

CITY OF EL CAJON

Audit Report

PHOTOGRAPHIC RECORD OF EVIDENCE PROGRAM

Chapter 875, Statutes of 1985; Chapter 734,
Statutes of 1986; and Chapter 382, Statutes of 1990

July 1, 2002, through June 30, 2007



JOHN CHIANG
California State Controller

December 2009



JOHN CHIANG
California State Controller

December 4, 2009

The Honorable Mark Lewis
Mayor of the City of El Cajon
200 E. Main Street
El Cajon, CA 92020

Dear Mr. Lewis:

The State Controller's Office audited the costs claimed by the City of El Cajon for the legislatively mandated Photographic Record of Evidence Program (Chapter 875, Statutes of 1985; Chapter 734, Statutes of 1986; and Chapter 382, Statutes of 1990) for the period of July 1, 2002, through June 30, 2007.

The city claimed \$545,064 for the mandated program. Our audit disclosed that the entire amount is unallowable because the city claimed unsupported costs. The State paid the city \$319,507, which the State will offset from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/sk

cc: Nancy Palm, Deputy City Manager/Finance Director
City of El Cajon
Sarah Castillo, Financial Operations Manager
City of El Cajon
Ginny Brummels, Section Manager
Division of Accounting and Reporting
State Controller's Office
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by the City of El Cajon for the legislatively mandated Photographic Record of Evidence Program (Chapter 875, Statutes of 1985; Chapter 734, Statutes of 1986; and Chapter 382, Statutes of 1990) for the period of July 1, 2002, through June 30, 2007.

The city claimed \$545,064 for the mandated program. Our audit disclosed that the entire amount is unallowable because the city claimed unsupported costs. The State paid the city \$319,507, which the State will offset from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

Background

Penal Code section 1417.3 (added by Chapter 875, Statutes of 1985, and amended by Chapter 734, Statutes of 1986, and Chapter 382, Statutes of 1990) requires a photographic record of evidence, and in some instances a certified chemical analysis of the exhibit, for those exhibits in a criminal trial that pose a security, storage, or safety problem, or if the exhibit, by its nature, is toxic and poses a health hazard to humans.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The Commission on State Mandates (CSM) adopted the parameters and guidelines on February 28, 2002. The CSM identified the following reimbursable activities effective July 1, 1997, for photographs actually introduced or offered into evidence as exhibits:

- Administrative Activities—(1) Developing internal policies, procedures, and manuals for mandate-related activities (a one-time activity), and (2) manually or electronically maintaining files related to the remaining reimbursable activities.
- Photographic Record of Evidence—For exhibits that pose a security, safety, or storage problem as determined by the court, or for exhibits that pose a health hazard to humans (1) purchasing equipment and supplies; and (2) taking, developing, printing, sorting, and storing photographs.
- Provision of Certified Written Chemical Analysis—For those exhibits that pose a health hazard to humans, the sampling, analysis, and preparation of a written report (excluding controlled substances, unless the exhibit is toxic and poses a health hazard to humans).
- Storage of Exhibits—Transportation to and maintenance within an appropriate storage facility for exhibits that pose a security, safety, or storage problem as determined by the court, or for exhibits that pose a health hazard to humans.

The CSM amended the parameters and guidelines on December 9, 2005, and identified the following reimbursable activities effective July 1, 2005, for photographs actually introduced or offered into evidence as exhibits:

- Administrative Activities—Manually or electronically maintaining files related to the remaining reimbursable activities.
- Photographic Record of Evidence—For exhibits that are toxic by their nature that pose a health hazard to humans; (1) purchasing equipment and supplies; and (2) taking, developing, printing, sorting, and storing photographs.
- Provision of Certified Written Chemical Analysis—For those exhibits that pose a health hazard to humans, the sampling, analysis, and preparation of a written report (excluding controlled substances, unless the exhibit is toxic and poses a health hazard to humans).
- Storage of Exhibits—Transportation to and maintenance within an appropriate storage facility for exhibits toxic by their nature that pose a health hazard to humans (reimbursable for cities only).

In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Photographic Record of Evidence Program for the period of July 1, 2002, through June 30, 2007.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted the 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.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the City of El Cajon claimed \$545,064 for costs of the Photographic Record of Evidence Program. Our audit disclosed that the entire amount is unallowable. The State paid the city \$319,507. The State will offset that amount from other mandated program payments due the city. Alternatively, the city may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on October 14, 2009. Nancy Palm, Deputy City Manager/Finance Director, responded by letter dated November 2, 2009. The city elected not to conduct a time study in response to Finding 1. The city concurred with Finding 2. This final audit report includes the city's response.

