

BUTTE COUNTY

Audit Report

CHILD ABDUCTION AND RECOVERY PROGRAM

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

July 1, 2003, through June 30, 2006



JOHN CHIANG
California State Controller

June 2008



JOHN CHIANG
California State Controller

June 13, 2008

The Honorable Curt Josiassen
Chairperson
Board of Supervisors
Butte County
25 County Center Drive
Oroville, CA 95965-3383

Dear Mr. Josiassen:

The State Controller's Office audited the costs claimed by Butte County for the legislatively mandated Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996) for the period of July 1, 2003, through June 30, 2006.

The county claimed \$832,396 for the mandated program. Our audit disclosed that \$537,332 is allowable and \$295,064 is unallowable. The unallowable costs resulted primarily because the county claimed non-mandate-related, overstated, and unsupported costs. The State paid the county \$419,212. Allowable costs claimed exceed the amount paid by \$118,120.

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: The Honorable David Houser, Auditor-Controller
Butte County
Tom Limper, Assistant Auditor-Controller
Butte County
Constance Carter, Chief Administrator
District Attorney's Office
Butte County
Todd Jerue, Program Budget Manager
Corrections and General Government
Department of Finance

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	6
Attachment—County’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Butte County for the legislatively mandated Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996) for the period of July 1, 2003, through June 30, 2006.

The county claimed \$832,396 for the mandated program. Our audit disclosed that \$537,332 is allowable and \$295,064 is unallowable. The unallowable costs resulted primarily because the county claimed non-mandate-related, overstated, and unsupported costs. The State paid the county \$419,212. Allowable costs claimed exceed the amount paid by \$118,120.

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 unlawfully 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. 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 Child Abduction and Recovery Program for the period of July 1, 2003, through June 30, 2006.

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 the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

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

Conclusion

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

For the audit period, Butte County claimed \$832,396 for costs of the Child Abduction and Recovery Program. Our audit disclosed that \$537,332 is allowable and \$295,064 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$180,778 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$211,117. Our audit disclosed that \$148,459 is allowable. The State will offset \$62,658 from other mandated program payments due to the county. Alternatively, the county may remit this amount to the State.

For the FY 2005-06 claim, the State paid the county \$208,095. Our audit disclosed that the entire amount is allowable.

**Views of
Responsible
Official**

We issued a draft audit report on April 18, 2008. Michael L. Ramsey, District Attorney, responded by letter dated May 9, 2008 (Attachment), agreeing with the audit results. The county stated that most unallowable costs resulted because its consultant erred in preparing the county's claims and the county lacked sufficient controls to discover and correct those errors. The county stated that it has corrected its claim authorization process. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Butte 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

June 13, 2008

**Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2006**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries	\$ 260,424	\$ 109,407	\$ (151,017)	Finding 1
Benefits	69,424	43,071	(26,353)	Finding 1
Total direct costs	329,848	152,478	(177,370)	
Indirect costs	83,336	28,300	(55,036)	Finding 2
Total program costs	<u>\$ 413,184</u>	180,778	<u>\$ (232,406)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 180,778</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 119,052	\$ 86,728	\$ (32,324)	Finding 1
Benefits	50,040	42,187	(7,853)	Finding 1
Total direct costs	169,092	128,915	(40,177)	
Indirect costs	42,025	19,544	(22,481)	Finding 2
Total program costs	<u>\$ 211,117</u>	148,459	<u>\$ (62,658)</u>	
Less amount paid by the State		(211,117)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (62,658)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 119,052	\$ 119,052	\$ —	
Benefits	50,023	64,065	14,042	Finding 1
Services and supplies	34,739	29,816	(4,923)	Finding 2
Training and travel	4,281	1,165	(3,116)	Finding 3
Total direct costs	208,095	214,098	6,003	
Less allowable costs that exceed costs claimed ²	—	(6,003)	(6,003)	
Total program costs	<u>\$ 208,095</u>	208,095	<u>\$ —</u>	
Less amount paid by the State		(208,095)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>Summary: July 1, 2003, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 498,528	\$ 315,187	\$ (183,341)	
Benefits	169,487	149,323	(20,164)	
Services and supplies	34,739	29,816	(4,923)	
Training and travel	<u>4,281</u>	<u>1,165</u>	<u>(3,116)</u>	
Total direct costs	707,035	495,491	(211,544)	
Indirect costs	<u>125,361</u>	<u>47,844</u>	<u>(77,517)</u>	
Total direct and indirect costs	832,396	543,335	(289,061)	
Less allowable costs that exceed costs claimed ²	<u>—</u>	<u>(6,003)</u>	<u>(6,003)</u>	
Total program costs	<u>\$ 832,396</u>	537,332	<u>\$ (295,064)</u>	
Less amount paid by the State		<u>(419,212)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 118,120</u>		

