

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



February 13, 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 Kern (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 Kern**



**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 Kern**

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**Judicial Council Contract Review
Superior Court of California, County of Kern
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 Kern's (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/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 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 \$1,365,855 in state and federal funds as follows: \$894,834 for the CSC and \$471,021 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 #10-28821 for the CSC program and #10-28743 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. § 200.331 requires DCSS, as the pass through entity, to monitor the activities of the subrecipient to ensure the sub-award is used for authorized purposes, in compliance with the federal statutes and regulations and the terms and conditions of the federal award and sub-award, and that the sub-award performance goals are achieved. This section also provides the authority for DCSS, as the pass-through entity, to perform on-site reviews of the sub-recipient'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 independent contractor expense claimed during our audit period.

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.

FINDING and RECOMMENDATION

Unsupported Contractor Costs – \$3,996

Condition

The Court lacked support for contracted costs claimed by independent court reporters (reporters). Specifically, the Court contracted with independent reporters at a daily rate of \$200 per diem and charged the entire daily rate to the AB 1058 child support program. Included in the request for payment was a certified Contractor Activity Log which recorded a portion of the reporters' time spent in the AB 1058 child support program activities, and a portion of the time in non-child support program activities. However, instead of allocating a portion of the \$200 per diem rate based on the percentage of time recorded in the Contractor Activity Log, the Court charged the entire \$200 per diem rate to the child support program. As a result, we found the Court over claimed \$3,996 in unsupported contracted reporter costs to the child support program.

Additionally, the Court did not have a current contract agreement or MOU in place to support contracted court reporter activity. Without the contract, there is no way to monitor and ensure the services were provided in full and paid in accordance with the contract terms.

Criteria

Title 2 CFR 200.403 Factors affecting allowability of costs 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. Section 200.405 states that costs are only allocable to the federal award in accordance to the benefits received and specifies that allocable costs may not be charged to federal award to overcome funding deficiencies. *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.

Title 45 CFR 75.351 defines the need and purpose of a contract, to obtain services, and to create a procurement relationship with the contractor.

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 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." (page 47).

Recommendation

The JCC should return \$3,996 for unsupported contracted court reporter costs. The Court should ensure contractors report their time accurately, and limit contract reporter

costs based on the percentage of direct labor hours actually spent working in the child support program. Further, the Court should establish a current contract agreement or MOU with its contracted court reporters, outlining the charges and the services provided. This way, the Court can verify the charges are accurate and the services were provided in full in accordance with the contract terms.

Agency Response



SUPERIOR COURT OF CALIFORNIA COUNTY OF KERN

CHARLES R. BREHMER
PRESIDING JUDGE

JOHN S. SOMERS
ASST. PRESIDING JUDGE

TERRY McNALLY
COURT EXECUTIVE
OFFICER & CLERK OF
THE COURT

Metropolitan Division
1415 Truxtun Ave., Rm. 212
Bakersfield, CA 93301
(661) 868-4934

Metropolitan Division –
Justice Center
1215 Truxtun Avenue
Bakersfield, CA 93301
(661) 868-2450

Metropolitan Division -
Juvenile Justice Center
2100 College Avenue
Bakersfield, CA 93305
(661) 868-5393

Metropolitan Division -
Traffic Department
3131 Arrow Street
Bakersfield, CA 93308
(661) 335-7100

Delano/McFarland Branch
1122 Jefferson Street
Delano, CA 93215
(661) 720-5800

Shafter Branch
325 Central Valley Highway
Shafter, CA 93263
(661) 746-7500

Arvin/Lamont Branch
12022 Main Street
Lamont, CA 93241
(661) 868-5800

Taft/Maricopa Branch
311 North Lincoln Street
Taft, CA 93268
(661) 763-8531

Mojave Branch
1773 Highway 58
Mojave, CA 93501
(661) 824-7100

Ridgecrest Branch
132 East Coso Avenue
Ridgecrest, CA 93555
(760) 384-5900

January 12, 2017

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

Dear Ms. Dailey,

Thank you for your follow-up phone call and extension to respond to the finding of Unsupported Contractor Costs of \$3,996.

In response, I will start with the correction of the finding. We have not used any pro tem court reporters in the DCSS courtroom for the past couple of years, so I do not anticipate any further problems with this finding.

That said, I wanted to again explain the rationale we used in deciding to charge the entire \$200 per day to the AB-1058 grant. The driving purpose in assigning a court reporter to that courtroom was for the DCSS cases. Any other work was incidental and since we pay \$200 per day regardless of time worked, we would have still paid the \$200 even if we had released the court reporter after the DCSS cases were complete.

Your recommendation was that the JCC should return \$3,996 for the unsupported contracted court reporter costs. During the audit, you discovered that our salary & benefit cost total was short due to a formula error. That amount totals \$11,900.65 and 66% of that amount would be \$7,854.43. I've attached copies of the invoice, both incorrect and corrected. This amount would more than offset the \$3,996 shortage, so any return should be unnecessary.

Sincerely,


Terry McNally
CEO

Evaluation of Response

On December 19, 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 January 12, 2017. The Court concurs with our finding and to correct states they will not use contracted Court reporters in the future.

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.

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

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