

CITY OF OAKLAND

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

October 2025



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

October 29, 2025

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Jestin D. Johnson, City Administrator
City of Oakland
1 Frank H. Ogawa Plaza
Oakland, CA 94612

Dear Mr. Johnson:

The State Controller's Office audited the costs claimed by the City of Oakland (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 \$982,525 for costs of the mandated program. Our audit found that \$794,734 is allowable and \$187,791 is unallowable. The costs are unallowable because the city overstated salary and benefit costs, and related indirect costs.

Following issuance of this 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.

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

KAT/rs

Mr. Jestin D. Johnson

October 29, 2025

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Copy: The Honorable Barbara Lee, Mayor

City of Oakland

Stephen Walsh, Controller

City of Oakland

Pooja Shrestha, Assistant Controller

City of Oakland

Jan Mazyck, Interim Finance Director

City of Oakland

Floyd Mitchell, Chief

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Chris Hill, Principal Program Budget Analyst

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Kaily Yap, Finance Budget Analyst

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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 Oakland (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 \$982,525 for costs of the mandated program. Our audit found that \$794,734 is allowable and \$187,791 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 (Commission) 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 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

The objective of our audit was to determine whether claimed costs represent increased costs resulting from the legislatively mandated Domestic Violence Arrest Policies and Standards Program. Specifically, we conducted this audit to determine whether claimed costs were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive. Unreasonable and/or excessive costs include unsupported and ineligible costs that are not

identified in the program's parameters and guidelines as reimbursable costs.

The audit period was July 1, 2019, through June 30, 2023.

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 or 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 key city staff members. We discussed the claim preparation process with city 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. We determined the effect of the identified internal control weaknesses on the audit objective.
- We assessed the reliability of the data (payroll, revenue and expenditure records) generated by the city's information management system and the city's Legal Record Management System (LRMS) by interviewing city 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 LRMS.
- We used simple random sampling to select the following statistical samples from the audited population of incident reports:
 - We sampled 143 of 2,987 incident reports for fiscal year (FY) 2019-20.
 - We sampled 143 of 3,038 incident reports for FY 2020-21.
 - We sampled 143 of 2,916 incident reports for FY 2021-22.
 - We sampled 142 of 2,505 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. We identified the following errors:
 - Of the 143 sampled incident reports for FY 2019-20, 67 were partially reimbursable and 12 were non-mandate-related.
 - Of the 143 sampled incident reports for FY 2020-21, 72 were partially reimbursable and 19 were non-mandate-related.

- Of the 143 sampled incident reports for FY 2021-22, 63 were partially reimbursable and 21 were non-mandate-related.
- Of the 142 sampled incident reports for FY 2022-23, 81 were partially reimbursable and eight were non-mandate-related.

Errors found were projected to the intended (total) population; see Finding 2.

- We recalculated the allowable costs using the audited incident report counts.
- We interviewed city 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.
- We verified the indirect costs claimed by the city for the audit period. We found that the city overstated the indirect cost rates claimed for FY 2020-21 and FY 2022-23; see Finding 3.
- We traced the benefit rate calculations for the claimed employee classification to supporting information in the city's cost allocation plans.
- 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 \$982,525 for costs of the legislatively mandated Domestic Violence Arrest Policies and Standards Program. Our audit found that \$794,734 is allowable and \$187,791 is unallowable.

Following issuance of this 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**

The city has not resolved the findings noted in our prior audit report for the period of July 1, 2007, through June 30, 2010, issued on June 19, 2013.

**Views of
Responsible
Officials**

We issued a draft audit report on August 28, 2025. The city's representatives responded by letter dated September 4, 2025, agreeing with the audit findings. This final audit report includes the city's response as an attachment.

Restricted Use

This audit report is solely for the information and use of the city, 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 and is available on the SCO website at www.sco.ca.gov.

