

LOS ANGELES COUNTY

Audit Report

INTERAGENCY CHILD ABUSE AND NEGLECT INVESTIGATION REPORTS PROGRAM

Penal Code sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) as added and/or amended by various legislation

July 1, 1999, through June 30, 2015



BETTY T. YEE
California State Controller

October 2018



BETTY T. YEE
California State Controller

October 29, 2018

The Honorable John Naimo, CPA, Auditor-Controller
Los Angeles County
500 West Temple Street
Los Angeles, CA 90012

Dear Mr. Naimo:

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County for the legislatively mandated Interagency Child Abuse and Neglect Investigation Reports Program for the period of July 1, 1999, through June 30, 2015.

The county claimed \$8,047,207 for the mandated program. Our audit found that \$6,005,549 is allowable (\$6,642,641 less a \$637,092 penalty for filing late claims) and \$2,041,658 is unallowable because the county claimed estimated and unsupported costs, claimed unallowable activities, overstated the number of Suspected Child Abuse Reports investigated, overstated the number of Child Abuse Investigation Report Forms (SS 8583 forms) submitted to the California Department of Justice, overstated the number of notifications sent to known or suspected child abusers, and overstated related indirect costs. The State made no payments to the county. The State will pay \$6,005,549, contingent upon available appropriations. 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.

This final audit report contains an adjustment to costs claimed by the county. If you disagree with the audit findings, 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, subdivision (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than three years following the date of this report, regardless of whether this report is subsequently supplemented, superseded, or otherwise amended. You may obtain IRC information on the Commission's website at www.csm.ca.gov/forms/IRCForm.pdf.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: Hasmik Yaghobyan, J.D., SB 90 Coordinator
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County for the legislatively mandated Interagency Child Abuse and Neglect (ICAN) Investigation Reports Program for the period of July 1, 1999, through June 30, 2015.

The county claimed \$8,047,207 for the mandated program. Our audit found that \$6,005,549 is allowable (\$6,642,641 less a \$637,092 penalty for filing late claims) and \$2,041,658 is unallowable because the county claimed estimated and unsupported costs, claimed unallowable activities, overstated the number of Suspected Child Abuse Reports (SCARs) investigated, overstated the number of Child Abuse Investigation Report Forms (SS 8583 forms) submitted to the California Department of Justice (DOJ), overstated the number of notifications sent to known or suspected child abusers, and overstated related indirect costs. The State made no payments to the county. The State will pay \$6,005,549, contingent upon available appropriations.

Background

Various statutory provisions; Title 11, *California Code of Regulations*, section 903; and the SS 8583 report form requires cities and counties to perform specific duties for reporting child abuse to the state, as well as record-keeping and notification activities that were not required by prior law, thus mandating a new program or higher level of service.

Penal Code (PC) sections 11165.9, 11166, 11166.2, 11166.9, 11168 (formerly 11161.7), 11169, 11170, and 11174.34 (formerly 11166.9) were added and/or amended by:

- Statutes of 1977, Chapter 958;
- Statutes of 1980, Chapter 1071;
- Statutes of 1981, Chapter 435;
- Statutes of 1982, Chapters 162 and 905;
- Statutes of 1984, Chapters 1423 and 1613;
- Statutes of 1985, Chapter 1598;
- Statutes of 1986, Chapters 1289 and 1496;
- Statutes of 1987, Chapters 82, 531, and 1459;
- Statutes of 1988, Chapters 269, 1497, and 1580;
- Statutes of 1989, Chapter 153;
- Statutes of 1990, Chapters 650, 1330, 1363, and 1603;
- Statutes of 1992, Chapters 163, 459, and 1338;
- Statutes of 1993, Chapters 219 and 510;
- Statutes of 1996, Chapters 1080 and 1081;
- Statutes of 1997, Chapters 842, 843, and 844;
- Statutes of 1999, Chapters 475 and 1012; and
- Statutes of 2000, Chapter 916.

The legislatively mandated ICAN Investigation Reports Program addresses statutory amendments to California's mandatory child abuse reporting laws. A child abuse reporting law was first added to the Penal Code in 1963, and initially required medical professionals to report suspected child abuse to local law enforcement or child welfare authorities. The law was regularly expanded to include more professions required to report suspected child abuse (now termed "mandated reporters"), and in 1980, California reenacted and amended the law, entitling it the "Child Abuse and Neglect Reporting Act." As part of this program, the DOJ maintains a Child Abuse Centralized Index (CACI), which has been used to track reports of child abuse statewide since 1965. A number of changes to the law have occurred, including a reenactment in 1980 and substantive amendments in 1997 and 2000.

The Act, as amended, provides for reporting of suspected child abuse or neglect by certain individuals, identified by their profession as having frequent contact with children. The Act provides rules and procedures for local agencies, including law enforcement, that receive such reports. The Act provides for cross-reporting among law enforcement and other child protective agencies, and to licensing agencies and District Attorney's (DA's) offices. The Act requires reporting to the DOJ when a report of suspected child abuse is "not unfounded." The Act requires an active investigation before a report can be forwarded to the DOJ. As of January 1, 2012, the Act no longer requires law enforcement agencies to report to the DOJ, and now requires reporting only of "substantiated" reports by other agencies. The Act imposes additional cross-reporting and recordkeeping duties in the event of a child's death from abuse or neglect. The Act requires agencies and the DOJ to keep records of investigations for a minimum of 10 years, and to notify suspected child abusers that they have been listed in the CACI. The Act imposes certain due process protections owed to persons listed in the index, and provides certain other situations in which a person would be notified of his or her listing in the index.

On December 19, 2007, the Commission on State Mandates (Commission) adopted a statement of decision finding that the test claim statutes impose a partially reimbursable state-mandated program upon local agencies within the meaning of Article XIII B, section 6 of the California Constitution and Government Code (GC) section 17514. The Commission approved the test claim for the reimbursable activities described in the program's parameters and guidelines, section IV, performed by city and county police or sheriff's departments, county welfare departments, county probation departments designated by the county to receive mandated reports, DA's offices, and county licensing agencies. The Commission outlined reimbursable activities relating to the following categories:

- Distributing the SCAR form;
- Reporting between local departments;
- Reporting to the DOJ;
- Providing notifications following reports to the CACI;
- Retaining records; and
- Complying with due process procedures offered to persons listed in the CACI.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The Commission adopted the parameters and guidelines on December 6, 2013. In compliance with GC section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

The objective of our audit was to determine whether costs claimed represent increased costs resulting from the legislatively mandated ICAN Investigation Reports Program. Specifically, we conducted this audit to determine whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

The audit period was from July 1, 1999, through June 30, 2015.

To achieve our objective, we:

- Reviewed the annual mandated cost claims filed by the county for the audit period to identify the material cost components of each claim and to determine whether there were any errors or any unusual or unexpected variances from year to year. We also reviewed the activities claimed to determine whether they adhered to the SCO's claiming instructions and the program's parameters and guidelines;
- Completed an internal control questionnaire by interviewing key county staff, and discussed the claim preparation process with county staff to determine what information was obtained, who obtained it, and how it was used;
- Interviewed county staff to determine which employee classifications were involved in performing the reimbursable activities;
- Interviewed county staff at the Sheriff's and Probation Departments to determine allowable average time increments (ATIs) for specific reimbursable activities (see Findings 3, 4, and 5);
- Reviewed and analyzed the SCAR data compiled by the Sheriff's Department's subject matter expert to determine the total eligible number of SCARs investigated that were allowable for reimbursement in each fiscal year of the audit period by excluding the SCARs that were law enforcement agency (LEA)-generated. We calculated the number of LEA-generated SCARs using Electronic Suspected Child Abuse Report System (eSCARS) data from the three most recent fiscal years ([FY] 2009-10 through FY 2011-12). We used the data from these three years to calculate an average percentage of LEA-generated SCARs. We applied the average percentage to the total number of SCARs investigated for FY 1999-00 through FY 2008-09, and applied the actual percentages calculated for FY 2009-10 through FY 2011-12 to determine the number of LEA-generated SCARs to exclude from the SCAR data, resulting in the total allowable number of SCARs investigated (see Finding 3);

- Reviewed and analyzed SCAR data compiled by the Probation Department during the audit to determine the allowable number of SCARs investigated, SS 8583 forms forwarded to the DOJ, and CACI notifications sent to known or suspected child abusers (see Findings 3, 4, and 5);
- Traced productive hourly rate (PHR) calculations to supporting documentation for each classification claimed. For instances where there was more than one employee in a classification, we calculated an average PHR. For fiscal years in which the department did not claim costs, we calculated an allowable PHR using the provided supporting documentation;
- Reviewed and analyzed the benefit rates claimed for each fiscal year. We recomputed the benefit rates and determined that they were properly supported;
- Traced the indirect costs rates claimed to supporting documentation, and determined that the indirect cost rates were not properly computed. We recomputed the indirect costs rates claimed because the county used a county-wide blended rate for each fiscal year rather than the applicable department rates (See Finding 6);
- Interviewed the Sheriff's Department subject matter expert and determined that costs claimed were not funded by another source.

GC sections 12410, 17558.5, and 17561 provide the legal authority to conduct this audit. 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.

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. Our audit scope did not assess the efficiency or effectiveness of program operations. We did not audit the county's financial statements.

Conclusion

Our audit found instances of non-compliance with the requirements outlined in the Objective, Scope, and Methodology section. The county did not claim costs that were funded by another source; however, it did claim unsupported and ineligible costs, as quantified in the accompanying Schedule and described in the Findings and Recommendations section of this report.

For the audit period, Los Angeles County claimed \$8,047,207 for costs of the legislatively mandated ICAN Investigation Reports Program. Our audit found that \$6,005,549 is allowable (\$6,642,641 less a \$637,092 penalty for filing late claims) and \$2,041,658 is unallowable. The State made no payments to the county. The State will pay \$6,005,549, contingent upon available appropriations

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 ICAN Investigation Reports Program.

