

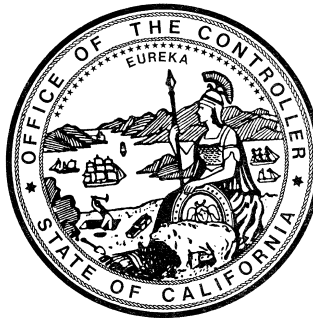
SAN JOAQUIN COUNTY

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, 2001, through June 30, 2003



STEVE WESTLY
California State Controller

May 2005



STEVE WESTLY
California State Controller

May 27, 2005

The Honorable Adrian J. Van Houten
Auditor-Controller
San Joaquin County
Canlis Administration Building
24 South Hunter Street, 1st Floor, Room 103
Stockton, CA 95202-3225

Dear Mr. Van Houten:

The State Controller's Office audited the claims filed by San Joaquin 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, 2001, through June 30, 2003.

The county claimed \$848,708 for the mandated program. Our audit disclosed that \$791,800 is allowable and \$56,908 is unallowable. The unallowable costs occurred because the county claimed unallowable salary and benefit costs and did not report offsetting reimbursements. The State paid the county \$300,027. The State will pay allowable costs claimed that exceed the amount paid, totaling \$491,773, contingent upon available appropriations.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site at www.csm.ca.gov (Guidebook link), and obtain IRC forms by telephone at (916) 323-3562 or by e-mail at csminfo@csm.ca.gov.

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/ams

cc: Robert S. Lee, Deputy Auditor-Controller
San Joaquin County
Harold J. Crosby, Management Services Administrator
Office of the District Attorney
San Joaquin County
James Tilton, 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	3
Restricted Use	3
Schedule 1—Summary of Program Costs	4
Findings and Recommendations	5

Audit Report

Summary

The State Controller's Office (SCO) audited the claims filed by San Joaquin 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, 2001, through June 30, 2003. The last day of fieldwork was February 15, 2005.

The county claimed \$848,708 for the mandated program. Our audit disclosed that \$791,800 is allowable and \$56,908 is unallowable. The unallowable costs occurred because the county claimed unallowable salary and benefit costs and did not report offsetting reimbursements. The State paid the county \$300,027. The State will pay allowable costs claimed that exceed the amount paid, totaling \$491,773, contingent upon available appropriations.

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, and 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 [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, 2001, through June 30, 2003.

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 Joaquin County claimed \$848,708 for Child Abduction and Recovery Program costs. Our audit disclosed that \$791,800 is allowable and \$56,908 is unallowable.

For fiscal year (FY) 2001-02, the State paid the county \$300,000. Our audit disclosed that \$367,489 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$67,489, contingent upon available appropriations.

For FY 2002-03, the State paid the county \$27. Our audit disclosed that \$424,311 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$424,284, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on March 30, 2005. Robert S. Lee, Deputy Auditor-Controller, notified us by e-mail dated April 25, 2005, that the county would not respond to the draft audit report.

Restricted Use

This report is solely for the information and use of San Joaquin 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, 2001, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Salaries	\$ 213,368	\$ 188,385	\$ (24,983)	Finding 1
Benefits	57,801	47,729	(10,072)	Finding 2
Services and supplies	19,447	19,447	—	
Fixed assets	45,961	45,961	—	
Travel and training	19,186	19,186	—	
Total direct costs	355,763	320,708	(35,055)	
Indirect costs	53,897	47,586	(6,311)	Finding 1
Total direct and indirect costs	409,660	368,294	(41,366)	
Less offsetting savings/reimbursements	—	(805)	(805)	Finding 3
Total program costs	<u>\$ 409,660</u>	367,489	<u>\$ (42,171)</u>	
Less amount paid by the State		(300,000)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 67,489</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Salaries	\$ 260,743	\$ 252,847	\$ (7,896)	Finding 1
Benefits	71,105	66,587	(4,518)	Finding 2
Services and supplies	14,711	14,711	—	
Fixed assets	—	—	—	
Travel and training	28,529	28,529	—	
Total direct costs	375,088	362,674	(12,414)	
Indirect costs	63,960	62,023	(1,937)	Finding 1
Total direct and indirect costs	439,048	424,697	(14,351)	
Less offsetting savings/reimbursements	—	(386)	(386)	Finding 3
Total program costs	<u>\$ 439,048</u>	424,311	<u>\$ (14,737)</u>	
Less amount paid by the State		(27)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 424,284</u>		
<u>Summary: July 1, 2001, through June 30, 2003</u>				
Salaries	\$ 474,111	\$ 441,232	\$ (32,879)	Finding 1
Benefits	128,906	114,316	(14,590)	Finding 2
Services and supplies	34,158	34,158	—	
Fixed assets	45,961	45,961	—	
Travel and training	47,715	47,715	—	
Total direct costs	730,851	683,382	(47,469)	
Indirect costs	117,857	109,609	(8,248)	Finding 1
Total direct and indirect costs	848,708	792,991	(55,717)	
Less offsetting savings/reimbursements	—	(1,191)	(1,191)	Finding 3
Total program costs	<u>\$ 848,708</u>	791,800	<u>\$ (56,908)</u>	
Less amount paid by the State		(300,027)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 491,773</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unallowable salary and related indirect costs

The county claimed unallowable salary costs totaling \$32,879. The related indirect costs total \$8,248.

