

SAN BERNARDINO COUNTY

Revised Audit Report

CHILD ABDUCTION AND RECOVERY PROGRAM

Chapter 1399, Statutes of 1976

July 1, 1996, through June 30, 1997



STEVE WESTLY
California State Controller

January 2003



STEVE WESTLY
California State Controller

January 15, 2003

The Honorable Larry Walker
Auditor-Controller-Recorder
San Bernardino County
222 West Hospitality Lane
San Bernardino, CA 92415-0018

Dear Mr. Walker:

The State Controller's Office (SCO) has completed a follow-up audit of a claim filed by San Bernardino County for the legislatively mandated Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976) for the period of July 1, 1996, through June 30, 1997. This revised report supercedes the initial SCO audit report, dated July 30, 1999, in which the entire amount claimed was determined to be unallowable, primarily because the county claimed ineligible and unsupported salaries, and used an overstated indirect cost rate.

The county claimed \$765,320 for the mandated program. This audit disclosed that \$536,604 is allowable and \$228,716 is unallowable. The unallowable costs in the initial SCO audit report have been reduced by \$352,937, from \$581,653 to \$228,716, based on additional information provided by the county. Previous payments amounts paid to the county, totaling \$765,320, have been offset by the State. Consequently, allowable costs claimed, totaling \$536,604, will be paid based on available appropriations.

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

Sincerely,

Original signed by

WALTER BARNES
Chief Deputy State Controller, Finance

WB:jj/ams

cc: Howard Ochi, Chief Deputy Auditor
Auditor-Controller-Recorder's Office
Jim Hackleman
Assistant District Attorney
District Attorney's Office
Gary R. Fagan
Supervising Deputy District Attorney
District Attorney's Office
Jane Allen, Chief
Bureau of Administration
District Attorney's Office

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Revised Audit Report

Summary

The State Controller's Office (SCO) has completed a follow-up audit of a claim filed by San Bernardino County for the legislatively mandated Child Abduction and Recovery Program (Chapter 1399, Statutes of 1976) for the period of July 1, 1996, through June 30, 1997. This revised report supercedes the initial SCO audit report, dated July 30, 1999, in which the entire amount claimed was determined to be unallowable, primarily because the county claimed ineligible and unsupported salaries, and used an overstated indirect cost rate.

The county claimed \$765,320 for the mandated program. This audit disclosed that \$536,604 is allowable and \$228,716 is unallowable. The unallowable costs in the initial SCO audit report have been reduced by \$352,937, from \$581,653 to \$228,716, based on additional information provided by the county. Previous payments to the county, totaling \$765,320, have been offset by the State. Consequently, allowable costs claimed, totaling \$536,604, will be paid based on available appropriations.

Background

Chapter 1399, Statutes of 1976, requires counties to undertake specified activities in order to assist in the resolution of child custody problems, enforce child custody and visitation decrees, and any other court order in child custody proceedings. Specifically, the law requires the District Attorney's Office to assist persons having legal custody of a child in locating their child when the child is unlawfully taken away, in gaining enforcement of custody and visitation decrees and orders to appear, in defraying expenses related to the return of an illegally detained, abducted, or concealed child, in proceedings with civil court actions, and in guaranteeing the appearance of offenders and minors in court action. On September 19, 1979, the Commission on State Mandates determined that this chapter contained state-mandated costs that are reimbursable under *Government Code* Section 17561. The guideline has been amended various times since September 19, 1979. The version applicable to the audit period was adopted on July 22, 1993.

Parameters and Guidelines, adopted by the Commission on State Mandates, establishes the state mandate and defines criteria for reimbursement. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for each mandate requiring state reimbursement to assist counties in claiming reimbursable costs.

Objective, Scope, and Methodology

The objective of the audit was to determine whether costs claimed are increased costs incurred as a result of the legislatively mandated Child Abduction Program (Chapter 1399, Statutes of 1976) for the period of July 1, 1996, through June 30, 1997.

The auditor performed the following procedures:

- Reviewed the costs claimed to determine if they were increased costs resulting from the mandated program;
- Traced the costs claimed to the supporting documentation to determine whether the costs were properly supported;
- Confirmed that the costs claimed were not funded by another source; and
- Reviewed the costs claimed to determine that the costs were not unreasonable and/or excessive.

The SCO conducted the audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. The SCO did not audit the county's financial statements. The scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance concerning the allowability of expenditures claimed for reimbursement. Accordingly, transactions were examined, on a test basis, to determine whether the amounts claimed for reimbursement were supported.

