CITY AND COUNTY OF SAN FRANCISCO

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, 2004

JOHN CHIANG
California State Controller

June 2007
Edward M. Harrington, Controller  
City and County of San Francisco  
1 Dr. Carlton B. Goodlett Place, Room 316  
San Francisco, CA  94102-4694

Dear Mr. Harrington:

The State Controller’s Office audited the costs claimed by the City and County of San Francisco 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, 2001, through June 30, 2004.

The city and county claimed $2,516,045 for the mandated program. Our audit disclosed that $2,200,360 is allowable and $315,685 is unallowable. The unallowable costs occurred because the city and county claimed unsupported and ineligible costs. The State paid the city and county $811,045. Allowable costs claimed exceed the amount paid by $1,389,315.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). 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 CSM’s Web site, at www.csm.ca.gov (Guidebook link); you may 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, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/vb

cc: Eugene Clendinen, Chief Financial Officer  
    City and County of San Francisco  
    Todd Jerue, 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 costs claimed by the City and County of San Francisco 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, 2001, through June 30, 2004. The last day of fieldwork was April 12, 2007.

The city and county claimed $2,516,045 for the mandated program. Our audit disclosed that $2,200,360 is allowable and $315,685 is unallowable. The unallowable costs occurred because the city and county claimed unsupported and ineligible costs. The State paid the city and county $811,045. Allowable costs claimed exceed the amount paid by $1,389,315.

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** Section 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.
Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. CSM 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 mandated program claiming instructions 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, 2004.

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 city and 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 city and 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, the City and County of San Francisco claimed $2,516,045 for costs of the Child Abduction and Recovery Program. Our audit disclosed that $2,200,360 is allowable and $315,685 is unallowable.

For the fiscal year (FY) 2001-02 claim, the State paid the city and county $810,990. Our audit disclosed that $725,537 is allowable. The State will offset $85,453 from other mandated program payments due to the city and county. Alternatively, the city and county may remit this amount to the State.

For the FY 2002-03 claim, the State paid the city and county $55. Our audit disclosed that $747,665 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling $747,610, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the city and county. Our audit disclosed that $727,158 is allowable. The State will pay that amount contingent upon available appropriations.
Views of Responsible Official

We issued a draft audit report on May 16, 2007. Edward Harrington, Controller, responded by letter dated June 22, 2007 (Attachment), agreeing with the audit results except for Finding 2. This final audit report includes the city and county’s response.

Restricted Use

This report is solely for the information and use of the City and County of San Francisco, 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, 2004

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual Costs</td>
<td>Allowable per Audit</td>
<td>Audit Adjustment</td>
</tr>
<tr>
<td>Salaries</td>
<td>$ 494,145</td>
<td>$ 494,145</td>
<td>$ —</td>
</tr>
<tr>
<td>Benefits</td>
<td>107,942</td>
<td>107,942</td>
<td>—</td>
</tr>
<tr>
<td>Services and supplies</td>
<td>74,035</td>
<td>74,035</td>
<td>—</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>676,122</td>
<td>676,122</td>
<td>—</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>134,868</td>
<td>49,415</td>
<td>(85,453)</td>
</tr>
<tr>
<td>Total program costs</td>
<td>$ 810,990</td>
<td>725,537</td>
<td>(85,453)</td>
</tr>
</tbody>
</table>

Less amount paid by the State
(810,990)

Allowable costs claimed in excess of (less than) amount paid
$ (85,453)

<table>
<thead>
<tr>
<th>Cost Elements</th>
<th>July 1, 2002, through June 30, 2003</th>
<th>July 1, 2003, through June 30, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual Costs</td>
<td>Allowable per Audit</td>
</tr>
<tr>
<td>Salaries</td>
<td>$ 523,274</td>
<td>$ 523,274</td>
</tr>
<tr>
<td>Benefits</td>
<td>105,016</td>
<td>105,016</td>
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<tr>
<td>Services and supplies</td>
<td>67,048</td>
<td>67,048</td>
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<tr>
<td>Total direct costs</td>
<td>695,338</td>
<td>695,338</td>
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<tr>
<td>Indirect costs</td>
<td>160,654</td>
<td>52,327</td>
</tr>
<tr>
<td>Total program costs</td>
<td>$ 855,992</td>
<td>747,665</td>
</tr>
</tbody>
</table>

