

VENTURA COUNTY

Audit Report

CUSTODY OF MINORS – CHILD ABDUCTION AND RECOVERY PROGRAM

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

*July 1, 2003, through June 30, 2007, excluding
July 1, 2004, through June 30, 2005*



JOHN CHIANG
California State Controller

July 2010



JOHN CHIANG
California State Controller

July 28, 2010

The Honorable Kathy Long
Chairperson, Board of Supervisors
Ventura County
800 South Victoria Avenue
Ventura, CA 93009-1540

Dear Ms. Long:

The State Controller's Office audited the costs claimed by Ventura County for the legislatively mandated Custody of Minors – Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996) for the period of July 1, 2003, through June 30, 2007, excluding July 1, 2004, through June 30, 2005.

The county claimed \$2,874,795 for the mandated program. Our audit disclosed that \$2,798,568 is allowable and \$76,227 is unallowable. The costs are unallowable because the county claimed unallowable salaries, benefits, and related indirect costs and overstated and understated indirect cost rates. The State paid the county \$2,009,139. Allowable costs claimed exceed the amount paid by \$789,429.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

cc: Joanne McDonald, Deputy Director
Ventura County Auditor-Controller's Office
Ernestine Cook, Fiscal Manager
Ventura County District Attorney's Office
Michael Jump, Director of Fiscal and Administrative Services
Ventura County District Attorney's Office
Jeff Carosone, Principal Program Budget Analyst
Cor-Gen Unit, Department of Finance
Jay Lal, Manager, Division of Accounting
and Reporting, State Controller's Office

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Audit Report

Summary

The State Controller's Office audited the costs claimed by Ventura County for the legislatively mandated Custody of Minors – Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996) for the period of July 1, 2003, through June 30, 2007, excluding July 1, 2004, through June 30, 2005.

The county claimed 2,874,795 for the mandated program. Our audit disclosed that \$2,798,568 is allowable and \$76,227 is unallowable. The costs are unallowable because the county claimed unallowable salaries, benefits, and related indirect costs and overstated and understated indirect cost rates. The State paid the county \$2,009,139. Allowable costs claimed exceed the amount paid by \$789,429.

Background

Chapter 1399, Statutes of 1976 established the mandated Child Abduction and Recovery Program based on the following laws:

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

These laws require the District Attorney's Office to assist persons having legal custody of a child in:

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

On September 19, 1979, the State Board of Control (now the Commission on State Mandates [CSM]) determined that this legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the parameters and guidelines on January 21, 1981, and last amended them on August 26, 1999. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies in claiming mandated program reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Custody of Minors – Child Abduction and Recovery Program for the period of July 1, 2003, through June 30, 2007, excluding July 1, 2004, through June 30, 2005.

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

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Conclusion

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

For the audit period, Ventura County claimed \$2,874,795 for costs of the Custody of Minors – Child Abduction and Recovery Program. Our audit disclosed that \$2,798,568 is allowable and \$76,227 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$843,761 is allowable. The State will pay that amount contingent upon available appropriations.

For the FY 2005-06 claim, the State paid the county \$975,248. Our audit disclosed that \$920,916 is allowable. The State will offset \$54,332 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2006-07 claim, the State paid the county \$1,033,891. Our audit disclosed that the entire amount is allowable.

**Views of
Responsible
Official**

We issued a draft audit report on June 9, 2010. Christine L. Cohen, Auditor-Controller, responded by letter dated June 18, 2010 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Ventura County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