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

October 29, 2025

Schedule— Summary of Program Costs July 1, 2019, through June 30, 2023

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2019, through June 30, 2020</u>				
Direct costs:				
Salaries and benefits	\$ 181,054	\$ 147,000	\$ (34,054)	Findings 1, 2
Indirect costs	58,945	53,772	(5,173)	Findings 1, 2
Total direct and indirect costs	239,999	200,772	(39,227)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 239,999</u>	<u>200,772</u>	<u>\$ (39,227)</u>	
Less amount paid by the State ³		(239,999)		
Amount paid in excess of allowable costs claimed		<u>\$ (39,227)</u>		
<u>July 1, 2020, through June 30, 2021</u>				
Direct costs:				
Salaries and benefits	\$ 159,730	\$ 129,113	\$ (30,617)	Findings 1, 2
Indirect costs	77,751	55,469	(22,282)	Findings 1, 2, 3
Total direct and indirect costs	237,481	184,582	(52,899)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 237,481</u>	<u>184,582</u>	<u>\$ (52,899)</u>	
Less amount paid by the State ³		(237,481)		
Amount paid in excess of allowable costs claimed		<u>\$ (52,899)</u>		
<u>July 1, 2021, through June 30, 2022</u>				
Direct costs:				
Salaries and benefits	\$ 171,281	\$ 142,637	\$ (28,644)	Findings 1, 2
Indirect costs	64,824	63,232	(1,592)	Findings 1, 2
Total direct and indirect costs	236,105	205,869	(30,236)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 236,105</u>	<u>205,869</u>	<u>\$ (30,236)</u>	
Less amount paid by the State ³		(236,105)		
Amount paid in excess of allowable costs claimed		<u>\$ (30,236)</u>		
<u>July 1, 2022, through June 30, 2023</u>				
Direct costs:				
Salaries and benefits	\$ 186,851	\$ 149,037	\$ (37,814)	Finding 2
Indirect costs	82,089	54,474	(27,615)	Findings 1, 2, 3
Total direct and indirect costs	268,940	203,511	(65,429)	
Less offsetting revenues and reimbursements ²	-	-	-	
Total program costs	<u>\$ 268,940</u>	<u>203,511</u>	<u>\$ (65,429)</u>	
Less amount paid by the State ³		(268,940)		
Amount paid in excess of allowable costs claimed		<u>\$ (65,429)</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹	
<u>Summary: July 1, 2019, through June 30, 2023</u>				
Direct costs:				
Salaries and benefits	\$ 698,916	\$ 567,787	\$ (131,129)	Findings 1, 2
Indirect costs	<u>283,609</u>	<u>226,947</u>	<u>(56,662)</u>	Findings 1, 2, 3
Total direct and indirect costs	982,525	794,734	(187,791)	
Less offsetting revenues and reimbursements ²	<u>-</u>	<u>-</u>	<u>-</u>	
Total program costs	<u>\$ 982,525</u>	794,734	<u>\$ (187,791)</u>	
Less amount paid by the State ³		<u>(982,525)</u>		
Amount paid in excess of allowable costs claimed		<u>\$ (187,791)</u>		

¹ See the Findings and Recommendations section.

² We determined that the claimed costs were not funded by any other sources.

³ Payment amount current as of July 17, 2025.

Findings and Recommendations

FINDING 1— Understated costs (repeat finding)

The city claimed \$665,601 in salaries and benefits for the Implementation of New Domestic Violence Arrest Policies to Identify the Primary Aggressor cost component during the audit period. We found that the city had understated salaries and benefits by \$52,499. The related indirect costs total \$22,060, for a total finding of \$74,559.

For the audit period, the city's claims identified a total of 10,598 domestic violence incident reports (2,913 for FY 2019-20; 2,663 for FY 2020-21; 2,517 for FY 2021-22; and 2,505 for FY 2022-23). The city used its LRMS to provide the summary incident report listings to support the number of domestic violence incident reports claimed for the audit period. We compared the LRMS information to the number of domestic violence incident reports that the city claimed. Based on our review, we found that for FY 2019-20 through FY 2021-22, the city had understated the number of domestic violence incident reports claimed. The city understated the number of reports because it did not adhere to the program's parameters and guidelines or the SCO's *Mandated Cost Manual*.

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

	Fiscal Year			
	2019-20	2020-21	2021-22	Total
Domestic violence incident reports per LRMS	2,987	3,038	2,916	
Domestic violence incident reports claimed	+ (2,913)	+ (2,663)	+ (2,517)	
Understated domestic violence incident reports	74	375	399	
Standard time allowance (hours)	× 0.48	× 0.48	× 0.48	
Understated hours	36	180	192	
Claimed average PHR (salary only)	× \$ 68.74	× \$ 70.70	× \$ 72.25	
Understated salaries [A]	2,475	12,726	13,872	
Claimed benefit rate	× 88.37%	× 76.75%	× 82.70%	
Understated benefits [B]	2,187	9,767	11,472	
Understated salaries and benefits [C] = [A] + [B]	4,662	22,493	25,344	\$ 52,499
Claimed indirect cost rate [D]	32.55%	48.68%	37.85%	
Related indirect costs ¹ [E] = [A] × [D]	1,517	10,950	9,593	22,060
Audit adjustment [F] = [C] + [E]	\$ 6,179	\$ 33,443	\$ 34,937	\$ 74,559

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 LRMS supports.

City’s response

The City agrees with the finding and will implement improved procedures to ensure that reimbursement claims accurately reflect the number of domestic violence incident reports as supported by the Local Records Management System (LRMS).

