

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



September 29, 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 Alameda (Court). Our review was limited to examining AB 1058 child support related costs claimed in 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 findings. The findings have 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 findings in this report. OAC will follow up within six months from the date of this report to ensure the 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 Alameda**



**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 Alameda**

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**Judicial Council Contract Review
Superior Court of California, Alameda County
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 subrecipients 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 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 Alameda (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 Assembly Bill (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 \$1,833,549 in state and federal funds as follows: \$1,382,802 for the CSC and \$450,747 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 #10-28830 for the CSC program and #10-28735 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 subrecipients 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 subrecipients 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 of this report below, we found the Court did not have sufficient support for the personnel expense claimed in the FLF program during our audit period. As indirect costs are based on supported personnel expense, the Court also lacked support for indirect costs claimed. We also found the Court lacked support for some operating costs claimed in the FLF program during the selected sample months of review.

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 Costs – \$440,510

Condition

For SFY 2014-15, we found the Court did not have support for salary, benefits or indirect costs claimed in the FLF program. Specifically, 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 that court staff spend in the IV-D child support (AB 1058) program activities. However, instead of documenting actual hours worked on the time reporting grant timesheet (JC-4 timesheet), the Court staff entered hours on their JC-4 timesheet as instructed by the FLF Secretary, who was following a methodology from the Court's Grant Coordinator.

According to the FLF Secretary, the Court's Grant Coordinator determined the total hours FLF staff should record in the JC-4 timesheet in order to ensure the Court met budgeted grant funding, and made adjustments as needed to ensure funding was expended. During our audit period, FLF staff used an overall 4/3/1 split each day, ensuring 50 percent of the hours were allocated to the AB 1058 program, 37.5 percent of the hours were allocated to self-help program, and the remainder of the hours were allocated to small claims or database tracking. If adjustments were needed to ensure federal dollars were expended, the FLF Secretary sent out e-mails or provided training instructing FLF how to record hours on the JC-4 timesheet. For example, a recent e-mail dated April 2017, from the FLF Secretary instructed FLF staff to allocate 50 percent of their time to the AB 1058 program, and 50 percent of their time to the self-help program, with no hours recorded in small claims. According to the FLF Attorney, the JC-4 timesheets must be completed in accordance with the percentages provided by the FLF Secretary. If staff prepared the JC-4 timesheet based on actual hours or using any other methodology, the JC-4 timesheet would be sent back to FLF staff for correction and resubmission.

As a result, overall grant hours were recorded based on a methodology that maximizes grant funding, not in accordance with the JCC policy and procedures or federal regulations that require salary to be allocated based in the actual direct labor hours worked in the program. In addition, the FLF staff and FLF supervisors "certify under penalty of perjury that this time sheet accurately represents actual time worked..." on the JC-4 timesheet. As a result, we deemed the time reporting documentation unreliable and unsupported as there is no support, in terms of direct labor hours, to allocate salary, benefit or indirect costs to the AB 1058 grant program.

We are questioning \$440,510 in unsupported, unauthorized and unallowable salary, benefits and indirect costs to the program in SFY 2014-15 (\$450,747 reimbursed for the FLF program less \$10,237 reimbursed for operating expense).

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. These charges must be:

- supported by a system of internal controls that provides assurance the charges are accurate, allowable and properly allocated;
- reasonably reflects the total activity for which the employee is compensated;
- encompass both federally assisted and all other activities; and
- comply with the established accounting policies and practices.

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 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 \$440,510 to for unsupported salary, benefit and indirect costs claimed in SFY 2014-15. The percentage of salary and benefit costs claimed must be allocated based on the actual labor hours directly FLF staff actually work in the AB 1058 grant program and 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 wages.

The JCC has an opportunity to strengthen its processes by working collaboratively with the Courts to develop a methodology that supports claimed costs and may consider developing a process, such as on-site monitoring reviews, to ensure the courts understand and apply the JCC policies, procedures, and federal regulation requirements that support the claimed AB 1058 salary and benefit costs.

