing a report of compliance in response to the State Personnel Board compliance audit process for human resources issues.

In addition, Commission staff are deeply into the CalHR workforce planning process and are creating a plan for the Commission's future workforce, which will -- we will present to the Commission at a meeting in the near future.

And then for tentative agenda items, please see my report if an item that you are on, or are interested in, is pending in the next couple of hearings. You can also use your pending case load documents on the Commission's website to find the status. Those are updated at least bimonthly, and you can get an idea of when something is tentatively expected to be heard.

And please expect to receive draft proposed decisions on test claims and IRC matters at least eight

weeks prior to the hearing date; and a proposed decision, approximately two weeks before the hearing.

And that is all I have. If there's any questions...

VICE CHAIRPERSON HARIRI: Move to closed session now? We move to the next item?

MS. HALSEY: Yes. Closed session.

VICE CHAIRPERSON HARIRI: Okay. The Commission will meet in closed executive session, pursuant to Government Code section 11126(e), to confer with and receive advice from legal counsel for consideration and action, as necessary and appropriate, upon the pending litigation listed on the published notice and agenda; and to confer with and receive advice from legal counsel regarding potential litigation. The Commission will also confer on personnel matters pursuant to Government Code section 11126(a)(1). We will reconvene in open session in approximately 15 minutes.

Thank you.

(Closed session was held from 11:05 a.m. to 11:26 a.m.)

VICE CHAIRPERSON HARIRI: The Commission met in closed executive session pursuant to Government Code section 11126(e), to confer with and receive advice from legal counsel for consideration and action, as necessary

and appropriate, upon the pending litigation listed on the published notice and agenda; and to confer with and receive advice from legal counsel regarding potential litigation -- litigations and pursuant to Government Code section 11126(a)(1) to confer on personnel matters.

With no further business to discuss, I will entertain a motion to adjourn.

All those in favor to adjourn, say "aye."

(Ayes)

VICE CHAIRPERSON HARIRI: Any opposed?

(No response)

MEMBER ALEX: Thank you.

VICE CHAIRPERSON HARIRI: All right. Thanks.

(Proceedings concluded at 11:27 a.m.)

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CERTIFICATE OF REPORTER

I, KATHRYN S. SWANK, a Certified Shorthand Reporter of the State of California, do hereby certify:

That I am a disinterested person herein; that the foregoing proceedings was reported in shorthand by me, Kathryn S. Swank, a Certified Shorthand Reporter of the State of California, and thereafter transcribed into typewriting.

I further certify that I am not of counsel or attorney for any of the parties to said proceedings nor in any way interested in the outcome of said proceedings.

IN WITNESS WHEREOF, I have hereunto set my hand this 27th day of December 2018.

KATHRYN S. SWANK, CSR
Certified Shorthand Reporter
License No. 13061

Declarations

DECLARATION OF JEVIN KAYE

I, Jevin Kaye, do hereby declare as follows:

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

2) I am the Finance Director for the City of Rancho Cucamonga (City) and am involved in the submission and preparation of the City's State Mandate Reimbursement Claims.

3) The City has contracted with San Bernardino County Sheriff's Department (SBCSD) since the City incorporated in 1977 and has paid for the direct and indirect costs of those contract law enforcement services using City General Funds.

4) City of Rancho Cucamonga has no in-house Police Department other than the one provided through its contract with SBCSD. The police services provided through our contract with SBCSD provided a full-service police department, legally and functionally.

5) The law enforcement contract with the County includes (detailed in Schedule A) all direct and indirect costs including the salaries and benefits of all station staff including not only the deputies who provide the direct law enforcement duties, but necessary support and administrative personnel. The contract also includes equipment usage charges, vehicle costs including amortized vehicles; MDC (mobile data computer) and radio usage charges; dispatch services, and other necessary costs to operate a police department.

6) It would be impossible for sworn staff paid by the city via the contract to perform the mandated program (or other law enforcement activities) without the support/overhead costs billed within the contract. For example, Deputies would be unable to obtain the calls for service without dispatch support, neither would they be able to respond to calls for service without vehicles and equipment, etc.

7) It is not reasonable to expect Deputies to be able to perform their duties without command/administrative oversight and administrative/clerical support.

8) True and correct copies of our correspondences with the State, copies of claim submissions, and contracts are attached to this IRC document.

9) The City began submitting claims for State Mandate Reimbursement around 2000. These submissions included law enforcement claims, some dating back to Fiscal Year 1996-97, and the claims included /indirect costs billed in the law enforcement contracts.

10) Until this Desk Review Audit, the City has been paid by the State Controller's Office for all other funded law enforcement programs for over the last twenty-five years, including the law enforcement contract overhead costs, and has never been aware that there was a question or issue regarding the validity requesting indirect/overhead costs or that using existing written guidelines to prepare those costs.

11) I have personal knowledge of the facts stated in the narrative included in this Incorrect Reduction Claim and believe them to be true and correct. If called as a witness, I could and would testify to the statements made herein.

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 August 20, 2025 in Rancho Cucamonga, California.

Jevin Kaye Jevin Kaye

Jevin Kaye
Finance Director
City of Rancho Cucamonga

DECLARATION OF ANNETTE S. CHINN

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

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

2) I have been a consultant in the field of State Mandate Reimbursement claim preparation since 1992 and have personal knowledge and experience in the preparation of Indirect Costs Rate Proposals (ICRPs) and have prepared thousands of ICRPs for hundreds of local agencies, including preparation of ICRPs for contract city's law enforcement overhead costs.

3) I am a consultant/President of Cost Recovery Systems, Inc. and representative of the City of Rancho Cucamonga (City) for this Incorrect Reduction Claim (IRC). I was directly involved in the preparation of the City's State Mandate claims since FY 1999-2000, including the Identity Theft claims subject to this IRC. The law enforcement ICRP rates included overhead costs charged within the San Bernardino County Sheriff's Department contract and were prepared in compliance with written State Parameters and Guidelines, Claiming Manuals and Instructions, and Federal OMB/CFR Guidelines.

4) Until the State Controller's 2023 Desk Review Audit, the City has been paid by the State Controller's Office (SCO) for all other funded law enforcement programs for over the last twenty years, which included the law enforcement contract overhead costs/ICRPs. Neither the validity of including overhead/indirect costs or the use of existing ICRPs methodologies were ever questioned by the SCO until this audit.

5) I have attached a copy of the San Bernardino County 2022 Identity Theft and Reporting Audit and copies of their FY 2011-12 and FY 2012-13 Identity Theft Claims and ICRP showing similar costs the city claimed in their ICRP rates were included in the County's ICRP rates.

6) I have attached copies of the Los Angeles County Sheriff's Department contract for law enforcement services and the Cost Schedules showing allowable hourly Deputy Rates.

7) I filed claims for and represented the following comparable cities in prior audits (true and correct copies of which are attached). All these audits involved SCO review of Police Department ICRP/overhead rates where similar costs requested by Rancho Cucamonga for inclusion in their ICRP rates were permitted including: vehicle & equipment costs/usage charges (utilizing allowable depreciation/amortization schedules when appropriate); maintenance costs; dispatch support; secretarial/clerical support; and management and administrative support. These cost categories are all considered allowable items based on Federal OMB/CFR Guidelines and were allowed in the following audits (true and correct copies attached).

   a. City of San Marcos 2017 Crime Statistics Reporting Audit Report, claim copies and audited ICRP copies (see pgs 23 -27 for ICRP discussion in the Audit Report)
   b. City of Rialto 2019 Interagency Child Abuse and Neglect Reporting Audit (see pgs 49-52 for ICRP items), claim copy, and audited ICRP copy.
   c. City of Fresno 2015 Domestic Violence Audit Report, FY 2011-12 claim copy with allowed audited ICRP copy.

8) Attached hereto in this IRC are true and correct copies the following documents including:
   a) Correspondence pertaining to this audit including the final audit report
   b) Identity Theft program Claiming Instructions & Parameters and Guidelines,
   c) 2010 State Local Agency Mandated Costs Manual
   d) Federal OMB A-87 Guidelines
   e) Rancho Cucamonga Identity Theft Claims FY 2002-03 through FY 12-13
   f) Copy of LA County Sheriff Contract and Cost Schedules (including SCO allowed computation of Deputy hourly rates.)

9) I have personal knowledge of the facts stated in the Narrative included in this Incorrect Reduction Claim and believe them to be true and correct. The Tables presented in the Narrative and in Section 7 of the Documentary Evidence are true and correct to the best of my knowledge and were obtained from State submitted documents including claims and Audit Reports.

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 August 19, 2025 in El Dorado Hills, California.

Annette S. Chinn
President
Cost Recovery Systems, Inc.

Section 8 –

Claiming Instructions

MANDATED COST MANUAL FOR LOCAL AGENCIES

STATE OF CALIFORNIA

STATE CONTROLLER'S OFFICE

July 1, 2012

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-16

IDENTITY THEFT

SEPTEMBER 30, 2011

REVISED JULY 1, 2012

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Identity Theft (IT) program. The Parameters and Guidelines (P's & G's) are included as an integral part of the claiming instructions.

On March 27, 2009, the Commission on State Mandates found that Penal Code section 530.6(a), as added by Chapter 956, Statutes of 2000, mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to GC section 17514.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county whose law enforcement agency incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Claims for the **2011-2012** fiscal year may be filed by **February 15, 2013**, without a late penalty**. Claims filed more than one year after the filing date will not be accepted.**

Penalty

- **Initial Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount; $10,000 maximum penalty, pursuant to GC section 17568.

Minimum Claim Cost

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to GC sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

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 P's & G's adopted by the CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Therefore, all

documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Claim Submission

Submit a signed original Form FAM-27 and one copy with required documents. **Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO's website: **www.sco.ca.gov/ard_mancost.html.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

If you have any questions, you may e-mail **LRSDAR@sco.ca.gov** or call the Local Reimbursements Section at (916) 324-5729.

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

[1] This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed
(21) LRS Input

PROGRAM 321

(01) Claimant Identification Number

(02) Claimant Name

County of Location

Street Address or P.O. Box Suite

City State Zip Code

		Type of Claim	Reimbursement Claim Data	
			(22) FORM 1, (04) 1. (a) (g)	
			(23) FORM 1, (04) 1. (b) (g)	
			(24) FORM 1, (04) 2. (g)	
			(25) FORM 1, (06)	
			(26) FORM 1, (07)	
	(03)	(09) Reimbursement ☐	(27) FORM 1, (09)	
	(04)	(10) Combined ☐	(28) FORM 1, (10)	
	(05)	(11) Amended ☐	(29)	
Fiscal Year of Cost	(06)	(12)	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: **10% Late Penalty** (refer to attached Instructions)		(14)	(32)	
Less: **Prior Claim Payment Received**		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date Signed _____

Telephone Number _____

E-Mail Address _____

Type or Print Name and Title of Authorized Signatory

(38) Name of Agency Contact Person for Claim

Telephone Number _____

E-mail Address _____

Name of Consulting Firm/Claim Preparer

Telephone Number _____

E-mail Address _____

Form FAM-27 (Revised 07/12)

PROGRAM 321	IDENTITY THEFT CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant identification number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) Not applicable.

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.

(13) Enter the amount of the reimbursement claim as shown on Form 1 line (11). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:

- Late Initial Claims: Form FAM-27 line (13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

(22) to (36) Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) 1. a) (g), means the information is located on Form 1, line (04) **1**.a), column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the process**.

(37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification**. **(Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.)**

(38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

SUBMIT A SIGNED ORIGINAL Form FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20___
(03) Department	

Direct Costs	**Object Accounts**						
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							

Indirect Costs		
(06) Indirect Cost Rate	[From ICRP or 10%]	%
(07) Total Indirect Costs	[Refer to Claim Summary Instructions]	
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	

Cost Reduction		
(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

Revised 07/12

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.

(04) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.

(05) Total columns (a) through (g).

(06) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an Indirect Cost Rate Proposal (ICRP). If an indirect cost rate of greater than 10% is used, include the ICRP with the claim.

(07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's ICRP in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).

(09) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.

(10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) for the Reimbursement Claim.

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant

(02) Fiscal Year 20___/20___

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

☐ Taking police report in violation of PC §530.5 ☐ Investigation of facts

☐ Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
(05) Total ☐ Subtotal ☐ Page:____of____								

Revised 07/12

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2

(01) Enter the name of the claimant.

(02) Enter the fiscal year for which costs were incurred.

(03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.

(04) The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract and Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

(05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row.

FILING A CLAIM

1. Introduction

The law in the State of California (Government Code Sections 17500 through 17616) provides for the reimbursement of costs incurred by local agencies for costs mandated by the State. These are costs that local agencies are required to incur after July 1, 1980, as a result of any statute enacted after January 1, 1975, or any executive order implementing such statute which mandates a new program or higher level of service of an existing program.

A reimbursement claim is defined in GC Section 17522 as any claim filed with SCO by a local agency for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim. An actual claim for the 2009-10 fiscal year, may be filed by **February 15, 2011**, without a late penalty. Claims filed after the deadline will be reduced by a late penalty of **10%, not to exceed $10,000**. Amended claims filed after the deadline will be reduced by **10% of the increased amount** not to exceed $10,000 for the total claim. Initial reimbursement claims filed after the filing deadline will be reduced by a late penalty of **10% with no limitation.** Claims filed more than one year after the deadline will not be accepted by the SCO.

If a claimant is using an indirect cost rate that exceeds 10%, documentation to support the indirect cost rate must be included with the submitted claim. A more detailed discussion of the indirect cost methods available to local agencies can be found in Section 2, Filing a Claim, page 11, **Indirect Costs**. Documentation to support actual costs must be kept on hand by the claimant and made available to the SCO on request as explained in Section 2, Filing a Claim, page 21, **Retention of Claim Records and Supporting Documentation**.

When a program has been reimbursed for three or more years, the Commission may approve the program for inclusion in the State Mandates Apportionment System (SMAS). For programs included in SMAS, the SCO determines the amount of each claimant's entitlement based on an average of three consecutive fiscal years of actual costs adjusted by any changes in the Implicit Price Deflator (IPD). Claimants with an established entitlement receive an annual apportionment adjusted by any changes in the IPD and, under certain circumstances, by any changes in workload. Claimants with an established entitlement are not required to file further claims for the program.

The SCO is authorized to make payments for costs of mandated programs from amounts appropriated by the State Budget Act, by the State Mandates Claims Fund, or by specific legislation. In the event the appropriation is insufficient to pay claims in full, claimants will receive prorated payments in proportion to the dollar amount of approved claims for the program. Balances of prorated payments will be made when supplementary funds become available.

2. Electronic Filing: Local Government e-Claims (LGeC)

LGeC enables claimants and their consultants to securely prepare and submit mandated cost claims via the Internet. LGeC uses a series of data input screens to collect the information needed to prepare a claim and also provides a web service so claims can be uploaded in batch files. The system also incorporates an attachment feature so claimants can electronically attach supporting documentation if required

The LGeC system provides an easy and straightforward approach to the claiming process. Filing claims using LGeC eliminates the manual preparation and submission of paper claims by the locals and the receiving, processing, key entry, verification, and storage of paper claims by the SCO. LGeC also provides mathematical checks and automated error detection to reduce erroneous and incomplete claims, provides the State with an electronic workflow process, and stores the claims in an electronic format. Making the change from paper claims to electronic claims reduces the manual handling of paper claims and decreases the costs incurred by local entities for handling, postage, and storage of claims filed using the LGeC system.

In order to use the LGeC system you will need to obtain a User ID and password for each person who will access the LGeC system. To obtain a User ID and password you must file an application with the SCO. The application and instructions are available on the LGeC Web site located at http://www.sco.ca.gov/ard_lgec.html. Complete the application and other documents as requested and mail them to the SCO using the address provided on the form. The SCO will process the application and issue a User ID and password to each applicant.

In addition, you may want to subscribe to an email distribution list to automatically receive timely, comprehensive information regarding mandated cost claim receipts, payments, test claims, guidelines, electronic claims, and other news and updates. You also will receive related audit reports and mandate information provided by other state agencies.

You can find more information about LGeC and the email distribution lists at http://www.sco.ca.gov/ard_lgec.html. This Web site provides access to the LGeC system, an application for User ID's and passwords, an instructional guide, frequently asked questions (FAQ's) and additional help files. Questions may be directed to LRSDAR@sco.ca.gov, or you may call Local Reimbursements Section, Local Government e-Claims at (916) 324-5729.

3. Types of Claims

Claimants may file a reimbursement claim for actual 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. An adjustment of the claim will be made if the amount claimed is determined to be excessive, improper, or unreasonable.

A. Reimbursement Claim

A reimbursement claim is defined in GC Section 17522 as any claim filed with the SCO by a local agency for reimbursement of costs incurred for which an appropriation is made for the purpose of paying the claim.

Initial reimbursement claims are first-time claims for reimbursement of costs for one or more prior fiscal year(s) of a program that was previously unfunded. Claims are due one hundred and twenty days from the date of issuance of the claiming instructions for the program by the SCO. The first statute that appropriates funds for the mandated program will specify the fiscal years for which costs are eligible for reimbursement.

Annual ongoing reimbursement claims must be filed by February 15th following the fiscal year in which costs were incurred for the program. Claims for fiscal year 2009-10 will be accepted without late penalty if postmarked or delivered on before February 15th, 2011. Claims filed after the deadline will be reduced by a late penalty of 10%, not to exceed $10,000. However, initial reimbursement claims will be reduced by a late penalty of 10% with no limitation. Amended claims filed after the deadline will be reduced by 10% of the increased amount not to exceed $10,000 for the claim. Claims filed more than one year after the deadline will not be accepted for reimbursement.

B. Entitlement Claim

An entitlement claim is defined in GC Section 17522 as any claim filed by a local agency with the SCO for the sole purpose of establishing or adjusting a base year entitlement for a mandated program that has been included in SMAS. An entitlement claim should not contain nonrecurring or initial start-up costs. There is no statutory deadline for the filing of entitlement claims. However, entitlement claims and supporting documents should be filed by February 15, following the third fiscal year used to develop the entitlement claim, to permit an orderly processing of claims. When the claims are approved and a base year entitlement amount is

determined, the claimant will receive an apportionment reflective of the program's current year costs.

The automatic apportionment is determined by adjusting the claimant's base year entitlement for changes in the IPD of costs of goods and services to governmental agencies, as determined by the State Department of Finance. For programs approved by CSM for inclusion in SMAS on or after January 1, 1988, the payment for each year succeeding the three year in base period is adjusted according to any changes by both the IPD and workload.

SCO will perform this computation for each claimant who has filed claims for three consecutive years. If a claimant has incurred costs for three consecutive years but has not filed a claim in each of those years, the claimant may file an entitlement claim; form FAM-43, to establish a base year entitlement. The form FAM-43 is included in the claiming instructions for SMAS programs. An entitlement claim does not result in the claimant being reimbursed for the costs incurred, but rather entitles the claimant to receive automatic payments from SMAS. Annual apportionments for programs included in the system are paid on or before November 30 of each year.

4. Minimum Claim Amount

For initial claims and annual claims filed on or after September 30, 2002, if the total costs for a given year do not exceed $1,000, no reimbursement will be allowed except as otherwise authorized by GC Section 17564. Combined claims may be filed only when the county is the fiscal agent for the special districts. The county will determine if the submission of a combined claim is economically feasible and will be responsible for disbursing the funds to each special district. A combined claim must show the individual claim costs for each eligible special district. All subsequent claims based upon the same mandate must only be filed in the combined form unless a special district provides to the county and to the Controller, at least 180 days prior to the deadline for filing the claim, a written notice of its intent to file a separate claim.

5. Filing Deadline for Claims

Pursuant to GC Section 17561(d) initial reimbursement claims (first time claims) for reimbursement of costs of a previously unfunded mandated program must be filed within one hundred and twenty days from the date the SCO issues the claiming instructions for the program. When paying a timely filed claim for initial reimbursement, the Controller may withhold twenty percent of the amount of the claim until the claim is audited to verify the actual amount of the mandated costs. Initial reimbursement claims filed after the filing deadline will be reduced by ten percent of the amount that would have been allowed had the claim been timely filed.

The Controller may withhold payment of any late claim for initial reimbursement until the next deadline for funded claims unless sufficient funds are available to pay the claim after all timely filed claims have been paid. All initial reimbursement claims for all fiscal years required to be filed on their initial filing date for a program will be considered as one claim for the purpose of computing any late claim penalty. In no case will a reimbursement claim be paid if submitted more than one year after the filing deadline specified in the Controller's claiming instructions on funded mandates.

Pursuant to GC Section 17560, annual reimbursement claims (recurring claims) for costs incurred during the previous fiscal year must be filed with the SCO and postmarked on or before February 15th following the fiscal year in which costs were incurred. If the annual reimbursement claim is filed after the deadline, but within one year of the deadline, the approved claim must be reduced by a 10% late penalty, not to exceed $10,000. Amended claims filed after the deadline will be reduced by 10% of the increased amount not to exceed $10,000 for the total claim. Claims may not be filed more than one year after the deadline.

6. Payment of Claims

In order for the SCO to authorize payment of a claim, the Certification of Claim, form FAM-27, must be properly filled out, signed, and dated by the entity's authorized officer. When using the LGeC system the logon ID and password of the authorized officer is used for the signature and is applied

by the LGeC system when the claim is submitted. Pursuant to GC 17561(d), reimbursement claims are paid by October 15 or sixty days after the date the appropriation for the claim is effective, whichever is later. In the event the amount appropriated by the Legislature is insufficient to pay the approved amount in full for a program, claimants will receive a prorated payment in proportion to the amount of approved claims timely filed and on hand at the time of proration.

A claimant is entitled to receive accrued interest at the pooled money investment account rate if the payment was made more than 60 days after the claim filing deadline or the actual date of claim receipt, whichever is later. For an initial claim, interest begins to accrue when the payment is made more than one year after the adoption of the program's statewide cost estimate. SCO may withhold up to twenty percent of the amount of an initial claim until the claim is audited to verify the actual amount of the mandated costs.

The SCO reports the amounts of insufficient appropriations to the State Department of Finance, the Chairperson of the Joint Legislative Budget Committee, and the Chairperson of the respective committee in each House of the Legislature, who consider appropriations in order to assure appropriation of these funds in the Budget Act. If these funds cannot be appropriated on a timely basis in the Budget Act, this information is transmitted to the Commission which will include these amounts in its report to assure that an appropriation is sufficient to pay the claims that will be included in the next local government claims bill or other appropriation bills. When the supplementary funds become available, the balance of the claims will be paid.

Unless specified in the statutes, regulations, or P's & G's, the determination of allowable and unallowable costs for mandates is based on the P's & G's adopted by the Commission. The determination of allowable reimbursable mandated costs for unfunded mandates is made by the Commission. SCO determines allowable reimbursable costs, subject to amendment by the Commission, for mandates funded by special legislation. Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required to carry out the overall responsibilities of government.
2. The cost is allocable to a particular cost objective identified in the P's & G's.
3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate.

The SCO has identified certain costs that should not be claimed as direct program costs unless specified as reimbursable under the program's P's & G's. These costs include, but are not limited to, subscriptions, depreciation, memberships, conferences, workshops, general education, and travel costs.

7. State Mandates Apportionment System (SMAS)

Chapter 1534, Statutes of 1985, established SMAS, a method of paying certain mandated programs as apportionments. This method is utilized whenever a program has been approved for inclusion in SMAS by the Commission.

When a mandated program has been included in SMAS, the SCO will determine a base year entitlement amount for each local agency that has submitted reimbursement claims, (or entitlement claims), for three consecutive fiscal years. A base year entitlement amount is determined by averaging the approved reimbursement claims, (or entitlement claims), for 1982-83, 1983-84, and 1984-85 years or any three consecutive fiscal years thereafter. The amounts are first adjusted by any change in the IPD, which is applied separately to each year's costs for the three years that comprise the base period. The base period means the three fiscal years immediately succeeding the Commission's approval.

Each local agency with an established base year entitlement for the program will receive automatic annual payments from the SCO reflective of the program's current year costs. The amount of

apportionment is adjusted annually for any change in the IPD. If the mandated program was included in SMAS after January 1, 1988, the annual apportionment is adjusted for any change in both the IPD and workload.

For cities and counties, workload means a change in population within their boundaries; for special districts, a change in population of the county in which the largest percentage of the district's population is located.

In the event a local agency has incurred costs for three consecutive fiscal years but did not file a reimbursement claim in one or more of those fiscal years, the local agency may file an entitlement claim for each of those missed years to establish a base year entitlement. An entitlement claim means any claim filed by a local agency with the SCO for the sole purpose of establishing a base year entitlement. A base year entitlement may not include any non-recurring or initial start-up costs.

Initial apportionments are made on an individual program basis. After the initial year, all apportionments are made by November 30th. The amount to be apportioned is the base year entitlement adjusted by annual changes in the IPD for the cost of goods and services to governmental agencies as determined by the State Department of Finance.

In the event the local agency determines that the amount of apportionment does not accurately reflect costs incurred to comply with a mandate, the process of adjusting an established base year entitlement upon which the apportionment is based is set forth in GC Section 17615.8 and requires the approval of the Commission.

The following programs are placed in SMAS:

Program Name	Chapter/Statute	Program Number
Conservatorship: Developmentally Disabled Adults	1304/80	67
Coroners Costs	498/77	88
Mentally Retarded Defendants: Diversion	1253/80	66
Senior Citizens Property Tax Postponement	1242/77	18

Listed are state mandated local programs and counties that are entitled to receive automatic apportionments in those fiscal years in which the program is funded.

Counties of:	Ch. 498/77 Coroners Costs	Ch. 1242/77 Senior Citizens Property Tax Postponement	Ch. 1253/80 Mentally Retarded Defendants: Diversion	Ch. 1304/80 Developmentally Disabled Adults: Conservatorship
Alameda		x	x	x
Butte		x	x	x
Calaveras		x	x	x
Contra Costa		x	x	x
El Dorado		x	x	x
Fresno		x	x	x
Humbolt		x	x	x
Kern		x	x	x
Lake		x	x	x
Los Angeles	x	x	x	x
Marin		x	x	x
Mendocino		x	x	x
Monterey		x	x	x
Napa	x	x	x	x
Nevada		x	x	x
Orange	x	x	x	x
Placer		x	x	x
Plumas		x	x	x
Riverside		x	x	x
Sacramento		x	x	x
San Bernardino	x	x	x	x
San Diego		x	x	x
San Francisco		x	x	x
San Joaquin	x	x		
San Luis Obispo	x	x	x	x
San Mateo		x	x	x
Santa Barbara		x	x	x
Santa Clara	x	x	x	x
Santa Cruz		x	x	x
Shasta		x	x	x
Solano		x	x	x
Sonoma	x	x	x	x
Stanislaus		x	x	x
Tulare	x	x	x	x
Tuolumne		x		
Ventura	x	x	x	x
Yolo		x	x	x
Yuba		x		

8. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Documentation to support direct costs must be kept on hand unless otherwise specified in the claiming instructions and made available to the SCO on request

It is the responsibility of the claimant to maintain documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

Costs typically classified as direct costs are:

(1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may, in-lieu of reporting actual compensation and fringe benefits, use a productive hourly rate:

(a) Productive Hourly Rate Options

A local agency may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800* annual productive hours for all employees

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed.

* 1,800 annual productive hours excludes the following employee time:

o Paid holidays

o Vacation earned

o Sick leave taken

o Informal time off

o Jury duty

o Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

Table 1: Productive Hourly Rate, Annual Salary + Benefits Method

Formula:	Description:
[(EAS + Benefits) ÷ APH] = PHR	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
[($26,000 + $8,099)] ÷ 1,800 hrs = 18.94	PHR = Productive Hourly Rate

- As illustrated in Table 1, if you assume an employee's compensation was $26,000 and $8,099 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the productive hourly rate would be $18.94. To convert a biweekly salary to Annual Salary, multiply the biweekly salary by 26. To convert a monthly salary to Annual Salary, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.

2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

Table 2: Productive Hourly Rate, Percent of Salary Method

Example:

Step 1: *Fringe Benefits as a Percent of Salary*		**Step 2:** *Productive Hourly Rate*
Retirement	15.00 %	**Formula:**
Social Security & Medicare	7.65	[(EAS x (1 + FBR)) ÷ APH] = PHR
Health & Dental Insurance	5.25	
Workers Compensation	3.25	[($26,000 x (1.3115)) ÷ 1,800] = $18.94
Total	**31.15 %**	

Description:

EAS = Employee's Annual Salary	APH = Annual Productive Hours
FBR = Fringe Benefit Rate	PHR = Productive Hourly Rate

- As illustrated in Table 2, both methods produce the same productive hourly rate.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, worker's compensation insurance and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.
- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personnel services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown

that it was more cost effective in comparison to the performance by a person at the lower-level position under normal circumstances and conditions. The number of hours charged to an activity should reflect the time expected to complete the activity under normal circumstances and conditions. The numbers of hours in excess of normal expected hours are not reimbursable.

(c) Calculating an Average Productive Hourly Rate

In those instances where the claiming instructions allow a unit as a basis of claiming costs, the direct labor component of the unit cost should be expressed as an average productive hourly rate and can be determined as follows:

Table 3: Calculating an Average Productive Hourly Rate

	Time Spent	Productive Hourly Rate	Total Cost by Employee
Employee A	1.25 hrs	$6.00	$7.50
Employee B	0.75 hrs	4.50	3.38
Employee C	3.50 hrs	10.00	35.00
Total	5.50 hrs		$45.88
Average Productive Hourly Rate is $45.88 ÷ 5.50 hrs. = $8.34			

(d) Employer's Benefits Contribution

A local agency has the option of claiming actual employer's fringe benefit contributions or may compute an average fringe benefit cost for the employee's job classification and claim it as a percentage of direct labor. The same time base should be used for both salary and fringe benefits when computing a percentage. For example, if health and dental insurance payments are made annually, use an annual salary. After the percentage of salary for each fringe benefit is computed, total them. For example:

Employer's Contribution	% to Salary
Retirement	15.00%
Social Security	7.65%
Health and Dental Insurance	5.25%
Worker's Compensation	0.75%
Total	28.65%

(2) Materials and Supplies

Only actual expenses can be claimed for materials and supplies, which were acquired and consumed specifically for the purpose of a mandated program. The claimant must list the materials and supplies that were used to perform the mandated activity, the number of units consumed, the cost per unit, and the total dollar amount claimed. Materials and supplies purchased to perform a particular mandated activity are expected to be reasonable in quality, quantity and cost. Purchases in excess of reasonable quality, quantity, and cost are not reimbursable. Materials and supplies withdrawn from inventory and charged to the mandated activity must be based on a recognized method of pricing, consistently applied. Purchases may be claimed at the

actual price after deducting discounts, rebates and allowances received by local agencies.

(a) Calculating a Unit Cost for Materials and Supplies

In those instances where the claiming instructions suggest that a unit cost be developed for use as a basis of claiming costs mandated by the State, the materials and supplies component of the unit cost should be expressed as a unit cost of materials and supplies as shown in Table 1 or Table 2:

Table 1: Calculating a Unit Cost for Materials and Supplies

Supplies	Cost Per Unit	Amount of Supplies Used Per Activity	Unit Cost of Supplies Per Activity
Paper	0.02	4	$0.08
Files	0.10	1	0.10
Envelopes	0.03	2	0.06
Photocopies	0.10	4	0.40
			$0.64

Table 2: Calculating a Unit Cost for Materials and Supplies

Supplies	Supplies Used	Unit Cost of Supplies Per Activity
Paper ($10.00 for 500 sheet ream)	250 Sheets	$5.00
Files ($2.50 for box of 25)	10 Folders	1.00
Envelopes ($3.00 for box of 100)	50 Envelopes	1.50
Photocopies ($0.05 per copy)	40 Copies	2.00
		$9.50

If the number of reimbursable instances are 25, then the unit cost of supplies is $0.38 per reimbursable instance ($9.50 ÷ 25).

(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.

(4) Equipment Rental Costs

Equipment purchases and leases (with an option to purchase) are not reimbursable as a direct cost unless specifically allowed by the claiming instructions for the particular mandate. Equipment rentals used solely for the mandate, are reimbursable to the extent such costs do not exceed the retail purchase price of the equipment plus a finance charge. The claimant must explain the purpose and use for the equipment, the time period for which the equipment was rented and the total cost of the rental. If the equipment is used for purposes other than reimbursable activities, only the prorata portion of the rental costs can be claimed.

(5) Capital Outlay

Capital outlays for land, buildings, equipment, furniture and fixtures may be claimed if the claiming instructions specify them as allowable. If they are allowable, the claiming instructions for the program will specify a basis for the reimbursement. If the fixed asset or equipment is also used for purposes other than reimbursable activities for a specific mandate, only the prorata portion of the purchase price used to implement the reimbursable activities can be claimed.

(6) Travel Expenses

Travel expenses are normally reimbursable in accordance with travel rules and regulations of the local jurisdiction. For some programs, however, the claiming instructions may specify certain limitations on expenses, or that expenses can only be reimbursed in accordance with the State Board of Control travel standards. When claiming travel expenses, the claimant must explain the purpose of the trip, identify the name and address of the persons incurring the expense, the date and time of departure and return for the trip, description of each expense claimed, the cost of transportation, number of private auto mileage traveled, and the cost of tolls and parking with receipts required for charges over $10.00.

(7) Documentation

It is the responsibility of the claimant to make available to the SCO, upon request, documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

9. Indirect Costs

GC Section 17564(b) provides that claims for indirect costs must be filed in the manner prescribed by the SCO. Indirect costs (or overhead) are those costs incurred for a common or joint purpose, benefiting more than one program and are not directly assignable to a particular program without efforts disproportionate to the result achieved. Indirect costs may include both (1) the overhead costs for the unit performing the mandate and (2) the costs of central government services distributed through the central service cost allocation plan and not otherwise treated as a direct cost.

Previously, the costs of elected officials were considered expenses related to general government and, thus, were unallowable for reimbursement purposes. Recent interpretation has moved in the opposite direction, except for those items of cost, which are unallowable in the cost principles set forth in Office of Management and Budget Circular (OMB) Circular A-87 (Title 2 CFR Part 225). A cost that is necessary for proper and efficient administration of a program and is identifiable to that program is eligible for consideration as allocable indirect costs. Allocable costs for time spent on programs, must be supported by time record.

Local agencies have the option of using 10% of direct labor as indirect costs or claiming indirect costs through a department's Indirect Cost Rate Proposal (ICRP) for the program prepared in accordance with the provisions of Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225.) (Refer to the Appendix-Costs Computation: Indirect Costs). An ICRP must be prepared if the claim for indirect costs is in excess of 10% of direct salaries; the ICRP must be submitted with the claim.

A. Fixed 10% Rate Method

Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits. The use of the 10% rate may benefit small agencies where it is inefficient to prepare an ICRP.

Direct Costs Incurred By	On Behalf of	
Auditor	Welfare Administration	Health Department
Warrant Writing:		
A. Salary of employee working	$5,000	$1,000
B. Benefits of above	800	200
C. Cost of paper	350	100
D. First-line supervision (salaries)	3,000	500
E. Indirect cost 10% of A + D	800	150
Total amount charged to benefited departments for warrant writing services	$9,950	$1,950

Direct Costs Incurred By	On Behalf of	
Building & Grounds Department	Welfare Administration	Health Department
Maintenance of Buildings:		
A. Salary of employees performing maintenance	$1,000	$500
B. Benefits of above	200	100
C. Cleaning supplies	250	150
D. First-line supervision (salaries)	500	200
E. Indirect cost 10% of A + D	150	70
Total amount charged to benefited departments for building maintenance services	$2,100	$1,020

Any local agency using this method for claiming costs must submit a statement similar to the

example above and with supporting data. The cost data required for desk audit purposes are described in the claiming instructions for that mandated program under Salaries and Employee Benefits, Materials and Supplies, Contract Services, Travel Expenses, etc.

B. Indirect Cost Rate Proposal Method

If a local agency elects not to utilize the 10% fixed rate method but wants to claim indirect costs, it must prepare an ICRP for the program. The proposal 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*. The development of the indirect cost rate proposal requires that the indirect cost pool include only those costs which are incurred for a common or joint purpose that benefit more than one cost objective. The indirect cost pool may only include costs that can be shown to provide benefits to the program. In addition, total allocable indirect costs may only include costs, which cannot be directly charged to an identifiable cost center (i.e., program).

A method for preparing a departmental indirect cost rate proposal for programs is presented as Exhibit 1. Only this format is acceptable under the SCO reimbursement requirements. If more than one department is involved in the reimbursement program, each department must have their own indirect cost rate proposal for the program.

Exhibit 1

INDIRECT COST RATE PROPOSAL
PUBLIC DEFENDER'S OFFICE INVESTIGATION PROGRAM
FISCAL YEAR 20___-20___

(A) Description of Costs		Total Costs	(B) Excludable Unallowable Costs	(C) Allowable Indirect Costs	(D) Allowable Direct Costs	Identifiable Program Costs: Investigation PC 987.9	Identifiable Program Costs: All Others
Salaries & Benefits							
Salaries & Wages		$ 1,150,000	$ 50,000 (F)	$ 150,000	$ 950,000 (F)	$ 100,000	$ 850,000
Overtime		20,000	0	20,000	0	0	0
Benefits		230,000	10,000	30,000	190,000	20,000	170,000
Total		$ 1,400,000	$ 60,000	$ 200,000	$ 1,140,000	$ 120,000	$ 1,020,000
Services & Supplies							
Office Expense		$ 200,000	$ 10,000	$ 20,000	$ 170,000	$ 10,000	$ 160,000
Communications		100,000	2,000	10,000	88,000	1,000	87,000
Transportation		120,000	5,000	0	115,000	5,000	110,000
Special Dept Expense (Contracts)		250,000	0	0	250,000	0	250,000
Other, Pass Through Program		800,000	800,000	0	0	0	0
Total		$ 1,470,000	$ 817,000	$ 30,000	$ 623,000	$ 16,000	$ 607,000
Capital Expenditures		$ 100,000	$ 100,000				
Total Budgetary Expenditures		$ 2,970,000	$ 977,000	$ 230,000	$ 1,763,000	$ 136,000	$ 1,627,000
	Distribution Base						
Cost Plan Costs							
Building Use	(Each line item	$ 50,000	$ 2,000	$ 6,000	$ 42,000	$ 2,000	$ 40,000
Equipment Use	should be reviewed	30,000	1,000	3,000	26,000	1,000	25,000
Data Processing	to see if it benefits	50,000	5,000	30,000	15,000	0	15,000
Auditor	the mandate to	20,000	0	20,000	0	0	0
Personnel	insure a fair and equitable	10,000	1,000	1,000	8,000	1,000	7,000
Roll Forward	distribution.)	10,000	0	10,000	0	0	0
Total		$ 170,000 (E)	$ 9,000	$ 70,000	$ 91,000	$ 4,000	$ 87,000
Total Allocable Indirect Costs				$ 300,000 (F)			
Distribution of Allocable Indirect Costs							
Based on Salaries & Wages			$ 15,000	$ (300,000)	$ 285,000	$ 30,000	$ 255,000
Totals		$ 3,140,000	$ 1,001,000	$ 0	$ 2,139,000	$ 170,000	$ 1,969,000

(1) Notes to Exhibit 1

(a) The department's ICRP plan for the distribution of costs to programs must follow the same format as shown on Exhibit 1. Specifically, there must be columns as follows: Description of Costs, Total Cost, Excludable and Unallowable Costs (may be combined or separated), Allowable Indirect Costs, and Allowable Direct Costs (which are further allocated to identifiable programs and other). No other format will be accepted.

(b) Excluded costs are all costs that are unallowable and unallocable according to specific guidelines (OMB 2 CFR Part 225 and state laws).

Examples:

Contributions and donations: Cost of amusement; social activities and related incidental costs such as meals, beverages, lodging, rentals, transportation and gratuities; and pass through revenues to another unit or organization.

(c) Allocable indirect costs are costs that are not identifiable to a specific program or cost pool and indirectly benefit all cost pools.

(d) Direct costs are costs that benefit a specific program or cost pool.

(e) Overhead costs are distributed to the department in the cost allocation plan, which was prepared in accordance with the OMB 2 CFR Part 225. Use the same year's cost allocation plan for developing the ICRP as the year for which the ICRP is being prepared. Do not include a roll forward adjustment when the program is in its initial year.

(f) Distribution base for the computation of the indirect cost rate is total salaries and wages.

Total Allocable Direct Costs (direct S&W)	$950,000
Excluded and Unallowable Costs (direct S&W)	50,000
Distribution Base	$1,000,000

Therefore, the Indirect Cost Rate for Penal Code 987.9 Program is:

$$\text{ICRP} = \frac{\text{Allowable Indirect Costs}}{\text{Total Salaries and Wages}} = \frac{\$300,000}{\$1,000,000} = 30.00\%$$

10. Time Study Guidelines

Background

Two methods are acceptable for documenting employee time charged to mandated cost programs: 1) Actual Time Reporting and 2) Time Study. These methods are described below. Application of time study results is restricted. As explained in the Time Study Results section below, the results may be projected forward a maximum of two years or applied retroactively to initial claims, current-year claims, and late-filed claims, provided certain criteria are met.

Actual Time Reporting

Each program's P's & G's define reimbursable activities for each mandated cost program. When employees work on multiple activities, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the following standards:

- They must reflect an after-the-fact (contemporaneous) distribution of the actual activity of each employee;
- They must account for the total activity for which each employee is compensated;
- They must be prepared at least monthly and must coincide with one or more pay periods; and
- They must be signed by the employee.

Budget estimates or other distribution percentages determined before services are performed do not qualify as support for time distribution.

Time Study

In certain cases, a time study may be used to substitute for continuous records of actual time spent on multiple activities and/or programs. An effective time study requires that an activity be a task that is repetitive in nature. Activities that require a varying level of effort are not appropriate for time studies.

Time Study Plan

The claimant must develop a plan before the time study is conducted. The claimant must retain the time study plan for audit purposes. The plan must identify the following:

- Time period(s) to be studied – The plan must show that all time periods selected are representative of the fiscal year, and the results can be reasonably projected to approximate actual costs;
- Activities and/or programs to be studied – For each mandated program included, the time study must separately identify each reimbursable activity defined in the mandated program's P's & G's, which are derived from the program's Statement of Decision. If a reimbursable activity in the P's & G's identifies separate and distinct sub-activities, these sub-activities must also be treated as individual activities;

For example, sub-activities (a), (b), and (c) under Reimbursable Activity (B)(1) of the local agency's Domestic Violence Treatment Services: Authorization and Case Management program relate to information to be discussed during victim notification by the probation department and therefore are not separate and distinct activities. These sub-activities do not have to be separately studied.

- Process used to accomplish each reimbursable activity – Use flowcharts or similar analytical tools and/or written desk procedures to describe the process for each activity;
- Employee universe – The employee universe used in the time study must include all positions for which salaries and wages are to be allocated by means of the time study;
- Employee sample selection methodology – The plan must show that employees selected are representative of the employee universe, and the results can be reasonably projected to approximate actual costs. In addition, the employee sample size should be proportional to the variation in time spent to perform a task. The sample size should be larger for tasks with significant time variations;
- Time increments to be recorded – The time increments used should be sufficient to recognize the number of different activities performed and the dynamics of these responsibilities. Very large increments (such as one hour or more) might be used for employees performing only a few functions that change very slowly over time. Very small increments (a number of minutes) may be needed for employees performing more short-term tasks.

Random moment sampling is not an acceptable alternative to continuous time records for mandated cost claims. Random moment sampling techniques are most applicable in situations where employees perform many different types of activities on a variety of programs with small time increments throughout the fiscal year.

Time Study Documentation

Time studies must:

- Be supported by time records that are completed contemporaneously;
- Report activity on a daily basis;
- Be sufficiently detailed to reflect all mandated activities and/or programs performed during a specific time period; and
- Coincide with one or more pay periods.

Time records must be signed by the employee (electronic signatures are acceptable) and be supported by corroborating evidence, which validates that the work was actually performed. As with actual time reporting, budget estimates or other distribution percentages determined before services are performed do not qualify as valid time studies.

Time Study Results

Time study results must be summarized to show how the time study supports the costs claimed for each activity. Any variations from the procedures identified in the original time study plan must be documented and explained. Current-year costs must be used to prepare a time study. Claimants may project time study results to no more than two subsequent fiscal years. A claimant may not apply time study results retroactively.

- Annual Reimbursement Claims – Claimants may use time studies to support costs incurred on or after January 1, 2005. Claimants may not use time studies for the period July 1, 2004, through December 31, 2004, unless (1) the program's P's & G's specifically allows time studies, and (2) the time study is prepared based on mandated activity occurring between July 1, 2004, and December 31, 2004.
- Initial Claims –When filing an initial claim for new mandated programs, claimants may only use time study results for costs incurred on or after January 1, 2005. Claimants may not use time studies to support costs incurred before January 1, 2005, unless (1) the program's P's & G's specifically allow time studies, and (2) the claimant prepares separate time studies for each fiscal year preceding January 1, 2005, based on mandated activity occurring during those years.

When projecting time study results, the claimant must certify that there have been no significant changes between years in either (1) the requirements of each mandated program activity or (2) the processes and procedures used to accomplish the activity. For all years, the claimant must maintain corroborating evidence that validates the mandated activity was actually performed. Time study results used to support subsequent years' claims are subject to the recordkeeping requirements for those claims.

11. Offsets Against State Mandated Claims

When part or all the costs of a mandated program are specifically reimbursable from non-local agency sources (e.g., state, federal, foundation, etc.), only that portion of any increased costs payable from local agency funds is eligible for reimbursement under the provisions of Government Code Section 17561.

A. Example 1

This example shows how the offset against a state mandated claim is determined for local agencies receiving block grant revenues not based on a formula allocation. Listed below are six situations, which may occur at a local agency level. For hypothetical program costs of $100,000: (1) through (4) show intended funding at 100% from non-local agency sources and (5) through (6) show cost sharing on a 50/50 basis with the local agency. Of the $100,000 program cost, $2,500 is the cost of state mandated activity. Offset against state mandated

claims is the amount of actual non-local agency funding which exceeds the difference between program costs and state mandated costs. The offset against state mandated claims cannot exceed the amount of state mandated costs. In (4), non-local revenues were fully realized to cover the entire cost of the program, including the state mandate activity; therefore, the offset against state mandated claims is $2,500. In (1), non-local revenues were less than expected. Non-local agency funding was not in excess of the difference between program costs and state mandated costs. As a result, the offset against state mandated claims is zero and $2,500 is claimable as mandated costs. In (5), the local agency is sharing 50% of the program cost. Since non-local revenues of $50,000 were fully realized, the offset against state mandated claims is $1,250.

	Program Costs	Actual Non-Local Agency Funding	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
A.	Block Grants (funding not based on a formula allocation)				
1.	$100,000	$95,000	$2,500	$-0-	$2,500
2.	100,000	97,000	2,500	-0-	2,500
3.	100,000	98,000	2,500	500	2,000
4.	100,000	100,000	2,500	2,500	-0-
5.	100,000 *	50,000	2,500	1,250	1,250
6.	If in (5) the non-local matching share is less than the amount expected, for example $49,000, the offset against state mandated claims is $250. Therefore, the claimable mandated costs are $2,250				

* Local agency share is $50,000 of the program costs.

B. Example 2

This example shows how the offset against state mandated claims are determined for local agencies receiving special project funds based on approved actual costs. Non-local revenues for special projects must be applied proportionately to approve costs. In (2), the entire program cost was approved. Since the non-local agency source covers 75% of the program cost, it also proportionately covered 75% of the $2,500 state mandated costs, or $1,875.

	Program Costs	Actual Non-Local Agency Funding	State Mandated Costs	Offset Against State Mandated Claims	Claimable Mandated Costs
B.	Special Projects (funding based on approved actual costs)				
1.	$100,000	$100,000	$2,500	$2,500	$-0-
2.	100,000 **	75,000	2,500	1,875	625
3.	If in (2) the non-local matching share is less than the amount expected, because only $60,000 of the program costs were determined to be valid by the contracting agency, then a proportionate share of state mandated costs is likewise reduced to $1,500. The offset against state mandated claim is $1,125. Therefore, the claimable mandated costs are $375.				

** Local agency share is $25,000 of the program costs.

With respect to local agencies, the offset against state mandated claims for applicable federal and state local assistance programs includes, but is not limited to, the following funding sources:

Federal and State Funding Sources

Governing Authority

Federal Programs

CETA, PL 93-203	Federal-Health – Administration
Federal Aid for Construction	Federal-Public Assistance – Administration
Federal Aid for Disaster	

State Programs

State Aid for Agriculture	State-Health – Administration
State Aid for Construction	State-Public Assistance - Administration
State Aid for Corrections	

12. Notice of Claim Adjustment

All claims submitted to the SCO are reviewed to determine if the claim was prepared in accordance with the claiming instructions. Claimants will receive a *Notice of Claim Adjustment* detailing any adjustment made by the SCO.

13. Audit of Costs

Pursuant to GC Section 17558.5, Subdivision (b), the SCO may conduct a field review of any claim after it has been submitted, prior to the reimbursement of the claim to determine if costs are related to the mandate, are reasonable and not excessive, and the claim was prepared in accordance with SCO's claiming instructions and the P's & G's adopted by the Commission. If any adjustments are made to a claim, a Notice of Claim Adjustment specifying the claim activity adjusted, the amount

adjusted, and the reason for the adjustment, will be mailed within thirty days after payment of the claim.

14. Source Documents

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. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification stating, "I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure Section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

15. Claim Forms and Instructions

A claimant may submit a computer generated report in substitution for Form-1 and Form-2 provided the format of the report and data fields contained within the report are identical to the claim forms included with these instructions. The claim forms provided with these instructions should be duplicated and used by the claimant to file a reimbursement claim. The SCO will revise the manual and claim forms as necessary.

A. Form-2, Activity Cost Detail

This form is used to segregate the detail costs by claim component. In some mandates, specific reimbursable activities have been identified for each component. The expenses reported on this form must be supported by the official financial records of the claimant.

B. Form-1, Claim Summary

This form is used to summarize direct costs by component and compute allowable indirect costs for the mandate. The direct costs summarized on this form are derived from Form-2 and are carried forward to form FAM-27.

C. Form FAM-27, Claim for Payment

This form contains a certification that must be signed by an authorized officer of the entity. All applicable information from Form-1 must be carried forward to this form in order for the SCO to process the claim for payment. An original and one copy of the FAM-27 are required.

Submit a signed original and one copy of form FAM-27, Claim for Payment. **To expedite the payment process, please sign the FAM-27 with blue ink, and attach a copy of the form FAM-27 to the top of the claim package.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
Other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

16. Retention of Claiming Instructions

For your convenience, the revised claiming instructions in this package have been arranged in alphabetical order by program name. This Manual should be retained for future reference, and the forms should be duplicated to meet your filing requirements. Annually, new or revised forms, instructions, and any other information claimants may need to file claims will be placed on the SCO's Web site located at www.sco.ca.gov/ard_mancost.html.

If you have any questions concerning mandated cost reimbursements, please write to us at the address listed for filing claims, send e-mail to lrsdar@sco.ca.gov, or call the Local Reimbursements Section at (916) 324-5729.

17. Retention of Claim Records and Supporting Documentation

Pursuant to GC Section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a local agency pursuant to this chapter is subject to the initiation of an audit by the Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit will be completed not later than two years after the date that the audit was commenced.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If the Controller has initiated an audit during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to SCO on request.

Section 9 –

Final State Audit Report or Other Written Notices of Adjustment

CITY OF RANCHO CUCAMONGA

Audit Report

IDENTITY THEFT PROGRAM

Chapter 956, Statutes of 2000

July 1, 2002, through June 30, 2013

MALIA M. COHEN
California State Controller

November 2023

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

November 20, 2023

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Tamara Oatman, Finance Director
City of Rancho Cucamonga
10500 Civic Center Drive
Rancho Cucamonga, CA 91729

Dear Ms. Oatman:

The State Controller's Office audited the costs claimed by the City of Rancho Cucamonga for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The city claimed $500,098 for costs of the mandated program. Our audit found that $195,540 is allowable and $304,558 is unallowable. The costs are unallowable because the city misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs. The State made no payments to the city. The State will pay $195,540, contingent upon available appropriations.

Following issuance of this audit report, the Local Government Programs and Services Division of the State Controller's Office will notify the city of the adjustment to its claims via a system-generated letter for each fiscal year in the audit period.

This final audit report contains an adjustment to costs claimed by the city. If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to the Commission's regulations, outlined in Title 2, California Code of Regulations, section 1185.1, subdivision (c), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. IRC information is available on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ac

cc: The Honorable L. Dennis Michael, Mayor
City of Rancho Cucamonga
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
Ted Doan, Finance Budget Analyst
Local Government Unit
California Department of Finance
Darryl Mar, Manager
Local Reimbursements Section
State Controller's Office
Everett Luc, Supervisor
Local Reimbursements 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 Rancho Cucamonga for the legislatively mandated Identity Theft Program for the period of July 1, 2002, through June 30, 2013.

The city claimed $500,098 for costs of the mandated program. Our audit found that $195,540 is allowable and $304,558 is unallowable. The costs are unallowable because the city misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs. The State made no payments to the city. The State will pay $195,540, contingent upon available appropriations.

Background

Penal Code (PC) section 530.6(a), as added by the Statutes of 2000, Chapter 956, requires a local law enforcement agency to take a police report and begin an investigation when a complainant residing within its jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission on State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code (GC) section 17514.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following ongoing activities identified in the parameters and guidelines (Section IV., "Reimbursable Activities"):

1. Either a) or b) below:
   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
   b) Reviewing the identity theft report completed on-line by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that reimbursable activities do not include providing a copy of the report to the complainant, or referring the

matter to the law enforcement agency in the location where the suspected crime was committed for further investigation.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues the *Mandated Cost Manual for Local Agencies (Mandated Cost Manual)* to assist local agencies in claiming mandated program reimbursable costs.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the city's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

Objective, Scope, and Methodology

The objective of our audit was to determine whether claimed costs represent increased costs resulting from the legislatively mandated Identity Theft Program. Specifically, we conducted this audit to determine whether claimed costs were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

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

The audit period was July 1, 2002, through June 30, 2013.

To achieve our objective, we performed the following procedures.

- We analyzed 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. We determined whether there were any errors or unusual or unexpected variances from year to year. We also reviewed the claimed activities to determine whether they adhered to the SCO's *Mandated Cost Manual* and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key city staff. We discussed the claim preparation process with city staff members to determine what information was obtained, who obtained it, and how it was used.
- We obtained system-generated lists of identity-theft cases with jurisdiction codes for the City of Rancho Cucamonga from the San Bernardino County Sheriff's Department's (SBCSD) computer-aided dispatch (CAD) system to verify the existence, completeness, and accuracy of unduplicated case counts for each fiscal year in the audit period. We recalculated the costs based on the allowable number of cases for each of the reimbursable activities.
- We designed a statistical sampling plan to test approximately 25-50% of claimed costs, based on a moderate level of detection (audit) risk.

We judgmentally selected the city's filed claims for fiscal year (FY) 2010-11 through FY 2012-13 for testing, which comprised claimed costs totaling $138,470 (or 27.7%) of the total costs claimed ($500,098). The sampling plan is described in the Finding and Recommendation section.

- We used a random number table to select 264 out of 695 identity theft reports from the three fiscal years sampled. We tested the identity theft report as follows:
  - We determined whether a contemporaneously prepared and approved police report supported that a violation of PC section 530.5 occurred.
  - We determined whether the initial police reports were courtesy reports from other law enforcement agencies that had been forwarded to SBCSD's Rancho Cucamonga Patrol Station for further investigation.
  - We determined whether the victim of identity theft contacted the SBCSD to initiate the law enforcement investigation.
  - We obtained employee numbers, names, and classifications from sampled police reports documenting who performed the reimbursable activities. We compared the employee classifications obtained from the police reports to those claimed by the city.
  - We obtained system-generated time stamps from SBCSD's CAD system for the "Time On Scene" and "Time Closed" associated with each report to determine the time spent to begin an investigation. For reports with unreasonable and excessive time spent, we reviewed the detailed history of time stamps from the CAD system for the incident number related to the sampled police report, and adjusted for ineligible time spent on arrests and other incident numbers.
- We interviewed sworn and non-sworn county employees who performed the mandated activities, as documented in the sampled police reports, about their time spent performing reimbursable activities not captured by the CAD system.
- As no city staff members performed the reimbursable activities, we used copies of the city's annual law enforcement services contracts with the county during the audit period to obtain the annual contract services costs incurred by the city. The contract services costs included salary and benefit costs for various employee classifications, administrative costs, and various other additional costs related to providing law enforcement services for the city.
- We projected the audit results of the three years tested by multiplying the allowable case counts by the audited average time increments needed to perform the reimbursable activities, and multiplying the product by the contract hourly rates of county employees who performed them. Due to the homogeneity of the population, we applied the weighted three-year average error rate that we derived from testing our samples to the remaining eight years of the audit period.

- We reviewed the city's Single Audit Reports to identify potential sources of offsetting savings or reimbursements from federal or pass-through programs applicable to the Identity Theft Program. We did not identify any applicable offsetting revenues. The city certified in its claims that it did not receive such offsetting revenues applicable to this mandated program.

We did not audit the city's financial statements.

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.

Conclusion

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We found that the city did not claim costs that are funded by another source; however, we did find that it claimed unsupported and ineligible costs, as quantified in the Schedule and described in the Finding and Recommendation section of this audit report.

For the audit period, the City of Rancho Cucamonga claimed $500,098 for costs of the legislatively mandated Identity Theft Program. Our audit found that $195,540 is allowable and $304,558 is unallowable. The State made no payments to the city. The State will pay $195,540, 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 of Rancho Cucamonga's legislatively mandated Identity Theft Program.

Views of Responsible Officials

We issued a draft audit report on April 19, 2023. The City of Rancho Cucamonga's representative responded by letter dated June 28, 2023, disagreeing with the audit results. This final audit report includes the city's response as an attachment.

Restricted Use

This audit report is solely for the information and use of the City of Rancho Cucamonga, 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 audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

November 20, 2023

Schedule—
Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 20,587	$ -	$ (20,587)
Beginning an investigation of facts	7,356	-	(7,356)
Total salaries	27,943	-	(27,943)
Contract services:			
Taking police report on a violation of PC §530.5	-	10,999	10,999
Beginning an investigation of facts	-	9,057	9,057
Total contract services	-	20,056	20,056
Total direct costs	27,943	20,056	(7,887)
Indirect costs	26,267	-	(26,267)
Total program costs	$ 54,210	20,056	$ (34,154)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,056	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 20,865	$ -	$ (20,865)
Beginning an investigation of facts	7,456	-	(7,456)
Total salaries	28,321	-	(28,321)
Contract services:			
Taking police report on a violation of PC §530.5	-	11,098	11,098
Beginning an investigation of facts	-	9,161	9,161
Total contract services	-	20,259	20,259
Total direct costs	28,321	20,259	(8,062)
Indirect costs	24,838	-	(24,838)
Total program costs	$ 53,159	20,259	$ (32,900)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,259	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 27,093	$ -	$ (27,093)
Beginning an investigation of facts	9,688	-	(9,688)
Total salaries	36,781	-	(36,781)
Contract services:			
Taking police report on a violation of PC §530.5	-	12,910	12,910
Beginning an investigation of facts	-	10,674	10,674
Total contract services	-	23,584	23,584
Total direct costs	36,781	23,584	(13,197)
Indirect costs	29,499	-	(29,499)
Total program costs	$ 66,280	23,584	$ (42,696)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 23,584	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 28,650	$ -	$ (28,650)
Beginning an investigation of facts	10,147	-	(10,147)
Total salaries	38,796	-	(38,796)
Contract services:			
Taking police report on a violation of PC §530.5	-	14,241	14,241
Beginning an investigation of facts	-	11,569	11,569
Total contract services	-	25,810	25,810
Total direct costs	38,796	25,810	(12,986)
Indirect costs	31,542	-	(31,542)
Total program costs	$ 70,338	25,810	$ (44,528)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 25,810	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 18,065	$ -	$ (18,065)
Beginning an investigation of facts	6,443	-	(6,443)
Total salaries	24,508	-	(24,508)
Contract services:			
Taking police report on a violation of PC §530.5	-	8,696	8,696
Beginning an investigation of facts	-	7,124	7,124
Total contract services	-	15,820	15,820
Total direct costs	24,508	15,820	(8,688)
Indirect costs	19,312	-	(19,312)
Total program costs	$ 43,820	15,820	$ (28,000)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 15,820	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 11,859	$ -	$ (11,859)
Beginning an investigation of facts	4,218	-	(4,218)
Total salaries	16,077	-	(16,077)
Contract services:			
Taking police report on a violation of PC §530.5	-	5,993	5,993
Beginning an investigation of facts	-	4,884	4,884
Total contract services	-	10,877	10,877
Total direct costs	16,077	10,877	(5,200)
Indirect costs	12,718	-	(12,718)
Total program costs	$ 28,795	10,877	$ (17,918)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,877	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 8,615	$ -	$ (8,615)
Beginning an investigation of facts	3,060	-	(3,060)
Total salaries	11,675	-	(11,675)
Contract services:			
Taking police report on a violation of PC §530.5	-	4,473	4,473
Beginning an investigation of facts	-	3,629	3,629
Total contract services	-	8,102	8,102
Total direct costs	11,675	8,102	(3,573)
Indirect costs	9,282	-	(9,282)
Total program costs	$ 20,957	8,102	$ (12,855)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 8,102	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 9,803	$ -	$ (9,803)
Beginning an investigation of facts	3,480	-	(3,480)
Total salaries	13,283	-	(13,283)
Contract services:			
Taking police report on a violation of PC §530.5	-	5,557	5,557
Beginning an investigation of facts	-	4,508	4,508
Total contract services	-	10,065	10,065
Total direct costs	13,283	10,065	(3,218)
Indirect costs	10,786	-	(10,786)
Total program costs	$ 24,069	10,065	$ (14,004)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,065	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 12,662	$ -	$ (12,662)
Beginning an investigation of facts	4,495	-	(4,495)
Total salaries	17,157	-	(17,157)
Contract services:			
Taking police report on a violation of PC §530.5	-	5,948	5,948
Beginning an investigation of facts	-	4,150	4,150
Total contract services	-	10,098	10,098
Total direct costs	17,157	10,098	(7,059)
Indirect costs	12,697	-	(12,697)
Total program costs	$ 29,854	10,098	$ (19,756)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,098	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 21,912	$ -	$ (21,912)
Beginning an investigation of facts	-	-	-
Total salaries	21,912	-	(21,912)
Contract services:			
Taking police report on a violation of PC §530.5	-	7,385	7,385
Beginning an investigation of facts	-	6,803	6,803
Total contract services	-	14,188	14,188
Total direct costs	21,912	14,188	(7,724)
Indirect costs	16,214	-	(16,214)
Total program costs	$ 38,126	14,188	$ (23,938)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 14,188	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 39,938	$ -	$ (39,938)
Beginning an investigation of facts	-	-	-
Total salaries	39,938	-	(39,938)
Contract services:			
Taking police report on a violation of PC §530.5	-	20,474	20,474
Beginning an investigation of facts	-	16,207	16,207
Total contract services	-	36,681	36,681
Total direct costs	39,938	36,681	(3,257)
Indirect costs	30,552	-	(30,552)
Total program costs	$ 70,490	36,681	$ (33,809)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 36,681	
Summary: July 1, 2002, through June 30, 2013			
Direct costs			
Salaries	$ 276,391	$ -	$ (276,391)
Contract services	-	195,540	195,540
Total direct costs	276,391	195,540	(80,851)
Indirect costs	223,707	-	(223,707)
Total program costs	$ 500,098	195,540	$ (304,558)
Less amount paid by the State[2]			
Allowable costs claimed in excess of amount paid		$ 195,540	

[1] See the Finding and Recommendation section.

[2] Payment amount current as of September 12, 2023.

Finding and Recommendation

FINDING—
Overstated Identity Theft Program costs

The City of Rancho Cucamonga claimed $500,098 ($276,391 in salary costs and $223,707 in related indirect costs) for the Identity Theft Program. We found that $195,540 is allowable and $304,558 is unallowable. The costs are unallowable primarily because the city claimed misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs.

The city used the correct methodology to calculate its salary costs. It multiplied the number of identity theft police reports by the time required to perform the reimbursable activities, and it multiplied the product by the hourly rates obtained from the city's contracts with SBCSD. The SBCSD's contracts included costs for salaries and benefits, as well as additional administrative costs.

However, the city should have classified its salary costs as contract services costs, because no city staff members performed the reimbursable activities. The city contracted with San Bernardino County to have the SBCSD perform all of its law enforcement services during the audit period. Therefore, the city did not incur any salary costs—or indirect costs related to salary costs—but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

		Salaries	(A)	(B)	(C)	(D)=(A)+(B)+(C)
Fiscal Year	Amount Claimed [1]	Amount Allowable	Audit Adjustment	Related Indirect Cost Adjustment	Contract Services Adjustment	Total Audit Adjustment
2002-03	$ 27,943	$ -	$ (27,943)	$ (26,267)	$ 20,056	$ (34,154)
2003-04	28,321	-	(28,321)	(24,838)	20,259	(32,900)
2004-05	36,781	-	(36,781)	(29,499)	23,584	(42,696)
2005-06	38,796	-	(38,796)	(31,542)	25,810	(44,528)
2006-07	24,508	-	(24,508)	(19,312)	15,820	(28,000)
2007-08	16,077	-	(16,077)	(12,718)	10,877	(17,918)
2008-09	11,675	-	(11,675)	(9,282)	8,102	(12,855)
2009-10	13,283	-	(13,283)	(10,786)	10,065	(14,004)
2010-11	17,157	-	(17,157)	(12,697)	10,098	(19,756)
2011-12	21,912	-	(21,912)	(16,214)	14,188	(23,938)
2012-13	39,938	-	(39,938)	(30,552)	36,681	(33,809)
Total	$ 276,391	$ -	$ (276,391)	$ (223,707)	$ 195,540	$ (304,558)

[1] Amounts claimed for FY 2004-05, FY 2007-08, FY 2010-11, and FY 2011-12 adjusted by $1 due to claim rounding errors

Contract Services Costs

The city contracted with San Bernardino County to have the SBCSD provide all of its law enforcement services during the audit period. These

services included reimbursable activities claimed for the mandated program. The city contracted for various SBCSD staff positions each fiscal year and paid the SBCSD annual contract billing rates for the positions. These positions included, but were not limited to, Deputy Sheriffs, Office Specialists, Service Specialists, and Sergeants. No city staff members performed any of the reimbursable activities under this program; therefore, the city did not incur salary and related indirect costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

Identity Theft Incident Reports

The city stated in its claims that it took 2,749 identity theft incident reports during the audit period. We found that the city overstated the number of reports taken by 715, and that allowable reports totaled 2,034.

The following table summarizes the counts of claimed, supported, and allowable identity theft cases, and the audit adjustment by fiscal year:

Fiscal Year	(A) Claimed Reports	(B) Audited Population	(C) Allowable Reports	(D)=(C)-(A) Audit Adjustment
2002-03	370	386	269	(101)
2003-04	375	376	262	(113)
2004-05	397	393	274	(123)
2005-06	404	408	284	(120)
2006-07	232	228	159	(73)
2007-08	144	148	103	(41)
2008-09	103	109	76	(27)
2009-10	120	135	94	(26)
2010-11	155	156	96	(59)
2011-12	163	181	113	(50)
2012-13	286	358	304	18
Total	2,749	2,878	2,034	(715)

For each fiscal year, the SBCSD provided Excel spreadsheets, generated from its CAD system, to support the claimed number of initial police reports for violations of PC section 530.5. This list of police reports identified the county jurisdiction code, the year of the report, and the report number. The SBCSD also provided a Jurisdiction Reference Chart, which disclosed county jurisdiction codes and jurisdiction codes for the cities that contract with the county for law enforcement services. The spreadsheets supported 2,878 identity theft police reports filed for the City of Rancho Cucamonga during the audit period.

We verified the accuracy of the unduplicated counts of initial police reports recorded in the CAD system by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

Our audit plan called for testing 25% of claimed costs at a minimum. We selected FY 2010-11 through FY 2012-13 for testing purposes, as claimed salaries for these three fiscal years totaled $79,007 ($17,158, $21,911, and $39,938, respectively), which represents 28.6% of the $276,391 amount claimed for salaries during the audit period.

For the three years, we selected a statistical sample from the documented number of identity theft 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 in order to project the results to the population for each fiscal year. We randomly selected 264 out of 695 identity theft incident reports for review.

Our review of sample incident reports disclosed the following:

- For FY 2010-11, we found that 29 out of 76 identity theft incident reports were unallowable because:
    - Seven reports did not meet the requirements of PC section 530.6(a), because the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency;
    - Two reports were not for violations of PC section 530.5;
    - One report did not indicate that a crime occurred; and
    - Nineteen reports were courtesy reports (police reports taken and prepared by other law enforcement agencies).

  Therefore, we calculated an error rate of 38.16% for FY 2010-11.
- For FY 2011-12, we found that 31 out of 82 identity theft incident reports were unallowable because:
    - Nine reports did not meet the requirements of PC section 530.6(a), because the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency;
    - Two reports did not indicate that a crime occurred;
    - Two reports were incident reports that did not specify violation of any specific code section;
    - Four reports did not include violations of PC section 530.5 as an offense;
    - Two reports were for victims who did not reside in the City of Rancho Cucamonga; and
    - Twelve reports were courtesy reports.

  Therefore, we calculated an error rate of 37.80% for FY 2011-12.
- For FY 2012-13, we found that 16 out of 106 identity theft incident reports were unallowable because:
    - Two reports were not for violations of PC section 530.5;
    - Three reports did not indicate that a crime occurred;
    - Five reports were for victims who did not reside in the City of Rancho Cucamonga; and

- Six reports were courtesy reports.

Therefore, we calculated an error rate of 15.09% for FY 2012-13.

The following table shows the average error rates for FY 2010-11 through FY 2012-13:

	(A)	(B)	(C)=(A)÷(B)
Fiscal Year	Number of Unallowable Cases Sampled	Sample Size	Error Rate
2010-11	29	76	38.16%
2011-12	31	82	37.80%
2012-13	16	106	15.09%
		Total	91.05%
	Number of fiscal years sampled		÷ 3
		Average Error Rate	30.35%

We extrapolated the average error rate to the audited population of reports for FY 2002-03 through FY 2009-10, and applied the actual audited error rate for each of the other fiscal years to determine the allowable and unallowable number of incident reports taken.

The following table shows the number of allowable and unallowable incident reports by fiscal year:

	(A)	(B)		(C)=(A)×(B)	(D)=(A)-(C)
Fiscal Year	Audited Population	Error Rate	Average Error Rate	Total Unallowable Reports	Total Allowable Reports
2002-03	386	N/A	30.35%	117	269
2003-04	376	N/A	30.35%	114	262
2004-05	393	N/A	30.35%	119	274
2005-06	408	N/A	30.35%	124	284
2006-07	228	N/A	30.35%	69	159
2007-08	148	N/A	30.35%	45	103
2008-09	109	N/A	30.35%	33	76
2009-10	135	N/A	30.35%	41	94
2010-11	156	38.16%	N/A	60	96
2011-12	181	37.80%	N/A	68	113
2012-13	358	15.09%	N/A	54	304
Total	2,878			844	2,034

Time Increments

The parameters and guidelines identify the following reimbursable activities:

- Activity 1a – Taking a police report on a violation of PC section 530.5;
- Activity 1b – Reviewing an online identity theft report completed by a victim; and
- Activity 2 – Beginning an investigation.

The parameters and guidelines specify that Activity 1a "includes drafting, reviewing, and editing the identity theft police report."

For convenience, we separated Activity 1a into two sub-activities:

- Activity 1a.1 – Taking a police report; and
- Activity 1a.2 – Reviewing, editing, and approving a police report.

The city claimed the following time increments for Activity 1a.1 during the audit period:

- 55 minutes for a Deputy Sheriff for FY 2002-03 through FY 2010-11;
- 74 minutes for a Deputy Sheriff for FY 2011-12 and FY 2012-13; and
- 15 minutes for an Office Specialist to provide related clerical support for FY 2011-12 and FY 2012-13.

The city claimed the following time increments for Activity 1a.2 during the audit period:

- 12 minutes for a Sergeant for FY 2002-03 through FY 2010-11; and
- 16.5 minutes for a Sergeant for FY 2011-12 and FY 2012-13.

The city claimed 25 minutes for a Deputy Sheriff to perform Activity 2 for FY 2002-03 through FY 2010-11. It did not claim costs related to this activity for FY 2011-12 and FY 2012-13.

The city based its time increments for FY 2002-03 through FY 2010-11 on a 2011 phone interview with an SBCSD Sergeant, who estimated the amount of time required to perform the mandated activities. The city also included a time log signed on October 9, 2011, by a Service Specialist for an unspecified activity that took place from March 9 through May 20, presumably in 2011, although the year is unspecified. The activity is described only as "PC 530.5," with time increments ranging from "2" to "4.5" and no indication whether those are minutes or hours.

For FY 2011-12 and FY 2012-13, an SBCSD Office Specialist estimated that staff members in the Office Specialist classification spent 15 minutes per case providing clerical support related to Activity 1a.1 – taking or editing a police report. In addition, the city conducted a time study in 2012 and provided two summary time logs containing time entries for 16 cases. The entries were dated from January 5, 2012, through August 21, 2012, and were completed by various employees performing Activity 1a.1 – taking or editing a police report and Activity 1a.2 – reviewing and approving a police report. An SBCSD Office Specialist signed and dated the summary time log for-Activity 1a.1 – taking or editing a police report, certifying the accuracy of the entries. An SBCSD Sergeant signed and dated the summary time log for Activity 1a.2 – reviewing and approving a police report, certifying the accuracy of the results.

However, the city did not provide any contemporaneously prepared documentation supporting the time log entries, such as the related police reports or information from the SBCSD's CAD system. In addition, the city did not provide a time study plan or any other information explaining

how it acquired and analyzed this data. Therefore, we could not determine whether the city based these time entries on actual time or on estimates.

Allowable Time Increments

The county's CAD system did not record time on Activity 1a.1, taking a police report on a violation of PC section 530.5; or on Activity 1a.2, reviewing and approving a police report. We interviewed various SBCSD employees, who provided testimonial evidence of the approximate time spent on reimbursable activities not recorded by the CAD system. We found that this information provided a reasonable representation of the time needed to perform these reimbursable activities.

For Activity 1a.1, we interviewed three Deputy Sheriffs, three Service Specialists, and one Sergeant about drafting and editing identity theft police reports taken by Officers. Based on these interviews, we determined that SBCSD staff members spent an average of 35 minutes drafting and editing identity theft police reports taken by SBCSD Deputies.

For Activity 1a.2, we interviewed three Detectives and three Sergeants about reviewing identity theft police reports. Based on these interviews, we determined that SBCSD staff members spent an average of 13 minutes reviewing police reports.

For Activity 2, the SBCSD's Rancho Cucamonga Patrol Station provided, at our request, copies of CAD reports for the same police reports that we sampled for FY 2010-11, FY 2011-12, and FY 2012-13. These reports provided time stamps detailing when an Officer arrived on scene and departed, and the time spent on the specific incident. The reports also identified the employee classification (Deputy Sheriff or Service Specialist) that performed the activity of beginning an investigation by interviewing the victim to determine where the crime occurred and what pieces of personal identifying information were used for an unlawful purpose. We used these contemporaneously prepared time reports as support for the time spent on beginning an investigation.

Based on our analysis, we determined the following time increments for each allowable police report that originated in the City of Rancho Cucamonga:

- 35 minutes (0.58 hours) for Deputy Sheriffs or Service Specialists to perform Activity 1a.1 – taking a police report on violations of PC section 530.5;
- 13 minutes (0.22 hours) for Sergeants to perform Activity 1a.2 – reviewing and approving a police report; and
- 44 minutes (0.73 hours) for Deputy Sheriffs or Service Specialists to begin an investigation (Activity 2) for FY 2002-03 through FY 2009-10, 38 minutes (0.63 hours) for FY 2010-11, 50 minutes (0.83 hours) for FY 2011-12, and 43 minutes (0.72 hours) for FY 2012-13.

The following table summarizes the time increments claimed and allowable for the reimbursable activities by fiscal year:

	Claimed Minutes				Allowable Minutes		
	Activity 1a.1	Activity 1a.1	Activity 1a.2	Activity 2	Activity 1a.1	Activity 1a.2	Activity 2
	Taking a Report	Clerical Support	Reviwing a Police Report	Beginning an Investigation	Taking a Police Report *	Reviwing a Police Report	Beginning an Investigation *
Fiscal Year	Deputy Sheriff	Office Specialist	Sergeant	Deputy Sheriff	Deputy Sheriff and Service Specialist	Sergeant	Deputy Sheriff and Service Specialist
2002-03	55	-	12	25	35	13	44
2003-04	55	-	12	25	35	13	44
2004-05	55	-	12	25	35	13	44
2005-06	55	-	12	25	35	13	44
2006-07	55	-	12	25	35	13	44
2007-08	55	-	12	25	35	13	44
2008-09	55	-	12	25	35	13	44
2009-10	55	-	12	25	35	13	44
2010-11	55	-	12	25	35	13	38
2011-12	74	15	16.5	-	35	13	50
2012-13	74	15	16.5	-	35	13	43

* As stated in the narrative, Deputy Sheriffs took police reports and began investygations for 74% of cases during FY 2002-03 through FY 2010-11, 75% for FY 2011-12, and 72% for FY 2012-13. Service Specialists took police reports for 26% of cases for FY 2002-03 through FY 2010-11, 25% for FY 2011-12, and 28% for FY 2012-13.

Claimed Job Classifications

As noted previously, the city claims for FY 2002-03 through FY 2010-11 included costs for Deputy Sheriffs to perform Activity 1a.1 – taking or editing a police report, for Sergeants to perform Activity 1a.2 – review and approve a police report, and for Deputy Sheriffs to perform Activity 2 – beginning an investigation. The city's claims for FY 2011-12 and FY 2012-13 only included costs for Deputy Sheriffs and Office Specialists to perform Activity 1a.1 and for Sergeants to perform Activity 1a.2. However, the city did not claim any costs for Activity 2 in its claims for FY 2011-12 and FY 2012-13.

Allowable Staff

In order to clarify which SBCSD staff members performed the mandated activities, we:

- Prepared a schedule of the police reports selected for testing;
- Reviewed the police reports for each case to determine the actual employee classification of the staff member who prepared each report; and
- Calculated the extent (percentage of involvement) that staff members in various employee classifications performed the mandated activities for the sampled identity theft cases.

Although the city claimed time for Deputy Sheriffs, Office Specialists, and Sergeants to perform the mandated activities, we found that Deputy Sheriffs and Sheriff Service Specialists prepared and edited police reports (actions included in Activity 1a.1) and began investigations (Activity 2). We also found that Sergeants reviewed and approved the

police reports (Activity 1a.2). We based this conclusion on our review of the copies of the uniform crime reports (police reports) that SBCSD's Rancho Cucamonga Patrol station provided for our sample selections of identity theft cases from FY 2010-11 through FY 2012-13. Using this information, we analyzed the extent to which staff members in these employee classifications performed the mandated activities and reached the following conclusions:

- Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 74% for FY 2002-03 through FY 2010-11, while Service Specialists averaged 26% performing these activities;
- For FY 2011-12, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 75%, while Service Specialists averaged 25% performing these activities;
- For FY 2012-13, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 72%, while Service Specialists averaged 28% performing these activities;
- Sergeants performed 100% of Activity 1a.2 for all years of the audit period; and
- We found no corroborating evidence that SBCSD Office Specialists provided clerical support for Activity 1a.1.

Contract Hourly Rates

The city's claims included copies of its annual contract that it negotiated with the SBCSD for each year of the audit period. Each contract specifies the level of service performed for the city, indicating the number of various employee classifications involved in the city's law enforcement (the *level of service*) and the county's cost for providing these employees. The county uses this contract to indicate the authorized SBCSD staffing level for each year of the audit period. However, none of the contracts identified the total annual hours per service level. As a result of recalculating contract hourly rates, we determined that the city used 1,800 annual productive hours, as specified in the SCO's *Mandated Cost Manual*, for all SBCSD employees.

We used this information to determine the contract hourly billing rates for various employee classifications by using the total contract cost for each employee classification divided by the number of personnel that the county provided. For example, the city's contract for FY 2012-13 indicates that 96.75 Deputy Sheriffs (including one Deputy Sheriff who provided law enforcement services for the city during nine months of FY 2012-13, or 75 percent of the fiscal year), and 12 Sergeants provided law enforcement for the city during the year.

The following table shows the contract hourly rate calculation for Deputy Sheriffs and Sergeants during FY 2012-13:

Employee Classification	Annual Cost	Level of Service	Cost per Employee	Productive Hours	Hourly Rate
Deputy Sheriff	$ 14,351,923	96.75	$ 148,340	1,800	$ 82.41
Sergeant	$ 2,250,050	12.00	$ 187,504	1,800	$ 104.17

The city used the same methodology to calculate hourly billing rates in all of its claims for the audit period.

The city's contracts with SBCSD also include additional employee classifications and items—such as vehicles, dispatch services, and equipment—that are part of the direct costs incurred to provide law enforcement for the city. However, the city explained during the audit that its contracts also include items that are clearly administrative in nature. During the audit, we discussed with city representatives the issue of recovering these administrative costs. The city believes that it should be able to prepare Indirect Cost Rate Proposals to recover these costs. However, OMB A-87 Office of Management and Budget guidance does not allow for the recovery of administrative costs using contract services as a base and classifying the administrative costs as indirect costs. The administrative costs included within the city's contracts for law enforcement services do not fit the definition of indirect costs.

The SCO's *Mandated Cost Manual* states that the costs of contract services are allowable. Costs for contract services can be claimed using an hourly billing rate. However, the manual does not provide specific guidance on how to calculate an hourly billing rate. Generally speaking, an hourly rate for a specific employee classification would be determined by dividing the contract cost for an individual employee by 1,800 annual productive hours. However, this approach does not allow claimants to recover any additional contract costs, such as administrative costs, that could be reimbursable. For additional guidance, we reviewed law enforcement service contracts for cities contracting with Los Angeles County. Having previously audited a number of these cities, we noted that the county's billing rates included the costs for various employee classifications. However, the total costs for those classifications included salaries and benefits plus an additional "liability percentage," which was added to the contract hourly rate at a specific percentage amount. It is our understanding that this liability percentage covers costs for administrative items, such as various forms of insurance and amounts for countywide cost allocation plans. We did not audit these billing rates.

However, San Bernardino County does not structure its contracts this way and, instead, includes administrative costs and indirect costs as separately billed line items in its contracts for law enforcement services. In order to be equitable with other California cities contracting for law enforcement services, we concluded that it was appropriate to allow the city to claim costs for line items included in San Bernardino County's contracts that are clearly administrative in nature.

We calculated an administrative cost percentage for each fiscal year of the audit period based on the city's Law Enforcement Services Contract. To calculate the percentage, we divided the cost of the following line items by the total contract cost:

- Administrative support
- Office automation
- Vehicle insurance
- Personnel liability and bonding

- TRU – Telephone Reporting Unit (FY 2002-03 through FY 2004-05)
- County-wide Cost Allocation Plan (COWCAP) – Administrative and Indirect Costs
- Board approved COWCAP subsidy (one-time for FY 2012-13 only)
- Startup costs (FY 2002-03 through FY 2009-10)

The following table shows the allowable administrative cost percentage for each fiscal year during the audit period:

Fiscal Year	Administrative Cost Rate
2002-03	9.45%
2003-04	6.18%
2004-05	5.18%
2005-06	4.56%
2006-07	4.86%
2007-08	5.51%
2008-09	5.39%
2009-10	8.19%
2010-11	5.33%
2011-12	5.42%
2012-13	6.14%

As mentioned previously, we added all of the items within each contract that we determined to be administrative in nature (based on the descriptions provided in the contracts) and then divided the total by each year's total contract cost to determine the extent that administrative costs were represented in each year's contract. The following table shows this calculation for FY 2012-13:

Cost Category	Contract Amount
Administrative support	$ 124,976
Office automation	65,223
Vehicle insurance	110,792
Personnel liability & bonding	407,133
Countywide administrative cost plan (COWCAP)	1,270,734
Board approved COWCAP subsidy	(254,147)
Startup costs	6,987
Total administrative costs	$ 1,731,698
Divided by total contract amount	28,209,685
Administrative cost percentage	6.14%

Therefore, claimed hourly rates for Deputy Sheriffs and Sergeants for FY 2012-13 increased as follows:

Employee Classification	Hourly Rate	Administrative Percentage	Revised Rate
Deputy Sheriff	$ 82.41	6.14%	$ 87.47
Sergeant	$ 104.17	6.14%	$ 110.57

The following table summarizes the claimed and allowable contract hourly billing rates for Deputy Sheriffs during the audit period, and the difference between those rates:

Fiscal Year	Deputy Sheriff Claimed Hourly Rate	Deputy Sheriff Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 47.72	$ 47.72	$ -	9.45%	$ 52.10	$ 4.38
2003-04	47.72	51.14	3.42	6.18%	54.30	6.58
2004-05	58.57	56.97	(1.60)	5.18%	59.92	1.35
2005-06	60.28	60.28	-	4.56%	63.03	2.75
2006-07	66.65	66.65	-	4.86%	69.89	3.24
2007-08	70.31	70.30	(0.01)	5.51%	74.17	3.86
2008-09	71.31	71.31	-	5.39%	75.15	3.84
2009-10	69.60	69.60	-	8.19%	75.30	5.70
2010-11	69.60	75.03	5.43	5.33%	79.03	9.43
2011-12	78.98	78.98	-	5.42%	83.26	4.28
2012-13	82.41	82.43	0.02	6.14%	87.49	5.08

The following table summarizes the claimed and allowable contract hourly billing rates for Service Specialists during the audit period, and the difference between those rates:

Fiscal Year	Service Specialists Claimed Hourly Rate	Service Specialists Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ -	$ 25.81	$ 25.81	9.45%	$ 28.25	$ 2.44
2003-04	-	28.25	28.25	6.18%	30.00	1.75
2004-05	-	32.42	32.42	5.18%	34.10	1.68
2005-06	-	33.13	33.13	4.56%	34.64	1.51
2006-07	-	34.80	34.80	4.86%	36.49	1.69
2007-08	-	36.12	36.12	5.51%	38.11	1.99
2008-09	-	35.18	35.18	5.39%	37.08	1.90
2009-10	-	34.87	34.87	8.19%	37.73	2.86
2010-11	-	35.74	35.74	5.33%	37.64	1.90
2011-12	-	37.16	37.16	5.42%	39.17	2.01
2012-13	-	38.34	38.34	6.14%	40.69	2.35

The following table summarizes the claimed and allowable contract hourly billing rates for Sergeants during the audit period, and the difference between those rates:

Fiscal Year	Sergeant Claimed Hourly Rate	Sergeant Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 59.50	$ 59.50	$ -	9.45%	$ 63.18	$ 3.68
2003-04	59.50	63.52	4.02	6.18%	67.45	7.95
2004-05	72.80	70.77	(2.03)	5.18%	74.44	1.64
2005-06	78.31	78.31	-	4.56%	81.88	3.57
2006-07	83.83	83.83	-	4.86%	87.90	4.07
2007-08	89.50	89.52	0.02	5.51%	94.45	4.95
2008-09	91.35	91.35	-	5.39%	96.27	4.92
2009-10	89.44	89.44	-	8.19%	96.77	7.33
2010-11	89.44	96.99	7.55	5.33%	102.16	12.72
2011-12	101.63	101.63	-	5.42%	107.14	5.51
2012-13	104.17	104.17	-	6.14%	110.57	6.40

For the audit period, we calculated allowable contract services costs based on the audited counts of PC section 530.5 identity theft reports, audited time increments, audited contract hourly billing rates, and the additional allowable percentage to allow for administrative costs.