**FINDING 2—
Ineligible salaries and
benefits (repeat
finding)**

The city claimed ineligible salaries and benefits totaling \$183,628. The related indirect costs total \$41,353, for a total finding of \$224,981.

As noted in Finding 1, the city understated the claimed number of domestic violence incident reports for FY 2019-20 through FY 2021-22. The following table summarizes the audited population of incident reports and the claimed hours attributable to the audited population:

	Fiscal Year			
	2019-20	2020-21	2021-22	2022-23
Documented number of domestic violence incident reports (audited population)	2,987	3,038	2,916	2,505
Standard time allowance (hours)	× 0.48	× 0.48	× 0.48	× 0.48
Total hours attributable to documented incident reports (audited population)	1,434	1,458	1,400	1,202

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 hours).

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% confidence level, a precision rate of $\pm 8\%$, and an expected error rate of 50%. 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 571 incident reports (143 for FY 2019-20; 143 for FY 2020-21; 143 for FY 2021-22; and 142 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 – 228 incident reports were fully reimbursable under the mandated program. These reports are reimbursable at 29 minutes (0.48 hours) per report.
- Partially reimbursable – 283 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 program's parameters and guidelines.
- Unallowable – 60 incident reports were unsupported or were non-mandate-related. Incidents were unsupported because the city did not

maintain or was unable to provide reports for review. Non-mandate-related incidents were those that did not meet the definition of domestic violence as provided in PC section 13700, incidents that were related to violations of restraining orders, or incidents in which the relationship between individuals did not satisfy the criteria described in PC section 13700(b).

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 had claimed reimbursement for ineligible and unsupported 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:

	Fiscal Year				Total
	2019-20	2020-21	2021-22	2022-23	
Allowable incident reports	64	52	59	53	228
Partially reimbursable incident reports (only one party interviewed)	67	72	63	81	283
Unallowable incident reports	12	19	21	8	60
Total reports sampled	143	143	143	142	571

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

	Fiscal Year				Total
	2019-20	2020-21	2021-22	2022-23	
Allowable incident reports	64	52	59	53	228
Standard time allowance (hours)	× 0.48	× 0.48	× 0.48	× 0.48	
Subtotal [A]	31	25	28	25	
Partially reimbursable incident reports (only one party interviewed)	67	72	63	81	283
Allowable standard time allowance (hours)	× 0.34	× 0.34	× 0.34	× 0.34	
Subtotal [B]	23	24	21	28	
Total reimbursable hours for sampled reports [C] = [A] + [B]	54	49	49	53	
Statistical sample size	÷ 143	÷ 143	÷ 143	÷ 142	
Reimbursable hours per report	0.38	0.34	0.34	0.37	
Documented number of domestic violence incident reports (audited population)	× 2,987	× 3,038	× 2,916	× 2,505	
Total reimbursable hours	1,135	1,033	991	927	
Hours per documented number of domestic violence incident reports (audited population)	+ (1,434)	+ (1,458)	+ (1,400)	+ (1,202)	
Total unallowable hours	(299)	(425)	(409)	(275)	

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

	Fiscal Year				Total
	2019-20	2020-21	2021-22	2022-23	
Unallowable hours	(299)	(425)	(409)	(275)	
Claimed average PHR (salary only)	× \$ 68.74	× \$ 70.70	× \$ 72.25	× \$ 73.27	
Unallowable salaries [A]	(20,553)	(30,048)	(29,550)	(20,149)	
Claimed benefit rate [B]	× 88.37%	× 76.75%	× 82.70%	× 87.67%	
Related unallowable benefit costs [C] = [A] × [B]	(18,163)	(23,062)	(24,438)	(17,665)	
Total unallowable salaries and benefits [D] = [A] + [C]	(38,716)	(53,110)	(53,988)	(37,814)	\$ (183,628)
Claimed indirect cost rate [E]	32.55%	48.68%	37.85%	43.93%	
Related indirect costs ¹ [F] = [A] × [E]	(6,690)	(14,627)	(11,185)	(8,851)	(41,353)
Audit adjustment [G] = [D] + [F]	\$ (45,406)	\$ (67,737)	\$ (65,173)	\$ (46,665)	\$ (224,981)

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

City’s response

The City agrees with the finding and will strengthen the internal review procedures to ensure only fully supported and eligible incident reports are claimed, with accurate standard time allocations.

FINDING 3— Overstated indirect cost rates (repeat finding)

For the audit period, the city claimed indirect costs based on indirect cost rate proposals (ICRP) prepared for the police department. We found that the city had overstated its indirect costs for FY 2020-21 and FY 2022-23 by \$37,369.

