

CITY OF LOS ANGELES

Reissued Audit Report

DOMESTIC VIOLENCE BACKGROUND CHECKS PROGRAM

Chapter 713, Statutes of 2001

July 1, 2001, through June 30, 2013



BETTY T. YEE
California State Controller

December 2019



BETTY T. YEE
California State Controller

December 2, 2019

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Ron Galperin, City Controller
City of Los Angeles
200 North Spring Street, Suite 300
Los Angeles, CA 90017

Dear Mr. Galperin:

The State Controller's Office (SCO) audited the costs claimed by the City of Los Angeles for the legislatively mandated Domestic Violence Background Checks Program for the period of July 1, 2001, through June 30, 2013.

This report is a reissue of the October 14, 2019 final audit report to correct Schedule 1 — Summary of Program Costs. The original Schedule 1 incorrectly identified allowable costs in excess of claimed costs for fiscal year (FY) 2001-02. Government Code 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; and that deadline has expired for FY 2001-02. Therefore, for FY 2001-02 the allowable costs in excess of claimed costs, totaling \$19,673, is not eligible for reimbursement. The summary totals on the Corrected Schedule 1 have been updated to reflect the correct calculations. This correction does not impact the audit findings, which remain unchanged.

The city claimed \$4,506,036 for costs of the mandated program. Our audit found that \$2,873,801 is allowable and \$1,632,235 is unallowable. The costs are unallowable because the city misstated the number of domestic violence cases worked, productive hourly rates, benefit rates, and indirect cost rates; and overstated related indirect costs. The State made no payments to the city. The State will pay \$2,873,801, contingent upon available appropriations.

Following issuance of this reissued 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 FY 2002-03 through FY 2012-13.

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 Eric Garcetti, Mayor
City of Los Angeles
Richard H. Llewellyn Jr., City Administrative Officer
City of Los Angeles
Alex Perez, Assistant City Attorney
Family Violence Operations
Los Angeles City Attorney's Office
Annemarie Sauer, Commanding Officer
Fiscal Operations
Los Angeles 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
Debra Morton, Manager
Local Government Programs and Services Division
State Controller's Office

Contents

Reissued Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	3
Follow-up on Prior Audit Findings	4
Views of Responsible Officials	4
Reason for Reissuance	4
Restricted Use	4
Corrected Schedule 1—Summary of Program Costs	5
Schedule 2—Summary of Domestic Violence Cases	8
Findings and Recommendations	11

Reissued Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by City of Los Angeles for the legislatively mandated Domestic Violence Background Checks Program for the period of July 1, 2001, through June 30, 2013.

The city claimed \$4,506,036 for costs of the mandated program. Our audit found that \$2,873,801 is allowable and \$1,632,235 is unallowable. The costs are unallowable because the city misstated the number of domestic violence cases worked, productive hourly rates (PHRs), benefit rates, and indirect cost rates; and overstated related indirect costs. The State made no payments to the city. The State will pay \$2,873,801, contingent upon available appropriations.

Background

Penal Code (PC) section 273.75 (added by Chapter 713, Statutes of 2001) establishes new responsibilities for a district attorney or prosecuting city attorney to perform specific activities related to persons charged with acts involving domestic violence.

On July 26, 2007, the Commission on State Mandates (Commission) found that PC section 273.75 imposes a reimbursable state-mandated program. Based on PC section 273.75, the Commission found that a district attorney or prosecuting city attorney is required to perform the following reimbursable activities upon any charge involving acts of domestic violence:

- Perform or cause to be performed, in electronic databases specified in PC section 273.75, subdivision (b), a thorough investigation of the defendant's history, including, but not limited to, prior convictions for domestic violence, other forms of violence or weapons offenses and any current protective or restraining order issued by any civil or criminal court.
- Present the information for consideration by the court (1) when setting bond or when releasing a defendant on his or her own recognizance at the arraignment, if the defendant is in custody, and (2) upon consideration of any plea agreement.
- If a protective or restraining order is issued in the current criminal proceeding, and if the investigation reveals a current civil protective or restraining order issued by another criminal court and involving the same or related parties, send, or cause to be sent, the district attorney or prosecuting city attorney relevant information regarding the contents of the order issued in the current criminal proceeding, and any other information regarding a conviction of the defendant, to the other court immediately after the order has been issued.

On July 28, 2011, the Commission adopted the program's parameters and guidelines. These parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with Government Code (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 Domestic Violence Background Checks 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, 2013.

