

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



January 5, 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 Amador (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 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 Amador**



**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 Amador**

TABLE OF CONTENTS

INTRODUCTION..... 3

BACKGROUND 3

OBJECTIVES, SCOPE AND METHODOLOGY 4

AUDIT AUTHORITY 4

CONCLUSION 5

RESTRICTED USE 5

FINDING AND RECOMMENDATION 6

AGENCY RESPONSE 8

EVALUATION OF RESPONSE..... 10

AUDIT STAFF 11

**Judicial Council Contract Review
Superior Court of California, County of Amador
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 (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 Amador's (Court) CSC 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/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 2014-15, DCSS reimbursed the JCC for \$55,171,367 under a cooperative agreement with the JCC. For the period July 1, 2014 through June 30, 2015, the JCC reimbursed the Court \$102,438 in state and federal funds for the CSC 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 #10-28831 for the CSC 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. § 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. §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 LCSA 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 Personnel Costs – \$3,634

Condition

For SFY 2014-15, we found the Court erroneously overclaimed \$3,029 in personnel salary and benefits costs. Specifically, we found the pay period ending July 23, 2014 was recorded twice on the JC-3 timesheet summary, once on the July 2014 invoice and again in the August 2014 invoice. In July 2014, the Court claimed \$3,029 in salary and benefit costs for the Court Manager, Court Commissioner, Court Clerk, and Janitor for pay period ending July 23, 2014. We then reviewed the August 2014 invoice and the supporting documentation and found the same \$3,029 in salary costs for pay period ending July 23, 2014 was claimed on this invoice as well. As the Court invoiced 20 percent of its salary and benefit costs as an indirect cost, we also question the \$605 in indirect costs that were invoiced as a result of this error (\$3,029 x 20 percent). We expanded testing to other months and found this was a one-time error. As a result, the Court has unsupported Salary, Benefit and Indirect costs of \$3,634.

Criteria

Title 2 CFR 200.430 (i) Standards for Documentation of Personnel Expenses states all charges for salary and wages must be based on records that accurately reflect the work performed and must be supported by a system of internal controls that provides assurance the charges are accurate, allowable and properly allocated;

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).

JCC’s Trial Court Financial Policies and Procedure Manual, Section 15, FIN 15.02 states, “6.4 Application of the Indirect Cost Rate 1. When the court bills any entity (private, local, state, or federal), the applicable indirect cost rate percentage in effect is applied to the direct salaries/wages and benefits listed in the billing...”

The Indirect Cost Rate Proposal certifies, “(2) All costs included in this proposal are properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements.”

Recommendation

The JCC should return \$3,634 for unsupported salary and benefits erroneously claimed twice, in July and August 2014, and the indirect costs that are tied to the unsupported salary and benefits. In the future the Court should develop procedures, such as a second level of review and a means to reconcile salary and benefits, prior to submitting the invoice to help ensure this does not occur again.

Agency Response



SUPERIOR COURT OF THE STATE OF CALIFORNIA COUNTY OF AMADOR

500 ARGONAUT LANE • JACKSON, CA 95642
(209) 257-2681

December 6, 2016

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

RE: Judicial Council of California Contract Review Draft Audit Report

Dear Ms. Dailey:

Our responses to the finding and recommendation are as follows:

Finding 1 – Unsupported Personnel Costs - \$3,634

The Court agrees with the finding that we erred in claiming the same payroll twice.

Recommendation

The Court agrees with the recommendation.

Due to severe budget cuts, our Administrative Department was cut from five employees to two. Recently, we were able to restore a position, increasing the department to three. As a result, we are now in a position to have a second level review and do not anticipate future errors.

Sincerely,

Rob Klotz
CEO

J.S. Hermanson, Presiding Judge ▪ Renee C. Day, Judge
Rob Klotz, Court Executive Officer

Evaluation of Response

On November 15 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 December 6, 2016.

The Court concurs with our finding and agrees with our recommendation regarding the \$3,634 in disallowed costs. The Court also agrees to implement a corrective action plan to have second level review that will avoid future errors.

The corrective action plan, if implemented as described above, should be sufficient to address this issue in the future. We will follow up in six months for the progress of the corrective action plan.

Pat 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

Scott Hunter
Audit Supervisor
Office of Audits and Compliance
Department of Child Support Services

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