



MALIA M. COHEN  
CALIFORNIA STATE CONTROLLER

June 14, 2024

Lorena Quijano, CPA, Director  
Finance & Technology Services  
City of West Hollywood  
8300 Santa Monica Boulevard  
West Hollywood, CA 90069

Dear Ms. Quijano:

The State Controller's Office performed a review of costs claimed by the City of West Hollywood for the legislatively mandated Racial and Identity Profiling Program (Chapter 466, Statutes of 2015; and Chapter 328, Statutes of 2017) for the period of July 1, 2017, through June 30, 2023. We conducted our review under the authority of Government Code sections 12410, 17558.5, and 17561. Our review was limited to recalculating the city's contract hourly rates and validating the claimed contract services costs.

The city claimed \$296,720 for costs of the mandated program. Our review found that \$276,087 is allowable and \$20,633 is unallowable. The costs are unallowable because the city overstated its contract hourly rates by including overhead (indirect) costs in its calculation, as quantified in the Summary of Program Costs and described in the Review Results. The State paid the city \$216,828.

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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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/IRCFForm.pdf](http://www.csm.ca.gov/forms/IRCFForm.pdf).

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

Sincerely,

*Original signed by*

Kimberly A. Tarvin, CPA  
Chief, Division of Audits

Ms. Lorena Quijano  
June 14, 2024  
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KAT/ac

Attachments:

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

RE: S24-MCC-9026

Copy: The Honorable John M. Erickson, Mayor  
City of West Hollywood  
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 Government Programs and Services Division  
State Controller's Office  
Everett Luc, Supervisor  
Local Government Programs and Services Division  
State Controller's Office

## Attachment 1— Summary of Program Costs July 1, 2017, through June 30, 2023

Cost Elements	Actual Costs Claimed <sup>1</sup>	Allowable per Review	Review Adjustment <sup>2</sup>
<u>July 1, 2017, through June 30, 2018</u>			
Direct costs:			
Contract services:			
Train peace officers and supervisors	\$ 5,053	\$ 4,709	\$ (344)
Total program costs	<u>\$ 5,053</u>	4,709	<u>\$ (344)</u>
Less amount paid by the State <sup>3</sup>		<u>(5,053)</u>	
Amount paid in excess of allowable costs claimed		<u>\$ (344)</u>	
<u>July 1, 2018, through June 30, 2019</u>			
Direct costs:			
Contract services:			
Collect and report data	\$ 76,810	\$ 71,866	\$ (4,944)
Audit and validate data	10,576	8,956	(1,620)
Total program costs	<u>\$ 87,386</u>	80,822	<u>\$ (6,564)</u>
Less amount paid by the State <sup>3</sup>		<u>(87,386)</u>	
Amount paid in excess of allowable costs claimed		<u>\$ (6,564)</u>	
<u>July 1, 2019, through June 30, 2020</u>			
Direct costs:			
Contract services:			
Collect and report data	\$ 44,209	\$ 41,309	\$ (2,900)
Audit and validate data	6,068	5,108	(960)
Total program costs	<u>\$ 50,277</u>	46,417	<u>\$ (3,860)</u>
Less amount paid by the State <sup>3</sup>		<u>(50,277)</u>	
Amount paid in excess of allowable costs claimed		<u>\$ (3,860)</u>	
<u>July 1, 2020, through June 30, 2021</u>			
Direct costs:			
Contract services:			
Collect and report data	\$ 21,183	\$ 20,288	\$ (895)
Audit and validate data	3,302	2,849	(453)
Total program costs	<u>\$ 24,485</u>	23,137	<u>\$ (1,348)</u>
Less amount paid by the State <sup>3</sup>		<u>(24,485)</u>	
Amount paid in excess of allowable costs claimed		<u>\$ (1,348)</u>	

