

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



August 20, 2018

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

**SUBJECT: JUDICIAL COUNCIL OF CALIFORNIA CONTRACT
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 Plumas (Court). Our review was limited to examining Assembly Bill (AB) 1058 child support related costs claimed in state fiscal year 2015-16 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.

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

On August 10, 2018, DCSS issued a letter regarding the repayment and/or corrective action required in response to the findings 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 Chief
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 Plumas**



**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 Plumas**

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**Judicial Council Contract Review
Superior Court of California, County of Plumas
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 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 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 of California, County of Plumas (Court) CSC and FLF program for the state fiscal year (SFY) of July 1, 2015, through June 30, 2016.

BACKGROUND

The Child Support Enforcement (CSE) program is a federal/state/local partnership to collect child support from noncustodial parents. The goals of the program are to ensure 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 is designated as the single state entity responsible for ensuring 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 2015-16, DCSS contracted the JCC for a total of \$55,171,367. For the period July 1, 2015 through June 30, 2016, the JCC reimbursed the Court \$212,078 in state and federal funds as follows: \$150,424 for the CSC and \$61,654 for the FLF program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The review was conducted for the period July 1, 2015 to June 30, 2016. The area of review was limited to claimed expenditures under the contract agreement #10-0586-16 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 #10-30630 for the CSC program and #10-30728 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. Section 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. Section 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 Findings and Recommendations section of this report below, we found the Court did not have sufficient support for the personnel expenses claimed during our audit period. As indirect costs are based on supported personnel expenses, the Court lacked support for a portion of the indirect costs claimed. We also found the Court did not have sufficient support for claimed operating costs for the contracted CSC based on the sample of operating expenditures reviewed.

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.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Unsupported Personnel Expenses – \$104,179

Condition

For SFY 2015-16, we found the Court did not have support for the salaries, benefits or indirect costs claimed for the CSC program. Specifically, the JCC AB 1058 Grant Instruction Manual and annual training requires courts to allocate salaries and benefits based on actual hours court staff spend in the IV-D child support (AB 1058) grant program activities. We found the CSC Contractor worked for the Court one day a week and performed both IV-D and non IV-D activity, and Court staff assisted and worked in both AB 1058 and non AB 1058 program activities. However, interviews with Court staff revealed they documented all hours worked for the CSC Contractor in the family law court or in family law activities as reimbursable AB 1058 child support program activity on the JC-4 timesheet. Court staff stated they were unaware the CSC Contractor worked on both AB 1058 and non AB 1058 reimbursable IV-D activities. As a result, there is no way to differentiate the benefit, in terms of direct labor hours, to the child support AB 1058 program.

As we could not rely on the JC-4 timesheets, we requested alternative documentation; such as court calendars, phone logs, personal calendars, or other documentation to support program activity. We obtained the court calendars for the year, and the Court created an excel spreadsheet of all AB 1058 cases during a three month period. We reconciled the excel listing of AB 1058 cases to the court calendars and found the AB 1058 activity was scheduled in the mornings beginning at 10:00 a.m. We further found non AB 1058 family law activity occurred in the afternoon starting at 1:00 p.m. As a result, we concluded up to three hours of time in court was spent directly in AB 1058 activity.

We then reviewed the JC-4 timesheets for the courtroom clerks, court specialists, and court reporters who reported attendance in court. We allowed the time recorded on the JC-4 timesheet, up to a maximum of three hours (when AB 1058 activity was heard). We further allowed AB 1058 training for the Fiscal Manager, who documented attendance for AB 1058 training. As the Court did not provide further documentation to support AB 1058 activity, we deemed the remaining hours as unsupported. We found the Court did not have support for \$104,179 in salaries, benefits, and indirect costs related to the CSC program as follows:

Summary of Unsupported Personnel Expenses and Indirect Costs SFY 2015-16

Unsupported Salaries and Benefits	\$86,815
Unsupported Indirect Costs	17,364
Total Unsupported Costs	\$104,179

Criteria

Title 2 CFR 200.430 (i) Standards for Documentation of Personnel Expenses (1)
Charges for salary and wages must be based on records that accurately reflect the work performed. These records must:

- (i) “Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
- (iii) Reasonably reflect the total activity for which the employee is compensated....
- (iv) Encompass both federally assisted and all other activities....
- (v) Comply with established accounting policies and practices....
- (vii) Support the distribution of the employee’s salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award....
- (viii) Budget estimates alone do not qualify as support for charges to Federal awards....”