To achieve our 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 as salaries, benefits, and indirect costs. Determined whether there were any errors or unusual or unexpected variances from year to year. Reviewed the claimed activities 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. Discussed the claim preparation process with city staff to determine what information was obtained, who obtained it, and how it was used;
- Interviewed and observed city staff performing reimbursable mandated activities to determine allowable time increments;
- Reviewed and analyzed reports supporting the number of domestic violence cases worked for errors and to identify any unusual or unexpected variances for fiscal year (FY) 2010-11 through FY 2012-13;
- Validated reports by judgmentally selecting a non-statistical sample of 75 domestic violence cases (out of 46,512) for FY 2010-11 through FY 2012-13. We reviewed the supporting documentation provided for the selected sample to identify domestic violence-related violations, and noted immaterial exceptions. As a result of our testing, we determined that it was reasonable to allow the total number of cases provided by the city for the audit period;
- Reviewed the city's salary schedules for the Deputy City Attorney II/III classifications for the audit period. We recalculated the PHRs claimed for these classifications for the audit period and noted immaterial exceptions. As a result of our testing, we determined that it was reasonable to allow the PHR claimed for the audit period;
- Traced the PHRs and benefit rates claimed for the Police Officer II classification to the previously audited rates in the final audit report of the City of Los Angeles for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012, issued March 30, 2016. Based on our review, we found that the city understated the PHRs for FY 2003-04, FY 2009-10, and FY 2011-12; and overstated the PHRs for the remaining fiscal years excluding FY 2012-13. The city also understated the benefit rates claimed for FY 2001-02, FY 2010-11, and FY 2011-12. The PHR and benefit rate for FY 2012-13 were not previously audited. However, the claimed PHR and benefit rate for

FY 2012-13 are the same as for FY 2011-12. Therefore, we determined that it is reasonable to allow the PHR and benefit rate claimed for FY 2012-13;

- Traced indirect cost rates claimed to supporting documentation for the audit period. We determined that the indirect costs were properly computed for the audit period. As a result, we determined that it was reasonable to allow the claimed rates for the audit period;
- Traced the indirect cost rates claimed for the Police Officer II classification to the previously audited rates in the final audit report of the City of Los Angeles for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012, issued March 30, 2016. Based on our review, we found that the city understated the rates for FY 2005-06 and FY 2011-12, and overstated the rates for FY 2007-08 and FY 2010-11. The indirect cost rate for FY 2012-13 was not previously audited. However, the claimed rate is lower than the rates claimed during the audit period. Therefore, we determined that it is reasonable to allow the indirect cost rate claimed for FY 2012-13; and
- Verified with city representatives that the city did not realize any offsetting savings or reimbursements from the statutes that created the mandated program, and that costs claimed were not funded by another source.

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 Schedules and described in the Findings and Recommendations section of this report.

The city claimed \$4,506,036 for the mandated program. Our audit found that \$2,873,801 is allowable and \$1,632,235 is unallowable. The costs are unallowable because the city misstated the number of domestic violence cases worked, productive hourly rates, benefit rates, and indirect cost rates; and overstated related indirect costs. The State made no payments to the city. The State will pay \$2,873,801, contingent upon available appropriations.

Following issuance of this reissued 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 FY 2002-03 through FY 2012-13.

**Follow-up on
Prior Audit
Findings**

We have not previously conducted an audit of the city's legislatively mandated Domestic Violence Background Checks Program.

**Views of
Responsible
Officials**

We discussed our audit results with Alex Perez, Assistant City Attorney, Los Angeles City Attorney's Office; and Jennifer Lopez, Finance Specialist IV, Office of the Los Angeles City Administrative Officer; and other city representatives during an exit conducted on September 17, 2019. The city representatives accepted the findings, declined a draft audit report, and agreed that we could issue the audit report as final.

We communicated with Alex Perez, Assistant City Attorney, and Jennifer Lopez, Finance Specialist IV, regarding this reissued report on October 21, 2019.

**Reason for
Reissuance**

This report is a reissue of the October 14, 2019 final audit report to correct Schedule 1 — Summary of Program Costs. The original Schedule 1 incorrectly identified allowable costs in excess of claimed costs for fiscal year (FY) 2001-02. 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; and that deadline has expired for FY 2001-02. Therefore, for FY 2001-02 the allowable costs in excess of claimed costs, totaling \$19,673, is not eligible for reimbursement. The summary totals on the Corrected Schedule 1 have been updated to reflect the correct calculations. This correction does not impact the audit findings, which remain unchanged.

Restricted Use

This audit report is solely for the information and use of the City of Los Angeles, 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

JIM L. SPANO, CPA
Chief, Division of Audits

December 2, 2019

Corrected Schedule 1— Summary of Program Costs July 1, 2001, through June 30, 2013

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs:				
Salaries and benefits	\$ 161,431	\$ 169,505	\$ 8,074	Finding 1
Indirect costs	62,438	74,037	11,599	Finding 2
Subtotal	223,869	243,542	19,673	
Less allowable costs that exceed costs claimed ³	-	(19,673)	(19,673)	
Total program costs	<u>\$ 223,869</u>	223,869	<u>\$ -</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 223,869</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries and benefits	\$ 280,662	\$ 158,316	\$ (122,346)	Finding 1
Indirect costs	119,342	81,094	(38,248)	Finding 2
Total program costs	<u>\$ 400,004</u>	239,410	<u>\$ (160,594)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 239,410</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 278,937	\$ 174,767	\$ (104,170)	Finding 1
Indirect costs	106,835	101,990	(4,845)	Finding 2
Total program costs	<u>\$ 385,772</u>	276,757	<u>\$ (109,015)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 276,757</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 284,966	\$ 174,755	\$ (110,211)	Finding 1
Indirect costs	103,956	103,566	(390)	Finding 2
Total program costs	<u>\$ 388,922</u>	278,321	<u>\$ (110,601)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 278,321</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 294,884	\$ 165,759	\$ (129,125)	Finding 1
Indirect costs	104,386	82,813	(21,573)	Finding 2
Total program costs	<u>\$ 399,270</u>	248,572	<u>\$ (150,698)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 248,572</u>		

