



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

April 2, 2024

Janelle Samson, Director of Finance  
City of Palmdale  
38300 Sierra Highway, Suite D  
Palmdale, CA 93550

Dear Ms. Samson:

The State Controller's Office performed a review of costs claimed by the City of Palmdale for the legislatively mandated Racial and Identity Profiling Program (Chapter 456, Statutes of 2015; and Chapter 328, Statutes of 2017) for the period of July 1, 2018, through June 30, 2022. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to validating the contract costs claimed.

The city claimed and was paid \$530,451 for costs of the mandated program. Our review found that \$504,754 is allowable and \$25,697 is unallowable. The costs are unallowable because the city overstated its contract hourly rates, as described in the attached Summary of Program Costs and the Review Results.

This letter report contains an adjustment to costs claimed by the city. If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (Commission). Pursuant to section 1185 (c) of the Commission's regulations (Title 2, California Code of Regulations), an IRC challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at [www.csm.ca.gov/forms/IRCForm.pdf](http://www.csm.ca.gov/forms/IRCForm.pdf).

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

*Original signed by*

KIMBERLY TARVIN, CPA  
Chief, Division of Audits

KT/rs

Ms. Janelle Samson  
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Attachments:

Attachment 1—Summary of Program Costs  
Attachment 2—Review Results

RE: S24-MCC-9009

cc: The Honorable Austin Bishop, Mayor  
City of Palmdale  
Chris Hill, Principal Program Budget Analyst  
Local Government Unit, California Department of Finance  
Kaily Yap, Finance Budget Analyst  
Local Government Unit, California Department of Finance  
Darryl Mar, Manager  
Local Reimbursements Section  
State Controller's Office  
Everett Luc, Supervisor  
Local Reimbursements Section  
State Controller's Office

## Attachment 1— Summary of Program Costs July 1, 2018, through June 30, 2022

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>July 1, 2018, through June 30, 2019</u>			
Direct costs:			
Contract services:			
Collection and reporting data on all stops	\$ 129,905	\$ 125,805	\$ (4,100)
Audits and validation of data collected	31,043	27,207	(3,836)
Total program costs	<u>\$ 160,948</u>	153,012	<u>\$ (7,936)</u>
Less amount paid by the State <sup>2</sup>		(160,948)	
Amount paid in excess of allowable costs claimed		<u>\$ (7,936)</u>	
<u>July 1, 2019, through June 30, 2020</u>			
Direct costs:			
Contract Services			
Collection and reporting data on all stops	\$ 89,156	\$ 84,505	(4,651)
Audits and validation of data collected	25,121	21,940	(3,181)
Total program costs	<u>\$ 114,277</u>	106,445	<u>\$ (7,832)</u>
Less amount paid by the State <sup>2</sup>		(114,277)	
Amount paid in excess of allowable costs claimed		<u>\$ (7,832)</u>	
<u>July 1, 2020, through June 30, 2021</u>			
Direct costs:			
Contract Services			
Collection and reporting data on all stops	\$ 71,220	\$ 70,037	\$ (1,183)
Audits and validation of data collected	16,743	14,791	(1,952)
Total program costs	<u>\$ 87,963</u>	84,828	<u>\$ (3,135)</u>
Less amount paid by the State <sup>2</sup>		(87,963)	
Amount paid in excess of allowable costs claimed		<u>\$ (3,135)</u>	
<u>July 1, 2021, through June 30, 2022</u>			
Direct costs:			
Contract Services			
Collection and reporting data on all stops	\$ 143,940	\$ 140,028	\$ (3,912)
Audits and validation of data collected	23,324	20,441	(2,883)
Total direct costs	167,264	160,469	(6,795)
Rounding error <sup>3</sup>	(1)	-	1
Total program costs	<u>\$ 167,263</u>	160,469	<u>\$ (6,794)</u>
Less amount paid by the State <sup>2</sup>		(167,263)	
Amount paid in excess of allowable costs claimed		<u>\$ (6,794)</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment <sup>1</sup>
<u>Summary: July 1, 2018, through June 30, 2022</u>			
Direct costs:			
Contract services	\$ 530,452	\$ 504,754	\$ (25,698)
Total direct costs	530,452	504,754	(25,698)
Rounding error <sup>3</sup>	(1)	-	1
Total program costs	<u>\$ 530,451</u>	504,754	<u>\$ (25,697)</u>
Less amount paid by the State <sup>2</sup>		(530,451)	
Amount paid in excess of allowable costs claimed		<u>\$ (25,697)</u>	

<sup>1</sup> See Attachment 2, Review Results.