The following table shows the calculation of allowable contract services costs for FY 2012-13:

Employee Classification	Contract PHR [a]	Number of cases [b]	Minutes [c]	Hours [d=(b*g)/60]	Activity % [e]	Allowable costs [f=a*i*k]
Prepare a report:						
Deputy Sheriff	$ 87.49	304	35	177.33	72.0%	11,171
Service Specialist	40.69	304	35	177.33	28.0%	2,020
Total, prepare a report						$ 13,191
Review a report:						
Sergeant	110.57	304	13	65.87	100.0%	7,283
Total, review a report						$ 7,283
Begin an investigation:						
Deputy Sheriff	$ 87.49	304	43	217.87	72.0%	13,724
Service Specialist	40.69	304	43	217.87	28.0%	2,482
Total, begin an investigation						$ 16,206
Total allowable contract services costs						$ 36,681

We performed similar calculations of allowable contract services costs for all the other fiscal years of the audit period.

Indirect Costs

For the audit period, the city included copies of its Indirect Cost Rate Proposals with its mandated cost claims. The city claimed related indirect costs totaling $223,707 for the audit period, based on $276,393 in claimed salaries. We found that the entire amount is unallowable, because no city staff member performed any of the reimbursable activities under this program during the audit period. Instead, the city contracted with the county to have the SBCSD perform all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs or related indirect costs.

Furthermore, none of the costs that the city incurred for law enforcement services provided by the SBCSD were indirect costs. The parameters and guidelines (Section V.B., "Indirect Cost Rates") provide that indirect costs are "incurred for a common or joint purpose, benefiting more than one program, and . . . not directly assignable to a particular department or program." In this instance, there is only one program (law enforcement services provided by a contractor) and there are no city departments.

The following table summarizes the claimed, allowable, and audit adjustment amounts for indirect costs by fiscal year:

			(A)	(B)	(C)=(B)-(A)
	Claimed			Indirect	
Fiscal Year	Salaries Claimed	Indirect Cost Rate	Indirect Costs [1]	Costs Allowable	Audit Adjustment
2002-03	$ 27,943	94.00%	$ 26,267	$ -	$ (26,267)
2003-04	28,321	87.70%	24,838	-	(24,838)
2004-05	36,781	80.20%	29,499	-	(29,499)
2005-06	38,796	81.30%	31,542	-	(31,542)
2006-07	24,508	78.80%	19,312	-	(19,312)
2007-08	16,077	79.10%	12,718	-	(12,718)
2008-09	11,675	79.50%	9,282	-	(9,282)
2009-10	13,283	81.20%	10,786	-	(10,786)
2010-11	17,158	74.00%	12,697	-	(12,697)
2011-12	21,912	74.00%	16,214	-	(16,214)
2012-13	39,938	76.50%	30,552	-	(30,552)
Total	$ 276,392		$ 223,707	$ -	$ (223,707)

[1] Differences in Indirect Costs column are due to rounding.

Criteria

Section III, "Period of Reimbursement," of the parameters and guidelines states, "Actual costs for one fiscal year shall be included in each claim."

Section IV, "Reimbursable Activities," of the parameters and guidelines begins:

> To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or

near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

Section IV continues:

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:
   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
   b) Reviewing the identity theft report completed on-line by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program.

Section V.A.1, "Salaries and Benefits," of the parameters and guidelines states:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to these activities.

Section V.B, "Indirect Cost Rates," of the parameters and guidelines states, in part:

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 [Title 2, Code of Federal Regulations] Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe

benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10%.

The SCO's *Mandated Cost Manual* ("Filing a Claim," part 7.3, "Contract Services"), dated July 1, 2013, states:

> 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 keep documentation on hand to support 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 must not exceed the rate specified in the P's & G's for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed. **A copy of the contract must be included with the submitted claim**.

Recommendation

The California State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2022-23 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and the SCO's *Mandated Cost Manual* when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

City's Response

> The City of Rancho Cucamonga's disagreement with the DAR [Draft Audit Report] findings lies in the denial of various necessary costs within our contract with the San Bernardino County Sheriff's Department, including cost for our administrative command staff (our Police Chief and departmental supervisory staff), cost for our patrol cars and other vehicles, cost for our clerical staff, and cost for our city's share of dispatch support costs billed by the County.
>
> As you know State mandate law and procedures were created to satisfy the requirements of Article XIII B of the California Constitution which state that, "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."
>
> Government Code (GC) sections 17500 through 17617 provide for the reimbursement of costs incurred by local agencies for costs mandated by the State. Parameters and Guidelines (Ps and Gs) and Claiming Instructions assure that **all** actual costs – both direct **and indirect** related to the performance of the mandate be reimbursed to local agencies.
>
> It is clear that this audit did not result in a fair reimbursement of those necessary costs as all that the State Controller's Office (SCO) staff recommends for reimbursement is the direct costs of Deputies and

Sergeants working specifically/directly on mandated activities (salaries and benefits) plus an average of a 6% "Administrative Allocation Rate."

We were told the Indirect Cost Rate Proposal (ICRP) or overhead rate cannot be used because SCO audit staff contends that indirect costs are not eligible for reimbursement in our situation. Our situation being that we are a city that contracts for law enforcement services and that our service provider, San Bernardino County Sheriff's Department (SBCSD), charges us for overhead costs on a detailed basis within our contract; thus, making it impossible according to SCO audit staff, for us to use the existing Indirect Cost Rate Proposal (ICRP) methodology prescribed in claiming instructions, claiming manuals and the Federal CFR/OMB guidelines to compute an overhead rate as other local agencies can.

SCO staff stated in the audit that they were sympathetic to our plight of not being able to recover any overhead costs, so they created a new methodology they named the "Administrative Cost Rate" (we'll refer to this new type of rate as the "ACR") to allow the recovery of some costs that they could identify as "clearly administrative" in nature. Thus, instead of allowing us the overhead rates that would have been allowed under existing Ps and Gs and Claiming Instructions which averaged about 70%, we were granted the "ACR" rate that averaged about 6%.

The primary activity that this State mandate program requires is that law enforcement personnel take an Identity Theft Report and begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

We agreed that this activity was performed by the Deputy Sheriff positions we pay for through our contract with the San Bernardino County Sheriff's Department (SBCSD). The City has no in-house Police Department other than the one it has purchased through its contract with the SBCSD. This contract includes all direct sworn staff, indirect support and administrative personnel, and overhead costs – such as vehicle expenses, and other costs associated with operating a police department. Schedule A of our contract lists all costs charged in detail by type of cost - similar to how a full- service city would account for these costs in an expenditure report.

SCO audit staff determined that the direct costs incurred through our contract -- the salary and benefits costs of the Deputies we purchase though our contract for service with the San Bernardino County Sheriff's Department (SBCSD) positions -- were eligible for reimbursement, however, not the vast majority of other necessary overhead costs billed within that contract. For example:

The mandate requires that our Deputy drive to the scene to take a report from the victim – yet SCO audit findings include no reimbursement of costs for the actual vehicles, fuel, and maintenance. A Deputy needs a vehicle to perform their law enforcement duties. Our Deputy would not be able to perform the mandate as they typically drive to the victim's location to take their Identity Theft Reports. This is a reasonable and necessary cost to perform the mandate, yet the DAR findings only allow costs for vehicle insurance but omit the cost of the vehicles themselves.

The mandate requires that our communications/dispatch staff transmit information about the call for service to the Deputy so that they are aware

of what the nature of the call is and where the victim is located. Yet SCO staff reimbursement allows for no dispatch/communications staff to take the phone calls from the public and relay the request for service to the sworn Deputies who perform the direct law mandated enforcement duties.

The mandate requires that the Identity Theft report be typed, entered, and maintained in our records and computer system – yet there is no allotment of costs to reimburse us for the clerical personnel to do this activity that is required as a result of this mandate.

The mandate requires employment of sworn personnel to perform this activity. In order for an agency to provide sworn staff, it must supervise them and provide administrative support; yet no departmental support costs such as our departmental command staff costs were allowed (including our Captain, who functions as our Department's Police Chief, his Lieutenant or second-in-command, or administrative time of Sergeants who are the first line supervisors).

It is clear that the Audit Report Findings are not reasonable, nor would they satisfy the intent of the State or Federal laws and guidelines. No reasonable person would agree that a Deputy could perform their law enforcement duties or perform the mandated activities without a vehicle, administrative/command staff support, or clerical and dispatch service support.

City staff and our consultant have spent many hours and numerous correspondences back and forth trying to resolve this issue. However, to avoid this correspondence from becoming overly lengthy or repetitive, we will only touch on a few main points in this response, and will include our past communications as an attachment to our future Incorrect Reduction Claim (IRC) to serve as back up and to provide greater detail to the Commission on State Mandates (Commission) when they review this matter.

CLARITY, DISCLOSURE, AND TRANSPARENCY IS NEEDED FROM THE SCO AND CLAIMING INSTRUCTIONS TO EXPLAIN WHICH ENTITY IS ELIGIBLE TO CLAIM WHAT REIMBURSABLE COST

[The Audit Manager's] May 12, 2023 email attempts to explain to us why the indirect costs/ICRP costs we incurred are not eligible for reimbursement: "Those [our contract] salary and benefit costs belong solely to San Bernardino County, not the City of Rancho Cucamonga." And "Just because the county incurs indirect costs and bills the city for them does not mean that these are also indirect costs incurred by Rancho Cucamonga."

It appears that the crux of the argument to deny our city (and if audit precedent applies, all contract cities) law enforcement overhead costs is because SCO staff believes that technically the contracting entity (in this case San Bernardino County Sheriff's Department or SBCSD) whose employees perform the administrative and support tasks paid for in our contract [in our case the Captains, Lieutenants, Sergeants, Office Specialists, Secretaries, etc.] and support costs [such as vehicles, walkie-talkies, dispatch center charges, etc.] don't "belong" to us (the city who contracts for and pays for them) -- but to the agency that "provides" those personnel and services.

It was our understanding (and common accounting practice), that if you bought and paid for something (if you "incurred" that cost), then that cost/product becomes "yours", and that the agency "incurring" the costs should be the one to claim for State Reimbursement since you were the agency that ultimately "lost" that money from your budget to pay for the State Mandate program.

Since both direct and indirect costs are all a part of the same contract with SBCSD then it would stand to reason that both types of costs would be treated consistently – either the city is eligible to claim and receive reimbursement for both – or neither.

However, Page 24 of the Draft Audit Report states, "**We found that the entire amount [of indirect costs claimed] is unallowable <u>because no city staff member performed any of the reimbursable activities</u>…"**

How can this logic hold: that indirect costs are somehow not allowable "because no city staff member performed any of the reimbursable activities", when the opposite conclusion was arrived at regarding direct costs and activities. SCO Audit allows reimbursement for the direct contract staff performed by SBCSD Deputies and Sergeants, even though those positions are also not "city staff members" and their costs are charged and incurred through the same exact contract.

When the city requested clarification, [The Audit Manager's] May 12, 2023 email response explains, **"the city did not incur any indirect overhead costs within its contract with San Bernardino County"**. Then he goes on to say, seemingly contradicting himself, **"[j]ust because the county incurs indirect costs and bills the city for them doesn't mean that these are also indirect costs incurred by Rancho Cucamonga**."

How does this make sense? SCO staff agrees that the costs are indirect when they "belonged" to the County; but if the county who incurs those indirect costs, bills the city for them, then they are no longer indirect costs or costs "incurred" by the city?

If contract cities do not "incur" indirect costs and cannot claim indirect costs billed within their contracts – does this mean that the counties that provide/incur those cost are eligible for the reimbursement of those costs? In this case, would SBCSD receive reimbursement for those costs?

Prior State Controller audits have found this is not the case. The following is a quote from page 19 of the SCO's June 2022 audit of San Bernardino County's Interagency Child Abuse and Neglect Investigation Reports (ICAN)):

> "…we [SCO] found that the county included costs for providing services to contract cities as part of its mandated cost claims for all activities. The parameters and guidelines state that any county, city, or city and county is eligible to submit a mandate reimbursement claim. Therefore, all counties and cities—including contract cities—are eligible to submit mandate reimbursement claims. Because contract cities are eligible to submit reimbursement claims, and the county received fees for law enforcement services from its contract cities, we determined that the county should only claim costs associated with the unincorporated areas of the county. We determined

> that the costs incurred by contract cities are unallowable because the county had already been compensated by contract fees. The county did not report offsetting reimbursements for the contract city cases in its mandated cost claims. Therefore, we found that the county overstated these claimed costs because it did not offset costs that were funded by other sources."

This audit is not unique. There are numerous other audits of county law enforcement claims where the SCO comes to the same conclusion: that the contracting entity - the city, not the county -- is eligible to request or receive reimbursement of mandated costs because those costs are incurred/paid for by the contracting cities. A sampling of other similar audits includes San Bernardino County April 2022, Identity Theft Program, Los Angeles County September 2019, Crime Statists Reports for the Department of Justice Program, and Los Angeles County November 2019, Domestic Violence Arrest Policies and Standards Program.

So, which is it? Who is entitled to claim the costs –the city that pays for the service, or the county that provides the service? Based on this audit analysis, neither the contract city nor the county would be able to obtain reimbursement of indirect costs charged to cities.

State instructions say indirect costs that are incurred by the agency incurring the direct costs are to submit the claims for reimbursement. The SCO requirement that "a city staff member perform reimbursable activities" in order to obtain reimbursement of both direct and indirect costs is contrary to the plain language of the Ps & Gs and would mean that no contract city would be able to obtain reimbursement for mandate overhead costs.

Since counties did not receive any State Mandate reimbursement for indirect costs that were paid for via city contracts and now this Audit indicates that contracting cities cannot claim for the indirect costs, this creates a loophole where only the State gains unfairly by not having to pay either party for those State Mandated costs. Claimants deserve clear, written guidelines/instructions provided to them prior to claim preparation and submission, and consistent treatment/interpretation of those rules. The State Controller's Office cannot use different metrics and methodologies from audit to audit.

DID THESE ISSUES ARISE DUE TO A DEFICIENCY IN STATE CLAIMING FORMS?

Early in this audit in August of 2022, SCO auditor, [name redacted], issued her first set of findings which stated that indirect costs could not be claimed because the Claiming Instructions "Form 1" and "Form 2" precluded reimbursement of indirect costs because those forms "differentiate contract services" from salaries or (direct labor) for purposes of calculating indirect costs."

Our responds to this was if the SCO didn't like the way forms looked or how costs were displayed or presented on those forms, that they had the authority to format the forms to their liking. However, having an issue with form format or how costs should be presented/displayed was not a legitimate reason for the SCO to ignore the underlying principles and direction of the Parameters and Guidelines and Claiming Instructions and deny reimbursement of eligible costs.

SCO audit report on page 20 notes that "The SCO's Mandated Cost Manual states that costs of contract services are allowable. Costs for contract services can be claimed using an hourly billing rate." However, the Manual does not provide specific guidelines on how to calculate an hourly billing rate.

The issue in this audit was not how direct salary costs were computed. The City of Rancho Cucamonga used the prescribed method allowed in instructions by dividing total salaries and benefits by 1,800 annual productive hours – which the SCO auditor agreed was appropriate.

The issue was how the indirect cost component should be calculated.

[The Audit Manager] informed us in his January 5th email that "[o]ur position has always been that using the A-87 methodology contained in Subpart E to claim administrative costs using contract services as a base is a non-starter for our office." And in the May 13th email, "Indirect costs cannot be claimed against contract services."

Our consultant provided him with evidence that this was not the case citing the 2017 City of San Marcos Crime Statistics Reporting Audit.

In the City of San Marcos audit (which contracts with the San Diego Sheriff's Office (SDSO) for law enforcement services, the following indirect costs were allowed (See City of San Marcos 2017 – Crime Statistics Reporting Audit Report on page 23). State Controller's Office auditors recognized there were additional indirect/overhead costs and those costs were allowed as valid overhead charges. Below is an extract from the Audit Report on page 23 that addressed the Contract Indirect Costs:

> "Contract Indirect Costs
>
> We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided schedules and identified supplemental contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing **total contract overhead costs**, station support staff costs, and Sergeant Admin position costs**, by the contracted labor costs** identified in the contract supplemental schedules."
>
> In the allowable ICRP/ **"contract overhead costs",** the audit permitted:
>
> 1) proration of support/admin costs including Station Level Staff Support including: Captain, Admin Secretary, Lieutenant, Sergeants, Volunteer Coordinator, Senior Clerk, Department Aide, Receptionist, Intermediate Clerk.
>
> 3) Law Enforcement Support including Station Detectives, Communication Center (Central Dispatch support), Crime Prevention, Juvenile Intervention, Regional Services
>
> 4) Services and Supplies Costs
>
> 5) Support Costs including Vehicles, Facilities/Space, County Management Support (Admin, Fiscal, Data Services, Personnel & Other)
>
> 6) Liability (charged separately)

The items we included in our ICRP are all similar, if not identical items: Administrative support, such as Captains, Lieutenants, and Sergeants; Clerical support; Vehicles; and Communication Center (Central Dispatch Services, etc.) but in our case they were NOT allowed as indirect costs.

In addition, in the case of San Marcos' Audit, the prescribed ICRP format/computational methodology was employed; using contract salaries and benefits as the denominator for determining the overhead rate, and not total contract costs as the SCO uses in their new "ACR" methodology rate computation.

Please explain why Rancho Cucamonga is being treated differently and why the interpretations and methodologies are different for two similar contract cities.

EXISTING PARAMETERS AND GUIDELINES AND CLAIMING INSTRUCTIONS PERMIT CITIES THAT CONTRACT FOR LAW ENFORCEMENT SERVICES TO OBTAIN REIMBURSEMENT FOR THEIR FULL INDIRECT COSTS AS DEFINED UNDER FEDERAL CFR/OMB STANDARDS.

Existing claiming instructions and claiming manuals under Contract Services state that "all costs charged" can be claimed.

Identity Theft Claiming Instructions

Section V. A. 3. Contracted Services:

> "Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities **and all costs charged**. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services."

The Claiming Manual adds that the claimant should provide: "… the mandated activities performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost."

The City complied with these instructions and provided a copy of the contract and detailed costs related to the reimbursable activities, time studies to show number of hours spent performing the mandate, the hourly billing rates – including how direct and indirect/overhead costs were computed. We accounted for all costs charged. Total costs include the necessary overhead [vehicles, dispatch support, command staff, clerical staff, etc.] to perform the mandated activities.

There is nothing in the Ps and Gs, Claiming Instructions, or the Claiming Manual that would suggest that the Commission intended that cities that contract for law enforcement would not be eligible for indirect costs or that contract cities would have to use a different set of rules or standards to compute allowable indirect costs. We see nothing that would indicate that Federal CFR/OMB guidelines would not apply.

USE OF A NEW METHODOLOGY TO COMPUTE OVERHEAD/ICRP COSTS IS NOT SUPPORTED BY CLAIMING INSTRUCTIONS, PARAMETERS AND GUIDELINES, OR THE CLAIMING MANUAL

In our correspondence, SCO staff provided many reasons why our Indirect Cost Rate Proposals (ICRPs) – rates derived using the exact format and guidelines prescribed by the Claiming Manual, Parameters and Guidelines, and in compliance with Federal CRF Guidelines - could not be used and instead why audit staff had to create and apply a new alternate methodology and format to compute indirect costs, which you have entitled: "The Allowable Administrative Percentage" or the "Administrative Cost Rate" (see page 21 of SCO Draft Audit Report).

One of the issues with this "new methodology" is that it does not allow for the inclusion of all the costs that would have been allowable under existing claiming instructions and Federal CFR/OMB Guidelines. Cost such as vehicle usage costs, command staff administrative costs, secretarial support, etc. [The Audit Manager] tried to explain why CFR/OMB Guidelines do not apply, but his explanations do not seem to be grounded in established written guidelines. Denying that existing written rules apply and then creating and applying new, unwritten methodologies without any prior notice or explanation in fact creates new rules that have not been vetted by the Commission and other interested parties.

Page 20 of the Audit narrative explains that this new methodology developed by the SCO's staff, the "Administrative Cost Percentage," was calculated by…dividing the costs of the following items "Administrative Support, Office Automation, Services and Supplies, Vehicle Insurance, Personnel Liability and Bonding, Telephone Reporting Unit, County Administrative Cost (COWCAP), COWCAP subsidy, and Start-up Costs" by the total contract cost.

Claiming Instructions pages 4-5 and the Claiming Manual on pages 11-12 states:

A. Indirect Cost Rate Proposal Method

> **If a local agency elects not to utilize the 10% fixed rate method but wants to claim indirect costs, it must prepare an ICRP for the program. The proposal must follow the provisions of the OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al.**, formerly OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments. The development of the indirect cost rate proposal requires that the indirect cost pool include only those costs which are incurred for a common or joint purpose that benefit more than one cost objective. The indirect cost pool may include only costs that can be shown to provide benefits to the program. In addition, total allocable indirect costs may include only costs that cannot be directly charged to an identifiable cost center (i.e., program).
>
> **A method for preparing a departmental indirect cost rate proposal for programs is presented as Table 6. Only this format is acceptable under the SCO reimbursement requirements.** If more than one department is involved in the reimbursement program,

> each department must have its own indirect cost rate proposal for the program.

We followed these rules and guidelines in preparing overhead/ICRP rates, and find no language in the Claiming Manual, the Claiming Instructions, Parameters and Guidelines, or Federal CFR Guidelines to describe or support SCO staff's alternate and newly created "Administrative Cost Percentage" method of computing overhead costs. There is no distinction made in the instructions or alternate methodology described for cities that contract for law enforcement services.

There is no reason why the existing instructions and ICRP format presented in Table 6 of the Claiming Manual cannot be used and that would necessitate the creation of an alternate indirect cost rate methodology (as we have demonstrated by preparing and submitted ICRPs in the required format with our claims – and numerous other contract city claims - over the last twenty years with no issue). Our law enforcement contract with SBCSD (See Schedule A) clearly lists and segregates all direct and indirect costs in a level of detail which is similar to how a full-service city's Actual Expenditure Report is organized and how the example in Table 6 is presented.

This new approach proposed by staff is flawed in a number of aspects. First, and most importantly, it is not described in any manual or instructions provided to us at the time of filing of these claims. How is a local agency expected to be able to compute allowable overhead costs correctly and in a consistent, uniform manner if those methods and guidelines are not described or provided in advance in any documents or manuals? Why are there different rules of eligibility for determining indirect costs for contract cities?

Creating a new procedure and methodology, after the fact, without any notice to local agencies or review by the Commission on State Mandates violates Due Process guidelines and has not been properly vetted through the State's required procedures. In addition, by creating a new methodology just for agencies that contract for Law Enforcement Services and saying they are not entitled to use the same, existing Instructions and Parameters and Guidelines constitutes "Underground Rule Making". We request that you comply with written Claiming Instructions and Guidelines and use the same ICRP methodology prescribed in the existing Parameters and Guidelines and the Federal CFR/OMB standards to audit our claims' overhead rates.

Secondly, SCO's new "Allowable Administrative Cost Percentage" or "Administrative Cost Rate" methodology which uses <u>total contract services costs</u> as the denominator instead of salaries and wages, is flawed because it does NOT exclude capital expenditures (see all the equipment usage charges in our contract) and other distorting items such as pass-through funds (See Countywide Cost Allocation or COWCAP costs in the contract).

The Claiming Manual states:

> "The distributions base may be: (1) total direct costs (<u>excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc</u>.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

Claiming Manual, Section 8. Indirect Costs (Example)

" f) Distribution base for the computation of the indirect cost rate is total salaries and wages.

$$ICRP = \frac{\text{Allowable Indirect Costs}}{\text{Total Salaries and Wages}} = \frac{\$300,000}{\$1,000,000} = 30.00\%$$

The contract with SBCSD itemized salaries and benefits separately, so there is no reason why this could not have been used as the base for distributing indirect costs as is required in the Claiming Instructions.

The "administrative cost rate" methodology proposed appears to contradict SCO Audit's own statements on page 20 which says, "OMB-A-87… does not allow for the recovery of administrative costs using contract services as a base". Yet it appears that is exactly what SCO staff's newly created "ACR" "rate" does. Page 21 of the Audit report states, "…we divided the cost of the following line items…[administrative support, office automation, etc.] that we identified as being "clearly administrative" by the "total contract amount".

We thought using total contract costs as a base not allowed. Our rate was prepared using total actual salaries and benefits, as specified in the instructions.

FY 2012-13 Rate Comparison

City computed ICRP =	$12,167,160 = Total Allowable Indirect Costs = 76.5% $15,907,114 **Total Direct Salaries & Benefits**
SCO computed "ACR" =	$1,731,698, = Total "Allowable Admin. Costs" = 6.1% $28,209,685 **TOTAL CONTRACT SERVICE AMOUNT**

SCO JUSTIFICATION FOR DENYING INDIRECT COSTS ARE FLAWED

We agree with SCO staff's statement that there are clearly administrative costs in the contract, but why didn't you include our administrative command and clerical staff, who are clearly administrative and clerical, in SCO's version of the ICRP or their "Administrative Cost Rate"?

2 CFR Ch. II Part 200 Appendix IV:

(4) General administration and general expenses. The expenses under this heading are those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization. This category must also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation, and interest costs. Examples of this category include central offices, such as the director's office, the office of finance, business

services, budget and planning, personnel, safety and risk management, general counsel, management information systems, and library costs.

2 CFR Ch. II

"The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity."

Command/administrative staff. Can you please explain why none of our command staff costs, including our Captain, who is our city's Police Chief; the Lieutenants who oversee administration and operations of the entire unit; and our Sergeants, who are the first line supervisors of the Deputies; were not included in SCO overhead rate computations? These staff perform the "executive and administrative" functions of the department.

Every Deputy requires command staff oversight – supervisors must perform annual reviews of employee performance, deal with disciplinary issues, decide on pay increases, schedule time off and ensure there is always adequate coverage and staffing, perform department budgeting functions, schedule training, offer guidance and support on difficult cases, etc. In prior correspondence we provided copies of the job descriptions for these positions so you can confirm that their duties are indeed administrative and necessary support to the entire department. (https://www.governmentjobs.com/careers/sanbernardino/promotionaljobs)

1) Captain – serves as our department Police Chief. The job description for this position (attached) states under "Distinguishing Characteristics: Sheriff's Captain is characterized by the administrative responsibility for an assigned major division, facility or station."

2) Lieutenant - is also an administrative position, whose job description states, "Positions in this class are characterized by their status as second in command with authority to assume full administrative and supervisory responsibilities during the absence of the commanding officer."

3) Sergeants - "The class of Sheriff's Sergeant represents the first full level of supervision."

Clerical staff all are costs incurred for a common or joint purpose (supporting the entire department and law enforcement staff), and they provide necessary administrative, supervisory and clerical support that is necessary to operate a police department. They provide benefits to more than one cost objective, benefit the program, and cannot be directly charged to an identifiable cost center (i.e., program). Secretaries and dispatchers don't provide direct law enforcement service. **2 CFR Ch. II §200.414 (c**) specifically identifies clerical staff as an administrative cost: The salaries of administrative and **clerical staff** should normally be treated as indirect (F&A) costs."

OMB/CFR guidelines also specify that clerical staff are a part of the administrative function. Thus, our Secretaries, Office Specialists, and Supervising Office Specialists should have also been included in the

SCO computation as they provide necessary clerical support to the department. Please explain the rational for excluding these necessary clerical staff both directly and indirectly from our claims.

How are these positions not administrative? Except for a portion of the Sergeant positions (who review and approve Identity Theft reports directly), these individuals are not providing direct law enforcement services, but supporting and administering the department. These positions oversee not just one program, but the entire law enforcement department and all staff. This is no different from the function of command staff in a full-service (non-contracting city) which the SCO office has routinely allowed to be included in the computation of their overhead rates. These same positions were allowed by the SCO in the SBCSD's audited Identity Theft claims overhead ICRP rates.

We previously provided SCO staff with the full job descriptions for these positions to support our contention that these are administrative positions that support the entire department (and not just one program) and are necessary administrative support to the entire department. Your staff declined numerous offers to schedule a meeting with county command staff to answer any questions your staff may have about these positions' duties so they could feel confident that these positions do indeed perform eligible administrative functions that support the entire department.

Below we have provided the citation from Federal 2 CFR Part 225 Guideline that supports allowability of the indirect costs the City of Rancho Cucamonga incurred through our contract with SBCSD – not just the eight items SCO staff included in their "ACR" rate:

Contract Cost Items NOT Included by SCO as allowable Indirect cost	**Federal CFR Citation supporting the <u>allowability</u> of the cost**
Captain, Lieutenant, Sergeants	**2 CFR Ch. II §200.414 (c**) "The salaries of **<u>administrative</u>** and clerical staff should normally be treated as indirect (F&A) costs." **2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity.
Office Specialists & Secretaries	**2 CFR Ch. II §200.414 (c**) "The salaries of administrative and **<u>clerical staff</u>** should normally be treated as indirect (F&A) costs." (See additional narrative above)
Dispatch Support	**Appendix B to Part 225—Selected Items of Cost** 7. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable. [the County charges a share of the dispatch/communications division costs with contracting cities] **Also see above- 2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs.
Vehicle Usage Charges: Marked units, Unmarked Units, Marked Citizen Patrol Sedan, Pickup Trucks, & Motorcycles Also, Handheld Talkies (HTs), Radar Units, Tasers	**Multiple Sections of OMB/CFR Guidelines address eligibility of equipment charges and usage:** **Appendix B to Part 225—Selected Items of Cost** 11. Depreciation and use allowances. a) use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.) 15. *Equipment and other capital expenditures.* (2)"Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or $5000. 43. *Travel costs.* a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred,

OTHER ALLOWABLE AND NECESSARY SUPPORT COSTS PURSUANT TO CFR / OMB

2 CFR §200.403 Factors affecting allowability of costs.

> Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:
>
> Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles

CFR Guidelines do not limit indirect costs to only "administrative" items. The language is written broadly to take various programs into account. For example, if a "program" requires waste pick up and disposal (like in the Los Angeles County Municipal Storm Water Claim), then in addition to the direct costs of staff who do the waste pickups, the departmental support and equipment usage (garbage truck usage costs), would be considered necessary and reasonable and allowable in the overhead rate.

Similarly, in a mandate that requires "law enforcement" services – then the departmental costs that are needed to ensure a Deputy can provide law enforcement services are eligible for inclusion in the overhead rate. Those eligible overhead costs include:

Necessary Support Costs

Without vehicles, radios, and dispatch services the Deputies could not provide law enforcement services. They could not receive any calls for service or communicate with either the public or with the department command staff; they could not drive to the scene of any call for service; and there would be no clerical support to process, store, and access any of the police reports (including these mandated Identity Theft Reports) and records as required by law. No law enforcement agency could function without these support functions.

SCO ACTIONS TO DENY APPLICABILITY OF OMB/CFR GUIDELINES AND ESTABLISH NEW CLAIMING METHODOLOGIES (Administrative Cost Rates in lieu of Indirect Cost Rates) CONSTITUTES UNDERGROUND RULE MAKING.

If it is the SCO's position that in order for a contracting city to be able to obtain full reimbursement of all direct and indirect overhead costs, a County Sheriff's Department MUST show a billable rate that includes all overhead in its direct staff's (Deputy Rate) cost – then shouldn't that be stated very clearly somewhere in the instructions? It would be very easy for the SBCSD to alter their format and show all charged costs in the direct staff/Deputy Rate, similar to how Los Angeles County does. Since SCO staff interpretation makes a very material difference in reimbursement amounts – this should have been very explicitly stated in the claiming manuals and instructions. By having our costs presented by San Bernardino County individually vs. aggregately, as Los Angeles County did, we stand to be denied over $200,000 in indirect costs which would have been eligible if we were allowed to use existing claiming instructions and OMB/CFR guidelines.

Local agencies which contract for law enforcement services have been claiming overhead costs computed based on OMB/CFR standards for over 25 years now with no issue, but suddenly this has become a new

avenue for SCO staff to think it is a legitimate way of cutting State costs. SCO appears to be making up rules as you go and doing so inconsistently for that matter from audit to audit.

In the SCO's audits of Los Angeles County contract cities, overhead costs built into the Deputy hourly rates (as well as liability charges) were allowed. In the SCO audit of San Marcos (San Diego County Sheriff contracting agency) most overhead costs were allowed and computed "using contract services costs improperly identified as salaries and benefits as a base for claiming indirect costs" – the exact same method we used and that you are now saying is invalid. Each of these audits show inconsistent treatment of overhead costs in cities that contract for law enforcement services and failure to adhere to written State and Federal instructions and guidelines.

The DAR states (on page 20) that the SCO acknowledged that different counties include different costs in their rates – for example, Los Angeles (LA) County contract cities include overhead in their hourly billing rates, plus a percentage for insurance and liability charges. SCO narrative stated the desire to "be equitable with other California cities contracting for law enforcement services" so allowed us an average 6% "administrative cost rate". However, that "ACR" rate is vastly lower than what the true ICRP rate prepared in compliance with CFR/OMB standard (76.5% for FY 12-13) would have been. It is evident from the table below how "fair" the "administrative allocation rate" is.

SCO approved rate for LA County contract cities was $124/hour vs. $87/hour for us and other contract cities in San Bernardino County, a rate that is substantially lower than was approved for cities in LA County and even more than the city of Rialto (a comparable full-service city in our same county).

FY 2012-13 Deputy Sheriff Hourly Rate Comparison

LA COUNTY CONTRACT CITIES HOURLY RATE **CITY REQUESTED*** (Including additional 10% overhead requested, but denied by SCO) *	$136.40*
LA COUNTY CONTRACT CITIES AUDITED SCO HOURLY RATE **SCO APPROVED***	$124.00*
SAN BERNARDINO COUNTY CONTRACT CITIES HOURLY RATE **CITY REQUESTED** (including "ICRP/OMB A-87" rate)	$145.45
CITY OF RIALTO AUDITED OFFICER HOURLY RATE **SCO APPROVED**** (including "ICRP/OMB A-87" rate)	$126.84**
SAN BERNARDINO COUNTY CONTRACT CITIES SCO HOURLY RATE **SCO RECOMMENDED PER PRELIM. AUDIT REPORT** (including SCO new "ACR" Rate)	$87.47

*See City of West Hollywood Identity Theft Audit and City of Palmdale Child Abuse and Neglect Audits
**This is the FY 11-12 SCO Officer audited hourly rate for the City of Rialto, a full-service city in the same county.

These hourly rates were computed in the following manner – first, just as SCO staff computed them on page 21 of the SCO DAR, and, second, just as we computed for the claims we originally submitted.

FY 2012-13: Billable Hourly Rate Computation for the San Bernardino County Deputy Sheriff:

SCO Allowed Hourly Billing Rate using SCO created "Administrative Cost Rate" (ACR)

FY 12-13 based rate with only salaries and benefits per contract = $82.41
+ overhead per SCO allowed "ACR" = $82.41 x 6.14% rate = + $5.06
SCO allowed hourly billing rate = $87.47

vs

City Claimed Hourly Billing Allowed Rate using existing ICRP Methodology/Claiming Instructions

FY 12-13 based rate with only salaries and benefits per contract = $82.41
+ overhead per Ps&Gs ICRP guidelines = $82.41 x 76.5% ICRP rate = + $63.04
Actual hourly billing rate = $145.45

If the SCO wishes to change the rules, head in this new direction, and apply this new interpretation – that OMB A-87/CFR methodology does not apply for computation of law enforcement overhead/Indirect Cost Rate Proposal (ICRP) rates paid through contracts with county law enforcement agencies – then this should be explicitly stated in the written rules and guidelines and all parties should be able to review and participate in the adoption of those rules. Further, it is not fair to retroactively apply new standards and impose new rules on local agencies without providing advanced notice to them.

If OMB/CFR guidelines are inapplicable and SCO's newly developed "ACR" methodology must be used, there is no written explanation of how this new overhead/"ACR" rate is to be computed and how to determine which costs are "*clearly* administrative in nature". It may be "clear" to SCO staff what costs apply, but we would also have included our command staff as we believe the costs are clearly administrative in nature: costs for our "Captains, Lieutenants, and Sergeants, as well as various other line- item charges" which SCO auditors concede "**may** [emphasis added] or may not **be administrative in nature** dependent on the functions that each classification performs" can qualify for inclusion in the overhead rate.

Finally, we believe SCO staff actions violate "Due Process" requirements by creating new rules and standards that are not enumerated in written claiming manuals, parameters and guidelines, claiming instructions, and the OMB/CFR Guidelines. There is no statement that Ps and Gs do not apply to cities contracting for law enforcement services: that contract cities don't qualify for reimbursement of indirect costs. There is no explanation that indirect costs are not allowable if they are itemized in the contract with the county; but are allowable if they are already built into direct staff (Deputy) hourly billing rates. There is no description, explanation, or examples provided in any manual of how local agencies that contract for law enforcement services are supposed to claim their allowable indirect or "administrative"/"ACR"costs in a manner acceptable to the SCO.

Given SCO staff response that 1) OMB/CFR Guidelines do not apply to the computation of indirect costs for cities that contract for law enforcement agencies with county agencies; 2) that indirect costs for contract cities are in fact completely unallowable costs or are subject to

some alternate, non-written standards that only SCO staff can determine or dictate at their sole discretion, 3) that there is no explanation or written guidelines provided to claimants in the instructions that explain what costs are and are not eligible; 4) that SCO findings that city contract agencies (like those in LA County) can obtain reimbursement for all direct and indirect charges included in their hourly rates, but those contracts that do not already have overhead pre-built into their Deputy rates forfeit their right to obtain indirect costs computed in the same manner suggests that the SCO is engaged in underground rule making.

THERE ARE NO SEPARATE RULES AND GUIDELINES FOR CONTRACT CITIES (CITIES WHO PURCHASE THEIR LAW ENFORCEMENT SERVICES VIA A CONTRACT) TO CLAIM ALLOWABLE OVERHEAD COSTS:

On page 13 of the SCO's DAR that correctly states "the city contracts with San Bernardino County to have the SBCSD (San Bernardino County Sheriff's Department) to provide all its law enforcement services." The City website (https://www.cityofrc.us/RCPD) states, "**Police Department**: Since incorporation in 1977, law enforcement services in the City have been provided through a contract with the San Bernardino County Sheriff's Department. Rancho Cucamonga continues to be one of Southern California's most family-oriented, safe, and prosperous cities. The low crime rate that the City continues to enjoy, is a direct result of not only the hard work and dedication of the men and women of the **Police Department**, but the positive interaction and participation by the community in crime prevention activities."

The agreements and the annual Schedule of Costs shows that the city is purchasing all the components of a Police Department, including direct and indirect (overhead) costs. The expenditures listed in the contract under Schedule A is in a similar level of detail and format to a full-service city's departmental expenditure report. San Bernardino County segregates each line item of cost separately and the billing rates of each position ONLY include salary and benefit costs (see Contract, Schedule A, Footnote 1). All necessary overhead is included separately in the contract and is described in detail. Many of those costs are eligible indirect costs that are necessary to support the function of the department and to allow the Deputies to perform their primary duty of providing law enforcement services.

There are no alternate or separate guidelines for computing overhead rates in claiming instructions or in Federal CFR Guidelines, to be used for contract cities, as you are proposing. The city calculated and provided Departmental Indirect Cost rates, computed exactly as shown in the State's guidelines and in compliance with Federal CFR/OMB Guidelines.

We agree with the Parameters and Guidelines (Ps and Gs), Claiming Instructions, and the Claiming Manual where it explains how indirect costs are to be prepared; however, the instructions must be read in their entirety to determine their intent.

Parameters and Guidelines V.B. Indirect Cost Rates:

> 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.

In this case the UNIT performing the mandate is the law enforcement unit purchased by the City of Rancho Cucamonga from the San Bernardino County Sheriff's Department (SBCSD) as outlined in detail in their contract showing all cost components charged to the city. The Schedule A shows that in addition to the Direct Salaries and Benefits of Law Enforcement Personnel, salaries of support and administrative staff for positions such as Captain, Lieutenants, Clerical Support positions, as well as other necessary and eligible (compliant with CFR guidelines) overhead costs such as vehicle and equipment usage charges which were billed to the city.

Claiming Manual, Section 8 states,

> Indirect costs are (a) Incurred for a common or joint purpose benefiting more than one **cost objective**, and (b) not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate **or in departments that supply the department performing the mandate with goods, services, and facilities**. To be allowable, a cost must be allocable to a particular cost objective. Indirect costs must be distributed to benefiting cost objectives on bases, which produce an equitable result, related to the benefits derived by the mandate.

DAR states on page 24 that "**none** of the costs that the city incurred for law enforcement services provided by the SBCSD were indirect costs" and appears to argue that because ALL costs in the contract are assignable to the law enforcement contract or City Police Department, then ALL costs must be direct.

If SCO staff interpretation was correct, there would be no such thing as a Departmental Indirect Cost Rate as shown in State claiming manuals, examples, and instructions because every cost "assignable" to that department would be a direct cost. Nothing would be indirect except for costs outside of that department that were allocated to the department through the City or County-wide cost allocation plans. That is clearly not the case as "Departmental" Indirect Cost rates are the standard.

Staff's statement "if it's assignable to the department, then it's direct" is disproved by SCO's own analysis as you acknowledged that over eight items "assigned" to our "Department"/ law enforcement services contract were indeed allowable indirect (administrative) costs and included in SCO staff's "Administrative Cost Rate". Since these costs were also "assignable to the department", then that would make those costs also direct costs by SCO's definition.

The wording in the instructions and guidelines shows that the terminology between: "program", "department", and "cost objective" are used interchangeably to allow maximum flexibility to apply to various situations. The entire instructions must be read in context, not abbreviated and cherry picked. Claiming Manual, 8. Indirect Costs states: "Indirect costs can originate in the department performing the mandate **or in departments that supply the department performing**

the mandate with goods, services, and facilities." Clearly indirect costs can originate in the law enforcement unit purchased from SBCSD.

COMMISSION ON STATE MANDATES PRIOR DECISIONS SUPPORT THE VALIDITY OF EXISTING PARAMETERS AND GUIDELINES AND EXISTING METHODOLOGY IN COMPUTATION OF OVERHEAD/ICRP RATES FOR CONTRACT CITIES:

Prior Commission on State Mandates (CSM) decisions also provided insight on the topic of overhead for cities contracting for law enforcement services.

In the City of Palmdale's Incorrect Reduction Claim (IRC) of the SCO's 2016 Audit of their Interagency Child Abuse and Neglect Reporting claims (See November, 2018 CSM meeting transcript) the Commission reviewed whether the City of Palmdale, which contracted with Los Angeles County for law enforcement services, was entitled to the 10% default overhead rate they claimed in their requests for reimbursement.

The Commission staff concluded that while it was not appropriate for a contracting agency to use the default 10% ICRP rate when computing overhead costs since this rate was designed specifically for application to only salaries (not salaries and benefits); a contract city would have been eligible for indirect cost reimbursement if the city prepared their own ICRP rate demonstrating valid indirect costs. The city did prepare and submit their ICRPs showing overhead cost computations.

Commissioner Alex stated during the meeting (Page 46 of transcript, Lines 5-8 of hearing transcript) that he agreed that **"…there is overhead associated with a contract and I think that's typical**."

Mr. Jones of the Commission staff noted that "...the Parameters and Guidelines say you can – you can prepare an indirect cost rate proposal if the indirect cost rate exceeds 10%." (Page 44 lines 24-25 and page 45, lines 1-2 of hearing transcript)

Commission Member Adams asked, "**And under Parameters – Parameters and Guidelines, would there have been an appropriate way to claim these indirect costs?"** (Page 38 lines 14-21 of hearing transcript)

Mr. Jones of the Commission staff responds, "**Staff's position is that, yes, there was an appropriate way, and it was to develop an indirect cost rate proposal with documentation that the Controller could review.**" (Page 38 lines 24-25 and Page 39 lines 1-2)

Ms. Shelton of the Commission noted that**, "…you have to follow the plain language of the Parameters and Guidelines."** (Page 47, lines 21-23 of hearing transcript). The plain language being that indirect costs were eligible for inclusion in the reimbursement claims under the language and rules established in the Parameters and Guidelines.

SCO FINDINGS THAT OUR ADMINISTRATIVE STAFF (CAPTAINS, LIEUTENANTS, SERGEANTS); SUPPORT STAFF (STATION CLERKS, SECRETARIES, AND SHERIFF'S SERVICE SPECIALISTS); AND SUPPORT COSTS (DISPATCH SERVICES, VEHICLE AND EQUIPMENT USAGE CHARGES) ARE NOT ALLOWABLE ARE INCONSISTENT WITH PRIOR

AUDITS OF BOTH OTHER CONTRACT SERVICE CITIES AND FULL SERVICE CITIES:

We already cited the City of San Marcos Audit, another contract city in a similar situation. But there are many examples of full-service (non-contract) cities SCO audited where identical indirect costs (Captains, Lieutenants, Sergeants, Clerical Support, Vehicle and Equipment usage, etc.) were found to be allowable overhead/indirect costs. This list is only a small sample, listing audits our consultant was directly involved in and has personal information of:

- County of San Bernardino: Identity Theft Audit
- City of Rialto: Child Abuse and Neglect Reporting Audit
- City of South Lake Tahoe: Child Abuse and Neglect Reporting Audit
- City of Fresno: Administrative License Suspension Audit
- City of Fresno: Domestic Violence Audit
- City of Fresno: Identity Theft Audit
- City of Fresno: Peace Officer Bill of Rights Audits

Please let us know if you'd like us to send you a copy of the audits or ICRPs allowed in these reviews.

Like costs must be treated consistently to have a fair and non-arbitrary audit.

1) SCO audits of San Bernardino County Sheriff's Department:

The SCO has already audited and approved indirect cost rates for the San Bernardino County Sheriff's Department (our contracting agency) for this same program (Identity Theft) and for the same years. Since SCO approved indirect cost rates for this same organization, for activities which were performed by the same class of employees, paid at the same rates, for the same program and for the same years, our allowable overhead rates which are sourced from the same agency should not be less than those approved rates.

San Bernardino County: Identity Theft Audit Report, Release April 2022

Allowable ICRP Rate:	Direct	Indirect	Approved
2002-03	$34,330	$24,543	=$24,543/$34,330= 71.5%
2003-04	$34,123	$20,965	= 61.4%
2004-05	$44,177	$27,142	= 61.4%
2005-06	$44,188	$20,875	= 47.2%
2006-07	$49,011	$21,727	= 46.2%
2007-08	$50,876	$27,743	= 54.5%
2008-09	$43,288	$20,596	= 47.6%
2009-10	$34,516	$15,770	= 45.7%
2010-11	$30,836	$14,215	= 46.1%
2011-12	$38,594	$16,468	= 42.7%
2012-13	$34,115	$14,335	= 42.0%

Allowing the City only an average of 6% overhead or "administrative cost allocation rate" when SCO audit of the San Bernardino County Sheriff's Department that provides us with law enforcement services is about 7 to 10 times that, shows the inequity and erroneous basis of staff computations.

CFR guidelines state in Section 200.306 (f) of 2 CFR Part 200:

(f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, **and indirect costs** at either the third-party organization's approved federally negotiated indirect cost rate or**, a rate in accordance with § 200.414 Indirect (F&A) costs, paragraph (d),** provided these services employ the same skill(s) for which the employee is normally paid.

OMB/CFR clearly states that in addition to third-party salaries and benefits (which you properly allowed), **indirect costs,** at either the third-party organizations approved federally negotiated indirect cost rate, or a rate in accordance with 2 CFR Part 200 § 200.414 are eligible. OMB A-87/CFR guidelines do not distinguish or provide alternate indirect cost rate methodologies between first- and third-parties. The same rules would apply.

If SCO staff believe Federal CFR/(prior OMB A-87 methodology) does not apply to or allow for the recovery of full indirect costs for contract cities, or that some alternate methodology exists for contract cities, please provide evidence and references to the pertinent sections of Claiming Instructions, Parameters and Guidelines, or OMB/CFR Guidelines that support this. Other than State and Federal CFR guidelines, we are not aware of any alternate rules or guidelines that dictate how indirect costs are to be computed for contract cities. Therefore, we believe the existing rules would be applicable in the computation of our ICRP rates.

IF COSTS ARE DIRECT, AS THE DAR IMPLIES, THEN WHY DOESN'T THE SCO PAY FOR THOSE COSTS DIRECTLY?

Page 20 of the DAR narrative states, "The city's contracts with the SBCSD also includes additional employee classifications and items – such as vehicles, dispatch services, and equipment – that are all a part of the direct costs incurred to provide law enforcement for the city."

If it is SCO's position that these costs are not allowable in the Indirect Cost Rate, or in the SCO's newly created "Allowable Cost Rate" (ACR), then because a portion of these costs were legitimately necessary to perform the mandate program these costs should be reimbursed. Simply brushing them off and saying that they are all a part of the direct costs to provide law enforcement to the city does not satisfy mandate law or parameters and guidelines which state all direct and indirect costs must be reimbursed.

Under Section 5 of the Claiming Manual, it states:

> Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for

reimbursement, the costs must meet the following general criteria:

1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required in carrying out the overall responsibilities of government;
2. The cost is allocable to a particular cost objective identified in the Ps & Gs; and
3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate

It would not be possible to provide law enforcement services or comply with the mandate without vehicles, dispatch services, and equipment. Vehicles, equipment and dispatch services meet these criteria. The State Mandate Claiming Manual in the ICRP Example Table 6, page 13 states that "(Each line item should be reviewed to see if it benefits the mandate to insure a fair and equitable distribution.)"

Vehicle/Equipment Use: SCO proposed "ACR" rates do not include costs for the actual vehicles/ transportation costs. Also, handheld ratios or talkies were also omitted. Deputies would not be able to get the information from Dispatch without their handheld radios (HTs) or drive to the scene of the Identity Theft case. Both travel and vehicle/equipment usage are allowable as direct or indirect costs based on the instructions, so they could be claimed either way.

Appendix E to Part 225—State and Local Indirect Cost Rate Proposals Section A. 4. states:

> … typical examples of indirect costs may include certain State/local-wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation or **use allowances on** buildings and **equipment**, the costs of operating and maintaining facilities, etc.

The State Controller Claiming Manual in Section 7. Direct Costs, (6) Travel Expenses states:

> Travel expenses are normally reimbursable in accordance with the travel rules and regulations of the local jurisdiction...

Based on these State and Federal Guidelines, we felt it was more appropriate to include the vehicle/equipment usage and related travel expenses in the overhead rate/ICRP. However, it could be claimed directly as you seem to be suggesting.

The City could be provided with a reimbursement for these costs using the allowable Federal vehicle mileage reimbursement rates by fiscal year, for example, in FY 2012-13 the rate was $.555 per mile. We could compute the total mileage for all ID Theft cases and apply this rate to reimburse us for our travel expenses. For example, if each ID Theft victim is an average of 10 miles from the station, that would be 20 miles round trip per case (304 cases) x $.555 per mile, or $3,374 reimbursement for travel costs in FY 2012-13.

Dispatch Services. The Audit report state that dispatch services are a direct function. Clearly the dispatcher/communications function "benefits the mandate" and is necessary support to the entire law enforcement function of the department. As dispatch support is necessary support to the Deputies for this mandate and for all law enforcement services, the "fair and equitable distribution" (see Claiming Instructions Manual, ICRP Example, Table 6, page 13) of costs related to this mandated program must be allowed.

We could take the total number of calls for service in a year, then, using the total number of Identity Theft cases, charge that same percentage of "Dispatch Services" costs to the mandate.

Administrative and Clerical Support. A similar computation can be performed to distribute a fair allocable share of administrative support costs directly. We can take the total number of Deputies (the staff who provides the direct services of the law enforcement department) and then distribute the costs of the Captain/Police Chief and other administrative personnel for their necessary supervision and support.

Direct costing can certainly be done, but in the SCO audit, the city was not reimbursed for the cost either directly or indirectly. This omission violates the California Constitution and Parameters and Guidelines by denying us actual, increased costs that were necessary to perform the mandate.

"ALL COSTS SUBMITTED TO THE SCO ARE SUBJECT TO REVIEW TO DETERMINE IF THE COSTS ARE RELATED TO THE MANDATE":

Page 2 of Mandated Cost Manual, Section: Audit of Costs, "All claims submitted to the SCO are subject to review to determine if costs are related to the mandate…and are prepared in accordance with SCO's Claiming Instructions." We believe we have complied with the instructions and shown that the items we requested reimbursement for were necessary and are supported by Parameters and Guidelines, State Instructions, and Federal CFR Guidelines.

Not allowing reimbursement of those costs for vehicles, administrative personal such as our Police Chief, clerical staff, and the dispatch charges billed to us from the county when they are clearly necessary for the provision of the mandated services would be contrary to Claiming Instructions, Parameters and Guidelines, as well as Federal CFR-200 standards which all specifically allow for the inclusion and reimbursement of both direct AND indirect costs. To simply exclude or not allow legitimate costs is contrary to State and Federal rules, and also would be inconsistent with SCO's own office's prior audit determinations.

Please let us know if we you have any questions or if we can provide any additional information. We believe that the costs shown by the city are the proper and allowable costs, in compliance with State and Federal rules and guidelines.

SCO's Comments

The finding and recommendation remain unchanged.

In its response, the city did not respond to the portion of the finding related to overstated identity theft reports or the misstated time increments required to perform the reimbursable activities. The city's response focuses on unallowable indirect costs ($223,707) and its belief that the additional allowable costs we calculated for administrative costs ($9,487) within the city's law enforcement services contracts are insufficient. The city also refers to SCO audits of other claimants; however, the Commission has affirmed in prior Incorrect Reduction Claim decisions that audits of other claimants are not relevant to the SCO's audit here, as each audit depends on the documentation and evidence provided by the claimant to show increased costs mandated by the State.

The city's response comprises an explanation for why it is eligible to claim indirect costs against contract services costs. However, the arguments it raises suggest a complete misunderstanding of indirect costs, when they apply, and what they represent.

The city did not claim allowable indirect/overhead costs by virtue of its law enforcement services contracts with San Bernardino County because the city did not incur any indirect costs as defined by the parameters and guidelines. The parameters and guidelines define indirect costs as:

> …costs that are incurred for a common or joint purpose benefitting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the results 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 other departments based on a systematic and rational basis through a cost allocation plan.

According to the parameters and guidelines, allowable indirect costs include "the overhead costs of the unit performing the mandate." The City of Rancho Cucamonga contracts out its law enforcement services with the SBCSD. The unit performing the work related to the mandate is the SBCSD, not the city. The overhead costs for SBCSD are included in its billing rate, and our audit determined that those costs were allowable. The only indirect costs incurred by the City of Rancho Cucamonga for law enforcement services are its internal costs incurred by various city departments for negotiating and administering its contracts with San Bernardino County, however, the city did not claim these costs

San Bernardino County includes its indirect costs as separate line items in its contracts for law enforcement services; however, that does not also make those costs indirect costs incurred by the City of Rancho Cucamonga just because the city reimburses the county for these costs. There is a clear distinction. We refer to these line item costs as "administrative costs" in order to differentiate them from indirect costs.

The city's contention that it "purchased salaries and benefits" from San Bernardino County is inconsistent with Generally Accepted Accounting Principles. The costs that the city incurred are contract services costs. The city's additional contention that the unit performing the mandate is "the law enforcement unit purchased by the city" is not supportable. The city did not purchase the SBCSD, it purchased the contracted services that the SBCSD provided.

That said, we responded to an argument raised by the city's mandated cost consultant during the audit related to the methodology that another county uses to bill its contract cities for law enforcement services. That county includes administrative costs within the productive hourly rate calculations for county personnel in its law enforcement services contracts. The consultant's argument correctly noted that San Bernardino County does not structure its law enforcement services contracts in the same manner. We discussed this argument internally and agreed that there is no methodology for the city to recover these "administrative costs" included as specific line item costs within its contracts with San Bernardino County. As we did not audit any of the individual line item costs within San Bernardino County's contracts, we have no way of knowing whether the county included a factor for indirect costs in its calculations of rates for personnel and equipment.

Although we were under no obligation to do so, we determined that it is appropriate to calculate an allowable administrative percentage and add it to the productive hourly rate calculations for county staff in this instance. This is similar to the methodology noted by the city's mandated cost consultant. We based our determination that certain contract costs are "clearly" administrative costs on our judgment that such costs are not directly related to providing law enforcement services for the city. Our report spells out exactly which costs we included. We believe that the line item descriptions describe various types of indirect costs that San Bernardino County incurred to provide law enforcement services pursuant to its contracts with the city. As stated previously, just because the city is reimbursing the county for its indirect costs, Generally Accepted Accounting Principles dictates that this does not also make those indirect costs incurred by the City of Rancho Cucamonga.

Our determination of calculating additional allowable costs based on administrative costs within the city's contracts is unrelated to OMB Circular A-87 cost principles. Instead, we used a basic mathematical construct to allocate the mandated portion of administrative costs based on each year's total contract amount. The city states that certain other costs within its law enforcement contracts should be included in the calculations, such as costs for Lieutenants and certain Sergeants, because they perform an administrative function for the SBCSD. While activities performed by certain SBCSD law enforcement staff may be for an administrative *function,* the costs are still direct contract services costs incurred by the city for law enforcement services. The administrative costs that we identified in the audit are not for law enforcement services.

In its response, the city refers to Title 2, Code of Federal Regulations, part 200 (2 CFR 200), section 200.306(f) as justification for claiming indirect costs using the same indirect cost rates that San Bernardino County included in its mandated cost claims for this program. However, Section 200.306(f) is included within Subpart D of 2 CFR 200, which provides guidance for recipients of federal awards to account for cost sharing amounts. This guidance is not applicable to the calculation of indirect costs, nor is it applicable to mandated cost claims.

The parameters and guidelines for the Identity Theft Program identify 2 CFR 225, Appendix A and B (OMB Circular A-87) as the controlling

requirements for claiming indirect costs. The Commission adopted the parameters and guidelines for the Identity Theft Program in 2011. Several years later, the federal government re-codified 2 CFR 225 within 2 CFR 200 as Subpart E, along with the applicable appendices.

We used a methodology here to include the costs we identified as administrative costs within the city's contracts and re-calculated allowable productive hourly rates for county staff. This resulted in additional allowable contract services costs of $9,487 for the city, which is not a reduction of costs.

The reductions of costs claimed in the audit are for overstated identity theft reports, misstated time increments to perform the reimbursable activities, and unallowable indirect costs. The city is responding only to the portion of the finding related to the reduction of claimed indirect costs. The city used an incorrect methodology to claim indirect costs, in violation of the parameters and guidelines. As a result, the costs are unallowable. The Commission previously agreed to this conclusion within prior Incorrect Reduction Claims; however, the city has the option to file an Incorrect Reduction Claim with the Commission and have the matter adjudicated again.

Attachment—
City's Response to Draft Audit Report

Mayor L. Dennis Michael | **Mayor Pro Tem** Lynne B. Kennedy
Council Members Ryan A. Hutchison, Kristine D. Scott, Ashley N. Stickler
City Manager John R. Gillison

CITY OF RANCHO CUCAMONGA

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June 28, 2023

Ms. Lisa Kurokawa, Audit Bureau Chief
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250

SENT VIA EMAIL

Dear Ms. Kurokawa:

We appreciate the time spent by SCO staff reviewing this State Mandate Program and for the opportunity to respond to the Draft Audit Report (DAR) findings. We have reviewed the DAR document and explanation of the findings.

The City of Rancho Cucamonga's disagreement with the DAR findings lies in the denial of various necessary costs within our contract with the San Bernardino County Sheriff's Department, including cost for our administrative command staff (our Police Chief and departmental supervisory staff), cost for our patrol cars and other vehicles, cost for our clerical staff, and cost for our city's share of dispatch support costs billed by the County.

As you know State mandate law and procedures were created to satisfy the requirements of Article XIII B of the California Constitution which state that, "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."

Government Code (GC) sections 17500 through 17617 provide for the reimbursement of costs incurred by local agencies for costs mandated by the State. Parameters and Guidelines (Ps and Gs) and Claiming Instructions assure that **all** actual costs – both direct **and indirect** related to the performance of the mandate be reimbursed to local agencies.

It is clear that this audit did not result in a fair reimbursement of those necessary costs as all that the State Controller's Office (SCO) staff recommends for reimbursement is the direct costs of Deputies and Sergeants working specifically/directly on mandated activities (salaries and benefits) plus an average of a 6% "Administrative Allocation Rate."

We were told the Indirect Cost Rate Proposal (ICRP) or overhead rate cannot be used because SCO audit staff contends that indirect costs are not eligible for reimbursement in our situation. Our situation being that we are a city that contracts for law enforcement services and that our service provider, San Bernardino County Sheriff's Department (SBCSD), charges us for overhead costs on a detailed basis

within our contract; thus, making it impossible according to SCO audit staff, for us to use the existing Indirect Cost Rate Proposal (ICRP) methodology prescribed in claiming instructions, claiming manuals and the Federal CFR/OMB guidelines to compute an overhead rate as other local agencies can.

SCO staff stated in the audit that they were sympathetic to our plight of not being able to recover any overhead costs, so they created a new methodology they named the "Administrative Cost Rate" (we'll refer to this new type of rate as the "ACR") to allow the recovery of some costs that they could identify as "clearly administrative" in nature. Thus, instead of allowing us the overhead rates that would have been allowed under existing Ps and Gs and Claiming Instructions which averaged about 70%, we were granted the "ACR" rate that averaged about 6%.

The primary activity that this State mandate program requires is that law enforcement personnel take an Identity Theft Report and begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

We agreed that this activity was performed by the Deputy Sheriff positions we pay for through our contract with the San Bernardino County Sheriff's Department (SBCSD). The City has no in-house Police Department other than the one it has purchased through its contract with the SBCSD. This contract includes all direct sworn staff, indirect support and administrative personnel, and overhead costs – such as vehicle expenses, and other costs associated with operating a police department. Schedule A of our contract lists all costs charged in detail by type of cost - similar to how a full- service city would account for these costs in an expenditure report.

SCO audit staff determined that the direct costs incurred through our contract -- the salary and benefits costs of the Deputies we purchase though our contract for service with the San Bernardino County Sheriff's Department (SBCSD) positions -- were eligible for reimbursement, however, not the vast majority of other necessary overhead costs billed within that contract. For example:

The mandate requires that our Deputy drive to the scene to take a report from the victim – yet SCO audit findings include no reimbursement of costs for the actual vehicles, fuel, and maintenance. A Deputy needs a vehicle to perform their law enforcement duties. Our Deputy would not be able to perform the mandate as they typically drive to the victim's location to take their Identity Theft Reports. This is a reasonable and necessary cost to perform the mandate, yet the DAR findings only allow costs for vehicle insurance but omit the cost of the vehicles themselves.

The mandate requires that our communications/dispatch staff transmit information about the call for service to the Deputy so that they are aware of what the nature of the call is and where the victim is located. Yet SCO staff reimbursement allows for no dispatch/communications staff to take the phone calls from the public and relay the request for service to the sworn Deputies who perform the direct law mandated enforcement duties.

The mandate requires that the Identity Theft report be typed, entered, and maintained in our records and computer system – yet there is no allotment of costs to reimburse us for the clerical personnel to do this activity that is required as a result of this mandate.

The mandate requires employment of sworn personnel to perform this activity. In order for an agency to provide sworn staff, it must supervise them and provide administrative support; yet no departmental

support costs such as our departmental command staff costs were allowed (including our Captain, who functions as our Department's Police Chief, his Lieutenant or second-in-command, or administrative time of Sergeants who are the first line supervisors).

It is clear that the Audit Report Findings are not reasonable, nor would they satisfy the intent of the State or Federal laws and guidelines. No reasonable person would agree that a Deputy could perform their law enforcement duties or perform the mandated activities without a vehicle, administrative/command staff support, or clerical and dispatch service support.

City staff and our consultant have spent many hours and numerous correspondences back and forth trying to resolve this issue. However, to avoid this correspondence from becoming overly lengthy or repetitive, we will only touch on a few main points in this response, and will include our past communications as an attachment to our future Incorrect Reduction Claim (IRC) to serve as back up and to provide greater detail to the Commission on State Mandates (Commission) when they review this matter.

CLARITY, DISCLOSURE, AND TRANSPARENCY IS NEEDED FROM THE SCO AND CLAIMING INSTRUCTIONS TO EXPLAIN WHICH ENTITY IS ELIGIBLE TO CLAIM WHAT REIMBURSABLE COST

[redacted] May 12, 2023 email attempts to explain to us why the indirect costs/ICRP costs we incurred are not eligible for reimbursement: "Those [our contract] salary and benefit costs belong solely to San Bernardino County, not the City of Rancho Cucamonga." And "Just because the county incurs indirect costs and bills the city for them does not mean that these are also indirect costs incurred by Rancho Cucamonga."

It appears that the crux of the argument to deny our city (and if audit precedent applies, all contract cities) law enforcement overhead costs is because SCO staff believes that technically the contracting entity (in this case San Bernardino County Sheriff's Department or SBCSD) whose employees perform the administrative and support tasks paid for in our contract [in our case the Captains, Lieutenants, Sergeants, Office Specialists, Secretaries, etc.] and support costs [such as vehicles, walkie-talkies, dispatch center charges, etc.] don't "belong" to us (the city who contracts for and pays for them) -- but to the agency that "provides" those personnel and services.

It was our understanding (and common accounting practice), that if you bought and paid for something (if you "incurred" that cost), then that cost/product becomes "yours", and that the agency "incurring" the costs should be the one to claim for State Reimbursement since you were the agency that ultimately "lost" that money from your budget to pay for the State Mandate program.

Since both direct and indirect costs are all a part of the same contract with SBCSD then it would stand to reason that both types of costs would be treated consistently – either the city is eligible to claim and receive reimbursement for both – or neither.

However, Page 24 of the Draft Audit Report states, "**We found that the entire amount [of indirect costs claimed] is unallowable because no city staff member performed any of the reimbursable activities...**"

How can this logic hold: that indirect costs are somehow not allowable "because no city staff member performed any of the reimbursable activities", when the opposite conclusion was arrived at regarding direct costs and activities. SCO Audit allows reimbursement for the direct contract staff performed by

SBCSD Deputies and Sergeants, even though those positions are also not "city staff members" and their costs are charged and incurred through the same exact contract.

When the city requested clarification, [redacted] May 12, 2023 email response explains, **"the city did not incur any indirect overhead costs within its contract with San Bernardino County"**. Then he goes on to say, seemingly contradicting himself, **"[j]ust because the county incurs indirect costs and bills the city for them doesn't mean that these are also indirect costs incurred by Rancho Cucamonga**."

How does this make sense? SCO staff agrees that the costs are indirect when they "belonged" to the County; but if the county who incurs those indirect costs, bills the city for them, then they are no longer indirect costs or costs "incurred" by the city?

If contract cities do not "incur" indirect costs and cannot claim indirect costs billed within their contracts – does this mean that the counties that provide/incur those cost are eligible for the reimbursement of those costs? In this case, would SBCSD receive reimbursement for those costs?

Prior State Controller audits have found this is not the case. The following is a quote from page 19 of the SCO's June 2022 audit of San Bernardino County's Interagency Child Abuse and Neglect Investigation Reports (ICAN)):

> "...we [SCO] found that the county included costs for providing services to contract cities as part of its mandated cost claims for all activities. The parameters and guidelines state that any county, city, or city and county is eligible to submit a mandate reimbursement claim. Therefore, all counties and cities—including contract cities—are eligible to submit mandate reimbursement claims. Because contract cities are eligible to submit reimbursement claims, and the county received fees for law enforcement services from its contract cities, we determined that the county should only claim costs associated with the unincorporated areas of the county. We determined that the costs incurred by contract cities are unallowable because the county had already been compensated by contract fees. The county did not report offsetting reimbursements for the contract city cases in its mandated cost claims. Therefore, we found that the county overstated these claimed costs because it did not offset costs that were funded by other sources."

This audit is not unique. There are numerous other audits of county law enforcement claims where the SCO comes to the same conclusion: that the contracting entity - the city, not the county -- is eligible to request or receive reimbursement of mandated costs because those costs are incurred/paid for by the contracting cities. A sampling of other similar audits includes San Bernardino County April 2022, Identity Theft Program, Los Angeles County September 2019, Crime Statists Reports for the Department of Justice Program, and Los Angeles County November 2019, Domestic Violence Arrest Policies and Standards Program.

So, which is it? Who is entitled to claim the costs –the city that pays for the service, or the county that provides the service? Based on this audit analysis, neither the contract city nor the county would be able to obtain reimbursement of indirect costs charged to cities.

State instructions say indirect costs that are incurred by the agency incurring the direct costs are to submit the claims for reimbursement. The SCO requirement that "a city staff member perform reimbursable activities" in order to obtain reimbursement of both direct and indirect costs is contrary to

the plain language of the Ps & Gs and would mean that no contract city would be able to obtain reimbursement for mandate overhead costs.

Since counties did not receive any State Mandate reimbursement for indirect costs that were paid for via city contracts and now this Audit indicates that contracting cities cannot claim for the indirect costs, this creates a loophole where only the State gains unfairly by not having to pay either party for those State Mandated costs. Claimants deserve clear, written guidelines/instructions provided to them prior to claim preparation and submission, and consistent treatment/interpretation of those rules. The State Controller's Office cannot use different metrics and methodologies from audit to audit.

DID THESE ISSUES ARISE DUE TO A DEFICIENCY IN STATE CLAIMING FORMS?

Early in this audit in August of 2022, SCO auditor, [redacted], issued her first set of findings which stated that indirect costs could not be claimed because the Claiming Instructions "Form 1" and "Form 2" precluded reimbursement of indirect costs because those forms "differentiate contract services" from salaries or (direct labor) for purposes of calculating indirect costs."

Our responds to this was if the SCO didn't like the way forms looked or how costs were displayed or presented on those forms, that they had the authority to format the forms to their liking. However, having an issue with form format or how costs should be presented/displayed was not a legitimate reason for the SCO to ignore the underlying principles and direction of the Parameters and Guidelines and Claiming Instructions and deny reimbursement of eligible costs.

SCO audit report on page 20 notes that "The SCO's Mandated Cost Manual states that costs of contract services are allowable. Costs for contract services can be claimed using an hourly billing rate." However, the Manual does not provide specific guidelines on how to calculate an hourly billing rate.

The issue in this audit was not how direct salary costs were computed. The City of Rancho Cucamonga used the prescribed method allowed in instructions by dividing total salaries and benefits by 1,800 annual productive hours – which the SCO auditor agreed was appropriate.

The issue was how the indirect cost component should be calculated.

[redacted] informed us in his January 5th email that "[o]ur position has always been that using the A-87 methodology contained in Subpart E to claim administrative costs using contract services as a base is a non-starter for our office." And in the May 13th email, "Indirect costs cannot be claimed against contract services."

Our consultant provided him with evidence that this was not the case citing the 2017 City of San Marcos Crime Statistics Reporting Audit.

In the City of San Marcos audit (which contracts with the San Diego Sheriff's Office (SDSO) for law enforcement services, the following indirect costs were allowed (See City of San Marcos 2017 – Crime Statistics Reporting Audit Report on page 23). State Controller's Office auditors recognized there were additional indirect/overhead costs and those costs were allowed as valid overhead charges. Below is an extract from the Audit Report on page 23 that addressed the Contract Indirect Costs:

"Contract Indirect Costs

We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided schedules and identified supplemental contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing **total contract overhead costs**, station support staff costs, and Sergeant Admin position costs**, by the contracted labor costs** identified in the contract supplemental schedules."

In the allowable ICRP/ **"contract overhead costs",** the audit permitted:

1) proration of support/admin costs including Station Level Staff Support including: Captain, Admin Secretary, Lieutenant, Sergeants, Volunteer Coordinator, Senior Clerk, Department Aide, Receptionist, Intermediate Clerk.

3) Law Enforcement Support including Station Detectives, Communication Center (Central Dispatch support), Crime Prevention, Juvenile Intervention, Regional Services

4) Services and Supplies Costs

5) Support Costs including Vehicles, Facilities/Space, County Management Support (Admin, Fiscal, Data Services, Personnel & Other)

6) Liability (charged separately)

The items we included in our ICRP are all similar, if not identical items: Administrative support, such as Captains, Lieutenants, and Sergeants; Clerical support; Vehicles; and Communication Center (Central Dispatch Services, etc.) but in our case they were NOT allowed as indirect costs.

In addition, in the case of San Marcos' Audit, the prescribed ICRP format/computational methodology was employed; using contract salaries and benefits as the denominator for determining the overhead rate, and not total contract costs as the SCO uses in their new "ACR" methodology rate computation.

Please explain why Rancho Cucamonga is being treated differently and why the interpretations and methodologies are different for two similar contract cities.

EXISTING PARAMETERS AND GUIDELINES AND CLAIMING INSTRUCTIONS PERMIT CITIES THAT CONTRACT FOR LAW ENFORCEMENT SERVICES TO OBTAIN REIMBURSEMENT FOR THEIR FULL INDIRECT COSTS AS DEFINED UNDER FEDERAL CFR/OMB STANDARDS.

Existing claiming instructions and claiming manuals under Contract Services state that "all costs charged" can be claimed.

Identity Theft Claiming Instructions
Section V. A. 3. Contracted Services:

"Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities **and all costs charged**. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the

reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services."

The Claiming Manual adds that the claimant should provide: "... the mandated activities performed, the number of hours spent performing the mandate, the hourly billing rate, and the total cost."

The City complied with these instructions and provided a copy of the contract and detailed costs related to the reimbursable activities, time studies to show number of hours spent performing the mandate, the hourly billing rates – including how direct and indirect/overhead costs were computed. We accounted for all costs charged. Total costs include the necessary overhead [vehicles, dispatch support, command staff, clerical staff, etc.] to perform the mandated activities.

There is nothing in the Ps and Gs, Claiming Instructions, or the Claiming Manual that would suggest that the Commission intended that cities that contract for law enforcement would not be eligible for indirect costs or that contract cities would have to use a different set of rules or standards to compute allowable indirect costs. We see nothing that would indicate that Federal CFR/OMB guidelines would not apply.

USE OF A NEW METHODOLOGY TO COMPUTE OVERHEAD/ICRP COSTS IS NOT SUPPORTED BY CLAIMING INSTRUCTIONS, PARAMETERS AND GUIDELINES, OR THE CLAIMING MANUAL

In our correspondence, SCO staff provided many reasons why our Indirect Cost Rate Proposals (ICRPs) – rates derived using the exact format and guidelines prescribed by the Claiming Manual, Parameters and Guidelines, and in compliance with Federal CRF Guidelines - could not be used and instead why audit staff had to create and apply a new alternate methodology and format to compute indirect costs, which you have entitled: "The Allowable Administrative Percentage" or the "Administrative Cost Rate" (see page 21 of SCO Draft Audit Report).

One of the issues with this "new methodology" is that it does not allow for the inclusion of all the costs that would have been allowable under existing claiming instructions and Federal CFR/OMB Guidelines. Cost such as vehicle usage costs, command staff administrative costs, secretarial support, etc. [redacted] tried to explain why CFR/OMB Guidelines do not apply, but his explanations do not seem to be grounded in established written guidelines. Denying that existing written rules apply and then creating and applying new, unwritten methodologies without any prior notice or explanation in fact creates new rules that have not been vetted by the Commission and other interested parties.

Page 20 of the Audit narrative explains that this new methodology developed by the SCO's staff, the "Administrative Cost Percentage," was calculated by...dividing the costs of the following items "Administrative Support, Office Automation, Services and Supplies, Vehicle Insurance, Personnel Liability and Bonding, Telephone Reporting Unit, County Administrative Cost (COWCAP), COWCAP subsidy, and Start-up Costs" by the total contract cost.

Claiming Instructions pages 4-5 and the Claiming Manual on pages 11-12 states:

A. Indirect Cost Rate Proposal Method

If a local agency elects not to utilize the 10% fixed rate method but wants to claim indirect costs, it

must prepare an ICRP for the program. The proposal must follow the provisions of the OMB Circular 2 CFR, Chapter I and Chapter II, Part 200 et al., formerly OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments. The development of the indirect cost rate proposal requires that the indirect cost pool include only those costs which are incurred for a common or joint purpose that benefit more than one cost objective. The indirect cost pool may include only costs that can be shown to provide benefits to the program. In addition, total allocable indirect costs may include only costs that cannot be directly charged to an identifiable cost center (i.e., program).

A method for preparing a departmental indirect cost rate proposal for programs is presented as Table 6. Only this format is acceptable under the SCO reimbursement requirements. If more than one department is involved in the reimbursement program, each department must have its own indirect cost rate proposal for the program.

We followed these rules and guidelines in preparing overhead/ICRP rates, and find no language in the Claiming Manual, the Claiming Instructions, Parameters and Guidelines, or Federal CFR Guidelines to describe or support SCO staff's alternate and newly created "Administrative Cost Percentage" method of computing overhead costs. There is no distinction made in the instructions or alternate methodology described for cities that contract for law enforcement services.

There is no reason why the existing instructions and ICRP format presented in Table 6 of the Claiming Manual cannot be used and that would necessitate the creation of an alternate indirect cost rate methodology (as we have demonstrated by preparing and submitted ICRPs in the required format with our claims – and numerous other contract city claims - over the last twenty years with no issue). Our law enforcement contract with SBCSD (See Schedule A) clearly lists and segregates all direct and indirect costs in a level of detail which is similar to how a full-service city's Actual Expenditure Report is organized and how the example in Table 6 is presented.

This new approach proposed by staff is flawed in a number of aspects. First, and most importantly, it is not described in any manual or instructions provided to us at the time of filing of these claims. How is a local agency expected to be able to compute allowable overhead costs correctly and in a consistent, uniform manner if those methods and guidelines are not described or provided in advance in any documents or manuals? Why are there different rules of eligibility for determining indirect costs for contract cities?

Creating a new procedure and methodology, after the fact, without any notice to local agencies or review by the Commission on State Mandates violates Due Process guidelines and has not been properly vetted through the State's required procedures. In addition, by creating a new methodology just for agencies that contract for Law Enforcement Services and saying they are not entitled to use the same, existing Instructions and Parameters and Guidelines constitutes "Underground Rule Making". We request that you comply with written Claiming Instructions and Guidelines and use the same ICRP methodology prescribed in the existing Parameters and Guidelines and the Federal CFR/OMB standards to audit our claims' overhead rates.

Secondly, SCO's new "Allowable Administrative Cost Percentage" or "Administrative Cost Rate" methodology which uses total contract services costs as the denominator instead of salaries and wages, is flawed because it does NOT exclude capital expenditures (see all the equipment usage charges in our contract) and other distorting items such as pass-through funds (See Countywide Cost Allocation or COWCAP costs in the contract).

The Claiming Manual states:

> "The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

Claiming Manual, Section 8. Indirect Costs (Example)

> " f) Distribution base for the computation of the indirect cost rate is total salaries and wages.

ICRP =	Allowable Indirect Costs	=	$300,000	= 30.00%
	Total Salaries and Wages		$1,000,000	

The contract with SBCSD itemized salaries and benefits separately, so there is no reason why this could not have been used as the base for distributing indirect costs as is required in the Claiming Instructions.

The "administrative cost rate" methodology proposed appears to contradict SCO Audit's own statements on page 20 which says, "OMB A-87… does not allow for the recovery of administrative costs using contract services as a base". Yet it appears that is exactly what SCO staff's newly created "ACR" "rate" does. Page 21 of the Audit report states, "…we divided the cost of the following line items…[administrative support, office automation, etc.] that we identified as being "clearly administrative" by the "total contract amount".

We thought using total contract costs as a base not allowed. Our rate was prepared using total actual salaries and benefits, as specified in the instructions.

FY 2012-13 Rate Comparison

City computed ICRP =	$12,167,160 = Total Allowable Indirect Costs = 76.5% $15,907,114 **Total Direct Salaries & Benefits**
SCO computed "ACR" =	$1,731,698, = Total "Allowable Admin. Costs" = 6.1% $28,209,685 **TOTAL CONTRACT SERVICE AMOUNT**

SCO JUSTIFICATION FOR DENYING INDIRECT COSTS ARE FLAWED

We agree with SCO staff's statement that there are clearly administrative costs in the contract, but why didn't you include our administrative command and clerical staff, who are clearly administrative and clerical, in SCO's version of the ICRP or their "Administrative Cost Rate"?

2 CFR Ch. II Part 200 Appendix IV:

> "(4) General administration and general expenses. The expenses under this heading are those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization. This

category must also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation, and interest costs. Examples of this category include central offices, such as the director's office, the office of finance, business services, budget and planning, personnel, safety and risk management, general counsel, management information systems, and library costs. "

2 CFR Ch. II

"The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity."

Command/administrative staff. Can you please explain why none of our command staff costs, including our Captain, who is our city's Police Chief; the Lieutenants who oversee administration and operations of the entire unit; and our Sergeants, who are the first line supervisors of the Deputies; were not included in SCO overhead rate computations? These staff perform the "executive and administrative" functions of the department.

Every Deputy requires command staff oversight – supervisors must perform annual reviews of employee performance, deal with disciplinary issues, decide on pay increases, schedule time off and ensure there is always adequate coverage and staffing, perform department budgeting functions, schedule training, offer guidance and support on difficult cases, etc. In prior correspondence we provided copies of the job descriptions for these positions so you can confirm that their duties are indeed administrative and necessary support to the entire department.
(https://www.governmentjobs.com/careers/sanbernardino/promotionaljobs)

1) Captain – serves as our department Police Chief. The job description for this position (attached) states under "Distinguishing Characteristics: Sheriff's Captain is characterized by the administrative responsibility for an assigned major division, facility or station."

2) Lieutenant - is also an administrative position, whose job description states, "Positions in this class are characterized by their status as second in command with authority to assume full administrative and supervisory responsibilities during the absence of the commanding officer."

3) Sergeants - "The class of Sheriff's Sergeant represents the first full level of supervision."

Clerical staff all are costs incurred for a common or joint purpose (supporting the entire department and law enforcement staff), and they provide necessary administrative, supervisory and clerical support that is necessary to operate a police department. They provide benefits to more than one cost objective, benefit the program, and cannot be directly charged to an identifiable cost center (i.e., program). Secretaries and dispatchers don't provide direct law enforcement service. **2 CFR Ch. II §200.414 (c)** specifically identifies clerical staff as an administrative cost: The salaries of administrative and **clerical staff** should normally be treated as indirect (F&A) costs."

OMB/CFR guidelines also specify that clerical staff are a part of the administrative function. Thus, our Secretaries, Office Specialists, and Supervising Office Specialists should have also been included in the SCO computation as they provide necessary clerical support to the department. Please explain the rational for excluding these necessary clerical staff both directly and indirectly from our claims.

How are these positions not administrative? Except for a portion of the Sergeant positions (who review and approve Identity Theft reports directly), these individuals are not providing direct law enforcement services, but supporting and administering the department. These positions oversee not just one program, but the entire law enforcement department and all staff. This is no different from the function of command staff in a full-service (non-contracting city) which the SCO office has routinely allowed to be included in the computation of their overhead rates. These same positions were allowed by the SCO in the SBCSD's audited Identity Theft claims overhead ICRP rates.

We previously provided SCO staff with the full job descriptions for these positions to support our contention that these are administrative positions that support the entire department (and not just one program) and are necessary administrative support to the entire department. Your staff declined numerous offers to schedule a meeting with county command staff to answer any questions your staff may have about these positions' duties so they could feel confident that these positions do indeed perform eligible administrative functions that support the entire department.

Below we have provided the citation from Federal 2 CFR Part 225 Guideline that supports allowability of the indirect costs the City of Rancho Cucamonga incurred through our contract with SBCSD – not just the eight items SCO staff included in their "ACR" rate:

Contract Cost Items NOT Included by SCO as allowable Indirect cost	Federal CFR Citation supporting the allowability of the cost
Captain, Lieutenant, Sergeants	**2 CFR Ch. II §200.414 (c)** "The salaries of **administrative** and clerical staff should normally be treated as indirect (F&A) costs." **2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity.
Office Specialists & Secretaries	**2 CFR Ch. II §200.414 (c)** "The salaries of administrative and **clerical staff** should normally be treated as indirect (F&A) costs." (See additional narrative above)
Dispatch Support	**Appendix B to Part 225—Selected Items of Cost** 7. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable. [the County charges a share of the dispatch/communications division costs with contracting cities] **Also see above- 2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs.
Vehicle Usage Charges: Marked units, Unmarked Units, Marked Citizen Patrol Sedan, Pickup Trucks, & Motorcycles Also, Handheld Talkies (HTs), Radar Units, Tasers	**Multiple Sections of OMB/CFR Guidelines address eligibility of equipment charges and usage:** **Appendix B to Part 225—Selected Items of Cost** 11. Depreciation and use allowances. a) use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.) 15. *Equipment and other capital expenditures.* (2)"Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or $5000. 43. *Travel costs.* a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred,

OTHER ALLOWABLE AND NECESSARY SUPPORT COSTS PURSUANT TO CFR / OMB

2 CFR §200.403 Factors affecting allowability of costs.

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles"

CFR Guidelines do not limit indirect costs to only "administrative" items. The language is written broadly to take various programs into account. For example, if a "program" requires waste pick up and disposal (like in the Los Angeles County Municipal Storm Water Claim), then in addition to the direct costs of staff who do the waste pickups, the departmental support and equipment usage (garbage truck usage costs), would be considered necessary and reasonable and allowable in the overhead rate.

Similarly, in a mandate that requires "law enforcement" services – then the departmental costs that are needed to ensure a Deputy can provide law enforcement services are eligible for inclusion in the overhead rate. Those eligible overhead costs include:

Necessary Support Costs

Without vehicles, radios, and dispatch services the Deputies could not provide law enforcement services. They could not receive any calls for service or communicate with either the public or with the department command staff; they could not drive to the scene of any call for service; and there would be no clerical support to process, store, and access any of the police reports (including these mandated Identity Theft Reports) and records as required by law. No law enforcement agency could function without these support functions.

SCO ACTIONS TO DENY APPLICABILITY OF OMB/CFR GUIDELINES AND ESTABLISH NEW CLAIMING METHODOLOGIES (Administrative Cost Rates in lieu of Indirect Cost Rates) CONSTITUTES UNDERGROUND RULE MAKING.

If it is the SCO's position that in order for a contracting city to be able to obtain full reimbursement of all direct and indirect overhead costs, a County Sheriff's Department MUST show a billable rate that includes all overhead in its direct staff's (Deputy Rate) cost – then shouldn't that be stated very clearly somewhere in the instructions? It would be very easy for the SBCSD to alter their format and show all charged costs in the direct staff/Deputy Rate, similar to how Los Angeles County does. Since SCO staff interpretation makes a very material difference in reimbursement amounts – this should have been very explicitly stated in the claiming manuals and instructions. By having our costs presented by San Bernardino County individually vs. aggregately, as Los Angeles County did, we stand to be denied over $200,000 in indirect costs which would have been eligible if we were allowed to use existing claiming instructions and OMB/CFR guidelines.

Local agencies which contract for law enforcement services have been claiming overhead costs computed based on OMB/CFR standards for over 25 years now with no issue, but suddenly this has become a new avenue for SCO staff to think it is a legitimate way of cutting State costs. SCO appears to be making up rules as you go and doing so inconsistently for that matter from audit to audit.

In the SCO's audits of Los Angeles County contract cities, overhead costs built into the Deputy hourly rates (as well as liability charges) were allowed. In the SCO audit of San Marcos (San Diego County Sheriff contracting agency) most overhead costs were allowed and computed "using contract services costs improperly identified as salaries and benefits as a base for claiming indirect costs" – the exact same method we used and that you are now saying is invalid. Each of these audits show inconsistent

treatment of overhead costs in cities that contract for law enforcement services and failure to adhere to written State and Federal instructions and guidelines.

The DAR states (on page 20) that the SCO acknowledged that different counties include different costs in their rates – for example, Los Angeles (LA) County contract cities include overhead in their hourly billing rates, plus a percentage for insurance and liability charges. SCO narrative stated the desire to "be equitable with other California cities contracting for law enforcement services" so allowed us an average 6% "administrative cost rate". However, that "ACR" rate is vastly lower than what the true ICRP rate prepared in compliance with CFR/OMB standard (76.5% for FY 12-13) would have been. It is evident from the table below how "fair" the "administrative allocation rate" is.

SCO approved rate for LA County contract cities was $124/hour vs. $87/hour for us and other contract cities in San Bernardino County, a rate that is substantially lower than was approved for cities in LA County and even more than the city of Rialto (a comparable full-service city in our same county).

