

KERN COUNTY

Audit Report

CHILD ABDUCTION AND RECOVERY PROGRAM

Chapter 1399, Statutes of 1976; Chapter 162,
Statutes of 1992; and Chapter 988, Statutes of 1996

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

November 2004



STEVE WESTLY
California State Controller

November 10, 2004

The Honorable Ann K. Barnett
Auditor-Controller
Kern County
1115 Truxtun Avenue, 2nd Floor
Bakersfield, CA 93301

Dear Ms. Barnett:

The State Controller's Office audited the claims filed by Kern County for costs of the legislatively mandated Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996) for the period of July 1, 1999, through June 30, 2002.

The county claimed \$2,263,552 (\$2,264,552 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,241,569 is allowable and \$1,021,983 is unallowable. The unallowable costs occurred because the county claimed unsupported costs, overstated its indirect cost rates, and did not report offsetting savings. The State paid the county \$2,123,274. The county should return \$881,705 to the State.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/jj

cc: (See page 2)

cc: Bruce Moree

Staff Accountant
Auditor Controller's Office
Kern County

Gloria M. Wahrenbrock
Administrative Services Officer
Office of the District Attorney
Kern County

James Tilton, Program Budget Manager
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Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by Kern County for costs of the legislatively mandated Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was July 29, 2004.

The county claimed \$2,263,552 (\$2,264,552 less a \$1,000 penalty for filing a late claim) for the mandated program. The audit disclosed that \$1,241,569 is allowable and \$1,021,983 is unallowable. The unallowable costs occurred because the county claimed unsupported costs, overstated its indirect cost rates, and did not report offsetting savings. The State paid the county \$2,123,274. The county should return \$881,705 to the State.

Background

Family Code Sections 3060 to 3064; *Penal Code* Sections 277, 278, and 278.5; and *Welfare and Institutions Code* Section 114785 were added or amended by Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996. The law requires the District Attorney's Office to assist persons having legal custody of a child in:

- Locating their children when they are unlawfully taken away;
- Gaining enforcement of custody and visitation decrees and orders to appear;
- Defraying expenses related to the return of an illegally detained, abducted, or concealed child;
- Participating in civil court proceedings; and
- Guaranteeing the appearance of offenders and minors in court actions.

On September 19, 1979, the State Board of Control (now the Commission on State Mandates [COSM]) determined that this legislation resulted in reimbursable state mandated costs.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on January 21, 1981, and made the latest amendments on August 26, 1999. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies in claiming reimbursable costs.

**Objective,
Scope, and
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Child Abduction and Recovery Program for the period of July 1, 1999, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county's financial statements. Our audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Kern County claimed \$2,263,552 (\$2,264,552 less a \$1,000 penalty for filing a late claim) for Child Abduction and Recovery Program costs. Our audit disclosed that \$1,241,569 is allowable and \$1,021,983 is unallowable.

For fiscal year (FY) 1999-2000, the State paid the county \$750,388. Our audit disclosed that \$478,715 is allowable. The county should return \$271,673 to the State.

For FY 2000-01, the State paid the county \$622,886. Our audit disclosed that \$385,942 is allowable. The county should return \$236,944 to the State.

For FY 2001-02, the State paid the county \$750,000. Our audit disclosed that \$376,912 is allowable. The county should return \$373,088 to the State.

**Views of
Responsible
Officials**

We issued a draft audit report on September 30, 2004. The Honorable Ann K. Barnett, Auditor-Controller-County Clerk, responded by letter dated October 15, 2004, agreeing with the audit results except for Findings 1 and 3. The final audit report includes the county's response (Attachment).

Restricted Use

This report is solely for the information and use of Kern 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 report, which is a matter of public record.