July 28, 2010

**Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2007, excluding
July 1, 2004, through June 30, 2005**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries	\$ 465,546	\$ 454,764	\$ (10,782)	Finding 1
Benefits	188,706	186,841	(1,865)	Finding 1
Services and supplies	16,124	16,124	—	
Total direct costs	670,376	657,729	(12,647)	
Indirect costs	196,276	187,028	(9,248)	Findings 1, 2
Total direct and indirect costs	866,652	844,757	(21,895)	
Less offsetting savings/reimbursements	(996)	(996)	—	
Total program costs	<u>\$ 865,656</u>	843,761	<u>\$ (21,895)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 843,761</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 448,232	\$ 425,490	\$ (22,742)	Finding 1
Benefits	251,010	238,274	(12,736)	Finding 1
Services and supplies	57,652	57,652	—	
Total direct costs	756,894	721,416	(35,478)	
Indirect costs	223,757	204,903	(18,854)	Findings 1, 2
Total direct and indirect costs	980,651	926,319	(54,332)	
Less offsetting savings/reimbursements	(5,403)	(5,403)	—	
Total program costs	<u>\$ 975,248</u>	920,916	<u>\$ (54,332)</u>	
Less amount paid by the State		(975,248)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (54,332)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries	\$ 486,152	\$ 494,303	\$ 8,151	Finding 1
Benefits	278,072	280,745	2,673	Finding 1
Services and supplies	64,925	64,925	—	
Total direct costs	829,149	839,973	10,824	
Indirect costs	206,340	215,773	9,433	Findings 1, 2
Total direct and indirect costs	1,035,489	1,055,746	20,257	
Less offsetting savings/reimbursements	(1,598)	(1,598)	—	
Less allowable costs that exceed costs claimed ²	—	(20,257)	(20,257)	
Total program costs	<u>\$ 1,033,891</u>	1,033,891	<u>\$ —</u>	
Less amount paid by the State		(1,033,891)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2003, through June 30, 2007, excluding July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 1,399,930	\$ 1,374,557	\$ (25,373)	Finding 1
Benefits	717,788	705,860	(11,928)	Finding 1
Services and supplies	138,701	138,701	—	
Total direct costs	2,256,419	2,219,118	(37,301)	
Indirect costs	626,373	607,704	(18,669)	Findings 1, 2
Total direct and indirect costs	2,882,792	2,826,822	(55,970)	
Less offsetting savings/reimbursements	(7,997)	(7,997)	—	
Less allowable costs that exceed costs claimed ²	—	(20,257)	(20,257)	
Total program costs	<u>\$ 2,874,795</u>	2,798,568	<u>\$ (76,227)</u>	
Less amount paid by the State		(2,009,139)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 789,429</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2006-07.

Findings and Recommendations

FINDING 1— Unallowable salaries, benefits, and indirect costs

The county claimed unallowable salaries totaling \$25,373. The related benefits and indirect costs total \$11,928 and \$12,224, respectively. We made the audit adjustment for the reasons listed below.

Fiscal Year 2003-04

- The county claimed 100% of the annual salary costs for two employees who performed both mandate-related and non-mandate-related activities. We calculated productive hourly rates for these employees and allowed the mandate-related salary costs that the employees' timesheets supported. The unallowable salaries and benefits total \$4,925 and \$2,019, respectively.
- The county understated one employee's productive hourly rate and benefit rate. The county claimed costs using a productive hourly rate of \$53.28 and a benefit rate of 32%. We calculated allowable rates of \$56.18 and 42%, respectively. The understated salaries and benefits total \$1,501 and 3,486, respectively.
- The county claimed additional salaries and benefits related to prior year and current year accruals for Organization Code 3482 (Child Recovery Unit). However, the county already claimed employees' total actual costs for the year based on payroll warrants. Therefore, the additional costs are unallowable. The unallowable salaries and benefits total \$7,358 and \$3,332, respectively.

