

SHASTA 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

November 2008



JOHN CHIANG
California State Controller

November 26, 2008

Linda Hartman, Chairperson
Board of Supervisors
Shasta County
1450 Court Street, Suite 308B
Redding, CA 96001-1680

Dear Ms. Hartman:

The State Controller's Office audited the costs claimed by Shasta 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 \$1,082,448 for the mandated program. Our audit disclosed that \$758,254 is allowable and \$324,194 is unallowable. The costs are unallowable because the county claimed unsupported and overstated costs, and did not report offsetting revenues. The State paid the county \$774,490. The amount paid exceeds allowable costs claimed by \$16,236.

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/sk

cc: The Honorable Connie Regnell, Auditor-Controller
Shasta County
Sherri Jenkins, SB-90 Coordinator
Shasta County
Elizabeth Leslie, Chief Fiscal Officer
District Attorney's Office
Shasta County
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 Shasta 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 \$1,082,448 for the mandated program. Our audit disclosed that \$758,254 is allowable and \$324,194 is unallowable. The costs are unallowable because the county claimed unsupported and overstated costs, and did not report offsetting revenues. The State paid the county \$774,490. The amount paid exceeds allowable costs claimed by \$16,236.

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)
- 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.

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 this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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, Shasta County claimed \$1,082,448 for costs of the Child Abduction and Recovery Program. Our audit disclosed that \$758,254 is allowable and \$324,194 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State made no payments to the county. Our audit disclosed that \$232,321 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$445,559. Our audit disclosed that \$289,336 is allowable. The State will offset \$156,223 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2005-06 claim, the State paid the county \$328,931. Our audit disclosed that \$236,597 is allowable. The State will offset \$92,334 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

**Views of
Responsible
Official**

We issued a draft audit report on October 17, 2008. Connie Regnell, Auditor-Controller, responded by letter dated November 4, 2008 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Shasta 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

November 26, 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	\$ 126,989	\$ 126,989	\$ —	
Benefits	43,855	43,855	—	
Services and supplies	26,562	26,562	—	
Travel and training	3,587	3,587	—	
Total direct costs	200,993	200,993	—	
Indirect costs	106,965	33,639	(73,326)	Finding 3
Total direct and indirect costs	307,958	234,632	(73,326)	
Less offsetting savings/reimbursements	—	(2,311)	(2,311)	Finding 4
Total program costs	<u>\$ 307,958</u>	232,321	<u>\$ (75,637)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 232,321</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 171,163	\$ 143,493	\$ (27,670)	Finding 1
Benefits	76,807	65,658	(11,149)	Finding 1
Services and supplies	—	31,627	31,627	Finding 2
Travel and training	—	1,298	1,298	Finding 2
Total direct costs	247,970	242,076	(5,894)	
Indirect costs	197,706	48,377	(149,329)	Finding 3
Total direct and indirect costs	445,676	290,453	(155,223)	
Less offsetting savings/reimbursements	(117)	(1,117)	(1,000)	Finding 4
Total program costs	<u>\$ 445,559</u>	289,336	<u>\$ (156,223)</u>	
Less amount paid by the State		(445,559)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (156,223)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 103,545	\$ 106,295	\$ 2,750	Finding 1
Benefits	52,816	54,059	1,243	Finding 1
Services and supplies	35,058	35,058	—	
Travel and training	1,827	1,827	—	
Total direct costs	193,246	197,239	3,993	
Indirect costs	137,394	41,067	(96,327)	Finding 3
Mathematical error	54	—	(54)	
Total direct and indirect costs	330,694	238,306	(92,388)	
Less offsetting savings/reimbursements	(1,709)	(1,709)	—	
Reverse mathematical error	(54)	—	54	
Total program costs	<u>\$ 328,931</u>	236,597	<u>\$ (92,334)</u>	
Less amount paid by the State		<u>(328,931)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (92,334)</u>		
<u>Summary: July 1, 2003, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 401,697	\$ 376,777	\$ (24,920)	
Benefits	173,478	163,572	(9,906)	
Services and supplies	61,620	93,247	31,627	
Travel and training	5,414	6,712	1,298	
Total direct costs	642,209	640,308	(1,901)	
Indirect costs	442,065	123,083	(318,982)	
Mathematical error	54	—	(54)	
Total direct and indirect costs	1,084,328	763,391	(320,937)	
Less offsetting savings/reimbursements	(1,826)	(5,137)	(3,311)	
Reverse mathematical error	(54)	—	54	
Total program costs	<u>\$ 1,082,448</u>	758,254	<u>\$ (324,194)</u>	
Less amount paid by the State		<u>(774,490)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (16,236)</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable salaries
and benefits**

