

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



December 1, 2017

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 Shasta/Trinity (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 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 finding. The finding has 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 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 Shasta/Trinity**



**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 Shasta/Trinity**

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**Judicial Council Contract Review
Superior Court of California, County of Shasta/Trinity
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 provided by 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, which oversees these programs and the expenditures claimed under this contract.

This report presents the results of OAC's review of Superior Court of California, County of Shasta/Trinity (Court) CSC and FLF programs for state fiscal year (SFY) 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 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 toward 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 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 \$693,829 in state and federal funds as follows: \$482,451 for the CSC and \$211,378 for the FLF program.

OBJECTIVE, 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 JCC, and further limited to reviewing expenditures claimed by the Court under JCC contract agreement #10-28793 for the CSC program and #10-28774 for the FLF program. The object of the review was to ensure compliance 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 Finding and Recommendation section of this report below, we found the Court did not have sufficient support for personnel expenses claimed during our audit period. 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.

FINDING AND RECOMMENDATION

Finding 1 – Unsupported Salary and Benefits – \$94,406

Condition 1 – \$81,977

We found the Court Services Supervisor (CSS) did not complete her timesheet based on actual hours worked in CSC, but instead used a methodology to record an estimated amount of time to the IV-D program. During an interview, the CSS stated she completes her timesheet based on instruction given from her previous supervisor instead of tracking actual hours worked in the CSC program. As a result, there is no way to identify the direct benefit to the CSC program in terms of actual labor hours. The Court overclaimed \$68,021 in salary and benefits and \$8,233 in indirect costs associated with CSS estimated salary and benefits to the CSC program.

The interview also revealed the CSS erroneously claimed a percentage of time in the FLF program in error. Prior to the field work, the Court Financial Officer identified the error and alerted the Audit Chief by telephone, stating the CSS did not work in the FLF program. As a result, the court overclaimed \$5,090 in salary and benefits and \$633 in indirect costs related to salary in the FLF program.

Summary of Court Services Supervisor Disallowed Salary and Indirect Costs

	CSS Estimated Time	CSS Timesheet Errors	Total Disallowed
<u>CSC Program</u>			
Salary & Benefits	\$68,021		
Indirect Costs	8,233		
Total CSC	76,254		
<u>FLF Program</u>			
Salary & Benefits		\$5,090	
Indirect Costs		633	
Total FLF		5,723	
Total	\$76,254	\$5,723	\$81,977

Condition 2 – \$9,980

For SFY 2014-15, we found instances where the Court claimed time when the employee was not working, but recorded hours on the JC-4 timesheet as “other hours worked” or as hours worked in the IV-D program. This error overstated the percentage of time spent in the IV-D program and resulted in an overclaim in program reimbursement.

We sampled the months of August 2014, January 2015, and June 2015, and found errors on the JC-4 timesheets for most employees. Specifically, we reviewed the Court’s certified Automatic Data Processing (ADP) timesheets and compared it to the hours recorded on the JC-4 timesheet. We found many instances where Court employees claimed hours worked in both the IV-D and non-IV-D programs on the JC-4, but had taken time off as recorded on the ADP timesheet. This overstated the allocation of salary and benefits claimed to the IV-D program. We also found instances where court employees worked a 9 hour a day schedule with one day off each pay period, but erroneously recorded 8 hours worked each day. The JC-4 was signed and certified by both the employees and the employee’s supervisor who “certify under penalty of perjury that this time sheet accurately represents actual time worked...”. As a result, the Court overclaimed \$7,459 in salary and benefits and related indirect costs to the CSC program and \$2,521 in salary and benefits and related indirect costs to the FLF program. Had we expanded testing to additional months, we anticipate more instances of overclaiming resulting from errors on the JC-4 timesheet.

Condition 3 – \$677

In August 2015, the Court Services Assistant III (CSA) made a one-time error of improperly recording 20 hours of time worked in the CSC program. During the interview, she confirmed she does not perform CSC program activity and entered these hours to the CSC program in error. As a result, we found the Court overclaimed \$607 in salary and benefits for the CSA, and \$70 in indirect costs associated with the salary and benefits to the CSC program.

Condition 4 – \$1,772

For SFY 2014-15, we found that the Court erroneously claimed workers’ compensation twice, as a benefit personnel expense as well as operating costs in May and June 2015. As the Court claimed this cost twice, we found the Court overclaimed \$1,232 to the CSC program, and \$325 to the FLF program in salary and benefits. Additionally, the Court overclaimed \$170 to the CSC program, and \$45 to the FLF program in indirect costs.

Criteria

Title 2 CFR 200.430 (i) Standards for Documentation of Personnel Expenses states charges for salary and wages must be based on records that accurately reflect the work performed. These charges must:

- be supported by a system of internal controls that provides assurance the charges are accurate, allowable, and properly allocated;
- reasonably reflect the total activity for which the employee is compensated;
- encompass both federally assisted and all other activities;
- comply with established accounting policies and practices;
- support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works in more than one Federal award; a Federal award and non-Federal award...;
- 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:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be adequately documented.

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 of 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). 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 \$94,406 (\$81,977 + \$9,980 + \$677 + 1,772) to DCSS for unsupported salary, benefits and associated indirect costs claimed in SFY 2014-15. In the future, the Court could benefit by implementing internal controls to reduce the risk of

incorrectly recording hours, such as providing additional training to court staff on completing the timesheet; requiring the supervisor to carefully review the reported hours before certifying the JC-3, and by ensuring benefits, such as workers compensation, is claimed as an allocated personnel benefit expense in lieu of recording it as an operating expense in the same period.

