

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



September 19, 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 Santa Cruz (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 Santa Cruz**



**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 Santa Cruz**

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**Judicial Council Contract Review
Superior Court of California, County of Santa Cruz
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 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 of California, County of Santa Cruz (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 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 SFYs 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 \$340,612 in state and federal funds as follows: \$230,313 for the CSC and \$110,299 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 #10-30652 for the CSC program and #10-30706 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, the Court did not have sufficient support in personnel expenses for the Supervisor in the CSC program, and the Self-Help Clerks in the FLF program. As indirect costs are based on supported personnel expenses, the Court lacked support for a portion of the indirect costs claimed.

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 CSC – \$53,510

Condition

For SFY 2015-16, we found the Court did not have support for salary, benefits, and indirect costs claimed for the Supervisor in the CSC Program. On March 28, 2018, we interviewed the CSC Supervisor who stated her timesheet did not reflect the actual hours worked in the child support program. The Supervisor further explained she recorded hours when court was in session following an estimated percentage given to her by the previous Chief Financial Officer and this was done due to time restraints and the difficulty tracking IV-D time. We verified her timesheet recorded hours when DCSS court was in session, on Tuesdays and Wednesdays. However, we further determined her job duties were not performed on these recorded days. For example, the CSC Supervisor stated her job duties were to supervise the court clerks, cover for shortages in court, and approve the clerks' timesheets at the end of the pay period, but these duties generally occurred on days other than Tuesday and Wednesday. As a result, there is no way to identify the Supervisor's actual direct labor hours spent in the CSC program or support the salary based on a direct benefit to the program.

Summary of Unsupported Personnel Expenses	
Salary and Benefits	\$44,592
Add: Indirect Costs (20%)	8,918
Total Unsupported Cost	\$53,510

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...

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 Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions issued by the Judicial Council of California, dated June of 2015, Personnel Services – Salaries and Wages 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).

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 \$53,510 to DCSS for unsupported personnel expenses and associated indirect costs claimed in SFY 2015-16. In the future, the Court should ensure the percentage of salary and benefits costs claimed are allocated based on the 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 indirect costs charged to the AB 1058 grant program must be supported by allowable salary and benefits.

Finding 2 – Unsupported Personnel Expenses FLF – \$35,296

Condition

For SFY 2015-16, we found the Court did not have support for the salaries, benefits, and indirect costs claimed for the Self-Help Clerks (Clerks) who charge hours in the Family Law Facilitator Program. Specifically, we reviewed the JC-4 timesheet which recorded the Clerks worked a consistent 1.6 hours each day in the FLF program (20 percent). We interviewed the Court Director of Operations, who explained the Clerks estimated their time based on a time study percentage in lieu of tracking actual hours on the JC-4 timesheet. We interviewed one of the Clerks who stated they were instructed by their supervisor to use a time percentage for tracking 20 percent of their time during SFY 2015-16. As a result, we concluded there is no way to identify the direct benefit to the FLF program nor was there any support for the allocation of the Clerks’ salaries and benefits, as the Clerks did not track actual hours worked.

Summary of Unsupported Personnel Expenses	
Salaries and Benefits	\$29,414
Add: Indirect Costs (20%)	5,882
Total Unsupported Cost	\$35,296

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...

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 Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions issued by the Judicial Council of California, dated June of 2015, Personnel Services – Salaries and Wages 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).

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 \$35,296 to DCSS for unsupported personnel expenses, and indirect costs claimed in SFY 2015-16. In the future, the Court should ensure the percentage of salaries and benefit costs claimed are allocated based on the 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 indirect costs charged to the AB 1058 grant program must be supported by allowable salaries and benefits.

Agency Response

Superior Court of California

COUNTY OF SANTA CRUZ
Justice With Dignity and Respect



Alex Calvo
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Court Executive Officer

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Santa Cruz, CA 95060
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August 23, 2018

VIA EMAIL TO: dcssoac@dcss.ca.gov

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

SUBJECT: Response to DCSS Contract Review Draft Audit Report

Dear Ms. Dailey:

In response to the March 2018 Judicial Council Contract Review, Department of Child Support Services (DCSS), Office of Audits and Compliance Draft Audit Report for the Superior Court to California, County of Santa Cruz, the Court has the following general comments.

