

CITY OF SAN JOSE

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

October 2017



BETTY T. YEE
California State Controller

October 20, 2017

The Honorable Sam Liccardo, Mayor
City of San Jose
200 East Santa Clara Street, 18th Floor
San Jose, CA 95113

Dear Mayor Liccardo:

The State Controller's Office (SCO) audited the costs claimed by the City of San Jose for the legislatively mandated 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) for the period of July 1, 2001, through June 30, 2012.

The city claimed \$5,406,091 for the mandated program. Our audit found that \$3,887,202 is allowable and \$1,518,889 is unallowable. The costs are unallowable primarily because the city claimed overstated salary and benefit costs. The State made no payments to the city. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve unpaid allowable costs. The letter will be sent within 30 days from the issuance date of this report.

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: Julia H. Cooper, Director of Finance
Department of Finance
City of San Jose
Jennifer Ye, CPA, Principal Accountant
Department of Finance
City of San Jose
Edgardo Garcia, Chief
San Jose Police Department
Heidi York, Administrative Officer
San Jose 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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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of San Jose for the legislatively mandated 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) for the period of July 1, 2001, through June 30, 2012.

The city claimed \$5,406,091 for the mandated program. Our audit found that \$3,887,202 is allowable and \$1,518,889 is unallowable. The costs are unallowable primarily because the city claimed overstated salary and benefit costs. The State made no payments to the city. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve unpaid allowable costs. The letter will be sent within 30 days from the issuance date of this report.

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. 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:

- For 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);

- For 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.
 - 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 and school districts 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 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 from July 1, 2001, through June 30, 2012.

To achieve our audit objective, we:

- Reviewed annual mandated cost claims filed by the city for the audit period to identify the material cost components of each claim, and determine whether there were any errors or any unusual or unexpected variances from year to year. We also reviewed the activities claimed to determine whether they adhere to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key city staff and performed a walk-through of the claim preparation process 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;
- Traced all productive hourly rate calculations to supporting information in the auditee's payroll system;
- Reviewed indirect costs claimed to determine whether they were for common or joint purposes and whether indirect cost rates were properly supported and applied;
- Assessed whether average time increments claimed to perform the reimbursable activities were reasonable per the requirements of the program;
- Reviewed and analyzed the claimed domestic violence incident report counts, homicide report counts, and hate crime counts for consistency and possible exclusions, and verified that counts were supported by the reports the city submitted to the California Department of Justice;
- Verified that domestic violence incident report counts were supported by written incident reports for FY 2002-03 through FY 2011-12 by tracing a non-statistical sample of 200 out of 30,767 domestic violence calls for assistance to case files. Errors found were not projected to the intended population.

For FY 2001-02, the city did not identify the individual cases that make up the incident report count. We traced the incident report count claimed to reports submitted to the California Department of Justice; and

- Recalculated allowable costs using our audited data including the appropriate classifications, productive hourly rates, time increments and case counts.

The legal authority to conduct this audit is provided by GC sections 12410, 17558.5, and 17561. 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. We did not audit the city's financial statements.

Conclusion

Our audit found an instance of noncompliance with the requirements outlined in the Objective 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 City of San Jose claimed \$5,406,091 for costs of the Crime Statistics Reports for the Department of Justice Program. Our audit found that \$3,887,202 is allowable and \$1,518,889 is unallowable.

The State made no payments to the city. The SCO's Local Government Programs and Services Division will send the city a separate notification letter to resolve unpaid allowable costs. The letter will be sent within 30 days from the issuance date of this report.

Views of Responsible Officials

We issued a draft audit report on August 3, 2017. Lisa Taitano, Assistant Director of Finance, responded by letter dated August 15, 2017 (Attachment), agreeing 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 Jose, 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

October 20, 2017

Schedule—
Summary of Program Costs
July 1, 2001, through June 30, 2012

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Homicide reports	\$ 929	\$ 762	\$ (167)
Domestic violence-related calls for assistance	459,061	262,440	(196,621)
Total direct costs	459,990	263,202	(196,788)
Indirect costs	147,197	84,225	(62,972)
Total program costs	<u>\$ 607,187</u>	347,427	<u>\$ (259,760)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 347,427</u>	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Homicide reports	\$ 1,367	\$ 1,116	\$ (251)
Domestic violence-related calls for assistance	372,982	262,158	(110,824)
Total direct costs	374,349	263,274	(111,075)
Indirect costs	58,399	41,071	(17,328)
Total program costs	<u>\$ 432,748</u>	304,345	<u>\$ (128,403)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 304,345</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Homicide reports	\$ 1,670	\$ 1,376	\$ (294)
Domestic violence-related calls for assistance	489,666	255,949	(233,717)
Total direct costs	491,336	257,325	(234,011)
Indirect costs	125,290	65,617	(59,673)
Total program costs	<u>\$ 616,626</u>	322,942	<u>\$ (293,684)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 322,942</u>	