Fiscal Year 2005-06

- The county calculated productive hourly rates to claim employees' mandate-related costs. For three employees, the county claimed costs based on the total hours shown on the employees' timesheets, which included vacation, sick leave, and holiday hours. The productive hourly rates reimburse the county for vacation sick leave, and holiday time; therefore, the county may not claim these hours separately. The unallowable salaries and benefits total \$10,377 and \$5,812, respectively.
- For one employee, the county overstated mandate-related costs. The employee's time records did not support the total number of hours claimed. The unallowable salaries and benefits total \$6,785 and \$3,799, respectively.
- For one employee, the county understated mandate-related costs. The employee's time records support mandate-related hours that exceed the number of hours claimed. The understated salaries and benefits total \$3,208 and \$1,796, respectively.
- The county claimed salaries and benefits for "term buy downs." The county incurred these costs when employees cashed out accrued vacation time. However, the county claimed costs using productive

hourly rates; which reimburse the county for vacation sick leave, and holiday time. Therefore, the county may not separately claim costs for “term buy downs.” The unallowable salaries and benefits total \$8,788 and \$4,921, respectively.

Fiscal Year 2006-07

- The county calculated productive hourly rates to claim employees’ mandate-related salaries. The county understated claimed costs for two employees. The county understated a child recovery unit employee’s actual hours. The county understated salary costs by \$5,728 for this employee. There are no understated benefit costs, as the county already claimed the employee’s full benefits costs. The county also understated a bureau of investigations unit employee’s actual hours, which resulted in understated salaries and benefits total \$2,423 and \$1,402, respectively.
- The county understated benefit costs for two employees from the bureau of investigations unit who performed mandate-related activities. The county calculated an average benefit rate for the child recovery unit and applied this rate to the two bureau of investigations unit employees. Child recovery unit costs are unrelated to bureau of investigations unit employees. We calculated the actual benefit costs for each bureau of investigations unit employee. The actual benefit costs exceeded claimed benefit costs. The county understated these employees’ benefit costs by \$1,271.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2003-04	2005-06	2006-07	
Salaries	\$ (10,782)	\$ (22,742)	\$ 8,151	\$ (25,373)
Benefits	(1,865)	(12,736)	2,673	(11,928)
Total direct costs	(12,647)	(35,478)	10,824	(37,301)
Indirect costs	(3,794)	(11,353)	2,923	(12,224)
Audit adjustment	\$ (16,441)	\$ (46,831)	\$ 13,747	\$ (49,525)

The program’s parameters and guidelines state, “. . . all costs claimed must be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.” They also state that the county must “specify the actual number of hours devoted to each [mandate-related] function.”

Recommendation

We recommend that the county claim costs based on actual mandate-related hours, productive hourly rates, and benefit rates that its records support.

County’s Response

The county agreed with the finding.

**FINDING 2—
Overstated and
understated indirect
cost rates**

The county claimed unallowable indirect costs totaling \$6,445. The county overstated and understated its indirect cost rates for the audit period.

Fiscal Years 2003-04 and 2005-06

The county overstated the indirect cost rate for both fiscal years. The county overstated internal service fund (ISF) costs and understated other services and supplies costs that it included in its indirect cost pools. The county overstated ISF costs because it reported total departmental ISF costs, which included ISF costs that it allocated as direct cost to individual units within the department. The county understated other services and supplies because it did not include the administrative unit's services and supplies costs in the indirect cost pools.

Fiscal Year 2006-07

The county understated the indirect cost rate for this fiscal year. The county overstated ISF costs and understated other services and supplies costs for the reasons noted above. The county also understated ISF costs because it did not include Account No. 2521, Transportation Charges–Internal Service Fund, in the indirect cost pool.