FY 2012-13 Deputy Sheriff Hourly Rate Comparison

LA COUNTY CONTRACT CITIES HOURLY RATE **CITY REQUESTED*** (Including additional 10% overhead requested, but denied by SCO) *	$136.40*
LA COUNTY CONTRACT CITIES AUDITED SCO HOURLY RATE **SCO APPROVED***	$124.00*
SAN BERNARDINO COUNTY CONTRACT CITIES HOURLY RATE **CITY REQUESTED** (including "ICRP/OMB A-87" rate)	$145.45
CITY OF RIALTO AUDITED OFFICER HOURLY RATE **SCO APPROVED**** (including "ICRP/OMB A-87" rate)	$126.84**
SAN BERNARDINO COUNTY CONTRACT CITIES SCO HOURLY RATE **SCO RECOMMENDED PER PRELIM. AUDIT REPORT** (including SCO new "ACR" Rate)	$87.47

*See City of West Hollywood Identity Theft Audit and City of Palmdale Child Abuse and Neglect Audits
**This is the FY 11-12 SCO Officer audited hourly rate for the City of Rialto, a full-service city in the same county.

These hourly rates were computed in the following manner – first, just as SCO staff computed them on page 21 of the SCO DAR, and, second, just as we computed for the claims we originally submitted.

FY 2012-13: Billable Hourly Rate Computation for the San Bernardino County Deputy Sheriff:

SCO Allowed Hourly Billing Rate using SCO created "Administrative Cost Rate" (ACR)

FY 12-13 based rate with only salaries and benefits per contract = $82.41
+ overhead per SCO allowed "ACR" = $82.41 x 6.14% rate = + $5.06
SCO allowed hourly billing rate = $87.47

vs

City Claimed Hourly Billing Allowed Rate using existing ICRP Methodology/Claiming Instructions

FY 12-13 based rate with only salaries and benefits per contract = $82.41
+ overhead per Ps&Gs ICRP guidelines = $82.41 x 76.5% ICRP rate = + $63.04
Actual hourly billing rate = $145.45

If the SCO wishes to change the rules, head in this new direction, and apply this new interpretation – that OMB A-87/CFR methodology does not apply for computation of law enforcement overhead/Indirect Cost Rate Proposal (ICRP) rates paid through contracts with county law enforcement agencies – then this should be explicitly stated in the written rules and guidelines and all parties should be able to review and participate in the adoption of those rules. Further, it is not fair to retroactively apply new standards and impose new rules on local agencies without providing advanced notice to them.

If OMB/CFR guidelines are inapplicable and SCO's newly developed "ACR" methodology must be used, there is no written explanation of how this new overhead/"ACR" rate is to be computed and how to determine which costs are "*clearly* administrative in nature". It may be "clear" to SCO staff what costs apply, but we would also have included our command staff as we believe the costs are clearly administrative in nature: costs for our "Captains, Lieutenants, and Sergeants, as well as various other line- item charges" which SCO auditors concede "**may** [emphasis added] or may not **be administrative in nature** dependent on the functions that each classification performs" can qualify for inclusion in the overhead rate.

Finally, we believe SCO staff actions violate "Due Process" requirements by creating new rules and standards that are not enumerated in written claiming manuals, parameters and guidelines, claiming instructions, and the OMB/CFR Guidelines. There is no statement that Ps and Gs do not apply to cities contracting for law enforcement services: that contract cities don't qualify for reimbursement of indirect costs. There is no explanation that indirect costs are not allowable if they are itemized in the contract with the county; but are allowable if they are already built into direct staff (Deputy) hourly billing rates. There is no description, explanation, or examples provided in any manual of how local agencies that contract for law enforcement services are supposed to claim their allowable indirect or "administrative"/"ACR"costs in a manner acceptable to the SCO.

Given SCO staff response that 1) OMB/CFR Guidelines do not apply to the computation of indirect costs for cities that contract for law enforcement agencies with county agencies; 2) that indirect costs for contract cities are in fact completely unallowable costs or are subject to some alternate, non-written standards that only SCO staff can determine or dictate at their sole discretion, 3) that there is no explanation or written guidelines provided to claimants in the instructions that explain what costs are and are not eligible; 4) that SCO findings that city contract agencies (like those in LA County) can obtain reimbursement for all direct and indirect charges included in their hourly rates, but those contracts that do not already have overhead pre-built into their Deputy rates forfeit their right to obtain indirect costs computed in the same manner suggests that the SCO is engaged in underground rule making.

THERE ARE NO SEPARATE RULES AND GUIDELINES FOR CONTRACT CITIES (CITIES WHO PURCHASE THEIR LAW ENFORCEMENT SERVICES VIA A CONTRACT) TO CLAIM ALLOWABLE OVERHEAD COSTS:

On page 13 of the SCO's DAR that correctly states "the city contracts with San Bernardino County to have the SBCSD (San Bernardino County Sheriff's Department) to provide all its law enforcement services." The City website (https://www.cityofrc.us/RCPD) states, "**Police Department**: Since incorporation in 1977, law enforcement services in the City have been provided through a contract with

the San Bernardino County Sheriff's Department. Rancho Cucamonga continues to be one of Southern California's most family-oriented, safe, and prosperous cities. The low crime rate that the City continues to enjoy, is a direct result of not only the hard work and dedication of the men and women of the **Police Department**, but the positive interaction and participation by the community in crime prevention activities."

The agreements and the annual Schedule of Costs shows that the city is purchasing all the components of a Police Department, including direct and indirect (overhead) costs. The expenditures listed in the contract under Schedule A is in a similar level of detail and format to a full-service city's departmental expenditure report. San Bernardino County segregates each line item of cost separately and the billing rates of each position ONLY include salary and benefit costs (see Contract, Schedule A, Footnote 1). All necessary overhead is included separately in the contract and is described in detail. Many of those costs are eligible indirect costs that are necessary to support the function of the department and to allow the Deputies to perform their primary duty of providing law enforcement services.

There are no alternate or separate guidelines for computing overhead rates in claiming instructions or in Federal CFR Guidelines, to be used for contract cities, as you are proposing. The city calculated and provided Departmental Indirect Cost rates, computed exactly as shown in the State's guidelines and in compliance with Federal CFR/OMB Guidelines.

We agree with the Parameters and Guidelines (Ps and Gs), Claiming Instructions, and the Claiming Manual where it explains how indirect costs are to be prepared; however, the instructions must be read in their entirety to determine their intent.

Parameters and Guidelines V.B. Indirect Cost Rates:

> "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."

In this case the UNIT performing the mandate is the law enforcement unit purchased by the City of Rancho Cucamonga from the San Bernardino County Sheriff's Department (SBCSD) as outlined in detail in their contract showing all cost components charged to the city. The Schedule A shows that in addition to the Direct Salaries and Benefits of Law Enforcement Personnel, salaries of support and administrative staff for positions such as Captain, Lieutenants, Clerical Support positions, as well as other necessary and eligible (compliant with CFR guidelines) overhead costs such as vehicle and equipment usage charges which were billed to the city.

Claiming Manual, Section 8 states,

> "Indirect costs are (a) Incurred for a common or joint purpose benefiting more than one **cost objective**, and (b) not readily assignable to the cost objectives specifically benefited without effort disproportionate to the results achieved. Indirect costs can originate in the department performing the mandate **or in departments that supply the department performing the mandate with goods, services, and facilities**. To be allowable, a cost must be allocable to a particular cost objective. Indirect costs must be distributed to benefiting cost objectives on bases, which produce an equitable result, related to the benefits derived by the mandate.

DAR states on page 24 that "**none** of the costs that the city incurred for law enforcement services provided by the SBCSD were indirect costs" and appears to argue that because ALL costs in the contract are assignable to the law enforcement contract or City Police Department, then ALL costs must be direct.

If SCO staff interpretation was correct, there would be no such thing as a Departmental Indirect Cost Rate as shown in State claiming manuals, examples, and instructions because every cost "assignable" to that department would be a direct cost. Nothing would be indirect except for costs outside of that department that were allocated to the department through the City or County-wide cost allocation plans. That is clearly not the case as "Departmental" Indirect Cost rates are the standard.

Staff's statement "if it's assignable to the department, then it's direct" is disproved by SCO's own analysis as you acknowledged that over eight items "assigned" to our "Department"/ law enforcement services contract were indeed allowable indirect (administrative) costs and included in SCO staff's "Administrative Cost Rate". Since these costs were also "assignable to the department", then that would make those costs also direct costs by SCO's definition.

The wording in the instructions and guidelines shows that the terminology between: "program", "department", and "cost objective" are used interchangeably to allow maximum flexibility to apply to various situations. The entire instructions must be read in context, not abbreviated and cherry picked. Claiming Manual, 8. Indirect Costs states: "Indirect costs can originate in the department performing the mandate **or in departments that supply the department performing the mandate with goods, services, and facilities**." Clearly indirect costs can originate in the law enforcement unit purchased from SBCSD.

COMMISSION ON STATE MANDATES PRIOR DECISIONS SUPPORT THE VALIDITY OF EXISTING PARAMETERS AND GUIDELINES AND EXISTING METHODOLOGY IN COMPUTATION OF OVERHEAD/ICRP RATES FOR CONTRACT CITIES:

Prior Commission on State Mandates (CSM) decisions also provided insight on the topic of overhead for cities contracting for law enforcement services.

In the City of Palmdale's Incorrect Reduction Claim (IRC) of the SCO's 2016 Audit of their Interagency Child Abuse and Neglect Reporting claims (See November, 2018 CSM meeting transcript) the Commission reviewed whether the City of Palmdale, which contracted with Los Angeles County for law enforcement services, was entitled to the 10% default overhead rate they claimed in their requests for reimbursement.

The Commission staff concluded that while it was not appropriate for a contracting agency to use the default 10% ICRP rate when computing overhead costs since this rate was designed specifically for application to only salaries (not salaries and benefits); a contract city would have been eligible for indirect cost reimbursement if the city prepared their own ICRP rate demonstrating valid indirect costs. The city did prepare and submit their ICRPs showing overhead cost computations.

Commissioner Alex stated during the meeting (Page 46 of transcript, Lines 5-8 of hearing transcript) that he agreed that **"...there is overhead associated with a contract and I think that's typical**."

Mr. Jones of the Commission staff noted that "...the Parameters and Guidelines say you can – you can prepare an indirect cost rate proposal if the indirect cost rate exceeds 10%." (Page 44 lines 24-25 and page 45, lines 1-2 of hearing transcript)

Commission Member Adams asked, **"And under Parameters – Parameters and Guidelines, would there have been an appropriate way to claim these indirect costs?"** (Page 38 lines 14-21 of hearing transcript)

Mr. Jones of the Commission staff responds, **"Staff's position is that, yes, there was an appropriate way, and it was to develop an indirect cost rate proposal with documentation that the Controller could review."** (Page 38 lines 24-25 and Page 39 lines 1-2)

Ms. Shelton of the Commission noted that**, "...you have to follow the plain language of the Parameters and Guidelines."** (Page 47, lines 21-23 of hearing transcript). The plain language being that indirect costs were eligible for inclusion in the reimbursement claims under the language and rules established in the Parameters and Guidelines.

SCO FINDINGS THAT OUR ADMINISTRATIVE STAFF (CAPTAINS, LIEUTENANTS, SERGEANTS); SUPPORT STAFF (STATION CLERKS, SECRETARIES, AND SHERIFF'S SERVICE SPECIALISTS); AND SUPPORT COSTS (DISPATCH SERVICES, VEHICLE AND EQUIPMENT USAGE CHARGES) ARE NOT ALLOWABLE ARE INCONSISTENT WITH PRIOR AUDITS OF BOTH OTHER CONTRACT SERVICE CITIES AND FULL SERVICE CITIES:

We already cited the City of San Marcos Audit, another contract city in a similar situation. But there are many examples of full-service (non-contract) cities SCO audited where identical indirect costs (Captains, Lieutenants, Sergeants, Clerical Support, Vehicle and Equipment usage, etc.) were found to be allowable overhead/indirect costs. This list is only a small sample, listing audits our consultant was directly involved in and has personal information of:

- County of San Bernardino: Identity Theft Audit
- City of Rialto: Child Abuse and Neglect Reporting Audit
- City of South Lake Tahoe: Child Abuse and Neglect Reporting Audit
- City of Fresno: Administrative License Suspension Audit
- City of Fresno: Domestic Violence Audit
- City of Fresno: Identity Theft Audit
- City of Fresno: Peace Officer Bill of Rights Audits

Please let us know if you'd like us to send you a copy of the audits or ICRPs allowed in these reviews.

Like costs must be treated consistently to have a fair and non-arbitrary audit.

1) **SCO audits of San Bernardino County Sheriff's Department:**

The SCO has already audited and approved indirect cost rates for the San Bernardino County Sheriff's Department (our contracting agency) for this same program (Identity Theft) and for the same years. Since SCO approved indirect cost rates for this same organization, for activities which were performed by the same class of employees, paid at the same rates, for the same program and for the same years,

our allowable overhead rates which are sourced from the same agency should not be less than those approved rates.

San Bernardino County : Identity Theft Audit Report, Release April 2022

Allowable	Direct	Indirect	Approved ICRP Rate:
2002-03	$34,330	$24,543	=$24,543/$34,330= 71.5%
2003-04	$34,123	$20,965	= 61.4%
2004-05	$44,177	$27,142	= 61.4%
2005-06	$44,188	$20,875	= 47.2%
2006-07	$49,011	$21,727	= 46.2%
2007-08	$50,876	$27,743	= 54.5%
2008-09	$43,288	$20,596	= 47.6%
2009-10	$34,516	$15,770	= 45.7%
2010-11	$30,836	$14,215	= 46.1%
2011-12	$38,594	$16,468	= 42.7%
2012-13	$34,115	$14,335	= 42.0%

Allowing the City only an average of 6% overhead or "administrative cost allocation rate" when SCO audit of the San Bernardino County Sheriff's Department that provides us with law enforcement services is about 7 to 10 times that, shows the inequity and erroneous basis of staff computations.

CFR guidelines state in Section 200.306 (f) of 2 CFR Part 200:

> (f) When a third-party organization furnishes the services of an employee, these services must be valued at the employee's regular rate of pay plus an amount of fringe benefits that is reasonable, necessary, allocable, and otherwise allowable, **and indirect costs** at either the third-party organization's approved federally negotiated indirect cost rate or**, a rate in accordance with § 200.414 Indirect (F&A) costs, paragraph (d),** provided these services employ the same skill(s) for which the employee is normally paid.

OMB/CFR clearly states that in addition to third-party salaries and benefits (which you properly allowed), **indirect costs,** at either the third-party organizations approved federally negotiated indirect cost rate, or a rate in accordance with 2 CFR Part 200 § 200.414 are eligible. OMB A-87/CFR guidelines do not distinguish or provide alternate indirect cost rate methodologies between first- and third-parties. The same rules would apply.

If SCO staff believe Federal CFR/(prior OMB A-87 methodology) does not apply to or allow for the recovery of full indirect costs for contract cities, or that some alternate methodology exists for contract cities, please provide evidence and references to the pertinent sections of Claiming Instructions, Parameters and Guidelines, or OMB/CFR Guidelines that support this. Other than State and Federal CFR guidelines, we are not aware of any alternate rules or guidelines that dictate how indirect costs are to be computed for contract cities. Therefore, we believe the existing rules would be applicable in the computation of our ICRP rates.

IF COSTS ARE DIRECT, AS THE DAR IMPLIES, THEN WHY DOESN'T THE SCO PAY FOR THOSE COSTS DIRECTLY?

Page 20 of the DAR narrative states, "The city's contracts with the SBCSD also includes additional employee classifications and items – such as vehicles, dispatch services, and equipment – that are all a part of the direct costs incurred to provide law enforcement for the city."

If it is SCO's position that these costs are not allowable in the Indirect Cost Rate, or in the SCO's newly created "Allowable Cost Rate" (ACR), then because a portion of these costs were legitimately necessary to perform the mandate program these costs should be reimbursed. Simply brushing them off and saying that they are all a part of the direct costs to provide law enforcement to the city does not satisfy mandate law or parameters and guidelines which state all direct and indirect costs must be reimbursed.

Under Section 5 of the Claiming Manual, it states:

> "Allowable costs are those direct and indirect costs, less applicable credits, considered eligible for reimbursement. In order for costs to be allowable and thus eligible for reimbursement, the costs must meet the following general criteria:
>
> 1. The cost is necessary and reasonable for proper and efficient administration of the mandate and not a general expense required in carrying out the overall responsibilities of government;
> 2. The cost is allocable to a particular cost objective identified in the Ps & Gs; and
> 3. The cost is net of any applicable credits that offset or reduce expenses of items allocable to the mandate"

It would not be possible to provide law enforcement services or comply with the mandate without vehicles, dispatch services, and equipment. Vehicles, equipment and dispatch services meet these criteria. The State Mandate Claiming Manual in the ICRP Example Table 6, page 13 states that "(Each line item should be reviewed to see if it benefits the mandate to insure a fair and equitable distribution.)"

Vehicle/Equipment Use: SCO proposed "ACR" rates do not include costs for the actual vehicles/ transportation costs. Also, handheld ratios or talkies were also omitted. Deputies would not be able to get the information from Dispatch without their handheld radios (HTs) or drive to the scene of the Identity Theft case. Both travel and vehicle/equipment usage are allowable as direct or indirect costs based on the instructions, so they could be claimed either way.

Appendix E to Part 225—State and Local Indirect Cost Rate Proposals Section A. 4. states:

> "... typical examples of indirect costs may include certain State/local-wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation or **use allowances on** buildings and **equipment**, the costs of operating and maintaining facilities, etc."

The State Controller Claiming Manual in Section 7. Direct Costs, (6) Travel Expenses states:

> "Travel expenses are normally reimbursable in accordance with the travel rules and regulations of the local jurisdiction..."

Based on these State and Federal Guidelines, we felt it was more appropriate to include the vehicle/equipment usage and related travel expenses in the overhead rate/ICRP. However, it could be claimed directly as you seem to be suggesting.

The City could be provided with a reimbursement for these costs using the allowable Federal vehicle mileage reimbursement rates by fiscal year, for example, in FY 2012-13 the rate was $.555 per mile. We could compute the total mileage for all ID Theft cases and apply this rate to reimburse us for our travel expenses. For example, if each ID Theft victim is an average of 10 miles from the station, that would be 20 miles round trip per case (304 cases) x $.555 per mile, or $3,374 reimbursement for travel costs in FY 2012-13.

Dispatch Services. The Audit report state that dispatch services are a direct function. Clearly the dispatcher/communications function "benefits the mandate" and is necessary support to the entire law enforcement function of the department. As dispatch support is necessary support to the Deputies for this mandate and for all law enforcement services, the "fair and equitable distribution" (see Claiming Instructions Manual, ICRP Example, Table 6, page 13) of costs related to this mandated program must be allowed.

We could take the total number of calls for service in a year, then, using the total number of Identity Theft cases, charge that same percentage of "Dispatch Services" costs to the mandate

Administrative and Clerical Support. A similar computation can be performed to distribute a fair allocable share of administrative support costs directly. We can take the total number of Deputies (the staff who provides the direct services of the law enforcement department) and then distribute the costs of the Captain/Police Chief and other administrative personnel for their necessary supervision and support.

Direct costing can certainly be done, but in the SCO audit, the city was not reimbursed for the cost either directly or indirectly. This omission violates the California Constitution and Parameters and Guidelines by denying us actual, increased costs that were necessary to perform the mandate.

"ALL COSTS SUBMITTED TO THE SCO ARE SUBJECT TO REVIEW TO DETERMINE IF THE COSTS ARE RELATED TO THE MANDATE":

Page 2 of Mandated Cost Manual, Section: Audit of Costs, "All claims submitted to the SCO are subject to review to determine if costs are related to the mandate…and are prepared in accordance with SCO's Claiming Instructions." We believe we have complied with the instructions and shown that the items we requested reimbursement for were necessary and are supported by Parameters and Guidelines, State Instructions, and Federal CFR Guidelines.

Not allowing reimbursement of those costs for vehicles, administrative personal such as our Police Chief, clerical staff, and the dispatch charges billed to us from the county when they are clearly necessary for the provision of the mandated services would be contrary to Claiming Instructions, Parameters and Guidelines, as well as Federal CFR-200 standards which all specifically allow for the inclusion and reimbursement of both direct AND indirect costs. To simply exclude or not allow legitimate costs is contrary to State and Federal rules, and also would be inconsistent with SCO's own office's prior audit determinations.

Please let us know if we you have any questions or if we can provide any additional information. We believe that the costs shown by the city are the proper and allowable costs, in compliance with State and Federal rules and guidelines.

Thank you for your time and consideration,

Tamara L. Oatman
Finance Director
City of Rancho Cucamonga

Annette S. Chinn
Consultant
Cost Recovery Systems Inc.

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250

www.sco.ca.gov

Section 10 –

Reimbursement Claims

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program 321
(20) Date Filed ____/____/____	
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2002-03
Total Claimed	(07)	(13) $54,210
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $54,210
Due from State	(08)	(17) $54,210
Due to State	(09)	(18)

Reimbursement Claim Data	
(22) FORM-1 (04) 1. a (g)	20,587
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	7,356
(25) FORM-1,(06)	94
(26) FORM-1,(07)	26,267
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 11/24/12

Tamara Layne — Telephone Numbe Tlayne@cityofrc.~~us~~ com 2

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) — Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2002-03
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	370	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$20,587					$20,587
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$7,356					$7,356
(05) Total Direct Costs	$27,943					$27,943

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	94.0%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$26,267
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$54,210

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$54,210**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2002-03

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report [ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$47.72		339.17	$16,184					$16,184
Sergeant Reviewed the Identity Theft report.	$59.50		74.00	$4,403					$4,403
(05) Total			**413.17**	**$20,587**					**$20,587**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2002-03

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report [X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy Began an investigation of the facts of the ID Theft cases.	$47.72		154.17	$7,356					$7,356
(05) Total			**154.17**	**$7,356**					**$7,356**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2002-03

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$10,552,713		$4,003,792	$6,548,921
Overtime				
Benefits				
Total	$10,552,713		$4,003,792	$6,548,921
Services & Supplies				
Annual Equip Usage Charges	$619,256		$619,256	
Dispatch Service	$655,583		$655,583	
Radar Gun Useage	$2,924		$2,924	
Admin Support	$66,895		$66,895	
Office Automation Charge	$10,269		$10,269	
Vehicle Insurance	$52,391		$52,391	
Personnel Liability and Bonding	$323,811		$323,811	
Telephone Report Unit	$75,123		$75,123	
Start up	$2,521		$2,521	
County Admin Costs	$340,509		$340,509	
Total	$2,149,282		$2,149,282	
Capital Expenditures				
Total				
Total Expenditures	**$12,701,995**		**$6,153,074**	**$6,548,921**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$12,701,995**		**$6,153,074**	**$6,548,921**

ICRP RATE = **94.0%**
(Rate is Based on Salaries)

$6,153,074 = Total Allowable Indirect Costs
$6,548,921 Total Direct Salaries

City of Rancho Cucamonga

Sheriff

Fiscal Year
2002-03

100% Admin. or Support Staff

Name/Position	Annual Salary
Forensic II (2)	$113,212
Captain	$152,532
Research Analyst	$69,930
Secretary II	$46,780
Secretary I	$44,320
Station Clerk (15)	$636,963
Motor Pool Services Assistant (2)	$88,356
Lieutenant (2)	$248,288
Sheriff's Services Specialist (11)	$511,005
Sergeants (10)	$1,070,990
Deputy III (corporal)	$1,021,416

TOTAL INDIRECT SALARIES **$4,003,792**

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY02/03

LEVEL OF SERVICE			FY02/03 COST
1	-	Captain	$152,532
2	-	Lieutenant	248,288
11	-	Sergeant	1,178,089
11	-	Deputy III	1,021,416
73	-	Deputy Sheriff	6,270,043
2	-	Deputy Sheriff (D.A.R.E.)	171,782
2	-	Forensic Specialist II	113,212
11	-	Sheriff's Service Specialist	511,005
1	-	Research Analyst	69,930
1	-	Secretary II	46,780
1	-	Secretary I	44,320
15	-	Station Clerk	636,960
2	-	Motor Pool Services Assistant	88,356
33	-	Marked Unit	361,878
20	-	Unmarked Unit	141,120
1	-	Crime Prevention Van (Non-Code 3)	4,307
2	-	Mid-size Pickup w/MDT	10,726
10	-	Motorcycle	60,400
1	-	Marked 2X4	14,766
1	-	Rapid Incident Response Vehicle - Tahoe (Equip & Ins. Only)	1,563
1	-	Bicycle Van (Equipment & Insurance Only)	1,607
2	-	DARE Van (Equipment & Insurance Only)	3,214
1	-	MAIT Van (Equipment & Insurance Only)	1,607
4	-	Citizen Patrol (Equipment & Insurance Only)	6,164
32	-	HTs (Access & Maint Only)	11,904
		Dispatch Services	655,583
4	-	Radar Guns	2,924
		Administrative Support	66,895
		Office Automation	10,269
		Vehicle Insurance	52,391
		Personnel Liability & Bonding	323,811
		TRU - Telephone Reporting Unit	75,123
		County Administrative Cost	340,509
		Startup Costs	2,521
		TOTAL COST:	**$12,701,995**

Monthly Payment Schedule:

1st payment due July 15, 2001:	$1,058,506
2nd through 12th payments due 5th of each month:	$1,058,499

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

Do ! vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above).

Co. include equipment and insurance only. No replacement cost is included.

07/01/02)

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program
(20) Date Filed ____/____/____	321
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Reimbursement Claim Data	
(22) FORM-1 (04) 1. a (g)	20,865
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	7,456
(25) FORM-1,(06)	88
(26) FORM-1,(07)	24,838
(27) FORM-1,(09)	
(28) FORM-1,(10)	

Type of Claim	Estimated Claim	Reimbursement Claim		
	(03) Estimated ☐	(09) Reimbursement	X	
	(04) Combined ☐	(10) Combined	☐	
	(05) Amended ☐	(11) Amended	☐	
Fiscal Year of Cost	(06)	(12) 2003-04		
Total Claimed	(07)	(13) $53,159		(29)
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)		(30)
Less: Estimated Claim Payment Received		(15)		(32)
Net Claimed Amount		(16) $53,159		(32)
Due from State	(08)	(17) $53,159		(33)
Due to State	(09)	(18)		(34)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 1/24/12

Tamara Layne — Telephone Numbe Tlayne@cityofrc.us

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) — Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321
FORM
1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2003-04
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	375	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$20,865					$20,865
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$7,456					$7,456
(05) Total Direct Costs	$28,321					$28,321

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	87.7%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$24,838
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$53,159

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$53,159**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2003-04

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report [ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$47.72		343.75	$16,403					$16,403
Sergeant Reviewed the Identity Theft report.	$59.50		75.00	$4,462					$4,462
(05) Total			**418.75**	**$20,865**					**$20,865**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2003-04

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report [X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Officer Began an investigation of the facts of the ID Theft cases.	$47.72		156.25	$7,456					$7,456
(05) Total			**156.25**	**$7,456**					**$7,456**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2003-04

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$11,814,401		$4,320,307	$7,494,094
Overtime				
Benefits				
Total	$11,814,401		$4,320,307	$7,494,094
Services & Supplies				
Annual Equip Usage Charges	$634,316		$634,316	
Dispatch Service	$802,837		$802,837	
Radar Gun Useage	$1,839		$1,839	
Admin Support	$77,792		$77,792	
Office Automation Charge	$10,269		$10,269	
Vehicle Insurance	$42,035		$42,035	
Personnel Liability and Bonding	$201,457		$201,457	
Telephone Report Unit	$81,581		$81,581	
Start up	$5,000		$5,000	
County Admin Costs	$383,298		$383,298	
HTs (Access & Maint Only)	$11,904		$11,904	
Total	$2,252,328		$2,252,328	
Capital Expenditures				
Total				
Total Expenditures	**$14,066,729**		**$6,572,635**	**$7,494,094**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$14,066,729**		**$6,572,635**	**$7,494,094**

ICRP RATE = **87.7%**
(Rate is Based on Salaries)

$6,572,635 = Total Allowable Indirect Costs
$7,494,094 Total Direct Salaries

City of Rancho Cucamonga
Sheriff
Fiscal Year
2003-04

100% Admin. or Support Staff

Name/Position	Annual Salary
Forensic II (2)	$123,888
Captain	$172,276
Research Analyst	$75,908
Secretary II	$48,119
Secretary I	$50,819
Station Clerk (15)	$691,785
Motor Pool Services Assistant (2)	$96,610
Lieutenant (2)	$264,554
Sheriff's Services Specialist (11)	$559,328
Sergeants (10)	$1,143,294
Deputy III (Corporal)	$1,093,726

TOTAL INDIRECT SALARIES **$4,320,307**

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY03/04

Add 1 DARE Officer Effective 01/01/04

			FY03/04 COST [1]
LEVEL OF SERVICE			
1	-	Captain	$ 172,276
2	-	Lieutenant	264,554
11	-	Sergeant	1,257,623
11	-	Deputy III	1,093,726
81	-	Deputy Sheriff	7,333,738
1		Deputy Sheriff - DARE Officer (January - June 04)	46,027
2	-	Forensic II	123,888
11	-	Sheriff's Service Specialist	559,328
1	-	Research Analyst	75,908
1	-	Secretary II	50,819
1	-	Secretary	48,119
15	-	Station Clerk	691,785
2	-	Motor Pool Services Assistant	98,610
33	-	Marked Unit	386,991 [2]
20		Unmarked Unit	141,520 [2]
1.75	-	Full-size Truck w/MDC	14,791 [2]
1	-	Crime Prevention Van (Non-Code 3)	4,317 [2]
1	-	Mid-size Pickup w/MDC	6,899 [2]
10	-	Motorcycle	81,720 [2]
0.25	-	Marked 2X4	3,832 [2]
4	-	Citizen Patrol (fuel & maintenance only)	6,204 [3]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)	1,574 [3]
1	-	MAIT Van (Equipment & Insurance Only)	1,617 [3]
1	-	Bicycle Van (Equipment & Insurance Only)	1,617 [3]
2	-	DARE Van (Equipment & Insurance Only)	3,234 [3]
		Dispatch Services	802,837
4	-	Radar Unit	1,839
32	-	HTs (Access & Maint Only)	11,904
		Administrative Support	77,792
		Office Automation	10,269
		Vehicle Insurance	42,035
		Personnel Liability & Bonding	201,457
		TRU - Telephone Reporting Unit	81,581
		County Administrative Cost	383,298
		Startup Costs	5,000
		TOTAL COST:	$ 14,066,729 [1]

Monthly Payment Schedule:

1st payment due July 15, 2003:	$1,168,090
2nd through 6th payments due 5th of each month:	$1,168,084
7th payment due January 5, 2004:	$1,176,374
8th through 12th payments due 5th of each month:	$1,176,369

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY03/04

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for FY03/04 is $330,000, actual cost billed quarterly).
- Actual on-call costs. (Estimated on-call cost for FY03/04 is $56,160, actual cost billed quarterly).
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	11
Deputy III	-	11
Deputy Sheriff	-	81
DARE Officer		1
		107

GENERAL:		
Research Analyst	-	1.00
Forensic Specialist II	-	2.00
Sheriff's Service Specialist	-	11.00
Secretary II	-	1.00
Secretary I	-	1.00
Station Clerk	-	15.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	13.43
		46.43

VEHICLES:			
Marked Unit	-	33	
Unmarked Unit	-	20	
Full-size Truck w/MDC	-	2	
Mini Van Non-Code 3	-	1	
Mid-size Pickup w/MDC	-	1	
Motorcycle	-	10	
Rapid Inc. Resp. Vehicle	-	1	(Tahoe)
M.A.I.T. Van	-	1	
Bicycle Van	-	1	
D.A.R.E. Van	-	2	
Citizen Patrol	-	4	(1-Tahoe, 3-Explorers)
		76	

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	4
Additional H.T. Radios	-	32

DONATED VEHICLES w/no equipment:		
Chevy Van	-	1
Volkswagen Beetle	-	1
Motorhome (Satellite Office)	-	1
Hummer	-	1
(Included for insurance costs only)		4

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program 321
(20) Date Filed ____/____/____	
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Reimbursement Claim Data

(22) FORM-1 (04) 1. a (g)	27,094
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	9,688
(25) FORM-1,(06)	80
(26) FORM-1,(07)	29,499
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2004-05
Total Claimed	(07)	(13) $66,280
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $66,280
Due from State	(08)	(17) $66,280
Due to State	(09)	(18)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 1/24/12

Tamara Layne — Telephone Number Tlayne@cityofrc.us ~~.com~~ 2

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) — Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim		Fiscal Year
City of Rancho Cucamonga	Reimbursement	X	2004-05
	Estimated		(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	397	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$27,094					$27,094
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$9,688					$9,688
(05) Total Direct Costs	$36,782					$36,782

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	80.2%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$29,499
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$66,280

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$66,280**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2004-05

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report [ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$58.57		363.92	$21,313					$21,313
Sergeant Reviewed the Identity Theft report.	$72.80		79.40	$5,780					$5,780
(05) Total			**443.32**	**$27,094**					**$27,094**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2004-05

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report [X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Officer Began an investigation of the facts of the ID Theft cases.	$58.57		165.42	$9,688					$9,688
(05) Total			**165.42**	**$9,688**					**$9,688**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2004-05

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$13,739,469		$4,753,137	$8,986,332
Overtime				
Benefits				
Total	$13,739,469		$4,753,137	$8,986,332
Services & Supplies				
Annual Equip Usage Charges	$670,386		$670,386	
Dispatch Service	$905,257		$905,257	
Radar Gun Useage	$1,379		$1,379	
Admin Support	$90,766		$90,766	
Office Automation Charge	$10,269		$10,269	
Vehicle Insurance				
Personnel Liability and Bonding	$217,281		$217,281	
Telephone Report Unit	$86,979		$86,979	
Start up	$13,905		$13,905	
County Admin Costs	$444,674		$444,674	
HTs (Access & Maint Only)	$14,973		$14,973	
Total	$2,455,869		$2,455,869	
Capital Expenditures				
Total				
Total Expenditures	**$16,195,338**		**$7,209,006**	**$8,986,332**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$16,195,338**		**$7,209,006**	**$8,986,332**

ICRP RATE = **80.2%**
(Rate is Based on Salaries)

$7,209,006 / $8,986,332 = Total Allowable Indirect Costs / Total Direct Salaries

City of Rancho Cucamonga

Sheriff

Fiscal Year
2004-05

100% Admin. or Support Staff

Name/Position	Annual Salary
Captain	$189,213
Lieutenant	$151,664
Sergeant (11)	$1,441,409
Detective (12)	$1,368,410
Sheriff's Service Specialist (10)	$551,680
Secretary II	$54,174
Secretary	$51,294
Station Clerk (16)	$786,928
Supervising Station Clerk	$53,615
Motor Pool Services Assistant (2)	$104,750

TOTAL INDIRECT SALARIES **$4,753,137**

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Eff: October 1, 2004 - Add: 3 - Marked Units, 2 - Unmarked Units and misc. equipment

LEVEL OF SERVICE				FY04/05 COST [1]
1	-	Captain	$	189,213
1	-	Lieutenant		151,664
12	-	Sergeant		1,572,446
12	-	Detective/Corporal		1,368,410
84	-	Deputy Sheriff		8,855,295
10	-	Sheriff's Service Specialist		551,680
1	-	Secretary II		54,174
1	-	Secretary		51,294
16	-	Station Clerk		786,928
1	-	Supervising Station Clerk		53,615
2	-	Motor Pool Services Assistant		104,750
36	-	Marked Unit (3 - effective 10/01/04)		427,477 [2]
22	-	Unmarked Unit (2 - effective 10/01/04)		136,009 [2]
1	-	Full-Size Truck		5,893 [2]
1	-	Crime Prevention Van (Non-Code 3)		4,317 [2]
2	-	Ford Rangers		15,184 [2]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)		1,574 [3]
10	-	Motorcycle (equip, fuel & maintenance)		67,260 [2]
1	-	MAIT Van (Equipment & Insurance Only)		1,617 [3]
4	-	Citizen Patrol (fuel & maintenance only)		6,204 [3]
1	-	Bicycle Van (Equipment & Insurance Only)		1,617 [3]
2	-	DARE Van (Equipment & Insurance Only)		3,234 [3]
		Dispatch Services		905,257
3	-	Radar Unit		1,379
43	-	HTs (10 HTs & 1 Base Station for Mail eff:10/1/04) - Access & Maint Only		14,973
		Administrative Support		90,766
		Office Automation		10,269
		Vehicle Insurance		0
		Personnel Liability & Bonding		217,261
		TRU - Telephone Reporting Unit		86,979
		County Administrative Cost		444,674
		Startup Costs		13,905
		TOTAL COST:	**$**	**16,195,318** [1]

Monthly Payment Schedule:

1st payment due July 15, 2004:	$1,345,715
2nd and 3rd payments due 5th of each month:	$1,345,714
4th payment due 5th of the month:	$1,350,911
5th through 12th payments due 5th of each month:	$1,350,908

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program 321
(20) Date Filed ____/____/____	
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Reimbursement Claim Data

(22) FORM-1 (04) 1. a (g)	27,094
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	9,688
(25) FORM-1,(06)	80
(26) FORM-1,(07)	29,499
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2004-05
Total Claimed	(07)	(13) $66,280
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $66,280
Due from State	(08)	(17) $66,280
Due to State	(09)	(18)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 1/24/12

Tamara Layne — Telephone Numbe Tlayne@cityofrc.us ~~.com~~ 2

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim		Fiscal Year
City of Rancho Cucamonga	Reimbursement	X	2004-05
	Estimated		(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	397	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$27,094					$27,094
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$9,688					$9,688
(05) Total Direct Costs	$36,782					$36,782

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	80.2%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$29,499
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$66,280

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$66,280**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2004-05

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report [ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$58.57		363.92	$21,313					$21,313
Sergeant Reviewed the Identity Theft report.	$72.80		79.40	$5,780					$5,780
(05) Total			**443.32**	**$27,094**					**$27,094**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2004-05

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report [X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Officer Began an investigation of the facts of the ID Theft cases.	$58.57		165.42	$9,688					$9,688
(05) Total			**165.42**	**$9,688**					**$9,688**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2004-05

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$13,739,469		$4,753,137	$8,986,332
Overtime				
Benefits				
Total	$13,739,469		$4,753,137	$8,986,332
Services & Supplies				
Annual Equip Usage Charges	$670,386		$670,386	
Dispatch Service	$905,257		$905,257	
Radar Gun Useage	$1,379		$1,379	
Admin Support	$90,766		$90,766	
Office Automation Charge	$10,269		$10,269	
Vehicle Insurance				
Personnel Liability and Bonding	$217,281		$217,281	
Telephone Report Unit	$86,979		$86,979	
Start up	$13,905		$13,905	
County Admin Costs	$444,674		$444,674	
HTs (Access & Maint Only)	$14,973		$14,973	
Total	$2,455,869		$2,455,869	
Capital Expenditures				
Total				
Total Expenditures	**$16,195,338**		**$7,209,006**	**$8,986,332**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$16,195,338**		**$7,209,006**	**$8,986,332**

ICRP RATE = **80.2%**
(Rate is Based on Salaries)

$7,209,006 = Total Allowable Indirect Costs
$8,986,332 Total Direct Salaries

City of Rancho Cucamonga

Sheriff

Fiscal Year

2004-05

100% Admin. or Support Staff

Name/Position	Annual Salary
Captain	$189,213
Lieutenant	$151,664
Sergeant (11)	$1,441,409
Detective (12)	$1,368,410
Sheriff's Service Specialist (10)	$551,680
Secretary II	$54,174
Secretary	$51,294
Station Clerk (16)	$786,928
Supervising Station Clerk	$53,615
Motor Pool Services Assistant (2)	$104,750

TOTAL INDIRECT SALARIES **$4,753,137**

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2004-05

Eff: October 1, 2004 - Add: 3 - Marked Units, 2 - Unmarked Units and misc. equipment

LEVEL OF SERVICE				FY04/05 COST [1]
1	-	Captain	$	189,213
1	-	Lieutenant		151,664
12	-	Sergeant		1,572,446
12	-	Detective/Corporal		1,368,410
84	-	Deputy Sheriff		8,855,295
10	-	Sheriff's Service Specialist		551,680
1	-	Secretary II		54,174
1	-	Secretary		51,294
16	-	Station Clerk		786,928
1	-	Supervising Station Clerk		53,615
2	-	Motor Pool Services Assistant		104,750
36	-	Marked Unit (3 - effective 10/01/04)		427,477 [2]
22	-	Unmarked Unit (2 - effective 10/01/04)		136,009 [2]
1	-	Full-Size Truck		5,893 [2]
1	-	Crime Prevention Van (Non-Code 3)		4,317 [2]
2	-	Ford Rangers		15,184 [2]
1	-	Rapid Incident Response Vehicle-Tahoe (Equip & Ins. Only)		1,574 [3]
10	-	Motorcycle (equip, fuel & maintenance)		67,260 [2]
1	-	MAIT Van (Equipment & Insurance Only)		1,617 [3]
4	-	Citizen Patrol (fuel & maintenance only)		6,204 [3]
1	-	Bicycle Van (Equipment & Insurance Only)		1,617 [3]
2	-	DARE Van (Equipment & Insurance Only)		3,234 [3]
		Dispatch Services		905,257
3	-	Radar Unit		1,379
43	-	HTs (10 HTs & 1 Base Station for Mall eff:10/1/04) - Access & Maint Only		14,973
		Administrative Support		90,766
		Office Automation		10,269
		Vehicle Insurance		0
		Personnel Liability & Bonding		217,261
		TRU - Telephone Reporting Unit		86,979
		County Administrative Cost		444,674
		Startup Costs		13,905
		TOTAL COST:	**$**	**16,195,318** [1]

Monthly Payment Schedule:

1st payment due July 15, 2004:	$1,345,715
2nd and 3rd payments due 5th of each month:	$1,345,714
4th payment due 5th of the month:	$1,350,911
5th through 12th payments due 5th of each month:	$1,350,908

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair), and replacement of any destroyed vehicle. If vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program
(20) Date Filed ____/____/____	321
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Reimbursement Claim Data	
(22) FORM-1 (04) 1. a (g)	28,650
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	10,147
(25) FORM-1,(06)	81
(26) FORM-1,(07)	31,542
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement X
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2005-06
Total Claimed	(07)	(13) $70,338
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $70,338
Due from State	(08)	(17) $70,338
Due to State	(09)	(18)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 1/24/12

Tamara Layne — Telephone Numbe Tlayne@cityofrc.us (on 2)

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) — Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2005-06
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	404	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$28,650					$28,650
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$10,147					$10,147
(05) Total Direct Costs	$38,796					$38,796

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	81.3%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$31,542
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$70,338

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$70,338**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2005-06

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report

[ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$60.28		370.33	$22,322					$22,322
Sergeant Reviewed the Identity Theft report.	$78.31		80.80	$6,327					$6,327
(05) Total			**451.13**	**$28,650**					**$28,650**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2005-06

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

☐ Taking police report in violation of PC Sect 530.5

☐ Reviewing online ID theft report ☒ **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy Began an investigation of the facts of the ID Theft cases.	$60.28		168.33	$10,147					$10,147
(05) Total			**168.33**	**$10,147**					**$10,147**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2005-06

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$16,724,289		$5,961,859	$10,762,430
Overtime				
Benefits				
Total	$16,724,289		$5,961,859	$10,762,430
Services & Supplies				
Annual Equip Usage Charges	$809,628		$809,628	
Dispatch Service	$1,066,843		$1,066,843	
Radar Gun Useage	$1,379		$1,379	
Admin Support	$106,582		$106,582	
Office Automation Charge	$10,269		$10,269	
Vehicle Insurance	$23,515		$23,515	
Personnel Liability and Bonding	$190,085		$190,085	
Telephone Report Unit				
Start up	$22,414		$22,414	
County Admin Costs	$536,931		$536,931	
HTs (Access & Maint Only)	$15,996		$15,996	
Total	$2,783,642		$2,783,642	
Capital Expenditures				
Total				
Total Expenditures	**$19,507,931**		**$8,745,501**	**$10,762,430**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$19,507,931**		**$8,745,501**	**$10,762,430**

ICRP RATE = **81.3%**
(Rate is Based on Salaries)

$8,745,501 / $10,762,430 = Total Allowable Indirect Costs / Total Direct Salaries

City of Rancho Cucamonga
Sheriff
Fiscal Year
2005-06

100% Admin. or Support Staff

Name/Position	Annual Salary
Captain	$206,605
Lieutenant (2)	$326,220
Sergeant (11)	$1,550,527
Detective (14)	$1,716,852
Sheriff's Service Specialist (17)	$1,013,863
Secretary (2)	$107,900
Office Specialist (16)	$863,200
Supervising Station Clerk	$63,950
Motor Pool Services Assistant (2)	$112,742

TOTAL INDIRECT SALARIES **$5,961,859**

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program
(20) Date Filed ____/____/____	321
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2006-07
Total Claimed	(07)	(13) $43,820
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $43,820
Due from State	(08)	(17) $43,820
Due to State	(09)	(18)

Reimbursement Claim Data	
(22) FORM-1 (04) 1. a (g)	18,065
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	6,443
(25) FORM-1,(06)	79
(26) FORM-1,(07)	19,312
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 1/24/12

Tamara Layne — Telephone Numbe Tlayne@cityofrc.us

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2006-07
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	232	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$18,065					$18,065
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$6,443					$6,443
(05) Total Direct Costs	$24,508					$24,508

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	78.8%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$19,312
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$43,820

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$43,820**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2006-07

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report

[ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$66.65		212.67	$14,175					$14,175
Sergeant Reviewed the Identity Theft report.	$83.83		46.40	$3,890					$3,890
(05) Total			**259.07**	**$18,065**					**$18,065**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2006-07

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report

[X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy Began an investigation of the facts of the ID Theft cases.	$66.65		96.67	$6,443					$6,443
(05) Total			**96.67**	**$6,443**					**$6,443**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2006-07

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$19,074,585		$6,612,275	$12,462,310
Overtime				
Benefits				
Total	$19,074,585		$6,612,275	$12,462,310
Services & Supplies				
Annual Equip Usage Charges	$873,740		$873,740	
Dispatch Service	$1,215,926		$1,215,926	
Radar Gun Useage	$1,379		$1,379	
Admin Support	$117,234		$117,234	
Office Automation Charge	$10,269		$10,269	
Vehicle Insurance	$29,849		$29,849	
Personnel Liability and Bonding	$258,153		$258,153	
Telephone Report Unit				
Start up	$52,836		$52,836	
County Admin Costs	$612,232		$612,232	
HTs (Access & Maint Only)	$17,632		$17,632	
Additional MDCs	$16,667		$16,667	
Total	$3,205,917		$3,205,917	
Capital Expenditures				
Total				
Total Expenditures	**$22,280,502**		**$9,818,192**	**$12,462,310**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$22,280,502**		**$9,818,192**	**$12,462,310**

ICRP RATE = **78.8%**
(Rate is Based on Salaries)

$9,818,192 / $12,462,310 = Total Allowable Indirect Costs / Total Direct Salaries

City of Rancho Cucamonga

Sheriff

Fiscal Year
2006-07

100% Admin. or Support Staff

Name/Position	Annual Salary
Captain	$237,464
Lieutenant (2)	$346,740
Sergeant (11)	$1,659,927
Detective (15)	$1,946,954
Sheriff's Service Specialist (18)	$1,127,466
Secretary (2)	$112,717
Office Specialist (16)	$901,736
Supervising Office Specialist	$71,192
Motor Pool Services Assistant (2)	$119,831
Crime Analyst	$88,248

TOTAL INDIRECT SALARIES **$6,612,275**

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2006-07

Eff: 07/01/06 - Add 1 Detective, 5 Deputies, 1 Crime Analyst, 1 SSS
4 Marked & 2 Unmarked Units

LEVEL OF SERVICE				FY2006-07 COST [1]
1	-	Captain	$	237,494
2	-	Lieutenant		346,740
12	-	Sergeant		1,810,829
15	-	Detective/Corporal		1,964,954
92	-	Deputy Sheriff		11,037,729
10	-	Deputy Sheriff - Motorcycle		1,255,649
18	-	Sheriff's Service Specialist		1,127,466
1	-	Supv Office Specialist		71,192
1	-	Crime Analyst		88,248
2	-	Secretary		112,717
16	-	Office Specialist (Formerly Station Clerk)		901,736
2	-	Motor Pool Services Assistant		119,831
44	-	Marked Unit		548,508 [2]
27	-	Unmarked Unit		179,012 [2]
1	-	Mini Van (Non-Code 3)		4,443 [2]
6	-	Mid-size Pickup		24,462 [2]
1	-	Full Size Pickup		6,005 [2]
1	-	Rapid Incident Response Vehicle (Equip Only)		1,705 [3]
12	-	Motorcycle		94,933 [2]
4	-	Citizen Patrol		6,972 [3]
2	-	Bicycle & MAIT Van		3,486 [3]
2	-	SRO Van		4,214 [3]
		Dispatch Services		1,215,926
3	-	Radar Unit		1,379
43	-	HTs (Access & Maint Only)		17,632
7	-	Additional MDCs		16,667
		Administrative Support		117,234
		Office Automation		10,269
		Vehicle Insurance		29,849
		Personnel Liability & Bonding		258,153
		County Administrative Cost		612,232
		Startup Costs		52,836
		TOTAL COST:	$	22,280,503 [1]

Monthly Payment Schedule:

1st payment due July 15, 2006:	$1,856,715
2nd through 12th payments due 5th of each month:	$1,856,708

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair) and replacement of any destroyed vehicles. If the vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset the City's cost.

[3] Donated vehicles. The City is responsible for fuel and maintenance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included.

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2006-07

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost. (Estimated overtime cost for 2006-07 is $330,000, actual cost billed quarterly.)
- Actual on-call costs. (Estimated on-call cost for 2006-07 is $56,160, actual cost billed quarterly.)
- Professional services from private vendors (i.e. towing, interpreters, temporary help, etc).
- Services, supplies, salaries and benefits above the contract formula.
- Fuel and maintenance (if applicable).

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1
Lieutenant	-	2
Sergeant	-	12
Deputy III	-	15
Deputy Sheriff	-	92
Deputy Sheriff - Motor	-	10
		132

GENERAL:		
Sheriff's Service Specialist	-	18.00
Secretary I	-	2.00
Supervising Office Specialist	-	1.00
Office Specialist	-	16.00
Motor Pool Svcs Assistant	-	2.00
Dispatcher	-	17.33
		56.33

VEHICLES:		
Marked Unit	-	44
Unmarked Unit	-	27
Full-size Truck w/MDC	-	1
Mini Van Non-Code 3	-	1
Mid-size Pickup w/MDC	-	6
Motorcycle	-	12
Rapid Inc. Resp. (Tahoe)	-	1
Bicycle & MAIT Van	-	2
SRO Van	-	2
Citizen Patrol (1 - Tahoe, 3 - Explorers)	-	4
		100

MISCELLANEOUS EQUIPMENT:		
Radar Gun	-	3
Additional H.T. Radios	-	43

DONATED VEHICLES w/out equipment:		
Chevy Van	-	1 *
Volkswagen Beetle	-	1 *
Motorhome (Satellite Office)	-	1 *
Hummer	-	1 *
Suzuki Enduro Motorcycle	-	2 *
Electric Vehicle	-	2 *
		8

* (Included for insurance costs only)

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program 321
(20) Date Filed ____/____/____	
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Reimbursement Claim Data	
(22) FORM-1 (04) 1. a (g)	11,859
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	4,219
(25) FORM-1,(06)	79
(26) FORM-1,(07)	12,718
(27) FORM-1,(09)	
(28) FORM-1,(10)	

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement X
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2007-08
Total Claimed	(07)	(13) $28,795
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $28,795
Due from State	(08)	(17) $28,795
Due to State	(09)	(18)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 11/24/12

Tamara Layne — Telephone Number Tlayne@cityofrc.us

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2007-08
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	144	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$11,859					$11,859
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$4,219					$4,219
(05) Total Direct Costs	$16,078					$16,078

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	79.1%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$12,718
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$28,795

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$28,795**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2007-08

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report [ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$70.31		132.00	$9,281					$9,281
Sergeant Reviewed the Identity Theft report.	$89.52		28.80	$2,578					$2,578
(05) Total			**160.80**	**$11,859**					**$11,859**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2007-08

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report [X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy Began an investigation of the facts of the ID Theft cases.	$70.31		60.00	$4,219					$4,219
(05) Total			**60.00**	**$4,219**					**$4,219**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2007-08

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$21,511,103		$7,378,365	$14,132,738
Overtime				
Benefits				
Total	$21,511,103		$7,378,365	$14,132,738
Services & Supplies				
Annual Equip Usage Charges	$984,620		$984,620	
Dispatch Service	$1,342,627		$1,342,627	
Radar Gun Useage				
Admin Support	$118,250		$118,250	
Office Automation Charge	$59,183		$59,183	
Vehicle Insurance	$79,080		$79,080	
Personnel Liability and Bonding	$413,363		$413,363	
Telephone Report Unit				
Start up	$29,475		$29,475	
County Admin Costs	$689,159		$689,159	
HTs (Access & Maint Only)	$24,480		$24,480	
Additional MDCs	$21,680		$21,680	
Taser Replacements	$40,612		$40,612	
Total	$3,802,529		$3,802,529	
Capital Expenditures				
Total				
Total Expenditures	**$25,313,632**		**$11,180,894**	**$14,132,738**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$25,313,632**		**$11,180,894**	**$14,132,738**

ICRP RATE = **79.1%**
(Rate is Based on Salaries)

$11,180,894 / $14,132,738 = Total Allowable Indirect Costs / Total Direct Salaries

City of Rancho Cucamonga

Sheriff

Fiscal Year
2007-08

100% Admin. or Support Staff

Name/Position	Annual Salary
Captain	$255,309
Lieutenant (2)	$369,986
Sergeant (12)	$1,933,554
Detective (15)	$2,073,105
Sheriff's Service Specialist (20)	$1,300,220
Secretary (2)	$116,554
Office Specialist (18)	$1,048,988
Supervising Office Specialist	$69,307
Motor Pool Services Assistant (2)	$120,756
Crime Analyst	$90,586

TOTAL INDIRECT SALARIES **$7,378,365**

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2007-08

Additions: 8-Deputies, 1-SSS, 3-Marked Units, 2-Unmarked Units
1-trailer (insurance only)

LEVEL OF SERVICE			FY2007-08 COST [1]
1	-	Captain	$ 255,309
2	-	Lieutenant	369,986
13	-	Sergeant	2,094,684
15	-	Detective/Corporal	2,073,105
100	-	Deputy Sheriff (8-effective 7/1/07)	12,655,975
10	-	Deputy Sheriff - Motorcycle	1,315,633
20	-	Sheriff's Service Specialist (1-effective 7/1/07)	1,300,220
1	-	Supv Office Specialist	69,307
1	-	Crime Analyst	90,586
2	-	Secretary	116,554
18	-	Office Specialist (Formerly Station Clerk)	1,048,988
2	-	Motor Pool Services Assistant	120,756
47	-	Marked Unit (3-effective 7/1/07)	619,319 [2]
29	-	Unmarked Unit (2-effective 7/1/07)	208,075 [2]
1	-	Mini Van (Non-Code 3)	4,837 [2]
6	-	Mid-size Pickup	26,226 [2]
1	-	Full Size Pickup	6,299 [2]
1	-	Rapid Incident Response Vehicle (Equip Only)	2,004 [3]
12	-	Motorcycle	98,856 [2]
1	-	Suburban (Homeland Security)	2,004 [3]
4	-	Citizen Patrol	8,148 [3]
2	-	Bicycle & MAIT Van	4,074 [3]
2	-	SRO Van	4,778 [3]
		Dispatch Services	1,342,627
51	-	HTs (Access & Maint Only)	24,480
8	-	Additional MDCs	21,680
143	-	Taser Replacement (Amortized over 4-years)	40,612
		Administrative Support	118,250
		Office Automation	59,183
		Vehicle Insurance	79,080
		Personnel Liability & Bonding	413,363
		County Administrative Cost	689,159
		Startup Costs	29,475
		TOTAL COST:	**$ 25,313,632** [1]

Monthly Payment Schedule:

1st payment due July 15, 2007:	$2,109,473
2nd through 12th payments due 5th of each month:	$2,109,469

1 Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

2 Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair) and replacement of any destroyed vehicles. If the vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset the City's cost.

3 Donated vehicles. The City is responsible for fuel and mainteance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program 321
(20) Date Filed ____/____/____	
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Reimbursement Claim Data	
(22) FORM-1 (04) 1. a (g)	11,859
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	4,219
(25) FORM-1,(06)	79
(26) FORM-1,(07)	12,718
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement X
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2007-08
Total Claimed	(07)	(13) $28,795
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $28,795
Due from State	(08)	(17) $28,795
Due to State	(09)	(18)

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 11/24/12

Tamara Layne — Telephone Numbe Tlayne@cityofrc.us

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2007-08
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	144	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$11,859					$11,859
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$4,219					$4,219
(05) Total Direct Costs	$16,078					$16,078

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	79.1%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$12,718
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$28,795

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$28,795**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2007-08

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report [ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$70.31		132.00	$9,281					$9,281
Sergeant Reviewed the Identity Theft report.	$89.52		28.80	$2,578					$2,578
(05) Total			**160.80**	**$11,859**					**$11,859**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2007-08

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report [X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy Began an investigation of the facts of the ID Theft cases.	$70.31		60.00	$4,219					$4,219
(05) Total			**60.00**	**$4,219**					**$4,219**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2007-08

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$21,511,103		$7,378,365	$14,132,738
Overtime				
Benefits				
Total	$21,511,103		$7,378,365	$14,132,738
Services & Supplies				
Annual Equip Usage Charges	$984,620		$984,620	
Dispatch Service	$1,342,627		$1,342,627	
Radar Gun Useage				
Admin Support	$118,250		$118,250	
Office Automation Charge	$59,183		$59,183	
Vehicle Insurance	$79,080		$79,080	
Personnel Liability and Bonding	$413,363		$413,363	
Telephone Report Unit				
Start up	$29,475		$29,475	
County Admin Costs	$689,159		$689,159	
HTs (Access & Maint Only)	$24,480		$24,480	
Additional MDCs	$21,680		$21,680	
Taser Replacements	$40,612		$40,612	
Total	$3,802,529		$3,802,529	
Capital Expenditures				
Total				
Total Expenditures	**$25,313,632**		**$11,180,894**	**$14,132,738**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$25,313,632**		**$11,180,894**	**$14,132,738**

ICRP RATE = **79.1%**
(Rate is Based on Salaries)

$11,180,894 = Total Allowable Indirect Costs
$14,132,738 Total Direct Salaries

City of Rancho Cucamonga

Sheriff

Fiscal Year
2007-08

100% Admin. or Support Staff

Name/Position	Annual Salary
Captain	$255,309
Lieutenant (2)	$369,986
Sergeant (12)	$1,933,554
Detective (15)	$2,073,105
Sheriff's Service Specialist (20)	$1,300,220
Secretary (2)	$116,554
Office Specialist (18)	$1,048,988
Supervising Office Specialist	$69,307
Motor Pool Services Assistant (2)	$120,756
Crime Analyst	$90,586

TOTAL INDIRECT SALARIES **$7,378,365**

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2007-08

Additions: 8-Deputies, 1-SSS, 3-Marked Units, 2-Unmarked Units
1-trailer (insurance only)

LEVEL OF SERVICE			FY2007-08 COST [1]
1	-	Captain	$ 255,309
2	-	Lieutenant	369,986
13	-	Sergeant	2,094,684
15	-	Detective/Corporal	2,073,105
100	-	Deputy Sheriff (8-effective 7/1/07)	12,655,975
10	-	Deputy Sheriff - Motorcycle	1,315,633
20	-	Sheriff's Service Specialist (1-effective 7/1/07)	1,300,220
1	-	Supv Office Specialist	69,307
1	-	Crime Analyst	90,586
2	-	Secretary	116,554
18	-	Office Specialist (Formerly Station Clerk)	1,048,988
2	-	Motor Pool Services Assistant	120,756
47	-	Marked Unit (3-effective 7/1/07)	619,319 [2]
29	-	Unmarked Unit (2-effective 7/1/07)	208,075 [2]
1	-	Mini Van (Non-Code 3)	4,837 [2]
6	-	Mid-size Pickup	26,226 [2]
1	-	Full Size Pickup	6,299 [2]
1	-	Rapid Incident Response Vehicle (Equip Only)	2,004 [3]
12	-	Motorcycle	98,856 [2]
1	-	Suburban (Homeland Security)	2,004 [3]
4	-	Citizen Patrol	8,148 [3]
2	-	Bicycle & MAIT Van	4,074 [3]
2	-	SRO Van	4,778 [3]
		Dispatch Services	1,342,627
51	-	HTs (Access & Maint Only)	24,480
8	-	Additional MDCs	21,680
143	-	Taser Replacement (Amortized over 4-years)	40,612
		Administrative Support	118,250
		Office Automation	59,183
		Vehicle Insurance	79,080
		Personnel Liability & Bonding	413,363
		County Administrative Cost	689,159
		Startup Costs	29,475
		TOTAL COST:	**$ 25,313,632** [1]

Monthly Payment Schedule:

1st payment due July 15, 2007:	$2,109,473
2nd through 12th payments due 5th of each month:	$2,109,469

1 Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

2 Less fuel and maintenance. The City is responsible for fuel and maintenance of all contract vehicles. Maintenance is defined as all routine maintenance, all necessary repairs (mechanical or body repair) and replacement of any destroyed vehicles. If the vehicle damage is eligible for coverage under County insurance policies, a claim will be filed by Risk Management. Any money reimbursed by Risk Management will be credited to the City's account to offset the City's cost.

3 Donated vehicles. The City is responsible for fuel and mainteance of all donated vehicles (see footnote #2 above). Costs include equipment and insurance only. No replacement cost is included

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program
(20) Date Filed ____/____/____	321
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2008-09
Total Claimed	(07)	(13) $20,957
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $20,957
Due from State	(08)	(17) $20,957
Due to State	(09)	(18)

Reimbursement Claim Data	
(22) FORM-1 (04) 1. a (g)	8,615
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	3,060
(25) FORM-1,(06)	80
(26) FORM-1,(07)	9,282
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 1/24/12

Tamara Layne — Telephone Numbe Tlayne@cityofrc.us

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) — Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2008-09
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	103	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$8,615					$8,615
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$3,060					$3,060
(05) Total Direct Costs	$11,675					$11,675

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	79.5%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$9,282
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$20,957

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$20,957**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2008-09

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report

[ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$71.31		94.42	$6,733					$6,733
Sergeant Reviewed the Identity Theft report.	$91.35		20.60	$1,882					$1,882
(05) Total			**115.02**	**$8,615**					**$8,615**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2008-09

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report [X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy Began an investigation of the facts of the ID Theft cases.	$71.31		42.92	$3,060					$3,060
(05) Total			**42.92**	**$3,060**					**$3,060**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2008-09

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$22,027,636		$7,567,239	$14,460,397
Overtime				
Benefits				
Total	$22,027,636		$7,567,239	$14,460,397
Services & Supplies				
Annual Equip Usage Charges	$956,620		$956,620	
Dispatch Service	$1,357,768		$1,357,768	
Radar Gun Useage				
Admin Support	$114,427		$114,427	
Office Automation Charge	$62,408		$62,408	
Vehicle Insurance	$80,555		$80,555	
Personnel Liability and Bonding	$434,290		$434,290	
Telephone Report Unit				
Start up	$3,744		$3,744	
County Admin Costs	$704,995		$704,995	
HTs (Access & Maint Only)	$150,846		$150,846	
Additional MDCs	$24,390		$24,390	
Taser Replacements	$40,584		$40,584	
Total	$3,930,627		$3,930,627	
Capital Expenditures				
Total				
Total Expenditures	**$25,958,263**		**$11,497,866**	**$14,460,397**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$25,958,263**		**$11,497,866**	**$14,460,397**

ICRP RATE = **79.5%**
(Rate is Based on Salaries)

$11,497,866 = Total Allowable Indirect Costs
$14,460,397 Total Direct Salaries

City of Rancho Cucamonga
Sheriff
Fiscal Year
2008-09

100% Admin. or Support Staff

Name/Position	Annual Salary
Captain	$263,737
Lieutenant (2)	$377,335
Sergeant (1\2)	$1,973,249
Detective (16)	$2,248,342
Sheriff's Service Specialist (20)	$1,266,374
Secretary (2)	$116,068
Office Specialist (18)	$1,044,615
Supervising Office Specialist	$69,686
Motor Pool Services Assistant (2)	$117,672
Crime Analyst	$90,161

TOTAL INDIRECT SALARIES **$7,567,239**

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
2008-09

Additions Effective 7/1/08: 2-Marked Units, 2-Unmarked Units, 1-Midsize Truck w/MDC

LEVEL OF SERVICE			FY2008-09 COST	
1	-	Captain	$ 263,737	1
2	-	Lieutenant	377,335	1
13	-	Sergeant	2,137,686	1
16	-	Detective/Corporal	2,248,342	1
101	-	Deputy Sheriff	12,964,262	1
10	-	Deputy Sheriff - Motorcycle	1,331,698	1
20	-	Sheriff's Service Specialist	1,266,374	1
1	-	Supervising Office Specialist	69,686	1
1	-	Crime Analyst	90,161	1
2	-	Secretary	116,068	1
18	-	Office Specialist	1,044,615	1
2	-	Motor Pool Services Assistant	117,672	1
46	-	Marked Unit	572,930	2
3	-	Crown Vic - Slick Top (2-effective 7/1/08)	36,459	2
31	-	Unmarked Unit (2-effective 7/1/08)	200,663	2
1	-	Mini Van (Non-Code 3)	4,371	2
7	-	Mid-size Pickup (1-effective 7/1/08)	28,035	2
1	-	Full Size Pickup	5,933	2
1	-	Rapid Incident Response Vehicle (Equip Only)	1,238	3
12	-	Motorcycle	94,824	2
1	-	Suburban (Homeland Security)	1,271	3
4	-	Citizen Patrol	5,084	3
2	-	Bicycle & MAIT Van	2,542	3
2	-	SRO Van	3,270	3
		Dispatch Services	1,357,768	1
111	-	HTs (Equipment cost) (5-effective 7/1/08)	53,502	
156	-	HTs (Access & Maint Only) (5-effective 7/1/08)	97,344	
9	-	Additional MDCs (1-effective 7/1/08)	24,390	
152	-	Taser Replacement (Amortized over 4-years)	40,584	
		Administrative Support	114,427	
		Office Automation	62,408	
		Vehicle Insurance	80,555	
		Personnel Liability & Bonding	434,290	
		County Administrative Cost	704,995	
		Startup Costs	3,744	
		TOTAL COST:	**$ 25,958,263**	1

Monthly Payment Schedule:

1st payment due July 15, 2008:	$2,163,195
2nd through 12th payments due 5th of each month:	$2,163,188

---

1 Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

2 No replacement cost is included for donated and grant-funded vehicles.

3 Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program
(20) Date Filed ____/____/____	321
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2009-10
Total Claimed	(07)	(13) $24,069
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $24,069
Due from State	(08)	(17) $24,069
Due to State	(09)	(18)

Reimbursement Claim Data

(22) FORM-1 (04) 1. a (g)	9,803
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	3,480
(25) FORM-1,(06)	81
(26) FORM-1,(07)	10,786
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 1/24/12

Tamara Layne — Telephone Numbe Tlayne@cityofrc.us

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2009-10
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	120	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$9,803					$9,803
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$3,480					$3,480
(05) Total Direct Costs	$13,283					$13,283

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	81.2%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$10,786
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$24,069

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$24,069**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2009-10

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report [ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$69.60		110.00	$7,657					$7,657
Sergeant Reviewed the Identity Theft report.	$89.44		24.00	$2,146					$2,146
(05) Total			**134.00**	**$9,803**					**$9,803**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2009-10

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

☐ Taking police report in violation of PC Sect 530.5

☐ Reviewing online ID theft report ☒ **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy Began an investigation of the facts of the ID Theft cases.	$69.60		50.00	$3,480					$3,480
(05) Total			**50.00**	**$3,480**					**$3,480**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2009-10

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$21,589,430		$7,474,334	$14,115,096
Overtime				
Benefits				
Total	$21,589,430		$7,474,334	$14,115,096
Services & Supplies				
Annual Equip Usage Charges	$978,191		$978,191	
Dispatch Service	$1,382,883		$1,382,883	
Radar Gun Useage				
Admin Support	$119,761		$119,761	
Office Automation Charge	$62,408		$62,408	
Vehicle Insurance	$90,032		$90,032	
Personnel Liability and Bonding	$432,953		$432,953	
Telephone Report Unit				
Start up	$2,016		$2,016	
County Admin Costs	$692,762		$692,762	
HTs (Access & Maint Only)	$153,058		$153,058	
Additional MDCs	$27,100		$27,100	
Taser Replacements	$43,168		$43,168	
Total	$3,984,332		$3,984,332	
Capital Expenditures				
Total				
Total Expenditures	**$25,573,762**		**$11,458,666**	**$14,115,096**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$25,573,762**		**$11,458,666**	**$14,115,096**

ICRP RATE = **81.2%**
(Rate is Based on Salaries)

$11,458,666 = Total Allowable Indirect Costs
$14,115,096 Total Direct Salaries

City of Rancho Cucamonga
Sheriff
Fiscal Year
2009-10

100% Admin. or Support Staff

Name/Position	Annual Salary
Captain	$271,978
Lieutenant (2)	$369,752
Sergeant (12)	$1,931,817
Detective (16)	$2,190,024
Sheriff's Service Specialist (20)	$1,255,247
Secretary (2)	$117,593
Office Specialist (18)	$1,058,339
Supervising Office Specialist	$70,946
Motor Pool Services Assistant (2)	$116,418
Crime Analyst	$92,220

TOTAL INDIRECT SALARIES **$7,474,334**

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2009-10

Additions: 1-marked unit, 2-unmarked units and 1-mid-size truck
Does not include MOU increases for safety or general employees.

LEVEL OF SERVICE				FY 2009-10 COST	
1.00	-	Captain	$	271,978	1
2.00	-	Lieutenant		369,752	1
13.00	-	Sergeant		2,092,802	1
16.00	-	Detective/Corporal		2,190,024	1
101.00	-	Deputy Sheriff		12,654,162	1
10.00	-	Deputy Sheriff - Motorcycle		1,299,949	1
20.00	-	Sheriff's Service Specialist		1,255,247	1
1.00	-	Supv Office Specialist		70,946	1
1.00	-	Crime Analyst		92,220	1
2.00	-	Secretary		117,593	1
18.00	-	Office Specialist		1,058,339	1
2.00	-	Motor Pool Services Assistant		116,418	1
47.00	-	Marked Unit (1-effective 7/1/09)		585,385	2
3.00	-	Crown Vic - Slick Top		36,459	2
33.00	-	Unmarked Unit (2 effective 7/1/09)		213,609	2
1.00	-	Mini Van (Non-Code 3)		4,371	2
8.00	-	Mid-size Pickup (1-effective 7/1/09)		32,040	2
1.00	-	Full Size Pickup		5,933	2
1.00	-	Rapid Incident Response Vehicle (Equip Only)		1,238	3
12.00	-	Motorcycle		88,260	2
1.00	-	Truck - Grant Funded		1,271	3
4.00	-	Citizen Patrol		5,084	3
1.00	-	Bicycle & MAIT Van		1,271	3
2.00	-	SRO Van		3,270	3
		Dispatch Services		1,382,883	1
113	-	HTs (Amortized over 7-years)		54,466	
158	-	HTs (Access & Maint Only)		98,592	
10	-	Additional MDCs (1-effective 7/1/09		27,100	
152	-	Taser Replacement (Amortized over 4-years)		43,168	
		Administrative Support		119,761	
		Office Automation		62,408	
		Vehicle Insurance		90,032	
		Personnel Liability & Bonding		432,953	
		County Administrative Cost		692,762	
		Startup Costs		2,016	
		TOTAL COST:	**$**	**25,573,762**	1

Monthly Payment Schedule

1st payment due July 15, 2009:	$2,131,156
2nd through 12th payments due the 5th of each month:	$2,131,146

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2009-10

Additional Costs Billed Quarterly:

The City will be billed on a quarterly basis for the following items:

- Actual overtime cost.
- Actual on-call cost (on-call pay for safety employees for FY2009-10 is $165 per week).
- Actual cost of vehicle fuel and maintenance.
- Professional services from private vendors and other services, supplies and personnel costs above the contract formula.

LEVEL OF SERVICE SUMMARY

SAFETY:		
Captain	-	1.00
Lieutenant	-	2.00
Sergeant	-	13.00
Detective/Corporal	-	16.00
Deputy Sheriff	-	101.00
Deputy Sheriff - Motor	-	10.00
		143.00

GENERAL:		
Crime Analyst	-	1.00
Sheriff's Service Specialist	-	20.00
Secretary I	-	2.00
Supv Office Specialist	-	1.00
Office Specialist	-	18.00
Motor Pool Services Asst	-	2.00
Dispatchers	-	18.81
		62.81

VEHICLES:		
Marked Patrol Units	-	50
Unmarked Units Code 3	-	33
Mini Vans	-	5
Pickup Trucks	-	10
Motorcycles	-	12
Citizen Patrol	-	4
Donated Vehicles-Ins Only	-	9 *
		123

DONATED VEHICLES:	
Chevy Van	1 *
Volkswagen Beetle	1 *
Motorhome (Command Post)	1 *
Hummer	1 *
Suzuki Enduro Motorcycle	2 *
Electric Vehicle	2 *
Motorcycle Trailer	1 *
	9 *

* (Included for insurance costs only)

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program 321
(20) Date Filed ____/____/____	
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2010-11
Total Claimed	(07)	(13) $29,854
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $29,854
Due from State	(08)	(17) $29,854
Due to State	(09)	(18)

Reimbursement Claim Data

(22) FORM-1 (04) 1. a (g)	12,662
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	4,495
(25) FORM-1,(06)	74
(26) FORM-1,(07)	12,697
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne

Date Signed 1/24/12

Tamara Layne

Telephone Numbe Tlayne@cityofrc.us (909) 477-2700

Finance Director

Email Address

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2010-11
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	155	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$12,662					$12,662
b) Reviewing online ID Theft Report						
2. Investigation of the facts	$4,495					$4,495
(05) Total Direct Costs	$17,158					$17,158

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	74.0%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$12,697
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$29,854

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$29,854**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2010-11

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report

[ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy/Officer Taking & drafting the police report in violation of PC 530.5	$69.60		142.08	$9,890					$9,890
Sergeant Reviewed the Identity Theft report.	$89.44		31.00	$2,773					$2,773
(05) Total			**173.08**	**$12,662**					**$12,662**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2010-11

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[ ] Taking police report in violation of PC Sect 530.5

[ ] Reviewing online ID theft report [X] **Investigation of facts**

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Deputy Began an investigation of the facts of the ID Theft cases.	$69.60		64.58	$4,495					$4,495
(05) Total			**64.58**	**$4,495**					**$4,495**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2010-11

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$21,816,992		$6,993,726	$14,823,266
Overtime				
Benefits				
Total	$21,816,992		$6,993,726	$14,823,266
Services & Supplies				
Annual Equip Usage Charges	$974,639		$974,639	
Dispatch Service	$1,410,470		$1,410,470	
Radar Gun Useage				
Admin Support	$118,367		$118,367	
Office Automation Charge	$62,408		$62,408	
Vehicle Insurance	$113,907		$113,907	
Personnel Liability and Bonding	$380,516		$380,516	
Telephone Report Unit				
Start up				
County Admin Costs	$700,375		$700,375	
HTs (Access & Maint Only)	$150,846		$150,846	
Additional MDCs	$27,100		$27,100	
Taser Replacements	$40,896		$40,896	
Total	$3,979,524		$3,979,524	
Capital Expenditures				
Total				
Total Expenditures	**$25,796,516**		**$10,973,250**	**$14,823,266**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$25,796,516**		**$10,973,250**	**$14,823,266**

ICRP RATE = **74.0%**
(Rate is Based on Salaries)

$10,973,250 = Total Allowable Indirect Costs
$14,823,266 Total Direct Salaries

City of Rancho Cucamonga
Sheriff
Fiscal Year
2010-11

Name/Position	100% Admin. or Support Staff Annual Salary
Captain	$276,804
Lieutenant (2)	$400,305
Sergeant (11)	$1,920,334
Detective (14)	$2,073,485
Sheriff's Service Specialist (15)	$964,883
Secretary (2)	$121,032
Office Specialist (16)	$958,622
Supervising Office Specialist	$72,672
Motor Pool Services Assistant (2)	$111,616
Crime Analyst	$93,972

TOTAL INDIRECT SALARIES **$6,993,726**

Proposed - Not Final

SCHEDULE A
LAW ENFORCEMENT SERVICES CONTRACT
CITY OF RANCHO CUCAMONGA
FY 2010-11

Effective 7/1/10: Less 1-Sergeant, 1-Detective
Effective 8/28/10: Less 5-Deputies, 1-Motor Officer, 5-SSS, 1-Motorcycle

LEVEL OF SERVICE			FY 2010-11 COST	
1	-	Captain	$ 276,804	1
2	-	Lieutenant	400,305	1
12	-	Sergeant (less 1-effective 7/1/10)	2,094,910	1
15	-	Detective/Corporal (less 1-effective 7/1/10)	2,221,591	1
96.96	-	Deputy Sheriff (less 5 - effective 8/28/10)	13,094,334	1
9.19	-	Deputy Sheriff - Motorcycle (less 1-effective 8/28/10)	1,284,584	1
15.96	-	Sheriff's Service Specialist (less 5-effective 8/28/10	1,026,636	1
1	-	Supv Office Specialist	72,672	1
1	-	Crime Analyst	93,972	1
2	-	Secretary	121,032	1
TOTAL 173 17	-	Office Specialist	1,018,536	1
2	-	Motor Pool Services Assistant	111,616	1
47	-	Marked Unit	585,385	2
3	-	Crown Vic - Slick Top	36,459	2
33	-	Unmarked Unit	214,005	2
1	-	Mini Van (Non-Code 3)	4,371	2
8	-	Mid-size Pickup	32,040	2
1	-	Full Size Pickup	5,933	2
1	-	Rapid Incident Response Vehicle (Equip Only)	1,238	3
11.19	-	Motorcycle (less 1-effective 8/28/10)	84,312	2
1	-	Truck - Grant Funded	1,271	3
4	-	Citizen Patrol	5,084	3
1	-	Bicycle & MAIT Van	1,271	3
2	-	SRO Van	3,270	3
		Dispatch Services	1,410,470	1
111	-	HTs (Amortized over 7-years)	53,502	
156	-	HTs (Access & Maint Only)	97,344	
10	-	Additional MDCs	27,100	
144	-	Taser Replacement (Amortized over 4-years) (less 8)	40,896	
		Administrative Support	118,367	
		Office Automation	62,408	
		Vehicle Insurance	113,907	
		Personnel Liability & Bonding	380,516	
		County Administrative Cost	700,375	
		TOTAL COST:	**$ 25,796,516**	1

1/12 = 2,149,709.66

Monthly Payment Schedule

1st payment due July 15, 2010:	$2,149,717
2nd through 12th payments due the 5th of each month:	$2,149,709

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program
(20) Date Filed ____/____/____	321
(21) LRS Input ____/____/____	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State	CA
Zip Code	91729

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐
Fiscal Year of Cost	(06)	(12) 2011-12
Total Claimed	(07)	(13) $38,126
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)
Less: Estimated Claim Payment Received		(15)
Net Claimed Amount		(16) $38,126
Due from State	(08)	(17) $38,126
Due to State	(09)	(18)

Reimbursement Claim Data

(22) FORM-1 (04) 1. a (g)	21,911
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	
(25) FORM-1,(06)	74
(26) FORM-1,(07)	16,214
(27) FORM-1,(09)	
(28) FORM-1,(10)	
(29)	
(30)	
(32)	
(32)	
(33)	
(34)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 1/28/2013

Tamara Layne — Telephone Number Tlayne@cityofrc.us.com

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) — Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2011-12
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	163	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$21,911					$21,911
b) Reviewing online ID Theft Report						
2. Investigation of the facts						
(05) Total Direct Costs	$21,911					$21,911

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	74.0%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$16,214
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$38,126

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$38,126**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2011-12

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report [ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Office Specialist	$34.94		40.75	$1,424					$1,424
Deputy/Officer	$78.98		201.71	$15,932					$15,932
Taking & drafting the police report in violation of PC 530.5									
Sergeant	$101.63		44.83	$4,555					$4,555
Reviewed the Identity Theft report.									
(05) Total			**287.29**	**$21,911**					**$21,911**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2011-12

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$22,754,278		$7,314,100	$15,440,178
Overtime				
Benefits				
Total	$22,754,278		$7,314,100	$15,440,178
Services & Supplies				
Annual Equip Usage Charges	$988,058		$988,058	
Dispatch Service	$1,450,068		$1,450,068	
Radar Gun Useage				
Admin Support	$119,040		$119,040	
Office Automation Charge	$50,657		$50,657	
Vehicle Insurance	$114,639		$114,639	
Personnel Liability and Bonding	$440,763		$440,763	
Telephone Report Unit				
Start up				
County Admin Costs	$729,702		$729,702	
HTs (Access & Maint Only)	$150,846		$150,846	
Additional MDCs	$27,100		$27,100	
Taser Replacements	$40,896		$40,896	
Total	$4,111,769		$4,111,769	
Capital Expenditures				
Total				
Total Expenditures	**$26,866,047**		**$11,425,869**	**$15,440,178**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$26,866,047**		**$11,425,869**	**$15,440,178**

ICRP RATE = **74.0%**
(Rate is Based on Salaries)

$11,425,869 = Total Allowable Indirect Costs
$15,440,178 Total Direct Salaries

City of Rancho Cucamonga
Sheriff
Fiscal Year
2011-12

Name/Position	100% Admin. or Support Staff Annual Salary
Captain	$269,278
Lieutenant (2)	$419,911
Sergeant (11)	$2,012,230
Detective (14)	$2,183,931
Sheriff's Service Specialist (15)	$936,396
Secretary (2)	$125,792
Office Specialist (16)	$1,069,234
Supervising Office Specialist	$75,474
Motor Pool Services Assistant (2)	$124,386
Crime Analyst	$97,469

TOTAL INDIRECT SALARIES **$7,314,100**

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2011-12

LEVEL OF SERVICE			FY 2011-12 COST	
1	-	Captain	$ 269,278	1
2	-	Lieutenant	419,911	1
12	-	Sergeant	2,195,160	1
15	-	Detective/Corporal	2,339,926	1
96	-	Deputy Sheriff	13,648,451	1
9	-	Deputy Sheriff - Motorcycle	1,323,020	1
15	-	Sheriff's Service Specialist	1,003,281	1
1	-	Supv Office Specialist	75,474	1
1	-	Crime Analyst	97,469	1
2	-	Secretary	125,792	1
18	-	Office Specialist	1,132,130	1
2	-	Motor Pool Services Assistant	124,386	1
47	-	Marked Unit	572,836	2
3	-	Crown Vic - Slick Top	35,565	2
33	-	Unmarked Unit	246,741	2
1	-	Crime Prevention Van	4,371	2
8	-	Mid-size SSS Trucks	32,040	2
1	-	Rapid Incident Response Vehicle Suburban (Equip Only)	1,238	3
11	-	Motorcycles, Honda	85,580	2
1	-	Donated Fleet Truck	1,271	3
3	-	Citizen Patrol, 2-Escapes, 1-Saturn View	3,813	3
1	-	MAIT Van, Safari	1,271	3
2	-	Crime Prevention Van, Astro	3,332	3
		Dispatch Services	1,450,068	1
111	-	HTs (Amortized over 7-years)	53,502	
156	-	HTs (Access & Maint Only)	97,344	
10	-	Additional MDCs	27,100	
144	-	Taser Replacement (Amortized over 4-years)	40,896	
		Administrative Support	119,040	
		Office Automation	50,657	
		Vehicle Insurance	114,639	
		Personnel Liability & Bonding	440,763	
		County Administrative Cost	729,702	
		TOTAL COST:	**$ 26,866,047**	1

Monthly Payment Schedule

1st payment due July 15, 2011:	$2,238,840
2nd through 12th payments due the 5th of each month:	$2,238,837

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

Claim for Payment
Pursuant to Government Code Section 17561
IDENTITY THEFT

For State Controller Use Only	
(19) Program Number: 000321	Program
(20) Date Filed ___/___/___	321
(21) LRS Input ___/___/___	

(01) Claimant Identification Number	9836708
(02) Claimant Name	City of Rancho Cucamonga
Mailing Address	10500 Civic Center Drive
Street Address or P.O. Box	
City	Rancho Cucamonga
State CA	Zip Code 91729

Type of Claim	Estimated Claim	Reimbursement Claim
	(03) Estimated ☐	(09) Reimbursement ☒
	(04) Combined ☐	(10) Combined ☐
	(05) Amended ☐	(11) Amended ☐

Fiscal Year of Cost	(06)	(12) 2012-13	(28) FORM-1,(10)	
Total Claimed	(07)	(13) $70,490	(29)	
Less: 10% Late Penalty, but not to exceed $1,000 (if applicable)		(14)	(30)	
Less: Estimated Claim Payment Received		(15)	(32)	
Net Claimed Amount		(16) $70,490	(32)	
Due from State	(08)	(17) $70,490	(33)	
Due to State	(09)	(18)	(34)	

Reimbursement Claim Data	
(22) FORM-1 (04) 1. a (g)	39,938
(23) FORM-1 (04) 1. b) (g)	
(24) FORM-1 (04) 2. (g)	
(25) FORM-1,(06)	77
(26) FORM-1,(07)	30,552
(27) FORM-1,(09)	

(38) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code 17561, I certify that I am the person authorized by the local agency to file claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Government Code Sections 1090 to 1098, inclusive.

I further certify that there was no application for nor any grant or payment received, other that from the claimant, for reimbursement of costs claimed herein; and such costs are for a new program or increased level of services of an existing program. All offsetting savings and reimbursements set forth in the Parameters and Guidelines are identified, and all costs claimed are supported by source documents currently maintained by the claimant.