Original Signed By:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Salaries	\$ 401,129	\$ 286,463	\$ (114,666)	Finding 1
Benefits	144,726	101,775	(42,951)	Finding 1
Services and supplies	31,646	27,827	(3,819)	Finding 3
Total direct costs	577,501	416,065	(161,436)	
Indirect costs	172,887	67,319	(105,568)	Findings 1, 2
Total direct and indirect costs	750,388	483,384	(267,004)	
Less offsetting savings/reimbursements	—	(4,669)	(4,669)	Finding 4
Subtotals	750,388	478,715	(271,673)	
Less late filing penalty	—	—	—	
Total program costs	<u>\$ 750,388</u>	478,715	<u>\$ (271,673)</u>	
Less amount paid by the State		(750,388)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (271,673)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries	\$ 418,482	\$ 228,571	\$ (189,911)	Finding 1
Benefits	157,146	86,535	(70,611)	Finding 1
Services and supplies	21,607	21,607	—	Finding 3
Total direct costs	597,235	336,713	(260,522)	
Indirect costs	164,463	52,571	(111,892)	Findings 1, 2
Total direct and indirect costs	761,698	389,284	(372,414)	
Less offsetting savings/reimbursements	—	(2,342)	(2,342)	Finding 4
Subtotals	761,698	386,942	(374,756)	
Less late filing penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 760,698</u>	385,942	<u>\$ (374,756)</u>	
Less amount paid by the State		(622,886)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (236,944)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 422,240	\$ 215,571	\$ (206,669)	Finding 1
Benefits	167,841	85,690	(82,151)	Finding 1
Services and supplies	37,908	29,084	(8,824)	Finding 3
Total direct costs	627,989	330,345	(297,644)	
Indirect costs	124,477	51,091	(73,386)	Findings 1, 2
Total direct and indirect costs	752,466	381,436	(371,030)	
Less offsetting savings/reimbursements	—	(4,524)	(4,524)	Finding 4
Subtotals	752,466	376,912	(375,554)	
Less late filing penalty	—	—	—	
Total program costs	<u>\$ 752,466</u>	376,912	<u>\$ (375,554)</u>	
Less amount paid by the State		(750,000)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (373,088)</u>		
<u>Summary: July 1, 1999, through June 30, 2002</u>				
Salaries	\$ 1,241,851	\$ 730,605	\$ (511,246)	Finding 1
Benefits	469,713	274,000	(195,713)	Finding 1
Services and supplies	91,161	78,518	(12,643)	Finding 3
Total direct costs	1,802,725	1,083,123	(719,602)	
Indirect costs	461,827	170,981	(290,846)	Findings 1, 2
Total direct and indirect costs	2,264,552	1,254,104	(1,010,448)	
Less offsetting savings/reimbursements	—	(11,535)	(11,535)	Finding 4
Subtotals	2,264,552	1,242,569	(1,021,983)	
Less late filing penalty	(1,000)	(1,000)	—	
Total program costs	<u>\$ 2,263,552</u>	1,241,569	<u>\$ (1,021,983)</u>	
Less amount paid by the State		(2,123,274)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (881,705)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unsupported salaries,
benefits, and related
indirect costs**

The county claimed \$706,959 in unsupported salary and benefit costs for the audit period. The related indirect costs total \$184,982.

The county did not maintain documentation that supports employee hours claimed for performing mandated activities. The county used a nine-year-old time study to claim costs for administrative staff, attorneys, and investigators who worked part-time on mandated activities. The county did not conduct and document a time study for each fiscal year during the audit period.

The audit adjustment is summarized as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Salaries	\$ (114,666)	\$ (189,911)	\$ (206,669)	\$ (511,246)
Benefits	(42,951)	(70,611)	(82,151)	(195,713)
Total salaries and benefits	(157,617)	(260,522)	(288,820)	(706,959)
Related indirect costs	(49,421)	(74,635)	(60,926)	(184,982)
Audit adjustment	<u>\$ (207,038)</u>	<u>\$ (335,157)</u>	<u>\$ (349,746)</u>	<u>\$ (891,941)</u>

Parameters and Guidelines requires that, “All costs claimed must be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.” Counties must support salary and benefit costs claimed with records that identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed, and specify the actual time devoted to each function. Counties may claim the average number of hours devoted to each function if supported by a documented time study.

Recommendation

We recommend that the county maintain source documents to support mandate-related employee hours claimed for reimbursement.

County’s Response

We concur. However, we request that the amount of disallowed costs for this finding be reconsidered per the following response from the District Attorney:

The time studies and the evaluation of them were conducted some years ago. However, we have not found any deviation that would conclude that activity has increased or that the scope of duties has changed.

