CITY AND COUNTY OF SAN FRANCISCO

Final Audit Report

CUSTODY OF MINORS – CHILD ABDUCTION AND RECOVERY PROGRAM

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

July 1, 2020, through June 30, 2023

MALIA M. COHEN

CALIFORNIA STATE CONTROLLER

July 2026

S25-MCC-0004

STATE CONTROLLER'S OFFICE | DIVISION OF AUDITS

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MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

July 15, 2026

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

Mr. Greg Wagner, Controller
City and County of San Francisco
1 Dr Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Controller Wagner:

The State Controller's Office audited the costs claimed by the City and County of San Francisco (the city and county) for the legislatively mandated Custody of Minors – Child Abduction and Recovery Program for the period of July 1, 2020, through June 30, 2023.

The city and county claimed and was paid $476,240 for costs of the Custody of Minors – Child Abduction and Recovery Program. Our audit found that $4,909 is allowable and $471,331 is unallowable. The costs are unallowable because the city and county did not provide contemporaneous source documentation to support the mandated functions performed or the actual number of hours devoted to each function.

This final audit report contains an adjustment to costs claimed by the city and county. If you disagree with the audit findings, you may file an Incorrect Reduction Claim with the Commission on State Mandates (Commission). Pursuant to section 1185.1(c) of the Commission's regulations (Title 2, California Code of Regulations), an Incorrect Reduction Claim challenging this adjustment must be filed with the Commission no later than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain Incorrect Reduction Claim information on the Commission's website at www.csm.ca.gov/request-form.php .

Following issuance of this audit report, the Local Government Programs and Services Division of the State Controller's Office will notify the city and 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 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

Copy: The Honorable Daniel Lurie, Mayor
City of San Francisco
The Honorable Rafael Mandelman, President
Board of Supervisors
City and County of San Francisco
Carol Lu, Citywide Revenue Manager
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City and County of San Francisco
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State Controller's Office

Everett Luc, Supervisor
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CONTENTS

SUMMARY

The State Controller's Office (SCO) audited the costs claimed by the City and County of San Francisco (the city and county) for the legislatively mandated Custody of Minors – Child Abduction and Recovery (CAR) Program for the period of July 1, 2020, through June 30, 2023 (fiscal year [FY] 2020-21 through FY 2022-23).

The city and county claimed and was paid $476,240 for costs of the CAR Program. Our audit found that $4,909 is allowable and $471,331 is unallowable. The costs are unallowable because the city and county did not provide contemporaneous source documentation to support the mandated functions performed or the actual number of hours devoted to each function.

BACKGROUND

Chapter 1399, Statutes of 1976, established the mandated CAR Program, based on the following laws:

- Civil Code section 4600.1 (repealed and added as Family Code sections 3060 through 3064 by Chapter 162, Statutes of 1992);
- Penal Code sections 278 and 278.5 (repealed and added as Penal Code sections 277, 278, and 278.5 by Chapter 988, Statutes of 1996); and
- Welfare and Institutions Code section 11478.5 (repealed and added as Family Code section 17506 by Chapter 478, Statutes of 1999; last amended by Chapter 759, Statutes of 2002).

These laws require the District Attorney's (DA) 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;
- Civil court action 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) determined that this legislation imposed a state mandate reimbursable under Government Code (GC) section 17561.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission on State Mandates adopted the CAR Program's parameters and guidelines on January 21, 1981, and amended them on October 30, 2009. 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 reimbursable costs.

AUDIT AUTHORITY

We conducted this audit in accordance with GC sections 17558.5 and 17561, which authorize the SCO to audit the city and county'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

Our audit objective was to determine whether claimed costs represent increased costs resulting from the legislatively mandated CAR Program during the period of July 1, 2020, through June 30, 2023. 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 CAR Program's parameters and guidelines as reimbursable costs.