Schedule (continued)

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2004, through June 30, 2005</u>			
Direct costs:			
Homicide reports	\$ 1,178	\$ 971	\$ (207)
Hate crime reports	1,705	1,705	-
Domestic violence-related calls for assistance	402,632	270,265	(132,367)
Total direct costs	405,515	272,941	(132,574)
Indirect costs	72,119	48,541	(23,578)
Total program costs	<u>\$ 477,634</u>	321,482	<u>\$ (156,152)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 321,482</u>	
<u>July 1, 2005, through June 30, 2006</u>			
Direct costs:			
Homicide reports	\$ 1,627	\$ 1,307	\$ (320)
Hate crime reports	3,667	3,667	-
Domestic violence-related calls for assistance	427,785	245,456	(182,329)
Total direct costs	433,079	250,430	(182,649)
Indirect costs	71,372	42,408	(28,964)
Total program costs	<u>\$ 504,451</u>	292,838	<u>\$ (211,613)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 292,838</u>	
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Homicide reports	\$ 1,598	\$ 1,276	\$ (322)
Hate crime reports	2,882	2,882	-
Domestic violence-related calls for assistance	337,615	268,165	(69,450)
Total direct costs	342,095	272,323	(69,772)
Indirect costs	84,270	68,177	(16,093)
Total program costs	<u>\$ 426,365</u>	340,500	<u>\$ (85,865)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 340,500</u>	

Schedule (continued)

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Homicide reports	\$ 2,689	\$ 2,193	\$ (496)
Hate crime reports	3,853	3,853	-
Domestic violence-related calls for assistance	334,078	287,732	(46,346)
Total direct costs	340,620	293,778	(46,842)
Indirect costs	62,968	54,308	(8,660)
Total program costs	<u>\$ 403,588</u>	348,086	<u>\$ (55,502)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 348,086</u>	
 <u>July 1, 2008, through June 30, 2009</u>			
Direct costs:			
Homicide reports	\$ 1,923	\$ 1,453	\$ (470)
Hate crime reports	3,713	3,713	-
Domestic violence-related calls for assistance	371,602	267,304	(104,298)
Total direct costs	377,238	272,470	(104,768)
Indirect costs	59,164	44,477	(14,687)
Total program costs	<u>\$ 436,402</u>	316,947	<u>\$ (119,455)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 316,947</u>	
 <u>July 1, 2009, through June 30, 2010</u>			
Direct costs:			
Homicide reports	\$ 2,075	\$ 1,577	\$ (498)
Hate crime reports	2,330	2,330	-
Domestic violence-related calls for assistance	364,094	313,582	(50,512)
Total direct costs	368,499	317,489	(51,010)
Indirect costs	84,855	73,109	(11,746)
Total program costs	<u>\$ 453,354</u>	390,598	<u>\$ (62,756)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 390,598</u>	

Schedule (continued)

Cost Elements	Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
Homicide reports	\$ 2,707	\$ 2,075	\$ (632)
Hate crime reports	2,079	2,079	-
Domestic violence-related calls for assistance	373,065	321,309	(51,756)
Total direct costs	377,851	325,463	(52,388)
Indirect costs	90,625	78,060	(12,565)
Total program costs	<u>\$ 468,476</u>	403,523	<u>\$ (64,953)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 403,523</u>	
<u>July 1, 2011, through June 30, 2012</u>			
Direct costs:			
Homicide reports	\$ 2,541	\$ 1,983	\$ (558)
Hate crime reports	1,164	1,164	-
Domestic violence-related calls for assistance	462,602	398,166	(64,436)
Total direct costs	466,307	401,313	(64,994)
Indirect costs	112,953	97,201	(15,752)
Total program costs	<u>\$ 579,260</u>	498,514	<u>\$ (80,746)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 498,514</u>	
<u>Summary: July 1, 2001, through June 30, 2012</u>			
Direct costs:			
Homicide reports	\$ 20,304	\$ 16,089	\$ (4,215)
Hate crime reports	21,393	21,393	-
Domestic violence-related calls for assistance	4,395,182	3,152,526	(1,242,656)
Total direct costs	4,436,879	3,190,008	(1,246,871)
Indirect costs	969,212	697,194	(272,018)
Total program costs	<u>\$ 5,406,091</u>	3,887,202	<u>\$ (1,518,889)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 3,887,202</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Overstated salaries
and benefits costs**