The amount for Estimated Claim and/or Reimbursement Claim are hereby claimed from the State for payment of estimated and/or actual costs set forth on the attached statement. I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Representative

Tamara Layne — Date Signed 2/13/14

Tamara Layne — Telephone Numbe Tlayne@cityofrc.us

Finance Director — Email Address (909) 477-2700

Name of Contact Person for Claim	Telephone Number	E-Mail Address
Annette S. Chinn (CRS)	*(916) 939-7901*	*AChinnCRS@aol.com*

Revised (12/09) — Form FAM-27

MANDATED COSTS
IDENTITY THEFT
CLAIM SUMMARY

Prog 321 FORM 1

(01) Claimant	(02) Type of Claim	Fiscal Year
City of Rancho Cucamonga	Reimbursement [X]	2012-13
	Estimated [ ]	(see FAM-27 for estimate)

Claim Statistics

(03) Department	Number of Cases:	286	Sheriff

Direct Costs	Object Accounts					
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(g) Total
1. Choose either a) or b)						
a) Taking police report in violation of PC Sect 530.5	$39,938					$39,938
b) Reviewing online ID Theft Report						
2. Investigation of the facts						
(05) Total Direct Costs	$39,938					$39,938

Indirect Costs

(06) Indirect Cost Rate (applied to salaries)	(from ICRP) (Applied to Salaries)	76.5%
(07) Total Indirect Costs	Line (06) x line (05)(a) or line(06) x [line (05)(a) + line(05)(b)]	$30,552
(08) Total Direct and Indirect Costs	Line (05)(d) + line (07)	$70,490

Cost Reductions

(09) Less: Offsetting Savings, if applicable		
(10) Less: Other Reimbursements, if applicable		
(13) Total Claimed Amount	Line (08)- (line(09) + Line(10)]	**$70,490**

Program 321	MANDATED COSTS IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant: City of Rancho Cucamonga **(02) Fiscal Year Costs Were Incurred:** 2012-13

(03) Reimbursable Components: Check only one box per form to identify the component being claimed

[X] **Taking police report in violation of PC Sect 530.5**

[ ] Reviewing online ID theft report

[ ] Investigation of facts

(04) Description of Expenses: Complete columns (a) through (f)

(a) Employee Names, Job Class., Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	Benefit Rate	Hours Worked or Quantity	Salaries	Benefits	(d) Material and Supplies	(e) Contract Services	(f) Fixed Assets	(c) Total Salaries & Benefits
Office Specialist	$36.05		71.50	$2,577					$2,577
Deputy/Officer	$82.41		353.93	$29,167					$29,167
Taking & drafting the police report in violation of PC 530.5									
Sergeant	$104.17		78.65	$8,193					$8,193
Reviewed the Identity Theft report.									
(05) Total			**504.08**	**$39,938**					**$39,938**

INDIRECT COST RATE PROPOSAL
City of Rancho Cucamonga
Sheriff
Fiscal Year 2012-13

Description of Costs	Total Costs	Excludable Unallowable Costs	Allowable Indirect Costs	Allowable Direct Costs
Salaries & Benefits				
Salaries & Wages	$23,672,843		$7,765,729	$15,907,114
Overtime				
Benefits				
Total	$23,672,843		$7,765,729	$15,907,114
Services & Supplies				
Annual Equip Usage Charges	$986,264		$986,264	
Command Post Radio	$624		$624	
Dispatch Service	$1,496,247		$1,496,247	
Radar Gun Useage				
Admin Support	$124,200		$124,200	
Office Automation Charge	$65,223		$65,223	
Vehicle Insurance	$110,792		$110,792	
Personnel Liability and Bonding	$404,947		$404,947	
Telephone Report Unit				
Start up				
County Admin Costs	$1,011,732		$1,011,732	
HTs (Access & Maint Only)	$150,846		$150,846	
Additional MDCs	$6,600		$6,600	
Taser Replacements	$43,956		$43,956	
Total	$4,401,431		$4,401,431	
Capital Expenditures				
Total				
Total Expenditures	**$28,074,274**		**$12,167,160**	**$15,907,114**
Cost Plan Costs				
Total				
Total Alloc. Indirect Costs	**$28,074,274**		**$12,167,160**	**$15,907,114**

ICRP RATE = **76.5%**
(Rate is Based on Salaries)

$12,167,160 = Total Allowable Indirect Costs
$15,907,114 Total Direct Salaries

City of Rancho Cucamonga

Sheriff

Fiscal Year
2012-13

Name/Position	100% Admin. or Support Staff Annual Salary
Captain	$282,185
Lieutenant (2)	$436,200
Sergeant (11)	$2,062,546
Detective (15)	$2,442,018
Sheriff's Service Specialist (15)	$1,035,300
Secretary (2)	$130,167
Office Specialist (16)	$1,069,234
Supervising Office Specialist	$78,492
Motor Pool Services Assistant (2)	$128,274
Crime Analyst	$101,313

TOTAL INDIRECT SALARIES **$7,765,729**

SCHEDULE A
Law Enforcement Services Contract
City of Rancho Cucamonga
2012-13

LEVEL OF SERVICE			FY 2012-13 COST	
1	-	Captain	$ 282,185	[1]
2	-	Lieutenant	436,200	[1]
12	-	Sergeant	2,250,050	[1]
15	-	Detective/Corporal	2,442,018	[1]
96	-	Deputy Sheriff	14,240,668	[1]
9	-	Deputy Sheriff - Motorcycle	1,380,259	[1]
15	-	Sheriff's Service Specialist	1,035,300	[1]
1	-	Supv Office Specialist	78,492	[1]
1	-	Crime Analyst	101,313	[1]
2	-	Secretary	130,167	[1]
18	-	Office Specialist	1,167,917	[1]
2	-	Motor Pool Services Assistant	128,274	[1]
44	-	Marked Unit	527,963	[2]
6	-	Crown Vic - Slick Top (3-Traffic, 3-Gang)	69,793	[2]
34	-	Unmarked Unit	245,718	[2]
8	-	Mid-size SSS Trucks	40,517	[2]
1	-	Rapid Incident Response Vehicle Suburban (Equip Only)	1,226	[3]
11	-	Motorcycles, Honda	90,552	[2]
1	-	Donated Fleet Truck, Ford F250	1,437	[3]
1	-	Command Post (Radio Cost Only)	624	[3]
3	-	Donated Vehicles 3-Escapes (radio cost only)	1,872	[3]
3	-	Citizen Patrol, 2-Escapes, 1-Saturn View	4,312	[3]
1	-	MAIT Van, Safari	1,437	[3]
1	-	Crime Prevention Van, Astro	1,437	[3]
		Dispatch Services	1,496,247	[1]
111	-	HTs (Amortized over 7-years)	53,502	
156	-	HTs (Access & Maint Only)	97,344	
10	-	Additional MDCs	6,600	
132	-	Taser Replacement (Amortized over 4-years)	43,956	
		Administrative Support	124,200	
		Office Automation	65,223	
		Vehicle Insurance	110,792	
		Personnel Liability & Bonding	404,947	
		County Administrative Cost (COWCAP)	1,264,665	
		Board Approved COWCAP Subsidy (one-time)	(252,933)	[4]
		TOTAL COST:	**$ 28,074,274**	[1]

Monthly Payment Schedule

1st payment due July 15, 2012 (includes COWCAP subsidy):	$ 2,318,449	[4]
2nd through 6th payments (includes COWCAP subsidy):	$ 2,318,445	[4]
7th through 12th payments due 5th of each month:	$ 2,360,600	

[1] Personnel costs include salary and benefits and are subject to change by Board of Supervisors' action.

[2] Vehicle costs do not include fuel and maintenance. The city is responsible for fuel and maintenance of all contract vehicles. Any fuel and maintenance costs charged to the county will be billed to the city on a quarterly invoice.

[3] No replacement cost is included for donated and grant-funded vehicles.

[4] On June 15, 2012, the Board of Supervisors approved a 6-month delay in the implementation of the COWCAP rate increase from 3% to 5% of contract salaries and benefits. The resultant cost savings is reflected in the first six monthly payments.

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 October 30, 2025, I served the:

- **Current Mailing List dated October 29, 2025**
- **Notice of Complete Incorrect Reduction Claim with Intent to Consolidate, Schedule for Comments, and Notice of Tentative Hearing Date issued October 30, 2025**
- **Incorrect Reduction Claim (IRC) filed by the City of Rancho Cucamonga on September 2, 2025**

  Identity Theft, 25-0308-I-01
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Rancho Cucamonga, 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 October 30, 2025 at Sacramento, California.

Jill Magee

_____

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

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 10/29/25

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

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.)

Lili Apgar, Specialist, *State Controller's Office*
Local Reimbursements Section, 3301 C Street, Suite 740, Sacramento, CA 95816
Phone: (916) 324-0254
lapgar@sco.ca.gov

Socorro Aquino, *State Controller's Office*
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Aaron Avery, Legislative Representative, *California Special Districts Association*
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Phone: (916) 442-7887
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David.Bass@rocklin.ca.us

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Evelyn Calderon-Yee, Bureau Chief, *State Controller's Office*
Local Government Programs and Services Division, Bureau of Payments, 3301 C Street, Suite 740, Sacramento, CA 95816
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ECalderonYee@sco.ca.gov

Annette Chinn, *Cost Recovery Systems, Inc.*
Claimant Representative
705-2 East Bidwell Street, #294, Folsom, CA 95630
Phone: (916) 939-7901
achinncrs@aol.com

Adam Cripps, Interim Finance Manager, *Town of Apple Valley*
14955 Dale Evans Parkway, Apple Valley, CA 92307
Phone: (760) 240-7000
acripps@applevalley.org

Justin Garrett, Acting Chief Policy Officer, *California State Association of Counties (CSAC)*
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jgarrett@counties.org

Juliana Gmur, Executive Director, *Commission on State Mandates*
980 9th Street, Suite 300, Sacramento, CA 95814
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juliana.gmur@csm.ca.gov

Chris Hill, Principal Program Budget Analyst, *Department of Finance*
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Tiffany Hoang, Associate Accounting Analyst, *State Controller's Office*
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Audits, Compliance Audits Bureau, 3301 C Street, Suite 725A, Sacramento, CA 95816
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Angelo Joseph, Supervisor, *State Controller's Office*
Local Government Programs and Services Division, Bureau of Payments, 3301 C Street, Suite 740, Sacramento, CA 95816

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AJoseph@sco.ca.gov

Anne Kato, Acting Chief, *State Controller's Office*
Local Government Programs and Services Division, 3301 C Street, Suite 740, Sacramento, CA 95816
Phone: (916) 322-9891
akato@sco.ca.gov

Jevin Kaye, Finance Director, *City of Rancho Cucamonga*
Claimant Contact
10500 Civic Center Drive, Rancho Cucamonga, CA 91729
Phone: (909) 774-2403
jevin.kaye@cityofrc.us

Lisa Kurokawa, Bureau Chief for Audits, *State Controller's Office*
Compliance Audits Bureau, 3301 C Street, Suite 700, Sacramento, CA 95816
Phone: (916) 327-3138
lkurokawa@sco.ca.gov

Erika Li, Chief Deputy Director, *Department of Finance*
915 L Street, 10th Floor, Sacramento, CA 95814
Phone: (916) 445-3274
erika.li@dof.ca.gov

Kenneth Louie, Chief Counsel , *Department of Finance*
1021 O. Street, Suite 3110, Sacramento, CA 95814
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Kenny.Louie@dof.ca.gov

Everett Luc, Accounting Administrator I, Specialist, *State Controller's Office*
3301 C Street, Suite 740, Sacramento, CA 95816
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Jill Magee, Program Analyst, *Commission on State Mandates*
980 9th Street, Suite 300, Sacramento, CA 95814
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Jill.Magee@csm.ca.gov

Darryl Mar, Manager, *State Controller's Office*
Local Reimbursements Section, 3301 C Street, Suite 740, Sacramento, CA 95816
Phone: (916) 323-0706
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Exhibit B

Commission on State Mandates
Filed Date
01/28/2026

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

January 28, 2026

Juliana F. Gmur, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Re: **Incorrect Reduction Claim**
Identity Theft, 25-0308-I-01
Penal Code Section 530.6(a), as added by Statutes of 2000, Chapter 956
Fiscal Years: 2002-2003, 2003-2004, 2005-2006, 2006-2007, 2007-2008, 2009-2010, 2010-2011, 2011-2012, and 2012-2013
City of Rancho Cucamonga, Claimant

Dear Ms. Gmur:

The State Controller's Office is transmitting our response to the above-named IRC.

If you have any questions, please contact me by telephone at (916) 327-3138.

Sincerely,

Lisa Kurokawa

LISA KUROKAWA, Chief
Compliance Audits Bureau
Division of Audits

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250
SACRAMENTO 3301 C Street, Suite 700, Sacramento, CA 95816 | 916.324.8907
LOS ANGELES 901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 | 323.981.6802

RESPONSE BY THE STATE CONTROLLER'S OFFICE TO THE INCORRECT REDUCTION CLAIM (IRC) BY THE CITY OF RANCHO CUCAMONGA

Identity Theft Program

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City of Palmdale, Interagency Child Abuse and Neglect Investigation Reports (ICAN) IRC decision (17-0022-I-01), adopted November 30, 2018,..... Tab 7

SCO Audit Correspondence……. Tab 8

Note: Reference to Sections and IRC page numbers relate to the city's Incorrect Reduction Claim filed on September 2, 2025, as follows:

- Section 6 – Written Detailed Narrative – PDF pages 7-32)
- Section 7 – Documentary Evidence and Declarations – PDF pages 33-1070)
- Section 8 – Claiming Instructions – PDF pages 1070-1107)
- Section 9 – Final State Audit Report or Other Written Notice of Adjustment – PDF pages 1108-1187)
- Section 10 – Reimbursement Claims – PDF pages 1188-1279)

Tab 1
SCO Declaration

OFFICE OF THE STATE CONTROLLER
3301 C Street, Suite 725
Sacramento, CA 95816
Telephone No.: (916) 327-3138

BEFORE THE

COMMISSION ON STATE MANDATES

STATE OF CALIFORNIA

INCORRECT REDUCTION CLAIM (IRC) ON: *Identity Theft* Penal Code Section 530.6(a), as added by Statutes of 2000, Chapter 956 CITY OF RANCHO CUCAMONGA, Claimant	No.: IRC 25-0308-I-01 AFFIDAVIT OF BUREAU CHIEF

I, Lisa Kurokawa, make the following declarations:

1) I am an employee of the State Controller's Office (SCO) and am over the age of 18 years.

2) I am currently employed as a Bureau Chief, and have been so since February 15, 2018. Before that, I was employed as an audit manager for seven years.

3) I reviewed the work performed by the SCO auditor.

4) Any attached copies of records are true copies of records, as provided by the City of Rancho Cucamonga, or retained at our place of business.

5) The records include claims for reimbursement, along with any attached supporting documentation, explanatory letters, or other documents relating to the above-entitled Incorrect Reduction Claim.

6) An audit of the claims filed for fiscal year (FY) 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2009-2010, 2010-2011, 2011-2012, and 2012-2013 started on March 18, 2022 **(Tab 5),** and ended on November 20, 2023 **(Section 9 City IRC – pdf pages 1108 - 1187).**

I do declare that the above declarations are made under penalty of perjury and are true and correct to the best of my knowledge, and that such knowledge is based on personal observation, information, or belief.

Date: January 28, 2026

OFFICE OF THE STATE CONTROLLER

By: Lisa Kurokawa

Lisa Kurokawa, Chief
Compliance Audits Bureau
Division of Audits
State Controller's Office

Tab 2
SCO Analysis and Response

STATE CONTROLLER'S OFFICE ANALYSIS AND RESPONSE TO THE INCORRECT REDUCTION CLAIM BY THE CITY OF RANCHO CUCAMONGA

For Fiscal Years (FY) 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, and 2012-2013

Identity Theft

Penal Code Section 530.6(a), as added by the Statutes of 2000, Chapter 956

SUMMARY

The following is the State Controller's Office's (SCO) response to the Incorrect Reduction Claim (IRC) that the City of Ranco Cucamonga (City) filed on September 2, 2025, with the Commission on State Mandates (Commission). The SCO performed an audit of the City's claims for costs of the legislatively mandated Identity Theft Program (IDT) for the period of July 1, 2002, through June 30, 2013. The SCO issued its audit report on November 20, 2023 **(Section 9 City IRC pdf pages 1108 - 1187).**

The City submitted reimbursement claims totaling $500,098 — $54,210 for fiscal year (FY) 2002-2003, $53,159 for FY 2003-2004, $66,280 for FY 2004-2005, $70,338 for FY 2005-06, $43,820 for FY 2006-2007, $28,795 for FY 2007-08, $20,957 for FY 2008-09, $24,069 for FY 2009-2010, $29,854 for FY 2010-2011, $38,126 for FY 2011-2012, and $70,490 for FY 2012-2013 (**Section 10 City IRC, pdf pages 1188 - 1279).** Subsequently, the SCO performed an audit of these claims and determined that $195,540 is allowable and $304,558 is unallowable because the city primarily misclassified costs, overstated the number of identity reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs.

The following table summarizes the audit results:

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2002, through June 30, 2003			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 20,587	$ -	$ (20,587)
Beginning an investigation of facts	7,356	-	(7,356)
Total salaries	27,943	-	(27,943)
Contract services:			
Taking police report on a violation of PC §530.5	-	10,999	10,999
Beginning an investigation of facts	-	9,057	9,057
Total contract services	-	20,056	20,056
Total direct costs	27,943	20,056	(7,887)
Indirect costs	26,267	-	(26,267)
Total program costs	$ 54,210	20,056	$ (34,154)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,056	
July 1, 2003, through June 30, 2004			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 20,865	$ -	$ (20,865)
Beginning an investigation of facts	7,456	-	(7,456)
Total salaries	28,321	-	(28,321)
Contract services:			
Taking police report on a violation of PC §530.5	-	11,098	11,098
Beginning an investigation of facts	-	9,161	9,161
Total contract services	-	20,259	20,259
Total direct costs	28,321	20,259	(8,062)
Indirect costs	24,838	-	(24,838)
Total program costs	$ 53,159	20,259	$ (32,900)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,259	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2004, through June 30, 2005			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 27,093	$ -	$ (27,093)
Beginning an investigation of facts	9,688	-	(9,688)
Total salaries	36,781	-	(36,781)
Contract services:			
Taking police report on a violation of PC §530.5	-	12,910	12,910
Beginning an investigation of facts	-	10,674	10,674
Total contract services	-	23,584	23,584
Total direct costs	36,781	23,584	(13,197)
Indirect costs	29,499	-	(29,499)
Total program costs	$ 66,280	23,584	$ (42,696)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 23,584	
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 28,650	$ -	$ (28,650)
Beginning an investigation of facts	10,147	-	(10,147)
Total salaries	38,796	-	(38,796)
Contract services:			
Taking police report on a violation of PC §530.5	-	14,241	14,241
Beginning an investigation of facts	-	11,569	11,569
Total contract services	-	25,810	25,810
Total direct costs	38,796	25,810	(12,986)
Indirect costs	31,542	-	(31,542)
Total program costs	$ 70,338	25,810	$ (44,528)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 25,810	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 18,065	$ -	$ (18,065)
Beginning an investigation of facts	6,443	-	(6,443)
Total salaries	24,508	-	(24,508)
Contract services:			
Taking police report on a violation of PC §530.5	-	8,696	8,696
Beginning an investigation of facts	-	7,124	7,124
Total contract services	-	15,820	15,820
Total direct costs	24,508	15,820	(8,688)
Indirect costs	19,312	-	(19,312)
Total program costs	$ 43,820	15,820	$ (28,000)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 15,820	
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 11,859	$ -	$ (11,859)
Beginning an investigation of facts	4,218	-	(4,218)
Total salaries	16,076	-	(16,076)
Contract services:			
Taking police report on a violation of PC §530.5	-	5,993	5,993
Beginning an investigation of facts	-	4,884	4,884
Total contract services	-	10,877	10,877
Total direct costs	16,076	10,877	(5,199)
Indirect costs	12,718	-	(12,718)
Total program costs	$ 28,794	10,877	$ (17,917)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,877	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 8,615	$ -	$ (8,615)
Beginning an investigation of facts	3,060	-	(3,060)
Total salaries	11,675	-	(11,675)
Contract services:			
Taking police report on a violation of PC §530.5	-	4,473	4,473
Beginning an investigation of facts	-	3,629	3,629
Total contract services	-	8,102	8,102
Total direct costs	11,675	8,102	(3,573)
Indirect costs	9,282	-	(9,282)
Total program costs	$ 20,957	8,102	$ (12,855)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 8,102	
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 9,803	$ -	$ (9,803)
Beginning an investigation of facts	3,480	-	(3,480)
Total salaries	13,282	-	(13,282)
Contract services:			
Taking police report on a violation of PC §530.5	-	5,557	5,557
Beginning an investigation of facts	-	4,508	4,508
Total contract services	-	10,065	10,065
Total direct costs	13,282	10,065	(3,217)
Indirect costs	10,786	-	(10,786)
Total program costs	$ 24,068	10,065	$ (14,003)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,065	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 12,662	$ -	$ (12,662)
Beginning an investigation of facts	4,495	-	(4,495)
Total salaries	17,157	-	(17,157)
Contract services:			
Taking police report on a violation of PC §530.5	-	5,948	5,948
Beginning an investigation of facts	-	4,150	4,150
Total contract services	-	10,098	10,098
Total direct costs	17,157	10,098	(7,059)
Indirect costs	12,697	-	(12,697)
Total program costs	$ 29,854	10,098	$ (19,756)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,098	
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 21,912	$ -	$ (21,912)
Beginning an investigation of facts	-	-	-
Total salaries	21,911	-	(21,911)
Contract services:			
Taking police report on a violation of PC §530.5	-	7,385	7,385
Beginning an investigation of facts	-	6,803	6,803
Total contract services	-	14,188	14,188
Total direct costs	21,911	14,188	(7,723)
Indirect costs	16,214	-	(16,214)
Total program costs	$ 38,125	14,188	$ (23,937)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 14,188	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment[1]
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries:			
Taking police report on a violation of PC §530.5	$ 39,938	$ -	$ (39,938)
Beginning an investigation of facts	-	-	-
Total salaries	39,938	-	(39,938)
Contract services:			
Taking police report on a violation of PC §530.5	-	20,474	20,474
Beginning an investigation of facts	-	16,207	16,207
Total contract services	-	36,681	36,681
Total direct costs	39,938	36,681	(3,257)
Indirect costs	30,552	-	(30,552)
Total program costs	$ 70,490	36,681	$ (33,809)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 36,681	
Summary: July 1, 2002, through June 30, 2013			
Direct costs:			
Salaries	$276,391	$ -	$(276,391)
Contract services	-	195,540	195,540
Total direct costs	276,391	195,540	(80,851)
Indirect costs	223,707	-	(223,707)
Total program costs	$500,098	195,540	$(304,558)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$195,540	

I. IDENTITY THEFT PROGRAM CRITERIA

Parameters and Guidelines (Ps and Gs) – July 28, 2011 (Tab 4).

(Language for Section I is taken directly from the Ps and Gs, dated July 29, 2011)

I. SUMMARY OF MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft. On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

The Ps and Gs establish the state mandate and define the reimbursement criteria. The Commission adopted the Ps and Gs on July 28, 2011. In compliance with GC section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies in claiming reimbursable costs.

SCO Claiming Instructions

In accordance with Government Code sections 17560 and 17561, eligible claimants may submit claims to the SCO for reimbursement of costs incurred for state-mandated programs. The SCO annually issues mandated cost claiming instructions, which contain filing instructions for mandated cost programs.

We included the claiming instruction extant at the time the county filed its FY 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2009-2010, 2010-2011, 2011-2012, and 2012-2013 mandated cost claims as part of our IRC response **(Tab 3).** Therefore, we included the eleven years relevant during the audit period for this engagement.

II. BACKGROUND OF IRC

The final audit report for the city's IDT was issued on November 20, 2023. An IRC was filed and received on September 2, 2025, with the Commission. On October 30, 2025, the Commission filed a "Notice of Complete Incorrect Reduction Claim, Schedule for Comments, and Notice of Tentative Hearing Date."

In the IRC, the city disagreed with the SCO's determination that the city did not comply with the program's Ps and Gs when claiming indirect costs. The final audit report consists of one finding.

For the finding (Overstated Identity Theft Program costs), the city claimed $276,391 in salaries and benefits for the audit period. We determined that $0 is allowable and $276,391 is unallowable. The related unallowable indirect costs total $223,707, for total unallowable costs of $500,098. However, the city claimed $0 in contract services costs and we determined that $195,540 is allowable. Costs are unallowable primarily because the city claimed misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs.

The following response to the city's IRC will address the factual basis for the conclusions reached related to the finding. We will draw from the city's own documentation provided during the audit, contemporaneous emails between the city and SCO auditors, and prior IRC decisions that directly relate to the requirements of this mandated cost program.

III. SCO'S RESPONSE TO THE CITY'S IRC

The city is not objecting to any parts of the audit finding related to mis-classifying costs, overstating the number of identity theft reports taken, and misstating the time increments required to perform the reimbursable activities. Instead, the entirety of the city's IRC is spent objecting to the part of the audit related to unallowable indirect costs and the methodology used to compute allowable administrative costs. In addition, comments regarding previous SCO audits of other entities and mandated cost programs are irrelevant for the purposes of this IRC, as each audit and the issues noted within it stands alone.

To eliminate redundancy, we will not cut and paste the city's entire IRC response. Rather, we will address relevant sections, as appropriate.

BACKGROUND

In this section of the city's IRC, it acknowledges that it contracted with the San Bernardino County Sheriff's Department (SBCSD) for its law enforcement services during all years of the audit period. The city also acknowledges that it has no in-house Police Department and therefore has no city employees performing the reimbursable activities of the Identity Theft mandate.

The city makes the curious statement that it began submitting claims for reimbursement "in 2000 which included law enforcement program claims dating back to FY 1996-97." However, for the purposes of this mandated program, the city's initial claims for FY 2002-03 through FY 2010-11 were all submitted on January 27, 2012. Annual claims were filed after that for FY 2011-12 and FY 2012-13. The city's comments about having had claims paid by the State in prior years absent an actual audit or review of those claims is irrelevant for the purposes of this IRC. The SCO's acceptance and subsequent payment of mandated cost claims based on completion of the proper mandated cost claim forms does not constitute an audit or review of those claims pursuant to Government Code section 17558.5. All mandated cost claim forms submitted to the SCO are initially checked for mathematical accuracy, that the proper claim forms were used, and that the claims were submitted timely.

The city is correct in its statement that the direct costs associated with the city's contract with the SBCSD were allowable and the indirect costs claimed were unallowable. However, the city claimed its contract services costs incorrectly as salaries and benefits, which we re-classified during our audit. The city also prepared Indirect Cost Rate Proposals (ICRPs) based on salary

and benefit costs which, per its own admission in this IRC, it did not incur. As we noted in the audit report, substituting contract services costs as salaries and benefit costs for the purposes of preparing ICRPs is in direct violation of the Parameters and Guidelines as well as cost principles contained in 2 CFR Part 200, Part 225. Given these indisputable facts, we determined that all indirect costs claimed are unallowable.

We could have stopped there and issued our audit report. However, as we explain in our comments addressing the city's Issue 3, the city's mandated cost consultant communicated with us, correctly noting that cities in Los Angeles County contracting for law enforcement services pay contract rates that include an administrative cost component. Los Angeles County refers to these additional amounts as "Liability". During prior audits and reviews of claims filed by cities that contract with Los Angeles County for law enforcement services, we have not had any findings related to the county's contract hourly rates nor objected to the inclusion of a liability amount. The consultant correctly noted that the SBCSD does not structure its contracts for law enforcement services in this manner. Instead, the SBCSD contracts include amounts for various items that, from our perspective, are not directly related to providing law enforcement services. We classified these items as "administrative costs" that the county incurs.

ISSUE 1: Which local agency should submit claims for state reimbursement – the agency that provides the service (county) – or the agency that pays for (incurs the cost) for that service (city)?(Section 6, City IRC, PDF pages 19-20)

Section II of the Ps and Gs defines the claimants eligible for reimbursement under this mandated cost program. Section II says:

> Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

We read Section II of the Ps and Gs to mean that, in addition to government entities that have their own law enforcement agency, cities that contract with a county for law enforcement services are also eligible to file claims under this state-mandated program. Therefore, the city's IRC asserts that the city should be eligible to claim the costs that it incurred to comply with the reimbursable activities. We agree. The city contracted with the SBCSD for its law enforcement services during all years of the audit period. Therefore, the SBCSD served as the city's law enforcement agency pursuant to its contracts with the city and the city incurred reimbursable contract services costs under this mandated program.

Section V.A.3 – Contracted Services of the Ps and Gs states:

> Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

The SCO's *Mandated Cost Manual for Local Agencies* (Filing A Claim Section – #8 Direct Costs Subpart 3 – Contract Services **(Section 8 City IRC pdf page 1096)** states:

> 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.

However, the city erroneously claimed its contracted services costs as salary and benefit costs. Section VII of the city's contract with the county for law enforcement services **(Section 7 City IRC, pdf page 519)** states:

> All persons directly or indirectly employed by COUNTY in the performance of the services and functions to be provided to CITY hereunder, shall be employees of COUNTY, and no COUNTY employees shall have pension, civil service, or other status or right.

The city also states in its IRC that it compensated the county for its direct costs pursuant to the contract that it negotiated with the county. We agree. However, the city goes on to state that there are indirect costs associated with the contract that it has with the county and incurred such costs. We disagree.

ISSUE 2: Are agencies that contract for law enforcement services entitled to computation of indirect/overhead costs using the existing Claiming Manuals/instructions and Parameters and Guidelines or is it appropriate for the SCO to create alternate overhead claiming methodologies? (Section 6, City IRC, PDF pages 20-22)

Our research found that the Commission has previously ruled on this very topic. On November 30, 2018, the Commission adopted a decision for the City of Palmdale's IRC for the Interagency Child Abuse and Neglect Investigation Reports Program – IRC 17-0022-I-01 **(Tab 6).** In that decision, the Commission addressed the Controller's reduction of indirect costs claimed by a city contracting for law enforcement services that were based on salaries and wages costs that the city did not incur.

In its decision, the Commission stated the following:

> The claimant here filed its initial reimbursement claims as direct salary costs for the deputies and sergeants conducting the mandate and sought 10 percent of the direct costs as its indirect costs. At all times relevant to this IRC, the claimant, through its reimbursement claims, amended claims, assertions and objections throughout the audit period, and allegations in filing the IRC, has consistently sought indirect costs of *only* the 10 percent default rate applied to the claimant's contract costs. The Final Audit Report states (and the claimant concedes) that "[n]one of the city staff members performed any of the reimbursable activities under this program." Nevertheless, the claimant continued throughout the audit and in this IRC to assert its belief that the 10 percent default rate was a reasonable and conservative estimate of its indirect costs. Accordingly, as noted above, the Controller disallowed all claimed indirect costs.
>
> The Government Code requires a claimant to file its reimbursement claims in accordance with the parameters and guidelines. And the courts have determined that parameters and guidelines are regulatory in nature and binding on the parties. In this case, the claimant has not complied with the Parameters and Guidelines in claiming its indirect costs; the 10 percent rate is allowed when the claimant uses its own employees to perform the mandated activities. This claimant

> contracts for all law enforcement services, including the mandated activities, and therefore the claimant has no direct salaries and benefits upon which to base its claim of indirect costs. The 10 percent default rate is not available to this claimant based on the plain language of the Parameters and Guidelines, irrespective of whatever documentation might be presented to justify it. Therefore, it is correct as a matter of law for the Controller to deny indirect costs, as claimed.

The same issue has been presented to the Commission once again in this IRC. The only difference is that the city of Rancho Cucamonga claimed indirect costs using ICRPs that it prepared based on salaries and wages costs that it did not incur instead of claiming the default 10% indirect cost rate that is also available as an option in the IDT. From the SCO's perspective, the issue is clear and the indirect costs claimed are unallowable.

Section V.B, "Indirect Cost Rates," of the parameters and guidelines states, in part:

> 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 [Title 2, Code of Federal Regulations] Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10%.
>
> If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.
>
> The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

It is our position that even if the contract between the city and the county includes indirect costs that the county incurred, reimbursing the county for such costs does not also make them indirect costs that are reimbursable to the city.

The city's extensive arguments concerning its ability to prepare ICRPs and claim indirect costs based on contract services costs it incurred demonstrate a fundamental misunderstanding of indirect costs and what they represent. If the city had been operating its own Police Department during the years of the audit period, it would have incurred direct costs for providing such law enforcement services as traffic patrols, criminal investigations, incarceration, and public security, just to name a few. The direct cost of providing such direct law enforcement services is typically the cost of the salaries and wages of the personnel assigned to these duties. In addition to the direct costs incurred to provide law enforcement services to the citizens of Rancho Cucamonga, the city would also have incurred related indirect costs. The Ps and Gs note that "indirect costs are costs that are incurred for a common or joint purpose, benefitting more than one program and are not directly assignable top a particular department or program without

efforts disproportionate to the result achieved." What this means is that the city would have incurred costs for such items as (but not limited to):

- Owning, operating, and maintaining a police station(s),
- Police Officer uniforms,
- Law enforcement tactical gear,
- Owning, operating, and maintaining a fleet of law enforcement vehicles,
- Officer training,
- Utility services (e.g., electricity, water, trash, & sewer),
- Operating and staffing a Human Resources Department,
- Operating a payroll function,
- Calculating, collecting, and submitting withholdings to the appropriate state and federal offices,
- Negotiating and administering employee benefit plans,
- Maintaining and preparing appropriate accounting records and reports,
- Negotiating and administering contracts with unions for police officers and clerical staff,
- Insurance (liability, fire, & automotive), and
- General legal costs as appropriate

While this is not an exhaustive list, it represents legitimate costs associated with operating a law enforcement operation. However, any effort to allocate and assign such costs to a particular program or division within the Police Department would be very difficult, or as the Ps and Gs explain, "without efforts disproportionate to the results achieved." In some cases, the costs originate within other city departments that would typically charge the city's Police Department for its services pursuant to a properly prepared Citywide Cost Allocation Plan using the methodology described in 2 CFR, Part 225, Appendix C (State/Local-Wide Central Services Cost Allocation Plans). To capture such costs when billing for its services and/or preparing reimbursement claims, adding an indirect cost component to the salaries and wages of its employees is the designated method to recover such costs. The methodology to calculate this indirect cost component is outlined in 2 CFR, Part 225 (Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A-87)), including Appendices A (General Principles for Determining Allowable Costs), B (Select Items of Cost), and E (State and Local Indirect Cost Rate Proposals) **(Tab 7).**

However, the city of Rancho Cucamonga did not operate its own Police Department at any time during the audit period and did not incur the indirect costs contained in the previous bullet point list. Instead, San Bernardino County incurred such costs. Accordingly, costs appearing in the city's contract with the county are contract services costs, not salaries, benefits, and related indirect costs. Since the city did not incur related indirect costs, section V.B. (Indirect Cost Rates) of the Ps and Gs does not apply to the city's claims.

Our audit report noted that in its claims filed for each year of the audit period, the city erroneously claimed salaries and benefits costs, which we re-classified in our report as contract services costs. The city also claimed indirect costs by preparing Indirect Cost Rate Proposals ICRPs) for each year of the audit period. Each of the ICRPs appear in Section 10 of the city's IRC filing as follows:

FY 2002-03, pdf pages 1193 and 1194,
FY 2003-04, pdf pages 1200 and 1201,
FY 2004-05, pdf pages 1208 and 1209 and again on pdf pages 1215 and 1216,

FY 2005-06, pdf pages 1222 and 1223,
FY 2006-07. pdf pages 1228 and 1229,
FY 2007-08, pdf pages 1236 and 1237 and again on pdf pages 1243 and 1244,
FY 2008-09, pdf pages 1250 and 1251,
FY 2009-10, pdf pages 1257 and 1258,
FY 2010-11, pdf pages 1265 and 1266,
FY 2011-12, pdf pages 1271 and 1272, and
FY 2012-13, pdf pages 1277 and 1278

Our audit report **(Section 9 City IRC, pdf pages 1109 through 1187)**, explains on pdf pages 1131 through 1136 that the city's ICRPs did not comply with the Ps and Gs. In the language cited previously from Section V.B. of the Ps and Gs, there are three options for using a distribution base. The city chose option #2 – direct salaries and wages. However, the city did not incur any direct salaries and wages costs. It incurred contract services costs and erroneously re-classified such costs as salaries and benefits for the purpose of preparing its ICRPs. In addition, each of the city's ICRPs were prepared for the City of Rancho Cucamonga Sheriff, which does not exist as an entity or as a person.

Regardless of any arguments raised by the city in its IRC filing concerning its belief about the allowability of indirect costs for contract services, it did not comply with the Ps and Gs to claim indirect costs in any of its claims during the audit period. The city cannot now use the IRC process to cure its incorrectly prepared claims.

Issue 3: Are there indirect costs within the City's contract for law enforcement services? (Section 6, City IRC, PDF pages 22 through 25)

From the SCO's perspective, the answer is no. San Bernardino County may have included costs within its law enforcement contracts that represent indirect costs that it incurred, but there are no indirect costs within a contract for services for the city to claim, despite the city's pleas to the contrary. However, we do agree that the city's contracts include various line-item amounts that appear to be administrative in nature and not directly related to providing law enforcement services.

As we noted in the Background section, cities in Los Angeles County contracting for law enforcement services pay contract rates that include an administrative cost component. Los Angeles County refers to these additional amounts as "Liability." The city's IRC includes a copy of a law enforcement services contract between the City of Lakewood and Los Angeles County for law enforcement services **(Section 7, City IRC, pdf pages 959 – 971)**. Page 970 includes a schedule titled "Hours of Service & Estimated Charges." One of the amounts included in this schedule is an item labeled "Liability @ 4%. Then, on page 971, a document labeled "Patrol Officer Rate" explains that the "rate includes a county assessed 4% Liability Insurance Surcharge." We reached out to a representative within the Contracts Bureau of the Los Angeles County Sheriff's Department for clarification on what the liability amount included in these law enforcement contracts represent. We were advised that the amount is "to provide insurance coverage for general liability claims arising from services provided to contract cities." The liability amount is "a surcharge applied to contract city services fees **(Tab 8, pdf pages 109 - 110)**. In essence, the surcharge is an additional administrative cost applied to the contract.

On August 30, 2022, the SCO Auditor sent the city an email **(Tab 8, pdf pages 111 - 112)** stating that all of the indirect costs claimed were unallowable. We received a response from the

city's mandated cost consultant (**Tab 8, pdf pages 113 - 115**). Noted in that response were references to law enforcement services contracts prepared by Los Angeles County. Specifically, reference was made to the fact that those contracts included a component for "overhead." We interpreted this response to mean that since cities contracting with Los Angeles County were able to be reimbursed for "overhead" costs, cities contracting with San Bernardino County for law enforcement services should also be able to be reimbursed for such costs. We were somewhat receptive to that argument and held internal discussions on the issue. On December 9, 2022, we provided the city with a preliminary status update on where things stood with the audit as of that date **(Tab 8, pdf pages 116 - 132).** While SCO was under no obligation to do so, we worked with city representatives and developed a method to include "administrative cost" items appearing within its contracts with San Bernardino County as reimbursable costs. We were very careful to explain that while we acknowledged that San Bernardino County contracts for law enforcement services include various line-item cost amounts that do not appear directly related to law enforcement services, we defined these costs as "administrative costs," not indirect costs or overhead costs. In our audit report **(Section 9 City IRC – pdf pages 1132 and 1133)**, we detailed the specific line-item amounts that appear to be wholly administrative in nature. We have seen similar methodologies in other city reimbursement claims to calculate administrative costs pursuant to contracts for law enforcement services and deemed them to be allowable, even though the methodology to calculate such administrative costs is absent direct guidance within any SCO *Mandated Cost Manual for Local Agencies*.

It is at this juncture that the city's logic is flawed in this matter. It argues that cities contracting with San Bernardino County for law enforcement services should be able to claim "overhead" (administrative) costs like the cities that contract with Los Angeles County. However, when the SCO applied a methodology like Los Angeles County, the city objected and continued to insist that *only* the OMB A-87 methodology is appropriate. This is even though the city did not incur any salaries and wages costs that are necessary to utilize that methodology. While working with the city during our audit, it did not suggest any other method to claim allowable administrative cost items other than preparing an ICRP using the A-87 process.

Issue 4: Was it correct for the SCO to replace the existing Indirect Cost Rate Proposal (ICRP) methodology and create a new alternate methodology for contract cities? (Section 6, City IRC, PDF page 25)

Despite the city's statement, the SCO has not developed "a new alternate methodology" for claiming indirect mandated costs. The city did not incur any indirect costs, so Section V.B. of the Ps and Gs does not apply to the city's claims. As we noted in our comments to Issue 2, the city did not incur any costs for a common or joint purpose benefiting other departments by virtue of its contracts with San Bernardino County for law enforcement services.

In addition, we would like to point out that SCO's calculations of administrative costs in this audit did not represent a *reduction* in costs but were additional costs that we deemed to be allowable.

IV. CONCLUSION

The SCO audited city's claims for costs of the legislatively mandated IDT Program (Penal Code Section 530.6(a), as added by Statutes of 2000, Chapter 956 for the period of July 1, 2002, through June 30, 2013. The city claimed $500,098 for costs of the mandated program. Our audit found that $195,540 is allowable and $304,558 is unallowable primarily because the

city misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs.

The Commission should find that (1) the SCO correctly reduced the city's FY 2002-2003 claim by $34,154; (2) the SCO correctly reduced the city's FY 2003-2004 claim by $32,900; (3) the SCO correctly reduced the city's FY 2004-2005 claim by $42,696; (4) the SCO correctly reduced the city's FY 2005-2006 claim by $44,258; (5) the SCO correctly reduced the city's FY 2006-2007 claim by $28,000; (6) the SCO correctly reduced the city's FY 2007-2008 claim by $17,918; (7) the SCO correctly reduced the city's FY 2008-2009 claim by $12,855; (8) the SCO correctly reduced the city's FY 2009-2010 claim by $14,004; (9) the SCO correctly reduced the city's FY 2010-2011 claim by $19,756; (10) the SCO correctly reduced the city's FY 2011-2012 claim by $23,938; and (11) the SCO correctly reduced the city's FY 2012-2013 claim by $33,809.

V. CERTIFICATION

I hereby certify by my signature below that the statements made in this document are true and correct of my own knowledge, or, as to all other matters, I believe them to be true and correct based upon information and belief.

Executed on January 28, 2026, at Sacramento, California, by:

Lisa Kurokawa

Lisa Kurokawa, Chief
Compliance Audits Bureau
Division of Audits
State Controller's Office

Tab 3
SCO Claiming Instructions

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-16

IDENTITY THEFT

SEPTEMBER 30, 2011

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Identity Theft (IT) program. The Parameters and Guidelines (P's & G's) are included as an integral part of the claiming instructions.

On March 27, 2009, the Commission on State Mandates found that Penal Code section 530.6(a), as added by Chapter 956, Statutes of 2000, mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to GC section 17514.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county whose law enforcement agency incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Initial reimbursement claims must be filed within 120 days from the issuance date of the claiming instructions. Costs incurred for compliance with this mandate are reimbursable for fiscal years **2002-2003** through **2009-2010** and must be filed with the SCO by **January 30, 2012**. Claims for fiscal year **2010-2011** must be filed with the SCO by **February 15, 2012. Claims filed more than one year after the filing date will not be accepted.**

Penalty

- **Initial Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount; $10,000 maximum penalty, pursuant to GC section 17568.

Minimum Claim Cost

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to GC sections 17551, 17560 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

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 P's & G's adopted by the CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the end of the calendar year in which the reimbursement claim was filed or last amended regardless of the year of costs incurred. If no funds were appropriated for initial claims at the time the claim was filed, supporting documents must be retained for three years from the date of

initial payment of the claim. Therefore, all documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Claim Submission

Submit a signed original FAM-27 and one copy with required documents. **Please sign the FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO's website: **www.sco.ca.gov/ard_mancost.html.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

If you have any questions, you may e-mail **LRSDAR@sco.ca.gov** or call the Local Reimbursements Section at (916) 324-5729.

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

[1] This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

PROGRAM 321	IDENTITY THEFT CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) Not applicable

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed.

(13) Enter the amount of the reimbursement claim as shown on Form 1 line (11). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:

- Late Initial Claims: FAM-27 line(13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

(22) to (36) Reimbursement Claim Data. Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) **1**. a) (g), means the information is located on Form 1, line (04) **1**.a), column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the process**.

(37) Read the statement of Certification of Claim. The claim must be dated, signed by the district's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification**. **(Please sign the FAM-27 in blue ink and attach the copy to the top of the claim package.)**

(38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

SUBMIT A SIGNED ORIGINAL FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed
(21) LRS Input

PROGRAM 321

(01) Claimant Identification Number

(02) Claimant Name

County of Location

Street Address or P.O. Box Suite

City State Zip Code

		Type of Claim	**Reimbursement Claim Data**	
	(03)	(09) Reimbursement ☐	(22) FORM 1, (04) **1**. a) (g)	
	(04)	(10) Combined ☐	(23) FORM 1, (04) **1.** b) (g)	
	(05)	(11) Amended ☐	(24) FORM 1, (04) **2**. (g)	
Fiscal Year of Cost	(06)	(12)	(25) FORM 1, (06)	
Total Claimed Amount	(07)	(13)	(26) FORM 1, (07)	
Less: **10% Late Penalty** (refer to attached Instructions)		(14)	(27) FORM 1, (09)	
Less: **Prior Claim Payment Received**		(15)	(28) FORM 1, (10)	
Net Claimed Amount		(16)	(29)	
Due from State	(08)	(17)	(30)	
Due to State		(18)	(31)	
			(32)	
			(33)	
			(34)	
			(35)	
			(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date Signed _____

Telephone Number _____

E-Mail Address _____

Type or Print Name and Title of Authorized Signatory

(38) Name of Agency Contact Person for Claim

Telephone Number _____

E-mail Address _____

Name of Consulting Firm/Claim Preparer

Telephone Number _____

E-mail Address _____

Form FAM-27 (New 09/11)

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20___
(03) Department	

Direct Costs — **Object Accounts**

(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							

Indirect Costs

(06) Indirect Cost Rate	[From ICRP or 10%]	%
(07) Total Indirect Costs	[Refer to Claiming Instructions]	
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	

Cost Reduction

(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

New 09/11

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) Department. If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.

(04) Reimbursable Activities. For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.

(05) Total Direct Costs. Total columns (a) through (g).

(06) Indirect Cost Rate. Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an ICRP. If an indirect cost rate of greater than 10% is used, include the Indirect Cost Rate Proposal (ICRP) with the claim.

(07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's indirect cost rate proposal (ICRP) in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Total Direct and Indirect Costs. Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).

(09) Less: Offsetting Revenues. If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.

(10) Less: Other Reimbursements. If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) Total Claimed Amount. From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to form FAM-27, line (13) for the Reimbursement Claim.

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant

(02) Fiscal Year 20___/20___

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

☐ Taking police report in violation of PC §530.5 ☐ Investigation of facts

☐ Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
(05) Total ☐ Subtotal ☐ Page:____of____								

New 09/11

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2

(01) Claimant. Enter the name of the claimant.

(02) Fiscal Year. Enter the fiscal year for which costs were incurred.

(03) Reimbursable Activities. Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.

(04) Description of Expenses. The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated and no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract and Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

(05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row.

Minimum Claim Cost

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to GC sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

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 P's & G's adopted by the CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Therefore, all

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-16

IDENTITY THEFT

SEPTEMBER 30, 2011

REVISED JULY 1, 2012

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Identity Theft (IT) program. The Parameters and Guidelines (P's & G's) are included as an integral part of the claiming instructions.

On March 27, 2009, the Commission on State Mandates found that Penal Code section 530.6(a), as added by Chapter 956, Statutes of 2000, mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to GC section 17514.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county whose law enforcement agency incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Claims for the **2011-2012** fiscal year may be filed by **February 15, 2013**, without a late penalty**. Claims filed more than one year after the filing date will not be accepted.**

Penalty

- **Initial Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount; $10,000 maximum penalty, pursuant to GC section 17568.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Claim Submission

Submit a signed original Form FAM-27 and one copy with required documents. **Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO's website: **www.sco.ca.gov/ard_mancost.html.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

If you have any questions, you may e-mail **LRSDAR@sco.ca.gov** or call the Local Reimbursements Section at (916) 324-5729.

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

[1] This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed
(21) LRS Input

PROGRAM 321

(01) Claimant Identification Number

(02) Claimant Name

County of Location

Street Address or P.O. Box Suite

City State Zip Code

		Type of Claim	Reimbursement Claim Data	
			(22) FORM 1, (04) 1. (a) (g)	
			(23) FORM 1, (04) 1. (b) (g)	
			(24) FORM 1, (04) 2. (g)	
			(25) FORM 1, (06)	
			(26) FORM 1, (07)	
	(03)	(09) Reimbursement ☐	(27) FORM 1, (09)	
	(04)	(10) Combined ☐	(28) FORM 1, (10)	
	(05)	(11) Amended ☐	(29)	
Fiscal Year of Cost	(06)	(12)	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: **10% Late Penalty** (refer to attached Instructions)		(14)	(32)	
Less: **Prior Claim Payment Received**		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date Signed _____

Telephone Number _____

E-Mail Address _____

Type or Print Name and Title of Authorized Signatory

(38) Name of Agency Contact Person for Claim

Telephone Number _____

E-mail Address _____

Name of Consulting Firm/Claim Preparer

Telephone Number _____

E-mail Address _____

Form FAM-27 (Revised 07/12)

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.

(04) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.

(05) Total columns (a) through (g).

(06) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an Indirect Cost Rate Proposal (ICRP). If an indirect cost rate of greater than 10% is used, include the ICRP with the claim.

(07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's ICRP in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).

(09) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.

(10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) for the Reimbursement Claim.

PROGRAM 321	IDENTITY THEFT CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant identification number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) Not applicable.

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.

(13) Enter the amount of the reimbursement claim as shown on Form 1 line (11). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:

- Late Initial Claims: Form FAM-27 line (13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

(22) to (36) Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) 1. a) (g), means the information is located on Form 1, line (04) **1**.a), column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the process**.

(37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification**. **(Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.)**

(38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

SUBMIT A SIGNED ORIGINAL Form FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20___
(03) Department	

Direct Costs	**Object Accounts**						
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							

Indirect Costs		
(06) Indirect Cost Rate	[From ICRP or 10%]	%
(07) Total Indirect Costs	[Refer to Claim Summary Instructions]	
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	

Cost Reduction		
(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

Revised 07/12

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant

(02) Fiscal Year 20___/20___

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

☐ Taking police report in violation of PC §530.5 ☐ Investigation of facts

☐ Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
(05) Total ☐ Subtotal ☐ Page:____of____								

Revised 07/12

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2

(01) Enter the name of the claimant.

(02) Enter the fiscal year for which costs were incurred.

(03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.

(04) The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract and Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

(05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row.

OFFICE OF THE STATE CONTROLLER

STATE MANDATED COSTS CLAIMING INSTRUCTIONS NO. 2011-16

IDENTITY THEFT

SEPTEMBER 30, 2011

REVISED JULY 1, 2013

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Identity Theft (IT) program. The Parameters and Guidelines (P's & G's) are included as an integral part of the claiming instructions.

On March 27, 2009, the Commission on State Mandates found that Penal Code section 530.6(a), as added by Chapter 956, Statutes of 2000, mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to GC section 17514.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county whose law enforcement agency incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Claims for the **2012-13** fiscal year may be filed by **February 18, 2014**, without a late penalty**. Claims filed more than one year after the filing date will not be accepted.**

Penalty

- **Initial Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561, subdivision (d)(3).

- **Annual Reimbursement Claim**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount; $10,000 maximum penalty, pursuant to GC section 17568.

Minimum Claim Cost

GC section 17564, subdivision (a), provides that no claim may be filed pursuant to GC sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

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 P's & G's adopted by the CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by the SCO as deemed necessary. Pursuant to GC section 17558.5, subdivision (a), a reimbursement claim for actual costs filed by a claimant is subject to audit by the SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later. However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for the SCO to initiate an audit will commence to run from the date of initial payment of the claim.

All documents used to support the reimbursable activities must be retained during the period subject to audit. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

Record Retention

All documentation to support actual costs claimed must be retained for a period of three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Therefore, all

documentation to support actual costs claimed must be retained for the same period, and must be made available to the SCO on request.

Claim Submission

Submit a signed original Form FAM-27 and one copy with required documents. **Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.**

Mandated costs claiming instructions and forms are available online at the SCO's website: **www.sco.ca.gov/ard_mancost.html.**

Use the following mailing addresses:

If delivered by
U.S. Postal Service:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

If delivered by
other delivery services:

Office of the State Controller
Attn: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

If you have any questions, you may e-mail **LRSDAR@sco.ca.gov** or call the Local Reimbursements Section at (916) 324-5729.

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

[1] This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

IDENTITY THEFT
CLAIM FOR PAYMENT

For State Controller Use Only

(19) Program Number 00321
(20) Date Filed
(21) LRS Input

PROGRAM 321

(01) Claimant Identification Number

(02) Claimant Name

County of Location

Street Address or P.O. Box Suite

City State Zip Code

		Type of Claim	Reimbursement Claim Data	
			(22) FORM 1, (04) 1. (a) (g)	
			(23) FORM 1, (04) 1. (b) (g)	
			(24) FORM 1, (04) 2. (g)	
			(25) FORM 1, (06)	
			(26) FORM 1, (07)	
	(03)	(09) Reimbursement ☐	(27) FORM 1, (09)	
	(04)	(10) Combined ☐	(28) FORM 1, (10)	
	(05)	(11) Amended ☐	(29)	
Fiscal Year of Cost	(06)	(12)	(30)	
Total Claimed Amount	(07)	(13)	(31)	
Less: **10% Late Penalty** (refer to attached Instructions)		(14)	(32)	
Less: **Prior Claim Payment Received**		(15)	(33)	
Net Claimed Amount		(16)	(34)	
Due from State	(08)	(17)	(35)	
Due to State		(18)	(36)	

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code Sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 Government Code.

I further certify that there was no application other than from the claimant, nor any grants or payments received for reimbursement of costs claimed herein and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer

Date Signed _____

Telephone Number _____

E-Mail Address _____

Type or Print Name and Title of Authorized Signatory

(38) Name of Agency Contact Person for Claim

Telephone Number _____

E-mail Address _____

Name of Consulting Firm/Claim Preparer

Telephone Number _____

E-mail Address _____

Form FAM-27 (Revised 07/13)

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2

(01) Enter the name of the claimant.

(02) Enter the fiscal year for which costs were incurred.

(03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each applicable activity.

(04) The following table identifies the type of information required to support reimbursable costs. To detail costs for the activity box checked in block (03), enter the employee names, position titles, a brief description of the activities performed, actual time spent by each employee, productive hourly rates, fringe benefits, supplies used, contract services, and travel expenses. **The descriptions required in column (4)(a) must be of sufficient detail to explain the cost of activities or items being claimed.** For audit purposes, all supporting documents must be retained by the claimant for a period of not less than three years after the date the claim was filed or last amended, whichever is later. If no funds were appropriated or no payment was made at the time the claim was filed, the time for the Controller to initiate an audit will be from the date of initial payment of the claim. Such documents must be made available to the SCO on request.

Object/ Sub object Accounts	Columns									Submit supporting documents with the claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name/Title	Hourly Rate	Hours Worked	Salaries = Hourly Rate x Hours Worked						
Benefits	Activities Performed	Benefit Rate			Benefits = Benefit Rate x Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Cost = Unit Cost x Quantity Used				
Contract Services	Name of Contractor Specific Tasks Performed	Hourly Rate	Hours Worked Inclusive Dates of Service				Cost = Hourly Rate x Hours Worked			Copy of Contract and Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost	Usage					Cost = Unit Cost x Usage		
Travel	Purpose of Trip Name and Title Departure and Return Date	Per Diem Rate Mileage Rate Travel Cost	Days Miles Travel Mode						Total Travel Cost = Rate x Days or Miles	

(05) Total line (04), columns (d) through (i) and enter the sum on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail the activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (04), columns (a) through (f) in the appropriate row.

PROGRAM 321	IDENTITY THEFT CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant identification number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, State, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) Not applicable.

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year for which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.

(13) Enter the amount of the reimbursement claim as shown on Form 1 line (11). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15** of the following fiscal year in which costs were incurred or the claims must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the penalty amount as a result of the calculation formula as follows:

- Late Initial Claims: Form FAM-27 line (13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

(22) to (36) Bring forward the cost information as specified on the left-hand column of lines (22) through (36) for the reimbursement claim, e.g., Form 1, (04) 1. a) (g), means the information is located on Form 1, line (04) **1**.a), column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. Indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. **Completion of this data block will expedite the process**.

(37) Read the statement of Certification of Claim. The claim must be dated, signed by the agency's authorized officer, and must type or print name, title, date signed, telephone number, and email address. **Claims cannot be paid unless accompanied by an original signed certification**. **(Please sign the Form FAM-27 in blue ink and attach the copy to the top of the claim package.)**

(38) Enter the name, telephone number, and e-mail address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, the claim preparer, telephone number, and e-mail address.

SUBMIT A SIGNED ORIGINAL Form FAM-27 AND ONE COPY WITH ALL OTHER FORMS TO:

Address, if delivered by U.S. Postal Service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
P.O. Box 942850
Sacramento, CA 94250

Address, if delivered by other delivery service:

OFFICE OF THE STATE CONTROLLER
ATTN: Local Reimbursements Section
Division of Accounting and Reporting
3301 C Street, Suite 700
Sacramento, CA 95816

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20___
(03) Department	

Direct Costs	**Object Accounts**						
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either (a) or (b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							

Indirect Costs		
(06) Indirect Cost Rate	[From ICRP or 10%]	%
(07) Total Indirect Costs	[Refer to Claim Summary Instructions]	
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	

Cost Reduction		
(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) - {line (09) + line (10)}]	

Revised 07/13

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.

(04) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.

(05) Total columns (a) through (g).

(06) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an Indirect Cost Rate Proposal (ICRP). If an indirect cost rate of greater than 10% is used, include the ICRP with the claim.

(07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's ICRP in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).

(09) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.

(10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) for the Reimbursement Claim.

PROGRAM 321	IDENTITY THEFT ACTIVITY COST DETAIL	FORM 2

(01) Claimant

(02) Fiscal Year 20___/20___

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

☐ 1.(a) Taking police report in violation of PC §530.5 ☐ 2. Investigation of facts

☐ 1.(b) Reviewing online ID theft report

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials and Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel
(05) Total ☐ Subtotal ☐ Page:____of____								

Revised 07/13

Tab 4
Parameters and Guidelines – Identity Theft Program

BEFORE THE

COMMISSION ON STATE MANDATES

STATE OF CALIFORNIA

IN RE TEST CLAIM ON:	Case No. 03-TC-08
	Identity Theft
Penal Code Section 530.6(a) Statutes 2000, Chapter 956	PARAMETERS AND GUIDELINES AND DECISION PURSUANT TO GOVERNMENT CODE SECTION 1700 ET SEQ.; TITLE 2, CALIFORNIA CODE OF REGULATIONS, DIVISION 2, CHAPTER 2.5, ARTICLE 7.
Filed September 25, 2003, by the City of Newport Beach, Claimant.	(Adopted July 28, 2011)

PARAMETERS AND GUIDELINES

On July 28, 2011, the Commission on State Mandates adopted the staff analysis as its decision and the attached parameters and guidelines for the above-named matter.



Drew Bohan, Executive Director

Dated: July 29, 2011

Adopted: July 28, 2011

PARAMETERS AND GUIDELINES

Penal Code Section 530.6(a)

Statutes 2000, Chapter 956

Identity Theft
03-TC-08

I. SUMMARY OF THE MANDATE

The test claim statute requires local law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission found that Penal Code section 530.6(a), as added by Statutes 2000, chapter 956, mandates a new program or higher level of service for local law enforcement agencies within the meaning of article XIII B, section 6 of the California Constitution, and imposes costs mandated by the state pursuant to Government Code section 17514 for the following activities only:

- take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information; and,
- begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose.

II. ELIGIBLE CLAIMANTS

Any city, county, or city and county whose law enforcement agency incurs increased costs as a result of this reimbursable state-mandated program is eligible to claim reimbursement of these costs.

III. PERIOD OF REIMBURSEMENT

Government Code section 17557(e), states that a test claim shall be submitted on or before June 30 following a given fiscal year to establish eligibility for that fiscal year. The City of Newport Beach filed the test claim on September 25, 2003, establishing eligibility for reimbursement beginning July 1, 2002. Therefore, costs incurred for compliance with the mandated activities are reimbursable on or after July 1, 2002.

Reimbursement for state-mandated costs may be claimed as follows:

1. Actual costs for one fiscal year shall be included in each claim.
2. Pursuant to Government Code section 17561(d)(1)(A), all claims for reimbursement of initial fiscal year costs shall be submitted to the State Controller within 120 days of the issuance date for the claiming instructions.
3. Pursuant to Government Code section 17560(a), a local agency may, by February 15 following the fiscal year in which costs were incurred, file an annual reimbursement claim that details the costs actually incurred for that fiscal year.
4. In the event revised claiming instructions are issued by the Controller pursuant to Government Code section 17558(c), between November 15 and February 15, a local agency filing an annual reimbursement claim shall have 120 days following the issuance date of the revised claiming instructions to file a claim. (Gov. Code §17560 (b).)
5. If the total costs for a given fiscal year do not exceed $1,000, no reimbursement shall be allowed except as otherwise allowed by Government Code section 17564(a).
6. There shall be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

IV. REIMBURSABLE ACTIVITIES

To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, time sheets, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, calendars, and declarations. Declarations must include a certification or declaration stating, "I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct," and must further comply with the requirements of Code of Civil Procedure section 2015.5. Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise reported in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified below.

For each eligible claimant, the following ongoing activities are eligible for reimbursement:

1. Either a) or b) below:

   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected

rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

VI. RECORD RETENTION

Pursuant to Government Code section 17558.5(a), a reimbursement claim for actual costs filed by a local agency or school district pursuant to this chapter[1] is subject to the initiation of an audit by the State Controller no later than three years after the date that the actual reimbursement claim is filed or last amended, whichever is later. However, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, the time for the Controller to initiate an audit shall commence to run from the date of initial payment of the claim. In any case, an audit shall be completed not later than two years after the date that the audit is commenced. All documents used to support the reimbursable activities, as described in Section IV, must be retained during the period subject to audit. If an audit has been initiated by the Controller during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings.

VII. OFFSETTING REVENUES AND REIMBURSEMENTS

Any offsets the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any federal, state or non-local source shall be identified and deducted from this claim.

VIII. STATE CONTROLLER'S CLAIMING INSTRUCTIONS

Pursuant to Government Code section 17558(b), the Controller shall issue claiming instructions for each mandate that requires state reimbursement not later than 60 days after receiving the adopted parameters and guidelines from the Commission, to assist local agencies and school districts in claiming costs to be reimbursed. The claiming instructions shall be derived from the test claim decision and the parameters and guidelines adopted by the Commission.

Pursuant to Government Code section 17561(d)(1)(A), issuance of the claiming instructions shall constitute a notice of the right of the local agencies and school districts to file reimbursement claims, based upon parameters and guidelines adopted by the Commission.

IX. REMEDIES BEFORE THE COMMISSION

Upon the request of a local agency or school district, the Commission shall review the claiming instructions issued by the State Controller or any other authorized state agency for

[1] This refers to Title 2, division 4, part 7, chapter 4 of the Government Code.

reimbursement of mandated costs pursuant to Government Code section 17571. If the Commission determines that the claiming instructions do not conform to the parameters and guidelines, the Commission shall direct the Controller to modify the claiming instructions to conform to the parameters and guidelines as directed by the Commission.

In addition, requests may be made to amend parameters and guidelines pursuant to Government Code section 17557(d)(1), and California Code of Regulations, title 2, section 1183.2.

X. LEGAL AND FACTUAL BASIS FOR THE PARAMETERS AND GUIDELINES

The statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The support for the legal and factual findings is found in the administrative record for the test claim. The administrative record, including the statement of decision, is on file with the Commission.

identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or

b) Reviewing the identity theft report completed on-line by the identity theft victim.

2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

Providing a copy of the report to the complainant is not reimbursable under this program.

Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program,

V. CLAIM PREPARATION AND SUBMISSION

Each of the following cost elements must be identified for the reimbursable activities identified in section IV of this document. Each reimbursable cost must be supported by source documentation as described in section IV. Additionally, each reimbursement claim must be filed in a timely manner.

A. Direct Cost Reporting

Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.

1. Salaries and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

2. Materials and Supplies

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities. Purchases shall be claimed at the actual price after deducting discounts, rebates, and allowances received by the claimant. Supplies that are withdrawn from inventory shall be charged on an appropriate and recognized method of costing, consistently applied.

3. Contracted Services

Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be

claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

4. Fixed Assets

Report the purchase price paid for fixed assets (including computers) necessary to implement the reimbursable activities. The purchase price includes taxes, delivery costs, and installation costs. If the fixed asset is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed.

5. Travel

Report the name of the employee traveling for the purpose of the reimbursable activities. Include the date of travel, destination, the specific reimbursable activity requiring travel, and related travel expenses reimbursed to the employee in compliance with the rules of the local jurisdiction. Report employee travel time according to the rules of cost element A.1, Salaries and Benefits, for each applicable reimbursable activity.

B. Indirect Cost Rates

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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in 2 CRF Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The

Tab 5
Audit Start Letter

BETTY T. YEE
California State Controller

March 18, 2022

Tamara Oatman, Finance Director
City of Rancho Cucamonga
10500 Civic Center Drive
Rancho Cucamonga, CA 91729

Re: Audit of Mandated Cost Claims for the Identity Theft Program
for the Period of July 1, 2002, through June 30, 2013

Dear Ms. Oatman:

This letter constitutes the initiation of an audit by the State Controller's Office of the City of Rancho Cucamonga's legislatively mandated Identity Theft Program cost claims filed for fiscal year (FY) 2002-03 through FY 2012-13. The amount claimed for the audit period totals $500,098. The objective of our audit is to determine whether costs claimed represent increased costs as a result of the mandated program. To that end, we will assess whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

Joji Tyree, of our office, contacted the city on December 1, 2021, to schedule an entrance conference for Wednesday, January 19, 2022, at 2:00 p.m. We contacted you by telephone on January 18, 2022, to reschedule the entrance conference for Wednesday, April 20, 2022, at 2:00 p.m. The audit will be conducted in accordance with generally accepted government auditing standards. Government Code sections 12410, 17558.5, and 17561 provide the authority for this audit. We will begin audit fieldwork after the entrance conference.

Please furnish working accommodations for staff. A list of documents that we will need to begin the audit is attached. We request that this information be made available at the entrance conference. We will request additional documentation throughout the audit process, if necessary.

Lisa Kurokawa is the Bureau Chief with overall responsibility for the audit. Kimberly Tarvin, CPA, is the Division Chief, and is responsible for final review and signing the audit report.

P.O. Box 942850, Sacramento, CA 94250 ♦ (916) 445-2636
3301 C Street, Suite 700, Sacramento, CA 95816 ♦ (916) 324-8907
901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 ♦ (323) 981-6802

If you have any questions, please contact me by telephone at (916) 501-8693, or email at jvenneman@sco.ca.gov.

Sincerely,

JIM VENNEMAN, CPA, Audit Manager
Compliance Audits Bureau
Division of Audits

JV/ac

20940

Attachment

cc: The Honorable L. Dennis Michael
Mayor of the City of Rancho Cucamonga
Ernie Perez, Captain
Rancho Cucamonga Patrol Station
San Bernardino County Sheriff's 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
Darryl Mar, Manager
Local Reimbursement Section
State Controller's Office
Lisa Kurokawa, Bureau Chief
Division of Audits
State Controller's Office
Joji Tyree, Auditor-in-Charge
Division of Audits
State Controller's Office

Attachment—
Records Request for Mandated Cost Program
FY 2002-03 through 2012-13

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1. Copies of claims filed for the mandated cost program
2. Copies of reports for external and internal audits performed on the mandated cost program
3. Organization charts for the city's finance and sheriff's departments effective during the audit period, showing employee names and position titles
4. Copies of finance department's policies, procedures, and manuals pertaining to the filing of mandated cost claims
5. Copies of sheriff department's policies, procedures, and manuals pertaining to Penal Code (PC) section 530.5 (Identity Theft) and related incident reports
6. Copies of sheriff department's contracts for law enforcement services provided for set fees in effect during the audit period
7. Documentation that supports the salaries claimed for each fiscal year
8. System-generated unduplicated list of approved PC section 530.5 reports for the city by case number for the audit period, including incident numbers for the related initial calls for service
9. PDF or hard copies of approved PC section 530.5 reports for FY 2010-11, FY 2011-12, and FY 2012-13; this is our statistical sample
10. Computer Aided Dispatch system printouts of time increments for the initial calls for service related to the approved PC section 530.5 police reports in our statistical sample
11. Job classifications for the writers and approvers of the PC section 530.5 reports in our statistical sample
12. Documentation that supports the productive hourly rates claimed, for each fiscal year, for the job classifications that performed the reimbursable activities for the PC section 530.5 reports in our statistical sample
13. Other documents to support the claims and complete the audit, as needed

Tab 6
City of Palmdale IRC Decision

December 7, 2018

Ms. Annette Chinn
Cost Recovery Systems, Inc.
705-2 East Bidwell Street, #294
Folsom, CA 95630

Ms. Jill Kanemasu
Division of Accounting and Reporting
State Controller's Office
3301 C Street, Suite 700
Sacramento, CA 95816

And Parties, Interested Parties, and Interested Persons (See Mailing List)

Re: **Decision**
Interagency Child Abuse and Neglect Investigation Reports (ICAN), 17-0022-I-01
Penal Code Sections 11165.9, 11166, 11166.2, 11166.9[1], 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) as added or amended by Statutes 1977, Chapter 958; Statutes 1980, Chapter 1071; Statutes 1981, Chapter 435; Statutes 1982, Chapters 162 and 905; Statutes 1984, Chapters 1423 and 1613; Statutes 1985, Chapter 1598; Statutes 1986, Chapters 1289 and 1496; Statutes 1987, Chapters 82, 531, and 1459; Statutes 1988, Chapters 269, 1497, and 1580; Statutes 1989, Chapter 153; Statutes 1990, Chapters 650, 1330, 1363, 1603; Statutes 1992, Chapters 163, 459, and 1338; Statutes 1993, Chapters 219 and 510; Statutes 1996, Chapters 1080 and 1081; Statutes 1997, Chapters 842, 843, and 844; Statutes 1999, Chapters 475 and 1012; and Statutes 2000, Chapter 916; California Code of Regulations, Title 11, Section 903 (Register 98, Number 29); "Child Abuse Investigation Report" Form SS 8583 (Rev. 3/91)
Fiscal Years: 1999-2000, 2000-2001, 2001-2002, 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, and 2012-2013
City of Palmdale, Claimant

Dear Ms. Chinn and Ms. Kanemasu:

On November 30, 2018, the Commission on State Mandates adopted the Decision on the above-entitled matter.

Sincerely,

Heather Halsey
Executive Director

[1] Renumbered as Penal Code section 11174.34 (Stats. 2004, ch. 842 (SB 1313)).

E. The Controller's Reduction of Indirect Costs Is Correct as a Matter of Law, and Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

The final reduction at issue in this IRC relates to the disallowance of indirect costs during the audit period. The Parameters and Guidelines allow claimants to use either a 10 percent indirect cost rate based on direct labor costs, excluding benefits, or prepare an Indirect Cost Rate Proposal if indirect costs exceed the 10 percent rate.[205] In this case, the claimant claimed the 10 percent indirect cost rate for each fiscal year and applied it to *contract services costs* that were incorrectly claimed as direct labor costs.[206] The claimant did not incur any direct labor costs in any fiscal year of the audit period for the mandated activities. The claimant contracts with the Los Angeles County Sheriff's Department to perform all law enforcement activities, including the reimbursable activities here.[207] Therefore, the Controller found that the claimant did not incur any direct labor costs for this program, and that the claimant's methodology to classify and compute costs as indirect based on contract costs is not appropriate. The Controller also found that the claimant's contracted rates *included* overhead costs, which would normally be characterized as indirect costs.[208] In other words, the Controller concluded that much of what would normally be claimed as indirect costs was already included in the contract.

The claimant replies that it is entitled to fair compensation of all direct and indirect actual costs related to the mandated program.[209] In addition, the claimant asserts that the hourly rates of the deputies do not include all overhead, such as additional administrative and support positions, and facility costs.[210] The claimant further explains:

> In the Los Angeles County Sheriff Contract, most overhead charges are included in the cost of each Deputy in the contract rate. This overhead includes services such as dispatch, special unit services (homicide, sexual crimes, forensics, etc.), equipment, and other overhead positions such as a base level of administrative and clerical support.
>
> In addition to this base amount of overhead built into the sworn staff rates, each city has the option of purchasing additional supplemental overhead positions to their contract if they require and can afford additional support (such as clerical) or administrative staff (dedicated Lieutenants, and extra Sergeants or Watch Deputies). Each fiscal year, the City purchased additional supplemental overhead positions through the contract. (See Appendix B)

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[205] See Exhibit A, IRC, page 247 [Parameters and Guidelines, p. 15].

[206] See, e.g., Exhibit A, IRC, pages 299 [Reimbursement Claim Form, Fiscal Year 2006-2007]; 111 [Claimant's "Indirect Cost Rate Proposal," showing 15.4% claimed indirect costs, but failing to show the nature or to otherwise describe the direct and indirect costs alleged].

[207] See Exhibit A, IRC, page 61 [Email from Karen Johnson, Finance Manager for the City of Palmdale, to Douglas Brejnak, Auditor, dated August 19, 2015].

[208] Exhibit B, Controller's Comments on the IRC, page 22.

[209] Exhibit A, IRC, page 5.

[210] Exhibit A, IRC, page 5.

> In some years the cities may be able to afford more direct staff and more overhead items and in other years they cannot. In the lean years, response times and customer service may decline due to limited fiscal resources. When the actual overhead rates were calculated, they were found to range between 12%-15%. (See Appendix B)[211]

The claimant further asserts that it incurred "approximately $1 million in City Staff Costs related to the management and oversight of the Sheriff's Contract/Public Safety program (or 5% of total Law Enforcement Contract with the County)."[212] And finally, the claimant asserts that the donation of 11 acres of land, and "infrastructure improvements associated with the construction of the Palmdale Sheriff's Station in 2004" constitute reimbursable indirect costs outside the contract.[213]

The Draft Proposed Decision concluded that the Controller's reduction of indirect costs was correct as a matter of law because the claimant did not comply with the Parameters and Guidelines, and there was no evidence in the record that the claimant developled an indirect cost rate proposal.[214] The Draft Proposed Decision also noted that the claimant was still asserting its indirect cost documentation supported the 10 percent default rate:

> As support, the city created sample Indirect Cost Rate Proposals (ICRPs) for FY 2006-07 through FY 2012-13…The city provided its ICRPs to show additional overhead costs that it asserts should be reimbursable. However, the city is asking for the restoration of the 10% rate claimed and not the indirect cost rates based on the proposed ICRPs.[215]

In response to the Draft Proposed Decision, the claimant asserts that it provided sufficient documentation to the Controller to show that the indirect cost rates "were on average, similar to the default rate (10%) claimed."[216] The claimant further states: "If the Commission feels that the default 10% rate cannot be used, we request that the City's actual Indirect Cost rates, which we had available and presented to the SCO auditors during and after the audit, on more than one occasion for their review and approval, and that these actual overhead costs be allowed and reinstated."[217] The claimant's response also included additional copies, substantially similar to

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[211] Exhibit A, IRC, page 6.

[212] Exhibit A, IRC, page 6.

[213] Exhibit A, IRC, page 6.

[214] Exhibit D, Draft Proposed Decision, pages 42-43.

[215] Exhibit D, Draft Proposed Decision, page 42 [citing Exhibit B, Controller's Comments on the IRC, p. 25].

[216] Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 9 [Declaration of Karen Johnston, Finance Manager/City Treasurer].

[217] Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 10 [Declaration of Karen Johnston, Finance Manager/City Treasurer].

those previously in the record,[218] of documents entitled "Indirect Cost Rate Proposal" for fiscal years 2006-2007 through 2012-2013. However, those documents are not explained in the narrative comments and do not include a description of what costs are listed as direct and indirect; nor is there any indirect cost documentation provided for the first six years of the audit period, fiscal years 1999-2000 through 2005-2006.[219]

Finally, in response to the Controller's Late Comments on the Draft Proposed Decision, the claimant continues to stress that it "had already developed and presented indirect cost rate proposals for FY 2006-07 through FY 2012-13," and that "[t]hese rates were computed for use in the preparation of other, prior State Mandate Reimbursement claims." The claimant also asserts that its rates "were prepared in compliance with Federal OMB and CRF guidelines and reflected actual allowable cost pursuant to the Parameters and Guidelines."[220] Accordingly, the claimant now requests "that actual overhead rates be allowed in our claims for State Reimbursement."[221]

The Commission cannot reweigh the evidence and substitute its judgment for the Controller's.[222] The Commission's review is limited to ensuring that the Controller has adequately considered all relevant factors, and has demonstrated a rational connection between those factors, and the choices made.[223]

The Parameters and Guidelines state that when claiming indirect costs claimants have the option of using *10 percent of direct labor*, excluding fringe benefits, *or preparing an Indirect Cost Rate Proposal* (ICRP) *if* the indirect cost rate claimed *exceeds the 10 percent default rate*, as follows:

> 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 both: (1) 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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using *10% of direct labor*,

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[218] See Exhibit F, Claimant's Comments on the Draft Proposed Decision, pages 49-70; Exhibit A, IRC, pages 110-131.

[219] Exhibit F, Claimant's Comments on the Draft Proposed Decision, pages 49-70.

[220] Exhibit H, Claimant's Response to the Controller's Late Comments on the Draft Proposed Decision, page 2.

[221] Exhibit H, Claimant's Response to the Controller's Late Comments on the Draft Proposed Decision, page 2.

[222] See generally, *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.* (1984) 467 U.S. 837.

[223] *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547-548.

excluding fringe benefits, *or preparing an Indirect Cost Rate Proposal* (ICRP) *if the indirect cost rate claimed exceeds 10%.*

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. The distribution base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.[224]

The claimant here filed its initial reimbursement claims as direct salary costs for the deputies and sergeants conducting the mandate, and sought 10 percent of the direct costs as its indirect costs. At all times relevant to this IRC, the claimant, through its reimbursement claims,[225] amended claims,[226] assertions and objections throughout the audit period,[227] and allegations in filing the IRC,[228] has consistently sought indirect costs of *only* the 10 percent default rate applied to the claimant's contract costs. The Final Audit Report states (and the claimant concedes) that "[n]one of the city staff members performed any of the reimbursable activities under this program."[229] Nevertheless, the claimant continued throughout the audit and in this IRC to assert its belief that the 10 percent default rate was a reasonable and conservative estimate of its indirect costs.[230] Accordingly, as noted above, the Controller disallowed all claimed indirect costs.

The Government Code requires a claimant to file its reimbursement claims in accordance with the parameters and guidelines.[231] And the courts have determined that parameters and guidelines

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[224] Exhibit A, IRC, page 247 [Parameters and Guidelines, p. 15 (emphasis added)].

[225] See, e.g., Exhibit B, Controller's Comments on the IRC, page 30 [Original Reimbursement Claim, Fiscal Year 2012-2013, dated July 3, 2014].

[226] Exhibit A, IRC, pages 299-380 [Amended Claim Forms].

[227] See, e.g., Exhibit A, IRC, pages 60 [July 27, 2015 Email from Annette Chinn, Claimant Representative, to Douglas Brejnak, Auditor]; 297 [Claimant's Response to Draft Audit Report ("[W]e believe that we have already provided more than enough support to justify the inclusion of the default 10% rate allowed in the State instructions.")].

[228] Exhibit A, IRC, page 5 ["The city has attached the Cost Schedules for each year showing the Supplemental costs incurred through the contract as well as has prepared sample ICRPs to show that the default overhead rate of 10% is justified."].

[229] Exhibit A, IRC, page 271 [Final Audit Report, p. 10].

[230] Exhibit A, IRC, pages 287 [Final Audit Report, p. 26]; 297 [Claimant's Response to the Draft Audit Report ("We request the restoration of the additional 10% default overhead ICRP costs in the claims.")].

[231] Government Code section 17561(d)(1).

are regulatory in nature and binding on the parties.[232] In this case, the claimant has not complied with the Parameters and Guidelines in claiming its indirect costs; the 10 percent rate is allowed when the claimant uses its own employees to perform the mandated activities. This claimant contracts for all law enforcement services, including the mandated activities, and therefore the claimant has no direct salaries and benefits upon which to base its claim of indirect costs. The 10 percent default rate is not available to this claimant based on the plain language of the Parameters and Guidelines, irrespective of whatever documentation might be presented to justify it. Therefore, it is correct as a matter of law for the Controller to deny indirect costs, as claimed.

The remaining question then, is whether it was arbitrary and capricious for the Controller to reject the claimant's indirect cost documentation. The Commission finds that it was not. As noted above, in response to the Draft Proposed Decision, the claimant asserts that it provided sufficient documentation to the Controller to show that the indirect cost rates "were on average, similar to the default rate (10%) claimed."[233] The claimant further states: "If the Commission feels that the default 10% rate cannot be used, we request that the City's actual Indirect Cost rates, which we had available and presented to the SCO auditors during and after the audit, on more than one occasion for their review and approval, and that these actual overhead costs be allowed and reinstated."[234]

However, as noted above, the Commission's review is limited to ensuring that the Controller has adequately considered all relevant factors, and has demonstrated a rational connection between those factors, and the choices made.[235] Based on the evidence and documentation in the record, at no time prior to its comments on the Draft Proposed Decision has the claimant requested reimbursement on the basis of its sample Indirect Cost Rate Proposals. The Controller explains:

> As support, the city created sample Indirect Cost Rate Proposals (ICRPs) for FY 2006-07 through FY 2012-13 (Exhibit F). The city did not provide ICRPs for FY 1999-00 through FY 2005-06. The city provided its ICRPs to show additional overhead costs that it asserts should be reimbursable. However, the city is asking for the restoration of the 10% rate claimed and not the indirect cost rates based on the proposed ICRPs.[236]

The sample ICRPs that the Controller refers to are each one to three pages, and include "City Wide Costs" without any evidence of an allocation basis for this mandated program; "Allowable Indirect Costs," which coincide with costs for additional sergeants and administrative support (which the Controller suggests are also contract costs, and therefore include some overhead); and

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[232] *California School Boards Association v. State of California* (2009) 171 Cal.App.4th 1183, 1201; *Clovis Unified School Dist. v. Chiang* (2010) 188 Cal.App.4th 794, 799.

[233] Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 9 [Declaration of Karen Johnston, Finance Manager/City Treasurer].

[234] Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 10 [Declaration of Karen Johnston, Finance Manager/City Treasurer].

[235] *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547-548.

[236] Exhibit B, Controller's Comments on the IRC, page 25.

"Allocation of Land/Facility Costs," listed as $300,000, without any information of the origin of that amount.

Moreover, the documents included in the Claimant's Comments on the Draft Proposed Decision, which appear to be substantially similar to those provided to the Controller in the context of the audit, do not explain the origin of the purported indirect cost rates calculated, do not identify a distribution base, as required under the Parameters and Guidelines, and are characterized by the Controller as "support" for the claimant requesting "the restoration of the 10% rate claimed."[237] Both parties also characterize these documents as "*sample* Indirect Cost Rate Proposals."[238]

The Controller also describes a number of other issues within the sample ICRPs,[239] including the assignment of direct and indirect costs; and the apparent duplication of costs inherent in using contract costs (which already contain overhead and support, i.e., indirect costs) as a direct cost basis for calculating indirect costs; and especially that the OMB regulations prohibit donations, including of real property, from being considered as indirect costs.[240] One of the costs that the claimant asserted as justification for indirect costs, and documented in its amended claims was the donation of land to build a Palmdale station for the Los Angeles County Sheriff's Department.[241] This cost item has been omitted from the claimant's more recent filings,[242] but as of the time of the audit the indirect cost documentation included this unallowable cost item.

Based on the evidence in the record, at no time during the audit, or in the early stages of this IRC, did the claimant seek reimbursement based on anything other than the 10 percent default rate, which was correctly denied consistent with the Parameters and Guidelines. Based on the claimant's position and assertions at that time, as reflected in the record, and based on the many flaws and insufficiencies in the evidence, as identified by the Controller, and which have not been rebutted, it was not arbitrary and capricious for the Controller to deny all indirect costs, as claimed.

Accordingly, the Commission finds that the Controller's reduction of indirect costs, as claimed, is correct as a matter of law, and not arbitrary, capricious, or entirely lacking in evidentiary support.

V. Conclusion

Based on the forgoing analysis, the Commission denies this IRC.

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[237] See Exhibit F, Claimant's Comments on the Draft Proposed Decision, pages 49-70; Exhibit B, Controller's Comments on the IRC, page 25.

[238] See Exhibit A, IRC, page 109; Exhibit B, Controller's Comments on the IRC, page 25.

[239] Exhibit B, Controller's Comments on the IRC, pages 25-27.

[240] Exhibit B, Controller's Comments on the IRC, page 26 [Citing 2 CFR Part 225].

[241] See Exhibit A, IRC, pages 6 [IRC Narrative]; 111 [Indirect Cost Documentation, Fiscal Year 2006-2007].

[242] Compare Exhibit A, IRC, page 111 [Indirect Cost Documentation, Fiscal Year 2006-2007]; with Exhibit F, Claimant's Comments on the Draft Proposed Decision, page 50.

Tab 7
Title 2, Code of Federal Regulations, Part 225

OFFICE OF MANAGEMENT AND BUDGET

2 CFR Part 225

Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A–87)

AGENCY: Office of Management and Budget

ACTION: Relocation of policy guidance to 2 CFR chapter II.

SUMMARY: The Office of Management and Budget (OMB) is relocating Circular A–87, ''Cost Principles for State, Local, and Indian Tribal Governments,'' to Title 2 in the Code of Federal Regulations (2 CFR), Subtitle A, Chapter II, part 225 as part of an initiative to provide the public with a central location for Federal government policies on grants and other financial assistance and nonprocurement agreements. Consolidating the OMB guidance and co-locating the agency regulations provides a good foundation for streamlining and simplifying the policy framework for grants and agreements as part of the efforts to implement the Federal Financial Assistance Management Improvement Act of 1999 (Pub. L. 106–107).

DATES: This document is effective August 31, 2005. This document republishes the existing OMB Circular A–87, which already is in effect.

FOR FURTHER INFORMATION CONTACT: Gil Tran, Office of Federal Financial Management, Office of Management and Budget, telephone 202–395–3052 (direct) or 202–395–3993 (main office) and e-mail: *Hai_M._Tran@omb.eop.gov*.

SUPPLEMENTARY INFORMATION: On May 10, 2004 [69 FR 25970], we revised the three OMB circulars containing Federal cost principles. The purpose of those revisions was to simplify the cost principles by making the descriptions of similar cost items consistent across the circulars where possible, thereby reducing the possibility of misinterpretation. Those revisions, a result of OMB and Federal agency efforts to implement Public Law 106–107, were effective on June 9, 2004.

In this document, we relocate OMB Circular A–87 to the CFR, in Title 2 which was established on May 11, 2004 [69 FR 26276] as a central location for OMB and Federal agency policies on grants and agreements.

Our relocation of OMB Circular A–87 does not change the substance of the circular. Other than adjustments needed to conform to the formatting requirements of the CFR, this notice relocates in 2 CFR the version of OMB Circular A–87 as revised by the May 10, 2004 notice.

List of Subjects in 2 CFR Part 225

Accounting, Grant administration, Grant programs, Reporting and recordkeeping requirements, State, local, and Indian tribal governments.

Dated: August 8, 2005.

Joshua B. Bolten,

Director.

Authority and Issuance

■ For the reasons set forth above, the Office of Management and Budget amends 2 CFR Subtitle A, Chapter II, by adding a part 225 as set forth below.

PART 225—COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS (OMB CIRCULAR A–87)

Sec.

225.5 Purpose.
225.10 Authority
225.15 Background
225.20 Policy.
225.25 Definitions.
225.30 OMB responsibilities.
225.35 Federal agency responsibilities.
225.40 Effective date of changes.
225.45 Relationship to previous issuance.
225.50 Policy review date.
225.55 Information Contact.
Appendix A to Part 225—General Principles for Determining Allowable Costs
Appendix B to Part 225—Selected Items of Cost
Appendix C to Part 225—State/Local-Wide Central Service Cost Allocation Plans
Appendix D to Part 225—Public Assistance Cost Allocation Plans
Appendix E to Part 225—State and Local Indirect Cost Rate Proposals

Authority: 31 U.S.C. 503; 31 U.S.C. 1111; 41 U.S.C. 405; Reorganization Plan No. 2 of 1970; E.O. 11541, 35 FR 10737, 3 CFR, 1966–1970, p. 939.

§ 225.5 Purpose.

This part establishes principles and standards for determining costs for Federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally-recognized Indian tribal governments (governmental units).

§ 225.10 Authority.

This part is issued under the authority of the Budget and Accounting Act of 1921, as amended; the Budget and Accounting Procedures Act of 1950, as amended; the Chief Financial Officers Act of 1990; Reorganization Plan No. 2 of 1970; and Executive Order No. 11541 (''Prescribing the Duties of the Office of Management and Budget and the Domestic Policy Council in the Executive Office of the President'').

§ 225.15 Background.

As part of the government-wide grant streamlining effort under Public Law 106–107, Federal Financial Award Management Improvement Act of 1999, OMB led an interagency workgroup to simplify and make consistent, to the extent feasible, the various rules used to award Federal grants. An interagency task force was established in 2001 to review existing cost principles for Federal awards to State, local, and Indian tribal governments; colleges and universities; and non-profit organizations. The task force studied ''Selected Items of Cost'' in each of the three cost principles to determine which items of costs could be stated consistently and/or more clearly.

§ 225.20 Policy.

This part establishes principles and standards to provide a uniform approach for determining costs and to promote effective program delivery, efficiency, and better relationships between governmental units and the Federal Government. The principles are for determining allowable costs only. They are not intended to identify the circumstances or to dictate the extent of Federal and governmental unit participation in the financing of a particular Federal award. Provision for profit or other increment above cost is outside the scope of this part.

