

SAN LUIS OBISPO COUNTY

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, 2018, through June 30, 2022



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

August 2024



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

August 22, 2024

CERTIFIED MAIL—RETURN RECEIPT REQUESTED

The Honorable James W. Hamilton, CPA, Auditor-Controller
San Luis Obispo County
1055 Monterey Street
San Luis Obispo, CA 93408

Dear Mr. Hamilton:

The State Controller's Office audited the costs claimed by San Luis Obispo County (the county) for the legislatively mandated Custody of Minors – Child Abduction and Recovery Program for the period of July 1, 2018, through June 30, 2022.

The county claimed and was paid \$1,175,665 for costs of the mandated program. Our audit found that \$1,426 is allowable and \$1,174,239 is unallowable. The costs are unallowable primarily because the county's time records do not show the actual hours devoted to each mandated function or the validity of such costs.

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

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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended.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

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

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

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Mr. James W. Hamilton

August 22, 2024

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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by San Luis Obispo County (the county) for the legislatively mandated Custody of Minors – Child Abduction and Recovery (CAR) Program for the period of July 1, 2018, through June 30, 2022.

The county claimed and was paid \$1,175,665 for costs of the mandated program. Our audit found that \$1,426 is allowable, and \$1,174,239 is unallowable primarily because the county's time records do not show the actual hours devoted to each mandated function or the validity of such costs.

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 (PC) sections 278 and 278.5 (repealed and added as PC 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'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;
- 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 parameters and guidelines establish the state mandate and defines reimbursement criteria. The Commission on State Mandates adopted the parameters and guidelines on January 21, 1981; they were last amended on October 30, 2009. In compliance with GC section 17558, the SCO issues the *Mandated Cost Manual for Local Agencies (Mandated Cost Manual)* for mandated programs to assist local agencies in claiming 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 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 CAR 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, 2018, through June 30, 2022.

To achieve our objective, we performed the following procedures:

- We reviewed the annual mandated cost claims filed by the county for the audit period and identified the significant cost components of each claim as salaries and benefits, materials and supplies, travel and training, and indirect costs. We determined whether there were any errors or unusual or unexpected variances from year to year. We reviewed the claimed activities to determine whether they adhered to the SCO's *Mandated Cost Manual* and the program's parameters and guidelines.
- We completed an internal control questionnaire by interviewing key county staff members. We discussed the claim preparation process with county staff to determine what information was obtained, who obtained it, and how it was used.
- We reviewed payroll records for claimed employees. We noted various issues with the time records that we reviewed; the records provided as support for the claimed costs did not meet the requirements of the program's parameters and guidelines (see the Finding).
- We reviewed claimed materials and supplies costs. The county claimed a total of \$36 for the audit period. The amount claimed is immaterial; therefore, we did not test materials and supplies costs. The entire claimed amount is allowable.
- We reviewed claimed travel and training costs. The county claimed a total of \$1,390 for the audit period. The amount claimed is immaterial; therefore, we did not test travel and training costs. The entire claimed amount is allowable.
- We reviewed the claimed indirect cost rates and supporting documentation provided by the county. We found that the indirect cost rates were properly supported.
- We interviewed county personnel and reviewed the county's single audit and revenue reports to identify potential sources of offsetting

revenues and reimbursements from federal or pass-through programs applicable to this mandated program. We found that the county did not receive offsetting revenue for this mandate during the audit period.

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 an instance of noncompliance with the requirements described in our audit objective. We did not find that the 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 \$1,175,665 for costs of the legislatively mandated CAR Program. Our audit found that \$1,426 is allowable and \$1,174,239 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 the county’s legislatively mandated CAR Program.

**Views of
Responsible
Officials**

We issued a draft audit report on May 3, 2024. The county’s representative responded by letter dated May 13, 2024 disagreeing with the audit results. This audit report includes the county’s response as an attachment.