The city overstated salaries and benefits by \$1,246,871 for the audit period. The related indirect costs total \$272,018. The audit adjustments are related to the Domestic Violence Related Calls for Assistance and Homicide Reports cost components. The city overstated costs because it computed costs using overstated productive hourly rates and overstated time increments for the Domestic Violence Related Calls For Assistance cost component, and calculated costs for the Homicide Reports cost component using salary information of a classification that did not perform the mandated activity.

The following table summarizes the overstated salaries and benefits costs:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
2001-02	\$ 459,990	\$ 263,202	\$ (196,788)
2002-03	374,349	263,274	(111,075)
2003-04	491,336	257,325	(234,011)
2004-05	405,515	272,941	(132,574)
2005-06	433,079	250,430	(182,649)
2006-07	342,095	272,323	(69,772)
2007-08	340,620	293,778	(46,842)
2008-09	377,238	272,470	(104,768)
2009-10	368,499	317,489	(51,010)
2010-11	377,851	325,463	(52,388)
2011-12	466,307	401,313	(64,994)
Total	<u>\$ 4,436,879</u>	<u>\$ 3,190,008</u>	<u>\$ (1,246,871)</u>

Domestic Violence Related Calls for Assistance

The city overstated salaries and benefits claimed for the Domestic Violence Related Calls for Assistance cost component by \$1,242,656 for the audit period. The related indirect costs total \$271,114. The costs for this component include supporting each related call for assistance with a written incident report. Reimbursable activities consist of writing, reviewing, and editing the incident reports. Claimed costs were calculated by multiplying the number of incident reports by a time increment to process a report, then multiplying the resulting hours by a productive hourly rate. The costs are overstated because the city overstated the time increment by including ineligible activities and used overstated productive hourly rates during the audit period.

Time increments

The city overstated salaries and benefits costs by \$1,134,352 because it overstated the time increments that were used to calculate claimed hours for police officers to write incident reports and sergeants to review and edit incident reports. The related indirect costs total \$255,815.

For the audit period, the city did not identify the time increments that were used to calculate costs in its filed claims. Based on our discussions with key personnel, we found that the city claimed 90 minutes for police officers to write the incident reports and 15 minutes for sergeants to review and edit the reports. The city did not provide documentation to support the claimed time increments. We interviewed staff involved in the mandated activities and found that the claimed 90 minutes to write the incident reports included 15 minutes of unallowable activities. The non-mandate activities related to the processing of defendant property. As a result, we reduced the claimed 90 minutes to 75 minutes (90 minutes - 15 minutes) to write the incident reports. Based on our analysis, we conclude that 75 minutes to write the incident reports and 15 minutes to review and edit the reports is reasonable. We recalculated allowable costs based on the allowable time increments.

The following schedule summarizes the audit adjustment:

<u>Fiscal Year</u>	<u>Salaries and Benefits</u>	<u>Related Indirect Costs</u>	<u>Audit Adjustment</u>
2001-02	\$ (196,621)	\$ (62,919)	\$ (259,540)
2002-03	(110,824)	(17,289)	(128,113)
2003-04	(233,717)	(59,598)	(293,315)
2004-05	(132,367)	(23,541)	(155,908)
2005-06	(149,413)	(24,624)	(174,037)
2006-07	(46,807)	(11,530)	(58,337)
2007-08	(46,346)	(8,568)	(54,914)
2008-09	(51,553)	(8,085)	(59,638)
2009-10	(50,512)	(11,631)	(62,143)
2010-11	(51,756)	(12,413)	(64,169)
2011-12	(64,436)	(15,617)	(80,053)
Total	<u>\$ (1,134,352)</u>	<u>\$ (255,815)</u>	<u>\$(1,390,167)</u>

Productive hourly rates

The city overstated salaries and benefits by \$108,304 because it applied overstated productive hourly rates during the audit period. The related indirect costs total \$15,299.

During our review of the productive hourly rates, we found that the city overstated the average productive hourly rates for fiscal year (FY) 2005-06, FY 2006-07, and FY 2008-09. The overstatements occurred because the city did not base calculations of the average hourly rates on pay plans from the correct fiscal year. As a result, the city included pay raises in its calculations that did not take effect until the subsequent fiscal year.