Less amount paid by the State
(55)

Allowable costs claimed in excess of (less than) amount paid
$ 747,610

<table>
<thead>
<tr>
<th>Cost Elements</th>
<th>July 1, 2003, through June 30, 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual Costs</td>
</tr>
<tr>
<td>Salaries</td>
<td>$ 501,025</td>
</tr>
<tr>
<td>Benefits</td>
<td>88,839</td>
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<tr>
<td>Services and supplies</td>
<td>89,377</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>679,241</td>
</tr>
<tr>
<td>Indirect costs</td>
<td>169,822</td>
</tr>
<tr>
<td>Total program costs</td>
<td>$ 849,063</td>
</tr>
</tbody>
</table>

Less amount paid by the State
(849,063)

Allowable costs claimed in excess of (less than) amount paid
$ 727,158

### Summary: July 1, 2001, through June 30, 2004

<table>
<thead>
<tr>
<th>Cost Elements</th>
<th>Actual Costs</th>
<th>Allowable per Audit</th>
<th>Audit Adjustment</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 1,518,444</td>
<td>$ 1,518,444</td>
<td>$ —</td>
<td>Finding 1</td>
</tr>
<tr>
<td>Benefits</td>
<td>301,797</td>
<td>301,797</td>
<td>—</td>
<td>Finding 1</td>
</tr>
<tr>
<td>Services and supplies</td>
<td>230,460</td>
<td>228,274</td>
<td>(2,186)</td>
<td>Finding 3</td>
</tr>
<tr>
<td>Total direct costs</td>
<td>2,050,701</td>
<td>2,048,515</td>
<td>(2,186)</td>
<td></td>
</tr>
<tr>
<td>Indirect costs</td>
<td>465,344</td>
<td>151,845</td>
<td>(313,499)</td>
<td>Finding 2</td>
</tr>
<tr>
<td>Total program costs</td>
<td>$ 2,516,045</td>
<td>2,200,360</td>
<td>(315,685)</td>
<td></td>
</tr>
</tbody>
</table>

Less amount paid by the State
(811,045)

Allowable costs claimed in excess of (less than) amount paid
$ 1,389,315

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1 See the Findings and Recommendations section.
Findings and Recommendations

FINDING 1—Unallowable time records

The city and county provided functional timesheets to support salary and benefit claimed costs. These timesheets are not acceptable documentation because they do not reflect the actual time that employees spent performing mandate-related activities. We previously reported this issue in our audit report dated February 28, 2001, for the period July 1, 1997, through June 30, 1999.

City and county employees prepared timesheets using predetermined percentages to report the time that employees worked on mandate-related activities. Because the city and county determined these percentages before employees performed services, the percentages do not reflect actual hours worked on the mandated program.

Although the functional timesheets are not acceptable documentation, we allowed salary and benefit costs that the city and county claimed for the audit period. We allowed these salary and benefit costs because our previous audit report did not clearly express our expectations regarding actual time records. As a result, the city and county continued to prepare functional timesheets subsequent to our previous audit report. During our fieldwork for this audit report, we advised the city and county that its employees must prepare time records identifying the actual time that employees work performing mandated activities. We advised the city and county that we will not accept the functional timesheets to support mandated program salary and benefit claimed costs after July 1, 2005.

Parameters and Guidelines states that claimants must identify the actual number of hours worked to support salary and benefit claimed costs. In addition, Parameters and Guidelines states:

For auditing purposes, all costs claimed must be traceable to source documents and/or worksheets that show evidence of and the validity of such costs.

Office of Management and Budget (OMB) Circular A-87, Attachment B, provides the following uniform criteria and guidance for documenting salary and benefit costs.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. . . .

Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support. . . .
Recommendation

We recommend that the city and county develop and implement a time reporting system, which includes timesheets documenting the actual hours that employees work on mandate-related activities.

City and County’s Response

It is now clear to the District Attorney’s staff what level of documentation is required by the State Controller to properly document time and costs related to this program. The multi-function individuals, and those who worked partially for the Child Abduction Unit and partially for other DA programs have now been consolidating to either be 100% dedicated to recovery efforts related to child abduction cases, or are not working within the Child Abduction Unit at all.

The City and County of San Francisco believes that this step will eliminate any further issues related to audit Finding 1.

SCO’s Comment

Our finding and recommendation remain unchanged. The city and county’s response indicates that employees who perform child abduction mandate-related activities will perform these activities only. OMB Circular A-87, Attachment B, provides guidance when employees work on a single cost objective. We recommend that the city and county prepare periodic certifications stating that the employees worked solely on the child abduction program for the period covered by the certification. The city and county should prepare these certifications at least semi-annually. The supervisor who has first-hand knowledge of the employee’s work should sign the certification.

FINDING 2—Unsupported indirect costs

The city and county claimed unsupported indirect costs totaling $313,499. The city and county did not provide documentation that supports the District Attorney’s Office’s claimed indirect cost rates.

The city and county calculated the District Attorney’s Office’s indirect cost rates using budgeted rather than actual indirect salary and benefit costs. The city and county did not provide documentation to support actual indirect salary and benefit costs.

In addition, the city and county claimed various costs as both direct and indirect costs. The District Attorney’s Office allocated costs from its general fund units to its grant-funded units. The city and county claimed these allocated costs as direct costs in its mandated program claims. However, the city and county also included these costs in the District Attorney’s Office’s indirect cost pools.

We calculated allowable indirect cost rates after reclassifying both the unsupported indirect salary and benefit costs and the allocated services and supplies costs as direct rather than indirect costs. The recalculated rates were less than the 10% flat rate that the mandated program allows. Therefore, we calculated allowable indirect costs based on the 10% flat rate. The following table summarizes the audit adjustment.
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Allowable salary costs</th>
<th>Allowable indirect cost rate</th>
<th>Allowable indirect costs</th>
<th>Less claimed indirect costs</th>
<th>Audit adjustment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>$494,145</td>
<td>× 10%</td>
<td>$49,415</td>
<td>(134,868)</td>
<td>$(85,453)</td>
<td>$151,845</td>
</tr>
<tr>
<td>2002-03</td>
<td>$523,274</td>
<td>× 10%</td>
<td>52,327</td>
<td>(160,654)</td>
<td>$(108,327)</td>
<td>$169,822</td>
</tr>
<tr>
<td>2003-04</td>
<td>$501,025</td>
<td>× 10%</td>
<td>50,103</td>
<td>(169,822)</td>
<td>$(119,719)</td>
<td>$165,344</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>151,845</td>
</tr>
</tbody>
</table>

*Parameters and Guidelines* states that claimants may claim indirect costs in accordance with OMB Circular A-87, which requires that costs be adequately documented. *Parameters and Guidelines* also states:

> Claimants have the option of using 10% of direct labor, excluding fringe benefits, or preparing an Indirect Cost Rate Proposal. . . .

In addition, *Parameters and Guidelines* states:

> For auditing purposes, 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 city and county prepare its indirect cost rates in accordance with OMB Circular A-87. The city and county should calculate its indirect cost rates based on actual costs. In addition, the city and county should ensure that the indirect cost pools exclude any costs that the city claims as direct costs. Alternatively, the city and county may claim indirect costs using a flat 10% rate applied to direct salary costs, as provided by *Parameters and Guidelines*.

**City and County’s Response**

While we do agree that indirect costs were misapplied in this case, we do not agree that indirect cost rates were calculated using budgeted instead of actual salary and benefit data.

Because the Child Abduction and Recovery Unit’s costs are claimed as direct costs through the SB 90 program, the District Attorney’s office plans to use the State’s default rate of 10% in future claims.