As Finding 1 indicates, though, we are in noncompliance with the documentation requirement. However, to disallow all undocumented mandated activity is punitive and the effect may be to impair the ability of the Child Abduction Unit to accomplish the goals set forth in the mandate. Attorney supervision and assistance, and administrative support are key components of the program without which the Unit could not operate. We are requesting that Attorney and Administrative hours, in part or as

claimed, be considered and restored as allowable. Additionally, the District Attorney's Office is in the process of developing functional time sheets in order to track allocated hours spent on specific programs.

SCO's Comment

The finding and recommendation are unchanged. We commend the county for developing time sheets to track actual time spent on specific programs. However, the county did not provide documentation to support hours claimed for employees who performed mandated activities during the audit period. The county did not provide documentation that supports its prior time study; thus, the county did not show that the time study supports mandated hours claimed. In addition, the county did not support its conclusion that there was no deviation in mandated activities performed or scope of duties. Furthermore, *Parameters and Guidelines* does not permit the county to apply time study results to subsequent fiscal years.

**FINDING 2—
Overstated indirect
cost rates**

The county claimed \$105,864 in unsupported indirect costs for the audit period, resulting from overstated indirect cost rates.

For FY 1999-2000 and FY 2000-01, the county's indirect cost rate proposals (ICRP) included costs applicable to the Family Support unit. However, the Family Support unit provided no support to the child abduction program.

In addition, the county understated indirect salary and benefit costs for FY 1999-2000 and FY 2000-01, and overstated indirect salary and benefit costs for FY 2001-02. For FY 1999-2000 and FY 2000-01, the county did not include in its indirect cost pool the salary and benefit costs for employees who performed only indirect activities. For FY 2001-02, the county did not maintain adequate documentation to support the allocation of various employees' salary and benefit costs between the direct and indirect cost pools.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Audited indirect cost rate	23.50%	23.00%	23.70%	
Claimed indirect cost rate	(43.10)%	(39.30)%	(29.48)%	
Unallowable percentage	<u>(19.60)%</u>	<u>(16.30)%</u>	<u>(5.78)%</u>	
Allowable direct salary costs	\$ 286,463	\$ 228,571	\$ 215,571	
Unallowable percentage	×(19.60)%	×(16.30)%	× (5.78)%	
Audit adjustment	<u>\$ (56,147)</u>	<u>\$ (37,257)</u>	<u>\$ (12,460)</u>	<u>\$ (105,864)</u>

Parameters and Guidelines states, "Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in [Office of Management and Budget (OMB)] Circular A-87." OMB Circular A-87 states that costs are allocable to individual cost objectives in accordance with the relative benefits received. In addition, OMB Circular A-87 requires the county to maintain personnel activity reports that support a

distribution of salaries and wages when employees work on both direct and indirect cost activities.

Recommendation

We recommend that the county prepare its ICRPs according to OMB Circular A-87 guidelines. The county should maintain personnel activity reports for employees who work on both direct and indirect cost activities.

County’s Response

We concur.

**FINDING 3—
Overstated services
and supplies costs**

The county claimed \$12,643 in unsupported services and supplies costs for the audit period.

For FY 1999-2000 and FY 2001-02, the county received restitution payments from parents and claimed these amounts as program expenditures rather than offsetting reimbursements. In addition, for FY 2001-02, the county claimed costs for leased cars used by investigators who worked part-time on mandate-related activities. However, the county did not maintain adequate documentation to support mandate-related time spent by investigators (see Finding 1); therefore, the related leased car costs are also unallowable.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	1999-2000	2001-02	
Services and supplies:			
Restitution payments	\$ (3,819)	\$ (4,524)	\$ (8,343)
Leased car costs	—	(4,300)	(4,300)
Audit adjustment	<u>\$ (3,819)</u>	<u>\$ (8,824)</u>	<u>\$ (12,643)</u>

Parameters and Guidelines states only expenditures that can be identified as a direct cost of the mandate may be claimed.

Recommendation

We recommend that the county report all restitution payments received as offsetting reimbursements on its mandated cost claims. Also, the county should maintain source documents that support mandate-related employee hours used to calculate mandate-related leased car costs.

County’s Response

We concur. However, we request the State to reconsider the disallowance of vehicle costs per the District Attorney’s response to Finding No. 1.