The following table summarizes the audit adjustment:

	Fiscal Year			Audit
	2005-06	2006-07	2008-09	Adjustment
Salaries and benefits	\$ (32,916)	\$ (22,643)	\$ (52,745)	\$ (108,304)
Related indirect costs	(4,287)	(4,484)	(6,528)	(15,299)
Total	<u>\$ (37,203)</u>	<u>\$ (27,127)</u>	<u>\$ (59,273)</u>	<u>\$ (123,603)</u>

Homicide Reports

The city overstated salaries and benefits for the Homicide Reports cost component by \$4,215. The related indirect costs total \$904. The costs for this component include gathering demographic information related to homicides and reporting this information to the California Department of Justice.

For the audit period, the city calculated claimed costs for the mandate activity using a blended rate for police officers and sergeants. Interviews with key staff revealed that the Homicide Unit’s Senior Office Specialist classification performed the mandated activity, not police officers and sergeants. We recalculated allowable costs based on the Senior Office Specialist classification’s salary and benefits.

The following schedule summarizes the audit adjustment:

Fiscal Year	Salaries and Benefits	Related Indirect Costs	Audit Adjustment
2001-02	\$ (167)	\$ (53)	\$ (220)
2002-03	(251)	(39)	(290)
2003-04	(294)	(75)	(369)
2004-05	(207)	(37)	(244)
2005-06	(320)	(53)	(373)
2006-07	(322)	(79)	(401)
2007-08	(496)	(92)	(588)
2008-09	(470)	(74)	(544)
2009-10	(498)	(115)	(613)
2010-11	(632)	(152)	(784)
2011-12	(558)	(135)	(693)
Total	<u>\$ (4,215)</u>	<u>\$ (904)</u>	<u>\$ (5,119)</u>

Criteria

Section IV of the program’s 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, in part:

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.

The parameters and guidelines (section IV – Ongoing Activities (D)) allow ongoing activities related to costs supporting domestic violence-related calls for assistance with a written incident report, and reviewing and editing the report.

The parameters and guidelines (section IV – Ongoing Activities (A)) allow reimbursement for the activities of extracting demographic information regarding homicides and reporting the information to the California Department of Justice. The demographic information gathered from local records related to the homicide victim and person or persons charged with the crime includes age, gender, race, and ethnic background. Reporting may be accomplished by submitting the information electronically or in specified forms.

Section V of the parameters and guidelines states that cost elements must be identified for the reimbursable activities identified in section IV. 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 2016-17 Budget Acts. If the program becomes active, we recommend that the city claim costs based on the time increment to perform the mandated cost activity and the corresponding productive hourly rates. We also recommend that the city compute its claimed costs using the classification that performed the mandated activity.

City's Response

The City concurs with this finding. The current program has been suspended from FY 2012-2013 through FY 2016-2017. If the program becomes active, the City will ensure that the city claims costs based on the time increment to perform the mandated cost activity and the productive hourly rates corresponding to the time period, by completing an updated time analysis based on a statistical sample. Cost claimed by the City will only include allowable hours based on the results of the time analysis and actual costs of the classification that performed the mandated activity.

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

August 15, 2017

Jim L. Spano, CPA
Assistant Division Chief
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

RE: Crime Statistics Reports for the Department of Justice Program Audit

Dear Mr. Spano,

Thank you for the audit report of 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; and Chapter 700, Statutes 2004) for the period of July 1, 2001 through June 30, 2012. Regarding the audit finding and recommendation, the City of San José (City)'s response is listed below:

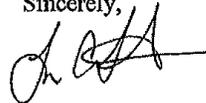
FINDING I: Overstated Salary and Benefit Costs, and Related Indirect Costs

RESPONSE:

The City concurs with this finding. The current program has been suspended from FY2012-2013 through FY2016-2017. If the program becomes active, the City will ensure that the city claims costs based on the time increment to perform the mandated cost activity and the productive hourly rates corresponding to the time period, by completing an updated time analysis based on a statistical sample. Cost claimed by the City will only include allowable hours based on the results of the time analysis and actual costs of the classification that performed the mandated activity.

If you have any questions, please contact Grace Martinez at (408) 535-7034 or Jennifer Ye at (408) 535-7072.

Sincerely,



Lisa Taitano
Assistant Director of Finance

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>