<u>Cost Component</u>	<u>Costs Reported</u>	<u>Allowable Costs</u>	<u>Audit Adjustment</u>
<u>Fiscal Year 2003-04</u>			
Direct costs:			
Salaries and benefits (A)	\$ 22,553,454	\$ 22,553,454	\$ (56,345)
Indirect costs:			
Salaries and benefits	\$ 3,640,967	\$ 3,640,967	\$ —
Internal service funds	2,441,972	2,168,633	(273,339)
Other services and supplies	—	35,976	35,976
Cost plan allocation	728,173	728,173	—
Total indirect costs (B)	\$ 6,811,112	\$ 6,573,749	\$ (237,363)
Allowable indirect cost rate, FY 2003-04 ((B) ÷ (A))		29.15%	
<u>Fiscal Year 2005-06</u>			
Direct costs:			
Salaries and benefits (C)	\$ 25,004,273	\$ 25,004,273	\$ —
Indirect costs:			
Salaries and benefits	\$ 3,890,282	\$ 3,890,282	\$ —
Internal service funds	2,226,550	1,956,652	(269,898)
Other services and supplies	—	76,382	76,382
Cost plan allocation	1,794,742	1,794,742	—
Total indirect costs (D)	\$ 7,911,574	\$ 7,718,058	\$ (193,516)
Allowable indirect cost rate, FY 2005-06 ((D) ÷ (C))		30.87%	
<u>Fiscal Year 2006-07</u>			
Direct costs:			
Salaries and benefits (E)	\$ 26,408,382	\$ 26,408,382	\$ —
Indirect costs:			
Salaries and benefits	\$ 3,981,131	\$ 3,981,131	\$ —
Internal service funds	2,039,911	2,034,367	(5,544)
Other services and supplies	—	205,363	205,363
Cost plan allocation	1,130,930	1,130,930	—
Total indirect costs (F)	\$ 7,151,972	\$ 7,351,791	\$ 199,819
Allowable indirect cost rate, FY 2006-07 ((F) ÷ (E))		27.84%	

The following table summarizes the adjustments to the county's indirect cost rates for the audit period:

	Fiscal Year			Total
	2003-04	2005-06	2006-07	
Allowable indirect cost rate	29.15%	30.87%	27.84%	
Indirect cost rate claimed	30.00%	32.00%	27.00%	
Unallowable indirect cost rate	(0.85)%	(1.13)%	0.84%	
Allowable salaries and benefits	×\$641,605	×\$663,764	×\$775,048	
Audit adjustment	\$ (5,454)	\$ (7,501)	\$ 6,510	\$ (6,445)

The parameters and guidelines state, “All costs claimed must be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.” They also state, “Compensation for indirect costs is eligible for reimbursement utilizing the procedure provided in the OMB Circular A-87.” Title 2, *Code of Federal Regulations*, Part 225 (Office of Management and Budget [OMB] Circular A-87), Attachment A, states that a cost is allocable to a particular cost objective in accordance with the relative benefits received.

Recommendation

We recommend that the county prepare its indirect cost rates in accordance with OMB Circular A-87 and ensure that it allocates indirect costs in accordance with the relative benefits received.

County's Response

The county agreed with the finding.

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

CHRISTINE L. COHEN
AUDITOR-CONTROLLER
County of Ventura
800 South Victoria Avenue
Ventura, CA 93009-1540



CHIEF DEPUTIES
LOUISE WEBSTER
SANDRA BICKFORD
BARBARA BEATTY
JOANNE McDONALD

June 18, 2010

Jim L. Spano, Chief
Mandated Cost Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

SUBJECT: CUSTODY OF MINORS – CHILD ABDUCTION AND RECOVERY PROGRAM DRAFT AUDIT FINDINGS

Dear Mr. Spano:

The purpose of this letter is to respond as requested to the draft of the State Controller's Office report regarding the claims of Ventura County for the legislatively mandated Custody of Minors – Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996) for the period of July 1, 2003, through June 30, 2007, excluding July 1, 2004, through June 30, 2005.

We have reviewed the enclosed draft report and concur with the summary findings and recommendations indicated in the report.

If you have any questions, please contact Joanne McDonald, Chief Deputy Auditor-Controller, at (805) 654-3191.

Sincerely,

A handwritten signature in black ink, appearing to be "Christine L. Cohen".

CHRISTINE L. COHEN
Auditor-Controller

Enclosure

Cc: Michael Jump, Director of Fiscal and Administrative Services
District Attorney's Office

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

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