

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

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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 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, 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
<u>July 1, 2004, through June 30, 2005</u>			
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	<u>\$ 95,863</u>	48,702	<u>\$ (47,161)</u>
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 48,702</u>	
<u>July 1, 2005, through June 30, 2006</u>			
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	<u>\$ 143,761</u>	100,245	<u>\$ (43,516)</u>
Less payment made by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 100,245</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
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	<u>184,316</u>	<u>44,177</u>	<u>(140,139)</u>
Total salaries and benefits	398,667	111,853	(286,814)
Indirect costs	<u>116,131</u>	<u>32,583</u>	<u>(83,548)</u>
Total direct and indirect costs	514,798	144,436	(370,362)
Less offsetting revenues	<u>(324,323)</u>	<u>-</u>	<u>324,323</u>
Subtotal	190,475	144,436	(46,039)
Less late filing penalty ²	<u>-</u>	<u>(14,444)</u>	<u>(14,444)</u>
Total program costs	<u>\$ 190,475</u>	129,992	<u>\$ (60,483)</u>
Less payment made by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 129,992</u>	
<u>July 1, 2007, through June 30, 2008</u>			
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	<u>193,081</u>	<u>45,434</u>	<u>(147,647)</u>
Total salaries and benefits	417,628	114,979	(302,649)
Indirect costs	<u>138,645</u>	<u>38,171</u>	<u>(100,474)</u>
Total direct and indirect costs	556,273	153,150	(403,123)
Less offsetting revenues	<u>(350,452)</u>	<u>-</u>	<u>350,452</u>
Subtotal	205,821	153,150	(52,671)
Less late filing penalty ²	<u>-</u>	<u>(15,315)</u>	<u>(15,315)</u>
Total program costs	<u>\$ 205,821</u>	137,835	<u>\$ (67,986)</u>
Less payment made by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 137,835</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2008, through June 30, 2009</u>			
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	<u>183,365</u>	<u>43,595</u>	<u>(139,770)</u>
Total salaries and benefits	396,611	110,391	(286,220)
Indirect costs	<u>137,584</u>	<u>38,294</u>	<u>(99,290)</u>
Total direct and indirect costs	534,195	148,685	(385,510)
Less offsetting revenues	<u>(336,543)</u>	-	<u>336,543</u>
Subtotal	197,652	148,685	(48,967)
Less late filing penalty ²	<u>-</u>	<u>(14,868)</u>	<u>(14,868)</u>
Total program costs	<u>\$ 197,652</u>	133,817	<u>\$ (63,835)</u>
Less payment made by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 133,817</u>	
<u>July 1, 2009, through June 30, 2010</u>			
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	<u>148,947</u>	<u>37,212</u>	<u>(111,735)</u>
Total salaries and benefits	322,167	94,202	(227,965)
Indirect costs	<u>96,963</u>	<u>28,352</u>	<u>(68,611)</u>
Total direct and indirect costs	419,130	122,554	(296,576)
Less offsetting revenues	<u>(264,052)</u>	-	<u>264,052</u>
Subtotal	155,078	122,554	(32,524)
Less late filing penalty ²	<u>-</u>	<u>(12,255)</u>	<u>(12,255)</u>
Total program costs	<u>\$ 155,078</u>	110,299	<u>\$ (44,779)</u>
Less payment made by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 110,299</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
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	<u>153,772</u>	<u>36,346</u>	<u>(117,426)</u>
Total salaries and benefits	332,603	91,999	(240,604)
Indirect costs	<u>107,273</u>	<u>29,672</u>	<u>(77,601)</u>
Total direct and indirect costs	439,876	121,671	(318,205)
Less offsetting revenues	<u>(277,122)</u>	<u>-</u>	<u>277,122</u>
Subtotal	162,754	121,671	(41,083)
Less late filing penalty ³	<u>-</u>	<u>(10,000)</u>	<u>(10,000)</u>
Total program costs	<u>\$ 162,754</u>	111,671	<u>\$ (51,083)</u>
Less payment made by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 111,671</u>	
<u>July 1, 2011, through June 30, 2012</u>			
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	<u>174,928</u>	<u>39,414</u>	<u>(135,514)</u>
Total salaries and benefits	378,364	100,184	(278,180)
Indirect costs	<u>118,006</u>	<u>31,246</u>	<u>(86,760)</u>
Total direct and indirect costs	496,370	131,430	(364,940)
Less offsetting revenues	<u>(312,713)</u>	<u>-</u>	<u>312,713</u>
Total program costs	<u>\$ 183,657</u>	131,430	<u>\$ (52,227)</u>
Less payment made by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 131,430</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2012, through June 30, 2013</u>			
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	<u>188,726</u>	<u>38,446</u>	<u>(150,280)</u>
Total salaries and benefits	408,206	97,112	(311,094)
Indirect costs	<u>123,640</u>	<u>29,414</u>	<u>(94,226)</u>
Total direct and indirect costs	531,846	126,526	(405,320)
Less offsetting revenues	<u>(335,063)</u>	-	<u>335,063</u>
Total program costs	<u>\$ 196,783</u>	126,526	<u>\$ (70,257)</u>
Less payment made by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 126,526</u>	
<u>Summary: July 1, 2004, through June 30, 2013</u>			
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	<u>1,460,055</u>	<u>335,525</u>	<u>(1,124,530)</u>
Total salaries and benefits	3,158,041	849,488	(2,308,553)
Indirect costs	<u>982,080</u>	<u>264,460</u>	<u>(717,620)</u>
Total direct and indirect costs	4,140,121	1,113,948	(3,026,173)
Less offsetting revenues	<u>(2,608,277)</u>	-	<u>2,608,277</u>
Subtotal	1,531,844	1,113,948	(417,896)
Less late filing penalty	<u>-</u>	<u>(83,431)</u>	<u>(83,431)</u>
Total program costs	<u>\$ 1,531,844</u>	1,030,517	<u>\$ (501,327)</u>
Less payment made by the State		<u>-</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,030,517</u>	

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:

Fiscal Year	Amount Claimed				Amount Allowable				Audit Adjustment
	Salaries and Benefits	Indirect Costs	Less: Offsetting Revenues	Total	Salaries and Benefits	Indirect Costs	Less: Offsetting Revenues	Total	
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	06/20/2016 LARCIS	06/20/2016 LARCIS
	Unincorporated area including contract cities	Unincorporated area including contract cities	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:

Classification	Fiscal Year		Average
	2011-12	2012-13	
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%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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:

Fiscal Year	Average PHR Claimed	Amount Allowable	
		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.

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