<sup>2</sup> Payment amount current as of January 4, 2024.

<sup>3</sup> We identified a claim rounding error of \$1 in the claim for fiscal year 2021-22.

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## Attachment 2— Review Results July 1, 2018, through June 30, 2022

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### BACKGROUND—

Government Code (GC) section 12525.5, as added and amended by the Statutes of 2015, Chapter 466 and the Statutes of 2017, Chapter 328, and Title 11, California Code of Regulations, sections 999.224 through 999.229 established the state-mandated Racial and Identity Profiling Program.

The program requires a local law enforcement agency that employs peace officers—or that contracts for peace officers from another city or county for police protection services—to electronically report to the Attorney General, on an annual basis, data on all “stops” conducted by within its jurisdiction. For purposes of the program, “peace officer” does not include probation officers or officers in custodial settings.

On May 22, 2020, the Commission on State Mandates (Commission) found that GC section 12525.5 constitutes a reimbursable state-mandated program, beginning November 7, 2017, for local law enforcement agencies.

The Commission determined that each claimant is allowed to claim and be reimbursed for the following activities identified in the parameters and guidelines (Section IV., “Reimbursable Activities”):

#### A. One-Time Activities

1. One-time training per peace officer employee and supervisor assigned to perform the reimbursable activities listed in section IV.B. of these Parameters and Guidelines.
2. One-time installation and testing of software necessary to comply with the state-mandated requirements for the collection and reporting of data on all applicable stops.

#### B. Ongoing Activities

1. Identification of the peace officers required to report stops, and maintenance of a system to match individual officers to their Officer I.D. number. . . .
2. Collection and reporting data on all stops, as defined, conducted by that agency’s peace officers for the preceding calendar year in accordance with sections 999.226(a) and 999.227 of the regulations. . . .
3. Electronic submission of data to DOJ and retention of stop data collected. . . .
4. Audits and validation of data collected. . . .
5. For stop data collected, ensure that the name, address, social security number, or other unique personally identifiable information of the individual stopped, searched, or subjected to property seizure, and the badge number or other unique identifying information of the peace officer involved, is not transmitted to the Attorney General in an open text field. . . .

The parameters and guidelines describe the 16 types of stop data and all applicable data elements, data fields, and narrative explanation fields that peace officers must collect for every stop.

The following stops are not reportable:

- Interactions with passengers in a stopped vehicle who have not been observed or suspected of violating the law;
- Stops made during public safety mass evacuations;
- Stops made during active shooter incidents;
- Stops resulting from routine security screenings to enter a building or special event;
- Interactions during traffic control of vehicles due to a traffic accident or emergency, crowd control requiring pedestrians to remain in a fixed location for public safety reasons, persons detained at residences so that officers can check for proof of age while investigating underage drinking, and checkpoints and roadblocks where officers detain a person as the result of regulatory activity that is general and not based on individualized suspicion or personal characteristics;
- Interactions with a person who is subject to a warrant or search condition at his or her residence;
- Interactions with a person who is subject to home detention or house arrest;
- Stops in a custodial setting; and
- Stops that occur while an officer is off duty.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. In compliance with GC section 17558, the SCO issues the *Mandated Cost Manual for Local Agencies (Mandated Cost Manual)* to assist local agencies in claiming mandated program reimbursable costs.

**FINDING—  
Overstated Racial and  
Identity Profiling  
Program costs**

The City of Palmdale claimed \$530,451 in contract services costs for the Racial and Identity Profiling Program. We found that \$504,754 is allowable and \$25,697 is unallowable. We found that the city correctly classified claimed costs as contract services costs because it contracted with the Los Angeles County Sheriff's Department (LASD) for all of its law enforcement services during the audit period.

The city used the correct methodology to calculate its contract services costs: it multiplied the number of stops recorded by the time required to perform the reimbursable activities, then multiplied the total by the hourly rates obtained from the city's contract with the county. LASD based the hourly rates in its contracts on incurred costs for salaries, benefits, and indirect costs. The county identified indirect costs in its contracts as a "liability percentage."

