

SACRAMENTO COUNTY

Audit Report

RACIAL AND IDENTITY PROFILING PROGRAM

Chapter 466, Statutes of 2015;
and Chapter 328, Statutes of 2017

July 1, 2017, through June 30, 2020



MALIA M. COHEN
California State Controller

January 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

January 12, 2024

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Chad Rinde, CPA, Director of Finance
Sacramento County
700 H Street, Suite 3650
Sacramento, CA 95814

Dear Mr. Rinde:

The State Controller's Office audited the costs claimed by Sacramento County for the legislatively mandated Racial and Identity Profiling Program for the period of July 1, 2017, through June 30, 2020.

The county claimed and was paid \$1,018,338 for costs of the mandated program. Our audit found that \$693,217 is allowable; and \$325,121 is unallowable because the county overstated the costs of collecting and reporting stop data, claimed unallowable contract services costs, and claimed unallowable related indirect costs.

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

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/ac

Mr. Chad Rinde
January 12, 2024
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cc: The Honorable Rich Desmond, Chair
Sacramento County Board of Supervisors
Mark Aspesi, CPA, Assistant Auditor-Controller
Sacramento County Department of Finance
Andy Yu, CPA, Chief
Internal Audits Office
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Audit Report

Summary

The State Controller’s Office (SCO) audited the costs claimed by Sacramento County for the legislatively mandated Racial and Identity Profiling Program for the period of July 1, 2017, through June 30, 2020.

The county claimed and was paid \$1,018,338 for costs of the mandated program. Our audit found that \$693,217 is allowable; and \$325,121 is unallowable because the county overstated the costs of collecting and reporting stop data, claimed unallowable contract services costs, and claimed unallowable related indirect costs.

Background

Government Code (GC) section 12525.5, as added and amended by the Statutes of 2015, Chapter 466 and Statutes 2017, Chapter 328, and California Code of Regulations, Title 11, 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 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 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 officers can check for proof of age while investigating underage drinking, and checkpoints and roadblocks where officers detain a person based on a blanket activity or neutral formula;
- 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.

Audit Authority

We conducted this performance audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the county's records to verify the actual amount of the mandated costs. In addition, GC section 12410 provides the SCO with general audit 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 Racial and Identity Profiling 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 ineligible costs that are not identified in the program's parameters and guidelines as reimbursable costs.

The audit period was July 1, 2017, through June 30, 2020.

To achieve our objective, we performed the following procedures:

- We analyzed the annual mandated cost claims filed by the county for the audit period and identified the significant cost components of each claim as salaries, benefits, contract services, and indirect costs. We determined whether there were any errors or unusual or unexpected variances from year to year. We also 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 county staff members. We discussed the claim preparation process with county staff members to determine what information was obtained, who obtained it, and how it was used.
- We obtained system-generated lists of stop data—which the county had collected and reported to the Department of Justice (DOJ)—from the county's records management system (RMS) to verify the existence, completeness, and accuracy of unduplicated counts for each fiscal year of the audit period. We recalculated the costs based on the allowable number of stops reported for each fiscal year in the audit period.
- We designed a statistical sampling plan to test approximately 15–25% of claimed salary and benefit costs, based on a moderate level of detection (audit) risk. We judgmentally selected the county's filed claims for fiscal year (FY) 2018-19 and FY 2019-20, which included salary and benefit costs of \$591,896, or 99.8% of the total \$592,925 in salary and benefit costs claimed during the audit period. We describe the sampling plan in the Finding and Recommendation section.
- We used a random number table to select 299 of 76,546 stops from the two fiscal years sampled. We tested the stop data as follows:
 - We determined whether data collected for each stop included all of the required elements to be reported to the DOJ according to the program's parameters and guidelines.
 - We obtained copies of the county's law enforcement services contracts and any other agreements to provide law enforcement services that were in effect during the audit period. We then determined whether any stops were performed by peace officers in a jurisdiction covered by a law enforcement services agreement

- or other agreement, or funded by outside funding sources such as Federal grants.
- We determined whether any stops occurred at the residences of known felons with outstanding arrest warrants.
 - We obtained employee ID numbers and ranks of peace officers from the sampled stop data documenting who performed the reimbursable activities. We then compared the employee classifications obtained from the stop data to those that the county claimed.
 - We interviewed sworn peace officers about the amount of time that they spent performing the reimbursable activities and that was not captured by the county's RMS.
 - We projected the audit results of the two years tested by multiplying the allowable counts of stops by the audited average time increments (ATIs) needed to perform the reimbursable activities, and multiplied the product by the weighted productive hourly rates (PHRs) of the county employees who performed them.
 - We reviewed the county's single audit reports to identify any offsetting savings or reimbursements from federal or pass-through programs applicable to the Racial and Identity Profiling Program. We identified several applicable programs and discussed them with the county. A county representative confirmed that the county had not received offsetting revenues applicable to this mandated program during the audit period.