Corrected Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 299,028	\$ 178,492	\$ (120,536)	Finding 1
Indirect costs	95,828	78,142	(17,686)	Finding 2
Total program costs	<u>\$ 394,856</u>	256,634	<u>\$ (138,222)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 256,634</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Salaries and benefits	\$ 327,879	\$ 194,381	\$ (133,498)	Finding 1
Indirect costs	113,385	61,466	(51,919)	Finding 2
Total program costs	<u>\$ 441,264</u>	255,847	<u>\$ (185,417)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 255,847</u>		
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 322,219	\$ 153,191	\$ (169,028)	Finding 1
Indirect costs	121,611	79,413	(42,198)	Finding 2
Total program costs	<u>\$ 443,830</u>	232,604	<u>\$ (211,226)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 232,604</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs:				
Salaries and benefits	\$ 320,882	\$ 137,176	\$ (183,706)	Finding 1
Indirect costs	118,082	74,657	(43,425)	Finding 2
Total program costs	<u>\$ 438,964</u>	211,833	<u>\$ (227,131)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 211,833</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs:				
Salaries and benefits	\$ 292,680	\$ 159,964	\$ (132,716)	Finding 1
Indirect costs	110,112	73,150	(36,962)	Finding 2
Total program costs	<u>\$ 402,792</u>	233,114	<u>\$ (169,678)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 233,114</u>		

Corrected Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs:				
Salaries and benefits	\$ 231,592	\$ 152,870	\$ (78,722)	Finding 1
Indirect costs	59,842	51,435	(8,407)	Finding 2
Total program costs	<u>\$ 291,434</u>	204,305	<u>\$ (87,129)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 204,305</u>		
<u>July 1, 2012, through June 30, 2013</u>				
Direct costs:				
Salaries and benefits	\$ 256,232	\$ 176,906	\$ (79,326)	Finding 1
Indirect costs	38,827	35,629	(3,198)	Finding 2
Total program costs	<u>\$ 295,059</u>	212,535	<u>\$ (82,524)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 212,535</u>		
<u>Summary: July 1, 2001, through June 30, 2013</u>				
Direct costs:				
Salaries and benefits	\$ 3,351,392	\$ 1,996,082	\$ (1,355,310)	Finding 1
Indirect costs	1,154,644	897,392	(257,252)	Finding 2
Subtotal	4,506,036	2,893,474	(1,612,562)	
Less allowable costs that exceed costs claimed ³	-	(19,673)	(19,673)	
Total program costs	<u>\$ 4,506,036</u>	2,873,801	<u>\$ (1,632,235)</u>	
Less amount paid by the State ²		-		
Allowable costs claimed in excess of amount paid		<u>\$ 2,873,801</u>		

¹ See the Findings and Recommendations section.

² Payment amount current as of September 11, 2019.

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 2001-02.

**Schedule 2—
Summary of Domestic Violence Cases
July 1, 2001, through June 30, 2013**

Activity	Employee Classification	Cases Claimed	Allowable Cases	Audit Adjustment ¹
<u>July 1, 2001, through June 30, 2002</u>				
A1	Deputy City Attorney II/III	192	16,977	16,785
A1	Police Officer II	3,860	16,977	13,117
B1	Deputy City Attorney II/III	3,830	3,499	(331)
B2	Deputy City Attorney II/III	1,276	3,499	2,223
Total		<u>9,158</u>	<u>40,952</u>	<u>31,794</u>
<u>July 1, 2002, through June 30, 2003</u>				
A1	Deputy City Attorney II/III	325	15,404	15,079
A1	Police Officer II	6,498	15,404	8,906
B1	Deputy City Attorney II/III	6,498	2,659	(3,839)
B2	Deputy City Attorney II/III	2,166	2,659	493
Total		<u>15,487</u>	<u>36,126</u>	<u>20,639</u>
<u>July 1, 2003, through June 30, 2004</u>				
A1	Deputy City Attorney II/III	310	15,977	15,667
A1	Police Officer II	6,194	15,977	9,783
B1	Deputy City Attorney II/III	6,194	3,106	(3,088)
B2	Deputy City Attorney II/III	2,065	3,106	1,041
Total		<u>14,763</u>	<u>38,166</u>	<u>23,403</u>
<u>July 1, 2004, through June 30, 2005</u>				
A1	Deputy City Attorney II/III	289	14,884	14,595
A1	Police Officer II	5,783	14,884	9,101
B1	Deputy City Attorney II/III	5,783	3,098	(2,685)
B2	Deputy City Attorney II/III	1,927	3,098	1,171
Total		<u>13,782</u>	<u>35,964</u>	<u>22,182</u>
<u>July 1, 2005, through June 30, 2006</u>				
A1	Deputy City Attorney II/III	277	13,310	13,033
A1	Police Officer II	5,544	13,310	7,766
B1	Deputy City Attorney II/III	5,544	2,990	(2,554)
B2	Deputy City Attorney II/III	1,848	2,990	1,142
Total		<u>13,213</u>	<u>32,600</u>	<u>19,387</u>