During testing, we reviewed the city’s expenditure report for FY 2020-21 and found that the city had not consistently allocated departmental costs to the indirect and direct cost pools. We identified the following errors:

- Operating expenses were allocated in conjunction with other expense categories.
- Salary and benefit costs were allocated as an operating expense.
- Leave pay benefits were incorrectly allocated as salaries.
- Grant programs were erroneously allocated as indirect costs (e.g., Department of Justice, Alameda County Vehicle Abatement, Traffic Safety, and Measure Y: Public Safety).

We recalculated the city’s indirect cost rate for FY 2020-21 by adjusting the costs consistently between indirect and direct cost pools. The city claimed an indirect cost rate of 48.68%. We determined that 34.27% is allowable; this represents a difference of 14.41% from the claimed indirect cost rate. We applied the error rate to allowable salaries and benefits and found that the city had overstated indirect costs by \$18,605.

We reviewed the city's FY 2022-23 expenditure report and found that the city had excluded direct salaries and benefits attributable to grant programs (e.g., Department of Justice, Alameda County Vehicle Abatement, Traffic Safety, and Measure Y: Public Safety). We recalculated the city's indirect costs for FY 2022-23 by consistently adjusting the direct salaries and benefits to include grant program costs. The city claimed an indirect cost rate of 43.93%. We determined that 31.34% is allowable; this represents a difference of 12.59% from the claimed indirect cost rate. We applied the error rate to allowable salaries and benefits and found that the city had overstated indirect costs by \$18,764.

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

Fiscal Year	Claimed Indirect Cost Rate	Allowable Indirect Cost Rate	Audit Adjustment
2020-21	48.68%	34.27%	(14.41)%
2022-23	43.93%	31.34%	(12.59)%

The following table summarizes the adjustment to the indirect costs:

	Fiscal Year		Total
	2020-21	2022-23	
Allowable indirect cost rate	34.27%	31.34%	
Claimed indirect cost rate	+ (48.68)%	+ (43.93)%	
Error rate	(14.41)%	(12.59)%	
Allowable salaries and benefits	× 129,113	× 149,037	
Audit adjustment	\$ (18,605)	\$ (18,764)	\$ (37,369)

Title 2, Code of Federal Regulations, Part 225, Appendix A, Part C, subdivision 3.b. states:

All activities which benefit from the governmental unit's indirect cost including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.

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% of direct labor, excluding fringe benefits, or preparing a departmental Indirect Cost Rate Proposal (ICRP) for the department if an indirect cost in excess of 10% 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%.

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
- Prepare indirect cost rates that are supported by its expenditure ledgers and allocate costs consistently between fiscal years in accordance with Title 2, Code of Federal Regulations, Part 225, Appendix A, Part C, subdivision 3.b.

City’s response

The City agrees with the finding and will enhance internal oversight during the preparation of indirect cost rate proposals (ICRPs) to ensure that allocations are consistent and fully supported by expenditure records.

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

CITY OF OAKLAND



CITY HALL • 1 FRANK H. OGAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Administrator
Jestin D. Johnson
City Administrator

(510) 238-3301
FAX (510) 238-2223

September 4, 2025

Kimberly A. Tarvin, CPA
Chief, Division of Audits
State Controller's Office
3301 C Street, Suite 700
Sacramento, CA 95816

Re: Response to Draft Audit Report – City of Oakland Domestic Violence Arrest Policies
and Standards Program
July 1, 2019 through June 30, 2023
S24-MCC-0011

Dear Ms. Tarvin:

Thank you for the opportunity to review and respond to the draft audit report titled "*Domestic Violence Arrest Policies and Standards Program*" for the audit period covering July 1, 2019, through June 30, 2023.

We have carefully reviewed the findings and recommendations outlined in the draft report and offer the following formal response:

Finding 1: Understated salaries, benefits, and related indirect costs by \$74,559

The City agrees with the finding and will implement improved procedures to ensure that reimbursement claims accurately reflect the number of domestic violence incident reports as supported by the Local Records Management System (LRMS).

Finding 2: Overstated salaries and benefits by \$224,981

The City agrees with the finding and will strengthen the internal review procedures to ensure only fully supported and eligible incident reports are claimed, with accurate standard time allocations.

Finding 3: Overstated Indirect Costs by \$37,369

The City agrees with the finding and will enhance internal oversight during the preparation of indirect cost rate proposals (ICRPs) to ensure that allocations are consistent and fully supported by expenditure records.

We appreciate the State Controller's Office's diligence in conducting this audit and value the opportunity to improve our internal processes. Should you have any questions or require additional documentation, please feel free to contact Pooja Shrestha, Acting City Controller, at pshrestha@oaklandca.gov or (510) 238-6776.

Sincerely,



Justin Johnson (Sep 4, 2025 13:45:33 PDT)

Justin Johnson

City Administrator

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

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