

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**

P.O. Box 419064, Rancho Cordova, CA 95741-9064



January 4, 2017

Mr. Martin Hoshino, Administrative Director  
Judicial Council of California  
455 Golden Gate Avenue  
San Francisco, California 94102-3688

**SUBJECT: JUDICIAL COUNCIL OF CALIFORNIA CONTRACT REVIEW  
FINAL AUDIT REPORT**

Dear Mr. Hoshino:

Enclosed is the California Department of Child Support Services (DCSS), Office of Audits and Compliance (OAC), final report on costs claimed under the Judicial Council of California contract by the Superior Court of California, County of Napa (Court). Our review was limited to examining AB 1058 child support related costs claimed in fiscal year 2014-2015 for the Child Support Commissioner and the Family Law Facilitator programs. This engagement was performed to satisfy federal and state mandated subrecipient monitoring of the AB 1058 child support grant funds.

The OAC reviewed the Court's response to the draft report, including the corrective action identified by the Court in response to the reported finding. The finding has not changed and the results of the review are in the attached Evaluation of Response.

The DCSS Administrative Services Division will issue a letter regarding the repayment and/or corrective action required in response to the finding in this report. OAC will follow up within six months from the date of this report to ensure corrective action was taken by the Court.

We appreciate the assistance and cooperation of the Judicial Council and the Court staff during the review. If you have any questions regarding this report, please contact me at (916) 464-5520.

Sincerely,

A handwritten signature in blue ink that reads "Karen Dailey".

KAREN DAILEY  
Audit Manager  
Office of Audits and Compliance  
Department of Child Support Services

Enclosure

**Department of Child Support Services  
Office of Audits and Compliance**

**Judicial Council of California Contract  
Review Audit Report**

**Superior Court of California  
County of Napa**



**Prepared by:  
Office of Audits and Compliance**

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES  
OFFICE OF AUDITS AND COMPLIANCE  
Judicial Council of California Contract Review  
Superior Court of California, County of Napa**

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# Judicial Council Contract Review Superior Court of California, County of Napa Department of Child Support Services Office of Audits and Compliance Audit Report

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## INTRODUCTION

California Department of Child Support Services (DCSS), Office of Audits and Compliance (OAC), conducts fiscal and compliance audits of subrecipients who receive IV-D program funds in the administration of the child support program. These audits are required as part of DCSS subrecipient monitoring responsibilities. DCSS contracts with the Judicial Council of California (JCC) for statewide Title IV-D services with the Child Support Commissioner (CSC) program and Family Law Facilitator (FLF) offices. The Court receives federal and state funds through a contract with the Judicial Council of California (JCC) who oversees these programs and the expenditures claimed under this contract.

This report presents the results of the OAC's review of the Superior Court, County of Napa's (Court) CSC and FLF program for the state fiscal year (SFY) of July 1, 2014, through June 30, 2015.

## BACKGROUND

The Child Support Enforcement (CSE) program is a federal/state/local partnership to collect child support from non-custodial parents. The goals of this program are to ensure that the children have the financial support of both their parents, to foster responsible behavior towards children, and to reduce welfare costs. The CSE Program was established in 1975 as Title IV-D of the Social Security Act.

Established by state legislation in 1999, the California Department of Child Support Services (DCSS) is designated as the single state entity responsible for ensuring that all functions necessary to establish, collect, and distribute child support are effectively and efficiently implemented. *Title 45, Section 302.34* gives DCSS authority to enter into a cooperative agreement with the courts under the state plan. The JCC, chaired by the Chief Justice of California, is the chief policy making agency of the California judicial system. The JCC oversees the ongoing operations of the statewide Title IV-D CSC and FLF programs in the Courts under grant funding AB 1058. In SFY 2014-15, DCSS contracted the JCC for a total of \$55,171,367. For the period July 1, 2014 through June 30, 2015, the JCC reimbursed the Court \$331,921 in state and federal funds as follows: \$249,779 for the CSC and \$82,142 for the FLF program.

