

CITY OF STOCKTON

Final Audit Report

DOMESTIC VIOLENCE ARREST POLICIES AND STANDARDS PROGRAM

Chapter 246, Statutes of 1995

July 1, 2019, through June 30, 2023



MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

March 2026



STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS

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MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 12, 2026

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Mr. Gilbert Garcia, Chief Financial Officer
City of Stockton
501 West Weber Avenue
Stockton, CA 95203

Dear Mr. Garcia:

The State Controller's Office audited the costs claimed by the City of Stockton (the city) for the legislatively mandated Domestic Violence Arrest Policies and Standards Program for the period of July 1, 2019, through June 30, 2023.

The city claimed and was paid \$670,318 for costs of the Domestic Violence Arrest Policies and Standards Program. Our audit found that \$484,989 is allowable and \$185,329 is unallowable. The costs are unallowable because the city overstated salary and benefit costs, and related indirect costs.

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

Mr. Gilbert Garcia

March 12, 2026

Page 2 of 2

If you have any questions regarding this report, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at 916-327-3138. Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA

Chief, Division of Audits

Copy: The Honorable Christina Fugazi, Mayor

City of Stockton

Johnny Ford, City Manager

City of Stockton

Stanley McFadden, Chief

City of Stockton Police Department

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SUMMARY

The State Controller's Office (SCO) audited the costs claimed by the City of Stockton (the city) for the legislatively mandated Domestic Violence Arrest Policies and Standards Program (DVAPS Program) for the period of July 1, 2019, through June 30, 2023.

The city claimed and was paid \$670,318 for costs of the mandated program. Our audit found that \$484,989 is allowable and \$185,329 is unallowable. The costs are unallowable because the city overstated salary and benefit costs, and related indirect costs.

BACKGROUND

Penal Code (PC) section 13701, subdivision (b) (added by Chapter 246, Statutes of 1995), required local law enforcement agencies to develop, adopt, and implement written arrest policies for domestic violence offenders by July 1, 1996. The legislation also required local law enforcement agencies to obtain input from local domestic violence agencies in developing the arrest policies. Under previous law, local law enforcement agencies were required to develop, adopt, and implement written policies for response to domestic violence calls and were encouraged, but not obligated, to consult with domestic violence experts.

On September 25, 1997, the Commission on State Mandates determined that Chapter 246, Statutes of 1995, imposed a state mandated program reimbursable under Government Code (GC) section 17561.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission on State Mandates adopted the parameters and guidelines on August 20, 1998, and amended them on October 30, 2009. In compliance with GC section 17758, the SCO issues the *Mandated Cost Manual for Local Agencies (Mandated Cost Manual)* to assist local agencies in claiming mandated program reimbursable costs.

AUDIT AUTHORITY

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

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether claimed costs represent increased costs resulting from the legislatively mandated DVAPS Program during the period of July 1, 2019, through June 30, 2023. Specifically, we conducted this audit to determine whether claimed costs were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive. Unreasonable and/or excessive costs include ineligible costs that are not identified in the program's parameters and guidelines as reimbursable costs. To achieve our objective, we performed the following procedures:

- We reviewed the annual mandated cost claims filed by the city for the audit period and identified the significant cost components of each claim as salaries and benefits, and related indirect costs. We then determined whether there were any errors or unusual, unexpected variances from year to year. We reviewed the claimed activities to determine whether they adhered to the SCO's *Mandated Cost Manual* and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing the city's key staff members. We discussed the claim preparation process with the city's staff members to determine what information was obtained, who obtained it, and how it was used. We determined which controls were significant to the audit objective, and the effect of the identified internal control weaknesses on the audit objective.

- We assessed the reliability of the data (payroll and expenditure records) generated by the city's information management system and the city's record management system (RMS), by interviewing the city's staff members and examining supporting documentation. We determined that the data was sufficiently reliable to address the audit objective.
- We verified that the city used the uniform time allowance and applied it properly.
- We reviewed and analyzed the claimed domestic violence incident report counts and verified that these counts were supported by the city's RMS. We found that the city misstated salaries and benefits; see Finding 1.
- We used simple random sampling to select the following statistical samples from the audited population of incident reports:
 - We sampled 142 of 2,672 incident reports for fiscal year (FY) 2019-20.
 - We sampled 142 of 2,552 incident reports for FY 2020-21.
 - We sampled 142 of 2,736 incident reports for FY 2021-22.
 - We sampled 143 of 3,056 incident reports for FY 2022-23.
- We determined whether the sampled incident reports included interviews with both parties involved in the domestic violence incident, and whether the officer considered the 17 factors listed in the parameters and guidelines to identify the primary aggressor. Errors found were projected to the intended (total) population; see Finding 2. We identified the following errors:
 - Of the 142 sampled incident reports for FY 2019-20, 48 were partially reimbursable and five were non-mandate-related.
 - Of the 142 sampled incident reports for FY 2020-21, 60 were partially reimbursable and six were non-mandate-related.

