

SAN DIEGO 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, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

January 2005



STEVE WESTLY
California State Controller

January 10, 2005

Ms. Tracy M. Sandoval
Assistant Chief Financial Officer/
Auditor and Controller
San Diego County
1600 Pacific Highway, Room 166
San Diego, CA 92101

Dear Ms. Sandoval:

The State Controller's Office audited the claims filed by San Diego County for costs of 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, 1999, through June 30, 2002.

The county claimed \$3,080,207 (\$3,081,207 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$3,045,947 is allowable and \$34,260 is unallowable. The unallowable costs occurred primarily because the county claimed ineligible and unsupported costs. The State paid the county \$1,806,506. Allowable costs claimed exceed the amount paid by \$1,239,441.

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

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/jj

cc: Dorothy Thrush
Assistant Chief Administrator
District Attorney's Office
San Diego County
James Tilton, Program Budget Manager
Corrections and General Government
Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by San Diego County for costs of 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, 1999, through June 30, 2002. The last day of fieldwork was October 20, 2003.

The county claimed \$3,080,207 (\$3,081,207 less a \$1,000 penalty for filing a late claim) for the mandated program. The audit disclosed that \$3,045,947 is allowable and \$34,260 is unallowable. The unallowable costs occurred primarily because the county claimed ineligible and unsupported costs. The State paid the county \$1,806,506. Allowable costs claimed exceed the amount paid by \$1,239,441.

Background

Family Code Sections 3060 through 3064; *Penal Code* Sections 277, 278, and 278.5; and *Welfare and Institutions Code* Section 114785 were added and amended by Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996. The law requires 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;
- Participating in 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 [COSM]) determined that this legislation imposed a state mandate reimbursable under *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. COSM adopted *Parameters and Guidelines* on January 21, 1981, and last amended it on August 26, 1999. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies in claiming 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, 1999, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and 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* Section 17558.5. 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, San Diego County claimed and was paid \$3,080,207 (\$3,081,207 less a \$1,000 penalty for filing a late claim) for Child Abduction and Recovery Program costs. Our audit disclosed that \$3,045,947 is allowable and \$34,260 is unallowable.

For fiscal year (FY) 1999-2000, the State paid the county \$788,597. Our audit disclosed that \$778,554 is allowable. The county should return \$10,043 to the State.

For FY 2000-01, the State paid the county \$705,938. Our audit disclosed that \$1,033,923 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$327,985, contingent upon available appropriations.

For FY 2001-02, the State paid the county \$311,971. Our audit disclosed that \$1,233,470 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$921,499, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on October 28, 2004. Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller, responded by letter dated November 30, 2004 (Attachment), agreeing with the audit results. The final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of San Diego 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

**Schedule 1—
Summary of Program Costs
July 1, 1999 through June 30, 2002**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference¹</u>
<u>July 1, 1999, through June 30, 2000</u>				
Salaries	\$ 509,594	\$ 509,594	\$ —	
Benefits	125,113	125,113	—	
Services and supplies	14,798	11,398	(3,400)	Finding 1
Fixed assets	10,219	3,576	(6,643)	Finding 2
Travel and training	<u>62,737</u>	<u>62,737</u>	<u>—</u>	
Total direct costs	722,461	712,418	(10,043)	
Indirect costs	<u>66,136</u>	<u>66,136</u>	<u>—</u>	
Total reimbursable costs	<u>\$ 788,597</u>	778,554	<u>\$ (10,043)</u>	
Less amount paid by the State		<u>(788,597)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (10,043)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Salaries	\$ 612,223	\$ 612,223	\$ —	
Benefits	146,424	146,424	—	
Services and supplies	56,115	53,701	(2,414)	Finding 1
Fixed assets	24,532	16,770	(7,762)	Finding 2
Travel and training	<u>129,963</u>	<u>126,982</u>	<u>(2,981)</u>	Finding 3
Total direct costs	969,257	956,100	(13,157)	
Indirect costs	<u>78,823</u>	<u>78,823</u>	<u>—</u>	
Subtotals	1,048,080	1,034,923	(13,157)	
Less late penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Total reimbursable costs	<u>\$ 1,047,080</u>	1,033,923	<u>\$ (13,157)</u>	
Less amount paid by the State		<u>(705,938)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 327,985</u>		
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 714,692	\$ 714,692	\$ —	
Benefits	169,688	169,688	—	
Services and supplies	67,579	63,569	(4,010)	Finding 1
Fixed assets	18,870	18,870	—	
Travel and training	<u>131,139</u>	<u>124,089</u>	<u>(7,050)</u>	Finding 3
Total direct costs	1,101,968	1,090,908	(11,060)	
Indirect costs	<u>142,562</u>	<u>142,562</u>	<u>—</u>	
Total reimbursable costs	<u>\$ 1,244,530</u>	1,233,470	<u>\$ (11,060)</u>	
Less amount paid by the State		<u>(311,971)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 921,499</u>		