To achieve our objective, we performed the following procedures:

- We reviewed the annual mandated cost claims filed by the city and county for the audit period and identified the significant cost components of each claim as salaries and benefits, contract services, and indirect costs. Travel and training costs were deemed immaterial and, though claimed, were not tested as part of this audit. 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 CAR Program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing the city and county's key staff members. We discussed the claim preparation process with city and county staff members to determine what information was obtained, who obtained it, and how it was used.
- We assessed the reliability of the data (payroll, revenue, and expenditure records) generated by the city and county's information management system and the city and county's record management system, by interviewing the city and county's staff members and examining supporting documentation. We determined that the data was sufficiently reliable to address the audit objective.
- We reviewed payroll records for claimed employees. We noted that the records provided as support for the claimed costs did not meet the requirements of the CAR Program's parameters and guidelines (see the Finding).
- We reviewed the claimed indirect cost rates, which were claimed at a base rate of 10 percent for each fiscal year. We found that the indirect cost rates were incorrectly

applied to both salaries and benefits; however, as our audit found no allowable salaries, we also found no related indirect cost rate adjustment.

- We reviewed the city and county's single audit reports and revenue reports to identify potential sources of offsetting revenues and reimbursements from federal or pass-through programs applicable to this mandated program. The city and county did not claim offsetting revenues for the audit period, and we found no instances of unreported offsetting revenue. We noted no exceptions.

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 found that the city and county did not claim costs that are funded by another source; however, the costs are unsupported, as quantified in the Schedule and described in the Finding and Recommendation section. To the extent that the city and county's claimed costs were not supported by appropriate source documents, such costs are also unreasonable and/or excessive.

For the audit period, the city and county claimed and was paid $476,240 for costs of the legislatively mandated CAR Program. Our audit found that $4,909 is allowable and $471,331 is unallowable.

Following issuance of this audit report, the SCO's Local Government Programs and Services Division will notify the city and 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 on the city and county's legislatively mandated CAR Program.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft audit report on June 1, 2026. The city and county's representatives responded by letter dated June 12, 2026. The city and county disagreed with the audit results. This final audit report includes the city and county's response as an attachment.

RESTRICTED USE

This report is solely for the information and use of the city and county, the California Department of Finance, and 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

July 15, 2026

SCHEDULE—SUMMARY OF PROGRAM COSTS

July 1, 2020, through June 30, 2023

Payment amounts shown below are current as of July 9, 2026.

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
July 1, 2020, through June 30, 2021			
Direct costs: Salaries and benefits	$164,312	$0	-$164,312
Direct costs: Travel and training	575	575	0
Total direct costs	164,887	575	-164,312
Indirect costs	16,431	0	-16,431
Total direct and indirect costs	181,318	575	-180,743
Less: offsetting revenues and other reimbursements	0	0	0
Total CAR Program costs	$181,318	575	-$180,743
Less: amount paid by the State		-181,318	
Allowable costs claimed in excess of amount paid		-$180,743	
July 1, 2021, through June 30, 2022			
Direct costs: Salaries and benefits	$159,935	$0	-$159,935
Total direct costs	159,935	0	-159,935
Indirect costs	15,993	0	-15,993
Total direct and indirect costs	175,928	0	-175,928
Less: offsetting revenues and other reimbursements	0	0	0
Total CAR Program costs	$175,928	0	-$175,928
Less: amount paid by the State		-175,928	
Allowable costs claimed in excess of amount paid		-$175,928	
July 1, 2022, through June 30, 2023			
Direct costs: Salaries and benefits	$104,237	$0	-$104,237
Direct costs: Contract services	4,334	4,334	0
Total direct costs	108,571	4,334	-104,237
Indirect costs	10,423	0	-10,423
Total direct and indirect costs	118,994	4,334	-114,660