SCO's Comment

The finding and recommendation remain unchanged. Refer to SCO's Comment for Finding 1.

**FINDING 4—
Unreported
reimbursements**

The county understated offsetting reimbursements by \$11,535 for the audit period (\$4,669 for FY 1999-2000, \$2,342 for FY 2000-01, and \$4,524 for FY 2001-02). The county did not report restitution payments it received from parents.

Parameters and Guidelines states that the county must reduce costs claimed by any reimbursements received from the individuals or agencies involved in child abduction cases, or by any amount recovered from court-imposed charges.

Recommendation

We recommend that the county report as offsetting reimbursements all child abduction reimbursements received from individuals or agencies involved in child abduction cases, or any amount recovered from court-imposed charges.

County's Response

We concur. The District Attorney will make every effort to closely monitor restitution payments from parents so that they may be correctly reflected on the reimbursement claim.

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

ANN K. BARNETT
Auditor-Controller-County Clerk

Edward E. Johnston
Assistant Auditor-Controller-County Clerk
Division Chiefs:
Sandra L. Brockman, Elections
Nancy M. Lawson, Accounting/County Clerk
Glenn S. Spencer, Audit
Thomas J. Van Matre, Systems



Administrative Center
1115 Truxtun Avenue
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(800) 452-VOTE
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October 15, 2004

Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, California 94250-5874

SUBJECT: RESPONSE TO AUDIT FINDINGS - CHILD ABDUCTION AND RECOVERY
PROGRAM FOR THE PERIOD OF 7/1/1999 TO 6/30/2002

Dear Mr. Spano:

The following is our response to the audit findings and recommendations identified in your draft audit report received on October 7, 2004:

Finding No. 1

The county claimed \$706,959 in unsupported salary and benefit costs for the audit period. The related indirect costs total \$184,982.

Recommendation

We recommend that the county maintain source documents to support mandate-related employee hours claimed for reimbursement.

Response

We concur. However, we request that the amount of disallowed costs for this finding be reconsidered per the following response from the District Attorney:

"The time studies and the evaluation of them were conducted some years ago. However, we have not found any deviation that would conclude that activity has increased or that the scope of duties has changed.

As Finding 1 indicates, though, we are in noncompliance with the documentation requirement. However, to disallow all undocumented mandated activity is punitive and the effect may be to impair the ability of the Child Abduction Unit to accomplish the goals set forth in the mandate. Attorney supervision and assistance, and

administrative support are key components of the program without which the Unit could not operate. We are requesting that Attorney and Administration hours, in part or as claimed, be considered and restored as allowable. Additionally, the District Attorney's Office is in the process of developing functional time sheets in order to track allocated hours spent on specific programs."

Finding No. 2

The county claimed \$105,864 in unsupported indirect costs for the audit period, resulting from overstated indirect cost rates.

Recommendation

We recommend that the county prepare its ICRPs according to OMB Circular A-87 guidelines. The county should maintain personnel activity reports for employees who work on both direct and indirect cost activities.

Response

We concur.

Finding No. 3

The county claimed \$12,643 in unsupported services and supplies costs for the audit period.

Recommendation

We recommend that the county report all restitution payments received as offsetting reimbursements on its mandated cost claims. Also, the county should maintain source documents that support mandate-related employee hours used to calculate mandate-related leased car costs.

Response

We concur. However, we request the State to reconsider the disallowance of vehicle costs per the District Attorney's response to Finding No. 1.

Finding No. 4

The county understated offsetting reimbursements by \$11,535 for the audit period (\$4,669 for FY 1999-2000, \$2,342 for FY 2000-01, and \$4,524 for FY 2001-02). The county did not report restitution payments it received from parents.

Recommendation

We recommend that the county report as offsetting reimbursements all child abduction reimbursements received from individuals or agencies involved in child abduction cases, or any amount recovered from court-imposed charges.

Response

We concur. The District Attorney will make every effort to closely monitor restitution payments from parents so that they may be correctly reflected on the reimbursement claim.

If you have any additional questions for us, please feel free to contact Glenn Spencer, Audit Division Chief, at 661-868-3548.

Sincerely,



Ann K. Barnett
Auditor-Controller-County Clerk

Attachment

cc: Kern County District Attorney

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874**

<http://www.sco.ca.gov>