**Views of
Responsible
Officials**

We issued a draft audit report on August 31, 2018. The county did not respond to the draft audit report.

Restricted Use

This audit report is solely for the information and use of Los Angeles 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.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

October 29, 2018

Schedule— Summary of Program Costs July 1, 1999, through June 30, 2015

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 5,016	\$ 5,016	\$ -	
Reporting to DOJ				
Complete an investigation	200,928	174,203	(26,725)	Finding 3
Total direct costs	205,944	179,219	(26,725)	
Indirect costs	66,903	58,179	(8,724)	Finding 6
Subtotal	272,847	237,398	(35,449)	
Less late filing penalty ²	-	(23,740)	(23,740)	
Total program costs	<u>\$ 272,847</u>	213,658	<u>\$ (59,189)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 213,658</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 6,320	\$ 6,320	\$ -	
Reporting to DOJ				
Complete an investigation	246,062	214,851	(31,211)	Finding 3
Total direct costs	252,382	221,171	(31,211)	
Indirect costs	61,770	54,201	(7,569)	Finding 6
Subtotal	314,152	275,372	(38,780)	
Less late filing penalty ²	-	(27,537)	(27,537)	
Total program costs	<u>\$ 314,152</u>	247,835	<u>\$ (66,317)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 247,835</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 14,243	\$ 14,243	\$ -	
Reporting to DOJ				
Complete an investigation	234,345	203,751	(30,594)	Finding 3
Total direct costs	248,588	217,994	(30,594)	
Indirect costs	72,775	63,886	(8,889)	Finding 6
Subtotal	321,363	281,880	(39,483)	
Less late filing penalty ²	-	(28,188)	(28,188)	
Total program costs	<u>\$ 321,363</u>	253,692	<u>\$ (67,671)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 253,692</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 14,173	\$ 14,173	\$ -	
Reporting to DOJ				
Complete an investigation	<u>228,877</u>	<u>199,507</u>	<u>(29,370)</u>	Finding 3
Total direct costs	243,050	213,680	(29,370)	
Indirect costs	<u>73,604</u>	<u>64,784</u>	<u>(8,820)</u>	Finding 6
Subtotal	316,654	278,464	(38,190)	
Less late filing penalty ²	<u>-</u>	<u>(27,846)</u>	<u>(27,846)</u>	
Total program costs	<u>\$ 316,654</u>	250,618	<u>\$ (66,036)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 250,618</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 15,615	\$ 15,615	\$ -	
Reporting to DOJ				
Complete an investigation	<u>312,755</u>	<u>272,458</u>	<u>(40,297)</u>	Finding 3
Total direct costs	328,370	288,073	(40,297)	
Indirect costs	<u>115,845</u>	<u>101,467</u>	<u>(14,378)</u>	Finding 6
Subtotal	444,215	389,540	(54,675)	
Less late filing penalty ²	<u>-</u>	<u>(38,954)</u>	<u>(38,954)</u>	
Total program costs	<u>\$ 444,215</u>	350,586	<u>\$ (93,629)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 350,586</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 24,148	\$ 24,148	\$ -	
Reporting to DOJ				
Complete an investigation	<u>338,707</u>	<u>288,605</u>	<u>(50,102)</u>	Finding 3
Total direct costs	362,855	312,753	(50,102)	
Indirect costs	<u>105,087</u>	<u>92,441</u>	<u>(12,646)</u>	Finding 6
Subtotal	467,942	405,194	(62,748)	
Less late filing penalty ²	<u>-</u>	<u>(40,519)</u>	<u>(40,519)</u>	
Total program costs	<u>\$ 467,942</u>	364,675	<u>\$ (103,267)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 364,675</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 25,410	\$ 25,410	\$ -	
Reporting to DOJ				
Complete an investigation	359,582	313,886	(45,696)	Finding 3
Total direct costs	384,992	339,296	(45,696)	
Indirect costs	110,767	97,788	(12,979)	Finding 6
Subtotal	495,759	437,084	(58,675)	
Less late filing penalty ²	-	(43,708)	(43,708)	
Total program costs	<u>\$ 495,759</u>	393,376	<u>\$ (102,383)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 393,376</u>		
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 47,982	\$ 47,982	\$ -	
Reporting to DOJ				
Complete an investigation	415,512	361,285	(54,227)	Finding 3
Total direct costs	463,494	409,267	(54,227)	
Indirect costs	138,577	122,781	(15,796)	Finding 6
Subtotal	602,071	532,048	(70,023)	
Less late filing penalty ²	-	(53,205)	(53,205)	
Total program costs	<u>\$ 602,071</u>	478,843	<u>\$ (123,228)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 478,843</u>		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 50,395	\$ 50,395	\$ -	
Reporting to DOJ				
Complete an investigation	490,001	425,877	(64,124)	Finding 3
Total direct costs	540,396	476,272	(64,124)	
Indirect costs	182,079	160,087	(21,992)	Finding 6
Subtotal	722,475	636,359	(86,116)	
Less late filing penalty ²	-	(63,636)	(63,636)	
Total program costs	<u>\$ 722,475</u>	572,723	<u>\$ (149,752)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 572,723</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 63,226	\$ 63,226	\$ -	
Reporting to DOJ				
Complete an investigation	527,090	462,481	(64,609)	Finding 3
Prepare and submit reports to DOJ	-	57	57	Finding 4
Notifications following reports to CACI	-	57	57	Finding 5
Total direct costs	590,316	525,821	(64,495)	
Indirect costs	206,334	184,815	(21,519)	Finding 6
Subtotal	796,650	710,636	(86,014)	
Less late filing penalty ²	-	(71,064)	(71,064)	
Total program costs	<u>\$ 796,650</u>	639,572	<u>\$ (157,078)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 639,572</u>		
<u>July 1, 2009, through June 30, 2010</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 75,862	\$ 75,862	\$ -	
Reporting to DOJ				
Complete an investigation	518,809	470,728	(48,081)	Finding 3
Prepare and submit reports to DOJ	-	79	79	Finding 4
Notifications following reports to CACI	-	79	79	Finding 5
Total direct costs	594,671	546,748	(47,923)	
Indirect costs	182,031	168,644	(13,387)	Finding 6
Subtotal	776,702	715,392	(61,310)	
Less late filing penalty ²	-	(71,539)	(71,539)	
Total program costs	<u>\$ 776,702</u>	643,853	<u>\$ (132,849)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 643,853</u>		
<u>July 1, 2010, through June 30, 2011</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 129,572	\$ 129,572	\$ -	
Reporting to licensing agencies	9,610	-	(9,610)	Finding 2
Reporting to DOJ				
Complete an investigation	510,986	417,887	(93,099)	Finding 3
Prepare and submit reports to DOJ	28,829	41	(28,788)	Finding 4
Notifications following reports to CACI	14,415	41	(14,374)	Finding 5
Total direct costs	693,412	547,541	(145,871)	
Indirect costs	242,603	186,341	(56,262)	Finding 6
Subtotal	936,015	733,882	(202,133)	
Less late filing penalty ²	-	(73,388)	(73,388)	
Total program costs	<u>\$ 936,015</u>	660,494	<u>\$ (275,521)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 660,494</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2011, through June 30, 2012</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 119,021	\$ 119,021	\$ -	
Reporting to licensing agencies	9,478	-	(9,478)	Finding 2
Reporting to DOJ				
Complete an investigation	268,245	222,034	(46,211)	Finding 3
Prepare and submit reports to DOJ	18,952	-	(18,952)	Finding 4
Notifications following reports to CACI	18,952	-	(18,952)	Finding 5
Total direct costs	434,648	341,055	(93,593)	
Indirect costs	158,963	118,531	(40,432)	Finding 6
Subtotal	593,611	459,586	(134,025)	
Less late filing penalty ²	-	(45,959)	(45,959)	
Total program costs	<u>\$ 593,611</u>	413,627	<u>\$ (179,984)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 413,627</u>		
<u>July 1, 2012, through June 30, 2013</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 124,567	\$ 124,567	\$ -	
Reporting to licensing agencies	15,217	-	(15,217)	Finding 2
Reporting to DOJ				
Complete an investigation	30,435	6,496	(23,939)	Finding 3
Prepare and submit reports to DOJ	35,744	-	(35,744)	Finding 4
Notifications following reports to CACI	30,612	-	(30,612)	Finding 5
Total direct costs	236,575	131,063	(105,512)	
Indirect costs	97,677	47,029	(50,648)	Finding 6
Subtotal	334,252	178,092	(156,160)	
Less late filing penalty ²	-	(17,809)	(17,809)	
Total program costs	<u>\$ 334,252</u>	160,283	<u>\$ (173,969)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 160,283</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2013, through June 30, 2014</u>				
Direct costs – salaries and benefits:				
Policies and procedures				
Update departmental policies and procedures	\$ 853	\$ -	\$ (853)	Finding 1
Reporting between local departments				
Receipt of cross-reports by DA's office	129,316	129,316	-	
Reporting to licensing agencies	25,919	-	(25,919)	Finding 2
Reporting to DOJ				
Complete an investigation	51,839	7,467	(44,372)	Finding 3
Prepare and submit reports to DOJ	59,704	71	(59,633)	Finding 4
Notifications following reports to CACI	48,442	71	(48,371)	Finding 5
Total direct costs	316,073	136,925	(179,148)	
Indirect costs	121,867	46,104	(75,763)	Finding 6
Subtotal	437,940	183,029	(254,911)	
Less late filing penalty ⁴	-	(10,000)	(10,000)	
Total program costs	<u>\$ 437,940</u>	173,029	<u>\$ (264,911)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 173,029</u>		
<u>July 1, 2014, through June 30, 2015</u>				
Direct costs – salaries and benefits:				
Reporting between local departments				
Receipt of cross-reports by DA's office	\$ 135,529	\$ 135,529	\$ -	
Reporting to licensing agencies	26,820	-	(26,820)	Finding 2
Reporting to DOJ				
Complete an investigation	-	7,926	7,926	Finding 3
Prepare and submit reports to DOJ	-	22	22	Finding 4
Notifications following reports to CACI	-	22	22	Finding 5
Total direct costs	162,349	143,499	(18,850)	
Indirect costs	52,210	45,186	(7,024)	Finding 6
Total program costs	<u>\$ 214,559</u>	188,685	<u>\$ (25,874)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 188,685</u>		