- Of the 142 sampled incident reports for FY 2021-22, 52 were partially reimbursable and 32 were non-mandate-related.
- Of the 143 sampled incident reports for FY 2022-23, 48 were partially reimbursable and 48 were non-mandate-related.
- We recalculated the allowable costs using the audited incident report counts.
- We interviewed the city's staff members to determine what employee classifications were involved in performing the mandated activities during the audit period.
- We traced the average productive hourly rate (PHR) calculations for the claimed employee classification to supporting information in the city's payroll system. No errors were found.
- We verified that the indirect costs claimed by the city for each fiscal year of the audit period were for common or joint purposes, and that the indirect cost rates were properly supported and applied. We found that the city had overstated the indirect cost rate claimed for FY 2021-22; see Finding 3.
- We traced the benefit rate calculations for the claimed employee classification to supporting information in the city's payroll system. No errors were found.
- We reviewed whether the training hours used to calculate the claimed costs were reasonable per the requirements of the program and supported by the source documentation. We found that the city claimed unsupported training costs for FY 2019-20; see Finding 4.
- We verified that the city's claimed costs were not funded by any other sources.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

CONCLUSION

As a result of performing the audit procedures, we found instances of noncompliance with the requirements described in our audit objective. We did not find that the city claimed costs that were funded by other sources; however, we found that it claimed unsupported and ineligible costs as quantified in the Schedule and described in the Findings and Recommendations section.

For the audit period, the city claimed and was paid \$670,318 for costs of the legislatively mandated DVAPS Program. Our audit found that \$484,989 is allowable and \$185,329 is unallowable.

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

FOLLOW-UP ON PRIOR AUDIT FINDINGS

We have not previously conducted an audit on the city's legislatively mandated DVAPS Program.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft audit report on January 23, 2026. The city did not provide comments on the draft audit report.

RESTRICTED USE

This report is solely for the information and use of the city, the California Department of Finance, and SCO; it is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

Kimberly A. Tarvin, CPA

Chief, Division of Audits

March 12, 2026

SCHEDULE—SUMMARY OF PROGRAM COSTS

July 1, 2019, through June 30, 2023

Payment amounts shown below are current as of February 9, 2026.

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference
<u>July 1, 2019, through June 30, 2020</u>				
Direct costs – salaries and benefits				
Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor	\$112,945	\$98,459	-\$14,486	
Training Officers About New Written Domestic Violence Arrest Policies	7,901	0	-7,901	
Total direct costs	120,846	98,459	-22,387	Findings 1, 2, 4
Indirect costs	37,384	30,459	-6,925	Findings 1, 2, 4
Total direct and indirect costs	158,230	128,918	-29,312	
Less: offsetting revenues and other reimbursements	0	0	0	
Total program costs	<u>\$158,230</u>	128,918	<u>-\$29,312</u>	
Less: amount paid by the State		<u>-158,230</u>		
Amount paid in excess of allowable costs claimed		<u><u>-\$29,312</u></u>		

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference
<u>July 1, 2020, through June 30, 2021</u>				
Direct costs – salaries and benefits				
Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor	\$119,002	\$96,659	-\$22,343	
Total direct costs	119,002	96,659	-22,343	Finding 2
Indirect costs	36,078	29,306	-6,772	Finding 2
Total direct and indirect costs	155,080	125,965	-29,115	
Less: offsetting revenues and other reimbursements	0	0	0	
Total program costs	<u>\$155,080</u>	125,965	<u>-\$29,115</u>	
Less: amount paid by the State		<u>-155,080</u>		
Amount paid in excess of allowable costs claimed		<u><u>-\$29,115</u></u>		
<u>July 1, 2021, through June 30, 2022</u>				
Direct costs – salaries and benefits				
Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor	\$127,468	\$85,053	-\$42,415	
Total direct costs	127,468	85,053	-42,415	Finding 2
Indirect costs	43,048	23,345	-19,703	Findings 2 and 3
Total direct and indirect costs	170,516	108,398	-62,118	
Less: offsetting revenues and other reimbursements	0	0	0	
Total program costs	<u>\$170,516</u>	108,398	<u>-\$62,118</u>	
Less: amount paid by the State		<u>-170,516</u>		
Amount paid in excess of allowable costs claimed		<u><u>-\$62,118</u></u>		