Finding 2 – Unsupported Operating Expense – \$1,856

Condition

The Court lacked support for operating costs claimed in the Family Law Facilitator Program. Specifically, the Court used one self-help center to assist individuals with all

court services. Services may have included family law, traffic violations, civil cases (including elder abuse, landlord/tenant, name changes, and small claims), probate, immigration and child support (FLF). The FLF Attorney indicated the Court merged all services into one self-help center to improve customer service.

We reviewed three months of operating costs for the FLF program and found instances where the costs were not properly allocated or unallowable. In September 2014 and February 2015, we found instances where the FLF program was reimbursed for the full costs of items such as office supplies, cell phones, and copy charges for the self-help center. Since the self-help center performed both IV-D and non-IV-D activity, these costs must be allocated based on the benefit to the IV-D (AB 1058) program. We also found the FLF program was charged for travel costs for FLF staff to travel between self-help centers. As these costs do not directly benefit the IV-D activity, they cannot be charged to the program in-full. Using the partial reimbursement rate of 52 percent as approved by the JCC, we allowed a percentage of these costs as shown in the table below.

We also found instances where costs were not allowable. In August 2014, we found the Court claimed charges for an FLF Attorney to fly from Detroit, Michigan to an AB 1058 conference in Los Angeles. Using the air fare costs charged for the remaining staff to fly from Oakland to Los Angeles, we disallowed the additional \$95 costs that was incurred from the Attorney who flew in from Detroit. We also found an instance in February 2015, where the Court charged for training and travel costs for one FLF staff to attend the Legal Aid Association of America Conference. Since the JCC strictly prohibits travel costs that are not directly related to the AB 1058 program, we disallowed this cost in full. As a result, we are questioning \$1,856 in unallowable and unallocated costs as shown in the table below.

Summary of Total Disallowed Costs

Month	Partially Reimbursable Costs Not Allocated	Unallowable Cost	Total Disallowed Costs
August 2014		\$95	\$95
September 2014	\$610		610
February 2015	671	480	1,151
	\$1,281	\$575	\$1,856

We did not expand testing to other months as it was not cost effective. However, had we expanded, additional testing may have revealed instances of noncompliance.

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.

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, page 7 states, “Operating expenses are broken down into two categories: 100 percent reimbursable and partially reimbursable. Each court was given a percentage to be used to calculate the partially reimbursable expenses for the CSC and the FLF components of the program....” Page 20 states that other expenditures are to be claimed at a percentage of program reimbursable hours. These represent costs shared with other departments of the court or with other court employees not working on Title IV-D or outreach hours. Some of the partial reimbursable items are:

- Office supplies
- Facility charges – rent, lease, storage, etc.
- Rented equipment – copy machine, copy charges, etc.
- Communication charges – telephone, internet services, etc.
- Travel – private mileage

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, page 7 states, “Items that cannot be claimed for reimbursement includes training not directly related to the AB 1058 program.”

Recommendation

The JCC should return \$1,856 in operating costs that were unallowable or charged in full to the FLF program. In the future, the Court should allocate shared costs, such as copier charges, office supplies and travel, based on a reasonable allocation basis. Further, costs that are unallowable, such as training not related to the AB 1058 activity, should not be charged. Lastly, the JCC has an opportunity to ensure court staff, who prepare the claim for reimbursement fully understand and apply the JCC policies and procedures, which require shared costs to be allocated to the AB 1058 child support program.

Agency Response



SUPERIOR COURT OF CALIFORNIA, COUNTY OF ALAMEDA

Executive Office

René C. Davidson Courthouse • 1225 Fallon Street, Oakland, CA 94612

Telephone: (510) 891-6012

MORRIS D. JACOBSON
Presiding Judge

CHAD FINKE
Executive Officer

August 17, 2017

VIA EMAIL TO: dcssoac@dcss.ca.gov

Karen Dailey
Audit Manager
Office of Audits & Compliance
Department of Child Support Services
P.O. Box 419064
Rancho Cordova, CA 98741-9064

SUBJECT: Response to DCSS Draft Audit Report

Dear Ms. Dailey:

This is in response to the July 2017 Judicial Council Contract Review, Department of Child Support Services, Office of Audits and Compliance Draft Audit Report for the Superior Court of California, County of Alameda.