**SCO’s Comment**

Our finding remains unchanged. We modified our recommendation to add the alternative of using the 10% fixed indirect cost rate.

During our audit fieldwork, city and county staff provided source documentation supporting indirect salary costs shown in the indirect cost rate proposals. City and county staff identified the information as budgeted amounts. At that time, city and county staff expressed their opinion that it was acceptable to use budgeted information. OMB Circular A-87 states that salary and wages, whether treated as direct or indirect costs, will be based on documented payrolls.
FINDING 3—
Unallowable services and supplies costs

The city and county claimed unallowable services and supplies costs totaling $2,186. The city and county claimed training costs that were not mandate-related.

During fiscal year 2003-04, the city and county claimed training and related travel costs that were not mandate-related. The city and county claimed training costs related to Internet crimes against children and sexual assault and child pornography. The training agendas show that these classes were not related to the child abduction and recovery mandated program.

Parameters and Guidelines states:

For auditing purposes, 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 city and county claim only those training costs that are directly related to the child abduction and recovery mandated program.

City and County’s Response

The city and county agreed with the audit finding.
Attachment—
City and County’s Response to
Draft Audit Report
June 22, 2007

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

Dear Mr. Spano:

The City and County of San Francisco has received the State Controller's draft audit report 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, 2001 through June 20, 2004.

Our comments related to the audit findings are attached. We look forward to the State Legislature appropriating sufficient funds so the State Controller's Office can pay the outstanding $1,389,315. We would also like to thank the State Controller's staff for performing a professional field audit of this program. Please contact Linda Yeung at 415-554-7124 or Michelle Allersma at 415-554-4792 if you have any questions.

Sincerely,

Edward Harrington
Controller

Attachment

cc: Eugene Clendinen, Chief Financial Officer
City and County of San Francisco
City and County of San Francisco
Response to State Controller’s Draft Audit Findings

Child Abduction and Recovery Program
Chapter 1399, Statutes of 1976; Chapter 162, Statutes of 1992; and Chapter 988, Statutes of 1996
Audit Period
July 1, 2001 through June 30, 2004

General Discussion

Article XIIIB, Section 6a of the California Constitution imposes a requirement on the State to reimburse local government for the cost of performing state mandated programs:

Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the State shall provide a subvention of funds to reimburse that local government for the costs of the program or increased level of service.

Finding #1

The State Controller’s Office (SCO) found that the District Attorney’s (DA) office prepared timesheets using predetermined percentage of effort to report time spent by employees working on the mandate-related Child Abduction and Recovery activities. It was determined that these percentages do not reflect actual hours worked on the mandated program.

While this deficiency in record keeping process existed, the State Controller allowed the salary and benefit cost claimed for this program because the SCO’s previous audit report did not clearly express SCOs expectations related to time records and documentation. As a result, the Child Abduction Unit continued to keep track of its time using the status quo approach.

It is now clear to the District Attorney’s staff what level of documentation is required by the State Controller to properly document time and costs related to this program. The multi-function individuals, and those who worked partially for the Child Abduction Unit and partially for other DA programs have now been consolidated to either be 100% dedicated to recovery efforts related to child abduction cases, or are not working within the Child Abduction Unit at all.

This City and County of San Francisco believes that this step will eliminate any further issues related to audit finding #1.

Finding #2

This finding related to indirect costs claimed in association with the direct costs for the Child Abduction and Recovery Program. While we do agree that indirect costs were misapplied in this case, we do not agree that indirect cost rates were calculated using budgeted instead of actual salary and benefit data.

Because the Child Abduction and Recovery Unit’s costs are claimed as direct costs through the SB 90 program, the District Attorney’s office plans to use the State’s default rate of 10% in future claims.

Finding #3

The final finding in this audit relates to costs claimed for a non-Child Abduction and Recovery training workshop. The District Attorney’s office agrees with the finding and the SCO’s recommendation that future training claimed costs be specifically associated with the Child Abduction and Recovery mandated program.