We did not audit the county's financial statements.

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 Sacramento County claimed costs that were funded by other sources; however, we did find that it claimed unsupported and ineligible costs, as quantified in the Schedule and described in the Finding and Recommendation section.

For the audit period, the county claimed and was paid \$1,018,338 for costs of the legislatively mandated Racial and Identity Profiling Program. Our audit found that \$693,217 is allowable and \$325,121 is unallowable.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the county 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 of Sacramento County’s legislatively mandated Racial and Identity Profiling Program.

**Views of
Responsible
Officials**

We issued a draft report on November 8, 2023. Sacramento County’s representative responded by letter dated November 17, 2023, agreeing with portions of the audit results and disagreeing with others. This final report includes the county’s response as an attachment.

Restricted Use

This audit report is solely for the information and use of Sacramento County, 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 audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

January 12, 2024

Schedule—
Summary of Program Costs
July 1, 2017, through June 30, 2020

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2017, through June 30, 2018</u>			
Direct costs:			
Salaries and benefits			
Install and test software	\$ 1,029	\$ 1,029	\$ -
Contract services			
Install and test software	9,632	9,632	-
Total direct costs	10,661	10,661	-
Indirect costs	472	472	-
Total program costs	<u>\$ 11,133</u>	11,133	<u>\$ -</u>
Less amount paid by the State ²		(11,133)	
Allowable costs claimed in excess of amount paid		<u>\$ -</u>	
<u>July 1, 2018, through June 30, 2019</u>			
Direct costs:			
Salaries and benefits			
Train peace officers and supervisors	\$ 8,414	\$ 6,264	(2,150)
Install and test software	13,052	13,052	-
Collect and report data	206,394	141,091	(65,303)
Subtotal salaries and benefits	227,860	160,407	(67,453)
Contract services			
Install and test software	97,696	81,184	(16,512)
Total direct costs	325,556	241,591	(83,965)
Indirect costs	103,129	72,600	(30,529)
Total program costs	<u>\$ 428,685</u>	314,191	<u>\$ (114,494)</u>
Less amount paid by the State ²		(428,685)	
Allowable costs claimed in excess of amount paid		<u>\$ (114,494)</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2019, through June 30, 2020</u>			
Direct costs:			
Salaries and benefits			
Train peace officers and supervisors	\$ 9,774	\$ 9,553	\$ (221)
Install and test software	8,248	-	(8,248)
Collect and report data	346,014	250,405	(95,609)
Subtotal salaries and benefits	<u>364,036</u>	<u>259,958</u>	<u>(104,078)</u>
Contract services			
Install and test software	63,336	-	(63,336)
Total direct costs	427,372	259,958	(167,414)
Indirect costs	151,148	107,935	(43,213)
Total program costs	<u>\$ 578,520</u>	367,893	<u>\$ (210,627)</u>
Less amount paid by the State ²		(578,520)	
Allowable costs claimed in excess of amount paid		<u>\$ (210,627)</u>	
<u>Summary: July 1, 2017, through June 30, 2020</u>			
Direct costs:			
Salaries and benefits			
Contract services	\$ 592,925	\$ 421,394	\$ (171,531)
Contract services	170,664	90,816	(79,848)
Total direct costs	763,589	512,210	(251,379)
Indirect costs	254,749	181,007	(73,742)
Total program costs	<u>\$ 1,018,338</u>	693,217	<u>\$ (325,121)</u>
Less amount paid by the State ²		(1,018,338)	
Allowable costs claimed in excess of amount paid		<u>\$ (325,121)</u>	

¹ See the Finding and Recommendation section.

² Payment amount current as of September 5, 2023.

Finding and Recommendation

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

The county claimed and was paid \$1,018,338 (\$763,589 in direct costs and \$254,749 in related indirect costs) for the Racial and Identity Profiling Program. We found that \$693,217 is allowable and \$325,121 is unallowable.

The costs are unallowable primarily because the county overstated costs for collecting and reporting stop data, claimed unallowable contract services costs, and claimed unallowable related indirect costs.

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

Fiscal Year	Amount Claimed	Direct Costs Amount Allowable	(A)	(B)	(C)=(A)+(B)
			Audit Adjustment	Related Indirect Cost Adjustment	Total Audit Adjustment
2017-18	\$ 10,661	\$ 10,661	\$ -	\$ -	\$ -
2018-19	325,556	241,591	(83,965)	(30,529)	(114,494)
2019-20	427,372	259,958	(167,414)	(43,213)	(210,627)
Total	\$ 763,589	\$ 512,210	\$ (251,379)	\$ (73,742)	\$ (325,121)

One-Time Activities

The parameters and guidelines identify the following one-time activities:

- Activity A.1 – One-time training for each peace officer employee and supervisor assigned to perform the reimbursable activities; and
- Activity A.2 – One-time installation and testing of software necessary to comply with the requirements for collecting and reporting stop data.

