

MERCED 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, 2007



JOHN CHIANG
California State Controller

July 2009



JOHN CHIANG
California State Controller

July 17, 2009

The Honorable Deidre F. Kelsey
Chairperson, Board of Supervisors
Merced County
2222 M Street
Merced, CA 95340

Dear Ms. Kelsey:

The State Controller's Office audited the costs claimed by Merced 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, 2007.

The county claimed \$484,980 for the mandated program. Our audit disclosed that \$473,588 is allowable and \$11,392 is unallowable. The costs are unallowable because the county claimed unallowable indirect costs and did not report offsetting savings/reimbursements. The State paid the county \$361,472. Allowable costs claimed exceed the amount paid by \$112,116.

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 link at www.csm.ca.gov/docs/IRCForm.pdf.

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 Lisa Cardella-Presto, CPA
Auditor-Controller
Merced County
Ronald L. Kinchloe
Assistant Auditor-Controller
Merced County
Jeannette Pacheo
Administrative Services Director
District Attorney's Office
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Merced 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, 2007.

The county claimed \$484,980 for the mandated program. Our audit disclosed that \$473,588 is allowable and \$11,392 is unallowable. The costs are unallowable because the county claimed unallowable indirect costs and did not report offsetting savings/reimbursements. The State paid the county \$361,472. Allowable costs claimed exceed the amount paid by \$112,116.

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, 2007.

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, Merced County claimed \$484,980 for costs of the Child Abduction and Recovery Program. Our audit disclosed that \$473,588 is allowable and \$11,392 is unallowable.

For the fiscal year (FY) 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$122,450 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$107,400. Our audit disclosed that \$105,320 is allowable. The State will offset \$2,080 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 \$129,593. Our audit disclosed that \$122,570 is allowable. The State will offset \$7,023 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2006-07 claim, the State paid the county \$124,479. Our audit disclosed that \$123,248 is allowable. The State will offset \$1,231 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 May 29, 2009. We contacted Ronald Kinchloe, Assistant Auditor-Controller, by telephone on June 23, 2009. Mr. Kinchloe declined to respond to the draft report.

Restricted Use

This report is solely for the information and use of Merced 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

July 17, 2009

**Schedule 1—
Summary of Program Costs
July 1, 2003, through June 30, 2007**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Salaries and benefits	\$ 72,566	\$ 72,566	\$ —	
Services and supplies	8,440	8,440	—	
Total direct costs	81,006	81,006	—	
Indirect costs	42,502	42,502	—	
Total direct and indirect costs	123,508	123,508	—	
Less offsetting savings/reimbursements	—	(1,058)	(1,058)	Finding 2
Total program costs	<u>\$ 123,508</u>	122,450	<u>\$ (1,058)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 122,450</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries and benefits	\$ 62,823	\$ 62,823	\$ —	
Services and supplies	1,993	1,993	—	
Total direct costs	64,816	64,816	—	
Indirect costs	42,584	41,275	(1,309)	Finding 1
Total direct and indirect costs	107,400	106,091	(1,309)	
Less offsetting savings/reimbursements	—	(771)	(771)	Finding 2
Total program costs	<u>\$ 107,400</u>	105,320	<u>\$ (2,080)</u>	
Less amount paid by the State		(107,400)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (2,080)</u>		
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries and benefits	\$ 78,046	\$ 78,046	\$ —	
Services and supplies	6,528	6,528	—	
Total direct costs	84,574	84,574	—	
Indirect costs	45,019	41,544	(3,475)	Finding 1
Total direct and indirect costs	129,593	126,118	(3,475)	
Less offsetting savings/reimbursements	—	(3,548)	(3,548)	Finding 2
Total program costs	<u>\$ 129,593</u>	122,570	<u>\$ (7,023)</u>	
Less amount paid by the State		(129,593)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (7,023)</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 76,842	\$ 76,842	\$ —	
Services and supplies	12,098	12,098	—	
Total direct costs	88,940	88,940	—	
Indirect costs	35,539	35,539	—	
Total direct and indirect costs	124,479	124,479	—	
Less offsetting savings/reimbursements	—	(1,231)	(1,231)	Finding 2
Total program costs	<u>\$ 124,479</u>	123,248	<u>\$ (1,231)</u>	
Less amount paid by the State		<u>(124,479)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (1,231)</u>		
<u>Summary: July 1, 2003, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 290,277	\$ 290,277	\$ —	
Services and supplies	29,059	29,059	—	
Total direct costs	319,336	319,336	—	
Indirect costs	165,644	160,860	(4,784)	
Total direct and indirect costs	484,980	480,196	(4,784)	
Less offsetting savings/reimbursements	—	(6,608)	(6,608)	
Total program costs	<u>\$ 484,980</u>	473,588	<u>\$ (11,392)</u>	
Less amount paid by the State		<u>(361,472)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,116</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable indirect costs**

The county claimed unallowable indirect costs totaling \$4,784. The costs are unallowable because the county incorrectly applied its indirect cost rates in fiscal year (FY) 2004-05 and FY 2005-06.

The county calculated its indirect cost rates using salaries and benefits as its direct cost base. In FY 2004-05 and FY 2005-06, the county claimed unallowable indirect costs by applying its indirect cost rates to both salaries and benefits, and services and supplies.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2004-05	2005-06	
Allowable salaries and benefits	\$ 62,823	\$ 78,046	
Allowable indirect cost rate	× 65.70%	× 53.23%	
Allowable indirect costs	41,275	41,544	\$ 82,819
Less indirect costs claimed	(42,584)	(45,019)	(87,603)
Audit adjustment	\$ (1,309)	\$ (3,475)	\$ (4,784)

The program’s 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.”

Recommendation

We recommend that the county claim indirect costs by applying its indirect cost rate to the same base that it used to calculate the rate.

County’s Response

The county did not respond to this audit finding.

**FINDING 2—
Understated offsetting savings/reimbursements**

The county understated offsetting savings/reimbursements by \$6,608. The county did not report mandate-related restitution payments that it received from defendants.

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2003-04	2004-05	2005-06	2006-07	
Audit adjustment	\$ (1,058)	\$ (771)	\$ (3,548)	\$ (1,231)	\$ (6,608)

The parameters and guidelines require that the county report offsetting savings/reimbursements for any reimbursements received from the individuals or agencies involved in child abduction cases. They also require that the county report offsetting savings/reimbursements for the amount recovered from any court-imposed charges.

Recommendation

We recommend that the county implement a system to properly track and report all mandate-related offsetting savings/reimbursements.

County's Response

The county did not respond to this audit finding.

**State Controller's Office
Division of Audits
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