§ 225.25 Definitions.

Definitions of key terms used in this part are contained in Appendix A to this part, Section B.

§ 225.30 OMB responsibilities.

The Office of Management and Budget (OMB) will review agency regulations and implementation of this part, and will provide policy interpretations and assistance to insure effective and efficient implementation. Any exceptions will be subject to approval by OMB. Exceptions will only be made in particular cases where adequate justification is presented.

§ 225.35 Federal agency responsibilities.

Agencies responsible for administering programs that involve cost reimbursement contracts, grants, and other agreements with governmental units shall issue regulations to implement the provisions of this part and its appendices.

§ 225.40 Effective date of changes.

This part is effective August 31, 2005.

§ 225.45 Relationship to previous issuance.

(a) The guidance in this part previously was issued as OMB Circular

A–87. Appendix A to this part contains the guidance that was in Attachment A (general principles) to the OMB circular; Appendix B contains the guidance that was in Attachment B (selected items of cost); Appendix C contains the information that was in Attachment C (state/local-wide central service cost allocation plans); Appendix D contains the guidance that was in Attachment D (public assistance cost allocation plans); and Appendix E contains the guidance that was in Attachment E (state and local indirect cost rate proposals).

(b) This part supersedes OMB Circular A–87, as amended May 10, 2004, which superseded Circular A–87, as amended and issued May 4, 1995.

§ 225.50 Policy review date.

This part will have a policy review three years from the date of issuance.

§ 225.55 Information contact.

Further information concerning this part may be obtained by contacting the Office of Federal Financial Management, Financial Standards and Reporting Branch, Office of Management and Budget, Washington, DC 20503, telephone 202–395–3993.

Appendix A to Part 225—General Principles for Determining Allowable Costs

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General Principles for Determining Allowable Costs

A. *Purpose and Scope*

1. Objectives. This Appendix establishes principles for determining the allowable costs incurred by State, local, and federally-recognized Indian tribal governments (governmental units) under grants, cost reimbursement contracts, and other agreements with the Federal Government (collectively referred to in this appendix and other appendices to 2 CFR part 225 as ''Federal awards''). The principles are for the purpose of cost determination and are not intended to identify the circumstances or dictate the extent of Federal or governmental unit participation in the financing of a particular program or project. The principles are designed to provide that Federal awards bear their fair share of cost recognized under these principles except where restricted or prohibited by law. Provision for profit or other increment above cost is outside the scope of 2 CFR part 225.

2. Policy guides.

a. The application of these principles is based on the fundamental premises that:

(1) Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.

(2) Governmental units assume responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award.

(3) Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards.

b. Federal agencies should work with States or localities which wish to test alternative mechanisms for paying costs for administering Federal programs. The Office of Management and Budget (OMB) encourages Federal agencies to test fee-for-service alternatives as a replacement for current cost-reimbursement payment methods in response to the National Performance Review's (NPR) recommendation. The NPR recommended the fee-for-service approach to reduce the burden associated with maintaining systems for charging administrative costs to Federal programs and preparing and approving cost allocation plans. This approach should also increase incentives for administrative efficiencies and improve outcomes.

3. Application.

a. These principles will be applied by all Federal agencies in determining costs incurred by governmental units under Federal awards (including subawards) except those with (1) publicly-financed educational institutions subject to, 2 CFR part 220, Cost Principles for Educational Institutions (OMB Circular A–21), and (2) programs administered by publicly-owned hospitals and other providers of medical care that are subject to requirements promulgated by the sponsoring Federal agencies. However, 2 CFR part 225 does apply to all central service and department/agency costs that are allocated or billed to those educational institutions, hospitals, and other providers of medical care or services by other State and local government departments and agencies.

b. All subawards are subject to those Federal cost principles applicable to the particular organization concerned. Thus, if a subaward is to a governmental unit (other than a college, university or hospital), 2 CFR part 225 shall apply; if a subaward is to a commercial organization, the cost principles applicable to commercial organizations shall apply; if a subaward is to a college or university, 2 CFR part 220 (Circular A–21) shall apply; if a subaward is to a hospital, the cost principles used by the Federal awarding agency for awards to hospitals shall apply, subject to the provisions of subsection A.3.a. of this Appendix; if a subaward is to some other non-profit organization, 2 CFR part 230, Cost Principles for Non-Profit Organizations (Circular A–122), shall apply.

c. These principles shall be used as a guide in the pricing of fixed price arrangements where costs are used in determining the appropriate price.

d. Where a Federal contract awarded to a governmental unit incorporates a Cost Accounting Standards (CAS) clause, the requirements of that clause shall apply. In such cases, the governmental unit and the cognizant Federal agency shall establish an appropriate advance agreement on how the governmental unit will comply with applicable CAS requirements when estimating, accumulating and reporting costs under CAS-covered contracts. The agreement shall indicate that 2 CFR part 225 (OMB Circular A–87) requirements will be applied to other Federal awards. In all cases, only one set of records needs to be maintained by the governmental unit.

e. Conditional exemptions.

(1) OMB authorizes conditional exemption from OMB administrative requirements and cost principles for certain Federal programs with statutorily-authorized consolidated planning and consolidated administrative funding, that are identified by a Federal agency and approved by the head of the Executive department or establishment. A Federal agency shall consult with OMB during its consideration of whether to grant such an exemption.

(2) To promote efficiency in State and local program administration, when Federal non-entitlement programs with common purposes have specific statutorily-authorized consolidated planning and consolidated administrative funding and where most of the State agency's resources come from non-Federal sources, Federal agencies may exempt these covered State-administered, non-entitlement grant programs from certain OMB grants management requirements. The

exemptions would be from all but the allocability of costs provisions of Appendix A subsection C.3 of 2 CFR part 225, Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A–87); Appendix A, Section C.4 of 2 CFR 220, Cost Principles for Educational Institutions (Circular A–21); Appendix A, subsection A.4 of 2 CFR 230 Cost Principles for Non-Profit Organizations (Circular A–122); and from all of the administrative requirements provisions of 2 CFR part 215, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations (Circular A–110), and the agencies' grants management common rule.

(3) When a Federal agency provides this flexibility, as a prerequisite to a State's exercising this option, a State must adopt its own written fiscal and administrative requirements for expending and accounting for all funds, which are consistent with the provisions of 2 CFR part 225 (OMB Circular A–87), and extend such policies to all subrecipients. These fiscal and administrative requirements must be sufficiently specific to ensure that: Funds are used in compliance with all applicable Federal statutory and regulatory provisions, costs are reasonable and necessary for operating these programs, and funds are not used for general expenses required to carry out other responsibilities of a State or its subrecipients.

B. *Definitions*

1. ''Approval or authorization of the awarding or cognizant Federal agency'' means documentation evidencing consent prior to incurring a specific cost. If such costs are specifically identified in a Federal award document, approval of the document constitutes approval of the costs. If the costs are covered by a State/local-wide cost allocation plan or an indirect cost proposal, approval of the plan constitutes the approval.

2. ''Award'' means grants, cost reimbursement contracts and other agreements between a State, local and Indian tribal government and the Federal Government.

3. ''Awarding agency'' means (a) with respect to a grant, cooperative agreement, or cost reimbursement contract, the Federal agency, and (b) with respect to a subaward, the party that awarded the subaward.

4. ''Central service cost allocation plan'' means the documentation identifying, accumulating, and allocating or developing billing rates based on the allowable costs of services provided by a governmental unit on a centralized basis to its departments and agencies. The costs of these services may be allocated or billed to users.

5. ''Claim'' means a written demand or written assertion by the governmental unit or grantor seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of award terms, or other relief arising under or relating to the award. A voucher, invoice or other routine request for payment that is not a dispute when submitted is not a claim. Appeals, such as those filed by a governmental unit in response to questioned audit costs, are not considered claims until a final management decision is made by the Federal awarding agency.

6. ''Cognizant agency'' means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under 2 CFR part 225 on behalf of all Federal agencies. OMB publishes a listing of cognizant agencies.

7. ''Common Rule'' means the ''Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; Final Rule'' originally issued at 53 FR 8034–8103 (March 11, 1988). Other common rules will be referred to by their specific titles.

8. ''Contract'' means a mutually binding legal relationship obligating the seller to furnish the supplies or services (including construction) and the buyer to pay for them. It includes all types of commitments that obligate the government to an expenditure of appropriated funds and that, except as otherwise authorized, are in writing. In addition to bilateral instruments, contracts include (but are not limited to): Awards and notices of awards; job orders or task orders issued under basic ordering agreements; letter contracts; orders, such as purchase orders, under which the contract becomes effective by written acceptance or performance; and, bilateral contract modifications. Contracts do not include grants and cooperative agreements covered by 31 U.S.C. 6301 *et seq.*

9. ''Cost'' means an amount as determined on a cash, accrual, or other basis acceptable to the Federal awarding or cognizant agency. It does not include transfers to a general or similar fund.

10. ''Cost allocation plan'' means central service cost allocation plan, public assistance cost allocation plan, and indirect cost rate proposal. Each of these terms is further defined in this section.

11. ''Cost objective'' means a function, organizational subdivision, contract, grant, or other activity for which cost data are needed and for which costs are incurred.

12. ''Federally-recognized Indian tribal government'' means the governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any native village as defined in Section 3 of the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided through the Bureau of Indian Affairs.

13. ''Governmental unit'' means the entire State, local, or federally-recognized Indian tribal government, including any component thereof. Components of governmental units may function independently of the governmental unit in accordance with the term of the award.

14. ''Grantee department or agency'' means the component of a State, local, or federally-recognized Indian tribal government which is responsible for the performance or administration of all or some part of a Federal award.

15. ''Indirect cost rate proposal'' means the documentation prepared by a governmental unit or component thereof to substantiate its request for the establishment of an indirect cost rate as described in Appendix E of 2 CFR part 225.

16. ''Local government'' means a county, municipality, city, town, township, local public authority, school district, special district, intrastate district, council of governments (whether or not incorporated as a non-profit corporation under State law), any other regional or interstate government entity, or any agency or instrumentality of a local government.

17. ''Public assistance cost allocation plan'' means a narrative description of the procedures that will be used in identifying, measuring and allocating all administrative costs to all of the programs administered or supervised by State public assistance agencies as described in Appendix D of 2 CFR part 225.

18. ''State'' means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any agency or instrumentality of a State exclusive of local governments.

C. *Basic Guidelines*

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

b. Be allocable to Federal awards under the provisions of 2 CFR part 225.

c. Be authorized or not prohibited under State or local laws or regulations.

d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

g. Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.

h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.

i. Be the net of all applicable credits.

j. Be adequately documented.

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:

a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.

assets and substantial relocation of Federal programs
19. General government expenses
20. Goods or services for personal use
21. Idle facilities and idle capacity
22. Insurance and indemnification
23. Interest
24. Lobbying
25. Maintenance, operations, and repairs
26. Materials and supplies costs
27. Meetings and conferences
28. Memberships, subscriptions, and professional activity costs
29. Patent costs
30. Plant and homeland security costs
31. Pre-award costs
32. Professional service costs
33. Proposal costs
34. Publication and printing costs
35. Rearrangement and alteration costs
36. Reconversion costs
37. Rental costs of building and equipment
38. Royalties and other costs for the use of patents
39. Selling and marketing
40. Taxes
41. Termination costs applicable to sponsored agreements
42. Training costs
43. Travel costs

Sections 1 through 43 provide principles to be applied in establishing the allowability or unallowability of certain items of cost. These principles apply whether a cost is treated as direct or indirect. A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in Appendix A to this part. Failure to mention a particular item of cost in these sections is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.

1. *Advertising and public relations costs.*

a. The term advertising costs means the costs of advertising media and corollary administrative costs. Advertising media include magazines, newspapers, radio and television, direct mail, exhibits, electronic or computer transmittals, and the like.

b. The term public relations includes community relations and means those activities dedicated to maintaining the image of the governmental unit or maintaining or promoting understanding and favorable relations with the community or public at large or any segment of the public.

c. The only allowable advertising costs are those which are solely for:

(1) The recruitment of personnel required for the performance by the governmental unit of obligations arising under a Federal award;

(2) The procurement of goods and services for the performance of a Federal award;

(3) The disposal of scrap or surplus materials acquired in the performance of a Federal award except when governmental units are reimbursed for disposal costs at a predetermined amount; or

(4) Other specific purposes necessary to meet the requirements of the Federal award.

d. The only allowable public relations costs are:

(1) Costs specifically required by the Federal award;

(2) Costs of communicating with the public and press pertaining to specific activities or accomplishments which result from performance of Federal awards (these costs are considered necessary as part of the outreach effort for the Federal award); or

(3) Costs of conducting general liaison with news media and government public relations officers, to the extent that such activities are limited to communication and liaison necessary keep the public informed on matters of public concern, such as notices of Federal contract/grant awards, financial matters, etc.

e. Costs identified in subsections c and d if incurred for more than one Federal award or for both sponsored work and other work of the governmental unit, are allowable to the extent that the principles in Appendix A to this part, sections E. (''Direct Costs'') and F. (''Indirect Costs'') are observed.

f. Unallowable advertising and public relations costs include the following:

(1) All advertising and public relations costs other than as specified in subsections 1.c, d, and e of this appendix;

(2) Costs of meetings, conventions, convocations, or other events related to other activities of the governmental unit, including:

(a) Costs of displays, demonstrations, and exhibits;

(b) Costs of meeting rooms, hospitality suites, and other special facilities used in conjunction with shows and other special events; and

(c) Salaries and wages of employees engaged in setting up and displaying exhibits, making demonstrations, and providing briefings;

(3) Costs of promotional items and memorabilia, including models, gifts, and souvenirs;

(4) Costs of advertising and public relations designed solely to promote the governmental unit.

2. *Advisory councils.* Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the Federal awarding agency or as an indirect cost where allocable to Federal awards.

3. *Alcoholic beverages.* Costs of alcoholic beverages are unallowable.

4. *Audit costs and related services.*

a. The costs of audits required by , and performed in accordance with, the Single Audit Act, as implemented by Circular A–133, ''Audits of States, Local Governments, and Non-Profit Organizations'' are allowable. Also see 31 U.S.C. 7505(b) and section 230 (''Audit Costs'') of Circular A–133.

b. Other audit costs are allowable if included in a cost allocation plan or indirect cost proposal, or if specifically approved by the awarding agency as a direct cost to an award.

c. The cost of agreed-upon procedures engagements to monitor subrecipients who are exempted from A–133 under section 200(d) are allowable, subject to the conditions listed in A–133, section 230 (b)(2).

5. *Bad debts.* Bad debts, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, related collection costs, and related legal costs, are unallowable.

6. *Bonding costs.*

a. Bonding costs arise when the Federal Government requires assurance against financial loss to itself or others by reason of the act or default of the governmental unit. They arise also in instances where the governmental unit requires similar assurance. Included are such bonds as bid, performance, payment, advance payment, infringement, and fidelity bonds.

b. Costs of bonding required pursuant to the terms of the award are allowable.

c. Costs of bonding required by the governmental unit in the general conduct of its operations are allowable to the extent that such bonding is in accordance with sound business practice and the rates and premiums are reasonable under the circumstances.

7. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable.

8. *Compensation for personal services.*

a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:

(1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;

(2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and

(3) Is determined and supported as provided in subsection h.

b. Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.

c. Unallowable costs. Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel compensation.

d. Fringe benefits.

(1) Fringe benefits are allowances and services provided by employers to their

b. The restraints or requirements imposed by such factors as: Sound business practices; arm's-length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.

c. Market prices for comparable goods or services.

d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.

e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

3. Allocable costs.

a. 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.

b. All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.

c. Any cost allocable to a particular Federal award or cost objective under the principles provided for in 2 CFR part 225 may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.

d. Where an accumulation of indirect costs will ultimately result in charges to a Federal award, a cost allocation plan will be required as described in Appendices C, D, and E to this part.

4. Applicable credits.

a. Applicable credits refer to those receipts or reduction of expenditure-type transactions that offset or reduce expense items allocable to Federal awards as direct or indirect costs. Examples of such transactions are: Purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the governmental unit relate to allowable costs, they shall be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

b. In some instances, the amounts received from the Federal Government to finance activities or service operations of the governmental unit should be treated as applicable credits. Specifically, the concept of netting such credit items (including any amounts used to meet cost sharing or matching requirements) should be recognized in determining the rates or amounts to be charged to Federal awards. (See Appendix B to this part, item 11, ''Depreciation and use allowances,'' for areas of potential application in the matter of Federal financing of activities.)

D. *Composition of Cost*

1. Total cost. The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.

2. Classification of costs. There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. A cost may be direct with respect to some specific service or function, but indirect with respect to the Federal award or other final cost objective. Therefore, it is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost. Guidelines for determining direct and indirect costs charged to Federal awards are provided in the sections that follow.

E. *Direct Costs*

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.

2. Application. Typical direct costs chargeable to Federal awards are:

a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.

b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.

c. Equipment and other approved capital expenditures.

d. Travel expenses incurred specifically to carry out the award.

3. Minor items. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

F. *Indirect Costs*

1. General. Indirect costs are those: Incurred for a common or joint purpose benefiting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term ''indirect costs,'' as used herein, applies to costs of this type originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.

2. Cost allocation plans and indirect cost proposals. Requirements for development and submission of cost allocation plans and indirect cost rate proposals are contained in Appendices C, D, and E to this part.

3. Limitation on indirect or administrative costs.

a. In addition to restrictions contained in 2 CFR part 225, there may be laws that further limit the amount of administrative or indirect cost allowed.

b. Amounts not recoverable as indirect costs or administrative costs under one Federal award may not be shifted to another Federal award, unless specifically authorized by Federal legislation or regulation.

G. Interagency Services. The cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro rate share of indirect costs. A standard indirect cost allowance equal to ten percent of the direct salary and wage cost of providing the service (excluding overtime, shift premiums, and fringe benefits) may be used in lieu of determining the actual indirect costs of the service. These services do not include centralized services included in central service cost allocation plans as described in Appendix C to this part.

H. Required Certifications. Each cost allocation plan or indirect cost rate proposal required by Appendices C and E to this part must comply with the following:

1. No proposal to establish a cost allocation plan or an indirect cost rate, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit, shall be acceptable unless such costs have been certified by the governmental unit using the Certificate of Cost Allocation Plan or Certificate of Indirect Costs as set forth in Appendices C and E to this part. The certificate must be signed on behalf of the governmental unit by an individual at a level no lower than chief financial officer of the governmental unit that submits the proposal or component covered by the proposal.

2. No cost allocation plan or indirect cost rate shall be approved by the Federal Government unless the plan or rate proposal has been certified. Where it is necessary to establish a cost allocation plan or an indirect cost rate and the governmental unit has not submitted a certified proposal for establishing such a plan or rate in accordance with the requirements, the Federal Government may either disallow all indirect costs or unilaterally establish such a plan or rate. Such a plan or rate may be based upon audited historical data or such other data that have been furnished to the cognizant Federal agency and for which it can be demonstrated that all unallowable costs have been excluded. When a cost allocation plan or indirect cost rate is unilaterally established by the Federal Government because of failure of the governmental unit to submit a certified proposal, the plan or rate established will be set to ensure that potentially unallowable costs will not be reimbursed.

Appendix B to Part 225—Selected Items of Cost

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(2) The use allowance for equipment will be computed at an annual rate not exceeding 6⅔ percent of acquisition cost.

(3) When the use allowance method is used for buildings, the entire building must be treated as a single asset; the building's components (*e.g.*, plumbing system, heating and air condition, etc.) cannot be segregated from the building's shell. The two percent limitation, however, need not be applied to equipment which is merely attached or fastened to the building but not permanently fixed to it and which is used as furnishings or decorations or for specialized purposes (*e.g.*, dentist chairs and dental treatment units, counters, laboratory benches bolted to the floor, dishwashers, modular furniture, carpeting, etc.). Such equipment will be considered as not being permanently fixed to the building if it can be removed without the destruction of, or need for costly or extensive alterations or repairs, to the building or the equipment. Equipment that meets these criteria will be subject to the 6⅔ percent equipment use allowance limitation.

g. A reasonable use allowance may be negotiated for any assets that are considered to be fully depreciated, after taking into consideration the amount of depreciation previously charged to the government, the estimated useful life remaining at the time of negotiation, the effect of any increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization of the asset for the purpose contemplated.

h. Charges for use allowances or depreciation must be supported by adequate property records. Physical inventories must be taken at least once every two years (a statistical sampling approach is acceptable) to ensure that assets exist, and are in use. Governmental units will manage equipment in accordance with State laws and procedures. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period must also be maintained.

12. *Donations and contributions.*

a. Contributions or donations rendered. Contributions or donations, including cash, property, and services, made by the governmental unit, regardless of the recipient, are unallowable.

b. Donated services received:

(1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the Federal Grants Management Common Rule.

(2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs.

(3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.

13. *Employee morale, health, and welfare costs.*

a. The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the governmental unit's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable.

b. Such costs will be equitably apportioned to all activities of the governmental unit. Income generated from any of these activities will be offset against expenses.

14. *Entertainment.* Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

15. *Equipment and other capital expenditures.*

a. For purposes of this subsection 15, the following definitions apply:

(1) ''Capital Expenditures'' means expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit's regular accounting practices.

(2) ''Equipment'' means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or $5000.

(3) ''Special purpose equipment'' means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.

(4) ''General purpose equipment'' means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

b. The following rules of allowability shall apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of $5000 or more have the prior approval of the awarding agency.

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

(4) When approved as a direct charge pursuant to section 15.b(1), (2), and (3)of this appendix, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the awarding agency. In addition, Federal awarding agencies are authorized at their option to waive or delegate the prior approval requirement.

(5) Equipment and other capital expenditures are unallowable as indirect costs. However, see section 11 of this appendix, Depreciation and use allowance, for rules on the allowability of use allowances or depreciation on buildings, capital improvements, and equipment. Also, see section 37 of this appendix, Rental costs, concerning the allowability of rental costs for land, buildings, and equipment.

(6) The unamortized portion of any equipment written off as a result of a change in capitalization levels may be recovered by continuing to claim the otherwise allowable use allowances or depreciation on the equipment, or by amortizing the amount to be written off over a period of years negotiated with the cognizant agency.

(7) When replacing equipment purchased in whole or in part with Federal funds, the governmental unit may use the equipment to be replaced as a trade-in or sell the property and use the proceeds to offset the cost of the replacement property.

16. *Fines and penalties.* Fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments.

17. *Fund raising and investment management costs.*

a. Costs of organized fund raising, including financial campaigns, solicitation of gifts and bequests, and similar expenses incurred to raise capital or obtain contributions are unallowable, regardless of the purpose for which the funds will be used.

b. Costs of investment counsel and staff and similar expenses incurred to enhance income from investments are unallowable. However, such costs associated with investments covering pension, self-insurance, or other funds which include Federal participation allowed by this and other appendices of 2 CFR part 225 are allowable.

c. Fund raising and investment activities shall be allocated an appropriate share of indirect costs under the conditions described in subsection C.3.b. of Appendix A to this part.

18. *Gains and losses on disposition of depreciable property and other capital assets*

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

(a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection 8.h.(6)(c) of this appendix;

(ii) The entire time period involved must be covered by the sample; and

(iii) The results must be statistically valid and applied to the period being sampled.

(b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(c) Less than full compliance with the statistical sampling standards noted in subsection 8.h.(6)(a) of this appendix may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

(7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

i. Donated services.

(1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provisions of the Common Rule.

(2) The value of donated services utilized in the performance of a direct cost activity shall, when material in amount, be considered in the determination of the governmental unit's indirect costs or rate(s) and, accordingly, shall be allocated a proportionate share of applicable indirect costs.

(3) To the extent feasible, donated services will be supported by the same methods used by the governmental unit to support the allocability of regular personnel services.

9. *Contingency provisions.* Contributions to a contingency reserve or any similar provision made for events the occurrence of which cannot be foretold with certainty as to time, intensity, or with an assurance of their happening, are unallowable. The term ''contingency reserve'' excludes self-insurance reserves (see section 22.c. of this appendix), pension plan reserves (see section 8.e.), and post-retirement health and other benefit reserves (section 8.f.) computed using acceptable actuarial cost methods.

10. *Defense and prosecution of criminal and civil proceedings, and claims.*

a. The following costs are unallowable for contracts covered by 10 U.S.C. 2324(k), ''Allowable costs under defense contracts.''

(1) Costs incurred in defense of any civil or criminal fraud proceeding or similar proceeding (including filing of false certification brought by the United States where the contractor is found liable or has pleaded nolo contendere to a charge of fraud or similar proceeding (including filing of a false certification).

(2) Costs incurred by a contractor in connection with any criminal, civil or administrative proceedings commenced by the United States or a State to the extent provided in 10 U.S.C. 2324(k).

b. Legal expenses required in the administration of Federal programs are allowable. Legal expenses for prosecution of claims against the Federal Government are unallowable.

11. *Depreciation and use allowances.*

a. Depreciation and use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (*e.g.*, buildings, office equipment, computer equipment, etc.) except as provided for in subsection g. Except for enterprise funds and internal service funds that are included as part of a State/local cost allocation plan, classes of assets shall be determined on the same basis used for the government-wide financial statements.

b. The computation of depreciation or use allowances shall be based on the acquisition cost of the assets involved. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used. The value of an asset donated to the governmental unit by an unrelated third party shall be its fair market value at the time of donation. Governmental or quasi-governmental organizations located within the same State shall not be considered unrelated third parties for this purpose.

c. The computation of depreciation or use allowances will exclude:

(1) The cost of land;

(2) Any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides; and

(3) Any portion of the cost of buildings and equipment contributed by or for the governmental unit, or a related donor organization, in satisfaction of a matching requirement.

d. Where the depreciation method is followed, the following general criteria apply:

(1) The period of useful service (useful life) established in each case for usable capital assets must take into consideration such factors as type of construction, nature of the equipment used, historical usage patterns, technological developments, and the renewal and replacement policies of the governmental unit followed for the individual items or classes of assets involved. In the absence of clear evidence indicating that the expected consumption of the asset will be significantly greater in the early portions than in the later portions of its useful life, the straight line method of depreciation shall be used.

(2) Depreciation methods once used shall not be changed unless approved by the Federal cognizant or awarding agency. When the depreciation method is introduced for application to an asset previously subject to a use allowance, the annual depreciation charge thereon may not exceed the amount that would have resulted had the depreciation method been in effect from the date of acquisition of the asset. The combination of use allowances and depreciation applicable to the asset shall not exceed the total acquisition cost of the asset or fair market value at time of donation.

e. When the depreciation method is used for buildings, a building's shell may be segregated from the major component of the building (*e.g.*, plumbing system, heating, and air conditioning system, etc.) and each major component depreciated over its estimated useful life, or the entire building (*i.e.*, the shell and all components) may be treated as a single asset and depreciated over a single useful life.

f. Where the use allowance method is followed, the following general criteria apply:

(1) The use allowance for buildings and improvements (including land improvements, such as paved parking areas, fences, and sidewalks) will be computed at an annual rate not exceeding two percent of acquisition costs.

employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit-employee agreement, or an established policy of the governmental unit.

(2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: They are provided under established written leave policies; the costs are equitably allocated to all related activities, including Federal awards; and, the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.

(3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

(4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.

(5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

e. Pension plan costs. Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.

(1) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the governmental unit's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.

(3) Amounts funded by the governmental unit in excess of the actuarially determined amount for a fiscal year may be used as the governmental unit's contribution in future periods.

(4) When a governmental unit converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP.

(5) The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

f. Post-retirement health benefits. Post-retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan covered by subsection 8.e. of this appendix for retirees and their spouses, dependents, and survivors. PRHB costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written polices of the governmental unit.

(1) For PRHB financed on a pay as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHB costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursements and the governmental unit's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHB fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period.

(4) When a governmental unit converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years shall be allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency.

(5) To be allowable in the current year, the PRHB costs must be paid either to:

(a) An insurer or other benefit provider as current year costs or premiums, or

(b) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The Federal Government shall receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

g. Severance pay.

(1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by law, employer-employee agreement, or established written policy.

(2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.

(3) Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant Federal agency.

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,

(b) A Federal award and a non-Federal award,

(c) An indirect cost activity and a direct cost activity,

(d) Two or more indirect activities which are allocated using different allocation bases, or

(e) An unallowable activity and a direct or indirect cost activity.

and substantial relocation of Federal programs.

a. (1) Gains and losses on the sale, retirement, or other disposition of depreciable property shall be included in the year in which they occur as credits or charges to the asset cost grouping(s) in which the property was included. The amount of the gain or loss to be included as a credit or charge to the appropriate asset cost grouping(s) shall be the difference between the amount realized on the property and the undepreciated basis of the property.

(2) Gains and losses on the disposition of depreciable property shall not be recognized as a separate credit or charge under the following conditions:

(a) The gain or loss is processed through a depreciation account and is reflected in the depreciation allowable under sections 11 and 15 of this appendix.

(b) The property is given in exchange as part of the purchase price of a similar item and the gain or loss is taken into account in determining the depreciation cost basis of the new item.

(c) A loss results from the failure to maintain permissible insurance, except as otherwise provided in subsection 22.d of this appendix.

(d) Compensation for the use of the property was provided through use allowances in lieu of depreciation.

b. Substantial relocation of Federal awards from a facility where the Federal Government participated in the financing to another facility prior to the expiration of the useful life of the financed facility requires Federal agency approval. The extent of the relocation, the amount of the Federal participation in the financing, and the depreciation charged to date may require negotiation of space charges for Federal awards.

c. Gains or losses of any nature arising from the sale or exchange of property other than the property covered in subsection 18.a. of this appendix, *e.g.*, land or included in the fair market value used in any adjustment resulting from a relocation of Federal awards covered in subsection b. shall be excluded in computing Federal award costs.

19. *General government expenses.*

a. The general costs of government are unallowable (except as provided in section 43 of this appendix, Travel costs). These include:

(1) Salaries and expenses of the Office of the Governor of a State or the chief executive of a political subdivision or the chief executive of federally-recognized Indian tribal government;

(2) Salaries and other expenses of a State legislature, tribal council, or similar local governmental body, such as a county supervisor, city council, school board, etc., whether incurred for purposes of legislation or executive direction;

(3) Costs of the judiciary branch of a government;

(4) Costs of prosecutorial activities unless treated as a direct cost to a specific program if authorized by program statute or regulation (however, this does not preclude the allowability of other legal activities of the Attorney General); and

(5) Costs of other general types of government services normally provided to the general public, such as fire and police, unless provided for as a direct cost under a program statute or regulation.

b. For federally-recognized Indian tribal governments and Councils Of Governments (COGs), the portion of salaries and expenses directly attributable to managing and operating Federal programs by the chief executive and his staff is allowable.

20. *Goods or services for personal use.* Costs of goods or services for personal use of the governmental unit's employees are unallowable regardless of whether the cost is reported as taxable income to the employees.

21. *Idle facilities and idle capacity.*

As used in this section the following terms have the meanings set forth below:

(1) ''Facilities'' means land and buildings or any portion thereof, equipment individually or collectively, or any other tangible capital asset, wherever located, and whether owned or leased by the governmental unit.

(2) ''Idle facilities'' means completely unused facilities that are excess to the governmental unit's current needs.

(3) ''Idle capacity'' means the unused capacity of partially used facilities. It is the difference between: that which a facility could achieve under 100 percent operating time on a one-shift basis less operating interruptions resulting from time lost for repairs, setups, unsatisfactory materials, and other normal delays; and the extent to which the facility was actually used to meet demands during the accounting period. A multi-shift basis should be used if it can be shown that this amount of usage would normally be expected for the type of facility involved.

(4) ''Cost of idle facilities or idle capacity'' means costs such as maintenance, repair, housing, rent, and other related costs, e.g., insurance, interest, property taxes and depreciation or use allowances.

b. The costs of idle facilities are unallowable except to the extent that:

(1) They are necessary to meet fluctuations in workload; or

(2) Although not necessary to meet fluctuations in workload, they were necessary when acquired and are now idle because of changes in program requirements, efforts to achieve more economical operations, reorganization, termination, or other causes which could not have been reasonably foreseen. Under the exception stated in this subsection, costs of idle facilities are allowable for a reasonable period of time, ordinarily not to exceed one year, depending on the initiative taken to use, lease, or dispose of such facilities.

c. The costs of idle capacity are normal costs of doing business and are a factor in the normal fluctuations of usage or indirect cost rates from period to period. Such costs are allowable, provided that the capacity is reasonably anticipated to be necessary or was originally reasonable and is not subject to reduction or elimination by use on other Federal awards, subletting, renting, or sale, in accordance with sound business, economic, or security practices. Widespread idle capacity throughout an entire facility or among a group of assets having substantially the same function may be considered idle facilities.

22. *Insurance and indemnification.*

a. Costs of insurance required or approved and maintained, pursuant to the Federal award, are allowable.

b. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

(1) Types and extent and cost of coverage are in accordance with the governmental unit's policy and sound business practice.

(2) Costs of insurance or of contributions to any reserve covering the risk of loss of, or damage to, Federal Government property are unallowable except to the extent that the awarding agency has specifically required or approved such costs.

c. Actual losses which could have been covered by permissible insurance (through a self-insurance program or otherwise) are unallowable, unless expressly provided for in the Federal award or as described below. However, the Federal Government will participate in actual losses of a self insurance fund that are in excess of reserves. Costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance, such as spoilage, breakage, and disappearance of small hand tools, which occur in the ordinary course of operations, are allowable.

d. Contributions to a reserve for certain self-insurance programs including workers compensation, unemployment compensation, and severance pay are allowable subject to the following provisions:

(1) The type of coverage and the extent of coverage and the rates and premiums would have been allowed had insurance (including reinsurance) been purchased to cover the risks. However, provision for known or reasonably estimated self-insured liabilities, which do not become payable for more than one year after the provision is made, shall not exceed the discounted present value of the liability. The rate used for discounting the liability must be determined by giving consideration to such factors as the governmental unit's settlement rate for those liabilities and its investment rate of return.

(2) Earnings or investment income on reserves must be credited to those reserves.

(3) Contributions to reserves must be based on sound actuarial principles using historical experience and reasonable assumptions. Reserve levels must be analyzed and updated at least biennially for each major risk being insured and take into account any reinsurance, coinsurance, etc. Reserve levels related to employee-related coverages will normally be limited to the value of claims submitted and adjudicated but not paid, submitted but not adjudicated, and incurred but not submitted. Reserve levels in excess of the amounts based on the above must be identified and justified in the cost allocation plan or indirect cost rate proposal.

(4) Accounting records, actuarial studies, and cost allocations (or billings) must recognize any significant differences due to types of insured risk and losses generated by the various insured activities or agencies of the governmental unit. If individual departments or agencies of the governmental

unit experience significantly different levels of claims for a particular risk, those differences are to be recognized by the use of separate allocations or other techniques resulting in an equitable allocation.

(5) Whenever funds are transferred from a self-insurance reserve to other accounts (e.g., general fund), refunds shall be made to the Federal Government for its share of funds transferred, including earned or imputed interest from the date of transfer.

e. Actual claims paid to or on behalf of employees or former employees for workers' compensation, unemployment compensation, severance pay, and similar employee benefits (e.g., subsection 8.f. for post retirement health benefits), are allowable in the year of payment provided the governmental unit follows a consistent costing policy and they are allocated as a general administrative expense to all activities of the governmental unit.

f. Insurance refunds shall be credited against insurance costs in the year the refund is received.

g. Indemnification includes securing the governmental unit against liabilities to third persons and other losses not compensated by insurance or otherwise. The Federal Government is obligated to indemnify the governmental unit only to the extent expressly provided for in the Federal award, except as provided in subsection 22.d of this appendix.

h. Costs of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship are unallowable.

23. *Interest.*

a. Costs incurred for interest on borrowed capital or the use of a governmental unit's own funds, however represented, are unallowable except as specifically provided in subsection b. or authorized by Federal legislation.

b. Financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in section 23.b.(1) through (4) of this appendix. Financing costs (including interest) paid or incurred on or after September 1, 1995 for land or associated with otherwise allowable costs of equipment is allowable, subject to the conditions in section 23.b. (1) through (4) of this appendix.

(1) The financing is provided (from other than tax or user fee sources) by a bona fide third party external to the governmental unit;

(2) The assets are used in support of Federal awards;

(3) Earnings on debt service reserve funds or interest earned on borrowed funds pending payment of the construction or acquisition costs are used to offset the current period's cost or the capitalized interest, as appropriate. Earnings subject to being reported to the Federal Internal Revenue Service under arbitrage requirements are excludable.

(4) For debt arrangements over $1 million, unless the governmental unit makes an initial equity contribution to the asset purchase of 25 percent or more, the governmental unit shall reduce claims for interest cost by an amount equal to imputed interest earnings on excess cash flow, which is to be calculated as follows. Annually, non-Federal entities shall prepare a cumulative (from the inception of the project) report of monthly cash flows that includes inflows and outflows, regardless of the funding source. Inflows consist of depreciation expense, amortization of capitalized construction interest, and annual interest cost. For cash flow calculations, the annual inflow figures shall be divided by the number of months in the year (i.e., usually 12) that the building is in service for monthly amounts. Outflows consist of initial equity contributions, debt principal payments (less the pro rata share attributable to the unallowable costs of land) and interest payments. Where cumulative inflows exceed cumulative outflows, interest shall be calculated on the excess inflows for that period and be treated as a reduction to allowable interest cost. The rate of interest to be used to compute earnings on excess cash flows shall be the three-month Treasury bill closing rate as of the last business day of that month.

(5) Interest attributable to fully depreciated assets is unallowable.

24. *Lobbying.*

a. General. The cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreements, or loans is an unallowable cost. Lobbying with respect to certain grants, contracts, cooperative agreements, and loans shall be governed by the common rule, ''New Restrictions on Lobbying'' (see Section J.24 of Appendix A to 2 CFR part 220), including definitions, and the Office of Management and Budget ''Government-wide Guidance for New Restrictions on Lobbying'' and notices published at 54 FR 52306 (December 20, 1989), 55 FR 24540 (June 15, 1990), and 57 FR 1772 (January 15, 1992), respectively.

b. Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a federally-sponsored agreement or regulatory matter on any basis other than the merits of the matter.

25. *Maintenance, operations, and repairs.* Unless prohibited by law, the cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds, necessary maintenance, normal repairs and alterations, and the like are allowable to the extent that they: keep property (including Federal property, unless otherwise provided for) in an efficient operating condition, do not add to the permanent value of property or appreciably prolong its intended life, and are not otherwise included in rental or other charges for space. Costs which add to the permanent value of property or appreciably prolong its intended life shall be treated as capital expenditures (see sections 11 and 15 of this appendix).

26. *Materials and supplies costs.*

a. Costs incurred for materials, supplies, and fabricated parts necessary to carry out a Federal award are allowable.

b. Purchased materials and supplies shall be charged at their actual prices, net of applicable credits. Withdrawals from general stores or stockrooms should be charged at their actual net cost under any recognized method of pricing inventory withdrawals, consistently applied. Incoming transportation charges are a proper part of materials and supplies costs.

c. Only materials and supplies actually used for the performance of a Federal award may be charged as direct costs.

d. Where federally-donated or furnished materials are used in performing the Federal award, such materials will be used without charge.

27. *Meetings and conferences.* Costs of meetings and conferences, the primary purpose of which is the dissemination of technical information, are allowable. This includes costs of meals, transportation, rental of facilities, speakers' fees, and other items incidental to such meetings or conferences. But see section 14, Entertainment costs, of this appendix.

28. *Memberships, subscriptions, and professional activity costs.*

a. Costs of the governmental unit's memberships in business, technical, and professional organizations are allowable.

b. Costs of the governmental unit's subscriptions to business, professional, and technical periodicals are allowable.

c. Costs of membership in civic and community, social organizations are allowable as a direct cost with the approval of the Federal awarding agency.

d. Costs of membership in organizations substantially engaged in lobbying are unallowable.

29. *Patent costs.*

a. The following costs relating to patent and copyright matters are allowable: cost of preparing disclosures, reports, and other documents required by the Federal award and of searching the art to the extent necessary to make such disclosures; cost of preparing documents and any other patent costs in connection with the filing and prosecution of a United States patent application where title or royalty-free license is required by the Federal Government to be conveyed to the Federal Government; and general counseling services relating to patent and copyright matters, such as advice on patent and copyright laws, regulations, clauses, and employee agreements (but see sections 32, Professional service costs, and 38, Royalties and other costs for use of patents and copyrights, of this appendix).

b. The following costs related to patent and copyright matter are unallowable: Cost of preparing disclosures, reports, and other documents and of searching the art to the extent necessary to make disclosures not required by the award; costs in connection with filing and prosecuting any foreign patent application; or any United States patent application, where the Federal award does not require conveying title or a royalty-free license to the Federal Government (but see section 38, Royalties and other costs for use of patents and copyrights, of this appendix).

30. *Plant and homeland security costs.* Necessary and reasonable expenses incurred for routine and homeland security to protect facilities, personnel, and work products are allowable. Such costs include, but are not limited to, wages and uniforms of personnel engaged in security activities; equipment; barriers; contractual security services; consultants; etc. Capital expenditures for homeland and plant security purposes are subject to section 15, Equipment and other capital expenditures, of this appendix.

31. *Pre-award costs.* Pre-award costs are those incurred prior to the effective date of the award directly pursuant to the negotiation and in anticipation of the award where such costs are necessary to comply with the proposed delivery schedule or period of performance. Such costs are allowable only to the extent that they would have been allowable if incurred after the date of the award and only with the written approval of the awarding agency.

32. *Professional service costs.*

a. Costs of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the governmental unit, are allowable, subject to subparagraphs b and c when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government. In addition, legal and related services are limited under section 10 of this appendix.

b. In determining the allowability of costs in a particular case, no single factor or any special combination of factors is necessarily determinative. However, the following factors are relevant:

(1) The nature and scope of the service rendered in relation to the service required.

(2) The necessity of contracting for the service, considering the governmental unit's capability in the particular area.

(3) The past pattern of such costs, particularly in the years prior to Federal awards.

(4) The impact of Federal awards on the governmental unit's business (*i.e.*, what new problems have arisen).

(5) Whether the proportion of Federal work to the governmental unit's total business is such as to influence the governmental unit in favor of incurring the cost, particularly where the services rendered are not of a continuing nature and have little relationship to work under Federal grants and contracts.

(6) Whether the service can be performed more economically by direct employment rather than contracting.

(7) The qualifications of the individual or concern rendering the service and the customary fees charged, especially on non-Federal awards.

(8) Adequacy of the contractual agreement for the service (*e.g.*, description of the service, estimate of time required, rate of compensation, and termination provisions).

c. In addition to the factors in subparagraph b, retainer fees to be allowable must be supported by available or rendered evidence of bona fide services available or rendered.

33. *Proposal costs.* Costs of preparing proposals for potential Federal awards are allowable. Proposal costs should normally be treated as indirect costs and should be allocated to all activities of the governmental unit utilizing the cost allocation plan and indirect cost rate proposal. However, proposal costs may be charged directly to Federal awards with the prior approval of the Federal awarding agency.

34. *Publication and printing costs.*

a. Publication costs include the costs of printing (including the processes of composition, plate-making, press work, binding, and the end products produced by such processes), distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional publications.

b. If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all benefiting activities of the governmental unit.

c. Page charges for professional journal publications are allowable as a necessary part of research costs where:

(1) The research papers report work supported by the Federal Government; and

(2) The charges are levied impartially on all research papers published by the journal, whether or not by federally-sponsored authors.

35. *Rearrangement and alteration costs.* Costs incurred for ordinary and normal rearrangement and alteration of facilities are allowable. Special arrangements and alterations costs incurred specifically for a Federal award are allowable with the prior approval of the Federal awarding agency.

36. *Reconversion costs.* Costs incurred in the restoration or rehabilitation of the governmental unit's facilities to approximately the same condition existing immediately prior to commencement of Federal awards, less costs related to normal wear and tear, are allowable.

37. *Rental costs of buildings and equipment.*

a. Subject to the limitations described in subsections b. through d. of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

b. Rental costs under ''sale and lease back'' arrangements are allowable only up to the amount that would be allowed had the governmental unit continued to own the property. This amount would include expenses such as depreciation or use allowance, maintenance, taxes, and insurance.

c. Rental costs under ''less-than-arm's-length'' leases are allowable only up to the amount (as explained in section 37.b of this appendix) that would be allowed had title to the property vested in the governmental unit. For this purpose, a less-than-arm's-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between divisions of a governmental unit; governmental units under common control through common officers, directors, or members; and a governmental unit and a director, trustee, officer, or key employee of the governmental unit or his immediate family, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, a governmental unit may establish a separate corporation for the sole purpose of owning property and leasing it back to the governmental unit.

d. Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in subsection 37.b of this appendix) that would be allowed had the governmental unit purchased the property on the date the lease agreement was executed. The provisions of Financial Accounting Standards Board Statement 13, Accounting for Leases, shall be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in section 23 of this appendix. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the governmental unit purchased the facility.

38. *Royalties and other costs for the use of patents.*

a. Royalties on a patent or copyright or amortization of the cost of acquiring by purchase a copyright, patent, or rights thereto, necessary for the proper performance of the award are allowable unless:

(1) The Federal Government has a license or the right to free use of the patent or copyright.

(2) The patent or copyright has been adjudicated to be invalid, or has been administratively determined to be invalid.

(3) The patent or copyright is considered to be unenforceable.

(4) The patent or copyright is expired.

b. Special care should be exercised in determining reasonableness where the royalties may have been arrived at as a result of less-than-arm's-length bargaining, *e.g.:*

(1) Royalties paid to persons, including corporations, affiliated with the governmental unit.

(2) Royalties paid to unaffiliated parties, including corporations, under an agreement entered into in contemplation that a Federal award would be made.

(3) Royalties paid under an agreement entered into after an award is made to a governmental unit.

c. In any case involving a patent or copyright formerly owned by the governmental unit, the amount of royalty allowed should not exceed the cost which would have been allowed had the governmental unit retained title thereto.

39. *Selling and marketing.* Costs of selling and marketing any products or services of the governmental unit are unallowable (unless allowed under section 1. of this appendix as allowable public relations costs or under section 33. of this appendix as allowable proposal costs.

40. *Taxes.*

a. Taxes that a governmental unit is legally required to pay are allowable, except for self-

assessed taxes that disproportionately affect Federal programs or changes in tax policies that disproportionately affect Federal programs. This provision is applicable to taxes paid during the governmental unit's first fiscal year that begins on or after January 1, 1998, and applies thereafter.

b. Gasoline taxes, motor vehicle fees, and other taxes that are in effect user fees for benefits provided to the Federal Government are allowable.

c. This provision does not restrict the authority of Federal agencies to identify taxes where Federal participation is inappropriate. Where the identification of the amount of unallowable taxes would require an inordinate amount of effort, the cognizant agency may accept a reasonable approximation thereof.

41. *Termination costs applicable to sponsored agreements.* Termination of awards generally gives rise to the incurrence of costs, or the need for special treatment of costs, which would not have arisen had the Federal award not been terminated. Cost principles covering these items are set forth below. They are to be used in conjunction with the other provisions of this appendix in termination situations.

a. The cost of items reasonably usable on the governmental unit's other work shall not be allowable unless the governmental unit submits evidence that it would not retain such items at cost without sustaining a loss. In deciding whether such items are reasonably usable on other work of the governmental unit, the awarding agency should consider the governmental unit's plans and orders for current and scheduled activity. Contemporaneous purchases of common items by the governmental unit shall be regarded as evidence that such items are reasonably usable on the governmental unit's other work. Any acceptance of common items as allocable to the terminated portion of the Federal award shall be limited to the extent that the quantities of such items on hand, in transit, and on order are in excess of the reasonable quantitative requirements of other work.

b. If in a particular case, despite all reasonable efforts by the governmental unit, certain costs cannot be discontinued immediately after the effective date of termination, such costs are generally allowable within the limitations set forth in this and other appendices of 2 CFR part 225, except that any such costs continuing after termination due to the negligent or willful failure of the governmental unit to discontinue such costs shall be unallowable.

c. Loss of useful value of special tooling, machinery, and equipment is generally allowable if:

(1) Such special tooling, special machinery, or equipment is not reasonably capable of use in the other work of the governmental unit,

(2) The interest of the Federal Government is protected by transfer of title or by other means deemed appropriate by the awarding agency, and

(3) The loss of useful value for any one terminated Federal award is limited to that portion of the acquisition cost which bears the same ratio to the total acquisition cost as the terminated portion of the Federal award bears to the entire terminated Federal award and other Federal awards for which the special tooling, machinery, or equipment was acquired.

d. Rental costs under unexpired leases are generally allowable where clearly shown to have been reasonably necessary for the performance of the terminated Federal award less the residual value of such leases, if:

(1) The amount of such rental claimed does not exceed the reasonable use value of the property leased for the period of the Federal award and such further period as may be reasonable, and

(2) The governmental unit makes all reasonable efforts to terminate, assign, settle, or otherwise reduce the cost of such lease. There also may be included the cost of alterations of such leased property, provided such alterations were necessary for the performance of the Federal award, and of reasonable restoration required by the provisions of the lease.

e. Settlement expenses including the following are generally allowable:

(1) Accounting, legal, clerical, and similar costs reasonably necessary for:

(a) The preparation and presentation to the awarding agency of settlement claims and supporting data with respect to the terminated portion of the Federal award, unless the termination is for default (see Subpart __.44 of the Grants Management Common Rule (see § 215.5) implementing OMB Circular A–102); and

(b) The termination and settlement of subawards.

(2) Reasonable costs for the storage, transportation, protection, and disposition of property provided by the Federal Government or acquired or produced for the Federal award, except when grantees or contractors are reimbursed for disposals at a predetermined amount in accordance with Subparts __.31 and __.32 of the Grants Management Common Rule (see § 215.5) implementing OMB Circular A–102.

f. Claims under subawards, including the allocable portion of claims which are common to the Federal award, and to other work of the governmental unit are generally allowable. An appropriate share of the governmental unit's indirect expense may be allocated to the amount of settlements with subcontractors and/or subgrantees, provided that the amount allocated is otherwise consistent with the basic guidelines contained in Appendix A to this part. The indirect expense so allocated shall exclude the same and similar costs claimed directly or indirectly as settlement expenses.

42. *Training costs.* The cost of training provided for employee development is allowable.

43. *Travel costs.*

a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred, or on a combination of the two, provided the method used is applied to an entire trip and not to selected days of the trip, and results in charges consistent with those normally allowed in like circumstances in the governmental unit's non-federally-sponsored activities. Notwithstanding the provisions of section 19 of this appendix, General government expenses, travel costs of officials covered by that section are allowable with the prior approval of an awarding agency when they are specifically related to Federal awards.

b. Lodging and subsistence. Costs incurred by employees and officers for travel, including costs of lodging, other subsistence, and incidental expenses, shall be considered reasonable and allowable only to the extent such costs do not exceed charges normally allowed by the governmental unit in its regular operations as the result of the governmental unit's written travel policy. In the absence of an acceptable, written governmental unit policy regarding travel costs, the rates and amounts established under subchapter I of Chapter 57, Title 5, United States Code (''Travel and Subsistence Expenses; Mileage Allowances''), or by the Administrator of General Services, or by the President (or his or her designee) pursuant to any provisions of such subchapter shall apply to travel under Federal awards (48 CFR 31.205–46(a)).

c. Commercial air travel.

(1) Airfare costs in excess of the customary standard commercial airfare (coach or equivalent), Federal Government contract airfare (where authorized and available), or the lowest commercial discount airfare are unallowable except when such accommodations would:

(a) Require circuitous routing;

(b) Require travel during unreasonable hours;

(c) Excessively prolong travel;

(d) Result in additional costs that would offset the transportation savings; or

(e) Offer accommodations not reasonably adequate for the traveler's medical needs. The governmental unit must justify and document these conditions on a case-by-case basis in order for the use of first-class airfare to be allowable in such cases.

(2) Unless a pattern of avoidance is detected, the Federal Government will generally not question a governmental unit's determinations that customary standard airfare or other discount airfare is unavailable for specific trips if the governmental unit can demonstrate either of the following:

(aa) That such airfare was not available in the specific case; or

(b) That it is the governmental unit's overall practice to make routine use of such airfare.

d. Air travel by other than commercial carrier. Costs of travel by governmental unit-owned, -leased, or -chartered aircraft include the cost of lease, charter, operation (including personnel costs), maintenance, depreciation, insurance, and other related costs. The portion of such costs that exceeds the cost of allowable commercial air travel, as provided for in subsection 43.c. of this appendix, is unallowable.

e. Foreign travel. Direct charges for foreign travel costs are allowable only when the travel has received prior approval of the awarding agency. Each separate foreign trip

Appendix D to Part 225—Public Assistance Cost Allocation Plans

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A. *General.* Federally-financed programs administered by State public assistance agencies are funded predominately by the Department of Health and Human Services (HHS). In support of its stewardship requirements, HHS has published requirements for the development, documentation, submission, negotiation, and approval of public assistance cost allocation plans in Subpart E of 45 CFR part 95. All administrative costs (direct and indirect) are normally charged to Federal awards by implementing the public assistance cost allocation plan. This appendix extends these requirements to all Federal agencies whose programs are administered by a State public assistance agency. Major federally-financed programs typically administered by State public assistance agencies include: Temporary Assistance to Needy Families (TANF), Medicaid, Food Stamps, Child Support Enforcement, Adoption Assistance and Foster Care, and Social Services Block Grant.

B. *Definitions.*

1. ''State public assistance agency'' means a State agency administering or supervising the administration of one or more public assistance programs operated by the State as identified in Subpart E of 45 CFR part 95. For the purpose of this appendix, these programs include all programs administered by the State public assistance agency.

2. ''State public assistance agency costs'' means all costs incurred by, or allocable to, the State public assistance agency, except expenditures for financial assistance, medical vendor payments, food stamps, and payments for services and goods provided directly to program recipients.

C. *Policy.* State public assistance agencies will develop, document and implement, and the Federal Government will review, negotiate, and approve, public assistance cost allocation plans in accordance with Subpart E of 45 CFR part 95. The plan will include all programs administered by the State public assistance agency. Where a letter of approval or disapproval is transmitted to a State public assistance agency in accordance with Subpart E, the letter will apply to all Federal agencies and programs. The remaining sections of this appendix (except for the requirement for certification) summarize the provisions of Subpart E of 45 CFR part 95.

D. *Submission, Documentation, and Approval of Public Assistance Cost Allocation Plans.*

1. State public assistance agencies are required to promptly submit amendments to the cost allocation plan to HHS for review and approval.

2. Under the coordination process outlined in subsection E, affected Federal agencies will review all new plans and plan amendments and provide comments, as appropriate, to HHS. The effective date of the plan or plan amendment will be the first day of the quarter following the submission of the plan or amendment, unless another date is specifically approved by HHS. HHS, as the cognizant agency acting on behalf of all affected Federal agencies, will, as necessary, conduct negotiations with the State public assistance agency and will inform the State agency of the action taken on the plan or plan amendment.

E. *Review of Implementation of Approved Plans.*

1. Since public assistance cost allocation plans are of a narrative nature, the review during the plan approval process consists of evaluating the appropriateness of the proposed groupings of costs (cost centers) and the related allocation bases. As such, the Federal Government needs some assurance that the cost allocation plan has been implemented as approved. This is accomplished by reviews by the funding agencies, single audits, or audits conducted by the cognizant audit agency.

2. Where inappropriate charges affecting more than one funding agency are identified, the cognizant HHS cost negotiation office will be advised and will take the lead in resolving the issue(s) as provided for in Subpart E of 45 CFR part 95.

3. If a dispute arises in the negotiation of a plan or from a disallowance involving two or more funding agencies, the dispute shall be resolved in accordance with the appeals procedures set out in 45 CFR part 75. Disputes involving only one funding agency will be resolved in accordance with the funding agency's appeal process.

4. To the extent that problems are encountered among the Federal agencies and/or governmental units in connection with the negotiation and approval process, the Office of Management and Budget will lend assistance, as required, to resolve such problems in a timely manner.

F. *Unallowable Costs.* Claims developed under approved cost allocation plans will be based on allowable costs as identified in 2 CFR part 225. Where unallowable costs have been claimed and reimbursed, they will be refunded to the program that reimbursed the unallowable cost using one of the following methods: a cash refund, offset to a subsequent claim, or credits to the amounts charged to individual awards.

Appendix E to Part 225—State and Local Indirect Cost Rate Proposals

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A. *General.*

1. Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefitted cost objectives. A cost may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.

2. Indirect costs include the indirect costs originating in each department or agency of the governmental unit carrying out Federal awards and the costs of central governmental services distributed through the central service cost allocation plan (as described in Appendix C to this part) and not otherwise treated as direct costs.

3. Indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards. Guidelines and illustrations of indirect cost proposals are provided in a brochure published by the Department of Health and Human Services entitled ''A Guide for State and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government.'' A copy of this brochure may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20401.

4. Because of the diverse characteristics and accounting practices of governmental units, the types of costs which may be classified as indirect costs cannot be specified in all situations. However, typical examples of indirect costs may include certain State/local-wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation

or use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc.

5. This appendix does not apply to State public assistance agencies. These agencies should refer instead to Appendix D to this part.

B. *Definitions.*

1. ''Indirect cost rate proposal'' means the documentation prepared by a governmental unit or subdivision thereof to substantiate its request for the establishment of an indirect cost rate.

2. ''Indirect cost rate'' is a device for determining in a reasonable manner the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

3. ''Indirect cost pool'' is the accumulated costs that jointly benefit two or more programs or other cost objectives.

4. ''Base'' means the accumulated direct costs (normally either total direct salaries and wages or total direct costs exclusive of any extraordinary or distorting expenditures) used to distribute indirect costs to individual Federal awards. The direct cost base selected should result in each award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs.

5. ''Predetermined rate'' means an indirect cost rate, applicable to a specified current or future period, usually the governmental unit's fiscal year. This rate is based on an estimate of the costs to be incurred during the period. Except under very unusual circumstances, a predetermined rate is not subject to adjustment. (Because of legal constraints, predetermined rates are not permitted for Federal contracts; they may, however, be used for grants or cooperative agreements.) Predetermined rates may not be used by governmental units that have not submitted and negotiated the rate with the cognizant agency. In view of the potential advantages offered by this procedure, negotiation of predetermined rates for indirect costs for a period of two to four years should be the norm in those situations where the cost experience and other pertinent facts available are deemed sufficient to enable the parties involved to reach an informed judgment as to the probable level of indirect costs during the ensuing accounting periods.

6. ''Fixed rate'' means an indirect cost rate which has the same characteristics as a predetermined rate, except that the difference between the estimated costs and the actual, allowable costs of the period covered by the rate is carried forward as an adjustment to the rate computation of a subsequent period.

7. ''Provisional rate'' means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on Federal awards pending the establishment of a ''final'' rate for that period.

8. ''Final rate'' means an indirect cost rate applicable to a specified past period which is based on the actual allowable costs of the period. A final audited rate is not subject to adjustment.

9. ''Base period'' for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to activities performed in that period. The base period normally should coincide with the governmental unit's fiscal year, but in any event, shall be so selected as to avoid inequities in the allocation of costs.

C. *Allocation of Indirect Costs and Determination of Indirect Cost Rates.*

1. General.

a. Where a governmental unit's department or agency has only one major function, or where all its major functions benefit from the indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures as described in subsection 2 of this appendix.

b. Where a governmental unit's department or agency has several major functions which benefit from its indirect costs in varying degrees, the allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefitted functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).

c. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in subsections 2, 3 and 4 of this appendix.

2. Simplified method.

a. Where a grantee agency's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by classifying the grantee agency's total costs for the base period as either direct or indirect, and dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to individual Federal awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base selected. This method should also be used where a governmental unit's department or agency has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to that department or agency is relatively small.

b. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

c. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.), direct salaries and wages, or another base which results in an equitable distribution.

3. Multiple allocation base method.

a. Where a grantee agency's indirect costs benefit its major functions in varying degrees, such costs shall be accumulated into separate cost groupings. Each grouping shall then be allocated individually to benefitted functions by means of a base which best measures the relative benefits.

b. The cost groupings should be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping should constitute a pool of expenses that are of like character in terms of the functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The number of separate groupings should be held within practical limits, taking into consideration the materiality of the amounts involved and the degree of precision needed.

c. Actual conditions must be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitted functions. When an allocation can be made by assignment of a cost grouping directly to the function benefitted, the allocation shall be made in that manner. When the expenses in a grouping are more general in nature, the allocation should be made through the use of a selected base which produces results that are equitable to both the Federal Government and the governmental unit. In general, any cost element or related factor associated with the governmental unit's activities is potentially adaptable for use as an allocation base provided that: it can readily be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like), and it is common to the benefitted functions during the base period.

d. Except where a special indirect cost rate(s) is required in accordance with subsection 4, the separate groupings of indirect costs allocated to each major function shall be aggregated and treated as a common pool for that function. The costs in the common pool shall then be distributed to individual Federal awards included in that function by use of a single indirect cost rate.

e. The distribution base used in computing the indirect cost rate for each function may be total direct costs (excluding capital expenditures and other distorting items such as pass-through funds, major subcontracts, etc.), direct salaries and wages, or another base which results in an equitable distribution. An indirect cost rate should be developed for each separate indirect cost pool developed. The rate in each case should be stated as the percentage relationship between the particular indirect cost pool and the distribution base identified with that pool.

4. Special indirect cost rates.

a. In some instances, a single indirect cost rate for all activities of a grantee department or agency or for each major function of the agency may not be appropriate. It may not take into account those different factors which may substantially affect the indirect costs applicable to a particular program or group of programs. The factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources

employed, the organizational arrangements used, or any combination thereof. When a particular award is carried out in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to that award. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used, provided that: the rate differs significantly from the rate which would have been developed under subsections 2. and 3. of this appendix, and the award to which the rate would apply is material in amount.

b. Although 2 CFR part 225 adopts the concept of the full allocation of indirect costs, there are some Federal statutes which restrict the reimbursement of certain indirect costs. Where such restrictions exist, it may be necessary to develop a special rate for the affected award. Where a ''restricted rate'' is required, the procedure for developing a non-restricted rate will be used except for the additional step of the elimination from the indirect cost pool those costs for which the law prohibits reimbursement.

D. *Submission and Documentation of Proposals.*

1. Submission of indirect cost rate proposals.

a. All departments or agencies of the governmental unit desiring to claim indirect costs under Federal awards must prepare an indirect cost rate proposal and related documentation to support those costs. The proposal and related documentation must be retained for audit in accordance with the records retention requirements contained in the Common Rule.

b. A governmental unit for which a cognizant agency assignment has been specifically designated must submit its indirect cost rate proposal to its cognizant agency. The Office of Management and Budget (OMB) will periodically publish lists of governmental units identifying the appropriate Federal cognizant agencies. The cognizant agency for all governmental units or agencies not identified by OMB will be determined based on the Federal agency providing the largest amount of Federal funds. In these cases, a governmental unit must develop an indirect cost proposal in accordance with the requirements of 2 CFR 225 and maintain the proposal and related supporting documentation for audit. These governmental units are not required to submit their proposals unless they are specifically requested to do so by the cognizant agency. Where a local government only receives funds as a sub-recipient, the primary recipient will be responsible for negotiating and/or monitoring the sub-recipient's plan.

c. Each Indian tribal government desiring reimbursement of indirect costs must submit its indirect cost proposal to the Department of the Interior (its cognizant Federal agency).

d. Indirect cost proposals must be developed (and, when required, submitted) within six months after the close of the governmental unit's fiscal year, unless an exception is approved by the cognizant Federal agency. If the proposed central service cost allocation plan for the same period has not been approved by that time, the indirect cost proposal may be prepared including an amount for central services that is based on the latest federally-approved central service cost allocation plan. The difference between these central service amounts and the amounts ultimately approved will be compensated for by an adjustment in a subsequent period.

2. Documentation of proposals. The following shall be included with each indirect cost proposal:

a. The rates proposed, including subsidiary work sheets and other relevant data, cross referenced and reconciled to the financial data noted in subsection b of this appendix. Allocated central service costs will be supported by the summary table included in the approved central service cost allocation plan. This summary table is not required to be submitted with the indirect cost proposal if the central service cost allocation plan for the same fiscal year has been approved by the cognizant agency and is available to the funding agency.

b. A copy of the financial data (financial statements, comprehensive annual financial report, executive budgets, accounting reports, etc.) upon which the rate is based. Adjustments resulting from the use of unaudited data will be recognized, where appropriate, by the Federal cognizant agency in a subsequent proposal.

c. The approximate amount of direct base costs incurred under Federal awards. These costs should be broken out between salaries and wages and other direct costs.

d. A chart showing the organizational structure of the agency during the period for which the proposal applies, along with a functional statement(s) noting the duties and/or responsibilities of all units that comprise the agency. (Once this is submitted, only revisions need be submitted with subsequent proposals.)

3. Required certification. Each indirect cost rate proposal shall be accompanied by a certification in the following form:

Certificate of Indirect Costs

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish billing or final indirect costs rates for [identify period covered by rate] are allowable in accordance with the requirements of the Federal award(s) to which they apply and 2 CFR part 225, Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A–87). Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: _____

Signature: _____

Name of Official: _____

Title: _____

Date of Execution: _____

E. *Negotiation and Approval of Rates.*

1. Indirect cost rates will be reviewed, negotiated, and approved by the cognizant Federal agency on a timely basis. Once a rate has been agreed upon, it will be accepted and used by all Federal agencies unless prohibited or limited by statute. Where a Federal funding agency has reason to believe that special operating factors affecting its awards necessitate special indirect cost rates, the funding agency will, prior to the time the rates are negotiated, notify the cognizant Federal agency.

2. The use of predetermined rates, if allowed, is encouraged where the cognizant agency has reasonable assurance based on past experience and reliable projection of the grantee agency's costs, that the rate is not likely to exceed a rate based on actual costs. Long-term agreements utilizing predetermined rates extending over two or more years are encouraged, where appropriate.

3. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the governmental unit. This agreement will be subject to re-opening if the agreement is subsequently found to violate a statute, or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The agreed upon rates shall be made available to all Federal agencies for their use.

4. Refunds shall be made if proposals are later found to have included costs that are unallowable as specified by law or regulation, as identified in Appendix B to this part, or by the terms and conditions of Federal awards, or are unallowable because they are clearly not allocable to Federal awards. These adjustments or refunds will be made regardless of the type of rate negotiated (predetermined, final, fixed, or provisional).

F. *Other Policies.*

1. Fringe benefit rates. If overall fringe benefit rates are not approved for the governmental unit as part of the central service cost allocation plan, these rates will be reviewed, negotiated and approved for individual grantee agencies during the indirect cost negotiation process. In these cases, a proposed fringe benefit rate computation should accompany the indirect cost proposal. If fringe benefit rates are not used at the grantee agency level (*i.e.*, the agency specifically identifies fringe benefit costs to individual employees), the governmental unit should so advise the cognizant agency.

2. Billed services provided by the grantee agency. In some cases, governmental units provide and bill for services similar to those covered by central service cost allocation plans (*e.g.*, computer centers). Where this

must receive such approval. For purposes of this provision, ''foreign travel'' includes any travel outside Canada, Mexico, the United States, and any United States territories and possessions. However, the term ''foreign travel'' for a governmental unit located in a foreign country means travel outside that country.

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1. Billed central service activities
2. Working capital reserves
3. Carry-forward adjustments of allocated central service costs
4. Adjustments of billed central services
5. Records retention
6. Appeals
7. OMB assistance State/Local-Wide Central Service Cost Allocation Plans

A. *General.*

1. Most governmental units provide certain services, such as motor pools, computer centers, purchasing, accounting, etc., to operating agencies on a centralized basis. Since federally-supported awards are performed within the individual operating agencies, there needs to be a process whereby these central service costs can be identified and assigned to benefitted activities on a reasonable and consistent basis. The central service cost allocation plan provides that process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

2. Guidelines and illustrations of central service cost allocation plans are provided in a brochure published by the Department of Health and Human Services entitled ''A Guide for State and Local Government Agencies: Cost Principles and Procedures for Establishing Cost Allocation Plans and Indirect Cost Rates for Grants and Contracts with the Federal Government.'' A copy of this brochure may be obtained from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20401.

B. *Definitions.*

1. ''Billed central services'' means central services that are billed to benefitted agencies and/or programs on an individual fee-for-service or similar basis. Typical examples of billed central services include computer services, transportation services, insurance, and fringe benefits.

2. ''Allocated central services'' means central services that benefit operating agencies but are not billed to the agencies on a fee-for-service or similar basis. These costs are allocated to benefitted agencies on some reasonable basis. Examples of such services might include general accounting, personnel administration, purchasing, etc.

3. ''Agency or operating agency'' means an organizational unit or sub-division within a governmental unit that is responsible for the performance or administration of awards or activities of the governmental unit.

C. *Scope of the Central Service Cost Allocation Plans.* The central service cost allocation plan will include all central service costs that will be claimed (either as a billed or an allocated cost) under Federal awards and will be documented as described in section E. Costs of central services omitted from the plan will not be reimbursed.

D. *Submission Requirements.*

1. Each State will submit a plan to the Department of Health and Human Services for each year in which it claims central service costs under Federal awards. The plan should include a projection of the next year's allocated central service cost (based either on actual costs for the most recently completed year or the budget projection for the coming year), and a reconciliation of actual allocated central service costs to the estimated costs used for either the most recently completed year or the year immediately preceding the most recently completed year.

2. Each local government that has been designated as a ''major local government'' by the Office of Management and Budget (OMB) is also required to submit a plan to its cognizant agency annually. OMB periodically lists major local governments in the **Federal Register**.

3. All other local governments claiming central service costs must develop a plan in accordance with the requirements described in this appendix and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency. Where a local government only receives funds as a sub-recipient, the primary recipient will be responsible for negotiating indirect cost rates and/or monitoring the sub-recipient's plan.

4. All central service cost allocation plans will be prepared and, when required, submitted within six months prior to the beginning of each of the governmental unit's fiscal years in which it proposes to claim central service costs. Extensions may be granted by the cognizant agency on a case-by-case basis.

E. *Documentation Requirements for Submitted Plans.* The documentation requirements described in this section may be modified, expanded, or reduced by the cognizant agency on a case-by-case basis. For example, the requirements may be reduced for those central services which have little or no impact on Federal awards. Conversely, if a review of a plan indicates that certain additional information is needed, and will likely be needed in future years, it may be routinely requested in future plan submissions. Items marked with an asterisk (*) should be submitted only once; subsequent plans should merely indicate any changes since the last plan.

1. General. All proposed plans must be accompanied by the following: An organization chart sufficiently detailed to show operations including the central service activities of the State/local government whether or not they are shown as benefiting from central service functions; a copy of the Comprehensive Annual Financial Report (or a copy of the Executive Budget if budgeted costs are being proposed) to support the allowable costs of each central service activity included in the plan; and, a certification (see subsection 4.) that the plan was prepared in accordance with this and other appendices to this part, contains only allowable costs, and was prepared in a manner that treated similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities.

2. Allocated central services. For each allocated central service, the plan must also include the following: A brief description of the service*, an identification of the unit rendering the service and the operating agencies receiving the service, the items of expense included in the cost of the service, the method used to distribute the cost of the service to benefitted agencies, and a summary schedule showing the allocation of each service to the specific benefitted agencies. If any self-insurance funds or fringe benefits costs are treated as allocated (rather than billed) central services, documentation discussed in subsections 3.b. and c. shall also be included.

3. Billed services.

a. General. The information described below shall be provided for all billed central services, including internal service funds, self-insurance funds, and fringe benefit funds.

b. Internal service funds.

(1) For each internal service fund or similar activity with an operating budget of $5 million or more, the plan shall include: A brief description of each service; a balance sheet for each fund based on individual accounts contained in the governmental unit's accounting system; a revenue/expenses statement, with revenues broken out by source, *e.g.*, regular billings, interest earned, etc.; a listing of all non-operating transfers (as defined by Generally Accepted Accounting Principles (GAAP)) into and out of the fund; a description of the procedures (methodology) used to charge the costs of each service to users, including how billing rates are determined; a schedule of current rates; and, a schedule comparing total revenues (including imputed revenues) generated by the service to the allowable costs of the service, as determined under this and other appendices of this part, with an explanation of how variances will be handled.

(2) Revenues shall consist of all revenues generated by the service, including unbilled and uncollected revenues. If some users were not billed for the services (or were not billed at the full rate for that class of users), a schedule showing the full imputed revenues associated with these users shall be provided. Expenses shall be broken out by object cost categories (*e.g.*, salaries, supplies, etc.).

c. Self-insurance funds. For each self-insurance fund, the plan shall include: The fund balance sheet; a statement of revenue and expenses including a summary of billings and claims paid by agency; a listing of all non-operating transfers into and out of the fund; the type(s) of risk(s) covered by the fund (*e.g.*, automobile liability, workers' compensation, etc.); an explanation of how the level of fund contributions are determined, including a copy of the current actuarial report (with the actuarial assumptions used) if the contributions are determined on an actuarial basis; and, a description of the procedures used to charge or allocate fund contributions to benefitted activities. Reserve levels in excess of claims submitted and adjudicated but not paid, submitted but not adjudicated, and incurred but not submitted must be identified and explained.

d. Fringe benefits. For fringe benefit costs, the plan shall include: A listing of fringe benefits provided to covered employees, and the overall annual cost of each type of benefit; current fringe benefit policies*; and procedures used to charge or allocate the costs of the benefits to benefitted activities. In addition, for pension and post-retirement health insurance plans, the following information shall be provided: the governmental unit's funding policies, *e.g.*, legislative bills, trust agreements, or State-mandated contribution rules, if different from actuarially determined rates; the pension plan's costs accrued for the year; the amount funded, and date(s) of funding; a copy of the current actuarial report (including the actuarial assumptions); the plan trustee's report; and, a schedule from the activity showing the value of the interest cost associated with late funding.

4. Required certification. Each central service cost allocation plan will be accompanied by a certification in the following form:

Certificate of Cost Allocation Plan

This is to certify that I have reviewed the cost allocation plan submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal [identify date] to establish cost allocations or billings for [identify period covered by plan] are allowable in accordance with the requirements of 2 CFR Part 225, Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A–87), and the Federal award(s) to which they apply. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently.

I declare that the foregoing is true and correct.

Governmental Unit: _____

Signature: _____

Name of Official: _____

Title: _____

Date of Execution: _____

F. *Negotiation and Approval of Central Service Plans.*

1. All proposed central service cost allocation plans that are required to be submitted will be reviewed, negotiated, and approved by the Federal cognizant agency on a timely basis. The cognizant agency will review the proposal within six months of receipt of the proposal and either negotiate/approve the proposal or advise the governmental unit of the additional documentation needed to support/evaluate the proposed plan or the changes required to make the proposal acceptable. Once an agreement with the governmental unit has been reached, the agreement will be accepted and used by all Federal agencies, unless prohibited or limited by statute. Where a Federal funding agency has reason to believe that special operating factors affecting its awards necessitate special consideration, the funding agency will, prior to the time the plans are negotiated, notify the cognizant agency.

2. The results of each negotiation shall be formalized in a written agreement between the cognizant agency and the governmental unit. This agreement will be subject to re-opening if the agreement is subsequently found to violate a statute or the information upon which the plan was negotiated is later found to be materially incomplete or inaccurate. The results of the negotiation shall be made available to all Federal agencies for their use.

3. Negotiated cost allocation plans based on a proposal later found to have included costs that: Are unallowable as specified by law or regulation, as identified in Appendix B of this part, or by the terms and conditions of Federal awards, or are unallowable because they are clearly not allocable to Federal awards, shall be adjusted, or a refund shall be made at the option of the Federal cognizant agency. These adjustments or refunds are designed to correct the plans and do not constitute a reopening of the negotiation.

G. *Other Policies.*

1. Billed central service activities. Each billed central service activity must separately account for all revenues (including imputed revenues) generated by the service, expenses incurred to furnish the service, and profit/loss.

2. Working capital reserves. Internal service funds are dependent upon a reasonable level of working capital reserve to operate from one billing cycle to the next. Charges by an internal service activity to provide for the establishment and maintenance of a reasonable level of working capital reserve, in addition to the full recovery of costs, are allowable. A working capital reserve as part of retained earnings of up to 60 days cash expenses for normal operating purposes is considered reasonable. A working capital reserve exceeding 60 days may be approved by the cognizant Federal agency in exceptional cases.

3. Carry-forward adjustments of allocated central service costs. Allocated central service costs are usually negotiated and approved for a future fiscal year on a ''fixed with carry-forward'' basis. Under this procedure, the fixed amounts for the future year covered by agreement are not subject to adjustment for that year. However, when the actual costs of the year involved become known, the differences between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustment to the fixed amounts established for a later year. This ''carry-forward'' procedure applies to all central services whose costs were fixed in the approved plan. However, a carry-forward adjustment is not permitted, for a central service activity that was not included in the approved plan, or for unallowable costs that must be reimbursed immediately.

4. Adjustments of billed central services. Billing rates used to charge Federal awards shall be based on the estimated costs of providing the services, including an estimate of the allocable central service costs. A comparison of the revenue generated by each billed service (including total revenues whether or not billed or collected) to the actual allowable costs of the service will be made at least annually, and an adjustment will be made for the difference between the revenue and the allowable costs. These adjustments will be made through one of the following adjustment methods: A cash refund to the Federal Government for the Federal share of the adjustment, credits to the amounts charged to the individual programs, adjustments to future billing rates, or adjustments to allocated central service costs. Adjustments to allocated central services will not be permitted where the total amount of the adjustment for a particular service (Federal share and non-Federal) share exceeds $500,000.

5. Records retention. All central service cost allocation plans and related documentation used as a basis for claiming costs under Federal awards must be retained for audit in accordance with the records retention requirements contained in the Common Rule.

6. Appeals. If a dispute arises in the negotiation of a plan between the cognizant agency and the governmental unit, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.

7. OMB assistance. To the extent that problems are encountered among the Federal agencies and/or governmental units in connection with the negotiation and approval process, OMB will lend assistance, as required, to resolve such problems in a timely manner.

occurs, the governmental unit should be guided by the requirements in Appendix C to this part relating to the development of billing rates and documentation requirements, and should advise the cognizant agency of any billed services. Reviews of these types of services (including reviews of costing/billing methodology, profits or losses, etc.) will be made on a case-by-case basis as warranted by the circumstances involved.

3. Indirect cost allocations not using rates. In certain situations, a governmental unit, because of the nature of its awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for review, negotiation, and approval.

4. Appeals. If a dispute arises in a negotiation of an indirect cost rate (or other rate) between the cognizant agency and the governmental unit, the dispute shall be resolved in accordance with the appeals procedures of the cognizant agency.

5. Collection of unallowable costs and erroneous payments. Costs specifically identified as unallowable and charged to Federal awards either directly or indirectly will be refunded (including interest chargeable in accordance with applicable Federal agency regulations).

6. OMB assistance. To the extent that problems are encountered among the Federal agencies and/or governmental units in connection with the negotiation and approval process, OMB will lend assistance, as required, to resolve such problems in a timely manner.

[FR Doc. 05–16649 Filed 8–30–05; 8:45 am]

BILLING CODE 3110–01–P

OFFICE OF MANAGEMENT AND BUDGET

2 CFR Part 230

Cost Principles for Non-Profit Organizations (OMB Circular A–122)

AGENCY: Office of Management and Budget.

ACTION: Relocation of policy guidance to 2 CFR chapter II.

SUMMARY: The Office of Management and Budget (OMB) is relocating Circular A–122, ''Cost Principles for Non-Profit Organizations,'' to Title 2 in the Code of Federal Regulations (CFR), subtitle A, chapter II, part 230. This relocation is part of our broader initiative to create 2 CFR as a single location where the public can find both OMB guidance for grants and agreements and the associated Federal agency implementing regulations. The broader initiative provides a good foundation for streamlining and simplifying the policy framework for grants and agreements, one objective of OMB and Federal agency efforts to implement the Federal Financial Assistance Management Improvement Act of 1999 (Pub. L. 106–107).

DATES: Part 230 is effective August 31, 2005. This document republishes the existing OMB Circular A–122, which already is in effect.

FOR FURTHER INFORMATION CONTACT: Gil Tran, Office of Federal Financial Management, Office of Management and Budget, telephone 202–395–3052 (direct) or 202–395–3993 (main office) and e-mail: *Hai_M._Tran@omb.eop.gov*.

SUPPLEMENTARY INFORMATION: On May 10, 2004 [69 FR 25970], we revised the three OMB circulars containing Federal cost principles. The purpose of those revisions was to simplify the cost principles by making the descriptions of similar cost items consistent across the circulars where possible, thereby reducing the possibility of misinterpretation. Those revisions, a result of OMB and Federal agency efforts to implement Public Law 106–107, were effective on June 9, 2004.

In this document, we relocate OMB Circular A–122 to the CFR, in Title 2 which was established on May 11, 2004 [69 FR 26276] as a central location for OMB and Federal agency policies on grants and agreements.

Our relocation of OMB Circular A–122 does not change the substance of the circular. Other than adjustments needed to conform to the formatting requirements of the CFR, this document relocates in 2 CFR the version of OMB Circular A–122 as revised by the May 10, 2004 notice.

List of Subjects in 2 CFR Part 230

Accounting, Grant programs, Grants administration, Non-profit organizations, Reporting and recordkeeping requirements.

Dated: August 8, 2005.

Joshua B. Bolten,

Director.

Authority and Issuance

■ For the reasons set forth above, the Office of Management and Budget amends 2 CFR Subtitle A, chapter II, by adding a part 230 as set forth below.

PART 230—COST PRINCIPLES FOR NON-PROFIT ORGANIZATIONS (OMB CIRCULAR A–122)

Sec.

230.5 Purpose.
230.10 Scope.
230.15 Policy.
230.20 Applicability.
230.25 Definitions
230.30 OMB responsibilities.
230.35 Federal agency responsibilities.
230.40 Effective date of changes.
230.45 Relationship to previous issuance.
230.50 Information Contact.
Appendix A to Part 230—General Principles
Appendix B to Part 230—Selected Items of Cost
Appendix C to Part 230—Non-Profit Organizations Not Subject to This Part

Authority: 31 U.S.C. 503; 31 U.S.C. 1111; 41 U.S.C. 405; Reorganization Plan No. 2 of 1970; E.O. 11541, 35 FR 10737, 3 CFR, 1966–1970, p. 939

§ 230.5 Purpose.

This part establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations.

§ 230.10 Scope.

(a) This part does not apply to colleges and universities which are covered by 2 CFR part 220 Cost Principles for Educational Institutions (OMB Circular A–21); State, local, and federally-recognized Indian tribal governments which are covered by 2 CFR part 225 Cost Principles for State, Local, and Indian Tribal Governments (OMB Circular A–87); or hospitals.

(b) The principles deal with the subject of cost determination, and make no attempt to identify the circumstances or dictate the extent of agency and non-profit organization participation in the financing of a particular project. Provision for profit or other increment above cost is outside the scope of this part.

§ 230.15 Policy.

The principles are designed to provide that the Federal Government bear its fair share of costs except where restricted or prohibited by law. The principles do not attempt to prescribe the extent of cost sharing or matching on grants, contracts, or other agreements. However, such cost sharing or matching shall not be accomplished through arbitrary limitations on individual cost elements by Federal agencies.

§ 230.20 Applicability.

(a) These principles shall be used by all Federal agencies in determining the costs of work performed by non-profit organizations under grants, cooperative agreements, cost reimbursement contracts, and other contracts in which costs are used in pricing, administration, or settlement. All of these instruments are hereafter referred to as awards. The principles do not apply to awards under which an organization is not required to account to the Federal Government for actual costs incurred.

Tab 8
SCO Audit Correspondence

From: Cruz, Andrew B.
To: Tyree, Joji
Cc: Venneman, Jim; Paul Zeglovitch
Subject: RE: Question on liability percentage on contracts
Date: Thursday, January 8, 2026 9:02:23 AM
Attachments: image001.png
image002.png
image003.png
image004.png

CAUTION:
This email originated from outside of the organization Email System.
Do not click links or open attachments unless you recognize the sender's email address and know the content is safe.

Good morning, Ms. Tyree,

Happy New Year.

For background, the Board of Supervisors established a Liability Trust Fund to provide insurance coverage for general liability claims arising from services provided to contract cities. The Trust Fund is financed through a surcharge applied to contract city services fees, which is deposited into the Fund. The Fund operates on a current-cost financing basis.

I have cc'd Mr. Paul Zeglovitch from the California Joint Powers Insurance Authority (CJPIA), who may be better suited to address your question of "what kind of items go into the county's liability percentage calculation."

Paul, would you or a member of your staff be able to assist Ms. Tyree from the Office of the State Controller in responding to this inquiry?

Thank you,
Andrew

From: Tyree, Joji <JTyree@sco.ca.gov>
Sent: Wednesday, January 7, 2026 3:26 PM
To: Cruz, Andrew B. <a1cruz@lasd.org>
Cc: Venneman, Jim <jvenneman@sco.ca.gov>
Subject: Question on liability percentage on contracts

This message is from an EXTERNAL SENDER - be CAUTIOUS, particularly with links and attachments

Good afternoon Andrew and happy new year,

We need some assistance from your office. The City of Rancho Cucamonga filed an Incorrect Reduction Claim (IRC) with the Commission on State Mandates related to our audit there of the city's Identity Theft claims. In the IRC, the city included a portion of LASD's contract with the City of Lynwood for FY 2011-12 (the Service Level Authorization, Hours of Service and Estimated Charges, and Deployment Survey). The purpose, we believe, was pointing out that cities contracting with L.A.

County for law enforcement services get to include an administrative component in their contract hourly rates, while other counties do not.

Since the city is raising this as justification for calculating administrative costs for cities that contract with other California counties for law enforcement services, we wanted to ask what kind of items go into the county's liability percentage calculation. This will assist us in responding to the city's statement.

We are only asking about this because of Rancho Cucamonga's IRC filing. Our office has no issues with L.A County including an administrative cost component in its contracts for law enforcement services, as they are valid costs that the county incurs.

Thank you,

Josefina (Joji) B. Tyree | Auditor
Office of the State Controller Malia M. Cohen
Division of Audits | Compliance Audits Bureau
3301 C Street, Suite 735B
Sacramento, CA 95816 | 916.720.3006 | 916.479.0633 (Cell)
JTyree@sco.ca.gov

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From: Tyree, Joji
To: Tamara Oatman (Tamara.Oatman@cityofrc.us)
Cc: Annette Chinn (achinncrs@aol.com); Amanda Diaz (ADiaz@sbcsd.org); Venneman, Jim
Subject: Identity Theft Program
Date: Tuesday, August 30, 2022 1:18:39 PM
Attachments: C.1.1 Parameters and Guidelines (Commission Generated).pdf
C.1.5 SCO Claiming Instructions for the Identity Theft Program, dated July 2012 (SCO Generated).pdf
C.1.6 SCO Claiming Instructions for the Identity Theft Program, dated July 2013 (SCO Generated).pdf

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Good afternoon Tamara,

On Page 3 of the Entrance Conference Information (Attached), the Audit Methodology stated that we will determine whether the costs claimed are in accordance with the program's parameters and guidelines.

Also attached are the Applicable Statutes, Laws, and Regulations, the program parameters and guidelines as well as the SCO's claiming instructions.

The Parameters and Guidelines state that 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. For the City of Rancho Cucamonga (city), the "unit performing the mandate" was San Bernardino County Sheriff's Department (SBCSD), not the city. In addition, the ICRPs for the audit period submitted with the claims were not distributing the costs of the city's central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

The city claimed related indirect costs totaling $223,706 for the audit period based on salaries claimed totaling $276,392. We found those amounts unallowable because no city staff member performed any of the reimbursable activities under this program during the audit period. Instead, the city contracted with SBCSD for all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs, but rather incurred contract services costs. Since the city did not incur any direct salary costs during those years to perform the mandated activities, there are no indirect costs related to direct salaries.

In the SCO's Claiming Instructions for the Identity Theft Program (see attached), specifically the Identity Theft Claim Summary Instructions for Form 1, indirect costs are computed as percentage of direct labor costs, either 10% or ICRP. Additionally, the Identity Theft Activity Cost Detail Instructions for Form 2, contract services are clearly differentiated from Salaries (or direct labor) for purposes of calculating indirect costs.