Training

The county claimed \$18,188 (\$10,530 in salary costs and \$7,658 in related benefits) for Activity A.1. We found that \$15,817 is allowable and \$2,371 is unallowable. The costs are unallowable because the county claimed costs for officers who were funded by outside sources, or who were not assigned to perform the reimbursable activities.

Although the county did not provide any documentation with its claims to support the training costs, it provided support during the audit for one hour of training for 167 peace officers, including 34 who were classified as trainers. The county claimed 79 hours during FY 2018-19 and 88 hours during FY 2019-20. Based on our review of the supporting documentation, we found that the county had claimed training costs for 12 peace officers who were covered by contracts or other revenue sources, and nine peace officers who worked in Sheriff’s Office Divisions that did not perform the reimbursable activities.

We identified the following peace officers who were covered by other revenue sources:

- Six peace officers working under contract with the City of Rancho Cordova,
- One peace officer working under contract with the Elk Grove Unified School District,
- Two peace officers working under a federal contract for Folsom Dam,
- Two peace officers working under contract for the Sacramento International Airport, and
- One peace officer working in the Impact Program, which is covered by federal revenue sources.

We identified the following peace officers who were assigned to divisions within the Sheriff’s Office that did not perform the reimbursable activities:

- Four peace officers from Correctional Services assigned to the Sheriff’s Work Program;
- Two peace officers from Contract and Regional Services assigned to Security Services;
- Two peace officers from Contract and Regional Services assigned to Civil Services; and
- One peace officer from Support Services.

The county claimed 167 hours for employee training. We determined that 146 hours are allowable (60 hours for FY 2018-19, and 86 hours for FY 2019-20), and 21 hours are unallowable (19 hours for FY 2018-19 and two hours for FY 2019-20).

The following table presents the claimed, allowable, and audit adjustment amounts for Activity A.1. by fiscal year.

Fiscal Year	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Audit Adjustment
2017-18	\$ -	\$ -	\$ -
2018-19	8,414	6,264	(2,150)
2019-20	9,774	9,553	(221)
Totals	<u>\$ 18,188</u>	<u>\$ 15,817</u>	<u>\$ (2,371)</u>

Installing and Testing Software

The county claimed \$192,993 (\$22,329 in salaries and benefits and \$170,664 in contract services) for Activity A.2. We found that \$105,422 is allowable and \$87,571 is unallowable. The costs are unallowable because the county claimed costs for updating software under Activity A.2, which is limited to one-time installation and testing of the necessary software.

Salaries and Benefits

The county claimed \$22,329 (\$15,851 in salary costs and \$6,478 in related benefits) for Activity A.2. We found that \$14,081 is allowable and \$8,248 is unallowable. The costs are unallowable because the county claimed costs for updating software, rather than installing and testing new software, under Activity A.2.

Although the county did not provide any documentation with its claims to support the one-time costs for installing and testing software, the county provided documentation during the audit for the costs that it incurred. For each fiscal year, the county provided documentation of the Senior IT Analyst's PHRs, benefit rates, and total number of hours worked on various dates.

When we asked how the county determined the number of hours that the Senior IT Analyst spent performing Activity A.2. on these dates, the county provided Microsoft Outlook meeting invitations and emails between the Senior IT Analyst and a private contractor as supporting documentation. The Outlook meeting invitations and emails provided evidence of the specific dates and times when the Senior IT Analyst participated in meetings and performed work related to Activity A.2. Although this evidence does not support the time claimed, we determined that the costs claimed for the first two years of the audit period are reasonable and allowable.

The county completed the installation and testing of its software and began reporting the required stop data to the DOJ on January 1, 2019. In its decision adopting the parameters and guidelines, the Commission denied the test claimant's request to include updating software, as necessary, to comply with the requirements of collecting and reporting data as a reimbursable activity. Therefore, costs claimed for this activity after January 1, 2019, to further update the software are unallowable.

Contract Services

The county claimed \$170,664 (\$9,632 for FY 2017-18, \$97,696 for FY 2018-19, and \$63,336 for FY 2019-20) in contract services costs for 1,920 hours spent on Activity A.2. We found that \$90,816 is allowable and \$79,848 is unallowable. The costs are unallowable because the county claimed costs for updating its software, rather than installing and testing new software, under Activity A.2.

We reviewed the county's claims to determine whether costs claimed for contract services were related to the mandate and were properly supported. The county provided the following information in its claims to support claimed contract services costs:

- Monthly vendor invoices, totaling \$268,304, for 3,064 hours of unspecified "NET developer services" rendered between April 2018 and May 2020.
- Timesheets prepared by the vendor from April 11, 2018, through May 26, 2020, for a total of 2,568 hours. The timesheets were signed by the employee and approved by a county representative.