Schedule (continued)

Cost Elements	Actual Costs Claimed	Allowable Per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 1999, through June 30, 2015</u>				
Direct costs – salaries and benefits:				
Policies and procedures				
Update departmental policies and procedures	\$ 853	\$ -	(853)	Finding 1
Reporting between local departments				
Receipt of cross-reports by DA's office	980,395	980,395	-	
Reporting to licensing agencies	87,044	-	(87,044)	Finding 2
Reporting to DOJ				
Complete an investigation	4,734,173	4,049,442	(684,731)	Finding 3
Prepare and submit reports to DOJ	143,229	270	(142,959)	Finding 4
Notifications following reports to CACI	112,421	270	(112,151)	Finding 5
Total direct costs	6,058,115	5,030,377	(1,027,738)	
Indirect costs	1,989,092	1,612,264	(376,828)	Finding 6
Subtotal	8,047,207	6,642,641	(1,404,566)	
Less late filing penalty ^{2, 4}	-	(637,092)	(637,092)	
Total program costs	<u>\$ 8,047,207</u>	<u>\$ 6,005,549</u>	<u>\$ (2,041,658)</u>	
Less amount paid by the State ³		-		
Allowable costs claimed in excess of amount paid		<u>\$ 6,005,549</u>		

¹ See the Findings and Recommendations section.

² The county's claims for FY 1999-2000 through FY 2012-13 are initial reimbursement claims and were filed late, on June 16, 2015. As the initial reimbursement claims were filed after the filing deadline specified within the SCO's claiming instructions, they are subject to a late filing penalty as specified in GC section 17561, subdivision (d)(3), equal to 10% of allowable costs, with no maximum penalty amount (for claims filed on or after September 30, 2002).

³ Payment amount current as of June 14, 2018.

⁴ The county's claim for FY 2013-14 is an annual reimbursement claim and was filed late, on June 16, 2015. As the annual reimbursement claim was filed after the filing deadline specified in the SCO's claiming instructions, it is subject to a late filing penalty as specified in GC section 17568, equal to 10% of the allowable costs, not to exceed \$10,000.

Findings and Recommendations

**FINDING 1—
Unallowable salaries
and benefits – Update
Departmental Policies
and Procedures cost
component**

The county claimed \$853 in salaries and benefits for the Update Departmental Policies and Procedures cost component for FY 2013-14. The costs claimed were for the DA's Office. During testing, we found that the entire amount is unallowable.

Reimbursement under this component is for the one-time costs incurred by city and county police or sheriff's departments, county welfare departments, and county probation departments to update departmental policies and procedures necessary to comply with the program's ongoing activities. Costs claimed are unallowable because the county misinterpreted the program's parameters and guidelines; as a result, the county claimed costs for a mandated activity that is not required of the DA's Office.

Criteria

The parameters and guidelines (section IV-A.1.a) allow the one-time activity related to costs for updating policies and procedures as follows:

City and county police or sheriff's departments, county welfare departments, and county probation departments where designated by the county to receive mandated reports, may claim reimbursement for the increased costs to:

- a. Update Departmental policies and procedures necessary to comply with the reimbursable activities identified in IV B. (One-time costs only)

Recommendation

The legislatively mandated ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2017-18 Budget Acts. If the program becomes active again, we recommend that the county follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county did not respond to the audit finding.

**FINDING 2—
Unallowable salaries
and benefits – Report
to Licensing Agencies
cost component**

The county claimed \$87,044 in salaries and benefits for the Report to Licensing Agencies cost component for FY 2010-11 through FY 2014-15. The costs claimed were for the Probation Department. During testing, we found that the entire amount is unallowable.

The costs for this component include city and county police or sheriff's departments, county probation departments, and county welfare departments reporting to the appropriate licensing agency every known or suspected instance of child abuse or neglect when the instance occurs while the child is being cared for in a child care facility, involves a child day care licensed staff person, or occurs while the child is under the supervision of a community care facility or involves a community care facility licensee or staff person. The instance is typically reported on a

SCAR. The reporting agency may then use the SCAR to cross-report to licensing agencies, or it may report by telephone, fax, or electronic transmission.

The county claimed costs based on estimates. For the five fiscal years claimed, the county estimated that it took the Deputy Probation Officer (DPO) II classification a total of 1,499.50 hours to report to the appropriate licensing agency every known or suspected instance of child abuse or neglect. The estimates were from signed certificates, wherein employees in the DPO II classification estimated what percent of their total annual productive hours were spent on the mandated activity. The county multiplied the estimated annual hours by each employee's PHR and department benefit rate to arrive at claimed salaries and benefits. Costs claimed are unallowable because the county misinterpreted the program's parameters and guidelines; as a result, the county claimed instances of cross-reporting to a licensing agency that were unsupported and unallowable.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits costs for the Report to Licensing Agencies cost component by fiscal year:

Fiscal Year	Probation Department		
	Amount Claimed	Amount Allowable	Audit Adjustment
2010-11	\$ 9,610	\$ -	\$ (9,610)
2011-12	9,478	-	(9,478)
2012-13	15,217	-	(15,217)
2013-14	25,919	-	(25,919)
2014-15	26,820	-	(26,820)
Total	<u>\$ 87,044</u>	<u>\$ -</u>	<u>\$ (87,044)</u>

Allowable Number of SCARs Reported to Licensing Agencies

The county did not base its claimed costs on an eligible number of SCARs reported to licensing agencies. To gain an understanding of the procedures in place for reporting to licensing agencies during the audit period, we interviewed Probation Department representatives. According to the department representatives, the Probation Department is responsible only for group homes, and Community Care Licensing (CCL) is the only licensing agency to which it cross-reports SCARs. CCL is a division of the Department of Social Services. Probation Department representatives further explained that the Department of Child and Family Services (DCFS) reports the initial SCAR to CCL, not the Probation Department. The Probation Department sends an "outcome report" to CCL after it has completed its investigation. Per the program's parameters and guidelines, sending the licensing agency a copy of its investigation report within 36 hours of receiving the information regarding the incident is a reimbursable activity.

During the audit, we requested that the department provide data on the number of outcome reports it reported to CCL for the fiscal years claimed. The department was not able to retrieve documentation from its case files

to support the number of outcome reports sent to the CCL. As a result, we could not determine an allowable number of instances reported to CCL. Additionally, department representatives explained that the department does not send an outcome report within 36 hours, as specified in the parameters and guidelines. Rather, the department's procedures take approximately one to two weeks to complete. As a result, we found that claimed costs, totaling \$87,044, are unallowable.

Criteria

The parameters and guidelines (section IV-Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part:

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.

The parameters and guidelines (section IV-B.2.e) allow ongoing activities related to costs for reporting between local departments, as follows:

Reporting to Licensing Agencies:

City and county police or sheriff's departments, county probation departments if designated by the county to receive mandated reports, and county welfare departments shall:

- 1) Report by telephone immediately, or as soon as practically possible to the appropriate licensing agency every known or suspected instance of child abuse or neglect when the instance of abuse or neglect occurs while the child is being cared for in a child day care facility, involves a child day care licensed staff person, or occurs while the child is under the supervision of a community care facility or involves a community care facility license or staff person.
- 2) Send a written report thereof within 36 hours of receiving the information concerning the incident to any agency to which it is required to make a telephone report under Penal Code section 11166.2. The agency shall send the licensing agency a copy of its investigation report and any other pertinent materials.

As of July 31, 2001, initial reports may be made by fax or electronic transmission, instead of by telephone, and will satisfy the requirement for a written report within 36 hours.

The parameters and guidelines (section V.A.1 – Claim Preparation and Submission–Direct Cost Reporting) state:

1. Salaries and Benefits

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 reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The legislatively mandated ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2017-18 Budget Acts. If the program becomes active again, we recommend that the county follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county did not respond to the audit finding.

**FINDING 3—
Unallowable salaries
and benefits –
Reporting to the State
Department of
Justice: Complete an
Investigation for
Purposes of Preparing
the SS 8583 Report
Form cost component**

The county claimed a total of \$4,734,173 in salaries and benefits for the Completing an Investigation for Purposes of Preparing the SS 8583 Report Form cost component during the audit period. Of this amount, \$4,613,724 was claimed for the Sheriff's Department and \$120,449 was claimed for the Probation Department. During testing, we found that \$4,049,442 is allowable and \$684,731 is unallowable. Costs claimed are unallowable because the county misinterpreted the program's parameters and guidelines; as a result, the county estimated and overstated the number of hours spent performing the mandated activity, and neglected to base costs on the actual number of eligible SCARs investigated.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits costs related to the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component for the audit period:

<u>Fiscal Year</u>	<u>Amount Claimed</u>	<u>Amount Allowable</u>	<u>Audit Adjustment</u>
1999-2000	\$ 200,928	\$ 174,203	\$ (26,725)
2000-01	246,062	214,851	(31,211)
2001-02	234,345	203,751	(30,594)
2002-03	228,877	199,507	(29,370)
2003-04	312,755	272,458	(40,297)
2004-05	338,707	288,605	(50,102)
2005-06	359,582	313,886	(45,696)
2006-07	415,512	361,285	(54,227)
2007-08	490,001	425,877	(64,124)
2008-09	527,090	462,481	(64,609)
2009-10	518,809	470,728	(48,081)
2010-11	510,986	417,887	(93,099)
2011-12	268,245	222,034	(46,211)
2012-13	30,435	6,496	(23,939)
2013-14	51,839	7,467	(44,372)
2014-15	-	7,926	7,926
Total	\$4,734,173	\$4,049,442	\$ (684,731)

