

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**

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



August 20, 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 Tehama (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 finding. The finding has 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 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 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 Tehama**



**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 Tehama**

**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 ..... 9

EVALUATION OF RESPONSE..... 12

AUDIT STAFF ..... 13

**Judicial Council Contract Review  
Superior Court of California, County of Tehama  
Department of Child Support Services  
Office of Audits and Compliance  
Audit Report**

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## **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 Tehama (Tehama) for CSC and FLF program for the state fiscal year (SFY) July 1, 2015, through June 30, 2016.

## **BACKGROUND**

The Child Support Enforcement (CSE) program is a federal, state, and local partnership that collects 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 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 Tehama \$148,697 in state and federal funds as follows: \$120,817 for the CSC and \$27,880 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 Tehama under JCC contract agreement #10-30660 for the CSC program and #10-30712 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 Finding and Recommendation section of this report below, we found during our audit period the Court of Tehama did not have sufficient support for the salary, benefits, and indirect costs claimed for the Commissioner in the CSC program.

## **RESTRICTED USE**

This audit report is intended solely for the information and use of the DCSS and the 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 Personnel Expenses, CSC Commissioner – \$ 45,337

For SFY 2015-16, the Court of Tehama (Tehama) paid an independent contractor (Contractor) for Child Support Commissioner (CSC) services but failed to maintain documentation to support direct labor hours spent in the CSC program. The Contractor entered a contract agreement with Tehama, Court of Colusa (Colusa), and Court of Glenn (Glenn) to provide CSC program services. The contract agreement identified Tehama as "...home office of the Contractor." The contract further identified Tehama as "Lead County for the sole purpose of administering payment and salary and benefits to the Contractor." As a result, Tehama paid the full salary, benefits, and travel costs of the Contractor under the agreement terms, then billed Colusa and Glenn for two-thirds of the contract agreement costs.

Despite being contracted by the three courts, Tehama treated the Contractor like an employee and issued a W-2 for the Contractor's full annual salary in lieu of 1099s issued by the three courts for contract services. Under the contract agreement terms, the Contractor was reimbursed 36 hours per week of child support activity (including holiday and vacation benefits) and was provided a travel allowance. The Contractor concurrently had a separate contract with the Court of Plumas (Plumas) on Wednesdays and worked there an average of 8.5 hours each week. The courts did not obtain approval in advance from the JCC to subcontract CSC services and the contract agreement had not been reviewed in 10 years.

To support the 36-hour work week, the Contractor completed employee timesheets (JC-4) and recorded 153 labor hours a month spent directly in the CSC program for Tehama. As Tehama's budget, established in the JCC contract, did not allow for the Contractor's full salary, benefits, and travel, Tehama recorded the Contractor worked 51 direct labor hours each month on the employee payroll summary sheet (JC-3). The remaining hours in the payroll summary sheet were documented as "non-program hours." This allocation allowed Tehama reimbursement for one-third of the contract agreement costs from the JCC. However, the hours on the timesheet did not reflect Tehama's claims and did not reflect direct labor hours the Contractor actually worked in the CSC program in Tehama. The Judicial Council of California AB 1058 Grant Instruction Manual and annual training requires the courts to allocate salary and benefits based on the actual hours court staff spend directly working in the CSC program performing child support grant program activities. As a result, we could not rely upon the timesheet or the summary sheet created by Tehama to support actual hours worked in the CSC program.

We requested alternative documentation from Tehama; such as, courtroom calendars, personal calendars, and phone logs. Tehama provided courtroom calendars to support actual hours the Contractor worked directly in CSC program activity during SFY 2015-16. We noted the Tehama calendar recorded DCSS cases on Thursday mornings, and recorded court was occasionally held on Mondays, Tuesdays, and Wednesdays.

However, the court calendars contained discrepancies. For example, Tehama’s court calendar recorded the Contractor was in court on July 1, 2015; May 18, 2016; and June 8, 2016; however, Plumas documented the Contractor held court at their location at the same time. Therefore, the dates did not support actual time worked at Tehama. The review supported 218 hours of court session in Tehama. As a result, we allowed 218 hours of CSC time, which supported an allocated \$26,792 of CSC salary and benefits to the program, and \$4,381 in indirect costs. Specifically, we found Tehama overclaimed \$45,337 in salary, benefits, and indirect costs related to the Contracted CSC as follows:

**Unsupported Personnel Costs for CSC  
SFY 2015-16**

	Salary and Benefits	Indirect Costs	Total
Allowable	26,792	4,381	31,173
Claimed	65,758	10,752	76,510
Total Unsupported Costs	(38,966)	(6,371)	(45,337)

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....”

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 200.404 states costs are allowable if they are reasonable, necessary, and utilized for the proper and efficient performance and administration of the federal award. A cost is considered reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Section 200.405 states that costs are only allocable to the federal award in accordance with the benefits received. Section 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.

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). 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. For contracted services, the policy states, "The court must have a written agreement with the party if the program activities are performed by a party other than the court, for example contracted facilitator or commissioner services. The court must submit a copy of the agreement to Judicial Council Grant Accounting Unit. The court claims will not be processed for payments until the court provides a copy of the agreement to the Judicial Council Grant Accounting Unit" (page 30).

JCC Contract for the CSC program #10-30660, Exhibit B, Item 18, Subcontracting states, "The Court shall not subcontract this Agreement or services provided under this Agreement, unless the Judicial Council agrees to subcontracting in writing." Item 6, Court Responsibilities specifies "The Court shall ensure that reimbursement claimed are limited to that portion of time the Commissioner and staff are engaged in matters involving IV-D activity."