The county claimed unallowable salaries and benefits totaling \$34,826. The unallowable costs resulted because the county overstated fiscal year (FY) 2004-05 costs and understated FY 2005-06 costs.

Fiscal Year 2004-05

The county claimed unallowable salaries and benefits totaling \$27,670 and \$11,149, respectively. For one employee, the county overstated both the productive hourly rate and the actual mandate-related hours worked. The county’s time records did not support the productive hourly rate and hours claimed.

Fiscal Year 2005-06

The county overstated and understated employees’ allowable costs. Overall, the county understated salaries and benefits by \$2,750 and \$1,243, respectively. The understated costs resulted because:

- The county revised its productive hourly rate methodology from previous fiscal years. The county used 1,700 average productive hours to calculate productive hourly rates. However, the county did not provide documentation to support the 1,700 average productive hours. Therefore, we recalculated productive hourly rates based on the actual productive hours that the county documented in its time records.
- The county used an incorrect base to calculate a productive hourly rate for one employee. The county calculated the rate using total paid hours (including hours worked, vacation hours, and holiday hours) rather than hours worked only.
- The county overstated actual mandate-related hours worked for two employees. The county’s time records did not support the hours claimed.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2004-05	2005-06	
Salaries	\$ (27,670)	\$ 2,750	\$ (24,920)
Benefits	(11,149)	1,243	(9,906)
Audit adjustment	<u>\$ (38,819)</u>	<u>\$ 3,993</u>	<u>\$ (34,826)</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.

County’s Response

We concur with this finding and in the future will require documentation from departments to support all costs claimed. We will continue to strongly recommend the use of times studies for all departments.

SCO’s Comment

Our finding and recommendation are unchanged. However, in its response, the county states that it will “recommend the use of time studies for all departments.” The county claimed mandate-related costs based on semi-weekly time cards that employees prepared. We recommend that the county continue to use its semi-weekly time cards to document mandate-related costs. If the county intends to document mandate-related time using time studies, it should ensure that its time studies comply with the SCO’s time study guidelines.

**FINDING 2—
Understated services
and supplies and
understated travel
and training**

The county understated services and supplies by \$31,627. The county also understated travel and training by \$1,298. The understated costs resulted because the county made a mathematical error in its FY 2004-05 claim.

The following table summarizes the audit adjustment:

	<u>Services and Supplies</u>	<u>Travel and Training</u>	<u>Total</u>
Audit adjustment FY 2004-05	<u>\$ 31,627</u>	<u>\$ 1,298</u>	<u>\$ 32,925</u>

The parameters and guidelines state that counties shall be reimbursed for the increased costs which they are required to incur.

Recommendation

We recommend that the county review its claims for mathematical accuracy.

County’s Response

We concur with this finding and have put procedures in place to ensure mathematical errors are avoided.

SCO’s Comment

Our finding and recommendation are unchanged.

**FINDING 3—
Unallowable indirect costs**

The county claimed unallowable indirect costs totaling \$318,982. The unallowable costs resulted because the county overstated its indirect cost rates and claimed indirect costs attributable to the unallowable salaries and benefits identified in Finding 1.

The county overstated its indirect cost rates because it incorrectly allocated costs as direct or indirect based on funding it received from outside sources. In addition, the county incorrectly calculated its indirect cost rates by using a base of total salaries and benefits rather than direct salaries and benefits.