The audit's primary finding is that the Court's staff did not properly record their time to substantiate the personnel costs charged to the AB 1058 program. Despite the audit findings, the Court believes its existing timesheet records reasonably reflect the work performed, and notes that returning \$88,806 (or 26% of the total grant as recommended by the auditors) will unnecessarily limit the Court's ability to assist those who seek child support orders from the Court.

Aside from the general observation noted above, the Court has the following specific comments on certain aspects of the DCSS audit report:

Prior Audits and Areas not audited comments

In the section of the draft report entitled “Background” there was a reference to a JCC (formerly AOC) audit conducted in 2009-10. The Court does not agree with the statements made in the draft report or see the relevance of the statements to the audit being conducted for the AB 1058 programs. The draft audit report statements were later revised, but nonetheless, the Court still fails to see the relevance to the audit and respectfully requests that all references to the 2009-10 audit be removed unless the relevance to the March 2018 AB1058 audit can be clearly established.

Under the section entitled “Objectives, Scope and Methodology”, the last sentence states, “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.” This statement seems unnecessary as it is suggestive, speculative and without any basis. We request the sentence be removed.

Additionally, the Court has the following comments regarding the findings presented in the draft audit report.

Finding 1 -- Unsupported Salary and Benefits (CSC) --\$53,510

In the report, the DCSS auditors found the Court “did not have support for the salary, benefits, and indirect costs claimed for the Supervisor in the Child Support Commissioner Program”. The lack of support for the personnel expense was a result of a former employee of the Court providing estimated amounts of time spent on the program for the Supervisor and Self-Help Clerks to use. The Court believes the estimates to be accurate, as the estimates were based on studies of the actual amount of time worked on the projects. However, the Court agrees with the accuracy of the finding with respect to using estimates versus the actual time worked each day. The Court ceased using the estimate of time procedure for timecards in August of 2017 and the employees began recording actual time worked as instructed at the AB 1058 conference in September of 2017.

Regardless of the means used to record the time worked by the supervisor, the supervisor spent significant time and produced meaningful results for the program. The Court does not believe it is reasonable to disallow all hours worked, when it can be shown that the Supervisor worked significant hours on the program but spread her time evenly over the days of the week instead of individually recording each day’s hours worked. As mentioned earlier, the current process, since August 2017, is to record the actual hours worked daily instead of using estimates and spreading the hours evenly over the week.

Finding 2 – Unsupported Salary and Benefits (FLF) -- \$35,296

The finding for the Family Law Facilitator (FLF) program is similar to the finding for CSC. The Court has also changed the method of recording time worked for FLF beginning in August of 2017, resulting in compliance with the audit recommendation. Similar to the CSC finding response, the Court does not agree with disallowing all time worked by the employees involved, since significant results were produced as a result of the time spent

working on the program. Another significant fact regarding the FLF findings is that the Court spent \$88,942.72 more than the total reimbursed amounts. Even if the total clerical salary and benefits were not allowed, the Court would have been reimbursed the same amount since Court spending exceeded the \$35,296.00 of unsupported salary and benefits by \$53,646.72.

This concludes the Court's comments relating to the audit draft report. I appreciate the consideration of our comments and requests and the assistance you and your staff provided before, during and after their audit work. Ultimately, the Court shares DCSS' desire for an effective AB 1058 program, where all program stakeholders collaboratively work to support California's children. Please feel free to contact me should you have any questions regarding the Court's response.

Sincerely,



ALEX CALVO

Court Executive Officer

cc:

Grant Parks, Principal Manager, Audit Services Executive Office, Judicial Council of California

Sasha Morgan, Director of Operations and Court AB 1058 Grant Programs, Superior Court of California, County of Santa Cruz

Jim Owen, Director of Finance and Human Resources, Superior Court of California, County of Santa Cruz

Evaluation of Response

On July 20, 2018, OAC issued a draft report for the Court's review and response. We received the Court's response to the draft report on August 24, 2018. We appreciate the thorough consideration of our reported findings and updated the background section of the final report, the remaining sections of the report remain unchanged. The Court concurs with our findings but disagrees with our recommendation concerning the \$88,806 in disallowed costs. The Court provided a corrective action plan and, if implemented as described, 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.

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

Rakhee Devi, CPA
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