Despite being contracted by the three courts, the Contractor completed an employee timesheet (JC-4) certifying full time (36 hours each week) CSC activity in Tehama. The employee timesheet (JC-4), 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 \$45,337 to DCSS for unsupported salary, benefits, and indirect costs claimed in SFY 2015-16. In the future, Tehama should allocate salary based on the percentage of direct labor hours worked in the CSC program in Tehama, ensure the documentation reflects actual hours worked by the Contractor performing CSC services, and ensure the contract is approved in advance by the JCC. Further, Tehama should compare and verify invoiced costs against terms specified in a written approved contract agreement to ensure amounts are accurate and services provided in full.

# Agency Response

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**Kevin Harrigan**  
Court Executive Officer  
Clerk of the Court Jury  
Commissioner

**SUPERIOR COURT OF CALIFORNIA  
COUNTY OF TEHAMA**

**Tehama Courthouse**  
1740 Walnut Street  
Red Bluff, CA 96080  
Fax (530) 527-9893



July 5, 2018

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

Transmitted via email to: [DCSSOAC@dcss.ca.gov](mailto:DCSSOAC@dcss.ca.gov)

Re: Response to DCSS's Contract Review Audit Report (Draft), dated June 15, 2018

Dear Ms. Dailey,

The Superior Court of California, County of Tehama (Court) appreciates the opportunity to respond to the draft audit report prepared by the California Department of Child Support Services (DCSS). The audit focused on the Court's Child Support Enforcement Program (AB 1058 program) during fiscal year 2015-16. Within this time period, the Court's reimbursed spending activity was \$148,697 for both the Child Support Commissioner grant (\$120,817) and the Family Law Facilitator grant (\$27,880). The Court has reviewed DCSS's Draft Audit Report, dated June 15, 2018, and offers the following perspectives on the audit's one finding and related recommendations.

In its report, DCSS concludes that \$45,337 was not adequately supported by documentation for the salary, benefits, and indirect costs claimed for the Child Support Commissioner (CSC). While the court agrees that its documentation for these costs may not have met the administrative standards required in its grant agreement, such spending did in fact take place in support of the AB 1058 program.

During the audit period, Tehama Superior Court received 314 new complaints and received 550 motions from DCSS. The CSC held 1,066 individual court hearings and signed 461 orders while serving Tehama County. Given the important work noted above, the Court believes returning \$45,337, or approximately 30% of the Court's AB 1058 funding would unnecessarily harm the Court's ability to effectively serve litigants who request help in seeking or enforcing child support orders.

The Court appreciates the auditors' willingness to consider alternative documentation such as available courtroom and employee calendars to substantiate a portion of the Court's claimed costs. Nevertheless, the Court believes the auditors' methodology likely understates the actual costs incurred. Courtroom and employee calendars are not designed or intended to record the time and effort of court staff working under the AB 1058 program. Although the Court acknowledges that its personnel, at times, may not have charged the correct number of hours to the AB 1058 program on a day-by-day, hour-by-hour basis, the Court does believe the totality of the hours claimed on the timesheets are both reasonable and reflective of the costs actually incurred. In the Court's view, the auditors' blanket rejection of all timesheets and over-reliance on calendars unnecessarily discounts the time necessary for the CSC to engage in important AB 1058 activities outside of the courtroom, such as to: (1) review complaints; (2) prepare prior to each hearing; and (3) draft and issue the resulting orders. Unfortunately, the end result of the auditors' analysis is to disallow 30% of the Court's costs, essentially concluding that 30% of the work was never performed. However, such a conclusion is clearly incorrect and the financial consequences recommended by the auditors will only harm the AB 1058 program in Tehama County.

Nevertheless, the Court respects the auditors' observation regarding its existing timekeeping practices and will endeavor to take appropriate corrective action. Specifically, the Court plans to update the contract agreement between the CSC, Tehama, Glenn, and Colusa Superior Courts. This contract, which was previously entered into in 2008, will carefully consider the AB 1058 program's timekeeping requirements while preserving the collaborative nature of the agreement. This will most likely be done by way of Inter-Branch Agreement (IBA) and may also include Plumas Superior Court to better maximize existing AB 1058 resources. The Court will seek input from the Judicial Council prior to finalizing the new agreement.

Both the Court's judicial officers and staff are firmly dedicated to financial and operational transparency and accountability. As a good steward of public funds, the Court recognizes the importance and value of independent audits and fully supports DCSS' continued efforts to partner with the Court to ensure the AB 1058 program is effectively serving the children of California.

Sincerely,



Kevin Harrigan  
Court Executive Officer  
Superior Court of California, County of Tehama

cc: Hon. C. Todd Bottke, Presiding Judge, Superior Court of California, County of Tehama  
Ms. Anna Maves, Supervising Attorney, CFCC Administration, Judicial Council of California  
Mr. Grant Parks, Manager, Internal Audit Services, Judicial Council of California

## Evaluation of Response

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On June 15, 2018, OAC issued a draft report for the Court's review and response. We received the Court's written response to the draft report on July 5, 2018. The Court concurs with our finding and provided a corrective action plan. If implemented as described, it should be sufficient to fully address the issue 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  
Associate Management Auditor  
Office of Audits and Compliance  
Department of Child Support Services

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

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