Summary of Salaries and Benefits by Department

Sheriff's Department

The county claimed \$4,613,724 in salaries and benefits incurred by the Sheriff's Department for the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component for FY 1999-2000 through FY 2011-12. We found that \$4,010,793 is allowable and \$602,931 is unallowable. The costs for this component include completing an initial investigation of SCARs for the purposes of preparing and submitting the SS 8583 report form to the DOJ. The county claimed costs based on the total number of hours that the Deputy Generalist classification spent each fiscal year performing the mandated activity. For the 13 fiscal years, the county claimed a total of 76,994.62 hours for the Deputy Generalist classification to complete initial investigations. The hours came from actual case files and were transferred to a report compiled by the department's subject matter expert (SME), listing the "handling time" per SCAR case. The handling times were totaled by fiscal year to determine the number of hours spent on this mandated activity. The county multiplied the annual hours by a PHR and a benefit rate to arrive at claimed salaries and benefits.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits costs for the Sheriff's Department by fiscal year:

Fiscal Year	Sheriff's Department		
	Amount Claimed	Amount Allowable	Audit Adjustment
1999-2000	\$ 200,928	\$ 174,203	\$ (26,725)
2000-01	246,062	214,851	(31,211)
2001-02	234,345	203,751	(30,594)
2002-03	228,877	199,507	(29,370)
2003-04	312,755	272,458	(40,297)
2004-05	338,707	288,605	(50,102)
2005-06	359,582	313,886	(45,696)
2006-07	415,512	361,285	(54,227)
2007-08	490,001	425,877	(64,124)
2008-09	527,090	459,063	(68,027)
2009-10	518,809	465,533	(53,276)
2010-11	491,767	414,522	(77,245)
2011-12	249,289	217,252	(32,037)
Total	<u>\$4,613,724</u>	<u>\$4,010,793</u>	<u>\$ (602,931)</u>

Probation Department

The county claimed \$120,449 in salaries and benefits incurred by the Probation Department for the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component for FY 2010-11 through FY 2013-14. We found that \$38,649 is allowable and \$81,800 is unallowable.

For these four fiscal years, the county claimed costs based on estimates. The county estimated that the DPO II classification spent a total of 1,764.80 hours to complete initial investigations. The estimates came from signed certificates, wherein employees in the DPO II classification estimated the percentage of their total annual productive hours spent on the mandated activity. The county multiplied the estimated annual hours by each employee's PHR and department benefit rate to determine claimed salaries and benefits.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits costs for the Probation Department by fiscal year:

Fiscal Year	Probation Department		
	Amount Claimed	Amount Allowable	Audit Adjustment
2008-09	\$ -	\$ 3,418	\$ 3,418
2009-10	-	5,195	5,195
2010-11	19,219	3,365	(15,854)
2011-12	18,956	4,782	(14,174)
2012-13	30,435	6,496	(23,939)
2013-14	51,839	7,467	(44,372)
2014-15	-	7,926	7,926
Total	<u>\$ 120,449</u>	<u>\$ 38,649</u>	<u>\$ (81,800)</u>

Allowable Number of SCARs Investigated

Reimbursable activities for this component are limited to reviewing the SCAR, conducting initial interviews with involved parties, and writing a report of the interviews that may be reviewed by a supervisor. Additionally, per the program's parameters and guidelines, time spent performing an initial investigation of a SCAR is reimbursable only for those SCARs generated by other agencies (other agency-generated). Investigations of SCARs generated by a department that is also the mandated reporter are not eligible for reimbursement.

Sheriff's Department

The county did not base claimed costs on an eligible number of SCARs investigated. To determine the number of allowable SCARs investigated for each fiscal year, we analyzed the SCAR data compiled by the department's SME. During our analysis of the data, we confirmed with the SME that the cases met the ICAN requirements, duplicates were not included, and appropriate exclusions were applied, including eliminating cases originating in contracting cities. However, we noted two items requiring clarification: the data files for each fiscal year included page numbers, but did not note the number of line items (total number of SCARs); and through our interviews, we learned that the department had neglected to exclude department-generated cases (LEA-generated).

Total Number of SCARs

As the SCAR data files for each fiscal year were in PDF format and included only the first and last page of the file, we requested that the department submit the original Excel files in their entirety for the three most recent fiscal years (FY 2009-10 through FY 2011-12). We thoroughly reviewed the files for these years and did not note any discrepancies or variances in the data. We accepted the data as reliable. We then used the Excel files to perform a count of all line items (total number of SCARs investigated). For the remaining fiscal years (FY 1999-2000 through FY 2008-09), we requested that the department perform a count of cases and then forward the counts to us. Analysis of the data shows that the department investigated a total of 57,576 SCAR cases during the audit period; that total excludes those cases originating in contracting cities.

LEA-generated SCARs

The department neglected to exclude LEA-generated SCAR cases from its data files. The SME explained that she would have to manually review the case files for each fiscal year to determine how many were LEA-generated, as most of the fiscal years were before the county used eSCARS. The SME explained that reviewing the case files in this manner would be a huge undertaking and not an efficient use of time. Therefore, we worked with the department to devise a reasonable methodology to approximate the number of LEA-generated SCARs for each fiscal year to exclude those from the total population. We agreed to use FY 2009-10 through FY 2011-12 eSCARS data as these were the earliest years available to calculate an average percentage of LEA-generated SCARs. The eSCARS data showed the following:

- FY 2009-10: 10% of all investigated SCARs were LEA-generated
- FY 2010-11: 16% of all investigated SCARs were LEA-generated
- FY 2011-12: 13% of all investigated SCARs were LEA-generated

For the three fiscal years, the average percent of investigated SCARs that were LEA-generated is 13%. We applied the 13% average to the total number of SCARs investigated in FY 1999-2000 through FY 2008-09, and the actual percentages to the total number of SCARs investigated in FY 2009-10 through FY 2011-12, to determine the total number of LEA-generated SCARs to exclude from each fiscal year.

After performing these calculations, we found that of the 57,576 SCARs investigated, 7,466 were LEA-generated and 50,110 were other agency-generated. Therefore, the allowable number of SCARs investigated during the audit period is 50,110.

The following table summarizes the total allowable number of SCARs investigated per fiscal year:

Fiscal Year	Sheriff's Department			
	Total Number of SCARs Investigated (a)	Percent of LEA-Generated SCARs (b)	Number of LEA-Generated SCARs (c) = (a) * (b)	Allowable Number of SCARs Investigated (d) = (a) - (c)
1999-2000	3,358	13%	437	2,921
2000-01	4,040	13%	525	3,515
2001-02	3,223	13%	419	2,804
2002-03	2,429	13%	316	2,113
2003-04	4,653	13%	605	4,048
2004-05	4,694	13%	610	4,084
2005-06	5,013	13%	652	4,361
2006-07	5,445	13%	708	4,737
2007-08	5,620	13%	731	4,889
2008-09	5,397	13%	702	4,695
2009-10	5,871	10%	587	5,284
2010-11	5,179	16%	829	4,350
2011-12	2,654	13%	345	2,309
Total	<u>57,576</u>		<u>7,466</u>	<u>50,110</u>

Probation Department

The county did not base its claimed costs on the eligible number of SCARs investigated. To gain an understanding of the general procedures in place for completing initial investigations of SCARs during the audit period, we interviewed department representatives. Representatives explained that the DCFS previously closed out all SCAR cases, which included the investigations. Beginning in 2010, the Probation Department began conducting its own investigations and closing out its own cases. Therefore, the county claimed costs only for FY 2010-11 through FY 2013-14. Department representatives also explained that the Probation Department is responsible only for group homes; the LEAs and DCFS are responsible for other SCARs.

During the audit, we requested SCAR data from the Probation Department. We developed an Excel spreadsheet as a tool for the department to submit complete and accurate SCAR data that could be sorted and filtered as necessary. The spreadsheet contained the following fields for completion:

- SCAR case number;
- SCAR date;
- Mandated reporter;
- Investigating agency;
- Outcome (unfounded, substantiated, inconclusive);
- SS 8583 form in file; and
- CACI notice in file.

The Probation Department completed the Excel spreadsheet and submitted detailed SCAR data for seven fiscal years (FY 2008-09 through FY 2014-15). Based on the results, department representatives explained that the department had actually started performing its own investigations in 2008, and not 2010 as originally indicated.

Additionally, the department inadvertently failed to claim FY 2014-15. We analyzed the data and did not note any discrepancies or variances, and found the data to be sufficiently reliable. Analysis of the SCAR data shows that the department investigated a total of 201 other agency-generated SCARs during these seven fiscal years.

The following table summarizes the allowable number of SCARs investigated for the audit period:

Fiscal Year	Probation Department Allowable Number of SCARs Investigated
2008-09	20
2009-10	29
2010-11	18
2011-12	26
2012-13	33
2013-14	37
2014-15	38
Total	201

Time Increments

Sheriff's Department

The county did not base its claimed costs on a time increment. Rather, the county based its costs on the total number of hours that the Deputy Generalist classification spent each fiscal year performing the mandated activity. The hours came from actual case files and were transferred to a report compiled by the department, listing the "handling time" per SCAR case. The handling times were totaled to determine the number of hours for an entire fiscal year.

We worked with department staff during the audit to determine an allowable time increment. We divided the total handling time as listed on the department's SCAR data spreadsheets for each fiscal year by the total number of SCARs investigated as determined during the audit. The result is the allowable average time increment (ATI) per SCAR, per fiscal year. For the audit period, the ATIs range from 1.20 hours to 1.89 hours. We found these time increments to be reasonable.