## OBJECTIVES, SCOPE AND METHODOLOGY

The review was conducted for the period July 1, 2014 to June 30, 2015. The area of review was limited to claimed expenditures under the contract agreement #10-0490-14 between DCSS and the JCC for this period. The objective of the review was further limited to determining if expenditures claimed by the Court under JCC contract agreement #10-28808 for the CSC program and #10-28758 for the FLF program complied with applicable laws, rules, and regulations, including *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards set forth in Title 2 CFR Subtitle A Chapter II, Part 200 (Uniform Requirements)*, *Trial Court Financial Policies and Procedures Manual (FIN Manual)* and *Title IV-D (AB 1058) Child Support Commissioner and Family Law Facilitator Program Accounting and Reporting Instructions*.

The audit was conducted 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. This audit includes examining, on a test basis, evidence supporting the amounts included on contract invoices. An audit also includes assessing the accounting principles used and significant estimates made by management.

Due to the limited scope, our audit does not constitute a financial statement audit conducted in accordance with *Government Auditing Standards*; therefore, we do not express an opinion on the financial statements, or on any individual account balances. Had we performed additional procedures, or conducted a complete audit of the financial statements, other matters might have come to our attention that may have been reported.

## AUDIT AUTHORITY

*Uniform Requirements 2 CFR 200.328 Monitoring and reporting program performance* makes DCSS responsible for oversight of the operations of the Federal award supported activities. § 200.331 requires DCSS, as the pass through entity, to monitor the activities of the subrecipient to ensure the subaward is used for authorized purposes, in compliance with the federal statutes and regulations and the terms and conditions of the federal award and subaward, and that the subaward performance goals are achieved. This section also provides the authority for DCSS, as the pass-through entity, to perform on-site reviews of the subrecipient's program operations. §200.336 *Access to records* provides DCSS the right to access any pertinent documents.

*Title 45 CFR 302.12* gives DCSS the responsibility for securing compliance with the requirements of the State plan when delegating any of the functions of the IV-D program to any cooperative agreement.

## **CONCLUSION**

As noted in the Finding and Recommendation section of this report below, we found the Court did not have sufficient support for the personnel expense claimed during our audit period. As indirect costs are based on supported personnel expense, the Court lacked support for a portion of the indirect costs claimed. Based on the sample of operating expenditures reviewed, we found the Court had sufficient support for claimed operating costs.

## **RESTRICTED USE**

This audit report is intended solely for the information and use of the DCSS and LCSA and should not be used for any other purpose. This restriction is not intended to limit distribution of this report, which is a matter of public record when the final is issued.

## **FINDING and RECOMMENDATION**

### Finding 1 – Unsupported Salary and Benefits – \$267,187

#### Condition

For SFY 2014-15, we found the Court did not have support for salary, benefits or indirect costs claimed. Specifically, the Judicial Council of California AB 1058 grant instruction manual and annual training requires the Courts to allocate salary and benefits based on the actual hours that Court staff spend in the IV-D child support (AB 1058) grant program activities. However instead of documenting actual hours worked on the time reporting documentation (JC-4 timesheet), the Court staff record a certain number of hours to the AB 1058 program following an unauthorized project costing methodology. For example, Court supervisors are instructed to record 5.5 hours each day regardless of the amount of time actually spent in the AB 1058 program. Yet, the court staff and court supervisors “certify under penalty of perjury that this time sheet accurately represents actual time worked...” on the JC-4 timesheet. As a result, we deemed the time reporting documentation unreliable and unsupported. We found there is no support, in terms of direct labor hours, to allocate salary, benefit, or indirect costs to the AB 1058 grant program. Further, the Court did not have support for the project costing methodology used for instructing Court staff to record hours to the AB 1058 program and stated it was based on a time study that may have been performed over 10 years ago. The Court provided additional information, such as the number of court cases worked, to provide support of salary and benefits. The Uniform Requirements specify that case counts cannot be used, unless, advanced approval is given by the cognizant agency for indirect cost. Therefore, this documentation could not be used to support salary and benefits.