The county claimed employee hours that were not supported by employee time logs. The county claimed non-work hours—such as vacation, holidays, etc.—as mandate-related time. However, the county claimed salary costs using a productive hourly rate for each employee. The productive hourly rates include an allowance for non-work hours. Therefore, the county claimed duplicate costs by claiming the non-work hours as a direct cost.

In addition, the county applied employees' productive hourly rates to overtime hours worked. However, the productive hourly rates were calculated based on regular employee hours only. Furthermore, the county claimed estimated rather than actual hours worked for one employee.

The following table summarizes the audit adjustment.

	Fiscal Year		Total
	2001-02	2002-03	
Unallowable salary costs	\$ (24,983)	\$ (7,896)	\$ (32,879)
Related indirect costs	(6,311)	(1,937)	(8,248)
Audit adjustment	\$ (31,294)	\$ (9,833)	\$ (41,127)

Parameters and Guidelines states that counties should include actual costs for one fiscal year in each claim. For salary and benefit costs, *Parameters and Guidelines* requires the county to specify the actual number of hours devoted to each mandated function. *Parameters and Guidelines* also states that all costs claimed must be traceable to source documents and/or worksheets that show the costs claimed are valid.

Recommendation

We recommend the county claim only actual hours worked on mandate-related activities. In addition, the county should apply each employee's productive hourly rate only to regular hours worked; overtime hours should be claimed based on actual costs. Furthermore, the county should ensure that costs claimed are supported by adequate source documentation.

**FINDING 2—
Unallowable employee
benefit costs**

The county claimed unallowable employee benefit costs totaling \$14,590. Unallowable costs occurred because the county claimed employee benefit rates that were not supported by source documentation, claimed benefit costs for an extra-help employee, claimed benefit costs related to unallowable salary costs, and incorrectly applied benefit rates to overtime salary costs.

The county overstated the allowable benefit rate for fiscal year (FY) 2001-02 and understated the allowable rate for FY 2002-03. For both fiscal years, the county included extra-help employee salary costs in the salary cost base for computing employee benefit rates. However, extra-help employees did not earn benefits; thus, their salary costs should not be included in the benefit rate calculation. For FY 2001-02, the county identified “career incentive pay” as an employee benefit cost. However, the county’s payroll records show that career incentive pay is included in the employee’s salary costs. Therefore, career incentive pay should be included in the salary cost base for computing employee benefit rates. We calculated allowable employee benefit rates of 26.35% and 28.13% for FY 2001-02 and FY 2002-03, respectively.

In addition, the county claimed benefit costs for one extra-help employee. However, extra-help employees did not earn employee benefits. The county also incorrectly applied its benefit rate to employee overtime salary costs. The county did not include overtime salary costs in the salary cost base for computing employee benefit rates. Furthermore, the county claimed benefit costs related to unallowable salary costs, as identified in Finding 1.

The following table summarizes the audit adjustment.

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2001-02</u>	<u>2002-03</u>	
Allowable salary costs	\$ 188,385	\$ 252,847	
Less extra-help salary costs	(4,017)	—	
Less overtime salary costs	<u>(3,234)</u>	<u>(16,135)</u>	
Salary costs subject to benefit rate	181,134	236,712	
Allowable benefit rate	<u>× 26.35%</u>	<u>× 28.13%</u>	
Allowable benefit costs	47,729	66,587	
Less benefit costs claimed	<u>(57,801)</u>	<u>(71,105)</u>	
Audit adjustment	<u>\$ (10,072)</u>	<u>\$ (4,518)</u>	<u>\$ (14,590)</u>

Parameters and Guidelines states that all costs claimed must be traceable to source documents and/or worksheets that show the costs claimed are valid.

Recommendation

We recommend the county ensure that its benefit rate calculations properly account for all base salary costs. In addition, the county should ensure that it does not apply its benefit rates to overtime salary costs. Furthermore, the county should not claim benefit costs for extra-help employees who do not earn benefits.

**FINDING 3—
Unreported offsetting
reimbursements**

The county understated offsetting reimbursements by \$1,191 for the audit period (\$805 for FY 2001-02 and \$386 for FY 2002-03). The county did not report child recovery reimbursements identified in the county's revenue ledgers.

Parameters and Guidelines states that reimbursement for this mandated program received from any source (federal, state, etc.) shall be identified and deducted from the claim.

Recommendation

We recommend the county report all child abduction revenues as offsetting reimbursements, including amounts received from individuals or agencies involved in child abduction cases or any amount recovered from court-imposed charges.

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

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