

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**

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



November 15, 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 San Luis Obispo (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 San Luis Obispo**



**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 San Luis Obispo**

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**Judicial Council Contract Review  
Superior Court of California, San Luis Obispo County  
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 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 San Luis Obispo (Court) CSC and FLF program for state fiscal year (SFY) 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 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 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 2015-16, DCSS contracted JCC for a total of \$55,171,367. For the period July 1, 2015 through June 30, 2016, the JCC reimbursed the Court \$448,695 in state and federal funds as follows: \$357,008 for the CSC and \$91,687 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 #10-0490-14 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 #10-30664 for the CSC program and #10-30704 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 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, the Court's personnel expenses for a Legal Process Clerk in the CSC program and all staff in the FLF program were unsupported. As indirect costs are based on supported personnel expenses, 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 the 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 FLF – \$91,687

#### Condition

For SFY 2015-16, the Court did not have support for the salaries, benefits or indirect costs claimed for all staff in the Family Law Facilitator program. Specifically, the Judicial Council of California AB 1058 grant manual and annual training requires courts to allocate salaries and benefits based on the actual hours court staff spend in the IV-D child support (AB 1058) program activities. Instead of documenting actual hours worked, Court staff recorded a predetermined number of hours each day on their JC-4 timesheet under IV-D program. To understand this process, we interviewed the FLF, who recalled the Court performed time studies during that period. Court staff were instructed to record hours on their JC-4 timesheet using the allocation derived from the one-week time studies. However, no documentation was provided to support the methodology used. Further, this methodology is not in accordance with JCC policy and procedures which required the allocation of salaries and benefits to be based on actual hours worked each claim month. Also, the federal regulations disallow the use of budget estimates. Lastly, Court staff signed and certified the timesheets each month stating they “certify under penalty of perjury that this time sheet accurately represents actual time worked...” Since there is no way to identify actual direct labor hours the staff spent in the FLF program or to determine the direct benefit to the FLF program, we found the Court overclaimed \$91,687 for the FLF program for salaries, benefits, and indirect costs, which was the total amount reimbursed by the JCC. The Court claimed 10.59%, which is less than the JCC approved indirect cost rate of 20%.

| Family Law Facilitator Program<br>Total Unsupported Personnel Expenses<br>SFY 2015-16 |          |
|---|----------|
| Salaries and Benefits   | \$82,907 |
| Add: Indirect Costs (10.59%)  | 8,780    |
| Total Unsupported Cost  | \$91,687 |

We further observed the Court had weak internal controls in reporting and claiming salaries and benefits. Based on the JC-3 sample months reviewed, we found the Court erroneously included flex benefits twice, both in the “Gross Pay” and in “Gross Benefits”, thereby overstating claimed personnel costs for the FLF program. We allowed the flex benefits as a claimable cost in “Gross Benefits” but still found the salary and benefit amounts in the ADP payroll register did not reconcile to the “Gross Pay” and “Gross Benefits” reported on the claim. The Court Accountant stated she recorded average salaries and average benefits when completing the claim in lieu of recording actual personnel costs for the claim month. This methodology resulted in an overclaim in each claim selected for review. Failing to record actual gross pay, actual gross benefits, and actual hours resulted in erroneous reporting of personnel costs. Further, estimates are not allowable under the federal requirements. We have already included

the disallowed amount in the \$91,687, so no additional disallowed costs will result from weak internal control reporting.

### Criteria

2 CFR Part 200.430 Compensation-personal services, (i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries 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;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100 percent of compensated activities;
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (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.

Section 200.403 Factors affecting allowability of costs states all costs must be necessary and reasonable to the Federal award, be consistent with JCC and the Court's policies and procedures and be adequately documented. Section 200.404 defines a reasonable cost as one that does not deviate from established practices and policies.

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. Salaries include wages and compensation of court employees 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 \$91,687 to DCSS for unsupported personnel expenses and indirect costs claimed in SFY 2015-16. In the future, the Court should record actual



salaries and benefits as paid to the Court staff, implement a second level of review to ensure personnel related costs are accurately reported on the claim, and ensure benefits are not claimed twice. Further, the percentage of salary and benefit costs claimed must be allocated based on the actual labor hours directly worked in the AB 1058 grant program in accordance with the JCC established policies, procedures, and federal regulations. Indirect costs charged to the AB 1058 grant program must be supported by allowable salaries and benefits.

Finding 2 – Unsupported Personnel Expenses CSC – \$14,924

Condition

For SFY 2015-16, the Court did not have support for the salary, benefits, and indirect costs claimed for the Legal Process Clerk II (LPC) in the CSC program. On May 9, 2018, we interviewed the LPC, who stated she was instructed by a previous employee to claim ten hours a week to the CSC program. We reviewed her JC-4 timesheet, which recorded 2 hours each day (10 hours per week) claimed to CSC program activities. As a result, there is no way to identify actual direct labor hours the LPC spent in the CSC program or the direct benefit to the CSC program. Specifically, we found the Court overclaimed \$14,924 in salary, benefits and indirect costs related to the CSC program as follows:

| Legal Process Clerk II (LPC) – CSC Program<br>Total Unsupported Personnel Expenses<br>SFY 2015-16 |          |
|---|----------|
| Salary and Benefits   | \$12,517 |
| Add: Indirect Costs   | 2,407    |
| Total Unsupported Cost  | \$14,924 |

We further observed the Court had weak internal controls in reporting and claiming salaries and benefits. Based on the sample months reviewed, the Court incorrectly included flex benefits, both in the “Gross Pay” and “Gross Benefits” amount claimed, resulting in an underclaim to the program.