The following table summarizes the allowable time increments for completing an initial investigation per fiscal year:

Fiscal Year	Sheriff's Department		
	Total Handling Time, All SCARs (hours/minutes) (a)	Total Number of SCARs Investigated (b)	ATI per SCAR (c) = (a) / (b)
1999-2000	4,447.48	3,358	1.32
2000-01	5,072.43	4,040	1.26
2001-02	4,774.45	3,223	1.48
2002-03	4,583.10	2,429	1.89
2003-04	5,994.35	4,635	1.29
2004-05	6,194.87	4,694	1.32
2005-06	6,045.17	5,013	1.21
2006-07	6,537.13	5,445	1.20
2007-08	7,424.72	5,620	1.32
2008-09	7,870.82	5,397	1.46
2009-10	7,714.17	5,871	1.31
2010-11	6,812.00	5,179	1.32
2011-12	3,523.93	2,654	1.33

We multiplied the ATI for each fiscal year by the allowable number of SCARs investigated, as shown in the previous table, resulting in total allowable hours.

Probation Department

The county did not base its claimed costs on a time increment. Rather, the county estimated that the DPO II classification spent a total of 1,764.80 hours performing the mandated activity. We worked with department staff during the audit to determine an allowable time increment. The Director of Probation and Child Welfare consulted with program staff, sampled actual case files, and proposed an ATI of 3.42 hours, calculated as follows:

- Read and review SCAR – 15 minutes (0.25 hours);
- Conduct initial interviews – 1 hour and 40 minutes (1.66 hours); and
- Write a report of the interviews – 1 hour and 30 minutes (1.50 hours).

We found the department's proposal to be reasonable and accepted the ATI. We multiplied 3.42 hours by the allowable number of SCARs investigated for each fiscal year, resulting in total allowable hours.

Hours Adjustment*Sheriff's Department*

The following table summarizes the claimed, allowable, and adjusted hours based on the allowable number of SCARs investigated and the ATI per SCAR for the audit period:

Fiscal Year	Sheriff's Department		
	Hours Claimed	Hours Allowable	Adjusted Hours
1999-2000	4,447.48	3,856.00	(591.48)
2000-01	5,072.43	4,429.00	(643.43)
2001-02	4,774.45	4,150.00	(624.45)
2002-03	4,583.10	3,994.00	(589.10)
2003-04	5,994.35	5,222.00	(772.35)
2004-05	6,194.87	5,391.00	(803.87)
2005-06	6,045.17	5,277.00	(768.17)
2006-07	6,537.13	5,684.00	(853.13)
2007-08	7,424.72	6,453.00	(971.72)
2008-09	7,870.82	6,855.00	(1,015.82)
2009-10	7,714.17	6,922.00	(792.17)
2010-11	6,812.00	5,742.00	(1,070.00)
2011-12	3,523.93	3,071.00	(452.93)
Total	<u>76,994.62</u>	<u>67,046.00</u>	<u>(9,948.62)</u>

Probation Department

The following table summarizes the claimed, allowable, and adjusted hours based on the allowable number of SCARs investigated and the allowable ATI per SCAR for the audit period:

Fiscal Year	Probation Department		
	Hours Claimed	Hours Allowable	Adjusted Hours
2008-09	-	68.00	68.00
2009-10	-	99.00	99.00
2010-11 ¹	unknown	62.00	62.00
2011-12	352.80	89.00	(263.80)
2012-13	529.50	113.00	(416.50)
2013-14	882.50	127.00	(755.50)
2014-15	-	130.00	130.00
Total	<u>1,764.80</u>	<u>688.00</u>	<u>(1,076.80)</u>

¹ The claim for this fiscal year did not provide hours worked, only total salaries and benefits claimed.

Productive Hourly Rate

Sheriff's Department

The Sheriff's Department claimed salary and benefit costs for the first 13 fiscal years of the audit period (FY 1999-2000 through FY 2011-12). For these years, the department calculated the PHR for the Deputy Generalist classification. The department calculated the rate by multiplying the classification's weighted monthly salary, as listed in the department's salary schedule, by 12 months and dividing the result by the annual productive hours provided by the Auditor-Controller's Office. We traced the department's calculations to the department's salary table documentation to ensure that claimed rates were calculated correctly. We also verified that the annual productive hours used by the department matched those prescribed by the Auditor-Controller's Office. We concluded that the claimed rates were accurate.

Probation Department

The Probation Department calculated an individual PHR for each employee claimed. The hourly rates were based on the employee's annual salary and the county-wide annual productive hours provided by the Auditor-Controller's Office. We accepted the department's claimed PHRs for FY 2010-11 through FY 2014-15. In instances where more than one employee in the DPO II classification was claimed, we calculated an average PHR to calculate allowable costs. For FY 2008-09 and FY 2009-10, the department did not claim costs for any of the components. However, during the audit, we found that the department did in fact perform reimbursable activities. For these two fiscal years, we used the Consumer Price Index (CPI), obtained from the Department of Finance, to calculate an allowable hourly rate. Using the FY 2010-11 claimed rates as a base, we used the CPI for each missing fiscal year to calculate a percent to discount back.

Benefit Rates

The county claimed department-wide benefit rates that were derived from each department's Indirect Cost Rate Proposals (ICRPs) for each fiscal year of the audit period. We found the claimed benefits rates for both the Sheriff's Department and the Probation Department to be reasonable and properly computed. We applied the department-wide benefit rates to the allowable salaries to determine allowable benefit costs for the audit period.

Summary of Audit Adjustment

Sheriff's Department

As detailed above, we calculated the allowable hours for each fiscal year by multiplying the allowable number of SCARs investigated by the ATI per SCAR. We then applied the PHRs and benefit rates to the allowable hours. We found that the county overstated costs by \$602,931 for the audit period.

Probation Department

As described above, we calculated the allowable hours by multiplying the allowable number of SCARs investigated by the allowable ATI per SCAR. We then applied the PHRs and benefit rates to the allowable hours. We found that the county overstated costs by \$81,800 for the audit period.

Criteria

The parameters and guidelines (section IV – Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part:

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.

The parameters and guidelines (section IV – B.3.a.1) allow ongoing activities related to costs for reporting to the DOJ for the following reimbursable activities:

From July 1, 1999 to December 31, 2011, city and county police or sheriff's departments, county probation departments if designated by the county to receive mandated reports, and county welfare departments shall: (Pursuant to amendments to Penal Code section 11169(b) enacted by Statutes 2011, chapter 468 (AB 717), the mandate to report to DOJ for law enforcement agencies only ends on January 1, 2012. In addition, the duty for all other affected agencies is modified to exclude an "inconclusive" report.)

1) Complete an investigation for purposes of preparing the report

Complete an investigation to determine whether a report of suspected child abuse or severe neglect is unfounded, substantiated or inconclusive, as defined in Penal Code section 11165.12, for purposes of preparing and submitting the state "Child Abuse Investigation Report" Form SS 8583[emphasis added], or subsequent designated form, to the Department of Justice. (Penal Code section 11169(a) (Stats. 1997, ch. 842, § 5 (SB 644); Stats. 2000, ch. 916 (AB 1241); Stats. 2011, ch. 468, § 2 (AB 717)); Code of Regulations, Title 11, section 903; "Child Abuse Investigation Report" Form SS 8583.) Except as provided in paragraph below, this activity includes review of the initial Suspected Child Abuse Report (Form 8572), conducting initial interviews with parents, victims, suspects, or witnesses, where applicable, and making a report of the findings of those interviews, which may be reviewed by a supervisor.

Reimbursement is not required in the following circumstances:

- i. Investigative activities conducted by a mandated reporter to complete the Suspected Child Abuse Report (Form SS 8572) pursuant to Penal Code section 11166(a).

- ii. In the event that the mandated reporter is employed by the same child protective agency required to investigate and submit the “Child Abuse Investigation Report” Form SS 8583 or subsequent designated form to the Department of Justice, pursuant to Penal Code section 11169(a), reimbursement is not required if the investigation required to complete the Form SS 8572 is also sufficient to make the determination required under section 11169(a), and sufficient to complete the essential information items required on the Form SS 8583, pursuant to Code of Regulations, title 11, section 903 (Register 98, No. 29).
- iii. Investigative activities undertaken subsequent to the determination whether a report of suspected child abuse is substantiated, inconclusive, or unfounded, as defined in Penal Code section 11165.12, for purposes of preparing the Form SS 8583, including the collection of physical evidence, the referral to a child abuse investigator, and the conduct of follow-up interviews.

The parameters and guidelines (section V.A.1 – Claim Preparation and Submission–Direct Cost Reporting) state, in part:

1. Salaries and Benefits

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 reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The legislatively mandated ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2017-18 Budget Acts. If the program becomes active again, we recommend that the county follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County’s Response

The county did not respond to the audit finding.

**FINDING 4—
Unallowable salaries
and benefits –
Reporting to the State
Department of
Justice: Forwarding
the SS 8583 Report
Forms to the
Department of Justice
cost component**

The county claimed \$143,229 in salaries and benefits for the Forwarding the SS 8583 Report Forms to the Department of Justice cost component for FY 2010-11 through FY 2013-14. The costs claimed were for the Probation Department. During testing, we found that \$270 is allowable and \$142,959 is unallowable.