Schedule 2 (continued)

Activity	Employee Classification	Cases Claimed	Allowable Cases	Audit Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>				
A1	Deputy City Attorney II/III	266	13,256	12,990
A1	Police Officer II	5,326	13,256	7,930
B1	Deputy City Attorney II/III	5,326	3,478	(1,848)
B2	Deputy City Attorney II/III	1,775	3,478	1,703
Total		<u>12,693</u>	<u>33,468</u>	<u>20,775</u>
<u>July 1, 2007, through June 30, 2008</u>				
A1	Deputy City Attorney II/III	264	13,759	13,495
A1	Police Officer II	5,287	13,759	8,472
B1	Deputy City Attorney II/III	5,287	3,779	(1,508)
B2	Deputy City Attorney II/III	1,762	3,779	2,017
Total		<u>12,600</u>	<u>35,076</u>	<u>22,476</u>
<u>July 1, 2008, through June 30, 2009</u>				
A1	Deputy City Attorney II/III	266	10,596	10,330
A1	Police Officer II	5,323	10,596	5,273
B1	Deputy City Attorney II/III	5,323	2,580	(2,743)
B2	Deputy City Attorney II/III	1,774	2,580	806
Total		<u>12,686</u>	<u>26,352</u>	<u>13,666</u>
<u>July 1, 2009, through June 30, 2010</u>				
A1	Deputy City Attorney II/III	262	8,994	8,732
A1	Police Officer II	5,237	8,994	3,757
B1	Deputy City Attorney II/III	5,237	2,157	(3,080)
B2	Deputy City Attorney II/III	1,745	2,157	412
Total		<u>12,481</u>	<u>22,302</u>	<u>9,821</u>
<u>July 1, 2010, through June 30, 2011</u>				
A1	Deputy City Attorney II/III	231	10,439	10,208
A1	Police Officer II	4,629	10,439	5,810
B1	Deputy City Attorney II/III	4,629	2,782	(1,847)
B2	Deputy City Attorney II/III	1,543	2,782	1,239
Total		<u>11,032</u>	<u>26,442</u>	<u>15,410</u>

Schedule 2 (continued)

Activity	Employee Classification	Cases Claimed	Allowable Cases	Audit Adjustment ¹
<u>July 1, 2011, through June 30, 2012</u>				
A1	Deputy City Attorney II/III	233	9,703	9,470
A1	Police Officer II	4,666	9,703	5,037
B1	Deputy City Attorney II/III	4,666	2,072	(2,594)
B2	Deputy City Attorney II/III	1,555	2,072	517
Total		<u>11,120</u>	<u>23,550</u>	<u>12,430</u>
<u>July 1, 2012, through June 30, 2013</u>				
A1	Deputy City Attorney II/III	244	10,894	10,650
A1	Police Officer II	4,885	10,894	6,009
B1	Deputy City Attorney II/III	4,885	2,884	(2,001)
B2	Deputy City Attorney II/III	1,612	2,884	1,272
Total		<u>11,626</u>	<u>27,556</u>	<u>15,930</u>
<u>Summary: July 1, 2001, through June 30, 2013</u>				
A1	Deputy City Attorney II/III	3,159	154,193	151,034
A1	Police Officer II	63,232	154,193	90,961
B1	Deputy City Attorney II/III	63,202	35,084	(28,118)
B2	Deputy City Attorney II/III	21,048	35,084	14,036
Total		<u>150,641</u>	<u>378,554</u>	<u>227,913</u>

¹ See Finding 1.

Findings and Recommendations

FINDING 1— Overstated salary and benefit costs

The city claimed \$3,351,392 in salaries and benefits for the Domestic Violence Background Checks Program during the audit period. We found that \$1,996,082 is allowable and \$1,355,310 is unallowable.

The city claimed costs for performing background checks on defendants in domestic violence cases and presenting the information in court. The city calculated claimed costs by multiplying the number of domestic violence cases worked by the time increment necessary to perform the mandated activity, then multiplying the resulting hours by a PHR.

During testing, we found that the costs claimed are unallowable because the city did not claim costs in accordance with the program's parameters and guidelines or the SCO's mandated cost manual. As a result, the city misstated the number of domestic violence cases worked, PHRs, and benefit rates.