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference
<u>July 1, 2022, through June 30, 2023</u>				
Direct costs – salaries and benefits				
Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor	\$145,421	\$94,907	-\$50,514	
Total direct costs	145,421	94,907	-50,514	Findings 1 and 2
Indirect costs	41,071	26,801	-14,270	Findings 1 and 2
Total direct and indirect costs	186,492	121,708	-64,784	
Less: offsetting revenues and other reimbursements	0	0	0	
Total program costs	<u>\$186,492</u>	121,708	<u>-\$64,784</u>	
Less: amount paid by the State		<u>-186,492</u>		
Amount paid in excess of allowable costs claimed		<u><u>-\$64,784</u></u>		
<u>Summary: July 1, 2019, through June 30, 2023</u>				
Direct costs – salaries and benefits				
Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor	\$504,836	\$375,078	-\$129,758	
Training Officers About New Written Domestic Violence Arrest Policies	7,901	0	-7,901	
Total direct costs	512,737	375,078	-137,659	Findings 1 through 4
Indirect costs	157,581	109,911	-47,670	Findings 1 through 4
Total direct and indirect costs	670,318	484,989	-185,329	
Less: offsetting revenues and other reimbursements	0	0	0	
Total program costs	<u>\$670,318</u>	484,989	<u>-\$185,329</u>	
Less: amount paid by the State		<u>-670,318</u>		
Amount paid in excess of allowable costs claimed		<u><u>-\$185,329</u></u>		

FINDINGS AND RECOMMENDATIONS

Finding 1—Misstated Costs

The city claimed \$504,836 in salaries and benefits for the Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor cost component during the audit period. We found that the city misstated salaries and benefits by \$23,007. The related indirect costs total \$6,490, for a total finding of \$29,497.

For the audit period, the city's claims identified a total of 10,601 domestic violence incidents (2,680 for FY 2019-20; 2,552 for FY 2020-21; 2,736 for FY 2021-22; and 2,633 for FY 2022-23). The city used its RMS to provide the summary incident report listings to support the number of domestic violence incident reports claimed for the audit period. We compared the RMS information to the number of domestic violence incident reports that the city claimed. Based on our review, we found that for FY 2019-20 and FY 2022-23, the city misstated the number of domestic violence incident reports claimed. The city misstated the number of domestic violence incident reports because it did not claim costs in accordance with the program's parameters and guidelines or the SCO's *Mandated Cost Manual*.

The following table summarizes the audit adjustment for the misstated number of incident reports:

Description	FY 2019-20	FY 2022-23	Total
Number of incident reports, per RMS	2,672	3,056	
Less: Number of incident reports claimed	-2,680	-2,633	
Misstated number of incident reports	-8	423	
Multiply by: Standard time allowance (hours)	0.48	0.48	
Misstated number of hours	-4	203	
Multiply by: Claimed average PHR (salaries only)	\$49.28	\$60.02	
Misstated salaries ([A])	-197	12,184	
Multiply by: Claimed benefit rate	78.16%	91.71%	
Misstated benefits ([B])	-154	11,174	

Description	FY 2019-20	FY 2022-23	Total
Misstated salaries and benefits ([C] = [A] + [B])	-351	23,358	\$23,007
Multiply by: Claimed indirect cost rate ([D])	30.93%	28.25%	
Related indirect costs ([E] = [C] × [D])	-109	6,599	6,490
Audit adjustment ([F] = [C] + [E])	-\$460	\$29,957	\$29,497

Criteria

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

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .

Section IV, “Reimbursable Activities,” of the parameters and guidelines continues:

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities. . . . Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

Section IV, E, “Uniform Cost Allowance,” of the parameters and guidelines states:

Pursuant to Government Code section 17557, the Commission on State Mandates has adopted a uniform cost allowance for reimbursement in lieu of payment of total actual costs incurred. The uniform cost allowance is applied only to Section IV, Reimbursable Activities, Component D (Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor) and covers all costs (direct and indirect) of performing

activities described under Component D. The uniform cost allowance provides the following:

A standard time of twenty-nine (29) minutes may be claimed to identify the primary aggressor in any domestic violence incident. The standard time of twenty-nine (29) minutes is broken down as follows:

- Seventeen (17) Minutes – Interview of both parties.
- Twelve (12) Minutes – Consideration of the factors listed [under Component D].

The total cost will be determined by multiplying the number of reported responses × the average [PHR], including applicable indirect costs as specified in section V., paragraph B, herein, × .48 (29 minutes divided by 60 minutes).

Recommendation

We recommend that the city:

- Follow the program's parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims; and
- Claim costs based on the number of domestic violence incident reports that its RMS supports.

Finding 2—Non-reimbursable Costs

The city claimed non-reimbursable salaries and benefits totaling \$152,765. The related indirect costs total \$46,337, for a total finding of \$199,102.

As noted in Finding 1, the city misstated the claimed number of domestic violence incident reports for FY 2019-20 and FY 2022-23. The following table summarizes the audited population of incident reports and the claimed hours attributable to the audited population:

Description	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
Documented number of incident reports (audited population) [A]	2,672	2,552	2,736	3,056
Multiply by: Standard time allowance (hours) [B]	0.48	0.48	0.48	0.48
Total hours attributable to documented number of incident reports ([C] = [A] × [B])	1,283	1,225	1,313	1,467

The reimbursable activities for this cost component consist of interviewing both parties involved in the domestic violence incident and considering the 17 factors identified in the program's parameters and guidelines to identify the primary aggressor.

To calculate the claimed costs, the city multiplied the number of reported responses to incidents by the average PHR, including the applicable indirect costs, then multiplied the resulting amount by the standard time of 29 minutes (0.48 of an hour).

For each fiscal year, we selected a statistical sample from the documented number of domestic violence incident reports (the audited population) based on a 95 percent confidence level, a precision rate of ±8 percent, and an expected error rate of 50 percent. We used statistical samples so that the results could be projected to the population for each fiscal year.

For testing purposes, we selected a random sample of 569 incident reports (142 for FY 2019-20, 142 for FY 2020-21, 142 for FY 2021-22, and 143 for FY 2022-23). We reviewed the sample incident reports to determine whether the city had performed the required mandated program activities.

The results of our review are as follows:

- Allowable – 270 incident reports were fully reimbursable under the mandated program. These reports are reimbursable at 29 minutes (0.48 hours) per report.

- Partially reimbursable – 208 incident reports were partially reimbursable because the officers did not interview both parties involved in the domestic violence incident. These reports are reimbursable at 20.5 minutes (0.34 hours) per report, based on 8.5 minutes to interview one party and 12 minutes to consider the various factors identified in the parameters and guidelines.
- Unallowable – 91 incident reports were non-mandated related. Non-mandate related incidents were those that did not meet the definition of domestic violence as provided in PC section 13700.

During testing, we found that the city had claimed the entire standard time of 29 minutes for incident reports that were only partially reimbursable and claimed reimbursement for ineligible incident reports. The city overstated these costs because it did not claim costs in accordance with the program’s parameters and guidelines or the SCO’s *Mandated Cost Manual*.

The following table summarizes the results of the statistical samples:

Description	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Allowable incident reports	89	76	58	47	270
Partially reimbursable incident reports (only one party interviewed)	48	60	52	48	208
Non-mandate-related incident reports	5	6	32	48	91
Total reports sampled	142	142	142	143	569

The following table summarizes the unallowable hours based on the results of the statistical samples by fiscal year:

Description	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Number of allowable incident reports	89	76	58	47	270
Multiply by: Standard time allowance (hours)	0.48	0.48	0.48	0.48	
Subtotal [A]	43	36	28	23	