¹ See the Findings and Recommendations section.

² Government Code section 17561 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 2005-06.

Findings and Recommendations

FINDING 1— Overstated and understated salaries and benefits

The county claimed unallowable salaries and benefits totaling \$203,505. The unallowable costs resulted because the county both overstated and understated allowable salaries and benefits during the audit period. The audit adjustment resulted for the following reasons:

Fiscal Year 2003-04

- The county claimed costs related to an attorney who did not perform mandate-related activities. The unallowable salaries and benefits total \$82,152 and \$24,646, respectively.
- The county's payroll records did not support claimed costs for an investigator. The employee retired during the fiscal year; however, the county erroneously claimed the employee's full annual salary and benefit costs. The unallowable salaries and benefits totaled \$70,251 and \$1,531, respectively.
- The county's payroll records show that the county understated claimed costs for an investigative assistant. The understated salaries and benefits total \$1,386 and \$556, respectively.
- The county's payroll records show that the county overstated benefits claimed by \$732 for a legal secretary.

Fiscal Year 2004-05

The county claimed unallowable costs for an investigator. The county claimed the employee's full annual costs; however, the employee also worked on non-mandate-related activities. The unallowable salaries and benefits totaled \$32,324 and \$7,853, respectively.

Fiscal Year 2005-06

The county understated allowable benefits by \$14,042 because it erroneously claimed costs identical to those it claimed in fiscal year (FY) 2004-05, rather than actual FY 2005-06 costs.

The following table summarizes the audit adjustment:

Cost Elements	Fiscal Year			Total
	2003-04	2004-05	2005-06	
Salaries	\$ (151,017)	\$ (32,324)	\$ —	\$ (183,341)
Benefits	(26,353)	(7,853)	14,042	(20,164)
Audit adjustment	<u>\$ (177,370)</u>	<u>\$ (40,177)</u>	<u>\$ 14,042</u>	<u>\$ (203,505)</u>

The program's parameters and guidelines require counties to report actual costs. They also require that costs claimed "be traceable to source documents and/or worksheets that show evidence of and the validity of such costs."

Recommendation

We recommend that the county claim only those costs that its accounting records support. In addition, we recommend that the county claim only mandate-related costs.

County's Response

The county agreed with the audit finding.

**FINDING 2—
Overstated indirect
cost rates**

The county claimed unallowable indirect costs totaling \$77,517 and unallowable services and supplies totaling \$4,923. The county claimed indirect costs as services and supplies in FY 2005-06. The county overstated its indirect cost rates for the following reasons:

- The county's consultant prepared its mandated cost claims by calculating indirect cost rate proposals (ICRPs) specifically for the mandated program. However, the county had pre-existing ICRPs for the Office of the District Attorney. The county prepared its ICRPs using a provisional rate methodology allowed by Office of Management and Budget (OMB) Circular A-87 (Title 2, Code of Federal Regulations, Part 225). County representatives agreed that the consultant's ICRPs are erroneous and that the SCO should use the county's ICRPs to calculate allowable indirect costs.
- The county did not provide documentation to support the actual time that the Assistant District Attorney spent on direct and indirect activities during FY 2001-02 and FY 2002-03, the fiscal years that the county used to calculate provisional ICRPs for its FY 2003-04 and FY 2004-05 claims, respectively. As a result, the indirect salaries and benefits and related services and supplies are unallowable.
- The county did not provide documentation to support the actual time that the Assistant District Attorney and District Attorney Chief Investigator spent on direct and indirect activities during FY 2003-04, the fiscal year that the county used to calculate the provisional ICRP for its FY 2005-06 claim. As a result, the indirect salaries and benefits, and related services and supplies, are unallowable.