Restricted Use

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

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

August 22, 2024

Schedule—
Summary of Program Costs
July 1, 2018, through June 30, 2022

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment¹</u>
<u>July 1, 2018, through June 30, 2019</u>			
Direct costs:			
Salaries and benefits	\$ 197,493	\$ -	\$ (197,493)
Total direct costs	197,493	-	(197,493)
Indirect costs	63,781	-	(63,781)
Total program costs	<u>\$ 261,274</u>	-	<u>\$ (261,274)</u>
Less amount paid by the State ²		(261,274)	
Amount paid in excess of allowable costs claimed		<u>\$ (261,274)</u>	
<u>July 1, 2019, through June 30, 2020</u>			
Direct costs:			
Salaries and benefits	\$ 209,255	\$ -	\$ (209,255)
Travel and training	450	450	-
Total direct costs	209,705	450	(209,255)
Indirect costs	78,432	-	(78,432)
Total program costs	<u>\$ 288,137</u>	450	<u>\$ (287,687)</u>
Less amount paid by the State ²		(288,136)	
Amount paid in excess of allowable costs claimed		<u>\$ (287,686)</u>	
<u>July 1, 2020, through June 30, 2021</u>			
Direct costs:			
Salaries and benefits	\$ 230,501	\$ -	\$ (230,501)
Materials and supplies	36	36	-
Travel and training	748	748	-
Total direct costs	231,285	784	(230,501)
Indirect costs	95,814	-	(95,814)
Total program costs	<u>\$ 327,099</u>	784	<u>\$ (326,315)</u>
Less amount paid by the State ²		(327,099)	
Amount paid in excess of allowable costs claimed		<u>\$ (326,315)</u>	

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2021, through June 30, 2022</u>			
Direct costs:			
Salaries and benefits	\$ 208,960	\$ -	\$ (208,960)
Travel and training	192	192	-
Total direct costs	209,152	192	(208,960)
Indirect costs	90,004	-	(90,004)
Total program costs	<u>\$ 299,156</u>	192	<u>\$ (298,964)</u>
Less amount paid by the State ²		(299,156)	
Amount paid in excess of allowable costs claimed		<u>\$ (298,964)</u>	
<u>Summary: July 1, 2018, through June 30, 2022</u>			
Direct costs:			
Salaries and benefits	\$ 846,209	\$ -	\$ (846,209)
Materials and supplies	36	36	-
Travel and training	1,390	1,390	-
Total direct costs	847,635	1,426	(846,209)
Indirect costs ³	328,030	-	(328,030)
Total program costs	<u>\$ 1,175,665</u>	1,426	<u>\$ (1,174,239)</u>
Less amount paid by the State ²		(1,175,665)	
Amount paid in excess of allowable costs claimed		<u>\$ (1,174,239)</u>	

¹ See the Finding and Recommendation section.

² Payment amount current as of July 10, 2024.

³ Adjusted for immaterial rounding error.

Finding and Recommendation

**FINDING—
Unsupported salaries
and benefit costs and
related indirect costs**

The county claimed \$846,209 in salaries and benefits for the audit period. We determined that the entire amount is unallowable. The related unallowable indirect costs total \$328,030, for total unallowable costs of \$1,174,239. The costs are unallowable because the county’s time records do not show the actual hours devoted to each mandated function or the validity of such costs, and the county claimed time for activities performed on “good cause” cases.

The following table summarizes the unallowable salaries, benefits, and related indirect costs claimed, and the audit adjustment by fiscal year:

	Fiscal Year				
	2018-19	2019-20	2020-21	2021-22	Total
Unallowable salaries	A \$ (133,712)	\$ (133,547)	\$ (144,887)	\$ (131,067)	\$ (543,213)
Unallowable benefits	B (63,781)	(75,708)	(85,614)	(77,893)	(302,996)
Total unallowable salaries and benefits	C \$ (197,493)	\$ (209,255)	\$ (230,501)	\$ (208,960)	(846,209)
Claimed indirect cost rate*	D 47.70%	58.73%	66.13%	68.67%	
Related indirect costs (A × D) **	E (63,781)	(78,432)	(95,814)	(90,004)	(328,030)
Audit Adjustment (C + E)	<u>\$ (261,274)</u>	<u>\$ (287,687)</u>	<u>\$ (326,315)</u>	<u>\$ (298,964)</u>	<u>\$ (1,174,239)</u>