Review of the county's management controls was limited to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

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

For the audit period, San Bernardino County claimed \$765,320 for costs of the legislatively mandated Child Abduction and Recovery Program. The SCO audit disclosed that \$536,604 is allowable and \$228,716 is unallowable. The net amount paid to the county by the State was zero. The audit disclosed that \$536,604 is allowable. Allowable costs claimed in excess of the amount paid, totaling \$536,604, will be paid by the State based on available appropriations.

**Views of
Responsible
Official**

The revised audit results were discussed with Mark Cousineau, Supervising Accountant, through a telephone conversation on December 27, 2002. Mr. Cousineau agreed with the audit results presented in this revised audit report.

Restricted Use

This report is solely for the information and use of San Bernardino County 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, CPA
Chief, Division of Audits

Revised Findings and Recommendations

**FINDING 1—
Ineligible salary
costs relating to
prosecution and
training**

The county claimed ineligible salaries and benefits totaling \$25,177 for the period of July 1, 1996, through June 30, 1997. The county claimed \$21,187 in prosecution costs occurring after the defendant’s apprehension that arose from the return of the child and \$3,990 in training costs. The related indirect cost, using the 76.02% indirect cost rate claimed, is \$19,140.

Parameters and Guidelines, adopted by the Commission on State Mandates on July 22, 1993, states that the following activities are non-reimbursable costs, “Costs associated with criminal prosecution, commencing with the defendant’s apprehension, surrender or first appearance, for offenses defined in Sections 277, 278 and 278.5 of the Penal Code.” Furthermore, the guideline does not identify training as a reimbursable cost.

Parameters and Guidelines was revised by the commission on August 26, 1999, allowing prosecution activities up until the first appearance and related training costs. However, that change affects FY 1998-99 and each fiscal year thereafter.

The unallowable cost is as follows:

Salaries and benefits	\$25,177
Indirect costs	<u>19,140</u>
Total	<u>\$44,317</u>

In the initial SCO audit report dated July 30, 1999, the SCO determined that the entire salaries and benefits of \$323,431 and related indirect costs of 245,872, totaling \$569,303, were unallowable because the county did not separately identify the allowable portion of claimed salaries. Since that time, the county provided documentation supporting the unallowable prosecution and training costs. Consequently, unallowable salaries and benefits and related indirect costs were reduced by \$524,986, from \$569,303 to \$44,317.

Recommendation

The county should ensure that only reimbursable costs are claimed.

**FINDING 2—
Ineligible services
and supplies
relating to training**

The county claimed ineligible services and supplies relating to training totaling \$2,220. Services and supplies costs relate to course fees charged by outside trainers.

Parameters and Guidelines, adopted by the Commission on State Mandates on July 22, 1993, does not identify training activities as a reimbursable cost.

Parameters and Guidelines was revised by the commission on August 26, 1999, allowing training costs. However, that change affects FY 1998-99 and each fiscal year thereafter.

In the initial SCO audit report dated July 30, 1999, the SCO determined that unallowable training costs totaled \$6,200. However, based on documentation provided by the county, the ineligible training costs totaled \$2,220, a reduction in allowable costs of \$3,980.

Recommendation

The county should ensure that only reimbursable costs are claimed.

**FINDING 3—
Overstated
depreciation
charges**

The county claimed \$6,150 for depreciation charges billed from the county's motor pool, an internal service fund, on vehicles in excess of net costs (purchase price less salvage value). Consequently, the charges represent claimed costs in excess of actual costs incurred.

Parameters and Guidelines, adopted by the Commission on State Mandates on July 22, 1993, limits reimbursements to increased costs incurred.

Recommendation

The county should establish procedures to ensure that depreciation is not charged in excess of a vehicle's net cost.

**FINDING 4—
Overstated indirect
cost rate**

The county overstated the indirect cost rate by 59.02%. The county claimed 76.02%, but was only able to support 17%. Consequently, indirect costs are overstated by \$176,029 (allowable costs of \$298,254 times 59.02%).

Recommendation

The county should ensure that all costs claimed are supported.

**Revised Schedule 1—
Summary of Program Costs
July 1, 1996, through June 30, 1997**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Revised Audit Adjustments	Reference ¹
Salaries and benefits	\$ 323,431	\$ 298,254	\$ 25,177	Finding 1
Services and supplies	196,017	187,647	8,370	Findings 2, 3
Subtotals	519,448	485,901	33,547	
Indirect costs	245,872	50,703	195,169	Findings 1, 4
Total costs	<u>\$ 765,320</u>	536,604	<u>\$ 228,716</u>	
Amount paid by the State		—		
Allowable costs claimed in excess of amount paid		<u>\$ 536,604</u>		

¹ See the Findings and Recommendations section.

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