We did note that child support activity occurred at the court. In order to verify actual hours worked, we used an alternative procedure of reviewing Court calendars. We used these as support for the time the Court staff spent directly in child support activity (AB 1058 grant program) for the Court Commissioner, Courtroom Clerk and the Court Interpreters. As a result, we were able to verify \$39,187 in salary and benefits, and \$7,837 in indirect costs for actual labor hours reported as worked in the CSC program. For the FLF program, we allowed all claimed operating expense. For the CSC program, we allowed operating expense up to the contract limitation of \$15,250. As a result, we allowed \$17,710 in operating expense for both programs. However, we are questioning \$267,187 in unsupported, unauthorized, unallowable salary and benefit costs for SFY 2014-15 as follows:

Summary of Disallowed Costs:

<b>SFY 2014-15</b>	<b>FLF</b>	<b>CSC</b>	<b>Combined</b>
Total amount paid by JCC	\$82,142	\$ 249,779	\$331,921
<b>Less:</b> Allowable Operating Expenses	(2,460)	(15,250)	(17,710)
Total Salary and Indirect Questioned:	<b>\$79,682</b>	<b>\$234,529</b>	<b>\$314,211</b>
<b>Less:</b> Allowable Salary & Benefits - Calendar	-	(39,187)	(39,187)
<b>Less:</b> Allowable Indirect Costs - 20% of Salary	-	(7,837)	(7,837)
Total Disallowed Cost	<b>\$79,682</b>	<b>\$187,505</b>	<b>\$267,187</b>

Criteria

*Title 2 CFR 200.430 (i) Standards for Documentation of Personnel Expenses* states charges for salary and wages must be based on records that accurately reflect the work performed. These charges must:

- be supported by a system of internal controls that provides assurance the charges are accurate, allowable, and properly allocated;
- reasonably reflect the total activity for which the employee is compensated;
- encompass both federally assisted and all other activities;
- comply with established accounting policies and practices;
- support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works in more than one Federal award; a Federal award and non-Federal award...;
- budget estimates alone do not qualify as support for charges to Federal awards....

(5) For states, local governments and Indian tribes, substitute processes or systems for allocating salaries and wages to Federal awards may be used in place of, or in addition to, the records described in paragraph (1) *if approved by the cognizant agency for indirect cost*. Such systems may include, but are not limited to, random moment sampling, "rolling" time studies, case counts, or other quantifiable measures of work performed. (Italics Added).

Policies and procedures provided to the Court in the *Title IV-D (AB 1058) Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions* issued by the Judicial Council of California, dated June of 2015, states, "The salaries and benefits of the court employees who work on AB 1058 program components (CSC and FLF) can be charged to the grant...for the time devoted and identified specifically to the



program” (Page 11). Page 15 provides specific guidance to the Courts on documenting allowable and not allowable hours that can be charged directly to the AB 1058 program when completing the time reporting documentation.

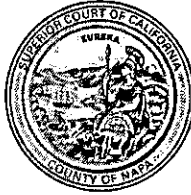
The JC-4 timesheet, signed by the employee and the employee’s supervisor, states, “I hereby certify under penalty of perjury that this time sheet accurately represents actual time worked...”

### Recommendation

The JCC should return \$267,187 (\$79,682 for the FLF and \$187,505 for the CSC) for unsupported salary, benefits, and the indirect costs claimed in SFY 2014-15. In the future, the Court should require Court staff to document actual labor hours worked in the AB 1058 program instead of using an unapproved and unsupported project costing methodology. This way the salary and benefits allocated to the program will be supported by the percentage of actual labor hours worked directly in child support program activities. Further, indirect costs charged to the AB 1058 grant program must be supported by allowable, supportable salaries and benefits. The JCC may consider developing a process, such as on-site monitoring reviews, to ensure the courts understand and apply the JCC policies, procedures and federal regulation requirements.