Agency Response



Superior Court of California County of Shasta

MELISSA FOWLER-BRADLEY
Court Executive Officer/Clerk of the Court

JOHN ZEIS
Assistant Executive Officer/Clerk of the Court

October 30, 2017

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

Re: Court's Response to DCSS Draft Audit Report

Dear Ms. Dailey:

This letter is in response to the October 2017 California Department of Child Support Services, Office of Audits and Compliance, draft report on the contracted costs claimed under the Judicial Council of California for the Superior Court of California, County of Shasta-Trinity.

In the draft report, the DCSS auditors cite the court's noncompliance with applicable federal and state rules and regulations for the time period of July 1, 2014 through June 30, 2015.

Finding 1 – Unsupported Salary and Benefits

Condition 1 - DCSS concluded that the court had \$81,977 in unsupported salary and benefits costs that were claimed to the Child Support Commissioner program (\$76,254) and the Family Law Facilitator program (\$5,723). The basis of the finding was that one supervisor did not complete her timesheet based on actual hours worked, but instead used a predecessor's methodology to record estimates of time to each program. As a result, all of this Supervisor's salary and indirect costs were disallowed.

The court agrees that the methodology used does not comply with Judicial Council's policies and procedures as required in its grant agreement, but the employee identified is the sole supervisor of the clerical staff supporting the Child Support Commissioner program and thus she spends a significant portion of her time supporting the AB 1058 workload. As noted by the auditors, the court's Chief Financial Officer contacted the auditors prior to their field work when she discovered that time had been erroneously allocated to the Family Law Facilitator program.

Shasta, like many other courts, is faced with sharing portions of employees' time between different functions. Staff are tasked with painstakingly recording time spent on AB 1058 matters when other non-AB 1058 workload is many months behind and the public is not being served.

Condition 2 – DCSS concluded that the JC-4 timesheets included program time that the court's payroll processing system, Automatic Data Processing (ADP) showed as the employee as having taken time off. As a result, the auditors indicate \$7,459 in salary and benefits and related indirect costs were billed to the Child Support Commissioner program and \$2,521 to the Family Law Facilitator program. Included in this condition was that some court employees having 9/80 alternate work schedules (working 9 hours per day with one 8 hour day off in a ten day time period) erroneously recorded their time as 8 hours per day.

Condition 3 – DCSS concluded that a one-time error was made in August 2015 by improperly recording 20 hours of time worked in the Child Support Commission program, resulting in \$677 overclaimed to the program.

Condition 4 – DCSS concluded that the court erroneously claimed workers' compensation costs as a benefit personnel expense as well as operating costs in May and June of 2015, resulting in a total \$1,772 overclaimed, of which \$1,402 was charged to the Child Support Commissioner and \$370 to the Family Law Facilitator.

Finding 1 – Conditions 1, 2, 3 and 4 - The court agrees with the finding.

Court's Plan for Corrective Action

With respect to Condition 1, the Court has already taken corrective action in order to prevent this error from happening again. Based on staff participation in the 90 minute webinar that took place on July 23, 2017, program staff have been adequately trained on AB 1058 timekeeping best practices. The sample "scratch sheet" provided was immediately implemented in order to correctly document staff time going forward. In addition, internal controls are now in place that reduce our risk of incorrectly reporting hours by checking to ensure the scratch sheets are being utilized and they comport with the JC-4 timesheet.

The court implemented internal controls as to Condition 2 as soon as the auditors discussed their preliminary finding with the court. In addition to the supervisor's review of reported hours, a secondary review of timesheets was immediately put in place in our Finance Division in order to ensure that the JC-4 hours reported agree with the employees' times reported in ADP. This correction was put in place before the auditors had completed their field review at the court.

The errors identified in Conditions 3 and 4 are viewed as one-time mistakes, however careful review of all aspects of AB 1058 reporting and billing is now in place ensuring that hours are

Karen Daily
October 30, 2017
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recorded correctly and personnel benefit expenses and operating expenses are allocated only once in the appropriate category.

Based on the important contribution the court is making to partner with our local DCSS to establish and collect child support from noncustodial parents, the court opposes the recommendation that the Judicial Council return \$81,977. To do so would severely limit the court's ability to serve California's most vulnerable children. We are committed to assisting the public seeking child support orders and to timely process documents and calendar cases. For example, during the audit period court staff provided important services on DCSS matters including:

1. Opened 714 new child support cases
2. Filed 376 DCSS interventions in existing family law/domestic violence cases
3. Processed 1063 motions for modification
4. Calendared 1,049 Seek Work matters
5. Processed 249 contempt matters
6. Cleared 80 bench warrants and issued 47 issued citations to appear
7. Calendared and processed 263 settlement conferences
8. Processed 386 subsequent hearings
9. Conducted 3,137 hearings

This court sincerely appreciates the work of the auditors and their efforts to help us identify areas where corrections are needed. We are confident we have adequately addressed each condition such that the court now complies with regulations and Judicial Council established policies and procedures.

Very truly yours,



Melissa Fowler-Bradley
Court Executive Officer

Evaluation of Response

On October 13, 2017, 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 30, 2017. The Court concurs with our findings and provided a corrective action plan, which included training and internal controls. 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.

Francesca Chavez
Associate Management Auditor
Office of Audits and Compliance
Department of Child Support Services

Rakhee Devi, CPA
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