For the audit period, the city provided copies of its Indirect Cost Rate Proposals (ICRP). All of the city's ICRPs use a distribution base of direct salaries and wages for SBCSD staff. This is inconsistent with 2 CFR Part 225 (Office of Management and Budget Circular A-87) because the City of Rancho Cucamonga did not incur any direct salaries and wages costs for SBCSD staff. San Bernardino County incurred those costs and the city incurred contract services costs. The indirect costs erroneously included salaries of Deputies, Sergeants and Sheriff's Service Specialists, which are contract services direct costs to the identity theft program.

After my manager reviews my work papers for this audit, I will contact you for a status meeting to discuss preliminary findings and allowable costs, prior to holding an exit conference.

Thank you.

Josefina (Joji) Tyree | Auditor
Office of the State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
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Sacramento, CA 95816 | (916) 720-3006 Teams | (916) 479-0633 Mobile
JTyree@sco.ca.gov

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Hello Joji,

Tamara shared your questions and comments. Here are our responses:

The structure of the San Bernardino County Sheriff's Department law enforcement services contracts is very different from the LA County Sheriff's contracts. San Diego Sheriff's Office contracts are more similar in structure.

As can be seen from the City of Rancho Cucamonga (City) agreement and the annual Schedule of Costs, the City is purchasing all the components of a Police Department, including direct and indirect (overhead) costs. Looking at their expenditures is similar to looking at a full-service city's departmental expenditure report. San Bernardino County Deputy billing rates only include salary and benefit costs, while in the case of LA County – their hourly sworn rate already includes most overhead (except for Liability and supplemental staffing which can be purchased a la cart - See attached.)

If you compare the FY 11-12 Deputy rates between LA County **($114.82**/hour = $419,087 unit cost/3,650 hours) and San Bernardino **($78.98**/hour = $13,648,451 total cost /96 staff /1,800 hours, there is a huge difference due to the fact that LA County has overhead costs included and the other does not. When overhead is added, you can see the rates then are much more similar.

Your question about hours of "yearly hours per service unit for Deputy, Sergeant, and Service Specialist. I need these in order to arrive at contract rate per hour per service unit."

The answer is that the City purchases these positions as if they were employees of the City – they are expected to work full time (2,080 hours) just as any regular City employee. As you know, the Claiming Instructions and Parameters and Guidelines allow the use of a Productive Hourly Rate of 1,800 hours – and this is how the hourly rates were computed. The Actual Costs and number of positions are listed in the Schedule A you have been provided. A productive hourly rate was computed by dividing the actual salary charge for that position by 1,800 hours to derive an hourly rate.

Regarding Overhead Costs: Tamara thought you said that overhead was not an eligible cost because they contract for law enforcement services. Perhaps there was a miscommunication, but I wanted to address this topic.

Not allowing reimbursement of indirect or overhead costs would be contrary to Claiming Instructions, Parameters and Guidelines, as well as Federal CFR-200 standards which all specifically allow for the inclusion and reimbursement of both direct AND indirect costs. (attached for your convenience)

To simply exclude or not allow legitimate overhead from the costs would be contrary to State and Federal rules, and also would be inconsistent with your own office's prior audit determinations. As you mentioned, for the LA County case, additional overhead was allowed for the liability charges billed separately from the officer's hourly rate.

In the case of San Diego Sheriff Department (SDSO) contracting agencies, additional overhead/indirect cost were allowed (See City of San Marcos 2017 – Crime Statistics Reporting Audit Report on page 23). State Controller's Office auditors recognized there were additional indirect/overhead costs and those costs were allowed as valid overhead charges. Below is an extract from the Audit Report on page 23 that addressed the Contract Indirect Costs:

"Contract Indirect Costs

We reviewed the contract agreements between the city and the SDSO. For FY 2007-08 through FY 2011-12, the SDSO contract agreements provided schedules and identified supplemental contracted labor costs and contracted overhead costs. We determined that overhead costs identified in the contract were appropriate as they related to the performance of mandated activities. We computed indirect cost rates for contract services for these years by dividing total contract overhead costs, station support staff costs, and Sergeant Admin position costs, by the contracted labor costs identified in the contract supplemental schedules."

The audit permitted a number of overhead items including:

1) proration of Sergeant support/admin

2) proration of Other Support costs allocated (which includes Station level Staff Support including: Captain, Admin Secretary, Lieutenant, Volunteer Coordinator, Senior Clerk, Department Aide, Receptionist, Intermediate Clerk)

3) Law Enforcement Support including Station Detectives, Communication Center (Central Dispatch support), Crime Prevention, Juvenile Intervention, Regional Services

4) Services and Supplies Costs

5) Support Costs including Vehicles, Facilities/Space, County Management Support (Admin, Fiscal, Data Services, Personnel & Other)

6) Liability (charged separately)

The items we included in our ICRP are all similar indirect costs which comply with Federal CFR standards of allowable indirect costs and provide necessary support to the function of the department and benefit the mandate program we are costing out. If you believe there is a charge that does not comply with the guidelines, please let us know why and we would like to discuss.

You can access job descriptions or duty statements from the San Bernardino County website if you'd like to review the activities performed by the various administrative and support positions included in our overhead rate calculations.

We look forward to answering any questions you may have.

Annette Chinn

Cost Recovery Systems, Inc.

Comparison of Contract City Rates: FY 11-12

	Productive Hourly Rate (without overhead)	Overhead	Total Productive Hourly Rate with overhead
San Bernardino Sheriff	$78.98	$58.45	$137.43
LA County Sheriff	$114.82	$12.63	$127.45
San Diego Sheriff	$79.32	$67.98	$147.30

From: Tyree, Joji
To: Tamara Oatman (Tamara.Oatman@cityofrc.us)
Cc: Annette Chinn (achinncrs@aol.com); Venneman, Jim
Subject: Status Update
Date: Friday, December 9, 2022 9:30:00 AM
Attachments: CIty of Rancho Cucamonga Preliminary Finding - Auditor Prepared.docx
Schedule - Preliminary Summary of Program Costs - Auditor Prepared.xlsx

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Good morning,

The attached status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.

You may send your comments/response by email next week.

Thank you and have a nice weekend.

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Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2002, through June 30, 2003				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 20,587	$ -	$ (20,587)	
Beginning an investigation of facts	7,356	-	(7,356)	
Total salaries	27,943	-	(27,943)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	10,999	10,999	
Beginning an investigation of facts	-	9,057	9,057	
Total contract services	-	20,056	20,056	
Total direct costs	27,943	20,056	(7,887)	
Indirect costs	26,267	-	(26,267)	
Total program costs	$ 54,210	20,056	$ (34,154)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 20,056		
July 1, 2003, through June 30, 2004				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 20,865	$ -	$ (20,865)	
Beginning an investigation of facts	7,456	-	(7,456)	
Total salaries	28,321	-	(28,321)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	11,098	11,098	
Beginning an investigation of facts	-	9,161	9,161	
Total contract services	-	20,259	20,259	
Total direct costs	28,321	20,259	(8,062)	
Indirect costs	24,838	-	(24,838)	
Total program costs	$ 53,159	20,259	$ (32,900)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 20,259		

Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2006, through June 30, 2007				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 18,065	$ -	$ (18,065)	
Begin an investigation of facts	6,443	-	(6,443)	
Total salaries	24,508	-	(24,508)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	8,696	8,696	
Begin an investigation of facts	-	7,124	7,124	
Total contract services	-	15,820	15,820	
Total direct costs	24,508	15,820	(8,688)	
Indirect costs	19,312	-	(19,312)	
Total program costs	$ 43,820	15,820	$ (28,000)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 15,820		
July 1, 2007, through June 30, 2008				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 11,859	$ -	$ (11,859)	
Begin an investigation of facts	4,219	-	(4,219)	
Total salaries	16,077	-	(16,078)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	5,993	5,993	
Begin an investigation of facts	-	4,884	4,884	
Total contract services	-	10,877	10,877	
Total direct costs	16,077	10,877	(5,200)	
Indirect costs	12,718	-	(12,718)	
Total program costs	$ 28,795	10,877	$ (17,918)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 10,877		

Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
The following status update is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.				
July 1, 2004, through June 30, 2005				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 27,094	$ -	$ (27,094)	
Beginning an investigation of facts	9,688	-	(9,688)	
Total salaries	36,781	-	(36,782)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	12,910	12,910	
Beginning an investigation of facts	-	10,674	10,674	
Total contract services	-	23,584	23,584	
Total direct costs	36,781	23,584	(13,197)	
Indirect costs	29,499	-	(29,499)	
Total program costs	$ 66,280	23,584	$ (42,696)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 23,584		
July 1, 2005, through June 30, 2006				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 28,650	$ -	$ (28,650)	
Beginning an investigation of facts	10,147	-	(10,147)	
Total salaries	38,796	-	(38,796)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	14,241	14,241	
Beginning an investigation of facts	-	11,569	11,569	
Total contract services	-	25,810	25,810	
Total direct costs	38,796	25,810	(12,986)	
Indirect costs	31,542	-	(31,542)	
Total program costs	$ 70,338	25,810	$ (44,528)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 25,810		

Schedule--
Preliminary Summary of Program Costs
July 1, 2002, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference[1]
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July 1, 2008, through June 30, 2009				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 8,615	$ -	$ (8,615)	
Begin an investigation of facts	3,060	-	(3,060)	
Total salaries	11,675	-	(11,675)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	4,473	4,473	
Begin an investigation of facts	-	3,629	3,629	
Total contract services	-	8,102	8,102	
Total direct costs	11,675	8,102	(3,573)	
Indirect costs	9,282	-	(9,282)	
Total program costs	$ 20,957	8,102	$ (12,855)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 8,102		
July 1, 2009, through June 30, 2010				
Direct costs:				
Salaries				
Taking police report in violation of Penal Code 530.5	$ 9,803	$ -	$ (9,803)	
Begin an investigation of facts	3,480	-	(3,480)	
Total salaries	13,283	-	(13,283)	
Contract services				
Taking police report in violation of Penal Code 530.5	-	5,557	5,557	
Begin an investigation of facts	-	4,508	4,508	
Total contract services	-	10,065	10,065	
Total direct costs	13,283	10,065	(3,218)	
Indirect costs	10,786	-	(10,786)	
Total program costs	$ 24,069	10,065	$ (14,004)	Finding 1
Less amount paid by the State[2]		-		
Allowable costs claimed in excess of amount paid		$ 10,065		

City of Rancho Cucamonga
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The following handout is for discussion purposes only. This information is confidential and disclosure to any parties not involved with this engagement is prohibited. However, the distribution of the final report is a matter of public record when it is issued, unless otherwise restricted.

FINDING – Overstated Identity Theft Program costs

The city claimed $500,098 ($276,391 in salary costs and $223,707 in related indirect costs) for the Identity Theft Program. We found that $195,540 is allowable and $304,558 is unallowable.[1]

We found that the city incorrectly classified claimed costs as salary costs because it contracted with the San Bernardino County Sheriff's Department (SBCSD) for all of its law enforcement services during the audit period. Therefore, the city did not incur any salary costs, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

The city used the correct methodology to calculate its salary costs: it multiplied the number of identity theft police reports by the time required to perform the reimbursable activities, and then by the hourly rates obtained from the city's contracts with San Bernardino County. The county's contracts included costs for the salaries and benefits of various employee classifications as well as additional administrative costs. However, because no city staff members performed the reimbursable activities, these costs should have been classified as contract services costs, not as salaries.

The costs are unallowable primarily due to the city claiming misclassified costs, overstating the number of identity theft reports taken, misstating the time increments needed to perform the reimbursable activities, and claiming unallowable indirect costs.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

Fiscal Year	Salaries			Related Indirect Cost Adjustment	Contract Services Adjustment	Total Audit Adjustment
	Amount Claimed [1]	Amount Allowable	Audit Adjustment			
2002-03	$ 27,943	$ -	$ (27,943)	$ (26,267)	$ 20,056	$ (34,154)
2003-04	28,321	-	(28,321)	(24,838)	20,259	(32,900)
2004-05	36,781	-	(36,781)	(29,499)	23,584	(42,696)
2005-06	38,796	-	(38,796)	(31,542)	25,810	(44,528)
2006-07	24,508	-	(24,508)	(19,312)	15,820	(28,000)
2007-08	16,077	-	(16,077)	(12,718)	10,877	(17,918)
2008-09	11,675	-	(11,675)	(9,282)	8,102	(12,855)
2009-10	13,283	-	(13,283)	(10,786)	10,065	(14,004)
2010-11	17,157	-	(17,157)	(12,697)	10,098	(19,756)
2011-12	21,912	-	(21,912)	(16,214)	14,188	(23,938)
2012-13	39,938	-	(39,938)	(30,552)	36,681	(33,809)
Total	$ 276,391	$ -	$ (276,391)	$ (223,707)	$ 195,540	$ (304,558)

[1] Amounts claimed for FY 2004-05, FY 2007-08, FY 2010-11, and FY 2011-12 adjusted by $1 due to claim rounding errors

Based on these three years, we selected a statistical sample from the documented number of identity theft 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 in order to project the results to the population for each fiscal year. We randomly selected 264 out of 695 identity theft incident reports for review.

Our review of sample incident reports disclosed the following:

- For FY 2010-11, we found that 29 out of 76 identity theft incident reports were unallowable because of the following reasons:

    - Seven reports did not meet the requirements of PC section 530.6(a), in which the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency,
    - Two reports were not for violations of PC section 530.5,
    - One report did not indicate that a crime occurred, and
    - Nineteen reports were courtesy reports (police reports taken and prepared by other law enforcement agencies).

Therefore, we calculated an error rate of 38.16% for FY 2010-11.

- For FY 2011-12, we found that 31 out of 82 identity theft incident reports were unallowable because of the following reasons:

    - Nine reports did not meet the requirements of PC section 530.6(a), in which the victim(s) of identity theft did not initiate the investigation by contacting the local law enforcement agency,
    - Two reports did not indicate that a crime occurred,
    - Two reports were incident reports only (not for violations of PC section 530.5),
    - Four reports did not include PC section 530.5 as an offense,
    - Two reports were for victims that were not residents of Rancho Cucamonga, and
    - Twelve reports were unallowable because they were courtesy reports.

Therefore, we calculated an error rate of 37.80% for FY 2011-12.

- For FY 2012-13, we found that 16 out of 106 identity theft incident reports were unallowable because of the following reasons:

    - Two reports were not for violations of PC section 530.5,
    - Three reports did not indicate that a crime occurred,
    - Five reports were for victims that were not residents of Rancho Cucamonga, and
    - Six reports were unallowable because they were courtesy reports.

Therefore, we calculated an error rate of 15.09% for FY 2012-13.

Using the testing results for these three fiscal years, we calculated an average error rate of 30.35%, which we applied to the untested years of FY 2002-03 through FY 2009-10.

The following table shows the average error rates for FY 2010-11 through FY 2012-13:

Contract Services Costs

The city contracted with the SBCSD to perform all of its law enforcement services during the audit period. These services included the reimbursable activities claimed for the mandated program. The city contracted for various SBCSD staff positions each fiscal year, which included, but were not limited to, Deputy Sheriffs, Office Specialists, Service Specialists, and Sergeants, and paid the SBCSD annual contract rates for these positions. No city staff performed any of the reimbursable activities under this program; therefore, the city did not incur salary and related indirect costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

Identity Theft Incident Reports

The city claimed that it took 2,749 identity theft incident reports during the audit period. We found that the city overstated the number of reports taken by 715, and 2,034 reports are allowable.

The following table summarizes the counts of claimed, supported, and allowable identity theft cases, and the audit adjustment by fiscal year:

Fiscal Year	(A) Claimed Reports	(B) Audited Population	(C) Allowable Reports	(D)=(C)-(A) Audit Adjustment
2002-03	370	386	269	(101)
2003-04	375	376	262	(113)
2004-05	397	393	274	(123)
2005-06	404	408	284	(120)
2006-07	232	228	159	(73)
2007-08	144	148	103	(41)
2008-09	103	109	76	(27)
2009-10	120	135	94	(26)
2010-11	155	156	96	(59)
2011-12	163	181	113	(50)
2012-13	286	358	304	18
Total	2,749	2,878	2,034	(715)

For each fiscal year, the SBCSD provided Excel spreadsheets to support the claimed number of identity theft incident reports taken for the city. SBCSD generated these spreadsheets using its crime reports record management system (Tiburon). Tiburon provided unduplicated counts of initial police reports filed for violations of PC section 530.5 and identifies the specific origin of each report. The spreadsheets supported 2,878 identity theft police reports filed during the audit period for the City of Rancho Cucamonga.

We verified the accuracy of the unduplicated counts of initial police reports recorded in SBCSD's Tiburon by determining whether:

- Each identity theft case was supported by a contemporaneously prepared and approved police report; and
- The police report supported a violation of PC section 530.5.

We selected FY 2010-11 through FY 2012-13 for testing purposes because our audit plan called for testing 25% of claimed costs at a minimum. Claimed costs for these three fiscal years totaled $79,007 ($17,158, $21,911, and $39,938 respectively) which represents 28.6% of the $276,392 amount claimed for the audit period.

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Fiscal Year	(A) Number of Unallowable Cases Sampled	(B) Sample Size	(C)=(A)÷(B) Error Rate
2010-11	29	76	38.16%
2011-12	31	82	37.80%
2012-13	16	106	15.09%
		Total	91.05%
	Number of FY's sampled	÷	3
	Average Error Rate		30.35%

We extrapolated the average error rate to the audited population of reports for FY 2002-03 through FY 2009-10 and applied the actual audited error rate for each of the other fiscal years to determine the allowable and unallowable number of incident reports taken.

The following table shows the number of allowable and unallowable incident reports taken by fiscal year:

Fiscal Year	(A) Audited Population	(B) Error Rate	(B) Average Error Rate	(C)=(A)×(B) Total Unallowable Reports	(D)=(A)-(C) Total Allowable Reports
2002-03	386	N/A	30.35%	117	269
2003-04	376	N/A	30.35%	114	262
2004-05	393	N/A	30.35%	119	274
2005-06	408	N/A	30.35%	124	284
2006-07	228	N/A	30.35%	69	159
2007-08	148	N/A	30.35%	45	103
2008-09	109	N/A	30.35%	33	76
2009-10	135	N/A	30.35%	41	94
2010-11	156	38.16%	N/A	60	96
2011-12	181	37.80%	N/A	68	113
2012-13	358	15.09%	N/A	54	304
Total	2,878			844	2,034

Time increments

The city claimed the following time increments during the audit period:

- 55 minutes for a Deputy Sheriff taking/drafting a police report (Activity 1a.1) for FY 2002-03 through FY 2010-11 and 74 minutes for FY 2011-12 and FY 2012-13,
- 15 minutes for an Office Specialist to provide clerical support for taking/drafting a police report (Activity 1a.1) for FY 2011-12 and FY 2012-13,
- 12 minutes for a Sergeant to review and approve the police report for the audit period (Activity 1a.2) for FY 2022-03 through FY 2-10-11 and 16.5 minutes for FY 2011-12 and FY 2012-13, and
- 25 minutes for a Deputy Sheriff to begin an investigation (Activity 2) for FY 2002-03 through FY 2010-11 and 0 minutes for FY 2011-12 and FY 2012-13.

The city based its time increments for FY 2002-03 through FY 2010-11 on a phone interview in 2011 with an SBCSD Sergeant, who estimated the amount of time required to perform the mandated activities. The city also included a time log signed by a Service Specialist for an unspecified activity that took place from March 9th through May 20th of an unspecified year.

For FY 2011-12 and FY 2012-13, an SBCSD Office Specialist estimated that this employee classification spent 15 minutes per case providing clerical support related to taking/preparing police reports. In addition, the city conducted a time study in 2012 and provided two Summary Time Logs containing time entries for 16 cases dated from January 5, 2012 through August 21, 2012 for completion by various employees for the activities of taking/preparing police reports and reviewing/approving police reports. An SBSCD Office Specialist signed and dated the summary time log for taking/preparing a report, certifying the accuracy of the entries. An SBSCD Sergeant signed and dated the summary time log for reviewing/approving reports, certifying the accuracy of the results. However, the city did not provide any contemporaneously prepared documentation supporting any of the time log entries, such as the related police reports or information from the county's Computer-Aided Dispatch (CAD) system. In addition, the city did not provide a time study plan indicating how the city acquired and analyzed this data.. Therefore, we had no basis from which to determine whether the city based these time entries on actual time or estimates.

Allowable Time Increments

Taking a police report

The county's CAD system did not record time spent drafting, reviewing, and editing identity theft police reports (Activities 1a and 1a.1 – Sergeant review). We interviewed various SBCSD employees, who provided testimonial evidence of the approximate time spent on reimbursable activities not recorded by the CAD system. We found that this information provided a reasonable representation of the time needed to perform these reimbursable activities.

For Activity 1a, we interviewed three Deputy Sheriffs, three Service Specialists, and one Sergeant about drafting, reviewing, and editing identity theft police reports taken by Officers. Based on these interviews, we determined that SBCSD staff spent an average of 35 minutes drafting, reviewing, and editing identity theft police reports taken by Officers.

For Activity 1a.1 – Sergeant review, we interviewed three Detectives and three Sergeants about reviewing identity heft police reports taken at the police station counter. Based on these interviews, we determined that SBCSD staff spent an average of 13 minutes reviewing police reports taken at the police station counter.

For Activity 2 , the SBCSD's Rancho Cucamonga Patrol Station provided copies of CAD reports at our request for the same police reports that we sampled for FY 2010-11, FY 2011-12, and FY 2012-13. These reports provided time stamps detailing when an Officer arrived on scene and departed, and the time spent for the specific incident. The reports also identified the employee classification (Deputy Sheriff or Service Specialist) that performed the activity of beginning an investigation by interviewing the victim to determine where the crime occurred and what pieces of personal identifying information were used for an unlawful purpose. We used these contemporaneously prepared time reports as support for the time spent beginning an investigation.

Based on our analysis, we determined the following time increments for each allowable police report that originated in the City of Rancho Cucamonga:

- 35 minutes (0.58 hours) for Deputy Sheriffs or Service Specialists to perform Activity 1a.1 – taking a police report on violations of PC section 530.5;

3. Calculated the extent (percentage of involvement) that various employee classifications performed the mandated activities for the sampled identity theft cases.

While the city claimed time for Deputy Sheriffs, Office Specialists, and Sergeants to perform the mandated activities, we found that Deputy Sheriffs and Sheriff Service Specialists prepared and edited police reports (Activity 1a.1) and began investigations (Activity 2). We also found that Sergeants reviewed and approved the police reports (Activity 1a.2). We based this conclusion on the copies of the uniform crime reports (police reports) that SBCSD's Rancho Cucamonga station provided for the identity theft cases for our sample selections from FY 2011-11 through FY 2012-13. Using this information, we analyzed the extent to which these various employee classifications performed the mandated activities and concluded the following:

- Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 74% for FY 2002-03 through FY 2010-11 while Service Specialists averaged 26% performing these activities,
- For FY 2011-12, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 75%, while Service Specialists averaged 25% performing these activities,
- For FY 2012-13, Sheriff Deputies performed Activity 1a.1 and Activity 2 at an average of 72%, while Service Specialists averaged 28% performing these activities,
- Sergeants performed 100% of Activity 1a.2 for all years of the audit period, and
- We found no evidence that SBCSD Office Specialists provided clerical support for the taking of police reports.

Contract Hourly Rates

The city's claims included copies of its annual contract that it negotiated with San Bernardino County for each year of the audit period. Each contract specifies the level of services performed for the city by indicating the number of various employee classifications involved in the city's law enforcement (level of service) and the county's cost for providing these employees. The county uses this form to indicate the authorized SBCSD staffing level for each year of the audit period. We used this information to determine the contract hourly rates for various employee classifications by using the cost for each employee classification divided by the number of personnel that the county provided. For example, the city's contract for FY 2012-13 indicates that 96.75 Deputy Sheriffs and 12 Sergeants provided law enforcement for the city during the year. The table below shows the contract hourly rate calculation for Deputy Sheriffs and Sergeants during FY 2012-13:

Employee Classification	Annual Cost	Level of Service	Cost per Employee	Productive Hours	Hourly Rate
Deputy Sheriff	$ 14,351,923	96.75	$ 148,340	1,800	$ 82.41
Sergeant	2,250,050	12.00	187,504	1,800	$ 104.17

The city used this same calculation of hourly rates for its FY 2012-13 claim.

The city's contracts with SBCSD also include additional employee classifications and other items, such as vehicles, dispatch services, and equipment that are all part of the direct cost to provide law enforcement for the city. However, the contracts also include items that are clearly administrative in nature. During the audit, we had discussions with city representatives concerning the issue of recovering costs for these administrative costs. The city argued that it should be able to prepare Indirect Cost Rate Proposals to recover these costs. However, A-87 methodology does not allow for the recovery of indirect costs based on contract services.

- 13.minutes (0.22 hours) for Sergeants to perform Activity 1a.2 – reviewing incident reports on violations of PC section 530.5; and

- 44 minutes (0.73 hours) for Deputy Sheriffs or Service Specialists to begin an investigation of the facts (Activity 2) for FY 2002-03 through FY 2009-10, 38 minutes (0.63 hours) for FY 2010-11, 50 minutes (0.83 hours) for FY 2011-12, and 43 minutes (0.72 hours) for FY 2012-13.

The following table summarizes the time increments claimed and allowable for the reimbursable activities by fiscal year:

	Claimed Minutes				Allowable Minutes		
	Activity 1a.1	Activity 1a.1	Activity 1a.2	Activity 2	Activity 1a.1	Activity 1a.2	Activity 2
	Taking a Report	Clerical Support	Reviwing a Police Report	Beginning an Investigation	Taking a Police Report *	Reviwing a Police Report	Beginning an Investigation *
Fiscal Year	Deputy Sheriff	Office Specialist	Sergeant	Deputy Sheriff	Deputy Sheriff and Service Specialist	Sergeant	Deputy Sheriff and Service Specialist
2002-03	55	-	12	25	35	13	44
2003-04	55	-	12	25	35	13	44
2004-05	55	-	12	25	35	13	44
2005-06	55	-	12	25	35	13	44
2006-07	55	-	12	25	35	13	44
2007-08	55	-	12	25	35	13	44
2008-09	55	-	12	25	35	13	44
2009-10	55	-	12	25	35	13	44
2010-11	55	-	12	25	35	13	38
2011-12	74	15	16.5	-	35	13	50
2012-13	74	15	16.5	-	35	13	43

* As stated in the narrative, Deputy Sheriffs took police reports and began investygations for 74% of cases during FY 2002-03 through FY 2010-11, 75% for FY 2011-12, and 72% for FY 2012-13. Service Specialists took police reports for 26% of cases for FY 2002-03 through FY 2010-11, 25% for FY 2011-12, and 28% for FY 2012-13.

Classification of SBCSD Staff Who Performed the Reimbursable Activities

Claimed Job Classifications

As noted previously, the city claimed that Deputy Sheriffs and Office Specialists (for FY 2011-12 and FY 2012-13 only) prepared police reports (Activity 1a.1), Sergeants reviewed the reports (Activity 1a.1 – Sergeant review), and Deputy Sheriffs began investigations (Activity 2). However, the city did not claim any costs for beginning investigations in its claims for FY 2011-12 and FY 2012-13.

Staff Allowable

In order to clarify which SBCSD staff members performed the mandated activities, we:

1. Prepared a schedule of the police reports selected for testing;

2. Reviewed the police reports for each case to determine the actual job classification that prepared each report; and

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	Deputy Sheriff					
Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 47.72	$ 47.72	$ -	9.45%	$ 52.10	$ 4.38
2003-04	47.72	51.14	3.42	6.18%	54.30	6.58
2004-05	58.57	56.97	(1.60)	5.18%	59.92	1.35
2005-06	60.28	60.28	-	4.56%	63.03	2.75
2006-07	66.65	66.65	-	4.86%	69.89	3.24
2007-08	70.31	70.30	(0.01)	5.51%	74.17	3.86
2008-09	71.31	71.31	-	5.39%	75.15	3.84
2009-10	69.60	69.60	-	8.19%	75.30	5.70
2010-11	69.60	75.03	5.43	5.33%	79.03	9.43
2011-12	78.98	78.98	-	5.42%	83.26	4.28
2012-13	82.41	82.43	0.02	6.14%	87.49	5.08

The following table summarizes the claimed and allowable contract hourly rates for Service Specialists during the audit period, and the difference between those rates:

	Service Specialists					
Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ -	$ 25.81	$ 25.81	9.45%	$ 28.25	$ 2.44
2003-04	-	28.25	28.25	6.18%	30.00	1.75
2004-05	-	32.42	32.42	5.18%	34.10	1.68
2005-06	-	33.13	33.13	4.56%	34.64	1.51
2006-07	-	34.80	34.80	4.86%	36.49	1.69
2007-08	-	36.12	36.12	5.51%	38.11	1.99
2008-09	-	35.18	35.18	5.39%	37.08	1.90
2009-10	-	34.87	34.87	8.19%	37.73	2.86
2010-11	-	35.74	35.74	5.33%	37.64	1.90
2011-12	-	37.16	37.16	5.42%	39.17	2.01
2012-13	-	38.34	38.34	6.14%	40.69	2.35

The following table summarizes the claimed and allowable contract hourly rates for Sergeants during the audit period, and the difference between those rates:

We concluded that it is appropriate to add an additional percentage to the calculation of contract hourly rates as a mechanism to recover the annual administrative costs related to the performance of the reimbursable activities. We made these calculations and used the following percentages as an add-on to the hourly rate calculations:

Fiscal Year	Administrative Cost Rate
2002-03	9.45%
2003-04	6.18%
2004-05	5.18%
2005-06	4.56%
2006-07	4.86%
2007-08	5.51%
2008-09	5.39%
2009-10	8.19%
2010-11	5.33%
2011-12	5.42%
2012-13	6.14%

In order to calculate these rates, we added all of the items within each contract classified as administrative costs and divided the total by each year's total contract cost to determine the extent that administrative costs were represented in each year's contract. The table below shows how we made this calculation for FY 2012-13:

Cost Category	Contract Amount
Administrative support	$ 124,976
Office automation	65,223
Vehicle insurance	110,792
Personnel liability & bonding	407,133
County administrative cost	1,270,734
Board approved COWCAP subsidy	(254,147)
Startup costs	6,987
Total administrative costs	$ 1,731,698
Divided by total contract amount	28,209,685
Administrative cost percentage	6.14%

Therefore, claimed hourly rates for Deputy Sheriffs and Sergeants increased as follows for FY 2012-13:

Employee Classification	Hourly Rate	Administrative Percentage	Revised Rate
Deputy Sheriff	$ 82.41	6.14%	$ 87.47
Sergeant	$ 104.17	6.14%	$ 110.57

:

The following table summarizes the claimed and allowable contract hourly rates for Deputy Sheriffs during the audit period, and the difference between those rates:

We performed similar calculations of allowable contract services costs for each fiscal year of the audit period.

Indirect Costs

The city claimed related indirect costs totaling $223,707 for the audit period based on salaries claimed totaling $276,393. We found that the entire amount is unallowable because no city staff member performed any of the reimbursable activities under this program during the audit period. Instead, the city contracted with SBCSD for all of its law enforcement services during the audit period. Therefore, the city did not incur any direct salary costs, but rather incurred contract services costs.

The city provided copies of its Indirect Cost Rate Proposals for all years of the audit period. However, the city used a distribution base of direct salaries and wages for SBCSD staff to calculate its indirect cost rates. Since the city only incurred contract services costs, there are no related indirect costs.

We discussed this issue with the city during audit fieldwork. The city pointed out that its annual contract for law enforcement services with San Bernardino County included items that are clearly administrative in nature rather than directly related to the costs for providing law enforcement services. We were receptive to this argument and added an additional percentage to the calculation of contract hourly rates to allow for these costs, as noted above in the explanation of how we calculated contract hourly rates.

The following table summarizes the claimed, allowable, and audit adjustment amounts by fiscal year:

	Claimed		(A)	(B)	(C)=(B)-(A)
Fiscal Year	Salaries Claimed	Indirect Cost Rate	Indirect Costs [1]	Indirect Costs Allowed	Audit Adjustment
2002-03	$ 27,943	94.00%	$ 26,267	$ -	$ (26,267)
2003-04	28,321	87.70%	24,838	-	(24,838)
2004-05	36,781	80.20%	29,499	-	(29,499)
2005-06	38,796	81.30%	31,542	-	(31,542)
2006-07	24,508	78.80%	19,312	-	(19,312)
2007-08	16,077	79.10%	12,718	-	(12,718)
2008-09	11,675	79.50%	9,282	-	(9,282)
2009-10	13,283	81.20%	10,786	-	(10,786)
2010-11	17,158	74.00%	12,697	-	(12,697)
2011-12	21,912	74.00%	16,214	-	(16,214)
2012-13	39,938	76.50%	30,552	-	(30,552)
Total	$ 276,392		$ 223,707	$ -	$ (223,707)

[1] Differences in Indirect Costs column are due to rounding.

Criteria

Section III (Period of Reimbursement) of the parameters and guidelines states, in part, "Actual costs for one fiscal year shall be included in each claim".

Section IV (Reimbursable Activities) of the parameters and guidelines begins:

City of Rancho Cucamonga
Identity Theft Program
Preliminary Audit Report Finding
July 1, 2002, through June 30, 2013
S22-MCC-0009

Fiscal Year	Sergeant Claimed Hourly Rate	Sergeant Allowable Hourly Rate	Rate Difference	Administrative Percentage	Revised Hourly Rate	Revised Rate Difference
2002-03	$ 59.50	$ 59.50	$ -	9.45%	$ 63.18	$ 3.68
2003-04	59.50	63.52	4.02	6.18%	67.45	7.95
2004-05	72.80	70.77	(2.03)	5.18%	74.44	1.64
2005-06	78.31	78.31	-	4.56%	81.88	3.57
2006-07	83.83	83.83	-	4.86%	87.90	4.07
2007-08	89.50	89.52	0.02	5.51%	94.45	4.95
2008-09	91.35	91.35	-	5.39%	96.27	4.92
2009-10	89.44	89.44	-	8.19%	96.77	7.33
2010-11	89.44	96.99	7.55	5.33%	102.16	12.72
2011-12	101.63	101.63	-	5.42%	107.14	5.51
2012-13	104.17	104.17	-	6.14%	110.57	6.40

For the audit period, we calculated allowable contract services costs based on the audited counts of PC 530.5 identity theft reports, audited time increments, contract hourly rates, and the additional allowable percentage to allow for administrative costs.

For example, the following table shows the calculation of allowable contract services costs for FY 2012-13:

Employee Classification	Contract PHR [a]	Number of cases [b]	Minutes [c]	Hours [d=(b*g)/60]	Activity % [e]	Allowable costs [f=a*i*k]
Prepare a report:						
Deputy Sheriff	$ 87.49	304	35	177.33	72.0%	11,171
Service Specialist	40.69	304	35	177.33	28.0%	2,020
Total, prepare a report						$ 13,191
Review a report:						
Sergeant	110.57	304	13	65.87	100.0%	7,283
Total, review a report						$ 7,283
Begin an investigation:						
Deputy Sheriff	$ 87.49	304	43	217.87	72.0%	13,724
Service Specialist	40.69	304	43	217.87	28.0%	2,482
Total, begin an investigation						$ 16,206
Total allowable contract services costs						$ 36,681

> To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

Section IV of the parameters and guidelines continues:

> For each eligible claimant, the following ongoing activities are eligible for reimbursement:
>
> 1. Either a) or b) below:
>
>   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
>
>   b) Reviewing the identity theft report completed on-line by the identity theft victim.
>
> 2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

In addition, Section IV states that, "Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program."

Section V.A (Claim Preparation and Submission – Direct Cost Reporting) of the parameters and guidelines states, in part:

> 1. Salaries and benefits
>
>   Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to these activities.

Section V.B (Claim Preparation and Submission – Indirect Costs) of the parameters and guidelines states, in part:

> 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.

Recommendation

The State Legislature suspended the Identity Theft Program in the FY 2013-14 through FY 2022-23 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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.

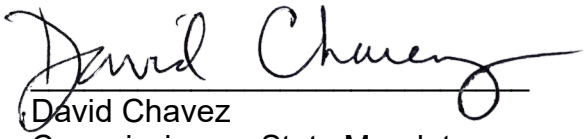
On January 29, 2026, I served the:

- **Current Mailing List dated January 27, 2026**
- **Controller's Comments on the Incorrect Reduction Claim filed January 28, 2026**

  Identity Theft, 25-0308-I-01
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Rancho Cucamonga, 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 January 29, 2026 at Sacramento, California.



David Chavez
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 1/27/26

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

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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Mayor L. Dennis Michael | **Mayor Pro Tem** Lynne B. Kennedy
Council Members Ryan A. Hutchison, Kristine D. Scott, Ashley N. Stickler
City Manager Elisa C. Cox

CITY OF RANCHO CUCAMONGA

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Exhibit C

Commission on State Mandates
Filed Date
03/23/2026

Late Filing

March 17, 2026

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

RE: City of Rancho Cucamonga Identity Theft IRC; Response to State Controller's letter

Dear Ms. Gmur,

The intent of this correspondence is not to repeat the arguments already made in our Incorrect Reduction Claim (IRC), but to respond to a number of comments the State Controller's Office brought up in their response and to provide some additional evidence and context to support our position.

The SCO's position contains several fundamental errors in both fact and law. Specifically, the SCO:

1. Applied inconsistent standards to similarly situated agencies.
2. Reinterpreted longstanding claiming practices without prior notice.
3. Asserted that the City did not incur indirect costs despite acknowledging such costs within the contract.
4. Substituted an unsupported and unwritten methodology in place of the indirect cost methodology required by the governing Parameters and Guidelines.

Summary of City's Comments to SCO Response:

1. **The SCO applied inconsistent audit standards.**
   Audits of other similarly situated agencies demonstrate that the SCO has allowed other agencies, including other contract cities, to use existing ICRP methodologies and federal cost principles when allocating indirect costs. The SCO offers no explanation for applying a different standard to Rancho Cucamonga.

2. **The SCO's interpretation conflicts with decades of claiming instructions and accepted practice.**
   For more than twenty years, contract cities have been submitting mandate reimbursement claims

using personnel costs incurred through contracts to support and compute direct cost as well as in the allocation base for indirect costs. Claiming instructions issued for long time mandates such as "Administrative License Suspension Per Se" and, "Domestic Violence Arrest Policies and Standards" make no distinction between contract personnel costs and in-house personnel costs.

3. **The SCO's reasoning is internally contradictory.**
   The SCO asserts that the City did not incur indirect costs through its law enforcement contract. However, the SCO's own audit identified indirect costs embedded within the contract and used those costs to calculate its new "Administrative Percentage." These conclusions cannot both be correct.

4. **The SCO created an unsupported and unwritten indirect cost methodology.**
   Instead of evaluating the City's existing ICRPs, which were prepared in accordance with Parameters and Guidelines (Ps and Gs) and Claiming Instructions, the SCO substituted a newly created "Administrative Percentage" rate. This methodology does not appear in the Parameters and Guidelines or the State Controller's Claiming Manual and relies on undefined criteria such as "clearly administrative" costs.

5. **The SCO's interpretation conflicts with prior Commission guidance.**
   Proceedings before the Commission on State Mandates (City of Palmdale IRC) have previously recognized that overhead costs may exist within contractual service arrangements and that agencies may recover such costs through an indirect cost rate proposal. The SCO's rejection of the City's properly prepared ICRPs therefore conflicts with prior Commission decision.

COMMENT 1. SCO'S DISMISSAL OF COMPARATIVE AUDITS FAILS TO ADDRESS DEMONSTRATED INCONSISTENCIES

The SCO argues that examples from other audits are irrelevant because "each audit stands alone." This assertion ignores a fundamental principle of administrative decision-making: **similarly situated entities must be treated consistently when applying the same statutes, regulations, and audit standards.**

The City presented examples from audits involving many local agency claims including the City of San Marcos (another city which contracts for law enforcement services), San Bernardino County (our contracting agency), and the City of Rialto (a similarly sized and situated city in the same county) and other jurisdictions audits. These examples demonstrate that the SCO has applied **different methodologies and eligibility standards to materially similar costs.**

For example, in all these audits, including that of the City of San Marcos audit (another contract city):

- In the SCO **permitted the use of an existing Indirect Cost Rate Proposal (ICRP)** methodology to allocate overhead costs and
- **relied on federal cost principles** under **2 CFR Part 200** and prior **OMB Circular A-87** to determine eligibility of indirect costs.

However, in Rancho Cucamonga's audit, the SCO rejected the same methodology and cost principles without explanation for their departure from established practice.

The SCO fails to address these discrepancies or explain why identical categories of costs were treated differently.

Administrative agencies must apply **uniform standards** in their audit reviews. When materially similar circumstances produce materially different outcomes without explanation, the result is inherently **arbitrary and capricious.**

The City provided these comparative audits precisely to demonstrate that the SCO's methodology in this case represents a **departure from established practice**, not the consistent application of governing standards.

COMMENT 2. THE SCO'S POSITION CONFLICTS WITH DECADES OF CLAIMING INSTRUCTIONS AND PRACTICE

The SCO characterizes the City's statement regarding the historical submission of claims since 2000 as "curious." The purpose of the statement was to demonstrate that the City—and many other contract cities—have followed the same cost allocation methodology for **over two decades without objection by the SCO.**

For more than twenty years, the City has prepared **Indirect Cost Rate Proposals** using contract-incurred salary and benefit costs as the allocation base for distributing indirect costs associated with law enforcement mandates.

During this period, the SCO never advised the City that:

- this methodology violated Parameters and Guidelines; or
- indirect costs associated with contract personnel must be calculated differently from those of full-service police departments.

The City's consultant, Annette Chinn, has extensive experience preparing mandate reimbursement claims for California contract cities. In her declaration, she states that in over **thirty years of preparing hundreds of claims**, the SCO had never previously asserted that:

- contract salary and benefit costs cannot serve as the allocation base for indirect cost calculations; or
- existing ICRP methodologies were impermissible for contract law enforcement agencies.

The State's own claiming instructions reinforce this understanding.

For example, claiming instructions for the following mandates:

- **Administrative License Suspension Per Se** Reimbursement period on or after July 1, 1997.
- **Domestic Violence Arrest Policies and Standards** Reimbursement period on or after July 1,1996.

Both relied on the "Unit Cost Rate" approach for computing staff costs and contain **no distinction between contract cities and full-service cities** when claiming salary, benefit, or indirect costs.

These instruction date back to the early 1990's and are still in current use

Each set of instructions includes identical fields for:

- Salary / Hourly Rate
- Benefits
- Average productive hourly rate including applicable indirect costs
- Indirect Costs (which instructions state must be computed via an ICRP).

There is no separate field for contract personnel costs or discussion on how indirect costs must be applied, computed, or treated differently for a contract city. (See Attachment 1)

Thus, the State's own instructions treated personnel costs incurred via contract **identically to those incurred through in-house departments.**

If the SCO now asserts that contract-incurred personnel costs must be treated differently, that interpretation represents a **new policy applied retroactively** to law enforcement claims submitted for decades.

Such retroactive reinterpretation raises serious **fairness and due process concerns**, particularly when agencies had no notice that their longstanding cost accounting methodology was considered improper.

COMMENT 3. THE SCO'S POSITION THAT THE CITY DID NOT INCUR INDIRECT COSTS IS FACTUALLY AND LOGICALLY INCONSISTENT

The SCO stated, "If the city had been operating its own Police Department during the audit period, it would have incurred direct costs for providing such law enforcement services, such as traffic patrols, criminal investigations, incarcerations, and public security, to name a few."

The city **did provide** these services and **did incur** costs for them**.** Our contract provides full-service law enforcement services, legally and functionally comparable to a full-service city. A copy of our contract with San Bernardino County was provided in our IRC submission. Excerpt provided below:

II.

(The law enforcement services to be provided by COUNTY and furnished to CITY hereunder shall include:

A. Enforcement of state statutes;
B. Enforcement of ordinances of CITY of the type customarily enforced by the Sheriff within the unincorporated territory of the County;
C. Traffic enforcement, with the exception of such traffic enforcement as may be provided by the California Highway Patrol on the freeway traversing CITY;
D. Detective, juvenile, and other specialized services such as arson, homicide, and narcotics enforcement;
E. Attendance at meetings of the City Counsel of CITY and such other meetings of commissions or boards of CITY as CITY may specify.

III.

Services to be provided by COUNTY shall include Sheriff's personnel and automobiles as specified in Schedule "A" for law enforcement services. Those personnel and automobiles are to be assigned at the discretion of the Sheriff based on the needs of the community.

The services to be provided by COUNTY hereunder shall also include all equipment (including repairs thereto or depreciation thereon), supplies, communications, administration, labor, vacation, and sick leave, any COUNTY retirement contributions, gasoline, oil, and traveling expenses and all other services, obligations or expenditures necessary or incidental to the performance of the duties to be performed by Sheriff under the terms of this agreement. There shall be no reduction in COUNTY compensation under this agreement for normal downtime of vehicles. In all instances where special supplies, stationary, notices, forms, and the like are to be issued in the name of CITY and approved by the Sheriff, the same shall be supplied by CITY at its own cost and expense.

> Nothing in this contract is intended to alter the effect of any statute or COUNTY ordinance related to fees for housing of inmates detained for CITY ordinance violations or for criminal justice administrative fees (Government Code Section 29550, et seq., San Bernardino County Code Section 16.027A). The CITY will be separately billed for those items.

The SCO asserts that the City did not incur indirect costs associated with its law enforcement contract. However, the contract between the City and San Bernardino County requires the City to pay for all costs necessary to provide law enforcement services, including items on the Table below (which we provided to the SCO during the audit) showing eligible indirect costs charged within the contract that were not itemized on the SCO's "non-exhaustive list" of "legitimate costs associated with operating a law enforcement operation."

Moreover, the SCO's own audit contradicts this position.

In calculating its alternative **Administrative Percentage/Rate**, the SCO contradicts its own position by identifying indirect costs embedded within the contract and using those costs as the basis for its new calculation.

Thus, the SCO simultaneously asserts that:

1. the City did not incur indirect costs, and
2. indirect/administrative costs existed within the contract and could be used to calculate an administrative percentage/overhead rate.

These conclusions cannot both be true.

If indirect costs exist within the contract and were paid by the City, they are costs **incurred by the City** for purposes of mandate reimbursement and the eligible costs cannot be limited or treated any differently from a full-service agency.

Contract Cost Items NOT Included by SCO as allowable Indirect cost	Federal CFR Citation supporting the allowability of the cost
Captain, Lieutenant, Sergeants	**2 CFR Ch. II §200.414 (c)** "The salaries of **administrative** and clerical staff should normally be treated as indirect (F&A) costs." **2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity.
Office Specialists & Secretaries	**2 CFR Ch. II §200.414 (c)** "The salaries of administrative and **clerical staff** should normally be treated as indirect (F&A) costs." (See additional narrative above)
Dispatch Support	**Appendix B to Part 225—Selected Items of Cost** 7. *Communication costs.* Costs incurred for telephone services, local and long distance telephone calls, telegrams, postage, messenger, electronic or computer transmittal services and the like are allowable. [the County charges a share of the dispatch/communications division costs with contracting cities] **Also see above- 2 CFR Ch. II Pt. 200, App. IV B. ALLOCATION OF INDIRECT COSTS AND DETERMINATION OF INDIRECT COST RATES** The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs.
Vehicle Usage Charges: Marked units, Unmarked Units, Marked Citizen Patrol Sedan, Pickup Trucks, & Motorcycles Also, Handheld Talkies (HTs), Radar Units, Tasers	**Multiple Sections of OMB/CFR Guidelines address eligibility of equipment charges and usage:** **Appendix B to Part 225—Selected Items of Cost** 11. Depreciation and use allowances. a) use allowances are means of allocating the cost of fixed assets to periods benefiting from asset use. Compensation for the use of fixed assets on hand may be made through depreciation or use allowances. A combination of the two methods may not be used in connection with a single class of fixed assets (e.g., buildings, office equipment, computer equipment, etc.) 15. *Equipment and other capital expenditures.* (2)"Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or $5000. 43. *Travel costs.* a. General. Travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the governmental unit. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred,

COMMENT 4. THE SCO IMPROPERLY CREATED AN ALTERNATE INDIRECT COST METHODOLOGY

The Parameters and Guidelines expressly recognize the use of **Indirect Cost Rate Proposals** to allocate overhead costs associated with performing mandated activities.

Instead of evaluating the City's existing ICRP, the SCO rejected the methodology and created a new **"Administrative Percentage"** overhead rate. This alternative methodology is problematic for several reasons.

First, it **does not appear anywhere in the Parameters and Guidelines or the State Controller's Claiming Manual.** There was no way an agency could have known how to prepare these "new" overhead rates.

Second, the SCO used **total contract costs as the allocation base**, which includes both direct and indirect costs.

This violates the Parameters and Guidelines, which specify that allocation bases must generally consist of **total direct costs excluding capital expenditures and other distorting items.**

Third, the SCO applied an **undefined standard**, allowing only costs it considered "clearly administrative."

The SCO does not define this term or explain why positions such as the City's law enforcement command staff or clerical personnel would not qualify as administrative support functions.

Without a defined standard, the SCO's methodology lacks transparency and cannot be consistently applied across agencies.

The SCO asserts but does not explain how "substituting contract service salaries and benefit costs for purposes of preparing ICRPs is in direct violation of the Parameters and Guidelines and cost principles" or what exact "cost principle contained in 2 CFR Part 200 and Part 225" is violated.

Parameters and Guidelines, Claiming Instructions, or Federal CFR/OMB Guidelines as well as past Commission guidance do not suggest that the manner in which a cost is paid for alters its eligibility for reimbursement or for its use as a reasonable allocation base for purposes of computing an ICRP. If this is indeed a violation, the SCO should specifically site the exact section of Ps and Gs, CRF/OMB Guidelines, and which exact "cost principles" they are referring to. (See Attachment 3)

If that were indeed the case, why did the SCO allow such violations to occur for over 20+ years without comment? Why did the SCO auditors themselves allow the substitution of contract salaries and benefits in the ICRP allocation based in the City of San Marcos audits? Why did the SCO not explain their position in the claiming instructions or Ps and Gs?

COMMENT 5. THE SCO'S POSITION IS INCONSISTENT WITH PRIOR COMMISSION GUIDANCE (see Attachment 2 for more details)

A. Prior proceedings before the California Commission on State Mandates have recognized that overhead costs exist within contractual service arrangements.

During proceedings concerning the City of Palmdale's Incorrect Reduction Claim, Commission staff acknowledged that overhead costs may be associated with contractual service delivery and that agencies may recover such costs through the preparation of an Indirect Cost Rate Proposal (ICRP) supported by documentation.

During the City of Palmdale IRC, one commissioner openly stated: "There is overhead associated with a contract."

This recognition undermines the SCO claim that **contract cities do not incur overhead**.

In reality contract policing includes overhead such as:

- command staff/departmental administration
- fleet management
- dispatch and communications
- facility costs
- supplies and equipment

When a city pays a contract for law enforcement services, it is **paying for both direct and indirect costs embedded within that contract.**

The SCO's position that contract-based law enforcement cannot generate reimbursable indirect costs **is inconsistent with Commission guidance.**

B. The Commission itself has recognized that overhead associated with contract services may be reimbursable through an ICRP methodology.

During the Commission's hearing on the City of Palmdale's Incorrect Reduction Claim, Commission staff confirmed that "there was an appropriate way to claim overhead… and it was to develop an indirect cost rate proposal with documentation that the Controller could review."

During the hearing, a commissioner asked whether indirect costs could have been claimed properly.

Commission staff attorney Matt Jones responded:

"Yes… there was an appropriate way to claim overhead and it was to develop an indirect cost rate proposal with documentation that the Controller could review."

This statement is significant because it confirms:

- Contract cities **can incur indirect costs**
- Those costs **may be reimbursable**
- The appropriate mechanism is an **Indirect Cost Rate Proposal (ICRP)**

This directly contradicts the SCO argument in some audits that **contract law-enforcement costs cannot generate reimbursable indirect costs**

The Commission itself has recognized that overhead associated with contract services may be reimbursable through an ICRP methodology.

The State Controller's audit position in the present matter is inconsistent with that interpretation.

Rather than evaluating the City's ICRP methodology pursuant to the Parameters and Guidelines and applicable federal cost principles, the audit rejected the approved methodology and substituted a newly created "Administrative Percentage".

Nothing in the Parameters and Guidelines authorizes the State Controller to replace a claimant's documented ICRP with an alternate methodology developed during the audit process. If the SCO wishes to propose a different methodology for contact agencies, it should do so via amendment to the Ps and Gs and claiming instructions.

C. Commission Staff Confirmed Multiple Allocation Bases Are Allowed

The hearing also confirmed that the P&Gs allow **multiple allocation bases** consistent with federal cost principles.

Staff explained that the P&Gs include distribution bases such as:

- Direct salaries and wages
- Total direct costs
- Other equitable allocation bases

These options derive from federal cost principles such as:

- OMB Circular A-87
- 2 CFR Part 200

This is significant because the SCO's Rancho Cucamonga audit effectively **restricted the allocation base** by rejecting contract salary and benefit costs. The l**egal implication** is that if federal cost principles allow **flexible allocation bases**, then the SCO's rejection of contract-based personnel costs **constitutes an improper restriction on allowable methodologies.**

Therefore, Commission on State Mandates (CSM) prior decisions support the sufficiency and validity of existing Parameters and Guidelines and methodology in computation of Overhead/ICRP rates for contract cities.

The City followed precisely that approach in preparing its claims and ICRPs.

The SCO's decision to reject the City's ICRP and substitute an alternate methodology therefore conflicts with prior Commission guidance and assertion of **sufficiency** of Parameter and Guidelines.

Legal Standard

Under the State Mandate reimbursement framework administered by the California Commission on State Mandates, local agencies are entitled to reimbursement for the actual costs incurred in implementing state-mandated programs.

The Parameters and Guidelines governing each mandate establish the rules for determining reimbursable costs and recognize the recovery of indirect costs through an Indirect Cost Rate Proposal (ICRP).

Administrative decision-making must also comply with fundamental principles of administrative law. Agency actions may not be:

- arbitrary or capricious,
- inconsistent with prior interpretations without explanation, or
- based on unwritten standards that cannot be uniformly applied.

When an agency departs from longstanding practice or applies inconsistent standards across similarly situated entities, that decision must be supported by a reasoned explanation. The SCO has not provided such an explanation in this case.

Conclusion

The SCO's audit conclusions should be rejected because they:

- impose unwritten rules
- apply new standards retroactively

- change methodologies without notice in claiming instructions
- apply inconsistent standards across similarly situated agencies;
- reinterpret longstanding claiming practices without notice;
- rely on internally contradictory reasoning regarding indirect costs; and
- substitute an unsupported methodology in place of the ICRP methodology recognized by the Parameters and Guidelines.

For these reasons, and the others presented in our IRC Narrative and documents, the City respectfully requests that the Commission on State Mandates grant the City's Incorrect Reduction Claim and restore reimbursement for the City's indirect costs.

DECLARATION:

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that I have personal knowledge of the facts stated in this letter and if called as a witness, I could and would testify to the statements made herein.

I also declare that Attachment 1 includes true and correct copies of State Mandate Reimbursement Claim forms obtained from the State Controller's Office and information from the Commission on State Mandates websites; and Attachment 2 contains our analysis of Commission Hearing testimony and discussion of the City of Palmdale IRC, and Attachment 3 contains our review and analysis of pertinent Federal cost principles and guidelines and rules related to Indirect Cost Rate Proposals.

This correspondence was executed on March 17, 2026 in Rancho Cucamonga, California.

Jevin Kaye
Jevin Kaye
Finance Director

DECLARATION OF ANNETTE S. CHINN

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

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

2) I am a consultant/President of Cost Recovery Systems, Inc. and representative of the City of Rancho Cucamonga (City) for this Incorrect Reduction Claim (IRC). I was directly involved in the preparation of the City's State Mandate claims since FY 1999-2000, including the Identity Theft claims subject to this IRC. The law enforcement ICRP rates were prepared in compliance with written State Parameters and Guidelines, Claiming Manuals and Instructions, and Federal OMB/CFR Guidelines.

3) I have been a consultant in the field of State Mandate Reimbursement claim preparation since 1992 and have personal knowledge and experience in the preparation of Indirect Costs Rate Proposals (ICRPs) and have prepared thousands of ICRPs for hundreds of local agencies, including preparation of ICRPs for numerous contract city's law enforcement overhead costs.

4) Until the State Controller's Office of the Identity Theft Reporting claims for cities I work for in San Bernardino county area, including the City of Rancho Cucamonga, this was the first time in my more than 30 years of experience in preparing claims for State Reimbursement I was made aware by the State Controller's Office that existing ICRP methodologies and State and Federal OMB/CFR Guidelines were not allowable for use by cities that contract for law enforcement services.

5) 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 March 12, 2026 in El Dorado Hills, California.

Annette S. Chinn
President
Cost Recovery Systems, Inc.

ATTACHMENT 1

Claiming Manual Instructions
showing no different treatment
of in-house vs. contract salaries

8. Direct Costs

A direct cost is a cost that can be identified specifically with a particular program or activity. Documentation to support direct costs must be kept on hand unless otherwise specified in the claiming instructions and made available to the SCO on request

It is the responsibility of the claimant to maintain documentation in the form of general and subsidiary ledgers, purchase orders, invoices, contracts, canceled warrants, equipment usage records, land deeds, receipts, employee time sheets, agency travel guidelines, inventory records, and other relevant documents to support claimed costs. The type of documentation necessary for each claim may differ with the type of mandate.

Costs typically classified as direct costs are:

(1) Employee Wages, Salaries, and Fringe Benefits

For each of the mandated activities performed, the claimant must list the names of the employees who worked on the mandate, their job classification, hours worked on the mandate, and rate of pay. The claimant may, in-lieu of reporting actual compensation and fringe benefits, use a productive hourly rate:

(a) Productive Hourly Rate Options

A local agency may use one of the following methods to compute productive hourly rates:

- Actual annual productive hours for each employee
- The weighted-average annual productive hours for each job title, or
- 1,800* annual productive hours for all employees

If actual annual productive hours or weighted-average annual productive hours for each job title is chosen, the claimant must maintain documentation of how these hours were computed.

* 1,800 annual productive hours excludes the following employee time:

o Paid holidays

o Vacation earned

o Sick leave taken

o Informal time off

o Jury duty

o Military leave taken.

(b) Compute a Productive Hourly Rate

1. Compute a productive hourly rate for salaried employees to include actual fringe benefit costs. The methodology for converting a salary to a productive hourly rate is to compute the employee's annual salary and fringe benefits and divide by the annual productive hours.

Table 1: Productive Hourly Rate, Annual Salary + Benefits Method

Formula:	Description:
[(EAS + Benefits) ÷ APH] = PHR	EAS = Employee's Annual Salary
	APH = Annual Productive Hours
[($26,000 + $8,099)] ÷ 1,800 hrs = 18.94	PHR = Productive Hourly Rate

- As illustrated in Table 1, if you assume an employee's compensation was $26,000 and $8,099 for annual salary and fringe benefits, respectively, using the "Salary + Benefits Method," the productive hourly rate would be $18.94. To convert a biweekly salary to Annual Salary, multiply the biweekly salary by 26. To convert a monthly salary to Annual Salary, multiply the monthly salary by 12. Use the same methodology to convert other salary periods.

2. A claimant may also compute the productive hourly rate by using the "Percent of Salary Method."

Table 2: Productive Hourly Rate, Percent of Salary Method

Example:

Step 1: *Fringe Benefits as a Percent of Salary*		**Step 2:** *Productive Hourly Rate*
Retirement	15.00 %	**Formula:**
Social Security & Medicare	7.65	[(EAS x (1 + FBR)) ÷ APH] = PHR
Health & Dental Insurance	5.25	
Workers Compensation	3.25	[($26,000 x (1.3115)) ÷ 1,800] = $18.94
Total	**31.15 %**	

Description:

EAS = Employee's Annual Salary	APH = Annual Productive Hours
FBR = Fringe Benefit Rate	PHR = Productive Hourly Rate

- As illustrated in Table 2, both methods produce the same productive hourly rate.

Reimbursement for personnel services includes, but is not limited to, compensation paid for salaries, wages and employee fringe benefits. Employee fringe benefits include employer's contributions for social security, pension plans, insurance, worker's compensation insurance and similar payments. These benefits are eligible for reimbursement as long as they are distributed equitably to all activities. Whether these costs are allowable is based on the following presumptions:

- The amount of compensation is reasonable for the service rendered.
- The compensation paid and benefits received are appropriately authorized by the governing board.
- Amounts charged for personnel services are based on payroll documents that are supported by time and attendance or equivalent records for individual employees.
- The methods used to distribute personnel services should produce an equitable distribution of direct and indirect allowable costs.

For each of the employees included in the claim, the claimant must use reasonable rates and hours in computing the wage cost. If a person of a higher-level job position performs an activity which normally would be performed by a lower-level position, reimbursement for time spent is allowable at the average salary range for the lower-level position. The salary rate of the person at the higher-level position may be claimed if it can be shown

Claiming Instructions

Identity Theft Claim

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20___
(03) Department	

Direct Costs	**Object Accounts**						
(04) Reimbursable Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel	(g) Total
1. Choose either a) or b)							
a) Taking police report in violation of PC §530.5							
b) Reviewing online ID theft report							
2. Investigation of facts							
(05) Total Direct Costs							

Indirect Costs		
(06) Indirect Cost Rate	[From ICRP or 10%]	%
(07) Total Indirect Costs	[Refer to Claim Summary Instructions]	
(08) Total Direct and Indirect Costs	[Line (05)(g) + line (07)]	

Cost Reduction	
(09) Less: Offsetting Revenues	
(10) Less: Other Reimbursements	
(11) Total Claimed Amount [Line (08) - {line (09) + line (10)}]	

Revised 07/12

PROGRAM 321	IDENTITY THEFT CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 should be completed for each department.

(04) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (04), columns (a) through (f), in the appropriate row. Total each row.

(05) Total columns (a) through (g).

(06) Indirect costs may be computed as 10% of direct labor costs, excluding fringe benefits, without preparing an Indirect Cost Rate Proposal (ICRP). If an indirect cost rate of greater than 10% is used, include the ICRP with the claim.

(07) Local agencies have the option of using the flat rate of 10% of direct labor costs or using a department's ICRP in accordance with the Office of Management and Budget OMB Circular A-87 (Title 2 CFR Part 225). If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(a), by 10%. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Enter the sum of Total Direct Costs, line (05)(g), and Total Indirect Costs, line (07).

(09) If applicable, enter any revenue received by the claimant for this mandate from any state or federal source.

(10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting Revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) for the Reimbursement Claim.

Claiming Instructions

Administrative Liscense Suspension - Per Se Claim

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20__
(03) Department	

Direct Costs	Object Accounts							
(04) Reimbursable Activities	(a) Number of Cases	(b) Uniform Time Allowance (hours)	(c) Salary Hourly Rate	(d) Benefit Rate	(e) Subtotal Salaries (a) times (b) times (c)	(f) Subtotal Benefits (d) times (e)	(g) Materials and Supplies	(h) Total (e) plus (f) plus (g)
A. Minors Detained but Not Arrested								
1. Admonish Drivers/Screen Tests on Minors (IV. A. 1. and 2.)		0.2667						
2. Seize Licenses and Serve Notices/ Completing Sworn Reports/Submit Reports to Department of Motor Vehicles (DMV) (IV. A. 3. to A. 5.)		0.2500						
B. Arrested Drivers for Violation of DUI Statute								
1. Seize Licenses and Serve Notices/ Completing Sworn Reports/Submitting Reports to DMV (IV. B. 1. to B. 3.)		0.2500						
(05) Total Direct Costs								

Indirect Costs		
(06) Indirect Cost Rate	[Refer to Claim Summary Instructions]	%
(07) Total Indirect Costs	[Line (06) times line (05)(e)]	
(08) Total Direct and Indirect Costs	[Line (05)(h) plus line (07)]	

Cost Reduction	
(09) Less: Offsetting Revenues	
(10) Less: Other Reimbursements	
(11) Total Claimed Amount	[Line (08) minus {line (09) plus line (10)}]

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 must be completed for each department.

(04) For each reimbursable activity, enter the sum of columns (e), (f), and (g) in column (h). The cost of postage and envelopes to be included under Materials and Supplies is reimbursable only for activities IV. A. 5. and B. 3 of the Ps & Gs on block (04)(A), line (2.)(g) and (04)(B), line (1.)(g). Do not enter any amount in the shaded areas. Please refer to the Mandated Cost Manual for Local Agencies for information on the computation of hourly rates and indirect costs.

(05) Total columns (e) through (h).

(06) Indirect costs may be computed through a flat rate in accordance with the Office of Management and Budget Circular, Code of Federal Regulations, title 2, section 200.414(f) without preparing an Indirect Cost Rate Proposal (ICRP). For submission of claims for fiscal year 2024-25, cost incurred from July 1, 2024 through September 30, 2024, a 10% flat rate should be applied to direct labor costs, excluding fringe benefits. Effective October 1, 2024, a 15% flat rate should be applied to direct labor costs, excluding fringe benefits. If using a flat rate for fiscal year 2024-25 costs, a separate Form 1 must be submitted to detail when the cost was incurred and which flat rate was applied.

(07) If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(e), by the flat rate, excluding fringe benefits. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Enter the sum of Total Direct Costs, line (05)(h), and Total Indirect Costs, line (07).

(09) If applicable, enter any offsetting revenue received by the claimant for this mandate from any state or federal source. Submit a schedule detailing the revenue sources and amounts.

(10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

Claiming Instructions

Domestic Violence Arrest Policies and Standards Claim

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY	FORM 1

(01) Claimant	(02)	Fiscal Year 20___/ 20___
(03) Department		
(04) Claim Statistics		
(a) Number of reported responses to incidents in the fiscal year of claim		
(b) Average productive hourly rate including applicable indirect costs ***(Submit the supporting documentation for the productive hourly rate.)***		
(c) Standard time allowed – 29 minutes (0.48 of an hour)		0.48 hour
Unit Cost Method – *Reimbursable Activity D*		
(05) Ongoing Activity		
D. Implement New Policies	[Line (04)(a) times (04)(b) times (04)(c)]	
(06) Total Direct and Indirect Costs for Activity D	[Carry forward from line (05)(D)]	

Actual Cost Method – *Reimbursable Activity C*

Direct Costs	**Object Accounts**						
(07) One-Time Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel and Training	(g) Total
A. Develop Written Policies N/A							
B. Adopt Written Policies N/A							
C. Train Officers on New Policies							
(08) Total Direct Costs							

Indirect Costs		
(09) Indirect Cost Rate	[Refer to Claim Summary Instructions]	%
(10) Total Indirect Costs	[Refer to Claim Summary Instructions]	
(11) Total Direct and Indirect Costs	[Line (06) plus line (08)(g) plus line (10)]	
Cost Reduction		
(12) Less: Offsetting Revenues		
(13) Less: Other Reimbursements		
(14) Total Claimed Amount	[Line (11) minus {line (12) plus line (13)}]	

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of claim.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 must be completed for each department.

(04) (a) Enter the number of reported responses to domestic violence incidents in the fiscal year of claim.

(b) Enter the average productive hourly rate (PHR) including applicable indirect costs. Local agencies have the option of using the flat rate of direct labor costs or using a department's Indirect Cost Rate Proposal (ICRP) in accordance with Office of Management and Budget Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. Submit a copy of the approved ICRP.

(c) The standard time allowed is 29 minutes which equates to 0.48 hour.

(05) Calculate costs by using the product of the number of reported responses by the average PHR by the standard time allowed [(04)(a) times (04)(b) times (04)(c)].

(06) Total Direct and Indirect Costs for Implement New Policies (Activity D). Enter the total from the line above, (05)(D).

(07) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (07), columns (a) through (f), in the appropriate row. Total each row.

(08) Total Direct Costs of Activity C. Total columns (a) through (g).

(09) Indirect costs may be computed through a flat rate in accordance with the Office of Management and Budget Circular, Code of Federal Regulations, title 2, section 200.414(f) without preparing an Indirect Cost Rate Proposal (ICRP). For submission of claims for fiscal year 2024-25, cost incurred from July 1, 2024 through September 30, 2024, a 10% flat rate should be applied to direct labor costs, excluding fringe benefits. Effective October 1, 2024, a 15% flat rate should be applied to direct labor costs, excluding fringe benefits. If using a flat rate for fiscal year 2024-25 costs, a separate Form 1 must be submitted to detail when the cost was incurred and which flat rate was applied.

(10) If the flat rate is used for indirect costs, multiply Total Salaries, line (08)(a), by the flat rate, excluding fringe benefits. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (09). If more than one department is reporting costs, each must have its own ICRP for the program.

(11) Enter the sum of Total Direct and Indirect Costs for Activity D, line (09), Total Direct Costs (08)(g), and Total Indirect Costs, line (10).

(12) If applicable, enter any offsetting revenue received by the claimant for this mandate from any state or federal source. Submit a schedule detailing the revenue sources and amounts.

(13) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(14) From Total Direct and Indirect Costs, line (11), subtract the sum of Offsetting Revenues, line (12), and Other Reimbursements, line (13). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

Complete Claiming Instructions

Office of the State Controller
State-Mandated Costs Claiming Instructions No. 2004-01
Administrative License Suspension – Per Se – Program No. 246
February 6, 2004
Revised October 1, 2025

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Administrative License Suspension program. SCO issues these claiming instructions subsequent to the Commission on State Mandates (CSM) adopting the program's Parameters and Guidelines (Ps & Gs). The Ps & Gs are included as an integral part of the claiming instructions and are located on CSM's website.

On August 29, 2002, CSM adopted a Statement of Decision finding that the test claim legislation imposed a reimbursable state-mandated program on local agencies within the meaning of Article XIII B, section 6 of the California Constitution and GC section 17514.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county, as defined in GC sections 17511 and 17515, that incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Pursuant to GC section 17560(a), annual reimbursement claims may be filed by **February 15** following the fiscal year in which costs were incurred. If the deadline falls on a weekend or holiday, claims are due the following business day. Claims filed after the deadline must be reduced by a late penalty. **Claims filed more than one year after the deadline will not be accepted.**

Penalty

- **Initial Reimbursement Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561(d)(3).

- **Annual Reimbursement Claims**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount, not to exceed $10,000, pursuant to GC section 17568.

Minimum Claim Cost

GC section 17564(a) states that no claim may be filed pursuant to Sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: “I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct,” and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

Audit of Costs

All claims submitted to 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 CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by SCO as deemed necessary. Pursuant to GC section 17558.5(a), a reimbursement claim for actual costs filed by a claimant is subject to audit by SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later.

However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for SCO to initiate an audit will commence to run from the date of initial payment of the claim.

Record Retention

All documentation to support actual costs claimed must be retained during the period subject to audit and made available to the SCO upon request. The period subject to audit is at a minimum, three years after the date that the actual reimbursement claim is filed or last amended, whichever is later, or, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, three years after the date of initial payment of the claim. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

Claim Submission

Electronic submissions of the signed Form FAM-27, all other forms, and supporting documentation are accepted through an online file transfer protocol called the **Data Exchange Portal (DEP).** All information regarding **DEP** is available on the SCO's website.

For more information, contact the Local Reimbursements Section by email.

ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM FOR PAYMENT FORM	For State Controller's Office Use Only (19) Program Number 00246 (20) Date Filed (21) LRS Input	**PROGRAM 246**

(01) Claimant Identification Number		Reimbursement Claim Data			
(02) Claimant Name		(22)	FORM 1, (04) A. 1. (h)		
County of Location		(23)	FORM 1, (04) A. 2. (h)		
Street Address or P.O. Box and Suite		(24)	FORM 1, (04) B. 1. (h)		
City, State, and Zip Code		(25)	FORM 1, (06)		
(03)	Type of Claim	(26)	FORM 1, (07)		
(04)	(09) Reimbursement ☐	(27)	FORM 1, (09)		
(05)	(10) Combined ☐	(28)	FORM 1, (10)		
(06)	(11) Amended ☐	(29)			
(07)	(12) Fiscal Year of Cost	(30)			
(08)	(13) Total Claimed Amount	(31)			
(14) Less: 10% Late Penalty		(32)			
(15) Less: Prior Claim Payment Received		(33)			
(16) Net Claimed Amount		(34)			
(17) Due from State		(35)			
(18) Due to State		(36)			

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code sections 17560 and 17561, I certify that I am the **officer** authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 of the Government Code.

I further certify that there was no application other than from the claimant, nor any grant(s) or payment(s) received, for reimbursement of costs claimed herein, and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer	Date Signed	
	Telephone Number	
Type or Print Name and Title of Authorized Signatory	Email Address	

(38) Name of Agency Contact Person for Claim	Telephone Number	
	Email Address	
Name of Consulting Firm/Claim Preparer	Telephone Number	
	Email Address	

Revised 10/2025

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant identification number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, state, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) If filing a combined reimbursement claim on behalf of districts within the county, enter an "X" in the box on line (10) Combined.

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year in which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.

(13) Enter the amount of the reimbursement claim as shown on Form 1, line (11). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial reimbursement claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15,** or as specified in the claiming instructions following the fiscal year in which costs were incurred. Claims filed after the specified date must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the result from the following penalty calculation formula:

- Late Initial Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM FOR PAYMENT INSTRUCTIONS (CONTINUED)	FORM FAM-27

(22) to (28) Bring forward the cost information as specified in the left-hand column of lines (22) through (28) for the reimbursement claim, e.g., Form 1, (04) A. 1. (h), means the information is located on Form 1, block (04), line A. 1., column (h). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. The indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. Completion of this data block will expedite the process.

(29) to (36) Leave blank.

(37) Read the statement of Certification of Claim. The claim must be signed and dated by the agency's authorized officer, and include their typed or printed name, title, telephone number, and email address. Claims cannot be paid unless accompanied by an original signed certification. Please sign the Form FAM-27 in blue ink or electronic signature. If submitting by U.S. Postal Service or by other delivery service, attach a copy of the FAM-27 to the top of the claim package.

(38) Enter the name, telephone number, and email address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, claim preparer, telephone number, and email address.

Electronic submissions of the signed Form FAM-27, all other forms, and supporting documentation are accepted through an online file transfer protocol called the Data Exchange Portal (DEP). All information regarding DEP is available on the SCO's website.

For more information, contact the Local Reimbursements Section by email.

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/20__
(03) Department	

Direct Costs	**Object Accounts**							
(04) Reimbursable Activities	(a) Number of Cases	(b) Uniform Time Allowance (hours)	(c) Salary Hourly Rate	(d) Benefit Rate	(e) Subtotal Salaries (a) times (b) times (c)	(f) Subtotal Benefits (d) times (e)	(g) Materials and Supplies	(h) Total (e) plus (f) plus (g)
A. Minors Detained but Not Arrested								
1. Admonish Drivers/Screen Tests on Minors (IV. A. 1. and 2.)		0.2667						
2. Seize Licenses and Serve Notices/ Completing Sworn Reports/Submit Reports to Department of Motor Vehicles (DMV) (IV. A. 3. to A. 5.)		0.2500						
B. Arrested Drivers for Violation of DUI Statute								
1. Seize Licenses and Serve Notices/ Completing Sworn Reports/Submitting Reports to DMV (IV. B. 1. to B. 3.)		0.2500						
(05) Total Direct Costs								

Indirect Costs		
(06) Indirect Cost Rate	[Refer to Claim Summary Instructions]	%
(07) Total Indirect Costs	[Line (06) times line (05)(e)]	
(08) Total Direct and Indirect Costs	[Line (05)(h) plus line (07)]	
Cost Reduction		
(09) Less: Offsetting Revenues		
(10) Less: Other Reimbursements		
(11) Total Claimed Amount	[Line (08) minus {line (09) plus line (10)}]	

PROGRAM 246	ADMINISTRATIVE LICENSE SUSPENSION – PER SE CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 must be completed for each department.

(04) For each reimbursable activity, enter the sum of columns (e), (f), and (g) in column (h). The cost of postage and envelopes to be included under Materials and Supplies is reimbursable only for activities IV. A. 5. and B. 3 of the Ps & Gs on block (04)(A), line (2.)(g) and (04)(B), line (1.)(g). Do not enter any amount in the shaded areas. Please refer to the Mandated Cost Manual for Local Agencies for information on the computation of hourly rates and indirect costs.

(05) Total columns (e) through (h).

(06) Indirect costs may be computed through a flat rate in accordance with the Office of Management and Budget Circular, Code of Federal Regulations, title 2, section 200.414(f) without preparing an Indirect Cost Rate Proposal (ICRP). For submission of claims for fiscal year 2024-25, cost incurred from July 1, 2024 through September 30, 2024, a 10% flat rate should be applied to direct labor costs, excluding fringe benefits. Effective October 1, 2024, a 15% flat rate should be applied to direct labor costs, excluding fringe benefits. If using a flat rate for fiscal year 2024-25 costs, a separate Form 1 must be submitted to detail when the cost was incurred and which flat rate was applied.

(07) If the flat rate is used for indirect costs, multiply Total Salaries, line (05)(e), by the flat rate, excluding fringe benefits. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (06). If more than one department is reporting costs, each must have its own ICRP for the program.

(08) Enter the sum of Total Direct Costs, line (05)(h), and Total Indirect Costs, line (07).

(09) If applicable, enter any offsetting revenue received by the claimant for this mandate from any state or federal source. Submit a schedule detailing the revenue sources and amounts.

(10) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(11) From Total Direct and Indirect Costs, line (08), subtract the sum of Offsetting revenues, line (09), and Other Reimbursements, line (10). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

Office of the State Controller
State-Mandated Costs Claiming Instructions No. 2012-33
Domestic Violence Arrest Policies and Standards – Program No. 167
Revised October 1, 2025

In accordance with Government Code (GC) sections 17560 and 17561, eligible claimants may submit claims to the State Controller's Office (SCO) for reimbursement of costs incurred for state-mandated cost programs. This document contains claiming instructions and forms that eligible claimants must use for filing claims for the Domestic Violence Arrest Policies and Standards program. SCO issues these claiming instructions subsequent to the Commission on State Mandates (CSM) adopting the program's Parameters and Guidelines (Ps & Gs). The Ps & Gs are an integral part of the claiming instructions and are located on CSM's website.

On September 25, 1997, CSM (formerly the State Board of Control) adopted a Statement of Decision finding that the test claim legislation imposed a reimbursable state-mandated program on local agencies within the meaning of Article XIII B, section 6 of the California Constitution and GC section 17514.

On October 30, 2009, CSM approved amendments to the Ps & Gs to clarify source documentation requirements and record retention language, as requested by SCO.

Exception

There will be no reimbursement for any period in which the Legislature has suspended the operation of a mandate pursuant to state law.

Eligible Claimants

Any city or county, as defined in GC sections 17511 and 17515, that incurs increased costs as a result of this mandate is eligible to claim for reimbursement.

Reimbursement Claim Deadline

Pursuant to GC section 17560(a), annual reimbursement claims may be filed by **February 15** following the fiscal year in which costs were incurred. If the deadline falls on a weekend or holiday, claims are due the following business day. Claims filed after the deadline must be reduced by a late penalty. **Claims filed more than one year after the deadline will not be accepted.**

Penalty

- **Initial Reimbursement Claims**

  When filed within one year of the initial filing deadline, claims are assessed a late penalty of 10% of the total amount of the initial claim without limitation pursuant to GC section 17561(d)(3).

- **Annual Reimbursement Claims**

  When filed within one year of the annual filing deadline, claims are assessed a late penalty of 10% of the claim amount, not to exceed $10,000, pursuant to GC section 17568.

Minimum Claim Cost

GC section 17564(a) states that no claim may be filed pursuant to sections 17551 and 17561, unless such a claim exceeds one thousand dollars (**$1,000**).

Reimbursement of Claims

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. These 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. A source document is created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include, but is not limited to, worksheets, cost allocation reports (system generated), purchase orders, contracts, agendas, training packets, and declarations. Declarations must include a certification or declaration stating: “I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing is true and correct,” and must further comply with the requirements of Code of Civil Procedure section 2015.5.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, these documents cannot be substituted for source documents.

Audit of Costs

All claims submitted to 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 CSM. If any adjustments are made to a claim, the claimant will be notified of the amount adjusted, and the reason for the adjustment.

On-site audits will be conducted by SCO as deemed necessary. Pursuant to GC section 17558.5(a), a reimbursement claim for actual costs filed by a claimant is subject to audit by SCO no later than three years after the date the actual reimbursement claim was filed or last amended, whichever is later.

However, if no funds were appropriated or no payment was made to a claimant for the program for the fiscal year for which the claim was filed, the time for SCO to initiate an audit will commence to run from the date of initial payment of the claim.

Record Retention

All documentation to support actual costs claimed must be retained during the period subject to audit and made available to the SCO upon request. The period subject to audit is at a minimum, three years after the date that the actual reimbursement claim is filed or last amended, whichever is later, or, if no funds are appropriated or no payment is made to a claimant for the program for the fiscal year for which the claim is filed, three years after the date of initial payment of the claim. If an audit has been initiated by the SCO during the period subject to audit, the retention period is extended until the ultimate resolution of any audit findings. Supporting documents must be made available to the SCO on request.

Claim Submission

Electronic submissions of the signed Form FAM-27, all other forms, and supporting documentation are accepted through an online file transfer protocol called the **Data Exchange Portal (DEP).** All information regarding **DEP** is available on the SCO's website.

For more information, contact the Local Reimbursements Section by email.

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM FOR PAYMENT FORM	For State Controller's Office Use Only (19) Program Number 00167 (20) Date Filed (21) LRS Input	PROGRAM 167

(01) Claimant Identification Number		Reimbursement Claim Data		
(02) Claimant Name		(22)	FORM 1, (04) (a)	
County of Location		(23)	FORM 1, (04) (b)	
Street Address or P.O. Box and Suite		(24)	FORM 1, (06)	
City, State, and Zip Code		(25)	FORM 1, (07) A. (g)	
(03)	Type of Claim	(26)	FORM 1, (07) B. (g)	
(04)	(09) Reimbursement ☐	(27)	FORM 1, (07) C. (g)	
(05)	(10) Combined ☐	(28)	FORM 1, (09)	
(06)	(11) Amended ☐	(29)	FORM 1, (10)	
(07)	(12) Fiscal Year of Cost	(30)	FORM 1, (12)	
(08)	(13) Total Claimed Amount	(31)	FORM 1, (13)	
(14) Less: 10% Late Penalty		(32)		
(15) Less: Prior Claim Payment Received		(33)		
(16) Net Claimed Amount		(34)		
(17) Due from State		(35)		
(18) Due to State		(36)		

(37) CERTIFICATION OF CLAIM

In accordance with the provisions of Government Code sections 17560 and 17561, I certify that I am the officer authorized by the local agency to file mandated cost claims with the State of California for this program, and certify under penalty of perjury that I have not violated any of the provisions of Article 4, Chapter 1 of Division 4 of Title 1 of the Government Code.

I further certify that there was no application other than from the claimant, nor any grant(s) or payment(s) received for reimbursement of costs claimed herein, and claimed costs are for a new program or increased level of services of an existing program. All offsetting revenues and reimbursements set forth in the parameters and guidelines are identified, and all costs claimed are supported by source documentation currently maintained by the claimant.

The amount for this reimbursement is hereby claimed from the State for payment of actual costs set forth on the attached statements.

I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Signature of Authorized Officer	Date Signed	
	Telephone Number	
Type or Print Name and Title of Authorized Signatory	Email Address	

(38) Name of Agency Contact Person for Claim	Telephone Number	
	Email Address	
Name of Consulting Firm/Claim Preparer	Telephone Number	
	Email Address	

Revised 10/2025

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM FOR PAYMENT INSTRUCTIONS	FORM FAM-27

(01) Enter the claimant identification number assigned by the State Controller's Office.

(02) Enter claimant official name, county of location, street or postal office box address, city, state, and zip code.

(03) to (08) Leave blank.

(09) If filing a reimbursement claim, enter an "X" in the box on line (09) Reimbursement.

(10) Not applicable.

(11) If filing an amended reimbursement claim, enter an "X" in the box on line (11) Amended.

(12) Enter the fiscal year in which actual costs are being claimed. If actual costs for more than one fiscal year are being claimed, complete a separate Form FAM-27 for each fiscal year.

(13) Enter the amount of the reimbursement claim as shown on Form 1, line (14). The total claimed amount must exceed $1,000; minimum claim must be $1,001.

(14) Initial reimbursement claims must be filed as specified in the claiming instructions. Annual reimbursement claims must be filed by **February 15,** or as specified in the claiming instructions following the fiscal year in which costs were incurred. Claims filed after the specified date must be reduced by a late penalty. Enter zero if the claim was filed on time. Otherwise, enter the result from the following penalty calculation formula:

- Late Initial Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, without limitation; or
- Late Annual Reimbursement Claims: Form FAM-27, line (13) multiplied by 10%, late penalty not to exceed $10,000.

(15) Enter the amount of payment, if any, received for the claim. If no payment was received, enter zero.

(16) Enter the net claimed amount by subtracting the sum of lines (14) and (15) from line (13).

(17) If line (16), Net Claimed Amount, is positive, enter that amount on line (17), Due from State.

(18) If line (16), Net Claimed Amount, is negative, enter that amount on line (18), Due to State.

(19) to (21) Leave blank.

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM FOR PAYMENT INSTRUCTIONS (CONTINUED)	FORM FAM-27

(22) to (31) Bring forward the cost information as specified in the left-hand column of lines (22) through (31) for the reimbursement claim, e.g., Form 1, (07) A. (g), means the information is located on Form 1, block (07), line A., column (g). Enter the information on the same line but in the right-hand column. Cost information should be rounded to the nearest dollar, i.e., no cents. The indirect costs percentage should be shown as a whole number and without the percent symbol, i.e., 35.19% should be shown as 35. Completion of this data block will expedite the process.

(32) to (36) Leave blank.

(37) Read the statement of Certification of Claim. The claim must be signed and dated by the agency's authorized officer, and include their typed or printed name, title, telephone number, and email address. Claims cannot be paid unless accompanied by an original signed certification. Please sign the Form FAM-27 in blue ink or electronic signature. If submitting by U.S. Postal Service or by other delivery service, attach a copy of the FAM-27 to the top of the claim.

(38) Enter the name, telephone number, and email address of the agency contact person for the claim. If the claim was prepared by a consultant, type or print the name of the consulting firm, claim preparer, telephone number, and email address.

Electronic submissions of the signed Form FAM-27, all other forms, and supporting documentation are accepted through an online file transfer protocol called the Data Exchange Portal (DEP). All information regarding DEP is available on the SCO's website.

For more information, contact the Local Reimbursements Section by email.

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY	FORM 1

(01) Claimant	(02) Fiscal Year 20___/ 20___
(03) Department	

(04) Claim Statistics

(a) Number of reported responses to incidents in the fiscal year of claim	
(b) Average productive hourly rate including applicable indirect costs ***(Submit the supporting documentation for the productive hourly rate.)***	
(c) Standard time allowed – 29 minutes (0.48 of an hour)	0.48 hour

Unit Cost Method – *Reimbursable Activity D*

(05) Ongoing Activity

D. Implement New Policies	[Line (04)(a) times (04)(b) times (04)(c)]	
(06) Total Direct and Indirect Costs for Activity D	[Carry forward from line (05)(D)]	

Actual Cost Method – *Reimbursable Activity C*

Direct Costs	**Object Accounts**						
(07) One-Time Activities	(a) Salaries	(b) Benefits	(c) Materials and Supplies	(d) Contract Services	(e) Fixed Assets	(f) Travel and Training	(g) Total
A. Develop Written Policies N/A							
B. Adopt Written Policies N/A							
C. Train Officers on New Policies							
(08) Total Direct Costs							

Indirect Costs

(09) Indirect Cost Rate	[Refer to Claim Summary Instructions]	%
(10) Total Indirect Costs	[Refer to Claim Summary Instructions]	
(11) Total Direct and Indirect Costs	[Line (06) plus line (08)(g) plus line (10)]	

Cost Reduction

(12) Less: Offsetting Revenues		
(13) Less: Other Reimbursements		
(14) Total Claimed Amount	[Line (11) minus {line (12) plus line (13)}]	

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS CLAIM SUMMARY INSTRUCTIONS	FORM 1

(01) Enter the name of the claimant.

(02) Enter the fiscal year of claim.