Restricted Use

This report is solely for the information and use of the City of El Cajon, 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
Chief, Division of Audits

December 4, 2009

**Schedule 1—
Summary of Program Costs
July 1, 2002, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Salaries	\$ 21,858	\$ —	\$ (21,858)	Finding 1
Benefits	8,896	—	(8,896)	Finding 1
Materials and supplies	<u>62,230</u>	<u>—</u>	<u>(62,230)</u>	Finding 2
Total direct costs	92,984	—	(92,984)	
Indirect costs	<u>16,465</u>	<u>—</u>	<u>(16,465)</u>	Finding 1
Total program costs	<u>\$ 109,449</u>	<u>—</u>	<u>\$ (109,449)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries	\$ 34,728	\$ —	\$ (34,728)	Finding 1
Benefits	20,246	—	(20,246)	Finding 1
Materials and supplies	<u>32,294</u>	<u>—</u>	<u>(32,294)</u>	Finding 2
Total direct costs	87,268	—	(87,268)	
Indirect costs	<u>28,840</u>	<u>—</u>	<u>(28,840)</u>	Finding 1
Total program costs	<u>\$ 116,108</u>	<u>—</u>	<u>\$ (116,108)</u>	
Less amount paid by the State		<u>—</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 30,494	\$ —	\$ (30,494)	Finding 1
Benefits	18,174	—	(18,174)	Finding 1
Materials and supplies	<u>16,328</u>	<u>—</u>	<u>(16,328)</u>	Finding 2
Total direct costs	64,996	—	(64,996)	
Indirect costs	<u>26,037</u>	<u>—</u>	<u>(26,037)</u>	Finding 1
Total program costs	<u>\$ 91,033</u>	<u>—</u>	<u>\$ (91,033)</u>	
Less amount paid by the State		<u>(91,033)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (91,033)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries		\$ —	\$ (41,564)	Finding 1
Benefits	25,064	—	(25,064)	Finding 1
Materials and supplies	25,862	—	(25,862)	Finding 2
Total direct costs	92,490	—	(92,490)	
Indirect costs	34,953	—	(34,953)	Finding 1
Total program costs	<u>\$ 127,443</u>	—	<u>\$ (127,443)</u>	
Less amount paid by the State		(127,443)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (127,443)</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries	\$ 41,569	\$ —	\$ (41,569)	Finding 1
Benefits	23,819	—	(23,819)	Finding 1
Total direct costs	65,388	—	(65,388)	
Indirect costs	35,643	—	(35,643)	Finding 1
Total program costs	<u>\$ 101,031</u>	—	<u>\$ (101,031)</u>	
Less amount paid by the State		(101,031)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (101,031)</u>		
<u>Summary: July 1, 2002, through June 30, 2007</u>				
Direct costs:				
Salaries	\$ 170,213	\$ —	\$ (170,213)	
Benefits	96,199	—	(96,199)	
Materials and supplies	136,714	—	(136,714)	
Total direct costs	403,126	—	(403,126)	
Indirect costs	141,938	—	(141,938)	
Total program costs	<u>\$ 545,064</u>	—	<u>\$ (545,064)</u>	
Less amount paid by the State		(319,507)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (319,507)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unsupported salaries, benefits, and indirect costs

The city claimed unallowable salaries and benefits totaling \$266,412. The related indirect costs total \$141,938. The city provided insufficient documentation to support claimed costs.

The city claimed costs for the following reimbursable components:

- Administrative Activities—Time spent (1) maintaining required photographic evidence files, and (2) attending training related to all mandate-related activities
- Photographic Record of Evidence—Time spent (1) taking, printing, sorting, and storing photographs, and (2) researching and purchasing mandate-related equipment and supplies
- Provision of Certified Written Chemical Analysis—Time spent preparing written hazard reports for exhibits that pose a health hazard
- Storage of Exhibits—Time spent on transportation to and maintenance within an appropriate storage facility

For all reimbursable activities other than training, the city estimated the time that employees spent performing mandated activities. The city also estimated that it entered into evidence 8.75% of total photographs that it processed. To claim costs, the city applied this percentage to the estimated hours to maintain photographic evidence files (Administrative Activities) and take, print, sort, and store photographs (Photographic Record of Evidence). For fiscal year (FY) 2002-03, FY 2003-04, and FY 2004-05, the city also applied this percentage to estimated hours related to the Storage of Exhibits reimbursable component. For all other activities, the city claimed 100% of the estimated hours.

Excluding training hours, the city did not maintain contemporaneous source documentation supporting actual hours that employees spent performing mandated activities. In addition, the city did not provide any records to support the actual percentage of photographs that it entered into evidence. We gave the city an opportunity to conduct a time study to support claimed costs. On January 13, 2009, the city notified us that it would not perform a time study.

The city provided training rosters and sign-in sheets to support the training hours that it claimed. These documents identified training classes that were either not mandate-related or encompassed subjects broader than the reimbursable activities. The city did not provide any documentation to identify the training hours applicable to reimbursable activities.

