

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



November 3, 2016

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 the costs claimed under the Judicial Council of California contract by the Superior Court of California, County of Placer (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 the 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 Placer**



**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 Placer**

TABLE OF CONTENTS

INTRODUCTION.....	3
BACKGROUND	3
OBJECTIVE, SCOPE, AND METHODOLOGY	4
AUDIT AUTHORITY	4
CONCLUSION	5
RESTRICTED USE	5
FINDING AND RECOMMENDATION	6
AGENCY RESPONSE	9
EVALUATION OF RESPONSE.....	13
AUDIT STAFF	14

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

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 provided by 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), which oversees these programs and the expenditures claimed under this contract.

This report presents the results of the OAC's review of the Superior Court of California, County of Placer's (Court) CSC and FLF programs 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 toward 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 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, annually. For the period July 1, 2014 through June 30, 2015, the JCC reimbursed the Court \$508,804 in state and federal funds as follows: \$389,379 for the CSC and \$119,425 for the FLF program.

OBJECTIVE, 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, and further limited to reviewing expenditures claimed by the Court under JCC contract agreement #10-28813 for the CSC program and #10-28759 for the FLF program. The object of the review was to ensure compliance 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*, except the OAC has not obtained an external peer review in the last three years. 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 sub-award is used for authorized purposes, in compliance with federal statutes and regulations and the terms and conditions of the federal award and sub-award and that the sub-award performance goals are achieved. This section also provides the authority for DCSS, as the pass-through entity, to perform on-site reviews of the sub-recipient'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 JCC 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 – \$325,170

Condition

For SFY 2014-15, we found the Court did not have support for salary, benefits, or indirect costs claimed. Specifically, the *Uniform Requirements* and the *Judicial Council of California AB 1058 Grant Instruction Manual* requires the Courts to allocate salary and benefits based on the actual hours Court staff spent directly working in the AB 1058 IV-D child support grant program activities. Instead of tracking actual hours worked on their timecard or JC-4 grant timesheet, we found Court staff used an alternate, unapproved, and unauthorized process of recording estimated hours. As a result, we found the JC-4 grant timesheets unreliable, and the percentage of salary, benefits, and indirect cost allocated to the claim unsupported.

We did note that child support activity occurred at the Court. In order to verify hours we used an alternative procedure to review Court Calendars, training records, and the Court Commissioner's July 2014 timesheet. For the Court Commissioner, Courtroom Clerks and the Court Interpreter, we accepted the Court Calendar as support when the court was hearing cases related to child support. This provided documentation of actual hours spent in the child support program. We noted that not all hours on the grant timesheet were supported. For example, some days in which court was in session, total hours claimed on the grant timesheet could not be supported. Specifically on July 24, 2014 and September 18, 2014, child support activity was scheduled after 10:00 am. As a result, the Court lacked support for the full 8 hour day of child support activity as claimed by the Courtroom Clerk on those days. We also accepted the Commissioner's July 2014 timesheet recording "in chambers work" as support for additional hours spent directly in child support activity for SFY 2014-15. Using this information, we were able to verify \$135,762 in salary and benefits, and \$27,152 in indirect costs for the CSC program.

For the remaining Court Staff in the CSC and FLF, the Court did not provide documentation to support hours worked directly in the child support program activities. We did note the Family Law Facilitator staff document appointments for child support cases on an Outlook calendar, but this information was not provided to the auditors. Instead, the number of cases from May 2015 was provided in support of salary and wages for the Court Clerks with estimated times assigned to each. The *Uniform Requirements* state "rolling" time studies can only be used if approved by the cognizant agency for indirect cost. As a result, we question \$325,170 in unsupported and unallowable salary and wages, and indirect costs claimed on the JCC contract during FY 2014-15 (\$117,536 for salary and indirect costs for the FLF program) + (\$207,634 in salary and indirect costs for the CSC program).

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.

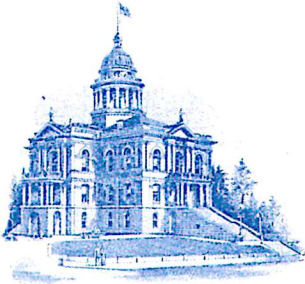
The JC-4 timesheet, signed by the employee and the employee's supervisor, states, "I hereby certify under penalty of perjury that this time sheet accurately represents actual time worked..."

Recommendation

The JCC should return \$325,170 to DCSS for unsupported salary, benefits and associated indirect costs claimed in SFY 2014-15 for the Court. In the future, the allocated claimed salary and benefit costs must be based on actual labor hours documented and directly worked in the IV-D child support AB 1058 grant program. Documentation that supports claimed costs must be prepared in accordance with the

JCC established policies, procedures, and federal regulations. The indirect costs charged to the AB 1058 grant program must be supported by allowable salaries and wages.