Costs totaling \$25,697 are unallowable because the city overstated its contract hourly rates. The rates were overstated because the city

substituted its own contract overhead rate to calculate contract hourly rates instead of using the county's liability percentage amount. In addition, the city's contract overhead rate was based on indirect cost rate proposals (ICRPs) it prepared using salaries and wages as a base. However, the city did not incur any salaries and wages costs.

The following table summarizes the claimed, allowable, and review adjustment amounts by fiscal year:

Fiscal Year	(A)	(B)	(C) = (B) - (A)
	Contract Services		
	Amount Claimed	Amount Allowable	Review Adjustment
2018-19	\$ 160,948	\$ 153,012	\$ (7,936)
2019-20	114,277	106,445	(7,832)
2020-21	87,963	84,828	(3,135)
2021-22	167,263	160,469	(6,794)
Total	\$ 530,451	\$ 504,754	\$ (25,697)

### Contract Services Costs

The city contracted with the LASD to perform all of its law enforcement services during the review period. The "Law Enforcement" page of the city's website states, "The City of Palmdale contracts with Los Angeles County for most emergency services, including the Sheriff's Department."

These services included the reimbursable activities claimed for the mandated program. The city contracted for various LASD positions, which included but were not limited to Deputy Sheriffs and Sergeants, each fiscal year and paid the LASD annual contract rates for the positions. No city staff member performed any of the reimbursable activities under this program; therefore, the city did not incur salary or related indirect costs.

For the review period, we recalculated allowable contract services costs based on the claimed number of stops reported and the claimed time increments to perform the reimbursable activities multiplied by the revised contract hourly rates.

### Contract Hourly Rates

The city's claims included copies of the signed Service Level Authorization form (SH-AD-575) which documents the LASD staffing levels and contract costs that it negotiated with Los Angeles County. The county uses this form to indicate the authorized LASD staffing level and the rates billed to the city for various LASD staff members for each year that the contract is in effect.

The city's contracts specify the number of service units, which vary from year to year, for the Deputy Sheriff and Sergeant classification. LASD's agreements with contract cities define a "service unit" as one position of a certain classification. For the Deputy Sheriffs, the city's contract specifies

a liability percentage of 10.5% for fiscal year (FY) 2018-19 and 11% for FY 2019-20 through FY 2021-22. The liability percentage is an additional charge that the county adds to its calculated contract rates for staff based on salaries, benefits, and overhead costs.

However, the city did not use the county's liability percentage to calculate its contract hourly rates. Instead, the city prepared an ICRP for each fiscal year for the "City of Palmdale Sheriff," which does not exist as a person or as an entity. In addition, the city based its indirect cost rates on salaries and wages, which it did not incur. We applied the appropriate LASD liability percentage when we recalculated allowable contract costs for each fiscal year.

We recomputed the contract hourly rates for the Deputy Sheriff and Sergeant classifications using information from the SH-AD-575 form. To calculate the average contract hourly rate for each fiscal year, we divided the total annual unit cost (including the liability percentage) for all Deputy Sheriffs by the total annual hours per service unit. For example, in its FY 2021-22 claim, the city claimed that Deputy Sheriffs spent 804.5 hours performing the reimbursable activities at a total cost of \$143,940. In addition, the city claimed that multiple LASD Deputy Sheriffs performed the reimbursable activities. To calculate an average hourly rate for all Sheriff classifications, we divided the total costs claimed for Deputy Sheriffs (\$143,940) by the number of hours claimed (804.50). This calculation resulted in an average rate of \$178.919 for Deputy Sheriffs. We performed the same average rate analysis of the other years in the review period.

The following table summarizes the claimed and allowable contract hourly rates for Deputy Sheriffs during the review period, and the difference between those rates:

Fiscal Year	Deputy Sheriff		Rate Difference
	Claimed Hourly Rate	Allowable Hourly Rate	
2018-19	\$ 158.430	\$ 153.432	\$ (4.998)
2019-20	168.709	159.910	(8.799)
2020-21	176.047	173.124	(2.923)
2021-22	178.919	174.058	(4.861)



The following table summarizes our analysis of the claimed and allowable contract services cost for the Deputy Sheriff classification for FY 2021-22:

Classification	Claimed					Allowable		
	Position		Weighted Rate *	Claimed Hours	Claimed Costs	Liability @ 11.0%	Weighted Rate	Allowable Costs
	Hourly Rate	Overhead @ 14.1%						
[a]	[b]	[c] = [a] + [b]	[d]	[e] = [c] * [d]	[f]	[g] = [a] + [f]	[h] = [g] * [d]	
Deputy Sheriff - 40 hr	\$ 156.64	\$ 22.09	\$ 178.72	74.26	\$ 13,272	\$ 17.23	\$ 173.87	\$ 12,912
Deputy Sheriff - 56 hr	156.66	22.09	178.75	445.57	79,644	17.23	173.89	77,480
Deputy Sheriff - Non Relief	166.04	23.41	189.45	160.90	30,482	18.26	184.30	29,654
Deputy Sheriff - Non Relief Bonus	177.80	25.07	202.87	37.13	7,533	19.56	197.36	7,328
Deputy Sheriff - Growth Non Relief	114.37	16.13	130.50	37.13	4,846	12.58	126.95	4,714
Deputy Sheriff - Grant B1	122.98	17.34	140.32	24.75	3,474	13.53	136.51	3,379
Deputy Sheriff Motor	166.04	23.41	189.45	24.75	4,690	18.26	184.30	4,561
Rounding error				0.01	(1.00)			-
				<u>804.50</u>	<u>\$ 143,940</u>			<u>\$ 140,028</u>

\* - Calculations in this column may contain rounding errors

To calculate the average contract hourly rate for Sergeants, we divided the total annual unit cost for the Sergeant Supplemental classification by the total annual hours per service unit.

The following table summarizes the claimed and allowable contract hourly rates for the Sergeant Supplemental classification during the review period, and the difference between those rates:

Fiscal Year	Sergeant		Rate Difference
	Claimed Hourly Rate	Allowable Hourly Rate	
2018-19	\$ 150.432	\$ 131.841	\$ (18.59)
2019-20	158.454	138.390	(20.06)
2020-21	168.039	148.442	(19.60)
2021-22	172.796	151.440	(21.356)

The following table summarizes our analysis of the claimed and allowable contract services cost for the Sergeant classification for FY 2021-22:

Classification	Claimed Hours	Average Rate	Claimed Costs	Allowable Hours	Average Rate	Allowable Costs	Review Adjustment
	[a]	[b]	c = [a] * [b]	[d]	[e]	f = [d] * [e]	g = [f] - [c]
Deputy Sheriff	804.5	\$ 178.919	\$ 143,940	804.49	\$ 174.058	\$ 140,028	\$ (3,912)
Sergeant	134.98	\$ 172.793	23,324	134.98	\$ 151.440	20,441	(2,883)
Rounding error			(1)			-	1
Totals			<u>\$ 167,263</u>			<u>\$ 160,469</u>	<u>\$ (6,794)</u>

**Contract Overhead Costs**

The city’s claims included copies of its ICRPs for FY 2018-19 through FY 2021-22. To calculate its indirect cost rates, the city used a distribution base of direct salaries and wages. That methodology is consistent with

current indirect cost principles. However, as no city staff member performed any of the reimbursable activities, the city did not incur salary and wage costs with which to calculate an indirect cost rate. Instead, the city incurred contract services costs. Substituting contract services costs as salaries and wages costs is inconsistent with generally accepted accounting principles; therefore, these rates are unallowable.

### **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 sheet, invoices, and receipts.

Section V.A.3., “Contracted Services,” of the parameters and guidelines states:

Report the name of the contractor and [describe the] services performed to implement the reimbursable activities. If the contractor bills for time and materials, report the number of hours spent on the activities and all costs charged. If the contract is a fixed price, report the services that were performed during the period covered by the reimbursement claim. If the contract services are also used for purposes other than the reimbursable activities, only the pro-rata portion of the services used to implement the reimbursable activities can be claimed. Submit contract consultant and attorney invoices with the claim and a description of the contract scope of services.

Section V.B (Claim Preparation and Submission – Indirect Costs) of the parameters and guidelines states, in part:

Indirect costs are costs that are incurred for a common or joint purpose, benefiting more than one program, and are not directly assignable to a particular department or program without efforts disproportionate to the result achieved. Indirect costs may include: (1) the overhead costs of the unit performing the mandate; and (2) the costs of the central government services distributed to the other departments based on a systematic and rational basis through a cost allocation plan.

### **Recommendation**

We recommend that the city:

- Adhere to the Racial and Identity Profiling Program’s parameters and guidelines and the SCO’s *Mandated Cost Manual* when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.