During our audit fieldwork, the county prepared revised indirect cost rate proposals. In its revised proposals, the county correctly calculated its indirect cost rates by using direct salaries and benefits as the direct cost base. In addition, the county properly allocated costs as direct or indirect, except that the county included the cost of employees’ non-productive time in its indirect cost pool. We calculated allowable indirect cost rates by reallocating these costs from the indirect cost pool to the direct cost base, because the county recovers these costs through its claimed productive hourly rates.

The following tables summarize the audit adjustments to the indirect cost rates that the county claimed:

	<u>Costs Reported</u>	<u>Allowable Costs</u>	<u>Audit Adjustment</u>
<u>FY 2003-04</u>			
Direct costs:			
Salaries and wages	\$3,529,068	\$3,103,301	\$ (425,767)
Fringe benefits	1,077,139	958,313	(118,826)
Total direct costs (A)	<u>\$4,606,207</u>	<u>\$4,061,614</u>	<u>\$ (544,593)</u>
Indirect costs:			
Salaries and wages	\$1,742,862	\$ 278,492	\$(1,464,370)
Fringe benefits	552,712	73,054	(479,658)
Services and supplies	473,286	326,689	(146,597)
A-87 and fixed asset costs	132,845	125,241	(7,604)
Subtotal indirect costs	2,901,705	803,476	(2,098,229)
Less intrafund transfers/other	(17,584)	(3,743)	13,841
Total indirect costs (B)	<u>\$2,884,121</u>	<u>\$ 799,733</u>	<u>\$(2,084,388)</u>
Indirect cost rate, FY 2003-04 (B ÷ A)	<u>62.61%</u>	<u>19.69%</u>	<u>(42.92)%</u>
<u>FY 2004-05</u>			
Direct costs:			
Salaries and wages	\$3,399,881	\$3,062,777	\$ (337,104)
Fringe benefits	1,374,338	1,260,739	(113,599)
Total direct costs (C)	<u>\$4,774,219</u>	<u>\$4,323,516</u>	<u>\$ (450,703)</u>
Indirect costs:			
Salaries and wages	\$2,224,410	\$ 336,249	\$(1,888,161)
Fringe benefits	920,651	113,281	(807,370)
Services and supplies	532,852	426,134	(106,718)
A-87 and fixed asset costs	128,576	124,558	(4,018)
Total indirect costs (D)	<u>\$3,806,489</u>	<u>\$1,000,222</u>	<u>\$(2,806,267)</u>
Indirect cost rate, FY 2004-05 (D ÷ C)	<u>79.73%</u>	<u>23.13%</u>	<u>(56.60)%</u>

	<u>Costs Reported</u>	<u>Allowable Costs</u>	<u>Audit Adjustment</u>
<u>FY 2005-06</u>			
Direct costs:			
Salaries and wages	\$3,466,796	\$3,093,338	\$ (373,458)
Fringe benefits	<u>1,534,611</u>	<u>1,392,405</u>	<u>(142,206)</u>
Total direct costs (E)	<u>\$5,001,407</u>	<u>\$4,485,743</u>	<u>\$ (515,664)</u>
Indirect costs:			
Salaries and wages	\$2,456,988	\$ 373,457	\$(2,083,531)
Fringe benefits	1,044,628	142,205	(902,423)
Services and supplies	696,465	449,638	(246,827)
A-87 and fixed asset costs	<u>196,576</u>	<u>183,287</u>	<u>—</u>
Total indirect costs (F)	<u>\$4,394,657</u>	<u>\$1,148,587</u>	<u>\$(3,232,781)</u>
Indirect cost rate, FY 2005-06 (F ÷ E)	<u>87.87%</u>	<u>25.61%</u>	<u>(62.26)%</u>

The following table summarizes the audit adjustment:

	<u>Fiscal Year</u>			<u>Total</u>
	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	
Allowable salaries and benefits	\$ 170,844	\$ 209,151	\$ 160,354	
Allowable indirect cost rate	<u>× 19.69%</u>	<u>× 23.13%</u>	<u>× 25.61%</u>	
Allowable indirect costs	33,639	48,377	41,067	\$ 123,083
Less indirect costs claimed	<u>(106,965)</u>	<u>(197,706)</u>	<u>(137,394)</u>	<u>(442,065)</u>
Audit adjustment	<u>\$ (73,326)</u>	<u>\$(149,329)</u>	<u>\$ (96,327)</u>	<u>\$(318,982)</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.” They also state that counties may claim indirect costs using the procedures provided in Office of Management and Budget (OMB) Circular A-87 (Title 2 CFR Part 225). 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. The circular also states that the distribution base may be (1) total direct costs (excluding capital expenditures and other distorting items), (2) direct salaries and wages, or (3) another base which results in an equitable distribution.