The county claimed 112 contractor hours spent on Activity A.2 for FY 2017-18, 1,136 hours for FY 2018-19, and 672 hours for FY 2019-20. The time appears to be estimated based on the way that costs were claimed, as follows:

- FY 2017-18 – Staff Tech, Inc. (STI) invoices totaled 336 hours and the county claimed 112 hours (33.30%),
- FY 2018-19 – STI invoices totaled 1,768 hours and the county claimed 1,136 hours (64.25%), and
- FY 2019-20 – STI invoices totaled 960 hours and the county claimed 672 hours (70.00%).

In addition, the vendor invoices and timesheets did not provide any evidence that contract services costs were directly related to Activity A.2.

We requested that the county provide additional documentation supporting that the claimed contract services were incurred for the mandated program. The county subsequently provided Contract Shipping Orders, Open Item Contracts, and Requests for Proposals. The county also provided memoranda from its contractor and the Sheriff describing the work to be performed, and Outlook meeting invitations and emails pertaining to Activity A.2.

The Outlook meeting invitations and emails adequately supported that the contracted work was performed, although we still question how the county determined the number of hours that its vendor devoted to performing Activity A.2.

We discussed the contracted work with the county’s Senior IT Analyst and representatives of the Sheriff’s Department. The county subsequently provided a spreadsheet prepared by the Senior IT Analyst detailing how the county derived the salaries and benefits costs and the contract services costs for Activity A.2.

Based on the evidence supporting that the work was performed, we determined that the costs claimed for Activity A.2. through December 31, 2018, are allowable. Costs claimed for Activity A.2.after the county began using its software to report stop data to the DOJ on January 1, 2019, are unallowable.

The following table presents the claimed, allowable, and audit adjustment amounts for Activity A.2.by fiscal year.

Fiscal Year	Claimed			Allowable			Audit Adjustment
	Salaries and Benefits	Contract Services	Total	Salaries and Benefits	Contract Services	Total	
2017-18	\$ 1,029	\$ 9,632	\$ 10,661	\$ 1,029	\$ 9,632	\$ 10,661	\$ -
2018-19	13,052	97,696	110,748	13,052	81,184	94,236	(16,512)
2019-20	8,248	63,336	71,584	-	-	-	(71,584)
Totals	\$ 22,329	\$ 170,664	\$ 192,993	\$ 14,081	\$ 90,816	\$ 104,897	\$ (88,096)

Ongoing Activities

The parameters and guidelines identify the following ongoing activities:

- Activity B.1. – Identifying the peace officers required to report stops, and maintaining a system to match individual officers to their Officer I.D. numbers;
- Activity B.2. – Collecting and reporting data on all reportable stops;
- Activity B.3. – Submitting electronic stop data to DOJ and retaining collected stop data;
- Activity B.4. – Audits and validation of data collected; and
- Activity B.5. – Ensuring that personally identifiable information of the individuals stopped and unique identifying information of the peace officers involved are not transmitted to DOJ in an open text field.

Collecting and Reporting Data

The county claimed \$552,408 (\$319,770 in salary costs and \$232,638 in related benefits) for Activity B.2. We found that \$391,496 is allowable and \$160,912 is unallowable. We did not identify a single cause for the unallowable costs, as the county's claims did not state the number of stops performed or the time spent on each stop. During the audit, the county provided its stop data and we interviewed county law enforcement officers to determine the approximate time required to collect the required data. We also revised the classifications of officers who performed the reimbursable activities. We used this information to recalculate the allowable costs for each year of the audit period.

We reviewed the county's claims to determine whether claimed salaries and benefits costs were related to the mandate and were properly supported. The county's claims provided the following information to support claimed salary and benefit costs:

- A list of sworn officers' job classifications with related average PHRs and benefit rates by fiscal year; and
- An Indirect Cost Rate Proposal (ICRP) for each fiscal year.

Neither the list of sworn officers' job classifications nor the ICRPs provided evidence that the claimed salaries and benefits were related to Activity B.2.

Number of Stops Reported

The county did not include information in its claims supporting the number of stops reported by peace officers during the audit period. During the audit, the county generated Excel spreadsheets of stop data downloaded from its RMS to support the number of stops. The spreadsheets contained the following information:

- stop ID number,
- stop date,
- employee ID number, and
- rank of the peace officer.

The spreadsheets supported 76,549 stops during the audit period (30,014 stops during FY 2018-19 and 46,535 stops during FY 2019-20). However, during our initial review of the data we discovered stops conducted by three employees who were not sworn peace officers—two during FY 2018-19 and one during FY 2019-20.

We then verified the accuracy of the stop data recorded in the RMS by determining whether each stop:

- Included all required elements according to the program’s parameters and guidelines;
- Was not performed by a peace officer in a jurisdiction covered by a law enforcement services agreement or other agreement, or funded by outside funding sources such as Federal grants; and
- Did not occur at the residence of a known felon with an outstanding arrest warrant.

For each fiscal year, we selected a statistical sample of stop data from the documented number of stops reported by peace officers (the adjusted unduplicated population) based on a 95% confidence level, a precision rate of $\pm 8\%$, and an expected error rate of 50%. We used statistical samples in order to project the results to the population for each fiscal year. We randomly selected 299 out of 76,546 reported stops.