In its report, the DCSS auditors cite that the Court did not comply with applicable laws, rules and regulations for the time period of July 1, 2014 through June 30, 2015.

Finding 1 – DCSS concluded that the Court had \$440,510 of unsupported personnel costs for salary, benefits or indirect costs claimed in the FLF program. While the Court is in agreement that the previously used 4/3/1 methodology did not comply with the Judicial Council's policies and procedures as required in its grant agreement, the Court nevertheless spent significant resources supporting the AB 1058 program and achieved important program outcomes as demonstrated by the following statistical data:

Statistical Data: July 1, 2014 through June 30, 2015

- 2,415 New Child Support Cases Filed with the Court, which includes:
 - Summons and Complaints for Parental Obligations
 - Statements for Registration of California Support Orders

- Notices of Registration of Out-of-State Support Orders
- UIFSA – Uniform Support Petitions
- 8,000+ Hearings Calendared in the Court’s 2 DCSS Courtrooms

Court’s Plan for Corrective Action

The Court is currently in the process of taking the corrective steps to properly allocate the direct labor hours the FLF staff reports on the JC-4 timesheets. The Court is currently developing a methodology to ensure accounting principles are properly monitored and reported to comply with federal statutes and regulations accurately. The Court will work collaboratively with the Judicial Council to strengthen its processes. As such, designated court staff participated in an AB 1058 Timekeeping Webinar on June 23, 2017 facilitated by the Judicial Council. The Court will formulate internal controls in order to follow the Title 2 CFR 200.430 (i) Standards for Documentation of Personnel Expenses.

Based on the statistical information provided, the Court finds that DCSS’ recommendation that Judicial Council reimburse \$440,510 would have a severe impact on the Court’s ability to successfully serve the public seeking or enforcing child support orders. It would also have a significant impact on the Court’s already reduced budget.

Finding 2 – DCSS concluded that the Court had \$1,856 of unsupported operating expenses claimed in the FLF program. The findings also concluded that the Court lacked support for some operating costs claimed in the FLF program during the selected sample months of review.

The Court agrees that it can improve its recordkeeping to demonstrate how shared costs are allocated between the AB 1058 program and other programs. Court staff will review the Judicial Council’s revised AB 1058 “Accounting and Reporting Instructions” handbook (revised July 2016), which describes how the Court should obtain reimbursement for shared costs, such as: office supplies; copy machines; and communications charges.

Court’s Plan for Corrective Action

The Court acknowledges the partial reimbursement rate of 52% as approved by the Judicial Council and will implement new controls in the form of increased monitoring by supervisors to ensure grant rules are followed. As of April 2017, a new grant manager from the Court’s finance department has been assigned to assist in monitoring the self-help grants, including the AB 1058 grant. The current Managing Attorney for the Self-Help Center works closely with the grant manager to ensure that the Court applies the Judicial Council’s policies and procedures, which require shared costs to be allocated to the AB1058 child support program.

The Court acknowledges the assessment and significance that the audit provided. The Court appreciates the continued collaboration with the Judicial Council and DCSS to

Karen Dailey
August 17, 2017
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ensure that IV-D program funds are effectively serving the families associated with the child support program in California.

Sincerely,



Chad Finke,
Court Executive Officer

cc: Anna Maves, Supervising Attorney, CFCC Administration, Judicial Council of California
Grant Parks, Manager, Internal Audit Services, Judicial Council of California
Charlotte Marin, Acting Family Director, Superior Court of California, County of Alameda

Evaluation of Response

On July 31, 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 August 18, 2017.

The court concurs with our findings and is in process to take corrective action to allocate actual hours on JC-4 timesheet. The court is working to develop methodology to ensure accounting principles are monitored and reported accurately. The JCC should continue to work with the court to determine if the new methodology is sufficient to fully address these findings and complies with regulation and JCC established policies and procedures. We will follow up with the JCC in six months to determine the sufficiency of the corrective action implemented.

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

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