*The indirect costs base includes salaries

**Slight differences due to rounding

The county claimed two employee classifications for the Complying with Court Orders cost component: DA Investigator and Deputy DA. Most of the claimed hours pertained to the he DA Investigator classification. During the walkthrough of cost claiming procedures, the county explained that it has a SAP enterprise resource planning software system, which integrates human resources, payroll, and financial business processes. When preparing the claims, the DA’s Office gathers the information from the county’s SAP system and manually compiles an Excel spreadsheet titled “Program 13 Claim Worksheet.” For each claimed employee, the worksheet details hours spent on the program, productive and non-productive hours, productive hourly rates, salaries, benefits, and so forth. The worksheet also lists any materials and supplies, or travel and training costs incurred for the program. Theoretically, data on the Excel worksheet should tie to the system reports, such as the Time and Earnings Report and the Hours Report. The DA’s Office transfers the information in the Excel worksheet to the mandated cost claims.

Employees enter their hours into a timecard portal on a daily basis. The SAP system generates electronic timesheets and payroll reports based on the recorded information. Supervisors electronically review and approve the hours entered. The DA’s Office uses “internal order” codes to track costs. The following are some examples of internal order codes:

- 132SCUST – Custody of Minors Program
- 132SVTHF – Vehicle Theft
- 132SSLESFA – Supplemental Law Enforcement Services Tracking
- SLCO – General Investigations

The employee timesheets and the Hours Report use internal order codes to indicate what program an employee worked on during each day, and for how many hours. Employee timesheets show how many hours an employee works per day, tracked by internal order code. The timesheets also show various types of leave time (holiday, vacation, sick leave, administrative leave, etc.) and attendance type, such as “telecommuting”. However, the timesheets do not include a breakdown within an internal order code, for example “132SCUST,” that shows how much time was spent on specific mandated activities.

We also reviewed the county’s list of child abduction cases by fiscal year. We noted that many of the cases fell under PC section 278.7 (commonly referred to as “good cause” cases). During a meeting with the DA’s Office, investigative staff provided a walkthrough of their procedures and discussed the types of child abduction cases that they handle. During the meeting, we confirmed that Investigators work on “good cause” cases. Time spent on “good cause” cases is unallowable because the parameters and guidelines do not identify “good cause” cases as reimbursable costs.

The parameters and guidelines incorporate requirements of PC sections 278 and 278.5, as amended by Chapter 988, Statutes of 1996. This law, known as the Parental Kidnapping Prevention Act, also added PC section 278.7. However, PC section 278.7 was not incorporated into the parameters and guidelines; therefore, any costs claimed under this section are not reimbursable.

Based on the documentation provided, we were unable to determine the mandated functions performed or the actual number of hours devoted to each function. Without a description of the mandated functions, we were unable to determine whether the county had claimed unallowable costs associated with criminal prosecution commencing with the defendant’s first appearance in a California court, claimed costs associated with good cause cases, or claimed costs associated with non-mandated activities.

Section V., “Reimbursable Costs,” of the parameters and guidelines begins:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Section VII.A.1, “Salaries and Employees’ Benefits,” of the 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 county:

- Follow the SCO's *Mandated Cost Manual* and the parameters and guidelines when preparing its reimbursement claims; and
- Ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County Response

The County disagrees with the finding and asserts that all costs claimed for the CAR program were qualifying and allowable under program guidelines. The District Attorney's office maintained a system of cost accounting and time approval controls to ensure that all CAR claims were accurate, complete, and supported by timekeeping records approved by supervisors familiar with CAR program guidelines. Furthermore, the ACTTC [Auditor-Controller-Treasurer-Tax Collector] notes [that] the Division of Audits did not cite any claims to be for ineligible work. With this response letter, the County formally reserves the right to file an "Incorrect Reduction Claim" with the Commission on State Mandates within three years of the State Controller's notification of adjustment.