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 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 \$104,179 to DCSS for unsupported salaries, benefits, and indirect costs claimed in SFY 2015-16. In the future, the Court should ensure staff understand and record actual direct labor hours spent in the AB 1058 program activities on the JC-4 timesheet. In accordance with JCC policies, the Court should allocate salaries and benefits based on the percentage of direct labor hours worked in the AB 1058 program as certified on the JC-4 timesheet. The Court should ensure it understands and follows established policies and practices of the JCC.

Finding 2 – Unsupported Operating Expenses, Contracted CSC – \$30,405

Condition

For SFY 2015-16, we found the Court did not have support for operating expenses claimed for the CSC program. Specifically, the Court obtained an independent

contractor (Contractor) to perform CSC services. The contract agreement allowed four hours each Wednesday at 85 percent of a Superior Court Judge's hourly rate. The Contract further compensated the Contractor for mileage and required the Contractor maintain a Contractor Activity Log (Log) to support direct labor hours worked in the AB 1058 program. We found the contract agreement was not approved by the JCC, as required, and did not compensate the Contractor for travel time. Further, we found the Contractor was concurrently obligated for an additional 36 hours a week of AB 1058 Commissioner duties under another contract agreement with three other courts.

We found the Log was maintained by the Contractor, but was not signed by her for three of the twelve months. Further, the Log revealed the Contractor worked directly in AB 1058 activity for an average of 8.65 hours each Wednesday. In fact, there were instances when the Contractor claimed and was paid for as much as 10.5 hours on a Wednesday for direct AB 1058 labor hours. When we asked the Court's Executive Officer why the Contractor claimed and received payment for more than four hours as specified in the contract agreement, the Executive Officer responded the "contract with the Commissioner includes payment for travel time." As stated above, the Contract does not allow for the payment for travel time, so the hours are unallowable. Chapter 9 of the Judicial Branch Contracting Manual does not allow for travel time unless specifically permitted for in the contract.

Further, we found the Contractor works on both AB 1058 and non AB 1058 activities at the Court. While the contract agreement allows for mileage, it would be improper under federal regulation to shift the full cost of mileage to the AB 1058 program as the Contractor is performing both federally funded AB 1058 activity and non AB 1058 grant activity. We obtained support for the mileage costs, and learned the Contractor claimed regular commute miles from home to the Court. Trial Court Policies and Procedures specifically prohibits travel costs between "home and a judge's or employees' regular place of work", stating it is "not reimbursable." The Court is required to follow the policies and procedures in place for a cost to be allowable for federal reimbursement. As a result, travel mileage is unallowable.

Once we established the Log was unsupported and unreliable, we requested alternative documentation; such as court calendars, personal calendars, call logs, or other supporting documentation to identify AB 1058 hours. The Court provided court calendars and we found the calendars documented both AB 1058 and non AB 1058 program activity. The Court provided a sample of three months of courtroom activity, which documented AB 1058 activity was scheduled at 10:00 a.m., and non AB 1058 activity was scheduled to start at 1:00 p.m. As a result, we were able to consider a maximum of three hours of documented AB 1058 activity (10:00 a.m. – 1:00 p.m.) We then reviewed the JC-4 timesheets maintained by courtroom staff who present for the morning AB 1058 courtroom activity. We allowed the lesser of 3 hours (maximum time for AB 1058 activity in the court) documented by the courtroom staff in attendance. As a result, we found support for 93 hours of actual AB 1058 courtroom activity.

**Supported Contractor Costs
SFY 2015-16**

Total Supported Salaries (93 Hours x \$77.26)	\$7,185
Mileage	\$0
Total Supported Costs	\$7,185

**Unsupported Contractor Costs
SFY 2015-16**

Total Reimbursed	\$37,590
Less: Total Supported Costs (93 Hours x \$77.26)	(7,185)
Total Unsupported Costs	\$30,405

Criteria

Title 2 CFR Section 200.318 General procurement standards (b) requires the Court to maintain oversight and ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

Section 200.403 Factors affecting allowability of costs requires costs to be adequately documented and consistent with established policies and procedures.