We reviewed and tested the stop data for the sample selections. Specific required data elements for the sampled stop data guided us in determining unallowable and ineligible data, as follows:

- The required data element “Location” made it possible for us to determine whether a sampled stop originated from a jurisdiction where the county provides law enforcement services under a contract.
- The required data elements “Stop Reason” and “List Result (of Stop)” stated the reason or result as “Knowledge of outstanding arrest warrant for a wanted person or known felon.” A Sheriff’s Department representative identified instances in which a sampled stop was performed at the residence of a wanted person or known felon.

Our review of the sampled stop data disclosed the following facts.

For FY 2018-19, we found that 27 of 149 reported stops were unallowable for the following reasons:

- Twenty-five stops were conducted by sworn officers in jurisdictions covered by a law enforcement services agreement, as follows:
 - Twenty-two stops in the City of Rancho Cordova (the Sacramento Sheriff’s Kilgore Service Center serves the City of Rancho Cordova and the unincorporated area around Rancho Cordova. A Sheriff’s Department representative identified whether stops occurred within city limits, or in an unincorporated area outside the city’s jurisdiction);
 - Two stops in the Elk Grove Unified School District; and
 - One stop in the City of Isleton.

- Two stops were conducted at the residences of known felons with outstanding arrest warrants.

We calculated an error rate of 18.12% for FY 2018-19. We multiplied the audited population of 30,013 stops by the 18.12% error rate to arrive at 5,438 unallowable stops and 24,575 allowable stops.

For FY 2019-20, we found that 20 of 150 reported stops were unallowable for the following reasons:

- Eighteen stops were performed by sworn officers in the City of Rancho Cordova; and
- Two stops occurred at the residences of known felons with outstanding arrest warrants.

We calculated an error rate of 13.33% for FY 2019-20. We multiplied the audited population of 46,533 by the 13.33% error rate to arrive at 6,204 unallowable stops and 40,329 allowable stops.

The following table summarizes the counts of claimed, supported, and allowable stops, and the audit adjustment by fiscal year:

Fiscal Year	(A) Claimed Stops	(B) Audited Population	(C) Allowable Stops	(D)=(C)-(A) Audit Adjustment
2017-18	-	-	-	-
2018-19	-	30,013	24,575	24,575
2019-20	-	46,533	40,329	40,329
Total stops	-	76,546	64,904	64,904

Time Increments

The county’s claims did not provide any support or explanation for the time it took to collect and report the unspecified counts of stop data. We also noted that the county’s RMS did not record the time spent by Sheriff’s Department employees performing Activity B.2.

During the audit, we interviewed one Deputy Sheriff, one Sergeant, and one Detective to obtain information about the ATIs needed to collect and report all the required data during a stop. Based on these interviews, we determined that the county’s peace officers spent an average of 3.33 minutes collecting and reporting stop data. We found that this testimonial information provided a reasonable representation of the time needed to perform Activity B.2.

Job Classifications

The county’s claims showed that the employee classifications of Deputy Sheriff, Deputy Sheriff On Call, Captain, Lieutenant, and Sergeant performed Activity B.2. The RMS showed three additional job classifications that performed stops but were not in the claims: Deputy Sheriff Reserve, IT Applications Analyst, and Sheriff Security Officer. The program’s parameters and guidelines state that sworn peace officers

are required to perform the reimbursable activities. In order to clarify which peace officers performed the mandated activities, we:

1. Reviewed the lists of allowable stop data from our sample selections to determine the actual rank and job classification of the peace officer who performed Activity B.2.; and then
2. Calculated the extent (percentage of involvement) that peace officers in various employee classifications performed Activity B.2.

For FY 2018-19, we found that Deputy Sheriffs performed 93.5% of Activity B.2. and Sergeants performed 6.5% of Activity B.2. For FY 2019-20, we found that Deputy Sheriffs performed 96% of Activity B.2. and Sergeants performed 4% of Activity B.2.

We obtained the PHRs and related benefit rates for the actual job classifications that performed the reimbursable activities from the lists of job classifications, PHRs, and benefit rates the county submitted with its claims. We then calculated the allowable cost of salaries and benefits.

The following table illustrates how we calculated weighted PHRs.

Employee Classification	Salary Rate	Benefit Rate	Weighted PHR
<u>FY 2018-19</u>			
Deputy Sheriff	\$ 59.52	70.81%	\$ 101.67
Sergeant	75.53	70.81%	129.01
<u>FY 2019-20</u>			
Deputy Sheriff	\$ 63.68	74.42%	\$ 111.07
Sergeant	75.72	73.19%	131.14

We calculated allowable salaries and benefits costs as follows:

1. We multiplied the audited counts of stops by the PHRs and benefit rates of the actual job classifications of the employees who performed Activity B.2. (pro-rated for each fiscal year based on the percentage of involvement for each job classification that performed Activity B.2.); and then,
2. We multiplied the product by the ATI required (3.33 minutes) to perform Activity B.2.