SCO Comment

Our finding and recommendation remain unchanged.

The county states:

The District Attorney's office maintained a system of cost accounting and time approval controls to ensure that all CAR claims were accurate, complete, and supported by timekeeping records approved by supervisors familiar with CAR program guidelines. Furthermore, the ACTTC notes the Division of Audits did not cite any claims to be for ineligible work.

It is the county's responsibility to compile and submit its mandated cost claims in accordance with the CAR Program's parameters and guidelines. The county must also support actual costs using "source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities" (Section V., "Reimbursable Costs"). We determined that the county's records did not meet the level of specificity required by the parameters and guidelines. Due to the lack of specificity of the county's records, we were unable to distinguish between reimbursable and non-reimbursable activities.

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



COUNTY OF SAN LUIS OBISPO
Office of James W. Hamilton, CPA
Auditor-Controller • Treasurer-Tax Collector • Public Administrator

Michael Stevens, Deputy
Justin Cooley, Deputy

May 13, 2024

Ms. Kimberly A. Tarvin, CPA
Chief, Division of Audits, Compliance Audits Bureau
Office of the State Controller
PO Box 942850
Sacramento, CA 94250

COUNTY OF SAN LUIS OBISPO RESPONSE TO DRAFT AUDIT REPORT FOR THE CUSTODY OF MINORS CHILD ABDUCTION AND RECOVERY (CAR) PROGRAM: AUDIT PERIOD JULY 1, 2018, THROUGH JUNE 30, 2022

Dear Ms. Tarvin:

The Auditor-Controller-Treasurer-Tax Collector (ACTTC) appreciates the opportunity to review the draft audit report. As reported, the District Attorney's office claimed costs reimbursable to the County of San Luis Obispo of \$1,175,665 during the audit period. Of this amount, the audit deemed \$1,174,239 unallowable. The primary basis provided by the Division of Audits for the disallowance was that the County's time records did not satisfactorily show that hours were for mandated functions nor sufficiently support the validity of such costs.

In denying over 99% of the costs claimed by the County, the Division of Audits did not assert that qualifying casework was not performed, nor did the Division of Audits cite any specific evidence to indicate that any costs claimed were performed for work unrelated to the CAR program.

The District Attorney's office has expressed unequivocally to the ACTTC that it carried out qualifying work for every claim submitted, and attempted in good faith to utilize the maximum capabilities of the County's SAP financial system and time approval controls to ensure records were available to accurately prepare and support CAR claims. The ACTTC deals with numerous grantor agencies both at the Federal and State levels and does not recall the wholesale denial of an entire program as was done with this audit and found it surprising the Division of Audits took this stance. However, after discussion with peer Counties, the ACTTC is less surprised with the finding as it is consistent in language and magnitude with audits conducted in other Counties.

County of San Luis Obispo Government Center

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ttc@co.slo.ca.us | <http://sloacttc.com>

Please accept the following as ACTTC's specific response to the finding described in the Draft Audit Report:

Finding - Unsupported salaries and benefit costs and related indirect costs

The County disagrees with the finding and asserts that all costs claimed for the CAR program were qualifying and allowable under program guidelines. The District Attorney's office maintained a system of cost accounting and time approval controls to ensure that all CAR claims were accurate, complete, and supported by timekeeping records approved by supervisors familiar with CAR program guidelines. Furthermore, the ACTTC notes the Division of Audits did not cite any claims to be for ineligible work. With this response letter, the County formally reserves the right to file an "Incorrect Reduction Claim" with the Commission on State Mandates within three years of the State Controller's notification of adjustment.

Finally, I would like to express gratitude to the Division of Audits staff for their professional coordination throughout the course of the audit.

Sincerely,



Jim Hamilton
Auditor-Controller-Treasure-Tax Collector-Public Administrator

County of San Luis Obispo Government Center

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