(03) If more than one department has incurred costs for this mandate, give the name of each department. A separate Form 1 must be completed for each department.

(04) (a) Enter the number of reported responses to domestic violence incidents in the fiscal year of claim.

(b) Enter the average productive hourly rate (PHR) including applicable indirect costs. Local agencies have the option of using the flat rate of direct labor costs or using a department's Indirect Cost Rate Proposal (ICRP) in accordance with Office of Management and Budget Circular 2 CFR, Chapter I and Chapter II, Part 200 et al. Submit a copy of the approved ICRP.

(c) The standard time allowed is 29 minutes which equates to 0.48 hour.

(05) Calculate costs by using the product of the number of reported responses by the average PHR by the standard time allowed [(04)(a) times (04)(b) times (04)(c)].

(06) Total Direct and Indirect Costs for Implement New Policies (Activity D). Enter the total from the line above, (05)(D).

(07) For each reimbursable activity, enter the totals from Form 2, line (05), columns (d) through (i), to Form 1, block (07), columns (a) through (f), in the appropriate row. Total each row.

(08) Total Direct Costs of Activity C. Total columns (a) through (g).

(09) Indirect costs may be computed through a flat rate in accordance with the Office of Management and Budget Circular, Code of Federal Regulations, title 2, section 200.414(f) without preparing an Indirect Cost Rate Proposal (ICRP). For submission of claims for fiscal year 2024-25, cost incurred from July 1, 2024 through September 30, 2024, a 10% flat rate should be applied to direct labor costs, excluding fringe benefits. Effective October 1, 2024, a 15% flat rate should be applied to direct labor costs, excluding fringe benefits. If using a flat rate for fiscal year 2024-25 costs, a separate Form 1 must be submitted to detail when the cost was incurred and which flat rate was applied.

(10) If the flat rate is used for indirect costs, multiply Total Salaries, line (08)(a), by the flat rate, excluding fringe benefits. If an ICRP is submitted, multiply applicable costs used in the distribution base for the computation of the indirect cost rate by the Indirect Cost Rate, line (09). If more than one department is reporting costs, each must have its own ICRP for the program.

(11) Enter the sum of Total Direct and Indirect Costs for Activity D, line (09), Total Direct Costs (08)(g), and Total Indirect Costs, line (10).

(12) If applicable, enter any offsetting revenue received by the claimant for this mandate from any state or federal source. Submit a schedule detailing the revenue sources and amounts.

(13) If applicable, enter the amount of other reimbursements received from any source including, but not limited to, service fees collected, federal funds, and other state funds that reimbursed any portion of the mandated cost program. Submit a schedule detailing the reimbursement sources and amounts.

(14) From Total Direct and Indirect Costs, line (11), subtract the sum of Offsetting Revenues, line (12), and Other Reimbursements, line (13). Enter the remainder on this line and carry the amount forward to Form FAM-27, line (13) of the Reimbursement Claim.

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS ACTIVITY COST DETAIL	FORM 2

(01) Claimant

(02) Fiscal Year 20___ / 20___

(03) Reimbursable Activities: Check only one box per form to identify the activity being claimed.

One-Time Activities

A. Develop Written Policies N/A

☐ C. Train Officers on New Policies

B. Adopt Written Policies N/A

(04) Description of Expenses			Object Accounts					
(a) Employee Names, Job Classifications, Functions Performed, and Description of Expenses	(b) Hourly Rate or Unit Cost	(c) Hours Worked or Quantity	(d) Salaries	(e) Benefits	(f) Materials And Supplies	(g) Contract Services	(h) Fixed Assets	(i) Travel And Training
(05) Total ☐ Subtotal ☐ Page: ____ of ____								

Revised 10/2025

PROGRAM 167	DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS ACTIVITY COST DETAIL INSTRUCTIONS	FORM 2

(01) Enter the name of the claimant.

(02) Enter the fiscal year of costs.

(03) Check the box which indicates the activity being claimed. Check only one box per form. A separate Form 2 must be prepared for each activity.

(04) The following table identifies the type of information required to support reimbursable costs. To itemize costs for the activity checked in block (03), enter each employee name, job classification, a brief description of the activities performed, productive hourly rate, actual time spent, fringe benefits, supplies used, contract services, fixed assets, and travel and training expenses. The descriptions required in column (04)(a) must be of sufficient detail to explain the cost of activities or items being claimed.

Object Accounts	Columns									Submit Supporting Documents with the Claim
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	
Salaries	Employee Name and Job Classification	Hourly Rate	Hours Worked	Salaries equal Hourly Rate times Hours Worked						Copy of Timesheets
Benefits	Activities Performed	Benefit Rate			Benefits equal Benefit Rate times Salaries					
Materials and Supplies	Description of Supplies Used	Unit Cost	Quantity Used			Costs equal Unit Cost times Quantity Used				Copy of Invoices
Contract Services	Name of Contractor and Specific Tasks Performed	Hourly Rate	Hours Worked and Inclusive Dates of Service				Costs equal Hourly Rate times Hours Worked or Total Contract Cost			Copy of Contract and/or Invoices
Fixed Assets	Description of Equipment Purchased	Unit Cost times Quantity	Usage					Costs equal Total Cost times Usage		Copy of Contract and/or Invoices
Travel	Purpose of Trip, Name and Title, Destination, Departure Date, and Return Date	Per Diem Rate, Mileage Rate, and Travel Cost	Days, Miles, and Travel Mode						Total Travel Costs equal Rate times Days or Miles	Rate(s) Verification and/or Invoices
Training	Employee Name and Title and Name of Class Attended		Dates Attended						Registration Fee	Copy of Registration, Certificate, or Invoice

(05) Total line (04), columns (d) through (i), and enter the sums on this line. Check the appropriate box to indicate if the amount is a total or subtotal. If more than one form is needed to detail activity costs, number each page. Enter totals from line (05), columns (d) through (i) to Form 1, block (07), columns (a) through (f) in the appropriate row.

ATTACHMENT 2

Review of Commission Hearing Decision on **City of Palmdale IRC** re. use of 10% Default ICRP Rate

The record suggests that overhead/ICRP costs *could have been allowable* — if the rate had been claimed and structured as a formal Indirect Cost Rate Proposal (ICRP) rather than using the 10% default rate tied to salaries.

The key issue the Commission focused on was **not whether overhead existed**, but **whether it was claimed in a way allowed by the Parameters and Guidelines (Ps&Gs)** adopted by the California Commission on State Mandates.

Below is a breakdown of what the testimony and discussion imply.

---

1. The Commission Acknowledged That Overhead Probably Existed

Multiple commissioners essentially conceded that **cities incur overhead even when services are contracted**.

Commissioner Alex stated:

"I mean, I'm sympathetic to the City because I do think… there is overhead associated with a contract, and I think it's typical."

So the dispute was **not about whether overhead costs existed**.

The dispute was about **whether they were claimed according to the Ps&Gs**.

---

2. The Real Legal Issue in the was the 10% "Default Rate"

The State Controller's Office argued the **10% rate only applies to direct salary costs**.

From the testimony:

"The 10 percent rate… is only allowable to be claimed on top of direct salary costs, which, in this instance, were not incurred."

Because the city used **contract law enforcement hourly rates, those contract rates already included some overhead**, **and direct employee salaries were not expressed in the claim** therefore the SCO and staff concluded:

The 10% default rate was not available.

---

3. However — The Commission Staff Explicitly Said Another Method Was Available

The most important exchange occurs when Commissioner Adams asked:

"Under the parameters and guidelines, would there have been an appropriate way to claim these indirect costs?"

Staff attorney Matt Jones answered:

"Yes… the appropriate way was to develop an indirect cost rate proposal with documentation that the Controller could review."

That statement is critical.

It confirms:

ICRP overhead was potentially allowable.

But the Commission believed it **was not properly claimed or supported in the record**.

---

4. The Ps&Gs Actually Allow Three Allocation Bases

Commission staff acknowledged that the Parameters and Guidelines include the same options as federal cost rules (derived from **OMB Circular A-87 / later **2 CFR Part 200):

Indirect costs may be allocated using:

1. Direct salaries and wages
2. Total direct costs
3. Another equitable allocation base

Staff confirmed this:

“The three distribution bases the Claimant described **are in the Parameters and Guidelines**, but they apply when preparing an indirect cost rate proposal.”

This means the legal framework **DID allow non-salary allocation bases**.

---

5. Why the Commission Denied the Claim

The Commission's reasoning was procedural rather than substantive.

They concluded:

• The city **claimed the 10% default rate**, not a formal ICRP
• The audit record focused on **justifying the 10%**, not establishing a full ICRP
• The **deadline to amend the claim had expired**

Therefore the Commission applied a **very narrow review standard**:

They could only decide if the SCO acted **arbitrarily or capriciously**.

They concluded it did not.

ATTACHMENT 3

No provision in the federal cost principles (OMB Circular A-87 / 2 CFR Part 225) states that the *manner in which a cost is paid* changes whether the cost is allowable or whether it can be used as an allocation base for an indirect cost rate proposal (ICRP).
The federal rules focus on **whether the cost is incurred, allowable, allocable, reasonable, and consistently treated**, not on **how it was paid** (cash vs. interfund transfer, reimbursement vs. direct payment, etc.).

Below are the **exact governing sections** of the federal cost principles and related guidance.

---

1. Federal Cost Principles — 2 CFR Part 225 (OMB Circular A-87)

The relevant rules appear primarily in **Attachment A (General Principles)** and **Attachment E (Indirect Cost Rate Proposals).**

A. Factors Affecting Allowability of Costs

2 CFR Part 225 – Appendix A (formerly Attachment A), Section C.1

This section defines what determines whether a cost is allowable:

- The cost must be **necessary and reasonable** for program performance.
- The cost must be **allocable** to the program.
- The cost must be **authorized or not prohibited by law**.
- The cost must be **consistently treated** as either direct or indirect.

Notably, **the rule does not mention the method of payment as a factor in allowability**.

B. Allocable Costs

2 CFR Part 225 – Appendix A, Section C.3

A cost is allocable if it:

1. Is incurred **specifically for the federal award**, or
2. **Benefits both the federal award and other work**, and can be distributed proportionally, or
3. Is necessary to overall operations and assignable to the award.

Again, the rule concerns **benefit to the program**, not the **mechanism used to pay the cost**.

C. Reasonable Costs

2 CFR Part 225 – Appendix A, Section C.2

A cost is reasonable if it:

- Reflects what a **prudent person** would pay under the circumstances.

No language ties reasonableness to **payment method**.

---

2. Indirect Cost Rate Proposals (ICRP) — Allocation Base Rules

The rules governing **allocation bases** appear in **Attachment E**.

Allocation Base Selection

2 CFR Part 225 – Appendix E, Section C.3

This section states that:

- Indirect costs should be allocated using **a base that best measures the relative benefit to programs**.
- Possible bases include:
    - direct salaries and wages
    - total direct costs
    - staff hours
    - square footage
    - workload metrics (documents processed, population served, etc.).

Key point:

Any cost element or related factor may be used as an allocation base **if it best measures the relative benefits provided**.

Nothing in this section suggests that the **payment mechanism for the underlying cost affects its eligibility as an allocation base**.

---

3. Selected Items of Cost (Appendix B)

Appendix B of 2 CFR 225 lists specific cost categories (equipment, compensation, travel, etc.). Each item defines whether the cost is allowable or unallowable.

None of these provisions say that **the method of payment changes allowability**.

---

4. Uniform Guidance (successor rule)

The modern successor to A-87 is **2 CFR Part 200 (Uniform Guidance)**.
It retains the same principles:

- **2 CFR §200.403 — Factors affecting allowability**
- **2 CFR §200.405 — Allocable costs**

These also focus on:

- reasonableness
- allocability
- consistency
- documentation

—not **payment method**.

---

5. California State-Mandated Cost Claiming Rules

Under California's state mandate reimbursement system:

- The **Commission on State Mandates** adopts **Parameters and Guidelines (Ps & Gs)**.
- The **State Controller's Office (SCO)** issues **Claiming Instructions** based on those Ps & Gs.

Typical Ps & Gs provisions require:

- costs must be **actual costs**
- costs must be **supported by documentation**
- costs must be **incurred in performing the mandated activity**

Example audit language from SCO guidance:

- claimed costs must be **actual costs and properly supported**.

Again, this concerns **actual incurred costs**, not **how they were paid**.

---

6. What "Cost Principles" the Controller Is Likely Referring To

When the Controller's Office references "cost principles," they are almost always referring to:

1. **OMB Circular A-87 / 2 CFR Part 225**
2. **2 CFR Part 200 (Uniform Guidance)** (modern equivalent)
3. The **four core cost principles**:
    - Allowable
    - Reasonable
    - Allocable
    - Consistently treated

Those principles **do not include payment method as a criterion**.

---

7. Key Conclusion

Based on the actual regulatory text:

- **No section of 2 CFR Part 225 / OMB A-87 states that the manner in which a cost is paid affects its allowability or its eligibility as an ICRP allocation base.**
- The governing criteria are:
    - **incurrence of cost**
    - **reasonableness**
    - **allocability**
    - **consistent accounting treatment**
    - **documentation**

Therefore, if the Controller's Office claims that **payment method determines allowability or allocation base eligibility**, they would need to cite **a specific Ps & Gs provision or program-specific rule**, because **it does not appear in the federal cost principles themselves**.

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 March 24, 2026, I served the:

- **Current Mailing List dated February 19, 2026**
- **Claimant's Late Rebuttal Comments filed March 23, 2026**

  Identity Theft, 25-0308-I-01
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Rancho Cucamonga, 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 March 24, 2026 at Sacramento, California.



David Chavez
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 2/19/26

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

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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Exhibit D

STATE of CALIFORNIA
COMMISSION ON STATE MANDATES

November 7, 2025

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Mr. David Wilson
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And Parties, Interested Parties, and Interested Persons (See Mailing List)

Re: Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim
Identity Theft, 25-0308-I-01
Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
City of Rancho Cucamonga, Claimant

Dear Ms. Chinn, Ms. Kato, Mr. Kaye, Mr. Cripps, Ms. Hunt-Coffey, Mr. Montgomery, Mr. Ballantyne, Mr. Danisi, Ms. Beatty, Ms. Molina, Mr. Parra, Ms. Letourneau, Ms. Rose, Mr. Harris, Mr. Gross, Mr. Szabo, Mr. Valdez, Mr. Hamilton, Mr. Mason, Ms. Magana, and Mr. Wilson:

On September 2, 2025, the City of Rancho Cucamonga (claimant) filed the above-captioned Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission), with the intent to consolidate on behalf of other similarly situated claimants. This IRC is based on the State Controller's (Controller's) reductions to its reimbursement claims for costs incurred under the *Identity Theft*, 03-TC-08 program, for fiscal years 2002-2003 through 2012-2013. Upon review, Commission staff found this IRC to be complete and on October 30, 2025 notified the claimant and requested that the Controller file its list of all claims reduced under this program within 30 days.

Requirements for Consolidation of Incorrect Reduction Claims

Government Code section 17551(d) requires the Commission to hear and decide claims by local agencies and school districts that the Controller has incorrectly reduced payments to the local agencies or school districts. Pursuant to Government Code section 17558.7(b) and section 1185.3 of the Commission's regulations, the Commission requested the Controller provide a list of claimants for whom the Controller has reduced similar claims under the same mandate, and the date each claimant was notified of the adjustment. On November 5, 2025, the Controller filed its list with the Commission.

Therefore, the Commission hereby notifies all claimants on the list and other interested parties on the mailing list of the claimant's intent to file a consolidated incorrect reduction claim and of other eligible claimant's opportunity to join the consolidated claim (Gov. Code §17558.7(b)(1-4), Cal. Code. Regs., tit. 2 § 1185.3.) Within 30 days of receipt of the notice of intent to consolidate, any other eligible claimant may join the consolidated IRC by filing and serving a notice of intent to join (using the Commission's IRC form which may be found on the Commission's website at: https://www.csm.ca.gov/request-form.php) in accordance with section 1181.3 of the Commission's regulations. The notice of intent to join shall contain at least the following elements and documents:

1) A copy of the final state audit report, letter, or other written notice of adjustment from the Controller that explains the claim components adjusted, amounts reduced, and the reasons for the reduction.
2) A copy of the subject reimbursement claims submitted to the Controller.
3) A notice of intent to join a consolidated IRC which shall include a certification by the joining claimant authorizing the original claimant (here, the County of Los Angeles) to act as its representative in the consolidated IRC, and shall also include a declaration under penalty of perjury that the filing is true and complete to the best of the declarant's personal knowledge, information, or belief. The date signed, the declarant's title, address, telephone number, and e-mail address shall be included. All representations of fact shall be supported by testimonial or documentary evidence in accordance with section 1187.5 of the Commission's regulations.[1]

Pursuant to Government Code section 17558.7(f), each claimant that files a notice of intent to join a consolidated incorrect reduction claim may later opt out and not be bound by any determination made on the consolidated IRC by filing a written notice of intent to opt out with the Commission within 15 days of service of the Controller's comments which must be served in accordance with section 1181.3 of the Commission's regulations. In such a case, the former individual IRC on file is reinstated, or if there is no IRC on file, the claimant has one-year to file the IRC from the date of the notice of intent to opt out, so long as the claimant's notice of intent to join was filed within the statute of limitations. (Cal. Code. Regs., tit. 2 § 1185.5.)

As of November 5, 2025, the following cities were listed on the Controller's List of All Claims Reduced Under *Identity Theft*, 03-TC-08 Program:

Apple Valley, Town of	05/19/23
Beverly Hills, City of	11/18/20
Chino Hills, City of	09/25/23
Fontana, City of	11/25/20
Fresno, City of	08/08/23
Fullerton, City of	03/17/21
Hesperia, City of	06/21/23
Huntington Beach, City of	09/25/19
Laguna Niguel, City of	04/12/24
Lake Forest, City of	03/19/24
Lancaster, City of	09/18/18
Long Beach, City of	08/10/18
Los Angeles, City of	12/08/21
Los Angeles, County of	06/12/17

[1] Cal. Code. Regs., tit. 2 § 1185.4.

Orange, County of	01/23/20
Palmdale, City of	06/22/22
Pasadena, City of	02/15/22
Rancho Cucamonga, City of	11/20/23
Rancho Palos Verdes, City of	04/08/20
San Bernardino, County of	06/22/22
Santa Clarita, City of	10/27/21
West Hollywood, City of	01/26/23

Please note that only those cities that file an incorrect reduction claim *and* a notice of intent to join the county's claim, or simply a notice of intent to join the consolidated incorrect reduction claim within the 3-year period of limitation to file from the first written notification from the Controller of the reduction and reasons for the reduction, may join this proposed consolidated claim. (Cal. Code Regs., tit. 2, 1185.1.) All claims or notices of intent to join filed beyond the period of limitation will be returned to the filer due to lack of jurisdiction.

Requirements for All Filings and Testimony. All oral or written representations of fact made to the Commission made by any person shall be under oath or affirmation and signed under penalty of perjury by persons who are authorized and competent to do so and must be based on the declarant's personal knowledge, information or belief. (Cal. Code. Regs., tit. 2 §§ 1185.2(e) and 1187.5.) The Commission's ultimate findings of fact must be supported by substantial evidence in the record.[2] Hearsay evidence (such as declarations not based on personal knowledge but information and belief alone) may be used for the purpose of supplementing or explaining other evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions.[3]

Filing Written Materials. The Commission's regulations require that written materials filed with the Commission be electronically filed (e-filed) in an unlocked legible and searchable PDF file, using the Commission's Dropbox. (Cal. Code Regs., tit. 2, 1181.3(c).) Refer to https://www.csm.ca.gov/dropbox.shtml on the Commission's website for electronic filing instructions. If e-filing would cause the filer undue hardship or significant prejudice, filing may occur by first class mail, overnight delivery or personal service only upon approval of a written request to the executive director. (Cal. Code Regs., tit. 2, 1181.3(c)(3).)

[2] Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission's decision is not supported by substantial evidence in the record.

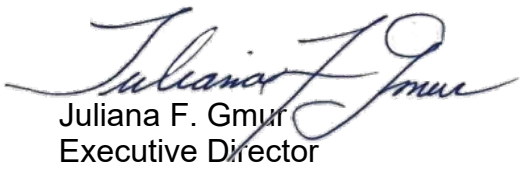
[3] Title 2, California Code of Regulations, section 1187.5.

If you would like to request an extension of time, please refer to section 1187.9(a) of the Commission's regulations.

Informal Conference. An informal conference may be scheduled if requested. Refer to section 1187.4 of the Commission's regulations.

Public Hearing and Draft Proposed Decision. The public hearing on this claim has been tentatively scheduled for **October 9, 2026**. The Draft Proposed Decision will be issued for comment at least eight weeks prior to the public hearing.

Very truly yours,



Juliana F. Gmur
Executive Director

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 7, 2025, I served the:

- **Current Mailing List dated November 7, 2025**
- **Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim issued November 7, 2025**
- **Controller's List of All Claims Reduced Under the *Identity Theft*, 03-TC-08 Program, filed November 5, 2025**

  Identity Theft, 25-0308-I-01
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Rancho Cucamonga, 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 7, 2025 at Sacramento, California.

Jill Magee
_____

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

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 11/7/25

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

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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STATE of CALIFORNIA
COMMISSION ON STATE MANDATES

June 29, 2026

Exhibit E

Ms. Annette Chinn
Cost Recovery Systems, Inc.
705-2 East Bidwell Street, #294
Folsom, CA 95630

Ms. Anne Kato
State Controller's Office
Local Government Programs
and Services Division
3301 C Street, Suite 740
Sacramento, CA 95816

And Parties, Interested Parties, and Interested Persons (See Mailing List)

Re: Draft Proposed Decision, Schedule for Comments, and Notice of Hearing
Identity Theft, 25-0308-I-01
Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
City of Rancho Cucamonga, Claimant

Dear Ms. Chinn and Ms. Kato:

The Draft Proposed Decision for the above-captioned matter is enclosed for your review and comment.

Written Comments: Written comments may be filed on the Draft Proposed Decision **by July 20, 2026**. Please note that all representations of fact submitted to the Commission must be signed under penalty of perjury by persons who are authorized and competent to do so and must be based upon the declarant's personal knowledge, information, or belief. (Cal. Code Regs., tit. 2, § 1187.5.) Hearsay evidence may be used for the purpose of supplementing or explaining other evidence but shall not be sufficient in itself to support a finding unless it would be admissible over an objection in civil actions. (Cal. Code Regs., tit. 2, § 1187.5.) The Commission's ultimate findings of fact must be supported by substantial evidence in the record.[1]

You are advised that comments filed with the Commission are required to be electronically filed (e-filed) in an unlocked legible and searchable PDF file, using the Commission's Dropbox. (Cal. Code Regs., tit. 2, § 1181.3(f).) Refer to https://www.csm.ca.gov/dropbox.shtml on the Commission's website for electronic filing instructions. If e-filing would cause the filer undue hardship or significant prejudice, filing may occur by first class mail, overnight delivery or personal service only upon approval of a request to the executive director. (Cal. Code Regs., tit. 2, § 1181.3(j).)

If you would like to request an extension of time to file comments, please refer to section 1187.9(a) of the Commission's regulations.

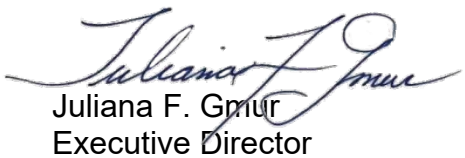
[1] Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission's decision is not supported by substantial evidence in the record.

Hearing: This matter is set for hearing on **Friday, December 4, 2026**, at 10:00 a.m. The Proposed Decision will be issued on or about November 20, 2026.

If you plan to address the Commission on this item, please notify the Commission Office not later than noon on the Tuesday prior to the hearing, **December 1, 2026.** Please also include the names of the people who will be speaking for inclusion on the witness list and the names and emails addresses of the people who will be speaking both in person and remotely to receive a hearing panelist link in Zoom. When calling or emailing, please identify the item you want to testify on and the entity you represent. The Commission Chairperson reserves the right to impose time limits on presentations as may be necessary to complete the agenda.

If you would like to request postponement of the hearing, please refer to section 1187.9(b) of the Commission's regulations.

Very truly yours,



Juliana F. Gmur
Executive Director

Hearing Date: December 4, 2026

ITEM ___

INCORRECT REDUCTION CLAIM

DRAFT PROPOSED DECISION

Penal Code Section 530.6(a)

Statutes of 2000, Chapter 956

Identity Theft

Fiscal Years 2002-2003 – 2012-2013

25-0308-I-01

City of Rancho Cucamonga, Claimant

EXECUTIVE SUMMARY

Overview

This Incorrect Reduction Claim (IRC) addresses a reduction of indirect costs made by the State Controller (Controller) to costs claimed by the City of Rancho Cucamonga (claimant) during fiscal years 2002-2003 to 2012-2013 to implement the *Identity Theft* program. The claimant contracts all of its police services with the County of San Bernardino Sheriff's Department.[1] The claimant challenges reductions of indirect costs and the Controller's calculation of additional administrative costs as direct costs under the police services contract.

Staff recommends that the Commission on State Mandates (Commission) deny this IRC.

Commission Responsibilities

Government Code section 17561(d) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state-mandated costs if the Controller determines that the claim is excessive or unreasonable.

Government Code section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to the local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission's regulations requires the Commission to send the decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of Parameters and Guidelines, de novo, without consideration of legal conclusions made by the Controller in the context of an audit. The Commission is vested with exclusive authority

[1] Exhibit A, Incorrect Reduction Claim, page 12 (Written Narrative).

to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6 of the California Constitution.[2] The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitution and statutory scheme. In making its decisions, the Commission must strictly construe article XIII B, section 6 and not apply it as an "equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities."[3]

With regard to the Controller's audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.[4]

The Commission must also review the Controller's audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with the claimant.[5] In addition, section 1185.1(f)(3) and 1185.2(d) and (e) of the Commission's regulations requires that any assertions of fact by the parties to an IRC must be supported by documentary evidence. The Commission's ultimate findings of fact must be supported by substantial evidence in the record.[6]

Claims

The following chart provides a brief summary of the claims and issues raised and staff's recommendation.

Issue	Description	Staff Recommendation
Did the claimant timely file this IRC?	Government Code section 17558.7(a) states "If the Controller reduces a claim approved by the commission, the claimant may file with the commission an incorrect	*Yes, the IRC was timely filed.* The final audit report was issued to the City of

[2] *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

[3] *County of Sonoma v. Commission on State Mandates* (2000), 84 Cal.App.4th 1264, 1281, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

[4] *Johnston v. Sonoma County Agricultural Preservation and Open Space District* (2002) 100 Cal.App.4th 973, 983-984; *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

[5] *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

[6] Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission's decision is not supported by substantial evidence in the record.

Issue	Description	Staff Recommendation
	reduction claim pursuant to regulations adopted by the commission." Section 1185.1(c) of the Commission's regulations requires an IRC to be filed no later than three years after the date the claimant receives a final state audit report, letter, or other written notice of adjustment to a reimbursement claim.	Rancho Cucamonga on November 20, 2023.[7] The IRC was filed on September 2, 2025.[8] As this was within three years of issuing the final audit report, the IRC was timely filed.
Is the Controller's reduction of indirect costs from $223,707 to $0, correct?	Indirect costs are those overhead expenses or central government expenses (like heat, electricity, administrative support, space, and infrastructure) that are separate from the direct costs of a state-mandated program, are incurred for common purposes of the local agency, and can be allocated directly to the state-mandated program. Section V.B. of the Parameters and Guidelines allows reimbursement for indirect costs based on the OMB Circular A-87 (previously codified in Code of Federal Regulations, title 2, part 225), by using 10% of labor (excluding fringe	*Yes, the reduction of indirect costs is correct as a matter of law.* The claimant does not employ peace officers and does not incur labor costs, yet it based its indirect cost rate proposal on the salaries and benefits of the County of San Bernardino Sheriff's Department, with rates ranging from 74 to 94 percent.[12] Preparing an ICRP based on salaries and wages of the peace officers employed by another local agency (the County of San Bernardino) does not comply with the requirements of the Parameters and Guidelines. Moreover, *all* costs incurred under a contract that are

[7] Exhibit A, Incorrect Reduction Claim, page 1110 (Final Audit Report).

[8] Exhibit A, Incorrect Reduction Claim, page 1.

[12] Exhibit A, Incorrect Reduction Claim, pages 1193-1194, 1200-1201, 1208-1209, 1222-1223, 1228-1229, 1236-1237, 1250-1251, 1257-1258, 1265-1266, 1271-1272, 1277-1278 (Indirect Cost Rate Proposals (ICRPs) with each reimbursement claim).

Issue	Description	Staff Recommendation
	benefits) or by preparing an Indirect Cost Rate Proposal (ICRP) which may use direct salaries and wages as the distribution base.[9] Section V.A.3. of the Parameters and Guidelines states that all contract costs related to the mandated program can be claimed as a *direct cost* of the program and that the claimant must report "all costs charged" and may only claim "the pro-rata portion of the services used to implement the reimbursable activities…"[10] Parameters and Guidelines are regulatory and binding on the parties.[11]	attributable to a state-mandated program are required to be claimed as a *direct cost* under section V.A.3., Contracted Services, of the Parameters and Guidelines.[13]
Is the Controller's allowance of $9,487, in Administrative Costs Related to the Indirect Costs Reduction?	Section V.A.3. of the Parameters and Guidelines states that all contract costs related to the mandated program can be claimed as a *direct cost* of the	*No, the Controller's allowance of $9,487 in administrative costs as part of the claimant's direct contracted services costs is unrelated to the indirect cost rate reduction and is not arbitrary, capricious, or*

[9] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Final Audit Report). Currently, the OMB Circular A-87 is codified in the Code of Federal Regulations, title 2, part 200.

[10] Exhibit A, Incorrect Reduction Claim, pages 1077-1078 (Parameters and Guidelines), emphasis added.

[11] *California School Boards Association v. State of California* (2009) 171 Cal.App.4th 1183, 1201; *Clovis Unified School District v. Chiang* (2010) 188 Cal.App.4th 794, 798; Government Code sections 17561(d)(1), 17564(b), and 17571.

[13] Exhibit A, Incorrect Reduction Claim, pages 1131-1132 (Final Audit Report).

Issue	Description	Staff Recommendation
	program and that the claimant must report "all costs charged" and may only claim "the pro-rata portion of the services used to implement the reimbursable activities…"[14] The Controller's Office found some additional administrative expenses applicable to the *Identity Theft* program in the contract between the claimant and San Bernardino County and increased the rates of reimbursement for *direct* costs by $9,487 based on percentages ranging from 4.56% to 9.45% for each individual fiscal year.[15]	*entirely lacking in evidentiary support.* The $9,487 is an *additional* reimbursement of direct costs and is unrelated to the reduction of indirect costs. There is no evidence that the Controller's calculation is arbitrary, capricious, or entirely lacking in evidentiary support.

Staff Analysis

This IRC addresses reductions made by the Controller to costs claimed by the City of Rancho Cucamonga (claimant) for fiscal years 2002-2003 through 2012-2013 (audit period) for costs incurred to implement the *Identity Theft* program. The program requires county and city law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected

[14] Exhibit A, Incorrect Reduction Claim, pages 1077-1078 (Parameters and Guidelines), emphasis added.

[15] Exhibit A, Incorrect Reduction Claim, pages 1131-1135 (Final Audit Report).

identity theft.[16] The claimant contracts all of its police services with the County of San Bernardino Sheriff's Department.[17]

During the audit period, the claimant claimed $223,707 in indirect costs, by preparing Indirect Cost Rate Proposals (ICRPs) for each year of the audit period, with rates ranging from 74 to 94 percent based on the "total direct salaries" of San Bernardino County's peace officers.[18] The Controller reduced these costs to $0 on the ground that the claimant contracted with San Bernardino County Sheriff's Department for its police services and did not incur any labor costs.[19] In addition, the Controller found some additional administrative expenses applicable to the *Identity Theft* program in the contract between the claimant and San Bernardino County and increased the rates of reimbursement for *direct* costs by $9,487 based on percentages ranging from 4.56% to 9.45% for each individual fiscal year.[20]

The claimant challenges both of these actions as reductions, urging the Commission to allow reimbursement for the indirect costs reduced. Staff finds that this IRC was timely filed within three years of the Controller issuing the final audit report.[21]

Staff also finds that the Controller's reduction of indirect costs to $0 is correct as a matter of law. Under the Parameters and Guidelines, which are regulatory and binding on the parties,[22] indirect costs for overhead expenses or central government expenses that benefit more than one program provided by the local agency (like heat, electricity, administrative support, space, and infrastructure) and which can be allocated directly to the state-mandated program, are eligible for reimbursement in accordance with the OMB Circular A-87 (previously codified in Code of Federal Regulations, title 2, part

[16] Exhibit A, Incorrect Reduction Claim, page 1075 (Parameters and Guidelines, section I).

[17] Exhibit A, Incorrect Reduction Claim, page 12 (Written Narrative).

[18] Exhibit A, Incorrect Reduction Claim, pages 1193-1194, 1200-1201, 1208-1209, 1222-1223, 1228-1229, 1236-1237, 1250-1251, 1257-1258, 1265-1266, 1271-1272, 1277-1278 (ICRPs with each reimbursement claim).

[19] Exhibit A, Incorrect Reduction Claim, pages 1123, 1136 (Final Audit Report).

[20] Exhibit A, Incorrect Reduction Claim, pages 1131-1135 (Final Audit Report).

[21] California Code of Regulations, title 2, section 1185.1(c); Exhibit A, Incorrect Reduction Claim, pages 1 and 1110.

[22] *California School Boards Association v. State of California* (2009) 171 Cal.App.4th 1183, 1201; *Clovis Unified School District v. Chiang* (2010) 188 Cal.App.4th 794, 798; Government Code sections 17561(d)(1), 17564(b), and 17571.

225).[23] Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an ICRP if the indirect cost rate claimed exceeds 10%.[24]

In this case, however, the claimant does not employ peace officers and does not incur labor costs, yet it based its ICRP using the salaries and benefits of the County of San Bernardino Sheriff's Department. Preparing an ICRP based on salaries and wages of the peace officers employed by another local agency (the County of San Bernardino) does not comply with the requirements of the Parameters and Guidelines. Moreover, *all* costs incurred under a contract that are attributable to a state-mandated program are required to be claimed as a *direct cost* under section V.A.3., Contracted Services, of the Parameters and Guidelines.[25]

The claimant argues that the $9,487 in additional reimbursement for administrative costs is an insufficient "alternate methodology" for its claim of $223,707 in indirect costs.[26] However, the $9,487 additional reimbursement is not a reduction and does not represent an "alternate" indirect cost rate calculation because it is additional reimbursement for the *direct costs* under the contract for this mandated program.[27] There is no evidence that the Controller's calculation is arbitrary, capricious, or entirely lacking in evidentiary support.

Conclusion

Based on the forgoing analysis, staff recommends that the Commission deny this IRC and find that:

- The IRC is timely filed.
- The Controller's reduction of indirect costs from $223,707 to $0 is correct as a matter of law.
- The Controller's allowance of $9,487 in administrative costs as part of the claimant's direct contracted services costs is unrelated to the indirect cost reduction and is not arbitrary, capricious, or lacking in evidentiary support.

[23] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters and Guidelines). Currently, the OMB Circular A-87 is codified in the Code of Federal Regulations, title 2, part 200.

[24] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters and Guidelines).

[25] Exhibit A, Incorrect Reduction Claim, pages 1131-1132 (Final Audit Report) ("The city used the same methodology to calculate hourly billing rates in all of its claims for the audit period.").

[26] Exhibit A, Incorrect Reduction Claim, pages 16-17 (Written Narrative).

[27] Exhibit A, Incorrect Reduction Claim, pages 1077-1078 (Parameters and Guidelines), emphasis added.

Staff Recommendation

Staff recommends that the Commission adopt the Proposed Decision to deny the IRC. Staff further recommends that the Commission authorize staff to make any technical, non-substantive changes to the Proposed Decision following the hearing.

BEFORE THE

COMMISSION ON STATE MANDATES

STATE OF CALIFORNIA

IN RE INCORRECT REDUCTION CLAIM Penal Code Section 530.6(a) Statutes of 2000, Chapter 956 Fiscal Years 2002-2003 – 2012-2013 Filed on September 2, 2025 City of Rancho Cucamonga, Claimant	Case No.: 25-0308-I-01 *Identity Theft* DECISION PURSUANT TO GOVERNMENT CODE SECTION 17500 ET SEQ.; CALIFORNIA CODE OF REGULATIONS, TITLE 2, DIVISION 2, CHAPTER 2.5, ARTICLE 7. (*Adopted December 4, 2026*)

DECISION

The Commission on State Mandates (Commission) heard and decided this Incorrect Reduction Claim (IRC) during a regularly scheduled hearing on December 4, 2026. [Witness list will be included in the adopted Decision.]

The law applicable to the Commission's determination of a reimbursable state-mandated program is article XIII B, section 6 of the California Constitution, Government Code sections 17500 et seq., and related case law.

The Commission [adopted/modified] the Proposed Decision to deny the IRC by a vote of [vote will be included in the adopted Decision], as follows:

Member	**Vote**
Lee Adams, County Supervisor	
Deborah Gallegos, Representative of the State Controller	
Karen Greene Ross, Public Member	
William Pahland, Representative of the State Treasurer, Vice Chairperson	
Michele Perrault, Representative of the Director of the Department of Finance, Chairperson	
Alexander Powell, Representative of the Director of the Governor's Office of Land Use and Climate Innovation	

Summary of the Findings

This IRC addresses reductions made by the State Controller (Controller) to costs claimed by the City of Rancho Cucamonga (claimant) for fiscal years 2002-2003 through 2012-2013 (audit period) for costs incurred to implement the *Identity Theft* program. The program requires county and city law enforcement agencies to take a

police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.[28] The claimant contracts all of its police services with the County of San Bernardino Sheriff's Department.[29]

During the audit period, the claimant claimed $223,707 in indirect costs, by preparing Indirect Cost Rate Proposals (ICRPs) for each year of the audit period, with rates ranging from 74 to 94 percent based on the "total direct salaries" of San Bernardino County's peace officers.[30] The Controller reduced these costs to $0 on the ground that the claimant contracted with San Bernardino County Sheriff's Department for its police services and did not incur any labor costs.[31] In addition, the Controller found some additional administrative expenses applicable to the *Identity Theft* program in the contract between the claimant and San Bernardino County and increased the rates of reimbursement for *direct* costs by $9,487 based on percentages ranging from 4.56% to 9.45% for each individual fiscal year.[32]

The claimant challenges both of these actions as reductions, urging the Commission to allow reimbursement for the indirect costs reduced. This IRC was timely filed within three years of the Controller issuing the final audit report.[33]

The Commission finds that the Controller's reduction of indirect costs to $0 is correct as a matter of law. Under the Parameters and Guidelines, which are regulatory and binding on the parties,[34] indirect costs for overhead expenses or central government expenses that benefit more than one program provided by the local agency (like heat, electricity, administrative support, space, and infrastructure) and which can be allocated directly to the state-mandated program, are eligible for reimbursement in accordance with the OMB Circular A-87 (previously codified in Code of Federal Regulations, title 2,

[28] Exhibit A, Incorrect Reduction Claim, page 1075 (Parameters and Guidelines, section I).

[29] Exhibit A, Incorrect Reduction Claim, page 12 (Written Narrative).

[30] Exhibit A, Incorrect Reduction Claim, pages 1193-1194, 1200-1201, 1208-1209, 1222-1223, 1228-1229, 1236-1237, 1250-1251, 1257-1258, 1265-1266, 1271-1272, 1277-1278 (ICRPs with each reimbursement claim).

[31] Exhibit A, Incorrect Reduction Claim, pages 1123, 1136 (Final Audit Report).

[32] Exhibit A, Incorrect Reduction Claim, pages 1131-1135 (Final Audit Report).

[33] California Code of Regulations, title 2, section 1185.1(c); Exhibit A, Incorrect Reduction Claim, pages 1 and 1110.

[34] *California School Boards Association v. State of California* (2009) 171 Cal.App.4th 1183, 1201; *Clovis Unified School District v. Chiang* (2010) 188 Cal.App.4th 794, 798; Government Code sections 17561(d)(1), 17564(b), and 17571.

part 225).[35] Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an ICRP if the indirect cost rate claimed exceeds 10%.[36]

In this case, however, the claimant does not employ peace officers and does not incur labor costs, yet it based its indirect cost rate proposal using the salaries and benefits of the County of San Bernardino Sheriff's Department. Preparing an indirect cost rate proposal based on salaries and wages of the peace officers employed by another local agency (the County of San Bernardino) does not comply with the requirements of the Parameters and Guidelines. Moreover, *all* costs incurred under a contract that are attributable to a state-mandated program are required to be claimed as a *direct cost* under section V.A.3., Contracted Services, of the Parameters and Guidelines.[37]

The claimant argues that the $9,487 in additional reimbursement for administrative costs is an insufficient "alternate methodology" for its claim of $223,707 in indirect costs.[38] However, the $9,487 additional reimbursement is not a reduction and does not represent an "alternate" indirect cost rate calculation because it is additional reimbursement for the *direct costs* under the contract for this mandated program.[39] There is no evidence that the Controller's calculation is arbitrary, capricious, or entirely lacking in evidentiary support.

Accordingly, the Commission denies this IRC.

COMMISSION FINDINGS

I. Chronology

07/28/2011	The Commission adopted the Parameters and Guidelines for the *Identity Theft* program.[40]
09/30/2011	The Controller issued claiming instructions, which stated that fiscal years 2002-2003 through 2009-2010 must be filed with the Controller by January 30, 2012 and claims for fiscal year 2010-2011 must be filed with the Controller by February 15, 2012.[41]

[35] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters and Guidelines). Currently, the OMB Circular A-87 is codified in the Code of Federal Regulations, title 2, part 200.

[36] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters and Guidelines).

[37] Exhibit A, Incorrect Reduction Claim, pages 1131-1132 (Final Audit Report) ("The city used the same methodology to calculate hourly billing rates in all of its claims for the audit period.").

[38] Exhibit A, Incorrect Reduction Claim, pages 16-17 (Written Narrative).

[39] Exhibit A, Incorrect Reduction Claim, pages 1077-1078 (Parameters and Guidelines), emphasis added.

[40] Exhibit A, Incorrect Reduction Claim, page 1075 (Parameters and Guidelines).

[41] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 24.

01/24/2012	The claimant certified by signing under penalty of perjury its fiscal year 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, and 2010-2011 reimbursement claims.[42] These claims were received by the Controller's Office on January 27, 2012.[43]
09/28/2012	The Commission adopted the Statewide Cost Estimate for the program.[44]
01/28/2013	The claimant certified by signing under penalty of perjury its fiscal year 2011-2012 reimbursement claim.[45] This claim was deemed filed by the Controller on or soon after this date.[46]
07/01/2013	The Legislature suspended the *Identity Theft* program and no appropriations were made for the fiscal year 2002-2003 through 2011-2012 reimbursement claims.[47]
02/13/2014	The claimant certified by signing under penalty of perjury its fiscal year 2012-2013 reimbursement claim.[48] This claim was deemed filed by the Controller on or soon after this date.[49]

[42] Exhibit A, Incorrect Reduction Claim, pages 1189, 1196, 1204, 1211, 1218, 1224, 1232, 1239, 1246, 1253, and 1261 (Reimbursement Claims).

[43] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 15.

[44] Commission on State Mandates, Statewide Cost Estimate on *Identity Theft*, 03-TC-08, adopted September 28, 2012, https://csm.ca.gov/documents/SCEadopt092812.pdf (accessed June 15, 2026), page 1.

[45] Exhibit A, Incorrect Reduction Claim, page 1268.

[46] Exhibit A, Incorrect Reduction Claim, page 1114 (Draft Audit Report) ("We analyzed the annual mandated cost claims filed by the city for the audit period…").

[47] Exhibit A, Incorrect Reduction Claim, pages 1110 and 1138 (Final Audit Report); Statutes 2013, chapter 20, Item 8885-295-001, schedule 3(y).

[48] Exhibit A, Incorrect Reduction Claim, page 1274 (Reimbursement Claims). The Legislature then suspended the *Identity Theft* program in the fiscal years 2013-2014 to 2022-23 Budget Acts. Exhibit A, Incorrect Reduction Claim, page 1138 (Final Audit Report).

[49] Exhibit A, Incorrect Reduction Claim, page 1114 (Draft Audit Report) ("We analyzed the annual mandated cost claims filed by the city for the audit period…").

07/01/2014	The Legislature suspended the *Identity Theft* program and no appropriations were made for the 2012-2013 reimbursement claims.[50]
03/18/2022	The Controller initiated the audit.[51]
04/19/2023	The Controller issued the Draft Audit Report.[52]
06/28/2023	The claimant filed comments on the Draft Audit Report.[53]
11/20/2023	The Controller issued the Final Audit Report, with no payments for the program having been made as of this date.[54]
09/02/2025	The claimant filed the Incorrect Reduction Claim.[55]
11/07/2025	The Commission issued the Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim.[56]
01/28/2026	The Controller filed comments on the Incorrect Reduction Claim.[57]

[50] Exhibit A, Incorrect Reduction Claim, page 1110 (Final Audit Report); Statutes 2014, chapter 25, Item 8885-95-001, schedule 3(x). This program is still suspended. See, Stats. 2025, ch. 4, Item 8885-295-001, schedule 5(u).

[51] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 78 (audit initiation letter).

[52] Exhibit A, Incorrect Reduction Claim, pages 78-79, 81 (Documentary Evidence).

[53] Exhibit A, Incorrect Reduction Claim, pages 1138-1186 (Final Audit Report).

[54] Exhibit A, Incorrect Reduction Claim, page 1110 (Final Audit Report, which states: "The State made no payments to the city. The State will pay $195,540, contingent upon available appropriations.").

[55] Exhibit A, Incorrect Reduction Claim, page 1.

[56] Exhibit D, Notice of Claimant's Intent to Consolidate and Opportunity for Eligible Claimants to Join the Consolidated Claim. No other claimant joined this claim. The claimant provided a statement regarding future consolidation and notice of intent to serve as lead incorrect reduction claim claimant per the Commission's regulations in section 1185.3(a) – (b). Exhibit A, Incorrect Reduction Claim, pages 8-11 (Consolidation Statement). However, no claimant requested to be consolidated to this claim within the timeline provided by section 1184.5(a) of the Commission's regulations. Notice of opportunity for eligible claimants to join was served by Commission staff to the mailing list on November 7, 2025. As the 30 days from November 7, 2025, provided by section 1184.5(a) passed without eligible claimants joining this Incorrect Reduction Claim, consolidation is moot.

[57] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 1.

03/23/2026	The claimant filed late rebuttal comments on the Incorrect Reduction Claim.[58]
06/29/2026	Commission staff issued the Draft Proposed Decision.[59]

II. Background

This IRC addresses the Controller's reduction of indirect costs claimed under the *Identity Theft* program. A background of the program and the issues presented in this IRC are below.

A. The Test Claim Statute

The test claim statute requires county and city law enforcement agencies to take a police report and begin an investigation when a complainant residing within their jurisdiction reports suspected identity theft.[60]

The Parameters and Guidelines allow reimbursement for the following activities:

1. Either a) or b) below:
   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
   b) Reviewing the identity theft report completed on-line by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

   Providing a copy of the report to the complainant is not reimbursable under this program.

[58] Exhibit C, Claimant's Late Rebuttal Comments, page 1.

[59] Exhibit E, Draft Proposed Decision.

[60] Exhibit A, Incorrect Reduction Claim, page 1075 (Parameters and Guidelines, Section I.).

> Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program[.][61]

The Parameters and Guidelines state that claimants are eligible for reimbursement for the direct costs of salaries and benefits and contracted services as follows:

> A. Direct Cost Reporting
>
> Direct costs are those costs incurred specifically for reimbursable activities. The following direct costs are eligible for reimbursement.
>
> 1. Salaries and Benefits
>
> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.
>
> [¶]
>
> 3. Contracted Services
>
> Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. If the contract services were also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.

The Parameters and Guidelines also allow claimants to claim indirect costs for overhead, as specified in the federal Office of Management and Budget (OMB) Circular A-87, by using either ten percent of labor, excluding fringe benefits, or preparing an indirect cost rate proposal if the indirect cost rate exceeds ten percent, as follows:

> B. Indirect Cost Rates
>
> 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

[61] Exhibit A, Incorrect Reduction Claim, pages 1077-1078 (Parameters and Guidelines, Section IV.).

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 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable.

The distributions base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

> 1. The allocation of allowable indirect costs (as defined and described in 2 CRF [sic] Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or
>
> 2. The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be

expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.[62]

B. The Controller's Audit

For the period of July 1, 2002, through July 1, 2013, the claimant claimed $500,098 in costs for the *Identity Theft* program.[63] The Controller found $195,540 allowable and $304,558 unallowable.[64] Of the $304,558 unallowable, $223,707 was unallowable as indirect costs, reducing indirect costs to $0 on the ground that the claimant did not have any labor costs, but rather contracted with San Bernardino County Sheriff's Department for its police services.[65] Of the $223,707 in indirect costs claimed, the Controller "found that the entire amount is unallowable, because no city staff member performed any of the reimbursable activities under this program during the audit period."[66]

Specifically, the claimant claimed indirect costs by preparing ICRPs for each year of the audit period, with rates ranging from 74 to 94 percent of "total direct salaries" of San Bernardino County's peace officers.[67]

The audit report states, in part:

> The City of Rancho Cucamonga claimed $500,098 ($276,391 in salary costs and $223,707 in related indirect costs) for the Identity Theft Program. We found that $195,540 is allowable and $304,558 is unallowable. The costs are unallowable primarily because the city claimed misclassified costs, overstated the number of identity theft reports taken, misstated the time increments needed to perform the reimbursable activities, and claimed unallowable indirect costs.
>
> The city used the correct methodology to calculate its salary costs. It multiplied the number of identity theft police reports by the time required to perform the reimbursable activities, and it multiplied the product by the hourly rates obtained from the city's contracts with the [San Bernardino County Sheriff's Department]. The SBCSD's contracts included costs for salaries and benefits, as well as additional administrative costs.
>
> ***However, the city should have classified its salary costs as contract services costs, because no city staff members performed the***

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[62] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters and Guidelines, Section V.).

[63] Exhibit A, Incorrect Reduction Claim, page 1113 (Final Audit Report).

[64] Exhibit A, Incorrect Reduction Claim, page 1113 (Final Audit Report).

[65] Exhibit A, Incorrect Reduction Claim, page 1123 (Final Audit Report).

[66] Exhibit A, Incorrect Reduction Claim, page 1136 (Final Audit Report).

[67] Exhibit A, Incorrect Reduction Claim, pages 1193-1194, 1200-1201, 1208-1209, 1222-1223, 1228-1229, 1236-1237, 1250-1251, 1257-1258, 1265-1266, 1271-1272, 1277-1278 (ICRPs with each reimbursement claim).

reimbursable activities. The city contracted with San Bernardino County to have the SBCSD perform all of its law enforcement services during the audit period. Therefore, the city did not incur any salary costs—or indirect costs related to salary costs—but rather incurred contract services costs. ***We reallocated the costs to the appropriate cost category of Contract Services.***

Contract Services Costs

The city contracted with San Bernardino County to have the SBCSD provide all of its law enforcement services during the audit period. These services included reimbursable activities claimed for the mandated program. The city contracted for various SBCSD staff positions each fiscal year and paid the SBCSD annual contract billing rates for the positions. These positions included, but were not limited to, Deputy Sheriffs, Office Specialists, Service Specialists, and Sergeants. No city staff members performed any of the reimbursable activities under this program; therefore, the city did not incur salary and related indirect costs as claimed, but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.[68]

The Controller further explained why the claimant's contracted services costs are not indirect costs under the Parameters and Guidelines and that costs to negotiate and administer the contract could have been claimed as indirect costs on the contract, but were not:

> According to the parameters and guidelines, allowable indirect costs include "the overhead costs of the unit performing the mandate." The City of Rancho Cucamonga contracts out its law enforcement services with the SBCSD. The unit performing the work related to the mandate is the SBCSD, not the city. The overhead costs for SBCSD are included in its billing rate, and our audit determined that those costs were allowable. The only indirect costs incurred by the City of Rancho Cucamonga for law enforcement services are its internal costs incurred by various city departments for negotiating and administering its contracts with San Bernardino County, however, the city did not claim these costs.[69]

The Controller, however, provided additional reimbursement of $9,487 for administrative costs in the contract,[70] and specifically clarified that administrative costs are *not* indirect costs:

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[68] Exhibit A, Incorrect Reduction Claim, pages 1124-1125 (Final Audit Report) emphasis added.

[69] Exhibit A, Incorrect Reduction Claim, page 1161 (Final Audit Report, Controller's Response to City's Response).

[70] Exhibit A, Incorrect Reduction Claim, page 1163 (Final Audit Report).

> However, the city explained during the audit that its contracts also include items that are clearly administrative in nature. During the audit, we discussed with city representatives the issue of recovering these administrative costs. The city believes that it should be able to prepare Indirect Cost Rate Proposals to recover these costs. However, OMB A-87 Office of Management and Budget guidance does not allow for the recovery of administrative costs using contract services as a base and classifying the administrative costs as indirect costs. The administrative costs included within the city's contracts for law enforcement services do not fit the definition of indirect costs.[71]

The Controller agreed to reimburse the claimant these costs based on a review of law enforcement service contracts for cities contracting with Los Angeles County for comparison in the handling of administrative costs.[72] It found that a "liability percentage" representing administrative costs is added in Los Angeles County's law enforcement contracts, and that in order to be fair with respect to those contracts, it would appropriately include administrative costs in the claimant's reimbursement. Although the claimant's contract with San Bernardino County is not structured this way, the contract includes administrative costs and indirect costs as separately billed line items for the County's law enforcement services it provides to the claimant. The Controller explains:

> Having previously audited a number of these cities, we noted that the county's billing rates included the costs for various employee classifications. However, the total costs for those classifications included salaries and benefits plus an additional "liability percentage," which was added to the contract hourly rate at a specific percentage amount. It is our understanding that this liability percentage covers costs for administrative items, such as various forms of insurance and amounts for countywide cost allocation plans. We did not audit these billing rates.
>
> However, San Bernardino County does not structure its contracts this way and, instead, includes administrative costs and indirect costs as separately billed line items in its contracts for law enforcement services. In order to be equitable with other California cities contracting for law enforcement services, we concluded that it was appropriate to allow the city to claim costs for line items included in San Bernardino County's contracts that are clearly administrative in nature.[73]

Thus, the Controller calculated administrative cost percentages ranging from 4.56% to 9.45% for each fiscal year by dividing the cost of the following administrative items by the total contract cost:

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[71] Exhibit A, Incorrect Reduction Claim, page 1132 (Final Audit Report).

[72] Exhibit A, Incorrect Reduction Claim, page 1132 (Final Audit Report).

[73] Exhibit A, Incorrect Reduction Claim, page 1132 (Final Audit Report).

- Administrative support
- Office automation
- Vehicle insurance
- Personnel liability and bonding
- TRU – Telephone Reporting Unit (FY 2002-03 through FY 2004-05)
- County-wide Cost Allocation Plan (COWCAP) – Administrative and Indirect Costs
- Board approved COWCAP subsidy (one-time for FY 2012-13 only)
- Startup costs (FY 2002-03 through FY 2009-10)[74]

Accordingly, the Controller increased the productive hourly rates for each fiscal year to account for the administrative cost percentages. For example, the Deputy Sheriff hourly rate of $82.41 for 2012-2013 increased to $87.47 with an administrative cost percentage of 6.14% for that year.[75] The Controller explained its decision to reimburse an additional $9,487 in administrative costs as follows:

> Although we were under no obligation to do so, we determined that it is appropriate to calculate an allowable administrative percentage and add it to the productive hourly rate calculations for county staff in this instance. This is similar to the methodology noted by the city's mandated cost consultant. We based our determination that certain contract costs are "clearly" administrative costs on our judgment that such costs are not directly related to providing law enforcement services for the city. Our report spells out exactly which costs we included. We believe that the line item descriptions describe various types of indirect costs that San Bernardino County incurred to provide law enforcement services pursuant to its contracts with the city. As stated previously, just because the city is reimbursing the county for its indirect costs, Generally Accepted Accounting Principles dictates that this does not also make those indirect costs incurred by the City of Rancho Cucamonga.[76]

In response to the draft audit report, the claimant agreed that it has no in-house police service and that its contract with the county "includes all direct sworn staff, indirect support and administrative personnel, and overhead costs – such as vehicle expenses, and other costs associated with operating a police department."[77]

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[74] Exhibit A, Incorrect Reduction Claim, pages 1132-1133 (Final Audit Report).

[75] Exhibit A, Incorrect Reduction Claim, page 1133 (Final Audit Report).

[76] Exhibit A, Incorrect Reduction Claim, page 1162 (Final Audit Report, Controller's Response to City's Response).

[77] Exhibit A, Incorrect Reduction Claim, page 1139 (Final Audit Report, City's Response).

The claimant also acknowledged the administrative costs "that averaged about 6%," but asserted that the rates it should have been allowed under the Parameters and Guidelines (as indirect costs) would have "averaged about 70%."[78]

Finally, regarding the claimant's argument that its claimed indirect costs are valid under federal regulations, the Controller stated that the claimant cited an inapplicable federal regulation:

> In its response, the city refers to Title 2, Code of Federal Regulations, part 200 (2 CFR 200), section 200.306(f) as justification for claiming indirect costs using the same indirect cost rates that San Bernardino County included in its mandated cost claims for this program. However, Section 200.306(f) is included within Subpart D of 2 CFR 200, which provides guidance for recipients of federal awards to account for cost sharing amounts. This guidance is not applicable to the calculation of indirect costs, nor is it applicable to mandated cost claims. The parameters and guidelines for the Identity Theft Program identify 2 CFR 225, Appendix A and B (OMB Circular A-87) as the controlling requirements for claiming indirect costs. The Commission adopted the parameters and guidelines for the Identity Theft Program in 2011. Several years later, the federal government re-codified 2 CFR 225 within 2 CFR 200 as Subpart E, along with the applicable appendices.[79]

III. Positions of the Parties

A. City of Rancho Cucamonga

The claimant disputes the $223,707 reduction of indirect costs to $0 and the methodology used to compute allowable administrative costs.[80]

The claimant first explains in its narrative that, like 30% of California cities, it has no in-house police service and therefore contracts with the San Bernardino County Sheriff's Department (SBCSD):

> The City of Rancho Cucamonga (City) has contracted with the San Bernardino County Sheriff's Department (SBCSD) since its incorporation

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[78] Exhibit A, Incorrect Reduction Claim, page 1139 (Final Audit Report, City's Response).

[79] Exhibit A, Incorrect Reduction Claim, pages 1162-1163 (Final Audit Report, Controller's Response to City's Response).

[80] Exhibit A, Incorrect Reduction Claim, page 2 ("Amount of Reduction" claimed adds up to $223,777. The $70 difference from $223,707 is a transcription error evident by comparing page 2 of the IRC to page 1124. Under the indirect costs deleted per the Controller's table on page 1124, the claimants transposed $24,838 to $24,818 and $10,786 to $10,876.); see also pages 12-32 (Written Narrative); page 1124 (Final Audit Report); and page 1161 (Final Audit Report, Controller's comments); Exhibit B, Controller's Comments on the IRC, page 15, and pages 16-17 and 25 (Written Narrative) and 1166 and 1171 (Final Audit Report).

> in 1977. The City pays for those County contracts (using general funds) to provide a complete Police Department equivalent to what is provided by a full-service city; legally and functionally.
>
> The City of Rancho Cucamonga has no in-house Police Department other than the one provided through its contract with SBCSD. This contract includes all costs (both direct and indirect) associated with operating a police department. Those costs are itemized by the County in a detailed format, similar to city departmental expenditure report.[81]

The claimant states that the indirect costs it claimed "were supported with Indirect Cost Rate Proposals (ICRPs) prepared in accordance with State Parameters and Guidelines, Claiming Manuals, and Instructions," and that they were "allowable under Federal OMB/CFR guidelines and matched those being claimed (and allowed by SCO) by other local agencies, including San Bernardino County (our contracting agency)."[82]

The claimant agrees that the direct costs of mandated activities performed by San Bernardino contract Deputies and Sergeants were allowable but disagrees with the Controller that the indirect costs were incurred by the County, not the City.[83] On this disagreement, the claimant states that it showed the Controller "the many overhead items the county charged us for within the contract [captain/our police chief, lieutenants, clerical positions, vehicle usage & dispatch support charges…] ; pointing out that these items would have been eligible for inclusion in the ICRP had we been a full-service city."[84]

Because the claimant is not a full-service city, it stated:

> The SCO explained that, "the only indirect costs incurred by the City of Rancho Cucamonga for law enforcement services are its internal costs incurred by various city departments for negotiation and administering its contract with San Bernardino County." They said that because we were a contract city, all costs relating to the law enforcement function within our contract police department were "direct" costs and requesting reimbursement for this overhead or preparing an ICRP was not an option.[85]

The claimant states that it "questioned why contract cities are not entitled to claim their 'law enforcement function'/departmental overhead costs."[86] It asserts that this is "unfair

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[81] Exhibit A, Incorrect Reduction Claim, page 12 (Written Narrative).

[82] Exhibit A, Incorrect Reduction Claim, page 12 (Written Narrative).

[83] Exhibit A, Incorrect Reduction Claim, page 13 (Written Narrative).

[84] Exhibit A, Incorrect Reduction Claim, page 13 (Written Narrative).

[85] Exhibit A, Incorrect Reduction Claim, page 13 (Written Narrative).

[86] Exhibit A, Incorrect Reduction Claim, page 13 (Written Narrative).

to contracting cities by denying them reimbursement of like/equivalent costs."[87] The claimant further argues that the Controller has made inconsistent findings in other claims, such as the City of San Marcos' claim for reimbursement for a different program, and the County of San Bernardino's claim for reimbursement for the *Identity Theft* program.[88]

The claimant states that since the Controller responded that an ICRP methodology could not be utilized, it "suggested methods by which these costs could be reimbursed to us 'directly'," but that the Controller declined this approach as well, so the claimant remained "unreimbursed for these 'reasonably necessary' departmental indirect costs."[89]

The claimant states that "the SCO conceded that there 'could be' some overhead costs that were 'clearly administrative' billed within the contract that they would consider."[90] The claimant summarizes this conversation as follows:

> They explained that in other audits of Los Angeles County Sheriff's (LA) contract cities, they allowed a "liability" surcharge that was an add-on to the staff billing rates, thus they would consider doing something similar for us.
>
> We explained that each county structured their contracts differently and that LA County already had most overhead costs already included in their Deputy Hourly rates. (see Section 7 under Los Angeles Contracts and Billing Rates)
>
> For example, in FY 2011-12 LA County charged their contract cities $119.41/hour for their Deputies (including the extra 4% liability percentage surcharge). If one reviews Los Angeles County's own Identity Theft claims, one can see LA County claimed $80.30/hour for their own Deputy's salary and benefit costs, plus 46.5% for their overhead/ICRP rate, bringing their total billable and claimed hourly rate for a Deputy to $117.64. A rate comparable to the what other claimants were allowed. Again – over 40% lower because we were denied inclusion of departmental overhead costs. (see Section 7 for copies of LA County claims as well as actual contracts with contract cities with their rate sheets).
>
> To "help us" obtain reimbursement for at least "some" of the cost the SCO deemed "clearly administrative" they computed a rate using a new and unwritten computational methodology they named the "Administrative Cost Rate". When we asked why they weren't using the existing ICRP methodology presented in the claiming instructions they stated that they

[87] Exhibit A, Incorrect Reduction Claim, page 14 (Written Narrative).

[88] Exhibit A, Incorrect Reduction Claim, pages 14-15 (Written Narrative).

[89] Exhibit A, Incorrect Reduction Claim, page 15 (Written Narrative).

[90] Exhibit A, Incorrect Reduction Claim, page 15 (Written Narrative).

were compelled to create this new, alternate methodology because the existing methods and guidelines didn't apply to cities that contract for law enforcement services.[91]

The claimant states that the Controller's administrative cost rate "methodology was unfair for a number of reasons."[92] The claimant states the Controller's selection is arbitrary, is contradictory to prior audit decisions, incorrectly comingles indirect costs with direct costs by using the total contract cost as the base for distributing their selected costs, and conflicts with Section V.B. of Parameters and Guidelines (addressing indirect costs).[93]

The claimant then presents four questions it states are at issue:

1. Which local agency should submit claims for state reimbursement – the agency that provides the services (county) – or the agency that pays for (incurs the cost) for that service (city)?
2. Are agencies that contract for law enforcement services entitled to computation of indirect/overhead costs using the existing Claiming Manuals/instructions and Parameters and Guidelines or is it appropriate for the SCO to create alternate overhead claiming methodologies?
3. Are there indirect costs within the City's Contract for law enforcement services?
4. Was it correct for the SCO to replace the existing Indirect Cost Rates Proposal (ICRP) methodology and create new alternate methodology for contract cities?[94]

To its issue one, regarding who should submit claims, the claimant states:

> All parties agree (the city/claimant, the SCO, and the Commission on State Mandate) that contracting cities are the entities which have incurred the mandated costs, not the Counties providing the services; thus, it is the contract cities which must submit claims for state reimbursement.[95]

To its issue two, regarding computation of indirect costs, the claimant states:

> SCO's own prior audits as well as other Commission Decisions found that the agency that "incurs" the cost is the appropriate entity to submit for reimbursement. It is inconsistent and unfair to apply different standards: saying a contract city cannot include or be reimbursed for all their eligible costs.[96]

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[91] Exhibit A, Incorrect Reduction Claim, pages 15-16 (Written Narrative).

[92] Exhibit A, Incorrect Reduction Claim, page 16 (Written Narrative).

[93] Exhibit A, Incorrect Reduction Claim, pages 16-17 (Written Narrative).

[94] Exhibit A, Incorrect Reduction Claim, pages 19-25 (Written Narrative).

[95] Exhibit A, Incorrect Reduction Claim, page 19 (Written Narrative).

[96] Exhibit A, Incorrect Reduction Claim, page 20 (Written Narrative).

To its issue three, regarding indirect costs within the law enforcement services contract, the claimant states:

> The SCO does not dispute the existence of overhead costs within the city's contract. The SCO's May 12, 2023 email response to the City under "Issue 3", stated, "Yes, San Bernardino County includes its indirect costs as separate line items in its contracts. However… that does not also make those costs incurred by Rancho Cucamonga." (If Rancho Cucamonga paid for those costs – how could we not have incurred them?)
>
> The SCO argues that, "the only indirect costs incurred by the City of Rancho Cucamonga for law enforcement services are its internal costs incurred by various city departments for negotiation and administering its contract with San Bernardino County," are eligible.
>
> Not only is this contradictory, it would disregard all costs in item (1) of the Parameters and Guidelines Section V.B. Indirect Cost Rate: "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 ad rational basis through a cost allocation plan." [¶]…[¶] Contract departments should not be held to a different standard and denied equal reimbursement of similar costs.[97]

The claimant further argues that

> Legally and functionally, the city does have a police department: one that provides the same services that an in-house department provides. Regardless of the method by which the services are provide[d], [the] Parameters and Guidelines do not make a distinction and intended that all local agencies be entitled to obtain reimbursement for the actual direct and indirect costs necessary to comply with the mandate.
>
> The plain language of State and Federal guidelines affirms that there can be eligible and reimbursable indirect costs within a contract. The City properly accounted for the indirect costs necessary to perform the reimbursable activities by computing an ICRP in accordance with the instructions and Parameters and Guidelines. [98]

To its issue four, regarding ICRP methodology and the administrative costs methodology, the claimant states:

> SCO's new "Administrative Percentage" methodology used in the computation of eligible overhead costs differs from that shown in State claiming instructions, manuals, and Parameters and Guidelines.[99]

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[97] Exhibit A, Incorrect Reduction Claim, pages 22-23 (Written Narrative).

[98] Exhibit A, Incorrect Reduction Claim, page 24 (Written Narrative).

[99] Exhibit A, Incorrect Reduction Claim, page 25 (Written Narrative).

The claimant argues that "[a]ltering rules and eligibility of costs after the fact constitutes 'underground rule making' and violate[s] Due Process principles."[100] The claimant states that it disagrees with the Controller that the "Federal CFR, 'A-87 … is not applicable" to contract city indirect costs.[101]

The claimant then refers to the Claiming Manual, citing Section 9 as follows:

> "GC Section 17564(b) provides that claims for indirect costs must be filed in the manner prescribed by the SCO."
>
> "If a local agency elects not to utilize the 10% fixed rate method but wants to claim indirect costs, it must prepare an ICRP for the program. The proposal must follow the provisions of the Office of Management and Budget (0MB) Circular A-87 (Title 2 CFR Part 225), *Cost Principles for State, Local, and Indian Tribal Governments*"
>
> "A method for preparing a departmental indirect cost rate proposal for programs is presented as Exhibit 1. Only this format is acceptable under the SCO reimbursement requirements. If more than one department is involved in the reimbursement program, **each department must have their own indirect cost rate proposal** for the program."[102]

The claimant states: "The City complied and used this methodology."[103]

The claimant concludes:

> The City respectfully requests that the Commission on State Mandate[s] allow the City of Rancho Cucamonga and all contract cities the same reimbursement rights as cities with in-house police departments. Existing guidelines should be applied consistently to ensure fair reimbursement for actual incurred costs. If the SCO believes that alternate rules and guidelines exist- it should be required to notify and provide these in advance.
>
> Denying contract cities reimbursement for indirect costs they have legitimately paid for would be inconsistent, unfair, and in violation of Article XIII B, section 6 or the California Constitution which mandates full reimbursement of state-imposed costs.[104]

The claimant filed late rebuttal comments on March 23, 2026. It summarized its comments as follows:

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[100] Exhibit A, Incorrect Reduction Claim, page 29 (Written Narrative).

[101] Exhibit A, Incorrect Reduction Claim, page 29 (Written Narrative).

[102] Exhibit A, Incorrect Reduction Claim, page 30 (Written Narrative, emphasis in original).

[103] Exhibit A, Incorrect Reduction Claim, page 31 (Written Narrative).

[104] Exhibit A, Incorrect Reduction Claim, page 32 (Written Narrative).

1. The SCO applied inconsistent audit standards. Audits of other similarly situated agencies demonstrate that the SCO has allowed other agencies, including other contract cities, to use existing ICRP methodologies and federal cost principles when allocating indirect costs. The SCO offers no explanation for applying a different standard to Rancho Cucamonga.
2. The SCO's interpretation conflicts with decades of claiming instructions and accepted practice. For more than twenty years, contract cities have been submitting mandate reimbursement claims using personnel costs incurred through contracts to support and compute direct cost as well as in the allocation base for indirect costs. Claiming instructions issued for long time mandates such as "Administrative License Suspension Per Se" and, "Domestic Violence Arrest Policies and Standards" make no distinction between contract personnel costs and in-house personnel costs.
3. The SCO's reasoning is internally contradictory. The SCO asserts that the City did not incur indirect costs through its law enforcement contract. However, the SCO's own audit identified indirect costs embedded within the contract and used those costs to calculate its new "Administrative Percentage." These conclusions cannot both be correct.
4. The SCO created an unsupported and unwritten indirect cost methodology. Instead of evaluating the City's existing ICRPs, which were prepared in accordance with Parameters and Guidelines (Ps and Gs) and Claiming Instructions, the SCO substituted a newly created "Administrative Percentage" rate. This methodology does not appear in the Parameters and Guidelines or the State Controller's Claiming Manual and relies on undefined criteria such as "clearly administrative" costs.
5. The SCO's interpretation conflicts with prior Commission guidance. Proceedings before the Commission on State Mandates (City of Palmdale IRC) have previously recognized that overhead costs may exist within contractual service arrangements and that agencies may recover such costs through an indirect cost rate proposal. The SCO's rejection of the City's properly prepared ICRPs therefore conflicts with prior Commission decision.[105]

B. <u>State Controller's Office</u>

The Controller urges the Commission to deny this Incorrect Reduction Claim. The Controller states that

[105] Exhibit C, Claimant's Late Rebuttal Comments, pages 1-2.

> However, the city claimed its contract services costs incorrectly as salaries and benefits, which we re-classified during our audit. The city also prepared Indirect Cost Rate Proposals (ICRPs) based on salary and benefit costs which, per its own admission in this IRC, it did not incur. As we noted in the audit report, substituting contract services costs as salaries and benefit costs for the purposes of preparing ICRPs is in direct violation of the Parameters and Guidelines as well as cost principles contained in 2 CFR Part 200, Part 225. Given these indisputable facts, we determined that all indirect costs claimed are unallowable.[106]

Following its reiteration that the indirect costs claimed are unallowable, the Controller explains its additional administrative costs finding:

> We could have stopped there and issued our audit report. However, as we explain in our comments addressing the city's Issue 3, the city's mandated cost consultant communicated with us, correctly noting that cities in Los Angeles County contracting for law enforcement services pay contract rates that include an administrative cost component. Los Angeles County refers to these additional amounts as "Liability". During prior audits and reviews of claims filed by cities that contract with Los Angeles County for law enforcement services, we have not had any findings related to the county's contract hourly rates nor objected to the inclusion of a liability amount. The consultant correctly noted that the SBCSD does not structure its contracts for law enforcement services in this manner. Instead, the SBCSD contracts include amounts for various items that, from our perspective, are not directly related to providing law enforcement services. We classified these items as "administrative costs" that the county incurs.[107]

The Controller then addresses the claimant's four issues.

As to the claimant's issue one regarding who should submit claims, the Controller states that the city should submit claims:

> We read Section II of the Ps and Gs to mean that, in addition to government entities that have their own law enforcement agency, cities that contract with a county for law enforcement services are also eligible to file claims under this state-mandated program. Therefore, the city's IRC asserts that the city should be eligible to claim the costs that it incurred to comply with the reimbursable activities. We agree. The city contracted with the SBCSD for its law enforcement services during all years of the audit period. Therefore, the SBCSD served as the city's law enforcement

[106] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, pages 15-16.

[107] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 16.

agency pursuant to its contracts with the city and the city incurred reimbursable contract services costs under this mandated program.[108]

As to the claimant's issue two regarding computation of indirect costs, the Controller cites the Commission's Decision in *Interagency Child Abuse and Neglect Investigation Reports Program*, 17-0022-I-01, City of Palmdale.[109] The Controller asserts that this incorrect reduction claim likewise considered indirect costs of a city contracting for law enforcement based on salaries and wages the city did not incur. The Controller states:

> In its decision, the Commission stated the following:
>
> The claimant here filed its initial reimbursement claims as direct salary costs for the deputies and sergeants conducting the mandate and sought 10 percent of the direct costs as its indirect costs. At all times relevant to this IRC, the claimant, through its reimbursement claims, amended claims, assertions and objections throughout the audit period, and allegations in filing the IRC, has consistently sought indirect costs of only the 10 percent default rate applied to the claimant's contract costs. The Final Audit Report states (and the claimant concedes) that "[n]one of the city staff members performed any of the reimbursable activities under this program." Nevertheless, the claimant continued throughout the audit and in this IRC to assert its belief that the 10 percent default rate was a reasonable and conservative estimate of its indirect costs. Accordingly, as noted above, the Controller disallowed all claimed indirect costs.
>
> The Government Code requires a claimant to file its reimbursement claims in accordance with the parameters and guidelines. And the courts have determined that parameters and guidelines are regulatory in nature and binding on the parties. In this case, the claimant has not complied with the Parameters and Guidelines in claiming its indirect costs; the 10 percent rate is allowed when the claimant uses its own employees to perform the mandated activities. This claimant contracts for all law enforcement services, including the mandated activities, and therefore the claimant has no direct salaries and benefits upon which to base its claim of indirect costs. The 10 percent default rate is not available to this claimant based on the plain language of the Parameters and Guidelines, irrespective of whatever documentation might be presented to justify it. Therefore, it is correct as a matter of law for the Controller to deny indirect costs, as claimed.
>
> The same issue has been presented to the Commission once again in this IRC. The only difference is that the city of Rancho Cucamonga claimed indirect costs using ICRPs that it prepared based on salaries and wages costs that it did not incur instead of claiming the default 10% indirect cost

[108] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 16.

[109] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 17.

> rate that is also available as an option in the [Identity Theft Program]. From the SCO's perspective, the issue is clear and the indirect costs claimed are unallowable.[110]

The Controller then cites to Section V.B. of the Parameters and Guidelines and concludes "that even if the contract between the city and the county includes indirect costs *that the county incurred, reimbursing the county for such costs does not also make them indirect costs that are reimbursable to the city*."[111]

The Controller states that the claimant misunderstands indirect costs. Indirect costs are legitimate costs associated with *operating* the claimant's own law enforcement operation. The Controller explains indirect costs as follows:

> The city's extensive arguments concerning its ability to prepare ICRPs and claim indirect costs based on contract services costs it incurred demonstrate a fundamental misunderstanding of indirect costs and what they represent. If the city had been operating its own Police Department during the years of the audit period, it would have incurred direct costs for providing such law enforcement services as traffic patrols, criminal investigations, incarceration, and public security, just to name a few. The direct cost of providing such direct law enforcement services is typically the cost of the salaries and wages of the personnel assigned to these duties. In addition to the direct costs incurred to provide law enforcement services to the citizens of Rancho Cucamonga, the city would also have incurred related indirect costs. The Ps and Gs note that "indirect costs are costs that are incurred for a common or joint purpose, benefitting more than one program and are not directly assignable to[] a particular department or program without efforts disproportionate to the result achieved." What this means is that the city would have incurred costs for such items as (but not limited to):
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> • Owning, operating, and maintaining a police station(s),
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> • Police Officer uniforms,
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> • Law enforcement tactical gear,
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> • Owning, operating, and maintaining a fleet of law enforcement vehicles,
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> • Officer training,
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> • Utility services (e.g., electricity, water, trash, & sewer),
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> • Operating and staffing a Human Resources Department,
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> • Operating a payroll function,

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[110] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, pages 17-18.

[111] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 18, emphasis added.

• Calculating, collecting, and submitting withholdings to the appropriate state and federal offices,

• Negotiating and administering employee benefit plans,

• Maintaining and preparing appropriate accounting records and reports,

• Negotiating and administering contracts with unions for police officers and clerical staff,

• Insurance (liability, fire, & automotive), and

• General legal costs as appropriate

While this is not an exhaustive list, it represents legitimate costs associated with operating a law enforcement operation. However, any effort to allocate and assign such costs to a particular program or division within the Police Department would be very difficult, or as the Ps and Gs explain, "without efforts disproportionate to the results achieved." [¶] However, the city of Rancho Cucamonga did not operate its own Police Department at any time during the audit period and did not incur the indirect costs contained in the previous bullet point list. Instead, San Bernardino County incurred such costs. Accordingly, costs appearing in the city's contract with the county are contract services costs, not salaries, benefits, and related indirect costs. Since the city did not incur related indirect costs, section V.B. (Indirect Cost Rates) of the Ps and Gs does not apply to the city's claims. [¶]…[¶] Our audit report (Section 9 City IRC, pdf pages 1109 through 1187), explains on pdf pages 1131 through 1136 that the city's ICRPs did not comply with the Ps and Gs. In the language cited previously from Section V.B. of the Ps and Gs, there are three options for using a distribution base. The city chose option #2 – direct salaries and wages. However, the city did not incur any direct salaries and wages costs. It incurred contract services costs and erroneously reclassified such costs as salaries and benefits for the purpose of preparing its ICRPs. In addition, each of the city's ICRPs were prepared for the City of Rancho Cucamonga Sheriff, which does not exist as an entity or as a person.

Regardless of any arguments raised by the city in its IRC filing concerning its belief about the allowability of indirect costs for contract services, it did not comply with the Ps and Gs to claim indirect costs in any of its claims during the audit period. The city cannot now use the IRC process to cure its incorrectly prepared claims.[112]

As to the claimant's issue three regarding indirect costs within the law enforcement service contract, the Controller states:

[112] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, pages 18-20.

> From the SCO's perspective, the answer is no. San Bernardino County may have included costs within its law enforcement contracts that represent indirect costs that it incurred, but there are no indirect costs within a contract for services for the city to claim, despite the city's pleas to the contrary. However, we do agree that the city's contracts include various line-item amounts that appear to be administrative in nature and not directly related to providing law enforcement services.[113]

The Controller then explained its addition of administrative costs again, and added:

> We were very careful to explain that while we acknowledged that San Bernardino County contracts for law enforcement services include various line-item cost amounts that do not appear directly related to law enforcement services, we defined these costs as "administrative costs," not indirect costs or overhead costs. In our audit report (Section 9 City IRC – pdf pages 1132 and 1133), we detailed the specific line-item amounts that appear to be wholly administrative in nature. We have seen similar methodologies in other city reimbursement claims to calculate administrative costs pursuant to contracts for law enforcement services and deemed them to be allowable, even though the methodology to calculate such administrative costs is absent direct guidance within any SCO Mandated Cost Manual for Local Agencies.[114]

As to the claimant's issue four regarding ICRP methodology and the administrative costs methodology, the Controller stated:

> Despite the city's statement, the SCO has not developed "a new alternate methodology" for claiming indirect mandated costs. The city did not incur any indirect costs, so Section V.B. of the Ps and Gs does not apply to the city's claims. As we noted in our comments to Issue 2, the city did not incur any costs for a common or joint purpose benefiting other departments by virtue of its contracts with San Bernardino County for law enforcement services.
>
> In addition, we would like to point out that SCO's calculations of administrative costs in this audit did not represent a reduction in costs but were additional costs that we deemed to be allowable.[115]

IV. Discussion

Government Code section 17561(d) authorizes the Controller to audit the claims filed by local agencies and school districts and to reduce any claim for reimbursement of state-mandated costs if the Controller determines that the claim is excessive or unreasonable.

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[113] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 20.

[114] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 21.

[115] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, page 21.

Government Code section 17551(d) requires the Commission to hear and decide a claim that the Controller has incorrectly reduced payments to the local agency or school district. If the Commission determines that a reimbursement claim has been incorrectly reduced, section 1185.9 of the Commission's regulations requires the Commission to send the decision to the Controller and request that the costs in the claim be reinstated.

The Commission must review questions of law, including interpretation of the parameters and guidelines, de novo, without consideration of legal conclusions made by the Controller in the context of an audit. The Commission is vested with exclusive authority to adjudicate disputes over the existence of state-mandated programs within the meaning of article XIII B, section 6 of the California Constitution.[116] The Commission must also interpret the Government Code and implementing regulations in accordance with the broader constitutional and statutory scheme. In making its decisions, the Commission must strictly construe article XIII B, section 6 and not apply it as an "equitable remedy to cure the perceived unfairness resulting from political decisions on funding priorities."[117]

With regard to the Controller's audit decisions, the Commission must determine whether they were arbitrary, capricious, or entirely lacking in evidentiary support. This standard is similar to the standard used by the courts when reviewing an alleged abuse of discretion of a state agency.[118] Under this standard, the courts have found:

> When reviewing the exercise of discretion, "[t]he scope of review is limited, out of deference to the agency's authority and presumed expertise: 'The court may not reweigh the evidence or substitute its judgement for that of the agency. [Citation.]'" … "In general … the inquiry is limited to whether the decision was arbitrary, capricious, or entirely lacking in evidentiary support…." [Citations.] When making that inquiry, the " ' "court must ensure that an agency has adequately considered all relevant factors, and has demonstrated a rational connection between those factors, the choice made, and the purposes of the enabling statute." [Citation.]' "[119]

The Commission must review the Controller's audit in light of the fact that the initial burden of providing evidence for a claim of reimbursement lies with the claimant.[120] In addition, sections 1185.1(f)(3) and 1185.2(d) and (e) of the Commission's regulations

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[116] *Kinlaw v. State of California* (1991) 54 Cal.3d 326, 331-334; Government Code sections 17551, 17552.

[117] *County of Sonoma v. Commission on State Mandates* (2000) 84 Cal.App.4th 1264, 1281, citing *City of San Jose v. State of California* (1996) 45 Cal.App.4th 1802, 1817.

[118] *Johnson v. Sonoma County Agricultural Preservation and Open Space Dist.* (2002) 100 Cal.App.4th 973, 983-984. See also *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547.

[119] *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547-548.

[120] *Gilbert v. City of Sunnyvale* (2005) 130 Cal.App.4th 1264, 1274-1275.

require that any assertions of fact by the parties to an Incorrect Reduction Claim must be supported by documentary evidence. The Commission's ultimate findings of fact must be supported by substantial evidence in the record.[121]

A. The Claimant Timely Filed this IRC Within Three Years from the Date the Claimant First Received from the Controller a Final State Audit Report, Letter, or Other Written Notice of Adjustment to a Reimbursement Claim, which Complies with Government Code Section 17558.5(c).

Government Code section 17558.7(a) states: "If the Controller reduces a claim approved by the commission, the claimant may file with the commission an incorrect reduction claim pursuant to regulations adopted by the commission."

Section 1185.1(c) of the Commission's regulations requires an Incorrect Reduction Claim to be filed no later than three years after the date the claimant receives a final state audit report, letter, or other written notice of adjustment to a reimbursement claim, which complies with Government Code section 17558.5(c). Under Government Code section 17558.5(c), the Controller is required to notify the claimant in writing within 30 days after issuance of a remittance advice of any adjustment to a reimbursement claim resulting from an audit or review. The notice must specify which claim components were adjusted and in what amount, as well as interest charges, and the reason for the adjustment.[122]

Here, the final audit report was issued to the claimant on November 20, 2023.[123] The audit report specifies the claim components and amounts adjusted, as well as the reasons for the adjustments, and therefore complies with the section 17558.5(c) notice requirements.[124]

The IRC was filed on September 2, 2025.[125] As this was within three years of issuing the final audit report, the IRC was timely filed.

B. The Controller's Reduction of Indirect Costs from $223,707 to $0 Is Correct as a Matter of Law.

The single reduction at issue is the disallowance of indirect costs. The claimant claimed $223,707 in indirect costs, which the Controller reduced to $0 on the ground that, as a contract city, the claimant has no direct salaries or benefits on which to base indirect

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[121] Government Code section 17559(b), which provides that a claimant or the state may commence a proceeding in accordance with the provisions of section 1094.5 of the Code of Civil Procedure to set aside a decision of the Commission on the ground that the Commission's decision is not supported by substantial evidence in the record.

[122] Government Code section 17558.5(c).

[123] Exhibit A, Incorrect Reduction Claim, page 1110 (Final Audit Report).

[124] Exhibit A, Incorrect Reduction Claim, pages 1109-1187 (Final Audit Report).

[125] Exhibit A, Incorrect Reduction Claim, page 1.

costs.[126] As explained in the Background, the claimant claimed indirect costs by preparing ICRPs for each year of the audit period, with rates ranging from 74 to 94 percent, based on San Bernardino County Sheriff's Department's "total allowable indirect costs" to the County Sheriff Department's "total direct salaries" and applied that percentage to the *Identity Theft* program.[127] In other words, the claimant is suggesting that it incurred indirect costs of up to 94 percent related to the performance of the *Identity Theft* mandated program. The claimant admits, however, it has not incurred salary and benefit expenses since it has no in-house police services, but contracts with the San Bernardino County Sheriff's Department for police services, including services under this mandated program.[128]

As explained below, the Commission finds that the Controller's reduction is correct as a matter of law.

Indirect costs are those overhead expenses or central government expenses (like heat, electricity, administrative support, space, and infrastructure) that are separate from the direct costs of a state-mandated program, are incurred for common purposes of the local agency, and can be allocated directly to the state-mandated program. Section V.B. of the Parameters and Guidelines allows reimbursement for indirect costs based on the OMB Circular A-87 (previously codified in Code of Federal Regulations, title 2, part 225).[129] Key provisions of the indirect cost provisions of the Parameters and Guidelines explain the following:

- 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.[130]
- In accordance with OMB Circular A-87, claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal

[126] Exhibit A, Incorrect Reduction Claim, page 1124 (Final Audit Report).

[127] Exhibit A, Incorrect Reduction Claim, pages 1193-1194, 1200-1201, 1208-1209, 1222-1223, 1228-1229, 1236-1237, 1250-1251, 1257-1258, 1265-1266, 1271-1272, 1277-1278 (ICRPs with each reimbursement claim).

[128] Exhibit A, Incorrect Reduction Claim, page 12 (Written Narrative).