The following table summarizes how we calculated allowable costs for Activity B.2. by fiscal year.

Employee Classification	Weighted PHR	Number of Stops	Time Increment	Total Minutes	Hours	Activity %	Allowable Costs
<u>FY 2018-19</u>							
Deputy Sheriff	\$ 101.67	24,575	3.33	81,835	1,363.9	93.5%	\$ 129,654
Sergeant	\$ 129.01	24,575	3.33	81,835	1,363.9	6.5%	11,437
Total - FY 2018-19							<u>\$ 141,091</u>
<u>FY 2019-20</u>							
Deputy Sheriff	\$ 111.07	40,329	3.33	134,296	2,238.3	96.0%	\$ 238,664
Sergeant	\$ 131.14	40,329	3.33	134,296	2,238.3	4.0%	11,741
Total - FY 2019-20							<u>\$ 250,405</u>

The following table presents the claimed and allowable amounts for salaries and benefits, and the audit adjustment by fiscal year.

Fiscal Year	Claimed			Allowable	Audit Adjustment
	Salaries	Benefits	Total	Salaries and Benefits	
2017-18	\$ -	\$ -	\$ -	\$ -	\$ -
2018-19	121,084	85,310	206,394	141,091	(65,303)
2019-20	198,686	147,328	346,014	250,405	(95,609)
Totals	<u>\$ 319,770</u>	<u>\$ 232,638</u>	<u>\$ 552,408</u>	<u>\$ 391,496</u>	<u>\$ (160,912)</u>

Indirect Costs

The county provided ICRPs adequately supporting its indirect cost rates for the audit period. Using those rates, the county claimed related indirect costs totaling \$254,749 for the audit period, based on \$592,925 in claimed salaries; \$181,007 is allowable and \$73,742 is unallowable. The costs are unallowable because they are based on unallowable salaries and benefits for each year of the audit period. To recalculate indirect costs, we applied the claimed indirect cost rates to the corresponding eligible direct costs.

The following table summarizes the claimed, allowable, and audit adjustments for indirect costs by fiscal year:

Fiscal Year	Salaries and Benefits Claimed	Salaries and Benefits Allowable	Indirect Cost Rate	Indirect Costs Claimed	Indirect Costs Allowable	Audit Adjustment
2017-18	\$ 10,661	\$ 11,004	45.83%	\$ 472	\$ 472	\$ -
2018-19	227,860	160,589	45.26%	103,129	72,600	(30,529)
2019-20	364,036	259,958	41.52%	151,148	107,935	(43,213)
Totals				<u>\$ 254,749</u>	<u>\$ 181,007</u>	<u>\$ (73,742)</u>

Criteria

Item 1 of Section III., “Period of Reimbursement,” of the parameters and guidelines states, “Actual costs for one fiscal year shall be included in each claim.”

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.1., “Salaries and Benefits,” of the parameters and guidelines states:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

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.A.5, “Training,” of the parameters and guidelines states, in part:

Report the cost of training an employee to perform the reimbursable activities, as specified in Section IV of this document. Report the name and job classification of each employee preparing for, attending, and/or conducting training necessary to implement the reimbursable activities. Provide the title, subject, and purpose (related to the mandate of the training session), dates attended, and location. . . .

Section V.B., “Indirect Cost Rates,” of the parameters and guidelines states, in part:

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.

Section VII, “Offsetting Revenues and Reimbursements,” of the parameters and guidelines states:

Any offsetting revenue the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate from any source, including but not limited to, service fees collected, federal funds, and other applicable state funds, shall be identified and deducted from any claim submitted for reimbursement.

Recommendation

We recommend that the county:

- Adhere to the 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.

County's Response

Training

. . . The Sheriff's Office partially agrees with this finding.

We agree that some training costs were claimed for peace officers that were assigned to contract(s) that are covered by other revenue sources. In the future, the Sheriff's Office will ensure that anyone assigned to such contracts be excluded for reporting purposes.

We disagree with the exclusion of training costs that were claimed for peace officers that did not perform the reimbursable activities. Law enforcement personnel, even if off-duty or on special assignment, could take action as deemed appropriate on any police matter coming to their attention. Depending on the circumstances, this may require only accurate observation and becoming an effective witness or informant but there is no guarantee they would not get involved. Due to this, law enforcement personnel shall be properly and adequately trained for any and all potential encounters. Furthermore, when our sworn staff go through patrol training, they are trained on all aspects as it relates to law enforcement duties with the goal of keeping everyone up-to-date with training because they can be reassigned to any position within the department with only 5 days' notice per the applicable county labor agreement (Section 15.6b Assignments). It would not be practical or good business to try and train someone within a 5-day period.