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustments</u>	<u>Reference</u> ¹
Summary: July 1, 1999, through June 30, 2002				
Salaries	\$ 1,836,509	\$ 1,836,509	\$ —	
Benefits	441,225	441,225	—	
Services and supplies	138,492	128,668	(9,824)	Finding 1
Fixed assets	53,621	39,216	(14,405)	Finding 2
Travel and training	<u>323,839</u>	<u>313,808</u>	<u>(10,031)</u>	Finding 3
Total direct costs	2,793,686	2,759,426	(34,260)	
Indirect costs	<u>287,521</u>	<u>287,521</u>	<u>—</u>	
Subtotals	3,081,207	3,046,947	(34,260)	
Less late penalty	<u>(1,000)</u>	<u>(1,000)</u>	<u>—</u>	
Total reimbursable costs	<u>\$ 3,080,207</u>	3,045,947	<u>\$ (34,260)</u>	
Less amount paid by the State		<u>(1,806,506)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,239,441</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable services
and supplies costs**

The county overstated services and supplies costs by \$9,824 because it claimed ineligible membership costs for employees who did not perform mandated activities and claimed unsupported costs.

For FY 1999-2000, the county claimed California District Attorneys Association membership fees totaling \$3,400 for employees who did not perform mandated activities. The county also claimed unsupported Information Services Fund (ISF) facility charges of \$2,414 for FY 2000-01 and ISF vehicle maintenance charges of \$4,010 for FY 2001-02. The county did not support the methodology used to calculate either of the charges or identify why they were applicable to the mandate.

A summary of unallowable services and supplies costs is as follows:

	Fiscal Year			Total
	1999-2000	2000-01	2001-02	
Services and supplies costs	\$ (3,400)	\$ (2,414)	\$ (4,010)	\$ (9,824)

Parameters and Guidelines states that only expenditures that can be identified as a direct result of the mandate may be claimed.

Recommendation

We recommend that the county properly support all claimed costs that are eligible for reimbursement.

County’s Response

The county concurs with this finding and will take measures to prevent these errors in the future.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 2—
Unallowable
depreciation costs**

The county overstated depreciation costs by \$14,405 for vehicles purchased in FY 1999-2000 and FY 2000-01.

The county purchased three vehicles in February 2000 and three more vehicles in May 2001 that are used entirely for mandated activities. The county claimed 12 months of depreciation for all six vehicles rather than claiming depreciation for the period they were in use during the fiscal years.

A summary of the unallowable depreciation costs is as follows:

	Fiscal Year		Total
	1999-2000	2000-01	
Allowable depreciation costs	\$ 3,576	\$ 889	\$ 4,465
Claimed depreciation costs	<u>(10,219)</u>	<u>(8,651)</u>	<u>(18,870)</u>
Total	<u>\$ (6,643)</u>	<u>\$ (7,762)</u>	<u>\$ (14,405)</u>

Parameters and Guidelines states that only expenditures that can be identified as a direct cost of the mandate such as, but not limited to, vehicles may be claimed.