Description	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Number of partially reimbursable incident reports (only one party interviewed)	48	60	52	48	208
Multiply by: Allowable standard time allowance (hours)	0.34	0.34	0.34	0.34	
Subtotal [B]	16	20	18	16	
Total reimbursable hours for sampled reports ([C]= [A] + [B])	59	56	46	39	
Divide by: Statistical sample size	142	142	142	143	
Reimbursable hours per report	0.42	0.39	0.32	0.27	
Multiply by: Documented number of incident reports (audited population)	2,672	2,552	2,736	3,056	
Total reimbursable hours	1,122	995	876	825	
Add: Total hours attributable to documented incident reports	-1,283	-1,225	-1,313	-1,467	
Total unallowable hours	-161	-230	-437	-642	-1,470

The following table summarizes the unallowable costs based on the unallowable hours identified in the statistical samples by the fiscal year:

Description	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Unallowable hours	-161	-230	-437	-642	
Multiply by: Claimed average PHR (salary only)	\$49.28	\$53.94	\$53.66	\$60.02	
Unallowable salaries [A]	-7,934	-12,406	-23,449	-38,533	
Multiply by: Claimed benefit rate [B]	78.16%	80.10%	80.88%	91.71%	

Description	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	Total
Related unallowable benefit costs ([C] = [A] × [B])	-6,201	-9,937	-18,966	-35,339	
Total unallowable salaries and benefits ([D] = [A] + [C])	-14,135	-22,343	-42,415	-73,872	-\$152,765
Multiply by: Claimed indirect cost rate [E]	30.93%	30.31%	33.77%	28.25%	
Related indirect costs ([F] = [D] × [E])	-4,372	-6,772	-14,324	-20,869	-46,337
Audit adjustment ([G] = [D] + [F])	-\$18,507	-\$29,115	-\$56,739	-\$94,741	-\$199,102

Criteria

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

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .

Section IV, “Reimbursable Activities,” of the parameters and guidelines continues:

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities. . . . Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

Section IV, E, "Uniform Cost Allowance," of the parameters and guidelines states:

Pursuant to Government Code section 17557, the Commission on State Mandates has adopted a uniform cost allowance for reimbursement in lieu of payment of total actual costs incurred. The uniform cost allowance is applied only to Section IV, Reimbursable Activities, Component D (Implementation of the New Domestic Violence Arrest Policies to Identify the Primary Aggressor) and covers all costs (direct and indirect) of performing activities described under Component D. The uniform cost allowance provides the following:

A standard time of twenty-nine (29) minutes may be claimed to identify the primary aggressor in any domestic violence incident. The standard time of twenty-nine (29) minutes is broken down as follows:

- Seventeen (17) Minutes – Interview of both parties.
- Twelve (12) Minutes – Consideration of the factors listed [under Component D].

The total cost will be determined by multiplying the number of reported responses × the average [PHR], including applicable indirect costs as specified in section V., paragraph B, herein, × .48 (29 minutes divided by 60 minutes).

Recommendation

We recommend that the city:

- Follow the program's parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims;
- Claim costs based on the number of domestic violence incidents that its RMS supports;

- Claim costs for only those reports that document incidents meeting the definition of domestic violence provided by PC section 13700; and
- Claim only the portion of the standard time allowance that is attributable to the mandated activities performed.

Finding 3—Overstated Indirect Cost Rate

For the audit period, the city claimed indirect costs based on indirect cost rate proposals (ICRP) prepared by the city’s police department. We found that the city had overstated its indirect costs for FY 2021-22 by \$5,375.

During testing, we found that the city had used cost allocation plan (CAP) costs from FY 2018-19 to calculate indirect costs for FY 2020-21 and FY 2021-22. Based on our discussions with city officials, we found that the city’s CAPs are prepared on a two-year roll-forward basis. The CAP prepared from FY 2018-19 actual costs is allowable for use in the city’s FY 2020-21 ICRP. The city did not provide a FY 2021-22 CAP prepared from FY 2019-20 actual costs. Therefore, the allocation costs included in the city’s claimed costs for FY 2021-22 are unallowable. We applied the error rate to allowable salaries and benefits to calculate the overstated indirect costs for FY 2021-22, and found that the city overstated indirect costs by \$5,375. The city overstated these costs because it did not claim costs in accordance with the program’s parameters and guidelines or the SCO’s *Mandated Cost Manual*.