# Agency Response

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**SUPERIOR COURT OF CALIFORNIA  
COUNTY OF NAPA**

**Richard D. Feldstein**  
Court Executive Officer

825 Brown Street  
Napa, CA 94559  
(707) 299-1110

November 18, 2016

**VIA EMAIL TO: [dcssoac@dcss.ca.gov](mailto:dcssoac@dcss.ca.gov)**

Karen Dailey  
Audit Manager  
Office of Audits & Compliance  
Department of Child Support Services  
P.O. Box 419064  
Rancho Cordova, CA 98741-9064

**Re: Response to DCSS Draft Audit Report of the Napa Superior Court**

Dear Ms. Dailey:

The Napa Superior Court (court) is pleased to submit this written response to the State Department of Child Support Services (DCSS) regarding its audit of the court and the Child Support Enforcement Program (AB 1058 program). The audit focused on the court's claimed spending activity during fiscal year 2014-15, which included \$331,921 in total program spending for both the Child Support Commissioner grant (\$249,779) and the Family Law Facilitator grant (\$82,142).

In its report, DCSS concludes that \$267,187 -- or roughly 80 percent of the court's total spending -- was not adequately supported by documentation such as timesheets, logs, and court calendars. While the court agrees that its documentation for these costs may not have met the administrative standards required in its grant agreement, such spending did in fact take place, and DCSS acknowledges in its report that "child support activity occurred at the court." In the court's view, DCSS' recommendation to return \$267,187 will unnecessarily harm the court's ability to effectively serve litigants who request help in seeking or enforcing child support orders. In the sections that follow, the court provides further perspective on DCSS' audit findings and the court's current staffing, highlights the corrective action planned by the court, and describes the court's recent performance under the AB 1058 program.

Both the court's judicial officers and staff are firmly dedicated to financial and operational transparency and accountability. As a good steward of public funds, the court recognizes the importance and value of independent audits and fully supports DCSS' continued efforts to partner with the court to ensure the AB 1058 program is effectively serving children of California.

### **THE IMPACT OF COURT STAFFING**

The court has limited staff and a shrinking budget, requiring that staff in the clerk's office be able to effectively address both DCSS-related cases under the AB 1058 program as well as other case types. As a result, court staff are frequently cross-trained on how to process a wide variety of different filings. This approach allows for the immediate processing and scheduling of child support matters as they are filed during the court's business hours. While larger courts may have the staff resources to assign specific individuals to support the AB 1058 program, this court lacks such heightened staffing levels and believes its current pooled staffing approach is the most effective. However, with the same court staff processing a wide variety of family law, probate, adoptions, and civil matters, the court has found that a formula-based time allocation method for charging personnel cost is the most reasonable approach. Such an approach is particularly necessary because often it is not readily apparent to employees whether or not a particular family law case encompasses a child support issue.

Furthermore, many operational tasks, general supervision, training, and other administrative efforts cannot be clearly segregated between DCSS' AB 1058 program versus the support services provided to other case types.

As with its court staff, the court's judicial officers are similarly responsible for hearing a wide variety of case types and there is not always a clear dividing line between cases that are served under the AB 1058 program and those that are not. The court believes that its limited staffing and its methods for assigning the work is important context for the reader when considering DCSS's findings and the timesheet requirements currently expected under the program.

### **THE COURT'S PLANNED CORRECTIVE ACTION**

DCSS audit staff have determined that the court's time allocation methodology is inconsistent with existing grant requirements. In the long term, the court will work with the Judicial Council and DCSS to determine whether an alternative and more reasonable method of documenting personnel costs might be available to smaller courts. The court notes that federal regulations under 45 CFR 304.21 provides DCSS with the discretion to determine the method of calculating eligible expenditures by the courts, and that the current timesheet-based approach is only one of several possible methods that could be used. Nevertheless, recognizing the current grant requirements in the short term, the court is already in the process of implementing the following changes to its local administration of the AB 1058 program:

1. **Clerk's Office** – The processing of DCSS case documents and calendaring of events will be centralized and assigned to a single employee who will be better able to track actual time spent working on grant related activities through daily entries on his/her timesheet. To the extent that they can be identified, all case filing, data entry, and calendaring will be performed by this individual. In addition, all litigant inquires and requests will be directed to this staff member as well.
2. **Courtroom Support Staff** – Court reporter and courtroom clerk staff will be tracked in the same manner as Clerk's Office staff.
3. **Child Support Commissioner** – The Court Commissioner assigned to the DCSS calendar will document the exact time spent presiding over courtroom proceedings, reviewing case files in chambers, and coordinating DCSS matters with other court staff, attorneys, and local DCSS agency employees, and other eligible activities.
4. **Family Law Facilitator** – Instead of being available at any time during normal working hours, Self-Help staff will segregate a set number of hours per week on specific days for advising self-represented litigants seeking assistance with DCSS matters. During these limited times, Self-Help staff will keep a log of the amount of time spent on identified DCSS cases.

### **THE COURT'S PERFORMANCE UNDER AB 1058**

The court recognizes and supports state and federal audits of AB 1058 grant funding. However, the court is concerned that those who read DCSS' audit report and the amount of disallowed cost may assume that significant portions of the work were not completed or that program services were not being offered to the public. Such an assumption would be false. While the court understands and accepts that it has not documented personnel costs in the manner currently prescribed by DCSS, the court is proud of its past contributions under the AB 1058 program. For example, during the period covered by DCSS' audit, court staff, and judicial officers:

1. Opened 269 new child support cases filed by the local child support agency
2. Received, filed, and processed thousands of cases documents related to DCSS filed cases
3. Calendared 1,710 matters in DCSS filed cases
4. Conducted courtroom hearings of all such calendared matters

5. Spent significant time training and overseeing the work performed by grant-funded staff, as well as coordinating justice system activities with the local child support agency
6. Assisted hundreds of self-represented litigants involved in child support matters by explaining court policies and procedures and assisting in the completion of court documents.

These statistics do not include activities and services provided to 170 general family law cases wherein the local child support agency entered into the case after the initial filing by the involved parents.

Given the important work noted above, the court believes that returning \$267,187 -- or 80 percent of the court's funding under AB 1058 -- would unnecessarily harm the court's ability to achieve these kinds of outcomes and effectively serve those who are seeking help in the courts.

The court sincerely thanks the DCSS auditors for their professionalism and for their efforts to improve the AB 1058 program. The court is hopeful that DCSS and the Judicial Council will be open to further dialogue that considers alternative methods for documenting personnel costs that would allow smaller courts, such as ours, to continue to focus the majority of our energies on serving the public and ensuring the continued financial support for California's children.

Sincerely,



Richard D. Feldstein  
Court Executive Officer

rdf/crb

cc: Anna Maves, Supervising Attorney, CFCC Administration, Judicial Council of California  
Grant Parks, Manager, Internal Audit Services, Judicial Council of California

## Evaluation of Response

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On October 28, 2016, OAC issued a draft report for the Court's review and response. We received the Court's written response to the draft report on November 16, 2016. We appreciate the thorough consideration of our reported findings. The Court concurs with our findings but disagrees with our recommendation regarding the \$267,187 in disallowed costs. The Court plans to implement a corrective action such as tracking actual labor hours staff spend working directly in the AB 1058 child support program as a basis for allocating salary and benefit costs. While the finding remains, the corrective action plan, if implemented as described, should be sufficient to address these issues in the future. We will follow up in six months for the progress of the corrective action plan.

Lucy Vang  
Staff Services Management Auditor  
Office of Audits and Compliance  
Department of Child Support Services

Rakhee Devi, CPA  
Associate Management Auditor  
Office of Audits and Compliance  
Department of Child Support Services

Scott Hunter  
Audit Supervisor  
Office of Audits and Compliance  
Department of Child Support Services

Karen Dailey  
Audit Manager  
Office of Audits and Compliance  
Department of Child Support Services