Installing and Testing Software

. . . The Sheriff's Office agrees with this finding. We understand now, that anything beyond the initial installation and testing was not allowable. Going forward, any technology updates, upgrades, or maintenance required to fit the data collection parameters will be the responsibility of the Sheriff's Office and be considered department operational costs. However, we hope that this will be reconsidered in the future as the maintenance, reprogramming, and upkeep of technology in order to comply with mandatory restrictions and required changes implemented by the Department of Justice can put a large time and financial burden on agencies.

Collecting and Reporting Data

. . . The Sheriff's Office partially agrees with this finding.

We agree that some collecting and data costs were claimed for peace officers that were assigned to contract(s) that are covered by other revenue sources. In the future, the Sheriff's Office will ensure that anyone assigned to such contracts are excluded for reporting purposes.

Number of Stops Reported: We disagree with this finding; the number of stops were not reported directly on the claim from but it was part of the backup attached with the claim. The claim summary itself did not have a specific field to include the number of stops but they were used to calculate the hours which is what was reported on the claim summary.

Time Increments: We disagree with the reduction of time increments. The interviews performed during the site visit to determine the average time spent collecting and reporting stop data was 3.33 minutes, were conducted with staff that now have 3+ years of experience and are more

familiar with the requirements. It did not account for the learning curve and inexperience that would have been present at the implementation; therefore, we are not in agreement that this decreased average should have been applied across all years.

Job Classifications: We agree with that there were classifications reported but not claimed that were outside of the program's parameters and guidelines that state sworn peace officers are required to perform the reimbursable activities. As best as we could determine, these were test cases and the reason they were not included on the claim. Going forward, such individuals will be excluded all together.

Indirect Costs

. . . The Sheriff's Office agrees with this finding as it directly correlates to the disallowed costs.

SCO Comment

Our finding and recommendation remain unchanged. The county disagrees with portions of the finding related to training and to collecting and reporting data. We will address those topics from the county's response in that order.

Training

The county disagrees that training costs are unallowable for peace officers who did not perform the reimbursable activities. In its response, the county states that off-duty officers might perform the reimbursable activities and that sworn staff complete all aspects of patrol training, which would include training for the reimbursable activities.

On page 46 of its Statement of Decision (adopted May 22, 2020) for the mandated program, the Commission notes that the DOJ's "Final Statement of Reasons" (Proposed Regulations, Title 11, Sections 999.224999.229) for the mandated program "makes clear that off-duty officers are not required to collect and report stop data." As quoted in the "Final Statement of Reasons," the DOJ's "Addendum to Initial Statement of Reasons" (OAL File No. Z-2016-1129-03) explains that this decision arose "because of the infrequent nature of such stops and the practical and logistical complications that may arise regarding the reporting by an officer who is off-duty."

Although we understand the county's position on training staff for patrol duties, Section IV(A)(1) of the parameters and guidelines limits reimbursement for training costs to peace officer employees and supervisors assigned to perform the reimbursable activities.

Collecting and reporting data

The county disagrees with the portion of the finding related to the number of stops performed and the "reduction" of the ATIs required to perform them. In its response, the county states that the number of stops was included as part of the backup documentation attached to the claims. However, as we noted in the audit report, the county's claims did not

include any information supporting how many stops it performed or the ATIs required to perform them. The claims included only a description of the various employee classifications that performed the reimbursable activities, their PHRs, and the number of hours claimed to perform the activities. On numerous occasions, we requested that the county support how it calculated the number of hours claimed for its peace officers to perform the reimbursable activities. Specifically, we asked for the number of stops claimed and the ATIs required to perform them. However, the county did not provide such information.

We could have concluded that the costs were unallowable for this cost component based on the lack of supporting data. However, we realized that the county had performed the reimbursable activities and we worked with Sheriff's Department personnel to determine how many stops its officers performed during the audit period and the ATIs needed to perform them. The county subsequently provided copies of its stop data for each year of the audit period to support the number of stops that its officers performed. We interviewed the county's peace officers to determine the ATIs needed to perform the reimbursable activities, as explained in our report.

We explained our methodology to county representatives multiple times during the audit through email messages, a formal status update, and at the exit conference. At no time did the county provide any documentation supporting a conclusion contrary to ours. Furthermore, the county's response to the draft report does not provide such support.

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

Department of Finance

Chad Rinde
Director



County of Sacramento

Divisions

Auditor-Controller
Consolidated Utilities Billing &
Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

November 17, 2023

Lisa Kurokawa, Chief
Compliance Audit Bureau, Division of Audits
State Controller's Office
P.O. Box 942850
Sacramento, CA 94250

Subject: Response to County of Sacramento Racial and Identify Profiling Program Draft Report

Dear Ms. Kurokawa:

Attached is the County's response to the SCO's Racial and Identify Profiling Program Audit findings dated November 8, 2023. The attached document provides responses to findings identified in the draft audit report:

1. Overstated Racial and Identify Profiling Program Costs

We understand that the attached County response will be incorporated into SCO's final audit report. If you have any questions or need additional information, please contact Jennifer Griffin at (916) 874-8777 or Mark Aspesi at (916)874-6324.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chad Rinde".