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
Less: offsetting revenues and other reimbursements	0	0	0
Total CAR Program costs	$118,994	4,334	-$114,660
Less: amount paid by the State		-118,994	
Allowable costs claimed in excess of amount paid		-$114,660	
Summary: July 1, 2020, through June 30, 2023			
Direct costs: Salaries and benefits	$428,484	$0	-$428,484
Direct costs: Travel and training	575	575	0
Direct costs: Contract services	4,334	4,334	0
Total direct costs	433,393	4,909	-428,484
Indirect costs	42,847	0	-42,847
Total direct and indirect costs	476,240	4,909	-471,331
Less: offsetting revenues and other reimbursements	0	0	0
Total CAR Program costs	$476,240	4,909	-$471,331
Less: amount paid by the State		-476,240	
Amount paid in excess of allowable costs claimed		-$471,331	

FINDING AND RECOMMENDATION

Finding—Unsupported Salaries, Benefits, and Related Indirect Costs

The city and county claimed $428,484 in salaries and benefits for the audit period. We determined that the entire amount is unallowable. The related unallowable indirect costs total $42,847, for total unallowable costs of $471,331. The costs are unallowable because the city and county did not provide contemporaneous source documentation to support the mandated functions performed or the actual number of hours devoted to each function.

Following is a summary of the unallowable salaries and benefits, the related indirect costs, and the audit adjustment:

Cost Elements	FY 2020 -21	FY 2021-22	FY 2022-23	Total
Total unallowable salaries and benefits [A]	-$164,312	-$159,935	-$104,237	-$428,484
Claimed indirect cost rate [B]	10.00%	10.00%	10.00%	
Related indirect costs (adjustments for rounding errors) ([C] = [A] × [B])	-16,431	-15,993	-10,423	-42,847
Audit adjustment ([D] = [A] + [C])	-$180,743	-$175,928	-$114,660	-$471,331

The city and county claimed several employees in three different employee classifications—DA Investigator, Senior DA Investigator, and Assistant Chief DA Investigator—for all fiscal years in the audit period. The city and county claimed costs for one reimbursable component, Compliance with Court Orders. During our walkthrough of cost claiming procedures, city and county representatives explained that the city and county Controller's Office requests data from the DA's Office in order to compile CAR Program claims every fiscal year. CAR Program personnel track hours using a monthly timesheet. The DA's Office compiles the timesheets into an Excel spreadsheet and provides the city and county Controller's Office with a summary of hours to be claimed for each employee.

Employees complete monthly timesheets for tracking their time spent on the CAR Program. The timesheets are for internal purposes and are completed in a “fill-in” PDF and digitally signed. The timesheets include three sections in which daily time is to be tracked: “Job Name;” “Administrative, General, Other;” and “Leave Taken.” The city and county claimed all time included in the “Job Name” section and the “Administrative, General, Other” section. The “Job Name” section allows the employee to manually enter a job name on a blank line. We noted that job names varied greatly between employees and fiscal years. Job names included, but were not limited to, “CARU [Child Abduction and Recovery Unit],” “walk-in,” “good cause,” “on-call/line check,” “surveillance,” and “miscellaneous.” The “Job Name” section also included the names of people and case numbers. The “Administrative, General, Other” section provided lines for employees to track “Other,” “Training,” and “Meetings.” The “Other” and “Meetings” lines indicated that employees should further describe their related activities in a blank box at the bottom of the page. We noted that employees in the same classification completed their timesheets with different job names and descriptions. We also noted that the timesheets did not describe the mandated functions performed or specify the actual number of hours devoted to each function, as required by the CAR Program’s parameters and guidelines.

We noted that several timesheets in every fiscal year were not signed contemporaneously. Timesheets were signed in previous fiscal years or several months prior to the timesheet month. We reviewed all timesheets and determined that:

- FY 2020-21: 41 out of 71 (58 percent) timesheets were not signed contemporaneously;
- FY 2021-22: 58 out of 76 (76 percent) timesheets were not signed contemporaneously; and
- FY 2022-23: 35 out of 56 (63 percent) timesheets were not signed contemporaneously.