Recommendation

We recommend that the county:

- Allocate salaries and wages between direct and indirect activities based on personnel activity reports or equivalent documentation that meets the requirements of OMB Circular A-87.
- Calculate indirect cost rates using a distribution base specified in OMB Circular A-87.

County’s Response

We concur with this finding and as the coordinating department for Shasta County’s mandated claim submission, we will review methodology for both the productive hourly rates and indirect cost rate proposals to be sure they conform to OMB Circular A-87.

SCO’s Comment

Our finding and recommendation are unchanged.

**FINDING 4—
Understated offsetting
savings/reimbursements**

The county understated offsetting savings/reimbursements by \$3,311. The county did not report FY 2003-04 restitution payments received totaling \$2,311. In addition, the county’s FY 2004-05 claim contained a mathematical error that resulted in understated offsetting savings/reimbursements totaling \$1,000.

The following table summarizes the audit adjustment:

	<u>Fiscal Year</u>		<u>Total</u>
	<u>2003-04</u>	<u>2004-05</u>	
Audit adjustment	<u>\$ (2,311)</u>	<u>\$ (1,000)</u>	<u>\$ (3,311)</u>

The parameters and guidelines state, “Reimbursement for this mandate received from any source . . . shall be identified and deducted from the claim.”

Recommendation

We recommend that the county properly report offsetting savings/reimbursements according to the parameters and guidelines.

County’s Response

We concur with this finding and will emphasize the department’s need to review the program’s parameters and guidelines to be sure of their knowledge of reporting requirements.

SCO’s Comment

Our finding and recommendation are unchanged.

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



Shasta County

OFFICE OF THE AUDITOR-CONTROLLER

1450 Court Street, Suite 238
Redding, California 96001-1671
Phone (530) 225-5771

CONNIE REGNELL
AUDITOR-CONTROLLER

CANDACE M. KNOUSE
ASST. AUDITOR-CONTROLLER

November 4, 2008

Jim Spano, Chief
Mandated Cost Audits Bureau
State Controller's Office, Division of Audits
PO Box 942850
Sacramento, CA 94250-5874

Re: Audit of Shasta County Child Abduction and Recovery Program

Dear Mr. Spano:

We have received and reviewed the Child Abduction and Recovery Program audit your office completed for the time period of 07/01/03 to 06/30/06.

The Auditor-Controller's Office respectfully submits the following responses concerning the findings:

FINDING 1 – Unallowable salaries and benefits

We concur with this finding and in the future will require documentation from departments to support all costs claimed. We will continue to strongly recommend the use of time studies for all departments.

FINDING 2 – Understated services and supplies and understated travel and training.

We concur with this finding and have put procedures in place to ensure mathematical errors are avoided.

FINDING 3 – Unallowable indirect costs

We concur with this finding and as the coordinating department for Shasta County's mandated claim submission, we will review methodology for both the productive hourly rates and indirect cost rate proposals to be sure they conform to OMB Circular A-87.

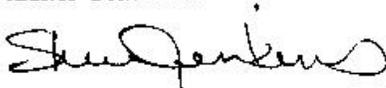
FINDING 4 – Understated offsetting savings/reimbursements

We concur with this finding and will emphasize the department's need to review the program's parameters and guidelines to be sure of their knowledge of reporting requirements.

If you have any questions, please feel free to contact Sherri Jenkins at (530) 245-6615.

Sincerely,

Connie Regnell
Auditor-Controller

A handwritten signature in black ink, appearing to read "Sherri Jenkins". The signature is written in a cursive style with a large initial "S".

By: Sherri Jenkins
Supervising Accountant - Administrative

CR:sj

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

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