Summary of the Audit Adjustment

Deputy City Attorney II/III and Police Officer II

The following table summarizes the claimed, allowable, and adjusted salary and benefit costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 161,431	\$ 169,505	\$ 8,074
2002-03	280,662	158,316	(122,346)
2003-04	278,937	174,767	(104,170)
2004-05	284,966	174,755	(110,211)
2005-06	294,884	165,759	(129,125)
2006-07	299,028	178,492	(120,536)
2007-08	327,879	194,381	(133,498)
2008-09	322,219	153,191	(169,028)
2009-10	320,882	137,176	(183,706)
2010-11	292,680	159,964	(132,716)
2011-12	231,592	152,870	(78,722)
2012-13	256,232	176,906	(79,326)
Total	<u>\$ 3,351,392</u>	<u>\$ 1,996,082</u>	<u>\$ (1,355,310)</u>

Deputy City Attorney II/III

The following table summarizes the claimed, allowable, and adjusted salary and benefit costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 95,939	\$ 34,383	\$ (61,556)
2002-03	164,968	30,228	(134,740)
2003-04	164,481	33,719	(130,762)
2004-05	170,240	35,538	(134,702)
2005-06	178,001	35,236	(142,765)
2006-07	180,396	38,835	(141,561)
2007-08	188,315	43,081	(145,234)
2008-09	193,814	32,581	(161,233)
2009-10	198,728	28,740	(169,988)
2010-11	175,668	34,489	(141,179)
2011-12	136,120	31,014	(105,106)
2012-13	153,015	40,054	(112,961)
Total	<u>\$ 1,999,685</u>	<u>\$ 417,898</u>	<u>\$ (1,581,787)</u>

Police Officer II

The following table summarizes the claimed, allowable, and adjusted salary and benefit costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 65,492	\$ 135,122	\$ 69,630
2002-03	115,694	128,088	12,394
2003-04	114,456	141,048	26,592
2004-05	114,726	139,217	24,491
2005-06	116,883	130,523	13,640
2006-07	118,632	139,657	21,025
2007-08	139,564	151,300	11,736
2008-09	128,405	120,610	(7,795)
2009-10	122,154	108,436	(13,718)
2010-11	117,012	125,475	8,463
2011-12	95,472	121,856	26,384
2012-13	103,217	136,852	33,635
Total	<u>\$ 1,351,707</u>	<u>\$1,578,184</u>	<u>\$ 226,477</u>

Cases Worked

For the audit period, the city claimed 150,641 domestic violence cases worked by staff for performing activities described in sections IV.A.1, IV.B.1, and IV.B.2 of the parameters and guidelines. Based on our review of the supporting reports, we found that the city misstated the number of

domestic violence cases worked totaling 227,913 for the audit period. The city understated the number of domestic violence cases worked for activity A1 by 241,995 cases, overstated the number of domestic violence cases worked for activity B1 by 28,118, and understated the number of domestic violence cases worked for activity B2 by 14,036. The city's misstatement of cases worked was the result of claiming cases that were not supported by the City Attorney's Report Tracking System.

The following table summarizes the claimed, provided, allowable, and adjusted number of domestic violence cases worked for the audit period:

Fiscal Year	Claimed Cases	Provided Cases	Allowable Cases	Audit Adjustment
2001-02	9,158	40,952	40,952	31,794
2002-03	15,487	36,126	36,126	20,639
2003-04	14,763	38,166	38,166	23,403
2004-05	13,782	35,964	35,964	22,182
2005-06	13,213	32,600	32,600	19,387
2006-07	12,693	33,468	33,468	20,775
2007-08	12,600	35,076	35,076	22,476
2008-09	12,686	26,352	26,352	13,666
2009-10	12,481	22,302	22,302	9,821
2010-11	11,032	26,442	26,442	15,410
2011-12	11,120	23,550	23,550	12,430
2012-13	11,626	27,556	27,556	15,930
Total	150,641	378,554	378,554	227,913

Schedule 2 summarizes the claimed, allowable, and adjusted number of domestic violence cases worked by activity and employee classification.

Summary of the Audit Adjustment – Activity A1

Deputy City Attorney II/III

The following table summarizes the claimed, provided, allowable, and adjusted number of domestic violence cases worked for the audit period:

Fiscal Year	Claimed Cases	Provided Cases	Allowable Cases	Audit Adjustment
2001-02	192	16,977	16,977	16,785
2002-03	325	15,404	15,404	15,079
2003-04	310	15,977	15,977	15,667
2004-05	289	14,884	14,884	14,595
2005-06	277	13,310	13,310	13,033
2006-07	266	13,256	13,256	12,990
2007-08	264	13,759	13,759	13,495
2008-09	266	10,596	10,596	10,330
2009-10	262	8,994	8,994	8,732
2010-11	231	10,439	10,439	10,208
2011-12	233	9,703	9,703	9,470
2012-13	244	10,894	10,894	10,650
Total	3,159	154,193	154,193	151,034

Police Officer II

The following table summarizes the claimed, provided, allowable, and adjusted number of domestic violence cases worked for the audit period:

<u>Fiscal Year</u>	<u>Claimed Cases</u>	<u>Provided Cases</u>	<u>Allowable Cases</u>	<u>Audit Adjustment</u>
2001-02	3,860	16,977	16,977	13,117
2002-03	6,498	15,404	15,404	8,906
2003-04	6,194	15,977	15,977	9,783
2004-05	5,783	14,884	14,884	9,101
2005-06	5,544	13,310	13,310	7,766
2006-07	5,326	13,256	13,256	7,930
2007-08	5,287	13,759	13,759	8,472
2008-09	5,323	10,596	10,596	5,273
2009-10	5,237	8,994	8,994	3,757
2010-11	4,629	10,439	10,439	5,810
2011-12	4,666	9,703	9,703	5,037
2012-13	4,885	10,894	10,894	6,009
Total	<u>63,232</u>	<u>154,193</u>	<u>154,193</u>	<u>90,961</u>

Summary of the Audit Adjustment – Activity B1*Deputy City Attorney II/III*

The following table summarizes the claimed, provided, allowable, and adjusted number of domestic violence cases worked for the audit period:

<u>Fiscal Year</u>	<u>Claimed Cases</u>	<u>Provided Cases</u>	<u>Allowable Cases</u>	<u>Audit Adjustment</u>
2001-02	3,830	3,499	3,499	(331)
2002-03	6,498	2,659	2,659	(3,839)
2003-04	6,194	3,106	3,106	(3,088)
2004-05	5,783	3,098	3,098	(2,685)
2005-06	5,544	2,990	2,990	(2,554)
2006-07	5,326	3,478	3,478	(1,848)
2007-08	5,287	3,779	3,779	(1,508)
2008-09	5,323	2,580	2,580	(2,743)
2009-10	5,237	2,157	2,157	(3,080)
2010-11	4,629	2,782	2,782	(1,847)
2011-12	4,666	2,072	2,072	(2,594)
2012-13	4,885	2,884	2,884	(2,001)
Total	<u>63,202</u>	<u>35,084</u>	<u>35,084</u>	<u>(28,118)</u>

Summary of the Audit Adjustment – Activity B2

Deputy City Attorney II/III

The following table summarizes the claimed, provided, allowable, and adjusted number of domestic violence cases worked for the audit period:

Fiscal Year	Claimed Cases	Provided Cases	Allowable Cases	Audit Adjustment
2001-02	1,276	3,499	3,499	2,223
2002-03	2,166	2,659	2,659	493
2003-04	2,065	3,106	3,106	1,041
2004-05	1,927	3,098	3,098	1,171
2005-06	1,848	2,990	2,990	1,142
2006-07	1,775	3,478	3,478	1,703
2007-08	1,762	3,779	3,779	2,017
2008-09	1,774	2,580	2,580	806
2009-10	1,745	2,157	2,157	412
2010-11	1,543	2,782	2,782	1,239
2011-12	1,555	2,072	2,072	517
2012-13	1,612	2,884	2,884	1,272
Total	21,048	35,084	35,084	14,036

Time Increments

Deputy City Attorney II/III

The city provided a time study to support the time increments claimed for the Deputy City Attorney II/III classifications performing activities described in sections IV.A.1, IV.B.1, and IV.B.2 of the parameters and guidelines. The time study was a summary of average minutes per case for staff performing A1, B1, and B2 activities from 15 different counties. Based on our review, we found that the City of Los Angeles was not included in the time study. Therefore, we determined that the time study provided to support the claimed time increments for the Deputy City Attorney II/III classifications performing activities A1, B1, and B2 was not acceptable supporting documentation. In addition, the city provided a time study completed by city staff performing activities A1, B1, and B2 for our review. We determined that the time study did not provide support for the time increments claimed. As a result, we worked with city staff members to develop time increments for each mandated activity. We interviewed and observed staff performing the reimbursable mandated activities. Based on our observations, we calculated an average time increment per case for each activity as follows:

- For staff performing A1 activities, we calculated an allowable average of 1.53 minutes per case. During the audit period, the city claimed 15 minutes per case.
- For staff performing B1 activities, we calculated an allowable average of 1.33 minutes per case. During the audit period, the city claimed 15 minutes per case.
- For staff performing B2 activities, we calculated an allowable average of 1.33 minutes per case. During the audit period, the city claimed between 10 and 30 minutes per case.

We recalculated allowable costs using the calculated time increments per case.

Police Officer II

The city provided time study data sheets completed by Police Department staff to support time increments between 16 and 20 minutes per case claimed for the Police Officer II classification performing the activity described in section IV.A.1 of the parameters and guidelines. During testing, we interviewed a Police Department staff member to determine whether the time increments of 16 to 20 minutes were supported. Based on our interview, we determined that it takes a Police Officer II classification an average time increment of 9.5 minutes per case to perform the activity described in section IV.A.1 of the parameters and guidelines.

We recalculated allowable costs using the calculated time increment per case.