Section 200.404 Reasonable costs states costs are allowable if they are reasonable, necessary, and utilized for the proper and efficient performance and administration of the federal award. A cost is considered reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Section 200.405 Allocable costs. (d) states, "If a cost benefits two or more projects or activities...the cost must be allocated to the projects based on the proportional benefit."

The Judicial Branch Contracting Manual Chapter 9, Page 8, F. Payment of Invoices states, "Accurate, properly submitted invoices: JBEs should not pay for anything that is not set forth in the contract" And Page 9 states, "Travel Provisions: All travel expenses should be related to official JBE business. Reimbursement for such expenses should only be permitted if provided for in the contract."

The Trial Court Financial Policies and Procedures Manual 6.3.2 Personal Vehicle Mileage states, "Travel between home and a judge's or employees' regular place of work is not reimbursable."

JCC Contract No. 1030630 for the CSC Program, Exhibit B, Item 6, Court Responsibilities states "the Court shall ensure that reimbursements claimed are limited to that portion of time the Commissioner(s) and staff are engaged in matters involving Title IV-D matters."

JCC Contract No. 1030630 for the CSC Program, Exhibit B, Item 18. Subcontracting states, "The court shall not subcontract this Agreement or services provided under this Agreement, unless the Judicial Council agrees to the subcontracting in writing."

Court Contract for Family Support Commissioner states, "The Contractor shall be compensated for such services at 85% of the Judges' current hourly rate. The Contractor shall also be compensated for mileage as authorized of California for the trial court employees."

Recommendation

The JCC should return \$30,405 to DCSS for unsupported and unallowable Contractor expenses. In the future, the Court should ensure contracting practices comply with JCC policy and the Uniform Requirements. For example, the Court must review supporting documentation; such as Contractor Activity Logs, for appropriate allocation of hours prior to authorizing payment. Additionally, the Court should verify and compare costs and services against terms specified in the written agreement to ensure the amounts are correct and services provided in full. Further, travel time must be specifically identified in the contract agreement, meet the definition of travel in accordance with JCC policy, and be properly allocated if it benefits a federal and nonfederal program.

Lastly, the JCC has an opportunity to provide training and monitoring to ensure the Court staff fully understand and apply current JCC policy and regulation and implement strong internal controls prior to seeking reimbursement for contracted costs.

Agency Response

Plumas Superior Court

Deborah W. Norrie, Court Executive Officer
520 Main Street, Rm. 104, Quincy, CA 95971 (530) 283-6232



Hon. Janet Hilde
Superior Court Judge, Presiding
Hon. Douglas Prouty
Superior Court Judge

June 12, 2018

California Department of Child Support Services
P. O. Box 419064
Rancho Cordova, CA 95741-9064

Re: Judicial Council of California Contract Review Draft Audit Report

The Plumas Superior Court comments on the findings made in the Draft Audit Report dated May 22, 2018 as follows:

Response to Finding 1 – Unsupported Personnel Expenses

The Court believes that the DCSS analysis of personnel time in FY15-16 did not include consideration of any staff processing time for documents (e.g. new motions, stipulations, dismissals, transfer-in and transfer out cases, orders after hearing), any interactions with DCSS staff and family support litigants at the public counter or on the telephone or communication with the Child Support Commissioner on days other than the Wednesday court day.

In FY15-16 court staff was following oral reimbursement guidelines provided by a now-former employee of the Judicial Council. The Court had specifically requested this guidance and was told it would be “safe” to count .25 of an hour for any interaction with a family support case. Written acknowledgement of this conversation was requested but never provided by Judicial Council staff. No supporting documentation (e.g. scratch sheets) was required nor recommended by Judicial Council in FY15-16, and any notes, etc. that court staff would have used to create their timesheets were disposed of after the timesheet was submitted. Therefore, that information could not be provided to the auditors.