The costs for this component include preparing and submitting to the DOJ an SS 8583 report form for every case in which the department investigated known or suspected child abuse or severe neglect, and which it determined to be substantiated or inconclusive. The county claimed costs based on estimates. For the four fiscal years claimed, the county estimated that it took the DPO II classification 1,059.50 hours, and an Acting Supervising DPO 1,413.10 hours (a total of 2,472.60 hours) to prepare and forward SS 8583 forms to the DOJ. The estimates came from signed certificates, wherein employees in these two classifications estimated a

percentage of their total annual productive hours spent on the mandated activity. The county multiplied the estimated annual hours by each employee's PHR and department benefit rate to determine claimed salaries and benefits. Costs claimed are unallowable because the county misinterpreted the program's parameters and guidelines; as a result, the county estimated and overstated the number of hours spent performing the mandated activity, and neglected to base its costs on the actual number of SS 8583 forms completed and forwarded to the DOJ.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits costs for the Forwarding the SS 8583 Report Forms to the Department of Justice cost component by fiscal year:

Fiscal Year	Probation Department		
	Amount Claimed	Amount Allowable	Audit Adjustment
2008-09	\$ -	\$ 57	\$ 57
2009-10	-	79	79
2010-11	28,829	41	(28,788)
2011-12	18,952	-	(18,952)
2012-13	35,744	-	(35,744)
2013-14	59,704	71	(59,633)
2014-15	-	22	22
Total	<u>\$ 143,229</u>	<u>\$ 270</u>	<u>\$ (142,959)</u>

Allowable Number of SS 8583 Report Forms Forwarded to the DOJ

The county did not base its claimed costs on an eligible number of SS 8583 forms prepared and forwarded to the DOJ. To determine the number of allowable SS 8583 forms prepared and forwarded to the DOJ, we used the detailed SCAR data that the department submitted for the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component (see Finding 3). While the department claimed costs for four fiscal years (FY 2010-11 through FY 2013-14), it provided SCAR data for seven fiscal years (FY 2008-09 through FY 2014-15). Analysis of the SCAR data shows that the department prepared and forwarded a total of 13 eligible SS 8583 forms to the DOJ during these seven fiscal years.

The following table summarizes the allowable number of SS 8583 forms prepared and forwarded to the DOJ for the audit period:

Fiscal Year	Probation Department
	Allowable Number of SS 8583 Report Forms
2008-09	3
2009-10	4
2010-11	2
2011-12	-
2012-13	-
2013-14	3
2014-15	1
Total	<u>13</u>

Time Increments

The county did not base its claimed costs on a time increment. Rather, the county estimated that the DPO II and Acting Supervising DPO classifications spent a total of 2,472.60 hours performing the mandated activity. We interviewed department representatives to gain an understanding of the procedures in place for preparing and forwarding SS 8583 forms to the DOJ during the audit period.

Per the department representatives, the mandated activity of reporting to the DOJ is performed simultaneously with the mandated activity of preparing a notification to the known or suspected child abuser that he or she has been reported to the CACI. Department representatives also indicated that a DPO II prepares the SS 8583 report form and a CACI notification once he or she gathers all of the information from his or her investigation. An acting supervising DPO reviews and approves both the SS 8583 report form and the CACI notification before they are sent by certified mail. Department representatives explained that it takes a DPO II approximately 30 minutes to prepare the SS 8583 report form and the CACI notification, and an Acting Supervising DPO approximately 10-15 minutes to review and approve both. As both of these mandated activities are performed simultaneously, we determined that it is reasonable to split the time equally between the two to calculate allowable costs. Therefore, the allowable ATI for this cost component is 15 minutes (0.25 hours) for the DPO II classification and 7.5 minutes (0.13 hours) for the Acting Supervising DPO classification. We multiplied these time increments by the number of allowable SS 8583 forms for each fiscal year, resulting in total allowable hours.

Hours Adjustment

The following table summarizes the hours claimed and the hours allowable based on the number of SS 8583 forms forwarded to the DOJ as determined during the audit, and the allowable ATI to prepare and submit each report form for the audit period:

Fiscal Year	Probation Department		
	Hours Claimed	Hours Allowable	Difference
2008-09	-	1.14	1.14
2009-10	-	1.52	1.52
2010-11	531.30	0.76	(530.54)
2011-12	352.80	-	(352.80)
2012-13	617.75	-	(617.75)
2013-14	970.75	1.14	(969.61)
2014-15	-	0.38	0.38
Total	<u>2,472.60</u>	<u>4.94</u>	<u>(2,467.66)</u>

Productive Hourly Rate

As explained in our discussion of the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component, we accepted the department's claimed PHRs for FY 2010-11 through FY 2014-15 (see Finding 3). In instances where more than one employee

in the DPO II classification was claimed, we calculated an average PHR to calculate allowable costs. For FY 2008-09 and FY 2009-10, the department did not claim costs for any of the components. However, during the audit, we found that the department did in fact perform reimbursable activities. For these two fiscal years, we used the CPI to calculate an allowable hourly rate. Using the FY 2010-11 claimed rates as a base, we used the CPI for each missing fiscal year to calculate a percent to discount back.

Benefit Rate

As explained in our discussion of the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component, we found that the claimed benefit rates were reasonable and allowable as claimed (See Finding 3).

Summary of Audit Adjustment

We calculated the allowable hours by multiplying the allowable number of SS 8583 forms prepared and forwarded to the DOJ by the allowable ATI per report, per classification. We then applied the allowable PHR and benefit rate for each classification to the allowable hours. We found that the county overstated costs by \$142,959 for the audit period.

Criteria

The parameters and guidelines (section IV – Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part:

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.

The parameters and guidelines (section IV – B.3.a.2) allow ongoing activities related to costs for reporting to the DOJ for the following reimbursable activities:

2) Forward [SS 8583] reports to the Department of Justice

Prepare and submit to the Department of Justice a report in writing of every case it investigates of known or suspected child abuse or severe neglect which is determined to be substantiated or inconclusive, as defined in Penal code section 11165.12. Unfounded reports, as defined in Penal Code section 11165.12, shall not be filed with the Department of Justice. If a report has previously been filed which subsequently proves to be unfounded, the Department of Justice shall be notified in writing of that fact. The report required by this section shall be in a form approved by the Department of Justice (currently form 8583) and may be sent by fax or electronic transmission. (Penal Code section 11169(a) (Stats. 1197, ch. 842, §5 (SB 644); Stats. 2000, ch. 916 (AB1241); Stats. 2011, ch. 468, §2 (AB717)); Code of Regulations, Title 11, section 903; “Child Abuse Investigation report” Form SS 8583).

This activity includes costs of preparing and submitting an amended report to DOJ, when the submitting agency changes a prior finding of substantiated or inconclusive to a finding of unfounded or from inconclusive or unfounded to substantiated.

Reimbursement is not required for the costs of the investigation required to make the determination to file an amended report.

The parameters and guidelines (section V.A.1 – Claim Preparation and Submission–Direct Cost Reporting) state, in part:

1. Salaries and Benefits

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 reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The legislatively mandated ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2017-18 Budget Acts. If the program becomes active again, we recommend that the county follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county did not respond to the audit finding.

**FINDING 5—
Unallowable salaries
and benefits –
Notifications
Following Reports to
the Child Abuse
Central Index cost
component**

The county claimed \$112,421 in salaries and benefits for the Notifications Following Reports to the Child Abuse Central Index cost component for FY 2010-11 through FY 2013-14. The costs claimed were for the Probation Department. During testing, we found that \$270 is allowable and \$112,151 is unallowable.

The costs for this component include notifying, in writing, the known or suspected child abuser that he or she has been reported to the CACI. The county claimed costs based on estimates. For the four fiscal years claimed, the county estimated that it took the DPO II classification 970.95 hours, and an Acting Supervising DPO classification 971.25 hours (a total of 1,942.2 hours), to notify in writing every known or suspected child abuser that he or she has been reported to the CACI. The estimates came from signed certificates, wherein employees in these two classifications estimated a percentage of their total annual productive hours spent on the mandated activity. The county multiplied the estimated annual hours by each employee's PHR and department benefit rate to determine claimed salaries and benefits. Costs claimed are unallowable because the county misinterpreted the program's parameters and guidelines; as a result, the county estimated and overstated the number of hours spent performing the mandated activity, and neglected to base its costs on the actual number of CACI notifications sent.

The following table summarizes the claimed, allowable, and unallowable salaries and benefits costs for the Notifications Following Reports to the Child Abuse Central Index cost component by fiscal year:

Fiscal Year	Probation Department		
	Amount Claimed	Amount Allowable	Audit Adjustment
2008-09	\$ -	\$ 57	\$ 57
2009-10	-	79	79
2010-11	14,415	41	(14,374)
2011-12	18,952	-	(18,952)
2012-13	30,612	-	(30,612)
2013-14	48,442	71	(48,371)
2014-15	-	22	22
Total	<u>\$ 112,421</u>	<u>\$ 270</u>	<u>\$ (112,151)</u>

Allowable Number of CACI Notifications

The county did not base its claimed costs on an eligible number of CACI notifications sent to known or suspected child abusers. This activity is performed simultaneously with the Forwarding SS 8583 Report Forms to the Department of Justice cost component (see Finding 4). To verify the number of notices sent, we used the detailed SCAR data that the department submitted for the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component (see Finding 3). While the department claimed costs for four fiscal years (FY 2010-11 through FY 2013-14), it was able to provide SCAR data for seven fiscal years (FY 2008-09 through FY 2014-15). Analysis of the SCAR data shows that the department sent a total of 13 CACI notifications during these seven fiscal years. Therefore, the allowable number of CACI notifications sent is 13—the same as the number of allowable SS 8583 forms.

The following table summarizes the allowable number of CACI notifications sent for the audit period:

Fiscal Year	Probation Department
	Allowable Number of CACI Notifications
2008-09	3
2009-10	4
2010-11	2
2011-12	-
2012-13	-
2013-14	3
2014-15	1
Total	<u>13</u>

Time Increments

The county did not base its claimed costs on a time increment. Rather, the county estimated that the DPO II and Acting Supervising DPO classifications spent a total of 1,942.2 hours performing the mandated activity. Because this activity is performed simultaneously with Forwarding the SS 8583 Report Forms to the Department of Justice cost component, the allowable time increments are the same: 15 minutes (0.25 hours) for the DPO II classification and 7.5 minutes (0.13 hours) for the Acting Supervising DPO classification (see Finding 4). We multiplied these time increments by the number of allowable CACI notifications sent for each fiscal year, resulting in total allowable hours.