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

Fiscal Year	Claimed Indirect Cost Rate	Allowable Indirect Cost Rate	Audit Adjustment
2021-22	33.77%	27.45%	-6.32%

The following table summarizes the adjustment to the indirect costs:

Description	FY 2021-22
Allowable indirect cost rate	27.45%
Less: Claimed indirect cost rate	<u>-33.77%</u>
Error rate	-6.32%
Multiply by: Allowable salaries and benefits	<u>\$85,053</u>
Audit adjustment	<u><u>-\$5,375</u></u>

Criteria

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

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .

Section IV, “Reimbursable Activities,” of the parameters and guidelines continues:

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities. . . . Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

Section V.B., “Indirect Costs,” of the parameters and guidelines states:

Indirect costs are defined as costs which are incurred for common or joint purpose, benefiting more than one program and are not directly assignable to a particular department of program without efforts disproportionate to the result achieved.

Indirect costs may include both (1) overhead costs of the unit performing the mandate; and (2) the costs of central government services distributed to other departments based on a systematic and rational basis through a cost allocation plan.

Compensation for indirect costs is reimbursable utilizing the procedure provided in the OMB A-87 [Title 2, Code of Federal Regulations, Part 225]. Claimants have the option of using 10 [percent] of direct labor, excluding fringe benefits, or preparing a departmental [ICRP] for the department if an indirect cost in excess of 10 [percent] is claimed. If more than one department is claiming indirect costs for the mandated program, each department must have its own ICRP prepared in accordance with OMB A-87. An ICRP must be submitted with the claim when the indirect cost rate is in excess of 10 [percent].

Recommendation

We recommend that the city:

- Follow the program's parameters and guidelines and the SCO's *Mandated Cost Manual* when preparing its reimbursement claims; and
- Ensure that it uses the correct CAP to identify indirect cost rates applicable to the corresponding fiscal year.

Finding 4—Unsupported One-time Costs

For FY 2019-20, the city claimed \$7,901 for one-time activities related to the Training of Officers on New Domestic Violence Arrest Policies cost component. We found that the entire amount is unallowable. The related indirect costs total \$2,444, for a total finding of \$10,345.

For FY 2019-20, the city claimed a total of 45 police officers who attended a two-hour training related to New Domestic Violence Arrest Policies. We requested and the city provided instructional training material dated October 2019 and training rosters. The instructional training material provided support for the content of the training. Based on our review of the

rosters, we found that the number of officers attending the training did not reconcile with the number claimed; the rosters included dates outside of the audit period; the location was not specified; and training was included for other law enforcement agencies (Lathrop and Santa Clara city police departments). The training of other law enforcement agencies is not reimbursable. Additionally, we found that the rosters did not reconcile with the training material dated October 2019.

The city did not maintain appropriate source documentation to support the training costs of local law enforcement officers who normally respond to incidents of domestic violence on New Domestic Violence Arrest Policies for FY 2019-20. Therefore, we were unable to trace the claimed hours and activities to determine that the costs were related to actual hours. We found that the entire amount is unallowable because the city did not claim costs in accordance with the program's parameters and guidelines or the SCO's *Mandated Cost Manual*.

The following table summarizes the audit adjustment:

Description	FY 2019-20
Police Officer PHR	\$49.28
Multiply by: Number of training hours claimed	<u>-90.00</u>
Total salaries [A]	-4,435
Multiply by: Claimed benefit rate	<u>78.16%</u>
Related benefit costs [B]	<u>-3,466</u>
Total salaries and benefits ([C] = [A] + [B])	-7,901
Multiply by: Claimed indirect cost rates	<u>30.93%</u>
Related indirect costs [D]	<u>-2,444</u>
Audit adjustment ([E] = [C] + [D])	<u><u>-\$10,345</u></u>

Criteria

The parameters and guidelines require that all claimed costs be traceable to source documents that show evidence of the validity of such costs and their relationship to the mandate.

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

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts. . . .

Section IV, “Reimbursable Activities,” of the parameters and guidelines continues:

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities. . . . Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

Section V.A.6., “Training,” of the parameters and guidelines states:

The cost of training specified in Section IV, Reimbursable Activities, is eligible for reimbursement. Identify the employee(s) by name and job classification. Provide the title of the training session, the dates attended and the location. Reimbursable costs include salaries and benefits, registration fees, transportation, lodging and per diem.

Recommendation

We recommend that the city:

- Follow the program’s parameters and guidelines and the SCO’s *Mandated Cost Manual* when preparing its reimbursement claims; and
- Ensure that claimed costs are supported by source documentation.