Chad Rinde
Director of Finance

Attachment: County of Sacramento Responses to the SCO's Audit Finding on the Racial and Identify Profiling Program

Cc: Mark Aspesi, Assistant Auditor Controller
Reid Harris, Lieutenant

County of Sacramento Responses to the SCO's Audit Finding on the Racial and Identify Profiling Program

FINDING — Overstated Racial and Identify Profiling Program costs

Training

Finding: The county claimed \$18,188 (\$10,530 in salary costs and \$7,658 in related benefits) for Activity A.1. We found that \$15,817 is allowable and \$2,371 is unallowable. The costs are unallowable because the county claimed costs for officers who were funded by outside sources, or who were not assigned to perform the reimbursable activities.

Management Response: The Sheriff's Office partially agrees with this finding.

We agree that some training costs were claimed for peace officers that were assigned to contract(s) that are covered by other revenue sources. In the future, the Sheriff's Office will ensure that anyone assigned to such contracts be excluded for reporting purposes.

We disagree with the exclusion of training costs that were claimed for peace officers that did not perform the reimbursable activities. Law enforcement personnel, even if off-duty or on special assignment, could take action as deemed appropriate on any police matter coming to their attention. Depending on the circumstances, this may require only accurate observation and becoming an effective witness or informant but there is no guarantee they would not get involved. Due to this, law enforcement personnel shall be properly and adequately trained for any and all potential encounters. Furthermore, when our sworn staff go through patrol training, they are trained on all aspects as it relates to law enforcement duties with the goal of keeping everyone up-to-date with training because they can be reassigned to any position within the department with only 5 days' notice per the applicable county labor agreement (Section 15.6b Assignments). It would not be practical or good business to try and train someone within a 5-day period.

Installing and Testing Software

Finding (1): The county claimed \$22,329 (\$15,851 in salary costs and \$6,478 in related benefits) for Activity A.2. We found that \$14,081 is allowable and \$8,248 is unallowable. The costs are unallowable because the county claimed costs for updating software, rather than installing and testing new software, under Activity A.2.

Finding (2): Contract Services - The county claimed \$170,664 (\$9,632 for FY 2017-18, \$97,696 for FY 2018-19, and \$63,336 for FY 2019-20) in contract services costs for 1,920 hours spent on Activity A.2. We found that \$90,816 is allowable and \$79,848 is unallowable. The costs are unallowable because the county claimed costs for updating its software, rather than installing and testing new software, under Activity A.2.

Management Response: The Sheriff's Office agrees with this finding. We understand now, that anything beyond the initial installation and testing was not allowable. Going forward, any technology updates, upgrades, or maintenance required to fit the data collection parameters will be the responsibility of the Sheriff's Office and be considered department operational costs. However, we hope that this will be reconsidered in the future as the maintenance, reprogramming, and upkeep of technology in order to comply with mandatory restrictions and required changes implemented by the Department of Justice can put a large time and financial burden on agencies.

Collecting and Reporting Data

Finding: The county claimed \$552,408 (\$319,770 in salary costs and \$232,638 in related benefits) for Activity B.2. We found that \$391,496 is allowable and \$160,912 is unallowable. The county's claims did not state the number of stops performed or the time spent on each stop. During the audit, the county provided its stop data and we interviewed county law enforcement officers to determine the approximate time required to collect the required data. We also revised the classifications of officers who performed the reimbursable activities. We used this information to recalculate the allowable costs for each year of the audit period.

Management Response: The Sheriff's Office partially agrees with this finding.

We agree that some collecting and data costs were claimed for peace officers that were assigned to contract(s) that are covered by other revenue sources. In the future, the Sheriff's Office will ensure that anyone assigned to such contracts are excluded for reporting purposes.

Number of Stops Reported: We disagree with this finding; the number of stops were not reported directly on the claim from but it was part of the backup attached with the claim. The claim summary itself did not have a specific field to include the number of stops but they were used to calculate the hours which is what was reported on the claim summary.

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Job Classifications: We agree with that there were classifications reported but not claimed that were outside of the program's parameters and guidelines that state sworn peace officers are required to perform the reimbursable activities. As best as we could determine, these were test cases and the reason they were not included on the claim. Going forward, such individuals will be excluded all together.

Indirect Costs

Finding: The county provided ICRPs adequately supporting its indirect cost rates for the audit period. Using those rates, the county claimed related indirect costs totaling \$254,749 for the audit period, based on \$592,925 in claimed salaries;

Attachment

\$181,007 is allowable and \$73,742 is unallowable. The costs are unallowable because they are based on unallowable salaries and benefits for each year of the audit period. To recalculate indirect costs, we applied the claimed indirect cost rates to the corresponding eligible direct costs.

Management Response: The Sheriff's Office agrees with this finding as it directly correlates to the disallowed costs.

**State Controller's Office
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