San Diego County’s policy is to depreciate all fixed assets with an initial cost of \$5,000 or more. Vehicles are depreciated on a straight-line basis with a useful life of seven years, assuming a depreciation value of 95% and a residual value of 5%.

Recommendation

We recommend that the county properly support all claimed costs that are eligible for reimbursement.

County’s Response

The county concurs with this finding and will take measures to prevent these errors in the future.

SCO’s Comment

The finding and recommendation remain unchanged.

**FINDING 3—
Unallowable travel
and training costs**

The county overstated travel and training costs by \$10,031 (\$2,981 in travel and \$7,050 in training). The county made a mathematical error when preparing a spreadsheet of travel costs claimed for the mandate. In addition, the county claimed training costs for employees who did not perform mandated activities.

A summary of the unallowable travel and training costs is as follows:

	Fiscal Year		Total
	2000-01	2001-02	
Travel and training costs	<u>\$ (2,981)</u>	<u>\$ (7,050)</u>	<u>\$ (10,031)</u>

Parameters and Guidelines for the Child Abduction and Recovery Program and *Government Code* Section 17560 allow for reimbursement only of actual increased costs incurred in the performance of mandated activities.

Parameters and Guidelines states that the cost of training an employee to perform the mandated activities is eligible for reimbursement.

Recommendation

We recommend that the county properly support all claimed costs that are eligible for reimbursement. We also recommend that the county claim training costs only for county employees performing mandated activities.

County's Response

The county concurs with this finding and will take measures to prevent these errors in the future.

SCO's Comment

The finding and recommendation remain unchanged.

OTHER ISSUE

The county states that it anticipates that the remaining balance of \$1,239,441 due to the county under the mandate program will be paid to the county with prescribed interest, per Section 2.5 of the SCO Local Agencies Mandated Cost Manual.

SCO's Comment

Accrued interest on fiscal years' outstanding balances owed to the county of \$1,249,484 (\$327,985 for FY 2001-02 and \$921,499 for FY 2002-03) will be paid upon available appropriation of interest.

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



County of San Diego

DONALD F. STEUER
CHIEF FINANCIAL OFFICER
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FAX (619) 531-5219

AUDITOR AND CONTROLLER
1600 PACIFIC HIGHWAY STE 166, SAN DIEGO, CALIFORNIA 92101-2478

TRACY M. SANDOVAL
ASST. CHIEF FINANCIAL OFFICER/
AUDITOR & CONTROLLER
(619) 531-5413
FAX (619) 531-5219

November 30, 2004

Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

RESPONSE TO DRAFT AUDIT REPORT OF THE CHILD ABDUCTION RECOVERY PROGRAM: FISCAL YEARS 1999/00 THROUGH 2001/02

Thank you for giving us the opportunity to review your draft audit report. Overall, we concur with your findings. As reported, the County claimed costs of \$3,080,207 during the audit period. Of this amount, \$3,045,947 was found to be allowable, while \$34,260 was determined to be unallowable due to ineligible and unsupported costs. Measures will be taken to prevent these errors in the future. (See Attachment).

Of the total allowable costs, the County was paid \$1,806,506. Pursuant to the State Controller's Local Agencies Mandated Cost Manual, Section 2.5 – Payment of Claims, we anticipate that the remaining balance of \$1,239,441 will be paid to the County with the prescribed interest.

If you have any questions, please contact Gina Surgeon of our Revenue and Cost Accounting Division at (619) 531-4825 or Steve Lujan, of the District Attorney's Office at (619) 531-4374.

Sincerely,

TRACY M. SANDOVAL
Assistant Chief Financial Officer/Auditor and Controller

RCA:GS:lc

Attachment

- c: Dorothy Thrush, Finance Director, Public Safety Group
- Gary Haehnle, Deputy District Attorney
- Arlene Smith, District Attorney's Office
- Lucy Black, District Attorney's Office
- Luis Mallett, District Attorney's Office
- Steve Lujan, District Attorney's Office
- Gina Surgeon, Auditor and Controller's department

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