Agency Response



Superior Court of the State of California
In and For The County of Placer
Roseville, California

10820 JUSTICE CENTER DRIVE, ROSEVILLE, CALIFORNIA 95678
P.O. BOX 619072, ROSEVILLE, CALIFORNIA 95661

JAKE CHATTERS
COURT EXECUTIVE OFFICER
AND CLERK OF THE SUPERIOR COURT/
JURY COMMISSIONER
(916) 408-6186 FAX (916) 408-6188

September 28, 2016

Ms. Karen Dailey, Audit Manager
Office of Audits and Compliance
Department of Child Support Services
P.O. Box 419064
Rancho Cordova, CA 95741-9064

Transmitted via email to: DCSSOAC@dcss.ca.gov

Re: Response to DCSS' Contract Review Audit Report (Draft), dated September 8, 2016

Ms. Dailey,

The Superior Court of California, County of Placer (Court) appreciates the opportunity to respond to the draft audit report prepared by the California Department of Child Support Services (State DCSS). The audit was limited to a review of the Court's claimed expenditures under the Child Support Enforcement Program (AB 1058), which is a program comprised of federal, state, and local agencies. During the time period covered by the audit, fiscal year 2014-15, the Court received \$508,804 under its grant agreement with the Judicial Council of California, which disburses AB 1058 funds to the California Superior Courts on behalf of State DCSS. The Court has reviewed the State DCSS' Draft Audit Report, dated September 8, 2016, and offers the following perspectives on the audit's findings and recommendations.

The Court agrees that some of its employees used allocation estimates of their time when completing time sheets, time sheets that were ultimately used to charge to the AB 1058 program. The Court further agrees that using allocation estimates for a subset of the employees using this technique did not comply with federal regulations that apply to the AB 1058 program. The Court welcomed State DCSS' audit and has viewed this process as a productive and necessary element of the administrative partnership between State DCSS, the Judicial Council of California, and the Court in achieving the important mission and goals of the AB 1058 program. The Court is committed to rapidly

responding to the audit findings and working with State DCSS and the Judicial Council to implement corrective action.

As of the date of this response, significant corrective action has already occurred, including:

- **Family Law Facilitator** - Staff has been retrained and currently maintains daily logs of their time spent on the AB 1058 program. Due to the high frequency, but variable time, taken on these matters on a daily basis, staff now tracks time in increments of five minutes throughout the day and ultimately round up to the nearest 15 minutes when completing their official timesheets. Court staff retains the daily logs until timesheets are complete and submitted for the pay period.
- **Commissioner Program: Clerk's Office** – Full-time staff complete their timesheets each day and deduct time spent on non-grant related cases if such time exceeds 15 minutes. Staff members who split time between grant and non-grant activities track daily activity on the grant in 15 minute increments, should any such activity occur. Staff retains the daily logs until timesheets are complete and submitted for the pay period.
- **Direct Supervisor and Lead Staff** – The Court has taken corrective action for direct supervisors and lead staff, but is seeking additional clarification before closing this item. At this time, these staff only charge time directly working on a DCSS case and do not charge any general supervision time. The Court believes this practice results in the under reporting of grant activities. The Court will seek additional clarification regarding the appropriate method of calculating supervisory time from the Judicial Council and State DCSS. Specifically, the extent to which OMB Circular A-87, Attachment B, Section 8(h)(6)(b) may be relied upon to adequately account for general supervision of grant employees.

Based on the material provided as part of the Draft Report, the Court does not believe any corrective action is needed related to the Commissioner or other courtroom personnel.

Although the Court has taken the above actions, it respectfully disagrees with the audit recommendation that the Judicial Council return \$325,170 for unsupported program costs and believes additional context is needed to place the audit findings in perspective. The primary evidence for the auditor's findings is the statements of some court employees, made openly and honestly, that their timesheets were based on their best estimates of time spent supporting the program. Although the Court acknowledges that its timekeeping practices must and will be improved, disallowing \$325,170 in claimed costs (or roughly 64% of the Court's entire costs) seems counterproductive and unnecessarily harmful given the important work of the AB 1058 program at the Court.

Federal regulations (2 CFR 200.430) state that costs must both be reasonable for the services rendered and supported by specific levels of documentation. The Court

appreciates that the State DCSS auditors acknowledge in the Draft Audit Report that “child support activity occurred at the [Placer] court” and do not otherwise conclude that the amounts charged were either excessive or unreasonable based on the work performed. Again, while the Court acknowledges the deficiencies in timekeeping practices, the Court highlights that there was no conclusion that these documentation deficiencies resulted in unreasonable charges to the AB 1058 program. The Court is deeply concerned that the recommended, significant, financial penalty will only hinder its future efforts to work with State and local DCSS in efforts to further improve outcomes. The Court already maintains a highly functioning collaboration with the local child support agency, which includes implementing innovative programs to reduce costs for the local agency and speed the delivery of services for litigants. Financial penalties will only serve to limit these collaborations and the services the Court is able to offer to those seeking child support orders.

Regardless of the Court’s concern regarding the recommended penalty, the Court remains committed to supporting the AB 1058 Program goals and in working with the State DCSS, our local child support agency, and the Judicial Council on continued efforts to meet, and wherever possible exceed, program objectives and outcomes.

Sincerely,



Jake Chatters
Court Executive Officer
Superior Court of California, County of Placer

cc: Hon. Alan V. Pineschi, Presiding Judge, Superior Court of California, County of Placer
Ms. Anna Maves, Supervising Attorney, CFCC Administration, Judicial Council of California
Mr. Grant Parks, Manager, Internal Audit Services, Judicial Council of California

Evaluation of Response

On September 8, 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 September 28, 2016. The Court concurs with our findings but disagrees with our recommendation regarding the \$325,170 in disallowed costs. The Court cites the fact that child support related activity did occur at the Court even if the timekeeping practices were not in accordance with the federal requirements. As the regulations were not adhered to, our finding remains. However, the Court provided a corrective action plan that if implemented as described, it should be sufficient to fully address these issues in the future. We will follow up in six months for the progress of the corrective action plan.

Audit Staff

Patricia Yoldi
Staff Services Management Auditor
Office of Audits and Compliance
Department of Child Support Services

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

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