## Attachment 1 (continued)

Cost Elements	Actual Costs Claimed <sup>1</sup>	Allowable per Review	Review Adjustment <sup>2</sup>
<u>July 1, 2021, through June 30, 2022</u>			
Direct costs:			
Contract services:			
Collect and report data	\$ 43,479	\$ 41,425	\$ (2,054)
Audit and validate data	6,148	5,278	(870)
Total program costs	<u>\$ 49,627</u>	46,703	<u>\$ (2,924)</u>
Less amount paid by the State <sup>3</sup>		(49,627)	
Amount paid in excess of allowable costs claimed		<u>\$ (2,924)</u>	
<u>July 1, 2022, through June 30, 2023</u>			
Direct costs:			
Contract services:			
Collect and report data	\$ 63,975	\$ 60,695	\$ (3,280)
Audit and validate data	15,917	13,604	(2,313)
Total program costs	<u>\$ 79,892</u>	74,299	<u>\$ (5,593)</u>
Less amount paid by the State <sup>3</sup>		-	
Allowable costs claimed in excess of amount paid		<u>\$ 74,299</u>	
<u>Summary: July 1, 2017, through June 30, 2023</u>			
Direct costs:			
Contract services			
Train peace officers and supervisors	\$ 5,053	\$ 4,709	\$ (344)
Collect and report data	249,656	235,583	(14,073)
Audit and validate data	42,011	35,795	(6,216)
Total program costs	<u>\$ 296,720</u>	276,087	<u>\$ (20,633)</u>
Less amount paid by the State <sup>3</sup>		(216,828)	
Allowable costs claimed in excess of amount paid		<u>\$ 59,259</u>	

<sup>1</sup> Differences in actual costs claimed are due to rounding errors.

<sup>2</sup> See Attachment 2—Review Results.

<sup>3</sup> Payment amounts current as of May 9, 2024.

## Attachment 2— Review Results July 1, 2017, through June 30, 2023

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### BACKGROUND—

Government Code (GC) section 12525.5, as added and amended by the Statutes of 2015, Chapter 466 and Statutes 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 within its jurisdiction. For purposes of the program, “peace officer” does not include probation officers and 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 the 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 valuation 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 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 when 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 State Controller's Office issues the *Mandated Cost Manual for Local Agencies* to assist local agencies in claiming mandated program reimbursable costs.

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

The City of West Hollywood claimed \$296,720 in contract services costs for the Racial and Identity Profiling Program. We found that \$276,087 is allowable and \$20,633 is unallowable.

We found that the city correctly classified its claimed costs as contract services because it contracted with Los Angeles County (the county) for municipal law enforcement services provided by the Los Angeles County Sheriff's Department (LASD) 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 \$20,633 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) that it prepared using salaries and wages as a base. However, the city did not incur any salary or wage costs.

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

Fiscal Year	Contract Services		Review Adjustment
	Amount Claimed	Amount Allowable	
2017-18	\$ 5,053	\$ 4,709	\$ (344)
2018-19	87,386	80,822	(6,564)
2019-20	50,277	46,417	(3,860)
2020-21	24,485	23,137	(1,348)
2021-22	49,627	46,703	(2,924)
2022-23	79,892	74,299	(5,593)
Total	<u>\$ 296,720</u>	<u>\$ 276,087</u>	<u>\$ (20,633)</u>

### Contract Services Costs

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

### Contract Hourly Rates

The city's claims included copies of the annual contracts that it negotiated with the county for each year of the review period. The county uses the Service Level Authorization (SH-AD 575) form to specify the number of service units purchased for each year that a contract is in effect, and the rates billed to the city for various LASD staff. These agreements with contract cities define a "service unit" as one position of a certain classification. Each contract includes a liability percentage, which is an additional charge that the county adds to its 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 West Hollywood Sheriff," which does not exist as a person or as an entity. In addition, the city based its indirect cost rates on salary and wage costs, 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 forms. For the Deputy Sheriff classification, the city's contracts specify a liability percentage of 10% for fiscal year (FY) 2017-18, 10.5% for FY 2018-19, and 11% for FY 2019-20 through FY 2022-23. We applied the appropriate liability percentage to the contract costs for each fiscal year. To calculate the contract hourly rate for each fiscal year, we divided the annual salary cost—including the liability percentage—for each Deputy Sheriff classification by the annual hours per service unit.

The following tables summarize the claimed and allowable contract hourly rates for Deputy Sheriffs by fiscal year, and the difference between those rates:

Job Classification	Deputy Sheriff		Rate Difference
	Claimed Contract Hourly Rate	Contract Hourly Rate	
<u>FY 2017-18</u>			
Deputy Sheriff (70 hour)	\$ 159.72	\$ 149.52	\$ (10.20)
Deputy Sheriff (Non-relief)	169.28	158.48	(10.80)
Deputy Sheriff (Bonus, no relief)	178.24	166.86	(11.38)
Deputy Sheriff (Grant)	112.68	105.48	(7.20)
Deputy Motor	178.24	166.86	(11.38)
<u>FY 2018-19</u>			
Deputy Sheriff (70 hour)	164.66	154.06	(10.60)
Deputy Sheriff (Non-relief)	174.52	163.29	(11.23)
Deputy Sheriff (Bonus, no relief)	185.73	173.78	(11.95)
Deputy Motor	185.73	173.78	(11.95)
<u>FY 2019-20</u>			
Deputy Sheriff (70 hour)	173.77	162.36	(11.41)
Deputy Sheriff (Non-relief)	184.17	172.08	(12.09)
Deputy Sheriff (Bonus, no relief)	197.68	184.70	(12.98)
Deputy Motor	197.68	184.70	(12.98)