This oral representation was the model the court used for claiming time on personnel reimbursement claims until the Judicial Council produced and distributed a webinar in FY16-17. This webinar provided more specifics and required that court staff keep scratch sheets or other written documentation to support the monthly claims submitted. After all Plumas court staff had viewed the webinar, staff meetings were held to answer questions and clarify the procedure moving forward. Supervisors were trained in providing more oversight on completing and approving staff timesheets. The timesheets submitted since the webinar training reflect the new instructions/procedures. The Court is now recording actual time spent on family support cases.

The monetary finding is somewhat overstated. Due to technical issues in its network, the Court was unable to recover 3 months of scanned claims for FY15-16. The Court's Fiscal Manager requested that Judicial Council staff (who holds the original claims) provide the court with a copy of the missing months for submission to DCSS. However, copies could not be obtained within the time frame of the audit.

The Court, as a public agency, has always participated in and sees the value of the audit process. However, in this audit, the Court is being audited against standards that were not known or communicated to the court by the agency holding the grant in FY15-16 (Judicial Council). Reimbursement claims for personnel costs were submitted regularly to Judicial Council and some claims were disallowed or questioned before approval and reimbursement. The Court has no issue with following whatever guidelines are required when it accepts grant monies – so long as it has the appropriate knowledge.

Response to Finding 2 – Unsupported Operating Expense, Contracted CSC

The Court has had a contract with a Child Support Commissioner since the inception of the grant program as there has never been a workload that would support either a fulltime or part-time court employee. Before this audit, there had been no issues raised with the contract, the form of the contract had remained the same, and the Court has provided a qualified Commissioner. The Plumas Commissioner also works for three other courts (Glenn, Tehama and Colusa) under a separate agreement. The Court will not argue with the auditors' findings if they are provisions of the grant. The Court would comment that payment of travel time (or as characterized by DCSS auditors as "commuter time") for professional services is a common practice in the more isolated areas of California and is often required to attract competent professionals. Since it appears that the terms of the grant disallow the model for Commissioner that the Plumas Court has historically used, the Court will investigate alternative methods to see if it can find a qualified Child Support Commissioner.

Given that the Court is now on notice that its CSC contract does not meet the terms of the grant, the Court will have to decline any AB1058 grant opportunity in FY18-19. The Court will not have sufficient time to investigate a new model by either partnering with another court or going out to bid for a new contract before the beginning of the next fiscal year. It is also highly unlikely that the Court will find a qualified attorney who will accept a CSC contract for less than 8 hours per week at an hourly rate of 85% of a judge's rate and be unable to practice any other type of law in the state of California. (Note: The auditors allocated only \$7, 185.00 for commissioner costs for FY15-16). There are few local attorney resources in Plumas County, and the closest neighboring attorney resources are a minimum of one and a half hours away from the Plumas Court. If the Court cannot find a contractor or partner with another court, the grant will be unavailable to the Court moving forward.

The finding as to the Commissioner hearing non- AB1058 matters can be easily remedied by reassigning those cases to a sitting Plumas judge. The Commissioner has heard those cases pro bono as a public service to the Court and as a way of keeping current on the myriad issues in family law that affect the issues of child support.

This finding is ultimately devastating to the Plumas Court and its AB1058 program. Without a qualified Commissioner, there is no AB1058 program. Even if there is no AB1058 program, the Plumas judges will continue to hear family support matters and staff will provide the necessary support.

Yours truly,

A handwritten signature in blue ink that reads "Deborah W. Norrie".

Deborah W. Norrie
Court Executive Officer

cc: Anna Maves

Evaluation of Response

On May 22, 2018, OAC issued a draft report for the Court's review and response. We received the Court's written response to the draft report on June 12, 2018, and appreciate the thorough consideration of our reported findings.

In response to Finding 1, the Court states during the review period they received oral instructions from the JCC for claiming personnel costs. Subsequently, new instructions and procedures were implemented to support the monthly claims submitted. While the finding remains, the Court states that they are now recording actual time spent on family support cases. This corrective action, if implemented as stated, should mitigate this issue in the future.

In response to Finding 2, the Court plans to investigate alternative methods to see if it can find a qualified Child Support Commissioner. If the Court follows written JCC requirements regarding contract agreements and subcontracting for the Commissioner, this should mitigate the finding in the future. The finding remains unchanged.

Mackenzie Kerling
Staff Services Management Auditor
Office of Audits and Compliance
Department of Child Support Services

Francesca Chavez
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