The following table summarizes the audit adjustment:

	Fiscal Year					Total
	2002-03	2003-04	2004-05	2005-06	2006-07	
Salaries	\$ (21,858)	\$ (34,728)	\$ (30,494)	\$ (41,564)	\$ (41,569)	\$ (170,213)
Benefits	(8,896)	(20,246)	(18,174)	(25,064)	(23,819)	(96,199)
Total direct costs	(30,754)	(54,974)	(48,668)	(66,628)	(65,388)	(266,412)
Indirect costs	(16,465)	(28,840)	(26,037)	(34,953)	(35,643)	(141,938)
Audit adjustment	<u>\$ (47,219)</u>	<u>\$ (83,814)</u>	<u>\$ (74,705)</u>	<u>\$ (101,581)</u>	<u>\$ (101,031)</u>	<u>\$ (408,350)</u>

For all fiscal years, the program’s parameters and guidelines state:

Direct costs are those costs incurred specifically for the reimbursable activities.

For FY 2002-03 through FY 2004-05, the parameters and guidelines state:

For auditing purposes, all incurred costs claimed must be traceable to source documents that show evidence of the validity and their relationship to the reimbursable activities. . . .

For FY 2005-06 forward, the parameters and guidelines state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. . . .

For training costs in all fiscal years, the parameters and guidelines state:

Report the cost of training an employee *to perform the reimbursable activities* . . . *If the training encompasses subjects broader than the reimbursable activities, only the pro-rata portion can be claimed* [emphasis added]. . . .

Recommendation

We recommend that the city claim only those costs that are attributable to mandate-related activities. We also recommend that the city maintain contemporaneous time records supporting all employee hours that it claims for reimbursement. In addition, we recommend that the city maintain contemporaneous source documentation identifying the total number of photos that it processes and the photos that it introduces or offers into evidence in criminal trials.

City’s Response

The City elected not to conduct a time study because it would not alter the outcome of the audit, based on representations made by the SCO audit team. During the audit, the SCO audit team asked to review the “request from the district attorney’s office for photographic record of evidence.” The district attorney’s office and/or courts which primarily service our jurisdiction issue no such formal, documented request for

photographic record of evidence for cases. The SCO audit team advised that, absent such documentation, no costs would be allowed for photographic record of evidence activities. Therefore, the City has decided not to pursue a course of action that will not have any impact on the audit finding.

SCO's Comment

Our finding and recommendation are unchanged. However, we disagree with the city's characterization of our request for supporting documentation. We met with city staff on September 16, 2008 (our audit entrance conference date), and September 18, 2008, to discuss the program's parameters and guidelines and the documentation required to support reimbursable costs. On September 16, 2008, city representatives stated that they did not have the program's parameters and guidelines. We provided the parameters and guidelines to the city on September 17, 2008. We also conducted a telephone conference call with city staff on October 2, 2008, to again discuss documentation required to support reimbursable costs.

Contrary to the city's comment, we did not ask to review the "request from the district attorney's office for photographic record of evidence." A photograph's costs are not reimbursable under the mandated program because the district attorney's office requested the photograph. We advised the city that it must provide documentation for photographs that (1) included subject matter within the scope of the parameters and guidelines, and (2) were actually introduced or offered into evidence as exhibits in criminal trials.

**FINDING 2—
Unsupported
materials and supplies**

The city claimed unallowable materials and supplies totaling \$136,714. The city did not provide documentation showing that claimed costs are mandate-related.

The city claimed materials and supplies for the Photographic Record of Evidence reimbursable component. For FY 2002-03, FY 2003-04, and FY 2004-05, the parameters and guidelines (Section IV, Reimbursable Activities) define the reimbursable activities as follows:

For exhibits that pose a security, safety, or storage problem as determined by the court, or for exhibits that pose a health hazard to humans, including the definition of hazardous waste in 40 Code of Federal Regulations part 261, or human health hazards which are subject to Health and Safety Code section 117600 et seq., or Health and Safety Code section 25140 et seq.:

1. Purchasing equipment and supplies reasonably necessary to photograph the exhibits, whether for digital or film pictures, including, but not limited to: cameras, developing equipment, laser printers, software, film, computers, and storage.
2. Taking of photographs, sorting and storing photographs, and developing and printing photographs. *This activity is limited to photographs actually introduced or offered into evidence as exhibits. Claimants must provide supporting documentation with subsequent reimbursement claims that the court has deemed the exhibit a security, safety or storage problem by providing a copy of the court order, local rule, or other proof of the court's determination [emphasis added].*

For FY 2005-06 forward, the parameters and guidelines (Section IV, Reimbursable Activities) define the reimbursable activities as follows:

In criminal trials, provide a photographic record of exhibits that are toxic by their nature that pose a health hazard to humans, including the definition of hazardous waste in 40 Code of Federal Regulations part 261, or human health hazards which are subject to Health and Safety Code section 117600 et seq., or Health and Safety Code section 25140 et seq.:

1. Purchasing equipment and supplies reasonably necessary to photograph the exhibits, whether for digital or film pictures, including, but not limited to: cameras, developing equipment, laser printers, software, film, computers, and storage.
2. Taking of the photographs, sorting and storing photographs, and developing and printing photographs. *This activity is limited to photographs actually introduced or offered into evidence as exhibits [emphasis added].*

The city relied on its outside consultant to prepare its mandated cost claims. The city provided to the consultant all invoices related to photographic evidence. The city also estimated that it entered into evidence 8.75% of total photographs that it processed. However, the city did not verify how the consultant used this information to prepare its claim. The city claimed costs inconsistently among fiscal years.

FY 2002-03 and FY 2003-04

The city claimed all invoice costs that it identified as photographic equipment and supplies. The city provided no documentation showing that the equipment and supplies were 100% mandate-related.

FY 2004-05

The city claimed all invoice costs that it identified as photographic equipment. The city claimed 8.75% of invoice costs that it identified as photographic supplies. The city provided no documentation showing that the equipment costs were 100% mandate-related. In addition, the city provided no records supporting the actual percentage of photos that it entered into evidence.

FY 2005-06

The city claimed all invoice costs that it identified as photographic equipment and supplies. The city claimed 8.75% of invoice costs that it identified as photo processing. The city provided no documentation showing that the equipment and supplies were 100% mandate-related. In addition, the city provided no records supporting the actual percentage of photos that it entered into evidence.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Materials and supplies	<u>\$ (62,230)</u>	<u>\$ (32,294)</u>	<u>\$ (16,328)</u>	<u>\$ (25,862)</u>	<u>\$ (136,714)</u>

For all fiscal years, the parameters and guidelines (Section V, subdivision A.2, Materials and Supplies) state:

Report the cost of materials and supplies that have been consumed or expended *for the purpose of these reimbursable activities* [emphasis added]. . . .

Further, the parameters and guidelines (Section V, subdivision A.4, Fixed Assets and Equipment) state:

Report the purchase price paid for fixed assets and equipment (including computers) *necessary to implement the reimbursable activities*. . . . *If the fixed asset or equipment is also used for purposes other than the reimbursable activities, only the pro-rata portion of the purchase price used to implement the reimbursable activities can be claimed* [emphasis added].

For FY 2002-03 through FY 2004-05, the parameters and guidelines (Section VI, Supporting Data) state:

For auditing purposes, all incurred costs claimed must be traceable to source documents that show evidence of the validity and their relationship to the reimbursable activities.

For FY 2005-06 forward, the parameters and guidelines (Section IV, Reimbursable Activities) state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. . . .

Recommendation

We recommend that the city claim only those materials and supplies that it uses to implement the mandated program's reimbursable activities. We recommend that the city maintain contemporaneous source documentation identifying the total number of photos that it processes and the photos that it introduces or offers into evidence in criminal trials.

City's Response

The City's claims for materials and supplies related to photographic equipment and evidence were based on the consultant's understanding that all direct costs were reimbursable. Through the audit process, the SCO audit team advised that only costs directly related to specific photographs entered into evidence were reimbursable under the parameters and guidelines. Therefore the City concurs with finding 2.

SCO's Comment

Our finding and recommendation are unchanged.

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



CITY OF EL CAJON

www.ci.el-cajon.ca.us

FINANCE

November 2, 2009

Jim L. Spano, Chief
Mandated Cost Audits Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano,

Following is the response by the City of El Cajon to the State Controller's Office audit of costs claimed for the Photographic Record of Evidence mandate for the period of July 1, 2002 through June 30, 2007.

Finding 1 – Unsupported salaries, benefits, and indirect costs

The City elected not to conduct a time study because it would not alter the outcome of the audit, based on representations made by the SCO audit team. During the audit, the SCO audit team asked to review the "request from the district attorney's office for photographic record of evidence." The district attorney's office and/or courts which primarily service our jurisdiction issue no such formal, documented request for photographic record of evidence for cases. The SCO audit team advised that, absent such documentation, no costs would be allowed for photographic record of evidence activities. Therefore, the City has decided not to pursue a course of action that will not have any impact on the audit finding.

Finding 2 – Unsupported materials and supplies

The City's claims for materials and supplies related to photographic equipment and evidence were based on the consultant's understanding that all direct costs were reimbursable. Through the audit process, the SCO audit team advised that only costs directly related to specific photographs entered into evidence were reimbursable under the parameters and guidelines. Therefore the City concurs with finding 2.

Sincerely,

Nancy Palm
Deputy City Manager/Finance Director

Cc: David Wellhouse & Associates

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>