Job Classification	Deputy Sheriff		Rate Difference
	Claimed Contract Hourly Rate	Contract Hourly Rate	
<u>FY 2020-21</u>			
Deputy Sheriff (70 hour)	178.96	171.40	(7.56)
Deputy Sheriff (Non-relief)	189.68	181.66	(8.02)
Deputy Sheriff (Bonus, no relief)	203.50	194.89	(8.61)
Deputy Motor	203.50	194.89	(8.61)
<u>FY 2021-22</u>			
Deputy Sheriff (70 hour)	182.51	173.89	(8.62)
Deputy Sheriff (Non-relief)	193.43	184.30	(9.13)
Deputy Sheriff (Bonus, no relief)	207.14	197.36	(9.78)
Deputy Motor	193.43	184.30	(9.13)
<u>FY 2022-23</u>			
Deputy Sheriff (70 hour)	185.91	176.38	(9.53)
Deputy Sheriff (Non-relief)	197.04	186.94	(10.10)
Deputy Sheriff (Bonus, no relief)	212.79	201.88	(10.91)
Deputy Motor	197.04	186.94	(10.10)

We also re-calculated the contract hourly rates for Sergeants and a Lieutenant by dividing the contract unit cost—without any liability percentages, because the county’s rates for Sergeants and the Lieutenant do not include liability percentages—by the annual hours per service unit.

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

Fiscal Year	Sergeant		Rate Difference
	Claimed Contract Hourly Rate	Allowable Contract Hourly Rate	
2017-18	\$ 148.43	\$ 126.32	\$ (22.11)
2018-19	155.70	131.84	(23.86)
2019-20	164.41	138.39	(26.02)
2020-21	172.04	148.44	(23.60)
2021-22	176.42	151.44	(24.98)
2022-23	182.77	156.21	(26.56)

The following table summarizes the claimed and allowable contract hourly rates for the Lieutenant for FY 2017-18, and the difference between those rates:

Fiscal Year	Lieutenant		Rate Difference
	Claimed Contract Hourly Rate	Allowable Contract Hourly Rate	
2017-18	\$ 178.19	\$ 151.65	\$ (26.54)

The following table summarizes the claimed and allowable contract services costs for FY 2022-23:

Job Classification	Claimed					Allowable			
	Position Hourly Rate [a]	Overhead Rate at 17.0% [b]	Billing Rate [c] = [a] + [b]	Hours Worked [d]	Total Costs <sup>1</sup> [e] = [c] * [d]	Liability Percentage at 11.0% [f]	Contract Hourly Rate [g] = [a] + {f}	Total Costs [h] = [g] * [[d]	Review Adjustment
Deputy Sheriff (70 hour)	\$ 158.90	\$ 27.01	\$ 185.91	217.52	\$ 40,440	\$ 17.48	\$ 176.38	\$ 38,366	\$ (2,074)
Deputy Sheriff (Non-relief)	168.41	28.63	197.04	88.99	17,535	18.53	186.94	16,636	(899)
Deputy Sheriff (Bonus, no relief)	181.87	30.92	212.79	9.89	2,104	20.01	201.88	1,997	(107)
Deputy Motor	168.41	28.63	197.04	19.77	3,896	18.53	186.94	3,696	(200)
Sergeant	156.21	26.56	182.77	87.09	15,917	-	156.21	13,604	(2,313)
Total contract services costs					\$ 79,892			\$ 74,299	\$ (5,593)

<sup>1</sup> Calculation in this column includes rounding errors.

### Contract Overhead Rate

The city provided copies of its contract cost computations, which included a component labeled “contract overhead,” as part of its claims. The city based its contract overhead on indirect cost rates derived from ICRPs developed each year and included in its claims for FY 2017-18 through FY 2022-23. 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 any salary or wage costs with which to calculate an indirect cost rate. Instead, the city incurred contract services costs. Claiming contract services costs as salary and wage 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 created at or near the same time the actual costs 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 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, “Indirect Cost Rates,” 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 both: (1) 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 for Local Agencies* when claiming reimbursement for mandated costs; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.