Based on the documentation provided, we were unable to determine what mandated functions were performed or the actual number of hours devoted to each function. Additionally, we were unable to determine whether the city and county claimed unallowable costs associated with criminal prosecution commencing with the defendant’s first appearance in a California court, or claimed costs associated with non-mandated activities.

Criteria

Section V., "Reimbursable Costs," of the CAR Program's 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 VII.A.1, "Salary and Employees' Benefits," of the CAR Program's parameters and guidelines states, in part:

> Identify the employee(s), show the classification of the employee(s) involved, describe the mandated functions performed and specify the actual number of hours devoted to each function, the productive hourly rate, and the related benefits. The average number of hours devoted to each function may be claimed if supported by a documented time study. . . .

Recommendation

We recommend that the city and county:

- Follow the SCO's *Mandated Cost Manual* and the CAR Program's parameters and guidelines when preparing its reimbursement claims; and
- Ensure that claimed costs include only costs that can be identified as a direct cost of the mandate, are based on actual costs, and are properly supported.

City and County's Response

The draft audit finds that 99 [percent] of San Francisco's claimed costs for recovering children and restoring them to their families are unallowable because the City and County did not provide contemporaneous source documentation to support the mandated functions performed or the actual number of hours devoted to each function. We disagree with this finding, as described below.

In San Francisco's case, the draft audit disregards clear evidence from the District Attorney's Office showing that significant reimbursable work was performed and asserts claimed costs are unallowable because the County did not provide sufficient contemporaneous source documentation to support that the mandated functions were performed. The City and County disagrees that the supporting documentation provided during the audit was insufficient. In fact, the contemporaneous source documentation that was provided for this audit *was produced in accordance with guidance from the previous SCO audit of our program with regard to functional timekeeping procedures.* In its previous audit of the City and County's costs claimed for 2001 to 2004, issued in June 2007, the SCO found 88 [percent] of a total of $2,516,045 claimed costs were allowable. In the period between the prior and current audit, the City and County improved its contemporaneous documentation practices per the SCO's guidance.

Several cases in point illustrate the improper disallowance of eligible costs in the current audit. In these cases, Child Abduction and Recovery investigators performed eligible activities on cases that required travel to locations out of the country (Mexico, South Korea) to conduct recovery activities. Documentation provided included case notes, invoices, airline tickets, expense vouchers, translated documents, and functional timesheets, with the entirety of the period bookended by travel itineraries and payroll records. Despite this documentation, the draft audit disallows all claimed personnel costs for the work on these cases. In other cases, the draft audit does not accept source documentation for personnel costs for non-substantive reasons, such as employees using slightly different wording to describe their activities in some cases, and variation in when timesheets were signed.

As noted below, the level of disallowance in this draft audit is in line with SCO findings for peer counties in recent audits. The increasingly restrictive reinterpretation of program Parameters and Guidelines has prevented counties across the state from being reimbursed for tens of millions of dollars of costs incurred. We asked the staff who audited San Francisco's claims if they could identify a county whose documentation they deemed adequate and who we might work with to change our own methodology. They could not identify one. Given the significant costs incurred by counties to carry out the activities mandated by the state, and the fact that none of them are able to meet the documentation requirements for this program, it is clear the current process for claiming costs is untenable and needs to be replaced.

County	Audit Period	Claimed	Allowable	Unallowable	Percent Ineligible
Los Angeles	2017-2021	$10,292,232	$0	$10,292,232	100
Riverside	2017-2020	3,762,254	112,555	3,649,699	97
San Diego	2017-2021	3,433,637	43,026	3,390,611	99
Orange	2018-2022	3,074,047	3,891	3,070,156	100
San Luis Obispo	2018-2022	1,175,665	1,426	1,174,239	100
Yolo	2018-2022	2,509,673	16,805	2,492,868	99
Tehama	2019-2022	291,475	0	291,475	100
San Bernardino	2018-2022	6,160,454	130,660	6,029,794	98
San Francisco	*2020-2023*	*476,240*	*4,909*	*471,331*	*99*

SCO Comment

Our finding and recommendation remain unchanged.