[129] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters and Guidelines). Currently, the OMB Circular A-87 is codified in the Code of Federal Regulations, title 2, part 200.

[130] Exhibit A, Incorrect Reduction Claim, page 1078 (Parameters and Guidelines).

(ICRP) if the indirect cost rate claimed exceeds 10%. "[A]n indirect cost rate . . . is used to distribute indirect costs to mandates."[131]

- The allocation of allowable indirect costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

  The distributions base used may be:

  (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.);

  (2) direct salaries and wages; or

  (3) another base which results in an equitable distribution.[132]

These provisions are consistent with the OMB Circular A-87.[133]

Government Code section 17564(b) states that reimbursement claims filed with the Controller shall be filed in the manner prescribed in the Parameters and Guidelines. The Parameters and Guidelines for a state-mandated program are regulatory in nature and are binding on the parties.[134] Thus, the claimant is required to comply with the rules stated in the Parameters and Guidelines in order to obtain reimbursement.

In this case, the claimant incorrectly identified salaries and benefits as its direct costs. The claimant does not employ peace officers and, thus, does not have direct labor expenses, or salary and wage costs, to calculate an indirect cost rate.[135] No other

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[131] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters and Guidelines).

[132] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters and Guidelines).

[133] Exhibit B, Controller's Comments on the Incorrect Reduction Claim, pages 91-92 (70 Fed. Reg. 51911-51912), with the explanation of indirect cost rate proposals under the OMB Circular A-87 in Appendix E, pages 102-103 (70 Fed. Reg. 51924-51925). Currently, the OMB Circular A-87 is codified in the Code of Federal Regulations, title 2, part 200, with the indirect cost rate proposal in Code of Federal Regulations, title 2, section 200.414(e).

[134] *California School Boards Association v. State of California* (2009) 171 Cal.App.4th 1183, 1201; *Clovis Unified School District v. Chiang* (2010) 188 Cal.App.4th 794, 798; Government Code sections 17561(d)(1), 17564(b), and 17571.

[135] Exhibit A, Incorrect Reduction Claim, page 12 (Written Narrative).

direct costs were claimed.[136] Therefore, preparing an indirect cost rate proposal based on salaries and wages of the peace officers employed by another local agency (the County of San Bernardino) does not comply with the requirements of the Parameters and Guidelines.

Moreover, since the claimant does not employ peace officers and maintain a police department, there is no evidence that the claimant incurred its own overhead or central government expenses (like heat, electricity, administrative support, space, infrastructure, peace officer training, maintaining law enforcement vehicles, or costs incurred by a human resources department for peace officer employees) to comply with this mandated program. As found by the Controller, "[t]he only indirect costs incurred by the City of Rancho Cucamonga for law enforcement services are its internal costs incurred by various city departments for negotiating and administering its contracts with San Bernardino County, however, the city did not claim these costs."[137]

The claimant declares that because it paid for other costs in the law enforcement contract, those other costs may be claimed as the claimant's own indirect costs as follows:

> Initially, the [Controller] completely denied all overhead costs claimed saying it was the County Sheriff Department's staff, not "city staff members performing the reimbursable activities", and therefore it was the County incurring the indirect costs and not the city.
>
> When we disagreed and showed them that the many overhead items the county charged us for within the contract [captain/our police chief, lieutenants, clerical positions, vehicle usage & dispatch support charges…]; pointing out that these items would have been eligible for inclusion in an ICRP had we been a full-service city –the [Controller] agreed the costs were include[d] and paid for, but still denied the costs (see the May 12, 2023 [Controller] email) saying "Yes – San Bernardino County includes its indirect costs as separate line items in its contracts. However, … that does not also make those costs incurred by Rancho Cucamonga."
>
> We did not follow that logic: if the City paid for indirect costs billed in the contract – how can they not have been "incurred" by the City of Rancho Cucamonga?[138]

The claimant is not correct. To the extent applicable to the claimant's compliance with the *Identity Theft* program, indirect costs of the County of San Bernardino billed as part of the contract to the claimant were eligible to be claimed by the claimant as a *direct cost* under Section V.A.3., Contracted Services, along with the hourly billing rate costs

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[136] Exhibit A, Incorrect Reduction Claim, pages 1188-1279 (Reimbursement Claims).

[137] Exhibit A, Incorrect Reduction Claim, page 1161 (Final Audit Report, Controller's Response to the City's Response).

[138] Exhibit A, Incorrect Reduction Claim, page 13 (Written Narrative).

the Controller and claimant agreed were direct costs.[139] Further, direct costs cannot, *also,* be claimable as indirect costs. That would risk double-dipping which is prohibited by the Parameters and Guidelines and applicable federal regulations, which declare that "each cost incurred for the same purpose in like circumstances must be treated consistently either as a direct or an indirect cost *to avoid possible double-charging*" and that "[g]uidelines for determining direct and indirect costs … are provided *in this subpart*," which is Subpart E, entitled "Cost Principles."[140]

The claimant briefly indicates having pled with the Controller to apply another method to find the additional desired reimbursement as direct (instead of indirect) costs.[141] As explained in the next section, the Controller, in its discretion, found *some* additional direct costs in the contracts for administrative expenses applicable to the *Identity Theft* program and increased the rates of reimbursement for direct costs accordingly.[142] Although the Controller "was under no obligation to do so, [it] determined that it [was] appropriate to calculate an allowable administrative percentage and add it to the productive hourly rate calculations for county staff in this instance."[143]

However, regardless of how the claimant attempted to *label* the costs – indirect or direct – the fact remains that the claimant provided no source documentation, other than the contract with San Bernardino County, for the Controller's review to consider additional costs of either kind. Under Section V.A.3., Contracted Services, "only the pro-rata portion of the services used to implement the reimbursable activities can be claimed."[144] And under the Parameters and Guidelines, the burden of providing source documentation to support the costs claimed is on the claimant.[145]

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[139] Exhibit A, Incorrect Reduction Claim, pages 1131-1132 (Final Audit Report) ("The city used the same methodology to calculate hourly billing rates in all of its claims for the audit period.").

[140] Code of Federal Regulations, title 2, section 200.412, emphasis added.

[141] Exhibit A, Incorrect Reduction Claim, page 15 (Written Narrative) ("Since the SCO was insistent that we could not utilize the ICRP methodology and that our 'administrative costs' … 'did not fit the definition of indirect costs' … we suggested methods by which these costs could be reimbursed to us 'directly.' The SCO declined either approach – so we remain unreimbursed for these 'reasonably necessary' departmental indirect costs.").

[142] Exhibit A, Incorrect Reduction Claim, pages 1131-1135 (Final Audit Report).

[143] Exhibit A, Incorrect Reduction Claim, pages 1162 (Final Audit Report, Controller's Response to City's Response).

[144] Exhibit A, Incorrect Reduction Claim, pages 1077-1078 (Parameters and Guidelines).

[145] Exhibit A, Incorrect Reduction Claim, page 1077 (Parameters and Guidelines, Section V. Claim Preparation) ("Each reimbursable cost must be supported by source documentation as described in section IV.").

The claimant further argues that current section 200.306(f) of title 2 of the Federal Regulations makes an indirect cost rate available for contract costs.[146] However, unlike section 200.414(f), which is the successor to the provisions cited in the Parameters and Guidelines,[147] section 200.306(f) is not in Subpart E on the subject of Cost Principles. Section 200.306(f) is in Subpart D on the subject of Post Federal Award Requirements.[148] Subpart D is not incorporated in the Parameters and Guidelines, does not apply to state-mandated programs, and is not relevant. The federal regulations likewise define Subpart D as "administrative requirements" of federal funding following awards, whereas Subpart E defines allowable costs.[149]

Finally, the conclusion here, that the Controller correctly reduced the costs claimed for indirect costs when the claimant contracts out for services, is consistent with past Commission decisions.[150] In the IRC for *Interagency Child Abuse and Neglect Investigation Reports*, 17-0022-I-01, the claimant contracted for services and also claimed indirect costs based on the default rate of ten percent of labor. The Commission agreed with the Controller that indirect costs were incorrectly claimed:

> This claimant contracts for all law enforcement services, including the mandated activities, and therefore the claimant has no direct salaries and benefits upon which to base its claim of indirect costs. The 10 percent default rate is not available to this claimant based on the plain language of the Parameters and Guidelines, irrespective of whatever documentation

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[146] Exhibit A, Incorrect Reduction Claim, page 1158 (Final Audit Report).

[147] Exhibit A, Incorrect Reduction Claim, pages 1078-1079 (Parameters & Guidelines, Section V.B. Indirect Cost Rates) citing 2 CFR Part 225 defining Indirect Costs. Code of Federal Regulations, title 2, section 200.414 formerly codified in 2 CFR Part 225 at the time of these parameters and guidelines. See 70 Fed. Reg. 51910-01 (Aug. 31, 2005) and 78 Fed. Reg. 78590-01 (Dec. 26, 2013); Exhibit A, Incorrect Reduction Claim, pages 1162-1163 (Final Audit Report) ("The parameters and guidelines for the Identity Theft Program identify 2 CFR 225, Appendix A and B (OMB Circular A-87) as the controlling requirements for claiming indirect costs. The Commission adopted the parameters and guidelines for the Identity Theft Program in 2011. Several years later, the federal government re-codified 2 CFR 225 within 2 CFR 200 as Subpart E, along with the applicable appendices.").

[148] Code of Federal Regulations, title 2, section 200.306(f).

[149] Code of Federal Regulations, title 2, section 200.100.

[150] See Commission on State Mandates, Incorrect Reduction Claim Decision on *Interagency Child Abuse and Neglect Investigation Reports (ICAN)*, 17-0022-I-01, adopted November 30, 2018, https://csm.ca.gov/matters/17-0022-I-01/doc12.pdf (accessed May 21, 2026), page 41; Commission on State Mandates, Incorrect Reduction Claim Decision on *Crime Statistics Reports for the Department of Justice (DOJ)*, 17-0240-I-01, adopted January 22,2021, https://csm.ca.gov/matters/17-0240-I-01/doc15.pdf (accessed May 21, 2026), pages 7-9 and 42-48.

might be presented to justify it. Therefore, it is correct as a matter of law for the Controller to deny indirect costs, as claimed.[151]

Also, in its Decision on *Crime Statistics Reports for the Department of Justice (DOJ)*, 17-0240-I-01, the Commission upheld the Controller's reduction of indirect costs developed using an ICRP on the same basis as here, which is that labor costs within a global law enforcement contract may not be used to claim indirect costs:

> Finally, the Commission finds that the Controller's reduction of indirect costs in Finding 2 for fiscal years 2007-2008 through 2011-2012 is not arbitrary, capricious, or entirely lacking in evidentiary support. Section V.B. of the Parameters and Guidelines addresses indirect costs, and provides claimants the option of either claiming 10 percent of direct labor costs, or if indirect costs exceed the 10 percent rate, developing an indirect cost rate proposal by dividing the total allowable indirect costs by an equitable distribution rate. For fiscal years 2007-2008 through 2011-2012, the claimant developed indirect cost rate proposals and applied those rates to costs for contracted law enforcement services that the Controller asserts were incorrectly claimed as direct labor costs, resulting in claimed indirect cost rates ranging from 80.8 to 91.8 percent annually. The Controller found that the claimed methodology was incorrect because the claimant contracted for law enforcement with the SDSO, so it was inappropriate to claim the costs as indirect "labor costs."[152]

The claimant nonetheless relies on the Decision in *Crime Statistics Reports for the Department of Justice (DOJ)*, 17-0240-I-01, asserting that, in a separate finding, the Commission *allowed* the use of an ICRP on contracted labor costs.[153] The claimant misreads the Commission's Decision. The "indirect cost rates" referenced by the claimant in *Crime Statistics Reports for the Department of Justice (DOJ)*, 17-0240-I-01 were used to find additional *direct* costs reimbursable to the claimant as "Contracted Services" under Section V.A.3. of the Parameters and Guidelines. In its IRC on *Crime Statistics Reports for the Department of Justice (DOJ)*, 17-0240-I-01, the claimant submitted supplemental schedules to the contract. The Controller was able to use that source documentation to find further *direct* contract costs reimbursable to the

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[151] Commission on State Mandates, Incorrect Reduction Claim Decision on *Interagency Child Abuse and Neglect Investigation Reports (ICAN)*, 17-0022-I-01, adopted November 31, 2018, https://csm.ca.gov/matters/17-0022-I-01/doc12.pdf (accessed May 21, 2026), page 41.

[152] Commission on State Mandates, Incorrect Reduction Claim Decision on *Crime Statistics Reports for the Department of Justice (DOJ)*, 17-0240-I-01, adopted January 22,2021, https://csm.ca.gov/matters/17-0240-I-01/doc15.pdf (accessed May 21, 2026), page 8.

[153] Exhibit A, Incorrect Reduction Claim, pages 14, 17, 25-26, 28 (Written Narrative).

claimant.[154] The Decision explained the following: ""The Controller notes that the rates it calculated are 'contract-related indirect cost rates,' ***rather than ICRPs***, because the costs are derived from the amounts in the contracts, and applied to the contract, rather than direct labor costs, which the claimant did not incur."[155]

Accordingly, the Controller's reduction of indirect costs to $0 is consistent with the Parameters and Guidelines and is, therefore, correct as a matter of law.

C. The Controller's Allowance of $9,487 in Administrative Costs as Part of the Claimant's *Direct* Contracted Services Costs Is Unrelated to the Indirect Cost Rate Reduction and Is Not Arbitrary, Capricious, or Entirely Lacking in Evidentiary Support.

The claimant argues that the $9,487 in additional reimbursement for administrative costs is an insufficient "alternate methodology" for its claim of $223,707 in indirect costs.[156] However, as explained below, the $9,487 additional reimbursement is not a reduction and does not represent an "alternate" indirect cost rate calculation because it is additional reimbursement for the *direct costs* under the contract for this mandated program. The Commission has jurisdiction only to determine whether the Controller has incorrectly *reduced* payments to a local agency.[157] Nevertheless, the Commission is addressing this issue since the claimant contends costs are an insufficient substitute for its desired ICRP and it alleges that a reduction occurred.[158]

Section V.A.3. of the Parameters and Guidelines states that all contract costs related to the mandated program can be claimed as a *direct cost* of the program:

> Report the name of the contractor and services performed to implement the reimbursable activities and attach a copy of the contract to the claim. If the contractor bills for time and materials, report the number of hours spent on the activities and *all costs charged*. If the contract is a fixed price, report the dates when services were performed and itemize all costs for those services during the period covered by the reimbursement claim. *If the contract services were also used for purposes other than the*

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[154] Commission on State Mandates, Incorrect Reduction Claim Decision on *Crime Statistics Reports for the Department of Justice (DOJ)*, 17-0240-I-01, adopted January 22, 2021, https://csm.ca.gov/matters/17-0240-I-01/doc15.pdf (accessed May 21, 2026), page 14 (Reviewing contracts *and schedules*, the Controller found "overhead costs in the contract [that] were appropriate as they related to the performance of the mandated activities.").

[155] Commission on State Mandates, Incorrect Reduction Claim Decision on *Crime Statistics Reports for the Department of Justice (DOJ)*, 17-0240-I-01, adopted January 22, 2021, https://csm.ca.gov/matters/17-0240-I-01/doc15.pdf (accessed May 21, 2026), page 23, emphasis added

[156] Exhibit A, Incorrect Reduction Claim, pages 16-17 (Written Narrative).

[157] Government Code section 17551.

[158] Exhibit A, Incorrect Reduction Claim, pages 16-17 (Written Narrative).

reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and invoices with the claim and a description of the contract scope of services.[159]

As explained in the Audit Report, the Controller acknowledged that contracts in Los Angeles County include an "additional 'liability percentage'" added to the contract hourly rates, and in its discretionary audit capacity here, decided to ascertain the same additional reimbursement for administrative expenses as part of the contract hourly rates for the claimant.[160] It summarized this decision as a means of adding to the claimant's contract hourly rates costs for the County of San Bernardino Sheriff Department's "clearly administrative" charges to the city under the contract, expressly noting that they were *direct* contract costs, and not indirect costs:

> The city's contracts with SBCSD also include additional employee classifications and items—such as vehicles, dispatch services, and equipment—that are part of the direct costs incurred to provide law enforcement for the city. However, the city explained during the audit that its contracts also include items that are clearly administrative in nature. During the audit, we discussed with city representatives the issue of recovering these administrative costs. The city believes that it should be able to prepare Indirect Cost Rate Proposals to recover these costs. However, OMB A-87 Office of Management and Budget guidance does not allow for the recovery of administrative costs using contract services as a base and classifying the administrative costs as indirect costs. The administrative costs included within the city's contracts for law enforcement services do not fit the definition of indirect costs. [¶]…[¶] We calculated an administrative cost percentage for each fiscal year of the audit period based on the city's Law Enforcement Services Contract. To calculate the percentage, we divided the cost of the following line items by the total contract cost:
>
> • Administrative support
>
> • Office automation
>
> • Vehicle insurance
>
> • Personnel liability and bonding
>
> • TRU – Telephone Reporting Unit (FY 2002-03 through FY 2004-05)
>
> • County-wide Cost Allocation Plan (COWCAP) – Administrative and Indirect Costs
>
> • Board approved COWCAP subsidy (one-time for FY 2012-13 only)

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[159] Exhibit A, Incorrect Reduction Claim, pages 1077-1078 (Parameters and Guidelines), emphasis added.

[160] Exhibit A, Incorrect Reduction Claim, page 1132 (Final Audit Report).

• Startup costs (FY 2002-03 through FY 2009-10)[161]

These calculations increased the contract hourly rates claimed as direct costs by percentages ranging from 4.56% to 9.45% for each individual fiscal year.[162] For example, the *revised* contract hourly rate for a deputy sheriff increased by 6.14% to $87.47 for fiscal year 2012-2013.[163]

The additional reimbursement is not a reduction of indirect costs. The Controller's Audit Report clearly explains that:

> Our determination of calculating additional allowable costs based on administrative costs within the city's contracts is *unrelated to OMB Circular A-87 cost principles*. Instead, we used a basic mathematical construct to allocate the mandated portion of administrative costs based on each year's total contract amount.[164]

Further, the Audit Report states:

> We used a methodology here to include the costs we identified as administrative costs within the city's contracts and re-calculated allowable productive hourly rates for county staff. This resulted in additional allowable contract services costs of $9,487 for the city, which is not a reduction of costs.[165]

Therefore, the $9,487 is an additional reimbursement of direct costs and is unrelated to the reduction of indirect costs.

Furthermore, the Commission's review of the Controller's discretionary audit authority is limited out of deference to the Controller's audit expertise. On these decisions, the Commission may not reweigh the evidence or substitute its judgement for that of the Controller.[166] As explained above, the record shows the Controller adequately considered the claimant's arguments and request for additional funding, all relevant factors including the plain language of the Parameters and Guidelines, and has demonstrated a rational connection between those factors, the choice made, and the purposes of article XIII B, section 6 of the California Constitution.[167] There is no

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[161] Exhibit A, Incorrect Reduction Claim, pages 1132-1133 (Final Audit Report).

[162] Exhibit A, Incorrect Reduction Claim, page 1133 (Final Audit Report).

[163] Exhibit A, Incorrect Reduction Claim, page 1133 (Final Audit Report).

[164] Exhibit A, Incorrect Reduction Claim, page 1162 (Final Audit Report).

[165] Exhibit A, Incorrect Reduction Claim, page 1163 (Final Audit Report).

[166] *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547-548.

[167] *American Bd. of Cosmetic Surgery, Inc. v. Medical Bd. of California* (2008) 162 Cal.App.4th 534, 547-548.

evidence that the Controller acted in an arbitrary and capricious manner with respect to the addition of these costs.

Accordingly, Controller's allowance of $9,487 in administrative costs as part of the claimant's *direct* contracted services costs is unrelated to the indirect cost rate reduction and is not arbitrary, capricious, or entirely lacking in evidentiary support.

V. Conclusion

Based on the forgoing analysis, the Commission denies this IRC.

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 June 29, 2026, I served the:

- **Current Mailing List dated June 23, 2026**
- **Draft Proposed Decision, Schedule for Comments, and Notice of Hearing issued June 29, 2026**

  Identity Theft, 25-0308-I-01
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Rancho Cucamonga, 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 June 29, 2026 at Sacramento, California.

Jill Magee

_____

Jill Magee
Commission on State Mandates
980 Ninth Street, Suite 300
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(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 6/23/26

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

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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Exhibit F

Cost Recovery Systems, Inc.

Commission on State Mandates
Filed Date
07/15/2026

July 15, 2026

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

RE: City of Rancho Cucamonga – Identity Theft Incorrect Reduction Claim 25-0308-I-01

Dear Ms. Gmur,

The City of Rancho Cucamonga respectfully submits this additional information in response to the Commission's Draft Decision for further consideration.

I do declare under penalty of perjury that the foregoing information is true and correct to the best of my knowledge, and that such knowledge is based on personal observation, information, or belief.

Sincerely,

Annette S. Chinn
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Cost Recovery Systems

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Introduction.

This Appeal Is About Whether Contract Cities May Continue to Rely on the Commission's Published Reimbursement Methodology

This Incorrect Reduction Claim is not merely a dispute over the reimbursement of Rancho Cucamonga's Identity Theft Prevention Program claim. Rather, it presents a fundamental question concerning the continued viability of the Commission's published methodology for recovering allowable indirect support costs incurred by California's contract cities.

For more than two decades, contract cities have prepared mandated cost reimbursement claims in reliance upon the Commission's adopted Parameters and Guidelines, Claiming Instructions, and State Mandates Claiming Manual. Those published authorities expressly authorize the recovery of allowable indirect support costs through an approved Indirect Cost Rate Proposal ("ICRP") and recognize that indirect costs may be allocated using direct salaries and wages, total direct costs, or another equitable distribution base. Nothing in those authorities excludes contract labor from serving as the equitable distribution base for an approved ICRP, nor do they establish separate reimbursement rules for contract cities that obtain law enforcement services through contracts with county sheriffs or other public agencies. Rancho Cucamonga did not devise a novel allocation methodology for purposes of this claim. It simply followed the same published reimbursement framework upon which contract cities throughout California have reasonably relied for more than twenty years.

The Recommended Decision nevertheless concludes that Rancho Cucamonga may not recover the majority of its allowable indirect support costs because it used contract law enforcement costs, rather than City payroll costs, as the equitable distribution base for its Commission-approved ICRP. That restriction appears nowhere in the Commission's adopted Parameters and Guidelines, Claiming Instructions, or State Mandates Claiming Manual. Instead, the Recommended Decision effectively creates a new reimbursement limitation applicable only to contract cities without any corresponding amendment to the Commission's published reimbursement standards.

If the Commission now concludes that a different methodology should govern future reimbursement claims submitted by contract cities, that change should be implemented prospectively through amendment of the Commission's published claiming guidance—not retroactively through the adjudication of an individual reimbursement claim.

The consequences of that conclusion extend far beyond Rancho Cucamonga. Many California cities obtain law enforcement services through contractual arrangements rather than operating traditional municipal police departments. Those jurisdictions have reasonably relied upon the Commission's published methodology in preparing reimbursement claims for many years. If the Commission now concludes that contract cities may no longer recover allowable indirect support costs using an approved ICRP based upon contract law enforcement costs, those agencies are

entitled to know what methodology they are expected to use instead. The Recommended Decision provides no answer to that question.

Accordingly, this appeal presents an issue of statewide importance. The central question is not whether Rancho Cucamonga could have selected a different allocation methodology. The question is whether the City faithfully followed the Commission's published reimbursement methodology, or whether the State Controller may disallow otherwise allowable indirect support costs by applying an unpublished limitation that appears nowhere in the governing Parameters and Guidelines or Claiming Instructions.

I. The Recommended Decision Imposes a Limitation That Does Not Appear in the Commission's Published Reimbursement Standards

The Recommended Decision does not identify any provision of the Parameters and Guidelines, Claiming Instructions, or State Mandates Claiming Manual that prohibits Rancho Cucamonga from using contract law enforcement costs as the equitable distribution base for its approved Indirect Cost Rate Proposal ("ICRP"). Instead, it concludes that the City's allowable indirect support costs are largely unreimbursable because the direct program activities were performed pursuant to a law enforcement services contract rather than by City employees.

That conclusion cannot be reconciled with the Commission's published reimbursement standards.

As discussed above, the Parameters and Guidelines expressly authorize claimants to allocate allowable indirect support costs using total direct costs, direct salaries and wages, or another equitable distribution base. They contain no language limiting the use of contract labor, no distinction between contract cities and full-service cities, and no requirement that an approved ICRP be based exclusively upon City payroll costs. The Recommended Decision nevertheless imposes precisely those limitations.

The practical effect is to create a new reimbursement standard that appears nowhere in the Commission's published guidance. Under the Recommended Decision, contract cities may recover only those indirect costs the State Controller determines are sufficiently "administrative," while indirect support costs associated with contract law enforcement activities are effectively excluded from reimbursement. Yet neither the Parameters and Guidelines nor the Claiming Instructions establish such a distinction, define that standard, or explain how claimants are expected to apply it when preparing reimbursement claims.

Administrative agencies are expected to apply the standards they have adopted and published. Claimants likewise are entitled to rely upon those published standards when preparing reimbursement claims. Here, Rancho Cucamonga did exactly that. The City prepared its claim using an approved ICRP, applied one of the allocation methodologies expressly authorized by the Commission, and claimed allowable indirect support costs in accordance with the Commission's published reimbursement framework. The Recommended Decision does not

conclude that the City failed to comply with any published Commission requirement. Rather, it concludes that the City's methodology is unacceptable because of a limitation that appears nowhere in the governing authorities.

That distinction is significant. This appeal does not concern the Commission's interpretation of ambiguous language within the Parameters and Guidelines. Instead, the Recommended Decision effectively adds a substantive limitation that the Commission itself has never adopted. Had the Commission intended to prohibit contract labor from serving as an equitable distribution base, or intended to establish separate reimbursement rules for contract cities, it could have amended the Parameters and Guidelines or Claiming Instructions to say so. It has never done so.

Indeed, the State Controller's approach demonstrates why published claiming standards are essential. Under the Recommended Decision, a contract city cannot determine from the Parameters and Guidelines what indirect support costs remain reimbursable, what costs must instead be treated as direct contract costs, or how an approved ICRP should be modified to comply with the Commission's expectations. Those questions are answered neither by the Recommended Decision nor by any existing Commission guidance.

The Commission's reimbursement system depends upon published, administrable standards that permit local agencies to prepare claims before an audit occurs. By replacing the Commission's published methodology with an unpublished limitation applied only after the claim was filed, the Recommended Decision deprives contract cities of the notice necessary to comply with Government Code section 17564(b), which requires indirect costs to be claimed in the manner prescribed by the Commission.

For these reasons, the Recommended Decision should be rejected because it effectively rewrites the Commission's reimbursement methodology through an individual reimbursement dispute rather than through amendment of the Commission's adopted Parameters and Guidelines.

II. The Recommended Decision Acknowledges That Contract Cities Incur Allowable Indirect Support Costs but Provides No Principled Basis for Disallowing the Remaining Costs

The Recommended Decision recognizes that Rancho Cucamonga incurs indirect support costs associated with administering its mandated programs. Indeed, the State Controller did not disallow all indirect costs. Instead, it permitted reimbursement for certain Citywide administrative functions while rejecting the remaining indirect support costs reflected in the City's approved Indirect Cost Rate Proposal ("ICRP").

That distinction reveals the central flaw in the Recommended Decision.

By allowing reimbursement for some indirect support costs, the State Controller necessarily acknowledged that contract cities incur legitimate indirect costs attributable to state-mandated

programs. The dispute therefore is not whether indirect support costs exist. Rather, the dispute concerns the methodology used to identify and allocate those costs.

The Parameters and Guidelines answer that question by authorizing claimants to recover allowable indirect support costs through an approved ICRP using an equitable distribution base. Rancho Cucamonga followed that methodology. The Recommended Decision nevertheless substitutes a different approach under which only those costs deemed sufficiently "administrative" remain reimbursable, while other indirect support costs associated with contract law enforcement services are excluded.

The difficulty is that the Commission has never adopted such a methodology.

Neither the Parameters and Guidelines, the Claiming Instructions, nor the State Mandates Claiming Manual identifies which indirect support costs should remain reimbursable for contract cities after application of the Recommended Decision. They do not distinguish between departmental overhead and Citywide overhead. They do not identify supervisory support, clerical assistance, communications, fleet management, facilities, technology support, records management, training, or other indirect support functions as categorically non-reimbursable. Nor do they establish any methodology by which contract cities are to determine which of those costs may be recovered and which must instead be absorbed entirely by the local agency.

The Recommended Decision therefore replaces an objective, Commission-approved allocation methodology with an undefined case-by-case determination. Such an approach cannot be administered consistently because no published standards exist to guide claimants or auditors in determining where the line should be drawn.

The facts of this case illustrate the problem. Rancho Cucamonga contracts with the San Bernardino County Sheriff's Department to provide virtually all direct law enforcement services. The City's indirect support costs are incurred to administer, oversee, and support that contractual law enforcement operation in the same manner that a traditional police department incurs supervisory, administrative, fiscal, personnel, communications, fleet, technology, and other departmental support costs. The organizational structure differs; the governmental functions do not.

Yet under the Recommended Decision, a contract city is effectively penalized because its direct law enforcement services are provided through a contractual arrangement rather than through municipal employees. Nothing in the Parameters and Guidelines suggests that the Legislature or the Commission intended reimbursement to depend upon the organizational structure a local agency chooses to provide identical mandated services.

The inconsistency becomes even more apparent when comparing contract cities with traditional police departments. A city operating its own police department may recover allowable indirect support costs through its approved ICRP based upon direct personnel costs. A contract city performing the identical state-mandated activities through a sheriff's services contract is denied recovery of many of those same indirect support costs solely because its principal direct costs

arise under a contract rather than a payroll system. The Recommended Decision identifies no published authority justifying that disparate treatment.

The Commission's reimbursement methodology was intended to reimburse actual allowable costs reasonably incurred in carrying out state-mandated programs—not to produce different reimbursement outcomes based solely upon how a local agency chooses to organize its law enforcement services. Because the Recommended Decision recognizes that contract cities incur allowable indirect support costs while simultaneously rejecting the Commission-approved methodology for allocating those costs, it creates an internally inconsistent reimbursement framework that cannot be administered uniformly or predictably.

III. The Recommended Decision Provides No Administrable Methodology for Contract Cities to Calculate Their Allowable Indirect Support Costs

Perhaps the most significant consequence of the Recommended Decision is not the disallowances in Rancho Cucamonga's reimbursement claims, but its failure to identify any methodology that contract cities may lawfully use to recover their allowable indirect support costs in future reimbursement claims.

The Commission's reimbursement system depends upon clear, published claiming methodologies. Government Code section 17564(b) provides that indirect costs are to be claimed in the manner prescribed by the Commission. Local agencies therefore must be able to determine, before preparing their reimbursement claims, what methodology the Commission requires in order to recover allowable indirect support costs.

The Recommended Decision, however, rejects Rancho Cucamonga's use of a Commission-approved Indirect Cost Rate Proposal ("ICRP") without identifying what methodology should replace it. It does not explain how a contract city should allocate allowable indirect support costs associated with a contract law enforcement operation. It does not identify which indirect support costs remain reimbursable, which costs must instead be treated as direct contract costs, or how those costs should be measured and allocated. Nor does it establish any objective standard that contract cities or auditors can consistently apply in future reimbursement claims.

Those omissions are not merely academic. They make compliance with the Commission's reimbursement system impossible.

A contract city preparing its next reimbursement claim would have no way to determine, from the Commission's published guidance, whether supervisory support, departmental administration, fiscal oversight, communications, fleet management, records management, information technology, training, facilities support, or other indirect support functions remain reimbursable. Nor could it determine whether those costs should be allocated through an approved ICRP,

incorporated into contract service costs, or excluded from reimbursement altogether. The Recommended Decision provides no answers.

The resulting uncertainty is particularly significant because many California cities provide law enforcement services through contracts with county sheriffs or other public agencies rather than through traditional municipal police departments. Those jurisdictions have relied upon the Commission's published methodology for years in preparing reimbursement claims. If the Commission concludes that methodology is no longer permissible, contract cities are entitled to know what methodology has replaced it.

The absence of any administrable alternative also creates the substantial risk of inconsistent audit results. Without published standards, individual auditors will necessarily determine on a case-by-case basis which indirect support costs are sufficiently "administrative" to remain reimbursable and which are not. The absence of published standards has already resulted in materially different audit outcomes for similarly situated contract cities. Without an objective methodology, different auditors inevitably reach different conclusions regarding identical categories of indirect support costs.

The record already demonstrates that this concern is not hypothetical. In separate audits of another California contract city, the State Controller initially concluded that no indirect support costs associated with the City's contract law enforcement services were reimbursable. In a subsequent audit, however, the State Controller permitted recovery of approximately fourteen percent of those same categories of indirect support costs. Those materially different audit outcomes underscore the absence of any published methodology governing the calculation of allowable indirect support costs for contract cities and demonstrate the inconsistent results that inevitably occur when auditors are required to apply an undefined standard rather than the Commission's adopted Parameters and Guidelines. (See Appendix A)

Equally important, the Recommended Decision effectively places contract cities in an impossible position. If they continue using an approved ICRP based upon contract law enforcement costs, they risk future audit disallowances under the reasoning of the Recommended Decision. If they abandon the Commission's approved methodology, however, they have no published guidance identifying what methodology they should instead follow. In either circumstance, contract cities cannot know whether they have complied with Government Code section 17564(b).

To the extent the Recommended Decision suggests that Rancho Cucamonga should have presented these allowable indirect support costs differently on its reimbursement claim, neither the Recommended Decision nor the Commission's published Parameters and Guidelines, Claiming Instructions, or State Mandates Claiming Manual identify where those costs should instead have been reported or how contract cities should present them. A claimant cannot reasonably be expected to comply with an unpublished reporting methodology.

Moreover, the State Controller accepted the City's direct contract service costs, reclassified costs where necessary during the audit, and ultimately allowed reimbursement of those direct contract costs. The remaining dispute therefore is not where the direct costs appeared on the claim form.

The dispute is whether contract cities possess any published methodology for recovering their separate allowable indirect support costs after those direct costs have been recognized.

To the extent the Recommended Decision rests upon the reporting classification used on the claim form rather than the Commission's approved indirect cost allocation methodology, it conflates the reporting of direct costs with the methodology used to allocate separate allowable indirect support costs. Those are separate accounting concepts. The Sheriff's contract costs were claimed once as direct contract service costs. Those same direct costs were then used solely as the equitable distribution base for allocating a separate pool of allowable indirect support costs through the City's approved ICRP. Using direct costs as an allocation base does not constitute a second reimbursement of those direct costs.

This uncertainty is inconsistent with the fundamental purpose of the Commission's Parameters and Guidelines. Those documents exist so that local agencies may prepare reimbursement claims using objective, published standards before an audit occurs—not so that new claiming requirements may first emerge during the audit process or through an individual reimbursement dispute.

The Commission is, of course, free to amend its Parameters and Guidelines prospectively if it determines that a different methodology should govern future reimbursement claims submitted by contract cities. What it should not do is adopt a Recommended Decision that effectively invalidates the Commission's existing methodology without simultaneously identifying the methodology that will replace it.

For that reason alone, the Recommended Decision should be rejected. At a minimum, contract cities throughout California are entitled to clear, published guidance identifying how allowable indirect support costs are to be calculated in future reimbursement claims.

IV. The Recommended Decision Should Be Rejected Because It Is Inconsistent with the Commission's Published Reimbursement Framework and Creates Uncertainty for Future Claims

The Commission's adopted reimbursement framework is intended to provide local agencies with objective, published standards by which they may prepare reimbursement claims before an audit occurs. Rancho Cucamonga relied upon those published standards in preparing its claim.

The record demonstrates that the City used an approved Indirect Cost Rate Proposal ("ICRP"), applied an allocation methodology expressly authorized by the Parameters and Guidelines, and claimed allowable indirect support costs in the manner prescribed by the Commission. The Recommended Decision does not identify any provision of the Parameters and Guidelines, Claiming Instructions, or State Mandates Claiming Manual that the City failed to follow.

Instead, the Recommended Decision reaches its conclusion by applying a limitation that appears nowhere in the Commission's published reimbursement guidance. In doing so, it effectively establishes a different reimbursement methodology for contract cities without any corresponding amendment to the Parameters and Guidelines or other published claiming instructions.

That result is significant not only because it affects Rancho Cucamonga's reimbursement claim, but because it creates uncertainty for every California contract city that has relied upon the Commission's published methodology in preparing mandated cost reimbursement claims. If contract cities may no longer recover allowable indirect support costs through an approved ICRP using contract law enforcement costs as the equitable distribution base, the Commission's reimbursement system must identify what methodology has replaced it.

Accordingly, adoption of the Recommended Decision would leave contract cities without clear guidance regarding how allowable indirect support costs are to be identified, allocated, and claimed in future reimbursement submissions. Such uncertainty is inconsistent with Government Code section 17564(b), the Commission's adopted Parameters and Guidelines, and the fundamental purpose of the State Mandates reimbursement process.

Moreover, the Recommended Decision identifies no published provision of the Commission's Parameters and Guidelines, Claiming Instructions, State Mandates Claiming Manual, or other published Commission authority that Rancho Cucamonga failed to follow. In the absence of such authority, the Recommended Decision necessarily rests upon a limitation that exists outside the Commission's published reimbursement framework.

For these reasons, the Commission should reject the Recommended Decision and reaffirm that local agencies are entitled to rely upon the Commission's published reimbursement methodology unless and until that methodology is amended through the Commission's established processes.

The issue before the Commission is therefore straightforward. Either Rancho Cucamonga complied with the Commission's published reimbursement methodology, or the Commission must identify the published methodology contract cities are expected to follow instead. The Recommended Decision does neither.

CONCLUSION

This appeal presents an issue that extends well beyond Rancho Cucamonga's reimbursement claim. At stake is whether California's contract cities may continue to rely upon the Commission's published reimbursement methodology when preparing mandated cost reimbursement claims or whether that methodology may be displaced through an unpublished limitation first announced in an individual reimbursement dispute.

Rancho Cucamonga did exactly what Government Code section 17564(b) requires. The City prepared its reimbursement claim using the methodology prescribed by the Commission, relied upon an approved Indirect Cost Rate Proposal, and allocated its allowable indirect support costs using an equitable distribution base expressly authorized by the Commission's adopted

Parameters and Guidelines. The Recommended Decision identifies no published Commission authority that the City failed to follow.

Instead, the Recommended Decision substitutes a new limitation that appears nowhere in the Commission's Parameters and Guidelines, Claiming Instructions, or State Mandates Claiming Manual. In doing so, it not only disallows Rancho Cucamonga's claim, but also leaves every California contract city without a published methodology for identifying, allocating, and claiming allowable indirect support costs in future reimbursement claims.

If the Commission determines that its existing reimbursement methodology should be changed prospectively, it possesses the authority to amend its Parameters and Guidelines through its established processes. What it should not do is effectively rewrite those published standards through the adjudication of a single reimbursement claim while leaving contract cities without any administrable methodology for complying with Government Code section 17564(b).

This appeal therefore does not ask the Commission to adopt a new reimbursement methodology. It simply asks the Commission to apply the methodology it has already adopted and published.

For all of these reasons, the City respectfully requests that the Commission reject the Recommended Decision, reverse the disallowance of Rancho Cucamonga's claimed indirect support costs, and reaffirm that local agencies are entitled to rely upon the Commission's published reimbursement methodology unless and until that methodology is prospectively amended through the Commission's established procedures.

Appendix A

Illustration of Inconsistent Audit Treatment of Contract City Indirect Support Costs

DECLARATION OF ANNETTE S. CHINN

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

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

2) I have been a consultant in the field of State Mandate Reimbursement claim preparation since 1992 and have personal knowledge and experience in the preparation of Indirect Costs Rate Proposals (ICRPs) and have prepared thousands of ICRPs for hundreds of local agencies, including preparation of ICRPs for contract city's law enforcement overhead costs.

3) I am a consultant/President of Cost Recovery Systems, Inc. and representative of the City of Laguna Niguel (City) for this Incorrect Reduction Claim (IRC). I was directly involved in the preparation of the City's State Mandate claims since 2002, including the Identity Theft claims subject to this IRC. The law enforcement ICRP rates included overhead costs charged within the Orange County Sheriff's Department contract and were prepared in compliance with written State Parameters and Guidelines, Claiming Manuals and Instructions, and Federal OMB/CFR Guidelines.

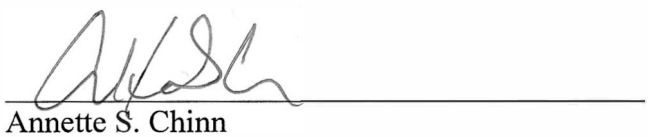
4) Until the State Controller's 2024 Desk Review Audit of the Identity Theft Program, the City has been paid by the State Controller's Office (SCO) for all other funded law enforcement programs for the last twenty years, which included the law enforcement contract overhead costs/ICRPs. Neither the validity of including overhead/indirect costs or the use of existing ICRPs methodologies were ever questioned by the SCO until this audit.

5) I also filed claims for and represented the City of San Marcos (another city that contracts for law enforcement services with a similar contract structure) in their 2017 State Audit of their Crime Statistics Reporting audit and subsequent IRC. This 2017 prior SCO audits recognized overhead costs within their law enforcement contract and the costs that were allowed were similar, if not identical to the type of costs included in Laguna Niguel's ICRPs. The ICRP methodology used and allowed were in accordance with existing Parameters and Guidelines, Claiming Manuals, and Federal OMB/CFR Guidelines.

6) Attached hereto in the Exhibits are true and correct copies of relevant documents including:
   a) Identity Theft program, April 2024Audit Report
   b) Racial and Identity Profiling, July 2025 Audit Report

7) I have personal knowledge of the facts stated in the narrative included in this Incorrect Reduction Claim and believe them to be true and correct.

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 July 15, 2026 in El Dorado Hills, California.



Annette S. Chinn
President
Cost Recovery Systems, Inc.

CITY OF LAGUNA NIGUEL

Audit Report

RACIAL AND IDENTITY PROFILING PROGRAM

Chapter 466, Statutes of 2015;
and Chapter 328, Statutes of 2017

July 1, 2018, through June 30, 2024

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 2025

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 1, 2025

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Mr. Trevor Agrelius, Finance Director
City of Laguna Niguel
30111 Crown Valley Parkway
Laguna Niguel, CA 92677

Dear Mr. Agrelius:

The State Controller's Office performed a review of costs claimed by the City of Laguna Niguel (the city) for the legislatively mandated Racial and Identity Profiling Program (Chapter 466, Statutes of 2015; and Chapter 328, Statutes of 2017) for the period of July 1, 2018, through June 30, 2024. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to validating the claimed contract services costs and hourly rates.

The city claimed $530,379 for costs of the mandated program. Our review found that $223,818 is allowable and $306,561 is unallowable. The costs are unallowable because the city overstated its contract hourly rates and the average time increment required for each stop. The State paid the city $461,896.

This letter contains an adjustment to costs claimed by the city. If you disagree with the finding, you may file an Incorrect Reduction Claim with the Commission on State Mandates. Pursuant to section 1185.1(c) of the Commission's regulations (Title 2, California Code of Regulations), an Incorrect Reduction Claim challenging this adjustment must be filed with the Commission on State Mandates no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain Incorrect Reduction Claim information on the Commission on State Mandates' website at www.csm.ca.gov/request-form.php.

If you have any questions regarding this report, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at 916-327-3138, or email at lkurokawa@sco.ca.gov. Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/rs

Attachments:
Attachment 1—Summary of Program Costs
Attachment 2—Review Results

Copy: The Honorable Ray Gennawey, Mayor
City of Laguna Niguel
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
Kaily Yap, Finance Budget Analyst
Local Government Unit
California Department of Finance
Darryl Mar, Manager
Local Reimbursements Section
State Controller's Office
Everett Luc, Supervisor
Local Reimbursements Section
State Controller's Office

Attachment 1—
Summary of Program Costs
July 1, 2018, through June 30, 2024

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment[1]
July 1, 2018, through June 30, 2019			
Direct costs:			
Contract services:			
Training per peace officer employee and supervisor assigned to perform the reimbursable activities	$ 4,027	$ 3,219	$ (808)
Collection and reporting data on all stops	79,224	31,670	(47,554)
Total direct costs	83,251	34,889	(48,362)
Rounding error[2]	2	-	(2)
Total program costs	$ 83,253	34,889	$ (48,364)
Less amount paid by the State[3]		(83,253)	
Amount paid in excess of allowable costs claimed		$ (48,364)	
July 1, 2019, through June 30, 2020			
Direct costs:			
Contract services:			
Collection and reporting data on all stops	$ 86,352	$ 36,284	$ (50,068)
Total direct costs	86,352	36,284	(50,068)
Rounding error[2]	1	-	(1)
Total program costs	$ 86,353	36,284	$ (50,069)
Less amount paid by the State[3]		(86,353)	
Amount paid in excess of allowable costs claimed		$ (50,069)	
July 1, 2020, through June 30, 2021			
Direct costs:			
Contract services:			
Collection and reporting data on all stops	$ 117,423	$ 49,723	$ (67,700)
Total direct costs	117,423	49,723	(67,700)
Rounding error[2]	(1)	-	1
Total program costs	$ 117,422	49,723	$ (67,699)
Less amount paid by the State[3]		(117,422)	
Amount paid in excess of allowable costs claimed		$ (67,699)	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment[1]
July 1, 2021, through June 30, 2022			
Direct costs:			
Contract services:			
Collection and reporting data on all stops	$ 104,676	$ 44,356	$ (60,320)
Total program costs	$ 104,676	44,356	$ (60,320)
Less amount paid by the State[3]		(104,676)	
Amount paid in excess of allowable costs claimed		$ (60,320)	
July 1, 2022, through June 30, 2023			
Direct costs:			
Contract services:			
Collection and reporting data on all stops	$ 70,191	$ 29,661	$ (40,530)
Total direct costs	70,191	29,661	(40,530)
Rounding error[2]	1	-	(1)
Total program costs	$ 70,192	29,661	$ (40,531)
Less amount paid by the State[3]		(70,192)	
Amount paid in excess of allowable costs claimed		$ (40,531)	
July 1, 2023, through June 30, 2024			
Direct costs:			
Contract services:			
Collection and reporting data on all stops	$ 68,480	$ 28,905	$ (39,575)
Total direct costs	68,480	28,905	(39,575)
Rounding error[2]	3	-	(3)
Total program costs	$ 68,483	28,905	$ (39,578)
Less amount paid by the State[3]		-	
Allowable costs claimed in excess of amount paid		$ 28,905	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment[1]
Summary: July 1, 2018, through June 30, 2024			
Direct costs:			
Contract services	$ 530,373	$ 223,818	$ (306,555)
Total direct costs	530,373	223,818	(306,555)
Rounding error[2]	6	-	(6)
Total program costs	$ 530,379	223,818	$ (306,561)
Less amount paid by the State[3]		(461,896)	
Amount paid in excess of allowable costs claimed		$ (238,078)	

[1] See the Review Results section.

[2] We identified claim rounding errors for fiscal year (FY) 2018-19, FY 2019-20, FY 2020-21, FY 2022-23, and FY 2023-24.

[3] Payment amount current as of April 15, 2025.

Attachment 2—
Review Results
July 1, 2018, through June 30, 2024

BACKGROUND—

Government Code (GC) section 12525.5, as added and amended by the Statutes of 2015, Chapter 466 and the Statutes of 2017, Chapter 328; and Title 11, California Code of Regulations, sections 999.224 through 999.229 established the state-mandated Racial and Identity Profiling Program.

The program requires a local law enforcement agency that employs peace officers—or that contracts for peace officers from another city or county for police protection services—to electronically report to the Attorney General, on an annual basis, data on all "stops" conducted within its jurisdiction. For purposes of the program, "peace officer" does not include probation officers and officers in custodial settings.

On May 22, 2020, the Commission on State Mandates (Commission) found that GC section 12525.5 constitutes a reimbursable state-mandated program, beginning November 7, 2017, for local law enforcement agencies.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following activities identified in the parameters and guidelines (Section IV., "Reimbursable Activities"):

A. <u>One-Time Activities</u>

1. One-time training per peace officer employee and supervisor assigned to perform the reimbursable activities....
2. One-time installation and testing of software necessary to comply with the state-mandated requirements for the collection and reporting of data on all applicable stops.

B. <u>Ongoing Activities</u>

1. Identification of the peace officers required to report stops, and maintenance of a system to match individual officers to their Officer I.D. number. . . .
2. Collection and reporting data on all stops, as defined, conducted by that agency's peace officers for the preceding calendar year in accordance with sections 999.226(a) and 999.227 of the regulations. . . .
3. Electronic submission of data to DOJ and retention of stop data collected. . . .
4. Audits and validation of data collected. . .
5. For stop data collected, ensure that the name, address, social security number, or other unique personally identifiable information of the individual stopped, searched, or subjected to property seizure, and the badge number or other unique identifying information of the peace officer involved, is not transmitted to the Attorney General in an open text field. . . .

The parameters and guidelines describe the 16 types of stop data and all applicable data elements, data fields, and narrative explanation fields that peace officers must collect for every stop.

The following stops are not reportable:

- Interactions with passengers in a stopped vehicle who have not been observed or suspected of violating the law;
- Stops made during public safety mass evacuations;
- Stops made during active shooter incidents;
- Stops resulting from routine security screenings to enter a building or special event;
- Interactions during traffic control of vehicles in response to a traffic accident or emergency, crowd control requiring pedestrians to remain in a fixed location for public safety reasons, persons detained at residences so that officers can check for proof of age while investigating underage drinking, and checkpoints and roadblocks at which officers detain a person as the result of regulatory activity that is general and not based on individualized suspicion or personal characteristics;
- Interactions with a person who is subject to a warrant or search condition at his or her residence;
- Interactions with a person who is subject to home detention or house arrest;
- Stops in a custodial setting; and
- Stops that occur while an officer is off duty.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues the *Mandated Cost Manual for Local Agencies* (*Mandated Cost Manual*) to assist local agencies in claiming mandated program reimbursable costs.

FINDING—Overstated Racial and Identity Profiling Program Costs

The City of Laguna Niguel (the city) claimed $530,379 in contract services costs for the Racial and Identity Profiling Program. We found that $223,818 is allowable and $306,561 is unallowable. The costs are unallowable because the city overstated its contract hourly rates, and the average time increment required for each stop.

We found that the city correctly classified claimed costs as contract services costs because it contracted with the Orange County Sheriff-Coroner's Department (OCSD) for its law enforcement services during the review period. The city also used the correct methodology to calculate its contract services costs: it multiplied the number of stops recorded by the time required to perform the reimbursable activities and then multiplied the total by the hourly rates obtained from the city's contracts with the county for law enforcement services. OCSD based the hourly rates in its

contracts on incurred costs for salaries, benefits, and additional costs described as "Other Charges and Credits."

The contract hourly rates were overstated because the city included a contract overhead amount in its hourly rate calculations based on unallowable indirect costs. The indirect costs are unallowable because they are based on salaries and wages costs that the city did not incur.

Additionally, the city claimed five minutes per stop for Activity B.2. (collection and reporting data on all stops). OCSD has agreed that the claim of five minutes for each stop was overstated and that 2.5 minutes per stop is correct.

The following table summarizes the claimed, allowable, and review adjustment amounts by fiscal year:

Fiscal Year	Amount Claimed	Amount Allowable	Review Adjustment
2018-19	$ 83,253	$ 34,889	$ (48,364)
2019-20	86,353	36,284	(50,069)
2020-21	117,422	49,723	(67,699)
2021-22	104,676	44,356	(60,320)
2022-23	70,192	29,661	(40,531)
2023-24	68,483	28,905	(39,578)
Totals	$ 530,379	$ 223,818	$ (306,561)

Contract Services Costs

The city contracted with the OCSD to perform its law enforcement services during the review period. The city's website summarizes the city's police services as follows:

> Police Services for the City of Laguna Niguel are provided by contract with the Orange County Sheriff's Department (OCSD). The Sheriff's Department is responsible for providing the protection of citizens, the enforcement of laws, and crime prevention. Law enforcement services include patrol, traffic enforcement, accident analysis and investigation, parking enforcement, general and special investigations, and the Community Support Unit. Police Services also provides a variety of Community Policing programs and public safety information.

The city's website also states:

> Police Services are provided by contract with the [OCSD]. The Sheriff's Department protects the citizens, enforces the laws, and encourages crime prevention. Law enforcement services include patrol, traffic enforcement, accident analysis and investigation, parking enforcement, and general and special investigations. The Chief of Police Services is the Department Head and is responsible for the day-to-day operations in the City.

The OCSD provided law enforcement services that included the reimbursable activities claimed for the mandated program. The city contracted with the OCSD for various staff positions each fiscal year and paid the OCSD annual contract rates for each position. These positions included, but were not limited to, Lieutenants, Investigators, Sheriffs, and Sergeants. No city staff member performed any of the reimbursable activities under this program; therefore, the city did not incur salary and related indirect costs. Furthermore, the city's contract with Orange County (the county) states that the county's employees should not be considered "in any manner" to be city employees.

We recalculated allowable contract services costs for the review period based on the claimed number of stops reported, the revised time increments to conduct the reimbursable activity of collecting and reporting stop data, and the revised contract hourly rates.

Time Increments

The city computed its claimed costs based on OCSD officers conducting stops at an average of five minutes per stop. An OCSD representative explained that the five-minute average per stop was derived from a time study conducted by the OCSD in 2021. However, we noted that the OCSD, along with seven other law enforcement agencies in Southern California and the California Highway Patrol, participated in a 2019 California Department of Justice field test to assess the amount of officer time required to complete a stop data collection form. The field test is documented on pages 109 and 110 of the test claim for this mandated program (test claim number 18-TC-02, filed by the City of San Diego on June 14, 2019). The test claim included the field test results, documenting that officers spent an average of 2.5 minutes per stop. We asked the OCSD whether the average of 2.5 minutes is an accurate reflection of time spent by its officers to complete the reimbursable activity of collecting and reporting stop data. The OCSD agreed that the 2.5 minute-per-stop average from the field test is the correct average time to use for its officers collecting and reporting stop data.

An OCSD representative explained that there was no documentation supporting its 2021 time study. The representative also stated that the county conducted another time study in October 2024, which found that officers averaged three minutes per stop. That time study was supported by 36 stops, all of which were undated. In addition, the county had not prepared a time study plan, nor did it explain how the stops were selected or were representative of the entire population of stops. Regardless, time study results cannot be applied retroactively.

Therefore, we adjusted the city's claims to reflect an average time of 2.5 minutes for OCSD officers to conduct stops.

The following table shows the adjustments made to total hours spent on the reimbursable activity of collecting and reporting stop data during the review period:

Fiscal Year	Stops Claimed	Hours Claimed	Hours Allowable	Review Adjustment
2018-19	4,442	370.17	185.09	(185.08)
2019-20	4,894	407.83	203.93	(203.90)
2020-21	6,518	543.17	271.60	(271.57)
2021-22	5,580	465.00	232.50	(232.50)
2022-23	3,586	298.83	149.42	(149.41)
2023-24	3,572	297.67	148.84	(148.83)

Contract Hourly Rates

The city's claims included copies of the law enforcement contracts that it negotiated with Orange County for each year of the review period. Attachment C (Payment) of the contract lists the authorized OCSD staffing level for each year and the rates billed to the city for various OCSD staff members.

We used this information to determine the contract hourly billing rates for various employee classifications. We recalculated the contract hourly rates for the Lieutenant, Investigator, Deputy Sheriff, and Sergeant classifications using information from Attachment C. The city's contracts specify the cost of services provided by detailing the number of each employee classification provided and the cost of services for each classification. For example, the city's contract for fiscal year (FY) 2023-24 indicates that five Sergeants (Patrol), 25 employees in the Deputy Sheriff II (Patrol) classification, and five employees in the Deputy Sheriff II (Motorcycle) classification provided law enforcement services for the city during the year.

The following table shows the base contract hourly rate calculation for Deputy Sheriffs and Sergeants during FY 2023-24:

Employee Classification	Annual Cost [a]	Level of Service [b]	Cost per Employee [c] = [a]/[b]	Productive Hours [d]	Hourly Rate [e] = [c]/[d]
Deputy Sheriff II (Patrol)	$ 7,482,425	25	$ 299,297	1,800	$ 166.28
Deputy Sheriff II (Motorcycle)	1,520,795	5	304,159	1,800	168.98
Sergeant (Patrol)	1,798,165	5	359,633	1,800	199.80

We recalculated the contract hourly rates and determined that the city properly used 1,800 annual productive hours for all OCSD employees in its claims for all years of the review period, as specified in the SCO's *Mandated Cost Manual.*

The SCO's *Mandated Cost Manual* also states that the cost of contract services is allowable, and that costs for contract services can be claimed using an hourly billing rate. However, the SCO's *Mandated Cost Manual*

does not provide specific guidance on how to calculate an hourly billing rate. Generally speaking, an hourly rate for a specific employee classification is determined by dividing the contract cost for an individual employee who performs reimbursable activities by 1,800 annual productive hours. However, this approach does not allow claimants to recover any additional contract costs, such as administrative costs, that could be reimbursable. We concluded that it was appropriate to allow the city to claim its other costs, classified in Attachment C as "Other Charges and Credits," as an addition to the contract hourly rate for employee classifications included in its contracts with the OCSD.

We calculated an administrative cost percentage for each fiscal year of the review period based on the city's contracts with the OCSD. To calculate the percentage, we divided the line-item amount titled "Other Charges and Credits" by the total contract cost.

The following table shows the allowable administrative cost percentage that we calculated for each fiscal year of the review period:

Fiscal Year	Allowable Administrative Cost Percentage
2018-19	13.45%
2019-20	14.79%
2020-21	14.08%
2021-22	11.78%
2022-23	14.43%
2023-24	15.06%

As noted, we divided the cost of the "Other Charges and Credits" by the total contract cost. The following table shows how we made this calculation for FY 2023-24:

Cost Category	Contract Amount
Other charges and credits [a]	$ 2,493,712
Total contract amount [b]	16,553,363
Administrative cost percentage [c] = [a] ÷ [b]	15.06%

Contract hourly rates for the Deputy positions and Sergeants are as follows for FY 2023-24:

Employee Classification	Contract Hourly Rate [a]	Administrative Percentage [b]	Revised Hourly Rate [c] = [a] × [1 + b]
Deputy Sheriff II (Patrol)	$ 166.28	15.06%	$ 191.32
Deputy Sheriff II (Motorcycle)	168.98	15.06%	194.43
Sergeant (Patrol)	199.80	15.06%	229.89

The following table summarizes the claimed hourly rates and allowable contract hourly rates for each of the employee classifications appearing in

the city's claims (Deputy Sheriff II [Patrol], Deputy Sheriff II [Motorcycle], Sergeant [Patrol], Investigator, and Lieutenant) during the review period, and the difference between those rates:

Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference
Deputy Sheriff II (Patrol)			
2018-19	$ 211.86	$ 169.38	$ (42.48)
2019-20	208.42	175.15	(33.27)
2020-21	212.75	180.18	(32.57)
2021-22	221.67	187.86	(33.81)
2022-23	231.34	195.52	(35.82)
2023-24	226.63	191.32	(35.31)
Sergeant (Patrol)			
2018-19	$ 257.45	$ 205.83	$ (51.62)
2019-20	252.93	212.55	(40.38)
2020-21	258.14	218.62	(39.52)
2021-22	267.29	226.52	(40.77)
2022-23	278.63	235.47	(43.16)
2023-24	272.32	229.89	(42.43)
Investigator			
2018-19	$ 252.62	$ 201.98	$ (50.64)
2019-20	not claimed	-	-
2020-21	not claimed	-	-
2021-22	not claimed	-	-
2022-23	not claimed	-	-
2023-24	not claimed	-	-

Fiscal Year	Claimed Hourly Rate	Allowable Hourly Rate	Rate Difference
Deputy Sheriff II (Motorcycle)			
2018-19	$ 216.14	$ 172.81	$ (43.33)
2019-20	212.37	178.46	$ (33.91)
2020-21	216.56	183.41	$ (33.15)
2021-22	225.45	191.05	$ (34.40)
2022-23	235.11	198.70	$ (36.41)
2023-24	230.32	194.43	$ (35.89)
Lieutenant			
2018-19	$ 298.87	$ 238.95	$ (59.92)
2019-20	not claimed	-	-
2020-21	not claimed	-	-
2021-22	not claimed	-	-
2022-23	not claimed	-	-
2023-24	not claimed	-	-

The following table shows the calculation of the review adjustment for FY 2023-24:

Employee Classification	Claimed Hours [a]	Claimed Rate [b]	Claimed Costs c = [a] * [b]	Allowable Hours [d/2]	Allowable Rate [e]	Allowable Costs f = [d] * [e]	Review Adjustment g = [f] - [c]
Deputy Sheriff II (Patrol)	232.55	$ 226.63	$ 52,703	116.28	$ 191.32	$ 22,246	$ (30,457)
Deputy Sheriff II (Motorcycle)	46.51	230.32	10,712	23.26	194.43	4,521	(6,191)
Sergeant (Patrol)	18.6	272.32	5,065	9.30	229.89	2,138	(2,927)
Rounding adjustment	-		3	-		-	(3)
Totals	297.66		$ 68,483	148.83		$ 28,905	$ (39,578)

Rounding Errors

We also found minor rounding errors, totaling $6, in the city's claims when we recalculated claimed costs using the contract cost computation schedules provided. We recalculated claimed costs by multiplying the claimed employee billing rates by the claimed labor hours. We incorporated these adjustments into the allowable cost computations for each year of the review period.

The following table summarizes the claimed and recalculated claimed costs by activity by fiscal year.

Fiscal Year	Activity A.1 Claimed [a]	Activity A.1 Recalculated [b]	Difference [c] = [b] - [a]	Activity B.2 Claimed [d]	Activity B.2 Recalculated [e]	Difference [f] = [e] - [d]	Total Difference [g] = [c] + [f]
2018-19	$ 4,029	$ 4,027	$ (2)	$ 79,224	$ 79,224	$ -	$ (2)
2019-20	-	-	-	86,353	86,352	(1)	(1)
2020-21	-	-	-	117,422	117,423	1	1
2021-22	-	-	-	104,676	104,676	-	-
2022-23	-	-	-	70,192	70,191	(1)	(1)
2023-24	-	-	-	68,483	68,480	(3)	(3)
Totals	$ 4,029	$ 4,027	$ (2)	$ 526,350	$ 526,346	$ (4)	$ (6)

Contract Overhead Costs

When calculating its contract billing rates, the city included in its computations an additional amount for contract overhead. That amount was added to the contract hourly rate. The city based its contract overhead amount on an Indirect Cost Rate Proposal (ICRP) for each fiscal year prepared for the City of Laguna Niguel Sheriff, which does not exist as a person or as an entity. The city's claims included copies of its ICRPs for FY 2018-19 through FY 2023-24. The city calculated indirect cost rates of 41.9% for FY 2018-19, 36.6% for FY 2019-20, 34.7% for FY 2020-21, 31.9% for FY 2021-22, 35.4% for FY 2022-23, and 36.3% for FY 2023-24. In addition, the city based its indirect cost rates on salaries and wages—costs that it did not incur. Instead, the city incurred contract services costs for its law enforcement activities. Substituting contract services costs as salaries and wages costs is not consistent with generally accepted accounting principles, nor is it consistent with the guidance provided for indirect cost calculations listed in Section V.B. of the parameters and guidelines or federal cost principles contained in Title 2, Code of Federal Regulations, Part 225, Appendices A and B. Therefore, these rates are unallowable.

Criteria

Section I, "Status of County," of the city's contract for law enforcement services states, in part:

> COUNTY, its agents and employees, shall not be entitled to any rights or privileges of CITY employees and shall not be considered in any manner to be CITY employees.

Section IV, "Reimbursable Activities," of the parameters and guidelines states:

> 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. A source document is a document created at or

> near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

Section V.A3., "Contracted Services," of the parameters and guidelines states:

> Report the name of the contractor and services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

Section V.B. "Indirect Cost Rates," of the parameters and guidelines states, in part:

> Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assigned to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include both: (1) 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 2 Code of Federal Regulations (CFR) part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate exceeds 10 percent.
>
> The distribution base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

Recommendation

We recommend that the city:

- Adhere to the Racial and Identity Profiling Program's parameters and guidelines and the SCO's *Mandated Cost Manual* when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

April 12, 2024

Trevor Agrelius, Finance Director
City of Laguna Niguel
30111 Crown Valley Parkway
Laguna Niguel, CA 92677

Dear Mr. Agrelius:

The State Controller's Office performed a review of costs claimed by the City of Laguna Niguel for the legislatively mandated Identity Theft Program for the period of July 1, 2005, through June 30, 2013. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to validating the indirect costs claimed.

The city claimed $237,580 for costs of the mandated program. Our review found that $149,540 is allowable and $88,040 is unallowable. The costs are unallowable because the city claimed unallowable indirect costs, as described in the attached Summary of Program Costs and the Review Results. The State made no payments to the city. The State will pay $149,540, contingent upon available appropriations.

This letter report contains an adjustment to costs claimed by the city. If you disagree with the review finding, you may file an Incorrect Reduction Claim with the Commission on State Mandates. Pursuant to Title 3, California Code of Regulations, section 1185(c), an Incorrect Reduction Claim challenging this adjustment must be filed with the Commission on State Mandates no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain Incorrect Reduction Claim information on the Commission on State Mandates' website at www.csm.ca.gov/forms/IRCForm.pdf.

If you have any questions regarding this correspondence, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/ac

Attachments:
Attachment 1—Summary of Program Costs
Attachment 2—Review Results

RE: S23-MCC-9012

Copy: The Honorable Kelly Jennings, Mayor
City of Laguna Niguel
Chris Hill, Principal Program Budget Analyst
Local Government Unit
California Department of Finance
Kaily Yap, Finance Budget Analyst
Local Government Unit
California Department of Finance
Darryl Mar, Manager
Local Reimbursements Section
State Controller's Office
Everett Luc, Supervisor
Local Reimbursements Section
State Controller's Office

Attachment 1—
Summary of Program Costs
July 1, 2005, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment[1]
July 1, 2005, through June 30, 2006			
Direct costs:			
Salaries:			
Taking a police report on a violation of Penal Code (PC) §530.5	$ 14,154	$ -	$ (14,154)
Beginning an investigation of facts	-	-	-
Total salaries	14,154	-	(14,154)
Contract services			
Taking a police report on a violation of PC §530.5	-	14,154	14,154
Beginning an investigation of facts	-		-
Total contract services	-	14,154	14,154
Total direct costs	14,154	14,154	-
Indirect costs	8,110	-	(8,110)
Total program costs	$ 22,265	14,154	$ (8,110)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 14,154	
July 1, 2006, through June 30, 2007			
Direct costs:			
Salaries:			
Taking a police report on a violation of PC §530.5	$ 22,186	$ -	$ (22,186)
Beginning an investigation of facts	-	-	-
Total salaries	22,186	-	(22,186)
Contract services			
Taking a police report on a violation of PC §530.5	-	22,186	22,186
Beginning an investigation of facts	-	-	-
Total contract services	-	22,186	22,186
Total direct costs	22,186	22,186	-
Indirect costs	12,712	-	(12,712)
Total program costs	$ 34,898	22,186	$ (12,712)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 22,186	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment[1]
July 1, 2007, through June 30, 2008			
Direct costs:			
Salaries:			
Taking a police report on a violation of PC §530.5	$ 20,358	$ -	$ (20,358)
Beginning an investigation of facts	-	-	-
Total salaries	20,358	-	(20,358)
Contract services			
Taking a police report on a violation of PC §530.5	-	20,358	20,358
Beginning an investigation of facts	-	-	-
Total contract services	-	20,358	20,358
Total direct costs	20,358	20,358	-
Indirect costs	11,665	-	(11,665)
Total program costs	$ 32,023	20,358	$ (11,665)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 20,358	
July 1, 2008, through June 30, 2009			
Direct costs:			
Salaries:			
Taking a police report on a violation of PC §530.5	$ 23,284	$ -	$ (23,284)
Beginning an investigation of facts	-	-	-
Total salaries	23,284	-	(23,284)
Contract services			
Taking a police report on a violation of PC §530.5	-	23,284	23,284
Beginning an investigation of facts	-	-	-
Total contract services	-	23,284	23,284
Total direct costs	23,284	23,284	-
Indirect costs	13,458	-	(13,458)
Total program costs	$ 36,742	23,284	$ (13,458)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 23,284	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment[1]
July 1, 2009, through June 30, 2010			
Direct costs:			
Salaries:			
Taking a police report on a violation of PC §530.5	$ 11,474	$ -	$ (11,474)
Beginning an investigation of facts	-	-	-
Total salaries	11,474	-	(11,474)
Contract services			
Taking a police report on a violation of PC §530.5	-	11,474	11,474
Beginning an investigation of facts	-	-	-
Total contract services	-	11,474	11,474
Total direct costs	11,474	11,474	-
Indirect costs	8,422	-	(8,422)
Total program costs	$ 19,897	11,474	$ (8,422)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 11,474	
July 1, 2010, through June 30, 2011			
Direct costs:			
Salaries:			
Taking a police report on a violation of PC §530.5	$ 10,963	-	$ (10,963)
Beginning an investigation of facts	-	-	-
Total salaries	10,963	-	(10,963)
Contract services			
Taking a police report on a violation of PC §530.5	-	10,963	10,963
Beginning an investigation of facts	-	-	-
Total contract services	-	10,963	10,963
Total direct costs	10,963	10,963	-
Indirect costs	6,128	-	(6,128)
Total program costs	$ 17,091	10,963	$ (6,128)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 10,963	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment[1]
July 1, 2011, through June 30, 2012			
Direct costs:			
Salaries:			
Taking a police report on a violation of PC §530.5	$ 22,703	-	$ (22,703)
Beginning an investigation of facts	-	-	-
Total salaries	22,703	-	(22,703)
Contract services			
Taking a police report on a violation of PC §530.5	-	22,703	22,703
Beginning an investigation of facts	-	-	-
Total contract services	-	22,703	22,703
Total direct costs	22,703	22,703	-
Indirect costs	13,236	-	(13,236)
Total program costs	$ 35,938	22,703	$ (13,236)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 22,703	
July 1, 2012, through June 30, 2013			
Direct costs:			
Salaries:			
Taking a police report on a violation of PC §530.5	$ 24,418	-	$ (24,418)
Beginning an investigation of facts	-	-	-
Total salaries	24,418	-	(24,418)
Contract services			
Taking a police report on a violation of PC §530.5	-	24,418	24,418
Beginning an investigation of facts	-	-	-
Total contract services	-	24,418	24,418
Total direct costs	24,418	24,418	-
Indirect costs	14,309	-	(14,309)
Total program costs	$ 38,727	24,418	$ (14,309)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 24,418	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment[1]
Summary: July 1, 2005, through June 30, 2013			
Direct costs:			
Salaries:			
Taking a police report on a violation of PC §530.5	$ 149,540	$ -	$ (149,540)
Beginning an investigation of facts	-	-	-
Total salaries	149,540	-	(149,540)
Contract services			
Taking a police report on a violation of PC §530.5	-	149,540	149,540
Beginning an investigation of facts	-	-	-
Total contract services	-	149,540	149,540
Total direct costs	149,540	149,540	-
Indirect costs	88,040	-	(88,040)
Total program costs	$ 237,580	149,540	$ (88,040)
Less amount paid by the State[2]		-	
Allowable costs claimed in excess of amount paid		$ 149,540	

[1] See the Review Results section.

[2] Payment amount current as of February 23, 2024.

Attachment 2—
Review Results
July 1, 2005, through June 30, 2013

BACKGROUND—

Penal Code section 530.6(a), as added by the Statutes of 2000, Chapter 956, requires a local law enforcement agency to take a police report and begin an investigation when a complainant residing within its jurisdiction reports suspected identity theft.

On March 27, 2009, the Commission on State Mandates (Commission) found that this legislation mandates a new program or higher level of service for local law enforcement agencies within the meaning of Article XIII B, section 6 of the California Constitution, and imposes costs mandated by the State pursuant to Government Code section 17514.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following ongoing activities identified in parameters and guidelines (Section IV., "Reimbursable Activities"):

1. Either a) or b) below:
    a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal identifying information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
    b) Reviewing the identity theft report completed on-line by the identity theft victim.
2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.

The Commission also determined that the reimbursable activities do not include providing a copy of the report to the complainant or referring the matter to the law enforcement agency in the jurisdiction where the suspected crime was committed.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with Government Code section 17558, the State Controller's Office issues the *Mandated Cost Manual for Local Agencies* to assist local agencies in claiming mandated program reimbursable costs.

FINDING—Overstated Identity Theft Program costs

The City of Laguna Niguel claimed $237,580 ($149,540 in salary costs and $88,040 in related indirect costs) for the Identity Theft Program during the review period. We found that $149,540 is allowable and $88,040 is unallowable. The costs are unallowable because the city claimed unallowable indirect costs.

The city used the correct methodology to calculate its salary costs. It multiplied the number of identity theft police reports by the time required to perform the reimbursable activities, then multiplied the product by the hourly rates obtained from the city's contracts with the Orange County Sheriff's Department (OCSD). The city contracted with OCSD to perform its law enforcement services during the review period. These services included the reimbursable activities claimed for the mandated program. The OCSD's contracts included costs for salaries and benefits.

However, the city should have classified its salary costs as contract services costs, as no city staff members performed the reimbursable activities. The city did not incur any salary costs—or indirect costs related to salary costs—but rather incurred contract services costs. We reallocated the costs to the appropriate cost category of Contract Services.

The following table summarizes the claimed, allowable, and review adjustment amounts by fiscal year:

			(A)	(B)	(C)	(D)=(A)+(B)+(C)
	Salaries			Related	Contract	Total
Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment	Indirect Cost Adjustment	Services Adjustment	Audit Adjustment
2005-06	$ 14,154	$ -	$ (14,154)	$ (8,110)	$ 14,154	$ (8,110)
2006-07	22,186	-	(22,186)	(12,712)	22,186	(12,712)
2007-08	20,358	-	(20,358)	(11,665)	20,358	(11,665)
2008-09	23,284	-	(23,284)	(13,458)	23,284	(13,458)
2009-10	11,474	-	(11,474)	(8,422)	11,474	(8,422)
2010-11	10,963	-	(10,963)	(6,128)	10,963	(6,128)
2011-12	22,703	-	(22,703)	(13,236)	22,703	(13,236)
2012-13	24,418	-	(24,418)	(14,309)	24,418	(14,309)
Total	$ 149,540	$ -	$ (149,540)	$ (88,040)	$ 149,540	$ (88,040)

For the review period, the city included a copy of its Indirect Cost Rate Proposals with its mandated cost claims. The Indirect Cost Rate Proposals were prepared for "the City of Laguna Niguel Sheriff," which does not exist as an entity or as a person.

Visitors to the city's website can find information about Laguna Niguel police services on two pages. The first page, linked in the "Services" menu (Home > Services > Police), summarizes the city's police services as follows:

> Police Services for the City of Laguna Niguel are provided by contract with the [OCSD]. The Sheriff's Department is responsible for providing the protection of citizens, the enforcement of laws, and crime prevention. Law enforcement services include patrol, traffic enforcement, accident analysis and investigation, parking enforcement, general and special investigations, and the Community Support Unit. Police Services also provides a variety of Community Policing programs and public safety information.

The second page is the "Police Services" homepage, which describes the city's police services as follows:

> Police Services are provided by contract with the [OCSD]. The Sheriff's Department protects the citizens, enforces the laws, and encourages crime prevention. Law enforcement services include patrol, traffic enforcement, accident analysis and investigation, parking enforcement, and general and special investigations. The Chief of Police Services is the Department Head and is responsible for the day-to-day operations in the City. . . .

The city claimed related indirect costs totaling $88,040 for the review period, based on $149,540 in claimed salaries. We found that the entire amount is unallowable because no city staff member performed any of the reimbursable activities under this program during the review period. Instead, the city contracted with the county to have the OCSD perform all of its law enforcement services during the review period. Therefore, the city did not incur any direct salary costs or related indirect costs. In addition, substituting contract services costs for salary costs is inconsistent with generally accepted accounting principles.

Furthermore, none of the costs that the city incurred for law enforcement services provided by the OCSD were indirect costs. The parameters and guidelines (Section V.B., "Indirect Cost Rates") provide that indirect costs are "incurred for a common or joint purpose, benefiting more than one program, and . . . not directly assignable to a particular department or program." In this instance, there is only one program (law enforcement services provided by a contractor), and there are no city departments.

The following table summarizes the claimed, allowable, and review adjustment amounts by fiscal year:

			(A)	(B)	(C)=(B)-(A)
	Claimed			Indirect	
Fiscal	Salaries	Indirect	Indirect	Costs	Audit
Year	Claimed	Cost Rate	Costs[1]	Allowable	Adjustment
2005-06	$ 14,154	57.30%	$ 8,110	$ -	$ (8,110)
2006-07	22,186	57.30%	12,712	-	(12,712)
2007-08	20,358	57.30%	11,665	-	(11,665)
2008-09	23,284	57.80%	13,458	-	(13,458)
2009-10	11,474	73.40%	8,422	-	(8,422)
2010-11	10,963	55.90%	6,128	-	(6,128)
2011-12	22,703	58.30%	13,236	-	(13,236)
2012-13	24,418	58.60%	14,309	-	(14,309)
Total	$ 149,540		$ 88,040	$ -	$ (88,040)

[1] Differences are due to rounding errors.

Criteria

Item 1 of Section III, "Period of Reimbursement," of the parameters and guidelines states, "Actual costs for one fiscal year shall be included in each claim."

Section IV, "Reimbursable Activities" of the parameters and guidelines begins:

> To be eligible for mandated cost reimbursement for any given 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 to and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheet, invoices, and receipts.

Section IV continues:

> For each eligible claimant, the following ongoing activities are eligible for reimbursement:
>
> 1. Either a) or b) below:
>
>   a) Take a police report supporting a violation of Penal Code section 530.5 which includes information regarding the personal identifying information involved and any uses of that personal information that were non-consensual and for an unlawful purpose, including, if available, information surrounding the suspected identity theft, places where the crime(s) occurred, and how and where the suspect obtained and used the personal identifying information. This activity includes drafting, reviewing, and editing the identity theft police report; or
>
>   b) Reviewing the identity theft report completed on-line by the identity theft victim.
>
> 2. Begin an investigation of the facts, including the gathering of facts sufficient to determine where the crime(s) occurred and what pieces of personal identifying information were used for an unlawful purpose. The purpose of the investigation is to assist the victims in clearing their names. Reimbursement is not required to complete the investigation for purposes of criminal prosecution.
>
> Providing a copy of the report to the complainant is not reimbursable under this program.
>
> Referring the matter to the law enforcement agency where the suspected crime was committed for further investigation of the facts is also not reimbursable under this program.

Section V.A.1, "Salaries and Benefits," of the parameters and guidelines states:

> Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours. Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Section V.B, "Indirect Cost Rates," of the parameters and guidelines states, in part:

> 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 2 CFR Part 225 (Office of Management and Budget [OMB] Circular A-87). Claimants have the option of using 10% of labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal . . . if the indirect cost rate exceeds 10%. . . .

Sub-paragraph (3), "Contract Services," of the *Mandated Cost Manual for Local Agencies* issued by the State Controller's Office ("Filing a Claim," part 7) dated July 1, 2013, states:

> 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 keep documentation on hand to support 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 must not exceed the rate specified in the P's & G's for the mandated program. The contractor's invoice or statement must include an itemized list of costs for activities performed. **A copy of the contract must be included with the submitted claim**.

Recommendation

The California State Legislature suspended the Identity Theft Program in the fiscal year 2013-14 through fiscal year 2023-24 Budget Acts. If the program becomes active again, we recommend that the city:

- Adhere to the program's parameters and guidelines and claiming instructions when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

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 July 16, 2026, I served the:

- **Current Mailing List dated July 2, 2026**
- **Claimant's Comments on the Draft Proposed Decision filed July 15, 2026**

  Identity Theft, 25-0308-I-01
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Rancho Cucamonga, 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 July 16, 2026 at Sacramento, California.



David Chavez
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 7/2/26

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

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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Exhibit G

MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

Commission on State Mandates
Filed Date
07/20/2026

July 20, 2026

Juliana F. Gmur, Executive Director
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814

Re: **Draft Proposed Decision, Schedule for Comments, and Notice of Hearing**
Identity Theft, 25-0308-I-01
Penal Code Section 530.6(a), as added by Statutes of 2000, Chapter 956
Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, and 2012-2013
City of Rancho Cucamonga, Claimant

Dear Ms. Gmur:

The State Controller's Office has reviewed the Commission on State Mandates' (Commission) draft proposed decision dated June 29, 2026, for the above incorrect reduction claim filed by the City of Rancho Cucamonga.

We agree with the Commission's conclusion that supports our reductions to the city's claims for unallowable indirect costs and allowance of administrative costs as part of the city's *Direct* contracted services costs for fiscal year (FY) 2002-03 through FY 2012-13.

I declare under penalty of perjury that the foregoing is true and correct to the best of my personal knowledge, information, and belief.

If you have any questions, please contact me by telephone at (916) 327-3138 or by email at lkurokawa@sco.ca.gov.

Sincerely,

Lisa Kurokawa

LISA KUROKAWA, Chief
Compliance Audits Bureau
Division of Audits

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 July 21, 2026, I served the:

- **Current Mailing List dated July 2, 2026**
- **Controller's Comments on the Draft Proposed Decision filed July 20, 2026**

  Identity Theft, 25-0308-I-01
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Rancho Cucamonga, 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 July 21, 2026 at Sacramento, California.



David Chavez
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
(916) 323-3562

COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 7/2/26

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

TO ALL PARTIES, INTERESTED PARTIES, AND INTERESTED PERSONS:

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Cost Recovery Systems, Inc.

July 30, 2026

Commission on State Mandates
Filed Date
07/30/2026

LATE FILING

Ms. Juliana Gmur
Executive Director
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RE: City of Rancho Cucamonga – Identity Theft Incorrect Reduction Claim 25-0308-I-01

Dear Ms. Gmur:

The City of Rancho Cucamonga respectfully submits this response to the State Controller's July 20, 2026 comments on the Commission's Draft Proposed Decision.

The Controller's comments do not resolve the legal and methodological defects identified in the City's July 15, 2026 response or identify any published authority establishing the categorical rule on which the reductions depend. Instead, the Controller characterizes the disallowed amounts as "unallowable indirect costs" and states that selected administrative costs were allowed as part of the City's "Direct contracted services costs."

That characterization assumes the conclusion that must be established. A cost does not become substantively unallowable merely because it is classified as indirect. Under the Commission-authorized ICRP methodology and the incorporated OMB Circular A-87 cost principles, allowability depends upon whether a cost is necessary and reasonable, allocable, consistently treated, adequately supported, not recovered elsewhere, and not otherwise prohibited.

The Controller explains that the disputed costs were excluded from the indirect-cost pool because they supported Rancho Cucamonga's contract law-enforcement operation and were identifiable within the Sheriff's contract. But the Parameters and Guidelines expressly recognize that indirect costs may include "the overhead costs of the unit performing the mandate." The fact that a cost supports the City's contract law-enforcement operation therefore does not, by itself, make it ineligible as an indirect cost.

Neither the Controller nor the Draft Proposed Decision identifies a published standard allowing selected administrative components while excluding other documented departmental support costs, or an established methodology explaining how those departmental costs were required to be claimed as direct costs.

Neither the Controller nor the Draft Proposed Decision identifies language in section V.A.3, section V.B, the Claiming Instructions, the State Mandates Claiming Manual, former 2 CFR Part 225/OMB Circular A-87, or generally accepted accounting principles expressly prohibiting the separately identifiable direct-labor component of a law-enforcement contract from serving solely as an equitable distribution base for allocating a separate pool of common departmental support

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costs. Section V.A.3 governs reimbursement for contracted services attributable to the mandated activities; it does not state that every underlying component of an integrated law-enforcement contract is necessarily a direct cost or prescribe the denominator that must be used to allocate common costs benefiting multiple programs.

The City therefore disputes the Draft Proposed Decision's conclusion that all support costs contained in the SBCSD contract were necessarily required to be claimed as direct costs. That interpretation would effectively make section V.B's express recognition of "the overhead costs of the unit performing the mandate" unavailable to a contract city solely because the operating unit is obtained through contract rather than municipal employment. The City used the separately identifiable labor component of the SBCSD contract solely as the denominator for allocating a distinct pool of actual departmental support costs.

The controlling legal question is whether sections V.A.3 and V.B categorically prohibit a contract city from allocating common departmental support costs through an ICRP using separately identifiable contract labor as an equitable distribution base. The Commission must make its own legal determination regarding the meaning of the Parameters and Guidelines rather than defer to the Controller's legal interpretation.

The prior ICAN and Crime Statistics decisions do not establish that separately identifiable contracted labor is categorically unavailable as an allocation base. ICAN primarily rejected the claimant's application of the 10 percent default rate to contracted-service costs. In Crime Statistics, the Controller calculated and allowed contract-related indirect cost rates using separately identified contract overhead costs and separately identified contracted labor costs, and the Commission upheld that calculation. Thus, Crime Statistics demonstrates that, where the contract documentation separately states contracted labor and overhead components, the Controller may calculate and allow a contract-related overhead rate using those stated components, and the Commission has upheld that approach. Rancho Cucamonga seeks application of that same substantive principle to its documented SBCSD contract costs.

Additionally, the SCO did not find that the disputed costs were unnecessary, unreasonable, unsupported, duplicative, recovered elsewhere, expressly unallowable, or incapable of allocation in part to the mandated activities based on relative benefit. The City recognizes that costs must be classified and allocated under the proper claiming methodology. However, a disagreement over whether a cost is direct or indirect does not make the cost itself unallowable. If the Controller believes the cost was claimed under the wrong category, the Controller should identify the proper allocation method rather than deny reimbursement under both categories.

The placement of the Sheriff's contract payment in the direct contracted-services category does not determine whether every underlying support-cost component is direct or explain how necessary and allocable support costs are to be recovered. The Controller itself relied on separately identified components within the contract documentation to allocate $9,487 of selected support costs to the mandated activities. The City does not contend that this allowance is itself a mathematical reduction. Its relevance is that the Controller used separately stated contract components for allocation purposes, yet did not identify a published and consistently applied standard explaining why other common departmental support costs were excluded.

The Controller should not reject the costs as indirect while also declining to reimburse their allocable share as direct contracted-service costs without identifying how those costs were required to be allocated to the mandated activities.

The Controller has identified no published instruction or established methodology explaining how the City was expected to identify, allocate, and claim the disputed support costs as direct contracted-service costs. No other published methodology explained how the City was required to allocate and claim these disputed departmental support costs. The City therefore relied on the Commission-authorized ICRP methodology.

The City therefore respectfully requests that the Commission reject the Draft Proposed Decision, reverse the disallowance of the City's claimed indirect support costs, and reaffirm that local agencies may rely upon the Commission's published reimbursement methodology unless and until that methodology is prospectively amended. Alternatively, the Commission should direct reimbursement of the allocable disputed support costs as direct contracted-service costs.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on July 30, 2026, at Folsom, California.

Sincerely,



Annette S. Chinn
President and Consultant for the City of Rancho Cucamonga
Cost Recovery Systems, Inc.

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 July 31, 2026, I served the:

- **Current Mailing List dated July 2, 2026**
- **Claimant's Late Comments on the Draft Proposed Decision filed July 30, 2026**

  Identity Theft, 25-0308-I-01
  Statutes 2000, Chapter 956 (AB 1897); Penal Code Section 530.6(a)
  Fiscal Years: 2002-2003, 2003-2004, 2004-2005, 2005-2006, 2006-2007, 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012, 2012-2013
  City of Rancho Cucamonga, 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 July 31, 2026 at Sacramento, California.



David Chavez
Commission on State Mandates
980 Ninth Street, Suite 300
Sacramento, CA 95814
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COMMISSION ON STATE MANDATES

Mailing List

Last Updated: 7/2/26

Claim Number: 25-0308-I-01

Matter: Identity Theft

Claimant: City of Rancho Cucamonga

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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