Productive Hourly Rates

Police Officer II

The PHRs for the Police Office II classification were previously audited for FY 2001-02 through FY 2011-12 in the final audit report of the City of Los Angeles for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012, issued March 30, 2016. We traced the claimed PHRs to the previously audited PHRs and found that the city understated the PHRs for FY 2003-04, FY 2009-10, and FY 2011-12; and overstated the PHRs for the remaining fiscal years excluding FY 2012-13. FY 2012-13 PHR was not previously audited. However, the city claimed the same PHR as the allowable audited rate in FY 2011-12. Based on our testing, we found it is reasonable to allow the previously audited PHRs for FY 2001-02 through FY 2011-12 and the claimed PHR for FY 2012-13 for the Police Officer II classification.

The following table summarizes the claimed, allowable, and adjusted PHRs for the audit period:

<u>Fiscal Year</u>	<u>PHR Claimed</u>	<u>Allowable PHR</u>	<u>Rate Difference</u>
2001-02	39.47	38.68	(0.79)
2002-03	41.69	40.99	(0.70)
2003-04	42.23	42.47	0.24
2004-05	43.63	43.30	(0.33)
2005-06	45.69	44.75	(0.94)
2006-07	46.54	46.34	(0.20)
2007-08	53.65	47.04	(6.61)
2008-09	48.69	48.36	(0.33)
2009-10	46.70	50.82	4.12
2010-11	50.61	50.43	(0.18)
2011-12	51.04	51.18	0.14
2012-13	51.18	51.18	-

Benefit Rates

Police Officer II

The benefit rates for the Police Office II classification were previously audited for FY 2001-02 through FY 2011-12 in the final audit report of the City of Los Angeles for the legislatively mandated Crime Statistics Reports for the Department of Justice Program for the period of July 1, 2001, through June 30, 2012, issued March 30, 2016. We traced the claimed benefit rates to the previously audited rates for the audit period excluding FY 2012-13 and found that the city understated the benefit rate for FY 2001-02, FY 2010-11, and FY 2011-12. The FY 2012-13 benefit rate was not previously audited. However, the city claimed the same benefit rate as the allowable audited rate for FY 2011-12. Based on our testing, we found that it is reasonable to allow the previously audited benefit rates for FY 2001-02 through FY 2011-12, and the claimed benefit rate for FY 2012-13 for the Police Officer II classification.

The following table summarizes the claimed, allowable, and adjusted benefit rates for the audit period:

Fiscal Year	Benefit Rates Claimed	Allowable Benefit Rates	Rate Difference
2001-02	28.96%	29.96%	1.00%
2002-03	28.12%	28.12%	-
2003-04	31.27%	31.27%	-
2004-05	36.41%	36.41%	-
2005-06	38.43%	38.43%	-
2006-07	43.58%	43.58%	-
2007-08	47.61%	47.61%	-
2008-09	48.63%	48.63%	-
2009-10	49.84%	49.84%	-
2010-11	49.84%	50.52%	0.68%
2011-12	50.52%	55.01%	4.49%
2012-13	55.01%	55.01%	-

Criteria

The parameters and guidelines (section I – Summary of the Mandate) states:

The test claim statute requires district attorneys and prosecuting city attorneys to perform data base searches of persons who are charged with domestic violence, or when considering domestic violence restraining orders, and present the information for consideration by the courts under certain circumstances.

The parameters and guidelines (section IV – Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part, that:

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.

The parameters and guidelines (section IV – Reimbursable Activities) state that the following ongoing activities are eligible for reimbursement if they result from any charge involving acts of domestic violence:

- A. Perform or cause to be performed, in specified electronic data bases, a thorough investigation of the defendant's history, including, but not limited to, prior convictions for domestic violence, other forms of violence or weapons offenses and any current protective or restraining order issued by any civil or criminal court (Pen. Code, § 273.75(a)).
 1. Review by district attorney or prosecuting city attorney, or at the direction of such attorneys by investigative staff, support staff, legal assistant or others of any or all of the databases as listed in Penal Code section 273.75 as based on defendant information provided in or with the law enforcement report.
- B. Present the information for consideration by the court (1) when setting bond or when releasing a defendant on his or her own recognizance at the arraignment, if the defendant is in custody, and (2) upon consideration of any plea agreement (Pen. Code, § 273.75(a)).
 1. Review of databases or printouts from databases by district attorney or prosecuting city attorney in preparation for presenting such database evidence in court.
 2. Presentation of evidence in court by district attorney or prosecuting city attorney.

The parameters and guidelines (section V – Claim Preparation and Submission – Direct Cost Reporting – Salaries and Benefits) state that, for salaries and benefits, claimants are required to:

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.

The SCO's mandated cost manual for local agencies (section B – Filing a Claim – Direct Costs – Employee Wages, Salaries, and Fringe Benefits) states that claimants may compute the PHRs using one of the following methods:

1. Actual Annual Productive Hourly Rate (per employee); or
2. Weighted-Average Annual Productive Hourly Rate (per classification).
3. The claimant must maintain documentation of how the hours were computed for either option.