The following table summarizes the adjustments to the county's provisional indirect cost rates:

	<u>Costs Reported</u>	<u>Allowable Costs</u>	<u>Audit Adjustment</u>
<u>FY 2001-02</u>			
Direct costs:			
Salaries and wages	\$ 3,707,339	\$ 3,707,339	\$ —
Fringe benefits	1,173,445	1,173,445	—
Total direct costs (A)	<u>\$ 4,880,784</u>	<u>\$ 4,880,784</u>	<u>\$ —</u>

	<u>Costs Reported</u>	<u>Allowable Costs</u>	<u>Audit Adjustment</u>
<u>FY 2001-02 (continued)</u>			
Indirect costs:			
Salaries and wages	\$ 530,103	\$ 454,308	\$ (75,795)
Fringe benefits	150,460	128,947	(21,513)
Services and supplies	123,365	105,726	(17,639)
Total indirect costs (B)	<u>\$ 803,928</u>	<u>\$ 688,981</u>	<u>\$ (114,947)</u>
Indirect cost rate, FY 2001-02 (B ÷ A)	16.47%	14.12%	(2.35)%
Less actual indirect cost rate, FY 1999-2000	<u>(9.68)%</u>	<u>(9.68)%</u>	<u>—</u>
Roll forward amount	6.79%	4.44%	(2.35)%
Indirect cost rate, FY 2001-02	<u>16.47%</u>	<u>14.12%</u>	<u>(2.35)%</u>
Provisional indirect cost rate, FY 2003-04	<u>23.26%</u>	<u>18.56%</u>	<u>(4.70)%</u>
<u>FY 2002-03</u>			
Direct costs:			
Salaries and wages	\$ 4,233,968	\$ 4,233,968	\$ —
Fringe benefits	1,424,876	1,424,876	—
Total direct costs (C)	<u>\$ 5,658,844</u>	<u>\$ 5,658,844</u>	<u>\$ —</u>
Indirect costs:			
Salaries and wages	\$ 535,927	\$ 460,132	\$ (75,795)
Fringe benefits	160,533	137,829	(22,704)
Services and supplies	122,119	104,848	(17,271)
Total indirect costs (D)	<u>\$ 818,579</u>	<u>\$ 702,809</u>	<u>\$ (115,770)</u>
Indirect cost rate, FY 2002-03 (D ÷ C)	14.47%	12.42%	(2.05)%
Less actual indirect cost rate, FY 2000-01	<u>(9.68)%</u>	<u>(9.68)%</u>	<u>—</u>
Roll forward amount	4.79%	2.74%	(2.05)%
Indirect cost rate, FY 2002-03	<u>14.47%</u>	<u>12.42%</u>	<u>(2.05)%</u>
Provisional indirect cost rate, FY 2004-05	<u>19.26%</u>	<u>15.16%</u>	<u>(4.10)%</u>
<u>FY 2003-04</u>			
Direct costs:			
Salaries and wages	\$ 4,284,614	\$ 4,284,614	\$ —
Fringe benefits	1,752,408	1,752,408	—
Total direct costs (E)	<u>\$ 6,037,022</u>	<u>\$ 6,037,022</u>	<u>\$ —</u>
Indirect costs:			
Salaries and wages	\$ 550,271	\$ 455,078	\$ (95,193)
Fringe benefits	203,923	168,646	(35,277)
Services and supplies	89,279	73,835	(15,444)
Total indirect costs (F)	<u>\$ 843,473</u>	<u>\$ 697,559</u>	<u>\$ (145,914)</u>
Indirect cost rate, FY 2003-04 (F ÷ E)	13.97%	11.55%	(2.42)%
Less actual indirect cost rate, FY 2001-02	<u>(16.47)%</u>	<u>(14.12)%</u>	<u>2.35%</u>
Roll forward amount	(2.50)%	(2.57)%	(0.07)%
Indirect cost rate, FY 2003-04	<u>13.97%</u>	<u>11.55%</u>	<u>(2.42)%</u>
Provisional indirect cost rate, FY 2005-06	<u>11.47%</u>	<u>8.98%</u>	<u>(2.49)%</u>