Hours Adjustment

The following table summarizes the hours claimed and the hours allowable based on the number of CACI notifications sent to known or suspected child abusers as determined during the audit, and the allowable ATI to complete and send each notification during the audit period:

Fiscal Year	Probation Department		
	Hours Claimed	Hours Allowable	Difference
2008-09	-	1.14	1.14
2009-10	-	1.52	1.52
2010-11	531.30	0.76	(530.54)
2011-12	352.80	-	(352.80)
2012-13	617.75	-	(617.75)
2013-14	970.75	1.14	(969.61)
2014-15	-	0.38	0.38
Total	<u>2,472.60</u>	<u>4.94</u>	<u>(2,467.66)</u>

Productive Hourly Rate

As explained in our discussion of the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component, we accepted the department's claimed PHRs for FY 2010-11 through FY 2014-15 (see Finding 3). In instances where more than one employee in the DPO II classification was claimed, we calculated an average PHR to calculate allowable costs. For FY 2008-09 and FY 2009-10, the department did not claim costs for any of the components. However, during the course of the audit, we found that the department did perform reimbursable activities. For these two fiscal years, we used the CPI to calculate an allowable hourly rate. Using the FY 2010-11 claimed rates as a base, we used the CPI for each missing fiscal year to calculate a percent to discount back.

Benefit Rate

As explained in our discussion of the Complete an Investigation for Purposes of Preparing the SS 8583 Report Form cost component, we found that the claimed benefit rates were reasonable and therefore allowable as claimed (see Finding 3).

Summary of Audit Adjustment

We calculated the allowable hours by multiplying the allowable number of CACI notifications sent by the allowable ATI per notice, per classification. We then applied the allowable PHR and benefit rate to the allowable hours. We found that the county overstated costs by \$112,151 for the audit period.

Criteria

The parameters and guidelines (section IV – Reimbursable Activities) require claimed costs to be supported by source documents. The parameters and guidelines state, in part:

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.

The parameters and guidelines (section IV – B.4.a.) allow ongoing activities related to costs for providing notifications to suspected child abusers for the following activities:

a. City and county police or sheriff's departments, county probation departments if designated by the county to receive mandated reports, and county welfare departments shall:

- 1) Notify in writing the known or suspected child abuser that he or she has been reported to the Child Abuse Central Index, in any form approved by the Department of Justice, at the time the "Child Abuse Investigation Report" is filed with the Department of Justice. (Penal Code section 11169(c) (Stats. 1997, ch. 842, §5 (SB 644); Stats. 2000, ch. 916 (AB1241)))

This activity includes, where applicable, completion of the Notice of Child Abuse Central Index Listing form (SOC 832), or subsequent designated form. For law enforcement agencies only, this activity is eligible for reimbursement from July 1, 1999 until December 31, 2011, chapter 468 (AB 717), which ends the mandate to report to DOJ for law enforcement agencies.

- 2) Make relevant information available, when received from the Department of Justice, to the child custodian, guardian ad litem appointed under section 326, or counsel appointed under section 317 or 318 of the Welfare and Institutions Code, or the appropriate licensing agency, if he or she is treating or investigating a case of known or suspected child abuse or severe neglect. (Penal Code section 11170 (Added by Stats. 1980, ch. 1071 § 4; amended by Stats. 1981, ch. 435, § 5; Stats. 1982, ch. 162, § 3; Stats. 1984, ch. 1613, § 3; Stats. 1985, ch. 1598, § 8.5; Stats. 1986, ch. 1496, § 3; Stats. 1987, ch. 82, § 4; Stats. 1989, ch. 153, § 2; Stats. 1990, ch. 1330 § 2 (SB 2788); Stats. 1990, ch. 1363, § 15.7 (AB 3532); Stats. 1992, ch. 163, § 113 (AB 2641); Stats. 1992, ch. 1338, § 2 (SB 1184);

Stats. 1993, ch. 219, § 221.1 (AB 1500); Stats. 1996, ch. 1081, § 5 (AB 3354); Stats. 1997, ch. 842, § 6 (SB 644); Stats. 1997, ch. 843, § 5 (AB 753); Stats. 1997, ch. 844, § 2.5 (AB 1065); Stats. 1999, ch. 475, § 8 (SB 654); Stats. 2000, ch. 916, 28 (AB 1241)))

- 3) Inform the mandated reporter of the results of the investigation and of any action the agency is taking with regard to the child or family, upon completion of the child abuse investigation or after there has been a final disposition in the matter. (Penal Code section 11170(b) (Added by Stats. 1980, ch. 1071 § 4; amended by Stats. 1981, ch. 435, § 5; Stats. 1982, ch. 162, § 3; Stats. 1984, ch. 1613, § 3; Stats. 1985, ch. 1598, § 8.5; Stats. 1986, ch. 1496, § 3; Stats. 1987, ch. 82, § 4; Stats. 1989, ch. 153, § 2; Stats. 1990, ch. 1330 § 2 (SB 2788); Stats. 1990, ch. 1363, § 15.7 (AB 3532); Stats. 1992, ch. 163, § 113 (AB 2641); Stats. 1992, ch. 1338, § 2 (SB 1184); Stats. 1993, ch. 219, § 221.1 (AB 1500); Stats. 1996, ch. 1081, § 5 (AB 3354); Stats. 1997, ch. 842, § 6 (SB 644); Stats. 1997, ch. 843, § 5 (AB 753); Stats. 1997, ch. 844, § 2.5 (AB 1065); Stats. 1999, ch. 475, § 8 (SB 654); Stats. 2000, ch. 916, 28 (AB 1241)))
- 4) Notify, in writing, the person listed in the Child Abuse Central Index that he or she is in the index, upon receipt of relevant information concerning child abuse or neglect investigation reports contained in the index from the Department of Justice when investigating a home for the placement of dependent children. The notification shall include the name of the reporting agency and the date of the report. Ibid

The parameters and guidelines (section V.A.1 – Claim Preparation and Submission–Direct Cost Reporting) state, in part:

1. Salaries and Benefits

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 reimbursable activities performed and the hours devoted to each reimbursable activity performed.

Recommendation

The legislatively mandated ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2017-18 Budget Acts. If the program becomes active again, we recommend that the county follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county did not respond to the audit finding.

**FINDING 6—
Unallowable indirect
costs**

The county claimed a total of \$1,989,092 in indirect costs for the audit period. Of this amount, \$1,470,866 was claimed for the Sheriff’s Department, \$344,923 for the DA’s Office, and \$173,303 for the Probation Department. During testing, we found that \$1,612,264 is allowable and a net amount of \$376,828 is unallowable. The costs are unallowable because the county used a county-wide blended indirect cost rate for each fiscal year rather than the department rate, and applied the blended rate to unallowable salaries.

The county calculated separate indirect cost rates for the following three departments: Sheriff, Probation, and District Attorney. However, when computing total indirect costs claimed, the county used a blended rate. For each fiscal year, the county computed a blended rate; it combined the indirect costs and direct costs of each department, then divided the total indirect costs by the total salaries. For FY 1999-2000 through FY 2009-10, the blended rate was based on the Sheriff’s Department and the DA’s Office; for FY 2010-11 and FY 2011-12, the blended rate was based on all three departments; and for FY 2012-13 through FY 2014-15, the blended rate was based on the DA’s Office and the Probation Department.

The following table summarizes the overall claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	Claimed Indirect Costs	Allowable Indirect Costs	Audit Adjustment
1999-2000	\$ 66,903	\$ 58,179	\$ (8,724)
2000-01	61,770	54,201	(7,569)
2001-02	72,775	63,886	(8,889)
2002-03	73,604	64,784	(8,820)
2003-04	115,845	101,467	(14,378)
2004-05	105,087	92,441	(12,646)
2005-06	110,767	97,788	(12,979)
2006-07	138,577	122,781	(15,796)
2007-08	182,079	160,087	(21,992)
2008-09	206,334	184,815	(21,519)
2009-10	182,031	168,644	(13,387)
2010-11	242,603	186,341	(56,262)
2011-12	158,963	118,531	(40,432)
2012-13	97,677	47,029	(50,648)
2013-14	121,867	46,104	(75,763)
2014-15	52,210	45,186	(7,024)
Total	<u>\$ 1,989,092</u>	<u>\$ 1,612,264</u>	<u>\$ (376,828)</u>

Summary of Indirect Costs by Department

Sheriff’s Department

The county claimed indirect costs totaling \$1,470,866 for the Sheriff’s Department during the audit period. We found that \$1,246,802 is allowable and \$224,064 is unallowable.

The following table summarizes the claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	Sheriff's Department		
	Claimed	Allowable	Audit
	Indirect Costs	Indirect Costs	
1999-2000	\$ 65,298	\$ 56,924	\$ (8,374)
2000-01	60,067	52,134	(7,933)
2001-02	68,657	59,238	(9,419)
2002-03	69,234	59,913	(9,321)
2003-04	110,507	97,183	(13,324)
2004-05	97,955	84,843	(13,112)
2005-06	103,195	89,131	(14,064)
2006-07	124,292	105,242	(19,050)
2007-08	165,188	141,376	(23,812)
2008-09	184,816	159,235	(25,581)
2009-10	159,190	140,118	(19,072)
2010-11	171,786	133,706	(38,080)
2011-12	90,681	67,759	(22,922)
Total	<u>\$ 1,470,866</u>	<u>\$ 1,246,802</u>	<u>\$ (224,064)</u>

District Attorney's Office

The county claimed indirect costs totaling \$344,923 for the DA's Office during the audit period. We found that \$347,481 is allowable resulting in understated costs totaling \$2,558.