Recommendation

The Domestic Violence Background Checks Program was suspended in the FY 2013-14 through FY 2018-19 Budget Acts. If the program becomes active again, we recommend that the city:

- Follow the mandated program claiming instructions and the parameters and guidelines when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

**FINDING 2—
Overstated indirect
costs**

The city claimed \$1,154,644 in indirect costs for the audit period. During testing, we found that \$897,392 is allowable and \$257,252 is unallowable. During testing, we found that the costs claimed are unallowable because the city did not claim the costs in accordance with the program's parameters and guidelines or the SCO's mandated cost manual. As a result, the indirect costs claimed are unallowable because the city applied the City Attorney's Office indirect cost rates to unallowable salaries of the Deputy City Attorney II/III classifications, misstated the indirect cost rates for the Police Department, and understated the related indirect costs for the Police Officer II classification for the audit period.

The following table summarizes the claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 62,438	\$ 74,037	\$ 11,599
2002-03	119,342	81,094	(38,248)
2003-04	106,835	101,990	(4,845)
2004-05	103,956	103,566	(390)
2005-06	104,386	82,813	(21,573)
2006-07	95,828	78,142	(17,686)
2007-08	113,385	61,466	(51,919)
2008-09	121,611	79,413	(42,198)
2009-10	118,082	74,657	(43,425)
2010-11	110,112	73,150	(36,962)
2011-12	59,842	51,435	(8,407)
2012-13	38,827	35,629	(3,198)
Total	<u>\$ 1,154,644</u>	<u>\$ 897,392</u>	<u>\$ (257,252)</u>

Police Department Rates

For the audit period, the city calculated the indirect costs claimed by multiplying the Police Department's indirect cost rates by the salary costs claimed for the Police Officer II classification. Based on our review, we found that the city had been previously audited. Therefore, we applied the previously audited rates from the final audit report of the City of Los Angeles for the legislatively mandated Crime Statistics Reports for the Department of Justice program for the period of July 1, 2001, through

June 30, 2012, issued March 30, 2016, to the allowable salary costs. We found that the city misstated the indirect cost rates and understated the indirect costs totaling \$65,662 related to overstated salaries and benefits in Finding 1.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the audit period:

Fiscal Year	Indirect Cost Rate Claimed	Allowable Indirect Cost	Rate Difference
2001-02	60.23%	60.23%	-
2002-03	70.99%	70.99%	-
2003-04	89.41%	89.41%	-
2004-05	96.88%	96.88%	-
2005-06	80.08%	80.11%	0.03%
2006-07	72.36%	72.36%	-
2007-08	83.16%	52.21%	(30.95)%
2008-09	88.51%	88.51%	-
2009-10	95.05%	95.05%	-
2010-11	95.05%	79.30%	(15.75)%
2011-12	53.67%	57.95%	4.28%
2012-13	35.94%	35.94%	-

The following table summarizes the claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 30,588	\$ 62,622	\$ 32,034
2002-03	64,104	70,972	6,868
2003-04	77,957	96,070	18,113
2004-05	81,480	98,874	17,394
2005-06	67,616	75,534	7,918
2006-07	59,786	70,383	10,597
2007-08	78,627	53,515	(25,112)
2008-09	76,466	71,824	(4,642)
2009-10	77,486	68,786	(8,700)
2010-11	74,226	66,105	(8,121)
2011-12	34,042	45,556	11,514
2012-13	23,931	31,730	7,799
Total	\$ 746,309	\$ 811,971	\$ 65,662

Deputy City Attorney II/III

For the audit period, we recalculated allowable indirect costs by applying the audited indirect costs to the allowable salaries. We found that the city overstated indirect costs totaling \$322,914 related to overstated salaries and benefits in Finding 1.

The following table summarizes the claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	Amount Claimed	Amount Allowable	Audit Adjustment
2001-02	\$ 31,850	\$ 11,415	\$ (20,435)
2002-03	55,238	10,122	(45,116)
2003-04	28,878	5,920	(22,958)
2004-05	22,476	4,692	(17,784)
2005-06	36,770	7,279	(29,491)
2006-07	36,042	7,759	(28,283)
2007-08	34,758	7,951	(26,807)
2008-09	45,145	7,589	(37,556)
2009-10	40,596	5,871	(34,725)
2010-11	35,886	7,045	(28,841)
2011-12	25,800	5,879	(19,921)
2012-13	14,896	3,899	(10,997)
Total	<u>\$ 408,335</u>	<u>\$ 85,421</u>	<u>\$ (322,914)</u>

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...[OMB Circular A-87, Attachments A and B]) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in...[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) 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.

Recommendation

The Domestic Violence Background Checks Program was suspended in the FY 2013-14 through FY 2018-19 Budget Acts. If the program becomes active again, we recommend that the city:

- Follow the mandated program claiming instructions and the parameters and guidelines when preparing its reimbursement claims; and
- Ensure that the indirect cost rates are prepared in accordance with the program's parameters and guidelines and applied to eligible costs that are properly supported.

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

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