

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



July 20, 2017

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

**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 Kings (Court). Our review was limited to examining Assembly Bill (AB) 1058 child support related costs claimed in state fiscal year 2014-15 for the Child Support Commissioner and the Family Law Facilitator programs. This engagement was performed to satisfy federal and state mandated subrecipient monitoring of 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.

DCSS Administrative Services Division will issue 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 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 Kings**



**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 Kings**

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**Judicial Council Contract Review
Superior Court of California, County of Kings
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 subrecipients 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 Kings (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, and local partnership to collect child support from noncustodial 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 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 \$440,449 in state and federal funds as follows: \$385,317 for the CSC and \$55,132 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 #10-28824 for the CSC program and #10-28746 for the FLF program complied with applicable laws, rules, and regulations, including OMB Uniform Administrative Requirements, Cost Principles, 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 subrecipients 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 Findings and Recommendations section of this report, we found the Court had unsupported contractor costs related to the Family Law Facilitator Program and that IT equipment costs were charged during our audit period but not expensed or incurred until SFY 2015-16.

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 Contractor Costs – \$1,385

Condition

The Court paid \$1,385 to the Family Law Facilitator it contracts with for the billing period of December 22, 2014, to January 4, 2015. In reviewing the contractor activity logs, we found that the Facilitator had not provided any services to the FLF program because the Court was closed the entire week. However, the Court claimed charges on the January 2015 FLF invoices. Therefore, if no services were provided to the program, claimed charges will be disallowed.

Criteria

2 CFR 200.318 requires the Court to maintain oversight and ensure contractors perform in accordance with the terms, conditions, and specifications of its contracts.

2 CFR 200.405 states that costs are only allocable to the federal award in accordance to the benefits received.

2 CFR 200.403 requires costs to be adequately documented and consistent with the policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

Title IV-D (AB 1058) Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions issued by the Judicial Council of California states, “The activity log is designed to calculate the total of all hours worked on all programs, including title IV-D support hours. This should be a total of 8 hours per day, unless a contractor is scheduled to work other than an 8-hour shift.”

Recommendation

The Court should review the contractor activity log and ensure whether service was provided to the program. This way, the Court can assure the charges are accurate and the services were provided in full, in accordance with the contract terms.

Finding 2 – Prior Period Costs

Condition

The Court purchased IT equipment in July 2015 for the FLF program and claimed those charges in the June 2015 supplemental invoice for SFY 2014-15. In reviewing the supporting documentation, we found the purchase order was created on June 30, 2015, but it was not approved until July 15, 2015. The Court indicated the purchase order was created before that date, but the expenditure may not be claimed until the cash

disbursement is made. As the order was placed on July 17, 2015, the disbursement was clearly made after this date. Furthermore, the shipment date was July 23, 2015. These facts indicate the claimed charges are considered an expenditure during SFY 2015-16 not SFY 2014-15.

Criteria

2 CFR 200.405 specifies that allocable costs may not be charged to a federal award to overcome funding deficiencies.

2 CFR 200.403 requires costs to be adequately documented and consistent with the policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.

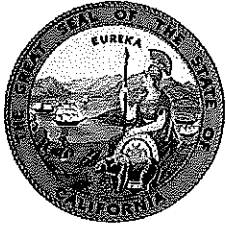
45 CFR 304.25 states that expenditures are considered to be made on the date on which the cash disbursements occur or the date to which allocated in accordance with 45 CFR 75.

45 CFR 75.439 requires capital expenditures to be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the Health and Human Services awarding agency.

Recommendation

The Court should follow AB 1058 guidelines, claim charges in the period in which the expenditure was paid, and then submit documentation to support the claimed charges on JC-1. Lastly, the JCC has an opportunity to ensure the courts understand and apply the JCC policies and procedures.

Agency Response



Office of the Court Executive
Superior Court of the State of California
County of Kings

JEFFREY E. LEWIS
Clerk of Court
and
Jury Commissioner

May 22, 2017

Ms. Karen Dailey, Audit Manager
Office of Audits and Compliance DCSS
P O Box 419064
Rancho Cordova CA 95741

Subject: Audit of the Child Support Commissioner and Family Law Facilitator Program for fiscal year 2014-15

Dear Ms. Dailey:

The Court has received and reviewed the audit findings of the California Department of Child Support Services for the AB 1058 Child Support and Family Facilitator Grant Programs.

Finding 1 – Unsupported Contractor Costs of \$1,385.

The Court is in agreement with this finding. Per the terms of our contract with the Family Law Facilitator, the Facilitator is paid on a biweekly basis for his services. In the future, hours worked, that are not providing services to the program, will not be billed to the program.

Finding 2 – Prior Period Costs

The Court operates on an accrual basis. The purchase in question was handled in this manner. The requisition and purchase order were issued prior to June 30, 2015 for the purpose of encumbering funds in the fiscal year 2014-15. A change in pricing caused the Court to revise the purchase order and purchase and pay for the goods in July 2015. We believed we were functioning under the guidelines of the AB 1058 Manual.¹ However, upon careful review of the language, the Court agrees with the finding in that the actual purchase took place outside of the grant period and, therefore, will ensure compliance with AB 1058 guidelines and California Judicial Council policies and procedures.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Lewis'.

Jeff Lewis
Court Executive Officer

Budget Category

The allocation set forth for in the contract is the maximum amount allowable for reimbursement of actual costs expended on the program components (CSC and FLF) throughout the applicable fiscal year only. For reimbursement, work must be provided during July 1, xxxx to June 30, xxxx, (*goods and services must be purchased* within the grant period and received before court's final claim), (*italics added*). Additionally, any and all obligations must be liquidated (vendor payment must be made) prior to court's final invoice. The court's final invoice must be received by Judicial Council Grant Accounting no later than September 30, xxx. Invoices received after that date will not be paid.

Evaluation of Response

On May 19, 2017, OAC issued a draft report for the Court's review and response. We received the Courts written response to the draft report on May 30, 2017. The Court concurs with our findings and provided a corrective action plan. 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.

Patricia Yoldi
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

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