The following table summarizes the claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	District Attorney		
	Claimed	Allowable	Audit
	Indirect Costs	Indirect Costs	
1999-2000	\$ 1,605	\$ 1,255	\$ (350)
2000-01	1,703	2,067	364
2001-02	4,118	4,648	530
2002-03	4,370	4,871	501
2003-04	5,338	4,284	(1,054)
2004-05	7,132	7,598	466
2005-06	7,572	8,657	1,085
2006-07	14,285	17,539	3,254
2007-08	16,891	18,711	1,820
2008-09	21,518	23,489	1,971
2009-10	22,841	25,885	3,044
2010-11	45,212	51,060	5,848
2011-12	44,134	48,407	4,273
2012-13	52,431	43,911	(8,520)
2013-14	52,003	42,883	(9,120)
2014-15	43,770	42,216	(1,554)
Total	<u>\$ 344,923</u>	<u>\$ 347,481</u>	<u>\$ 2,558</u>

Probation Department

The county claimed indirect costs totaling \$173,303 for the Probation Department during the audit period. We found that \$17,981 is allowable and the net amount of \$155,322 is unallowable.

The following table summarizes the claimed, allowable, and adjusted indirect costs for the audit period:

Fiscal Year	Probation Department		
	Claimed Indirect Costs	Allowable Indirect Costs	Audit Adjustment
2008-09	\$ -	\$ 2,091	\$ 2,091
2009-10	-	2,641	2,641
2010-11	25,605	1,575	(24,030)
2011-12	24,148	2,365	(21,783)
2012-13	45,246	3,118	(42,128)
2013-14	69,864	3,221	(66,643)
2014-15	8,440	2,970	(5,470)
Total	<u>\$ 173,303</u>	<u>\$ 17,981</u>	<u>\$ (155,322)</u>

Blended Rates*Sheriff's Department*

The Sheriff's Department claimed indirect costs for the first 13 fiscal years of the audit period. The indirect cost rates used to calculate the claimed indirect costs were blended rates that ranged from 33.48% to 54.23%.

District Attorney's Office

The DA's Office claimed indirect costs for the entire audit period. The indirect cost rates used to calculate the claimed indirect costs were blended rates that ranged from 33.48% to 63.88%.

Probation Department

The Probation Department claimed indirect costs for five fiscal years of the audit period. The indirect cost rates claimed were blended rates that ranged from 50.54% to 63.88%.

Departmental Rates

Applying a blended indirect cost rate to the salaries incurred by three different and distinct departments is not an accurate method, as it is not reflective of the true indirect costs incurred by each department. To determine allowable indirect cost rates, we analyzed each department's departmental rates. The departmental rates are individual to each department and are supported with an ICRP. During our analysis, we noted that the rates are based on actual expenditure amounts from three fiscal years prior, rather than the current fiscal year. However, county representatives explained that a "carry-forward" adjustment was applied to reconcile the difference between the estimated costs and the actual

indirect costs incurred for the year. In the ICRPs, we noted that each department did in fact employ a carry-forward method and applied adjustment amounts accordingly.

Sheriff's Department

The departmental rates for the Sheriff's Department range from 33.28% to 49.88%. For each fiscal year, the rates were calculated by averaging three "regional" rates. Each of the regional rates are a sum of the county-wide, departmental, and individual regional rates. The rates showed little variance from year to year and seemed reasonable for an entity of the department's size. Therefore, rather than analyze each of the 13 fiscal years in which costs were claimed, we analyzed and recalculated the department's ICRPs for the three most recent fiscal years (FY 2009-10 through FY 2011-12). Based on our analysis, the department's rates for FY 2009-10 through FY 2011-12 were correctly computed. Therefore, we accepted the rates for the remaining years. The departmental rates are the allowable rates used to calculate allowable indirect costs for the audit period.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the audit period:

Fiscal Year	Sheriff's Department		
	Claimed	Allowable	Rate Difference
	Indirect Cost Rates	Indirect Cost Rates	
1999-2000	42.90%	43.14%	0.24%
2000-01	33.48%	33.28%	-0.20%
2001-02	39.59%	39.29%	-0.30%
2002-03	41.67%	41.37%	-0.30%
2003-04	50.93%	51.41%	0.48%
2004-05	42.85%	42.65%	-0.20%
2005-06	43.46%	43.00%	-0.46%
2006-07	44.38%	43.22%	-1.16%
2007-08	48.44%	47.70%	-0.74%
2008-09	50.42%	49.88%	-0.54%
2009-10	44.27%	43.42%	-0.85%
2010-11	53.58%	49.47%	-4.11%
2011-12	54.23%	46.50%	-7.73%

District Attorney's Office

The departmental rates for the DA's Office range from 33.45% to 60.51%. For each fiscal year, the rates were calculated by totaling the county-wide rate, department rate, and bureau rate. The rates showed little variance from year to year and seemed reasonable for an entity of the department's size. Therefore, rather than analyze each of the 16 fiscal years in which costs were claimed, we analyzed the departmental indirect cost rates for the three most recent fiscal years (FY 2012-13 through FY 2014-15) by recalculating the department's ICRPs. Based on our analysis, the department's rates for FY 2012-13 through FY 2014-15 were correctly computed. Therefore, we accepted the rates for the remaining years. The departmental rates are the allowable rates used to calculate allowable indirect costs for the audit period.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the audit period:

Fiscal Year	District Attorney		
	Claimed	Allowable	Rate Difference
	Indirect Cost Rates	Indirect Cost Rates	
1999-2000	42.90%	33.45%	-9.45%
2000-01	33.48%	40.64%	7.16%
2001-02	39.59%	44.68%	5.09%
2002-03	41.67%	46.45%	4.78%
2003-04	50.93%	40.87%	-10.06%
2004-05	42.85%	45.65%	2.80%
2005-06	43.46%	49.69%	6.23%
2006-07	44.38%	54.49%	10.11%
2007-08	48.44%	53.66%	5.22%
2008-09	50.42%	55.04%	4.62%
2009-10	44.27%	50.17%	5.90%
2010-11	53.58%	60.51%	6.93%
2011-12	54.23%	59.48%	5.25%
2012-13	63.88%	53.50%	-10.38%
2013-14	60.14%	49.91%	-10.23%
2014-15	50.54%	48.75%	-1.79%

Probation Department

The departmental rates for the Probation Department range from 59.85% to 75.91%. For each fiscal year, the rates were calculated by totaling the county-wide rate, department rate, and bureau rate. The rates for the department did not vary much from year to year. In addition, the department's portion of claimed costs were low compared to the overall claimed costs. Therefore, rather than analyze each of the five fiscal years, we analyzed the departmental rates for the three most recent fiscal years (FY 2012-13 through FY 2014-15) by recalculating the department's ICRPs. Based on our analysis, the department's rates for FY 2012-13 through FY 2014-15 were correctly computed. Therefore, we accepted the supported rates for the remaining years. The departmental rates are the allowable rates used to calculate allowable indirect costs for the audit period.

The following table summarizes the claimed, allowable, and adjusted indirect cost rates for the audit period:

Fiscal Year	Probation Department		
	Claimed	Allowable	Rate Difference
	Indirect Cost Rates	Indirect Cost Rates	
2008-09	n/c	84.58%	n/a
2009-10	n/c	73.21%	n/a
2010-11	53.58%	68.91%	15.33%
2011-12	54.23%	73.67%	19.44%
2012-13	63.88%	75.91%	12.03%
2013-14	60.14%	67.75%	7.61%
2014-15	50.54%	59.85%	9.31%

n/c = not claimed

Summary of Audit Adjustment

For each fiscal year of the audit period, we recalculated allowable indirect costs by applying the audited indirect cost rates for each department to the total allowable salaries for each department. As a whole, we found that the county overstated indirect costs by \$376,828 for the audit period (\$27,985 related to misstated indirect cost rates and \$348,843 related to overstated salaries).

The following table summarizes the indirect costs adjustments by department and the county as a whole as described previously in this finding:

Department	Audit Adjustment Related to Unallowable Salaries	Audit Adjustment Related to Rate Difference	Total Adjustment
Sheriff	\$ (190,888)	\$ (33,176)	\$ (224,064)
District Attorney	(341)	2,899	2,558
Probation	(157,614)	2,292	(155,322)
Total	<u>\$ (348,843)</u>	<u>\$ (27,985)</u>	<u>\$ (376,828)</u>

Criteria

The parameters and guidelines (section V.B. – Claim Preparation and Submission-Indirect Cost Rates) state:

Indirect costs are costs that are incurred for a common or joint purpose...

Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in 2 CFR Part 225 (Office of Management and Budget (OMB) Circular A-87). Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal (ICRP) if the indirect cost rate claimed exceeds 10%.

If the claimant chooses to prepare an ICRP, both the direct costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B) and the indirect costs shall exclude capital expenditures and unallowable costs (as defined and described in 2 CFR Part 225, Appendix A and B (OMB Circular A-87 Attachments A and B)). However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. The distribution base may be: (1) total direct costs (excluding capital expenditures and other distorting items, such as pass-through funds, major subcontracts, etc.); (2) direct salaries and wages; or (3) another base which results in an equitable distribution.

In calculating an ICRP, the claimant shall have the choice of one of the following methodologies:

1. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by: (1) classifying a department's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base.

The result of this process is an indirect cost rate which is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected; or

2. The allocation of allowable indirect costs (as defined and described in OMB Circular A-87 Attachments A and B) shall be accomplished by: (1) separating a department into groups, such as divisions or sections, and then classifying the division's or section's total costs for the base period as either direct or indirect; and (2) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to mandates. The rate should be expressed as a percentage which the total amount of allowable indirect costs bears to the base selected.

Recommendation

The legislatively mandated ICAN Investigation Reports Program was suspended in the FY 2015-16 through FY 2017-18 Budget Acts. If the program becomes active again, we recommend that the county follow the mandated program claiming instructions and the parameters and guidelines to ensure that claimed costs include only eligible costs, are based on actual costs, and are properly supported.

County's Response

The county did not respond to the audit finding.

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