The following table summarizes the audit adjustment:

	Fiscal Year		
	2003-04	2004-05	2005-06
Allowable salaries and benefits	\$ 152,478	\$ 128,915	\$ 183,117
Allowable indirect cost rate	× 18.56%	× 15.16%	× 8.98%
Allowable indirect costs	28,300	19,544	16,444
Less indirect costs claimed	(83,336)	(42,025)	—
Less services and supplies (intrafund-indirect costs) claimed	—	—	(21,367)
Audit adjustment	<u>\$ (55,036)</u>	<u>\$ (22,481)</u>	<u>\$ (4,923)</u>

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.” The parameters and guidelines also state that counties may claim indirect costs using the procedures provided in OMB Circular A-87. The circular states that the county must distribute salaries and wages based on personnel activity reports or equivalent documentation when employees work on both indirect and direct cost activities.

Recommendation

We recommend that the county:

- Claim mandated program indirect costs by using the same departmental provisional indirect cost rate that it uses to allocate indirect costs to non-mandate-related programs.
- Allocate salaries and wages between direct and indirect activities based on personnel activity reports or equivalent documentation that meet the requirements of OMB Circular A-87.

County’s Response

The county agreed with the audit finding.

FINDING 3— Unallowable travel and training costs

The county claimed unallowable travel and training costs totaling \$3,116. The unallowable costs are not related to the child abduction program.

In its FY 2005-06 claim, the county claimed costs for an investigator to attend homicide investigations training. The training agenda shows that this class was not related to child abduction. In addition, the county claimed training costs for an employee who was not assigned to the child abduction unit. County representatives stated that the county claimed these costs in error.

The county also claimed vehicle procurement fee costs and costs for its information systems staff to attend a meeting on automated case tracking system software. However, the county did not provide any documentation showing that the costs were related to the child abduction and recovery mandated program.

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.”

Recommendation

We recommend that the county claim only those travel and training costs that are related to the child abduction and recovery mandated program.

County’s Response

The county agreed with the audit finding.

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



BUTTE COUNTY DISTRICT ATTORNEY



MICHAEL L. RAMSEY
District Attorney

FRANCISCO R. ZARATE
Chief Deputy District Attorney

ANTHONY G. KOESTER
Chief Investigator

May 9, 2008

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

Re: Response to the Child Abduction and Recovery Program (SB90 Mandated Costs)
Draft Audit Report

Dear Mr. Spano:

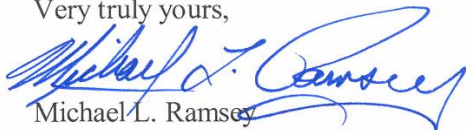
Thank you for the draft audit report on the SB90 State Mandated Costs claim of the Child Abduction and Recovery Program.

The State Controller's draft audit report pertaining to the County's SB90 Child Abduction and Recovery Program states:

Audit Report Summary: "The County claimed \$832,396 for the mandated program. Our audit disclosed that \$537,332 is allowable and \$295,064 is unallowable. The unallowable costs resulted primarily because the county claimed non-mandated-related, overstated, and unsupported costs. The State paid the county \$419,212. Allowable costs claimed exceed the amount paid by \$118,120."

Response: We agree with the draft audit report summary written above. We would like to point out; the District Attorney's Office assumes responsibility for \$12,832 of the total unallowable costs. The other \$282,232 is attributed to the contractor who prepared the SB90 claim because of their erroneous use of claim data provided by the District Attorney. In addition, the county's authorization process on the claims prepared by the contractor lacked sufficient controls to discover and correct the errors which have since been corrected.

Very truly yours,


Michael L. Ramsey
District Attorney

cc: Mr. David Houser, Auditor –Controller
County of Butte County

Mr. Steve W. VanZee, Audit Manager
State Controller's Division of Audits

**State Controller's Office
Division of Audits
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