The city and county states, "… the contemporaneous source documentation that was provided for this audit *was produced in accordance with guidance from the previous SCO audit of our program with regard to functional timekeeping procedures [emphasis in original]."*

This is the first audit conducted by SCO of the city and county's CAR Program mandated cost claims under the amended CAR Program's parameters and guidelines, issued October 30, 2009. The prior audit report for the period of July 1, 2001, through June 30, 2004, was issued on June 29, 2007. Therefore, the prior audit report was conducted under the previous CAR Program's parameters and guidelines, adopted on August 26, 1999.

The 1999 amendment to the CAR Program's parameters and guidelines does not contain the contemporaneous source documentation language. As of October 30, 2009, the CAR Program's parameters and guidelines, Section V. Reimbursable Costs, state that:

> …only actual costs must be claimed…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…

The city and county asserts that "investigators performed eligible activities" and that documentation was provided. However, the city and county's documentation did not meet the level of specificity required by the CAR Program's parameters and guidelines. The CAR Program's parameters and guidelines clearly state how claimed costs must be supported. Due to the lack of specificity in the city and county's records, we were unable to determine what mandated functions were performed or the actual number of hours devoted to each function.

ATTACHMENT—CITY AND COUNTY OF SAN FRANCISCO'S RESPONSE TO DRAFT AUDIT REPORT

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller

ChiaYu Ma
Deputy Controller

June 12, 2026

Lisa Kurokawa
Chief of Compliance Audits Bureau
State Controller's Office
Post Office Box 942850
Sacramento, California 94250-5874

Dear Ms. Kurokawa:

The City and County of San Francisco has received the State Controller's draft audit report for the legislatively mandated Child Abduction and Recovery Program. We appreciate the State Controller's Office (SCO) staff work on this audit.

The draft audit finds that 99% of San Francisco's claimed costs for recovering children and restoring them to their families are unallowable because the City and County did not provide contemporaneous source documentation to support the mandated functions performed or the actual number of hours devoted to each function. We disagree with this finding, as described below.

In San Francisco's case, the draft audit disregards clear evidence from the District Attorney's Office showing that significant reimbursable work was performed and asserts claimed costs are unallowable because the County did not provide sufficient contemporaneous source documentation to support that the mandated functions were performed. The City and County disagrees that the supporting documentation provided during the audit was insufficient. In fact, the contemporaneous source documentation that was provided for this audit *was produced in accordance with guidance from the previous SCO audit of our program with regard to functional timekeeping procedures.* In its previous audit of the City and County's costs claimed for 2001 to 2004, issued in June 2007, the SCO found 88% of a total of $2,516,045 claimed costs were allowable. In the period between the prior and current audit, the City and County improved its contemporaneous documentation practices per the SCO's guidance.

Several cases in point illustrate the improper disallowance of eligible costs in the current audit. In these cases, Child Abduction and Recovery investigators performed eligible activities on cases that required travel to locations out of the country (Mexico, South

Korea) to conduct recovery activities. Documentation provided included case notes, invoices, airline tickets, expense vouchers, translated documents, and functional timesheets, with the entirety of the period bookended by travel itineraries and payroll records. Despite this documentation, the draft audit disallows all claimed personnel costs for the work on these cases. In other cases, the draft audit does not accept source documentation for personnel costs for non-substantive reasons, such as employees using slightly different wording to describe their activities in some cases, and variation in when timesheets were signed.

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Please contact Michelle Allersma at 628-652-9785 or Carol Lu at 628-652-9784 if you have any questions.

Sincerely,

Greg Wagner
Controller

cc: Eugene Clendinen, Chief Financial Officer, District Attorney's Office
Sheila Arcelona, Assistant Chief Financial Officer, District Attorney's Office