We found errors when tracing the “Gross Pay” and “Gross Benefits” amounts claimed on the JC-3 to the ADP payroll records. For example, we found seven court staff had hours for two months reported on the claim month for November 2015. However, the Court only reported one-month worth of salaries for “Gross Pay” in November 2015 for these staff. This resulted in under reporting of gross pay on the November 2015 claim. In April 2016, the Court again failed to record two-months worth of salaries for “Gross Pay”, while recording two-months’ worth of activity for one staff person. Underclaiming salaries does not result in a finding for the federal IV-D funds but is an indication of weaknesses in fiscal controls related to these errors in reporting.

## Criteria

2 CFR Part 200.430 Compensation-personal services, (i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries 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;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100 percent of compensated activities;
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (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.

Section 200.403 Factors affecting allowability of costs states all costs must be necessary and reasonable to the Federal award, be consistent with JCC and the Court's policies and procedures and be adequately documented. Section 200.404 defines a reasonable cost as one that does not deviate from established practices and policies.

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. Salaries include wages and compensation of court employees 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 \$14,924 to DCSS for unsupported personnel expenses and indirect costs claimed for the LPC in SFY 2015-16. In the future, the Court should ensure the percentage of salary and benefit costs claimed are allocated based on actual labor hours directly worked in the AB 1058 grant program. These costs must be claimed in accordance with the JCC established policies, procedures, and federal

regulations. The Court should implement stronger internal controls such as a second level of review and approval of the JC-3 payroll summary sheets, prior to submission to the JCC, to help ensure gross pay, gross benefits, and actual hours worked are accurately claimed.

# Agency Response

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Superior Court of California  
County of San Luis Obispo

Michael Powell  
Court Executive Officer  
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October 15, 2018

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 e-mail to: [DCSSOAC@dcss.ca.gov](mailto:DCSSOAC@dcss.ca.gov)

Re: Response to DCSS' Contract Review Audit Report (Draft), dated September 14, 2018

Ms. Dailey,

The Superior Court of California, County of San Luis Obispo (Court) appreciates the opportunity to respond to the draft audit report prepared by the California department of Child Support Services (DCSS). The review was limited to examining AB1058 child support related costs claimed in state fiscal year 2015-16 for the Child Support Commissioner and Family Law Facilitator programs. In the fiscal year covered by the audit, the Judicial Council of California (JCC) reimbursed the Court \$448,695 in state and federal funds as follows: \$357,008 for the Child Support Commissioner (CSC) program and \$91,687 for the Family Law Facilitator (FLF) program.

The court agrees that some of employees used estimates or calculated averages of their time when completing their timesheets and that this practice is inconsistent with federal regulations that apply to the AB1058 program. The court further agrees that internal controls on reporting and claiming salaries and benefits require improvement.

Significant action has already taken place to remedy the concerns raised in the audit report:

1. Legal process staff working on grant related activity have had an application installed on their computers, a "Q-file" that functions as a stop watch. When grant activity is performed, staff clicks on the program. Time is stopped when the task is completed. The application tracks different categories of AB1058 activity: E-file work, counter, phones, calendar and other. At the end of each day, the supervisor sends out a report to each employee, asking them to confirm the amount of time tracked in the Q-file. The task-specific time is then entered into the employee's time sheet. The supervisor retains the electronic log of all tracked activity. In short, AB1058 grant activity is currently being tracked in real time.
2. Personnel related costs are now entered as the actual costs of the employee performing grant related activity and are not based on a calculated average.
3. JC-3 payroll summary sheets now undergo a secondary review prior to submission to the JCC.

4. Ongoing training in time tracking for all employees engaged in grant related activity.

Although the court has taken the above actions, it respectfully disagrees with the audit recommendation that the Judicial Council return \$109,774 for unsupported personnel expenses. Claims made to the AB1058 program were based in the employees' calculated estimates of actual time spent on grant activities, and our accounting of staff salaries were consistent with our understanding of allowable protocols. While the court understands and accepts that it has not documented personnel costs in the manner currently prescribed by DCSS, the court is confident that the claimed amounts were a reasonable assessment of the cost of the grant related activity.

This court remains very committed to continued support of all AB1058 program goals. The Court sincerely thanks the DCSS auditors for their professionalism and for their efforts to improve the AB1058 program. This Court is committed to improving the administration of the AB1058 grants, and we appreciate the opportunity to improve as recommended. These grants are critical to the court's ability to administer the court activities designed to ensure the continued financial support of California's children.

Sincerely,



Michael Powell  
Court Executive Officer

## Evaluation of Response

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On September 14, 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 October 19, 2018. The Court concurs with our findings; however, disagrees with the recommendation to return \$109,774 in disallowed costs. Due to an adjustment of the reimbursement by the JCC, we were able to reduce the total disallowed amount of \$109,774 to \$106,611 and have updated the report accordingly.

The Court's response indicates it has taken corrective action. If implemented as described, the corrective action should be sufficient to address the findings identified in this report. We will follow up in six months for the progress of the corrective action plan.

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

Francesca Chavez, Auditor in Charge  
Associate Management Auditor  
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