



JUDICIAL COUNCIL
OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

www.courts.ca.gov/auditcommittee.htm
auditcommittee@jud.ca.gov

AUDITS AND FINANCIAL ACCOUNTABILITY COMMITTEE

OPEN MEETING WITH CLOSED SESSION AGENDA

Open to the Public Unless Indicated as Closed (Cal. Rules of Court, rule 10.75(c)(1))

THIS MEETING IS BEING CONDUCTED BY ELECTRONIC MEANS

OPEN PORTION OF THIS MEETING IS BEING RECORDED

Date: October 3, 2018
Time: 12:15 – 1:30 PM
Public Call-In Number: 1-877-820-7831; Public Listening Code 4045700

Meeting materials for open portions of the meeting will be posted on the advisory body web page on the California Courts website at least three business days before the meeting.

Agenda items are numbered for identification purposes only and will not necessarily be considered in the indicated order.

I. OPEN MEETING (CAL. RULES OF COURT, RULE 10.75(C)(1))

Call to Order and Roll Call

Opening Comments by the Chair and Vice-Chair

Presenter(s)/Facilitator(s): Hon. Judge Rosenberg—Chair; Hon. Justice Siggins—Vice
Chair

Approval of Minutes

Approve minutes of the August 23, 2018, audit committee meeting.

II. PUBLIC COMMENT (CAL. RULES OF COURT, RULE 10.75(K)(2))

Written Comment

In accordance with California Rules of Court, Rule 10.75(k)(1), written comments pertaining to any agenda item of a regularly noticed open meeting can be submitted up to one complete business day before the meeting. For this specific meeting, comments should be e-mailed to auditcommittee@jud.ca.gov or mailed or delivered to Judicial Council of California, Audit Services, 455 Golden Gate Avenue, 5th Floor, San Francisco, California 94102 attention: Audit Services. Only written comments received by 12:15 PM on October 2, 2018 will be provided to advisory body members prior to the start of the meeting.

III. INFORMATION ONLY ITEMS (NO ACTION REQUIRED)

Info 1

Report from Audit Services

Overview of Audit Services' work in progress as well as a summary of external audits being performed by other governmental agencies.

Presenter(s)/Facilitator(s): Grant Parks, Principal Manager – Judicial Council's Audit Services

Info 2

General Discussion by Members of the Committee

Open discussion by committee members regarding any topic within the scope and purview of the Advisory Committee for Audits and Financial Accountability for the Judicial Branch.

Presenter(s)/Facilitator(s): Grant Parks, Principal Manager – Judicial Council's Audit Services

IV. DISCUSSION AND POSSIBLE ACTION ITEMS (ITEM 1-9)

Item 1

External Audit Report – Department of Child Support Services (Action Required)

Review and approve for posting various audits of the trial courts performed by the Department of Child Support Services that were focused on the AB 1058 grant program.

Presenter(s)/Facilitator(s): Grant Parks, Principal Manager – Judicial Council's Audit Services

Item 2

External Audit Report – State Controller's Office (Action Required)

Review and approve for posting the audits concerning Amador Superior Court's administration of revenues, expenditures and fund balance pursuant to Government Code, Section 77206(h)

Presenter(s)/Facilitator(s): Grant Parks, Principal Manager – Judicial Council's Audit Services

V. ADJOURNMENT

Adjourn to Closed Session

VI. CLOSED SESSION (CAL. RULES OF COURT, RULE 10.75(D))

Item 3

Draft Audit Report – Rule of Court 10.75(d) (6) (Action Required)

Non-final audit reports or proposed responses to such reports

Review and approve Audit Services' draft audit report of the Superior Court of California, County of Siskiyou for public posting per Rule of Court 10.63(c)(1).

Presenter(s)/Facilitator(s): Grant Parks, Principal Manager – Judicial Council's Audit Services; Robert Cabral, Manager- Judicial Council's Audit Services.

VII. ADJOURNMENT

Adjourn the meeting



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ADVISORY COMMITTEE ON AUDITS AND FINANCIAL ACCOUNTABILITY FOR THE JUDICIAL BRANCH

MINUTES OF OPEN MEETING

August 23, 2018

12:15 pm - 1:00 pm

Conference Call

Advisory Body Members Present: Hon. David Rosenberg, Hon. Mary Ann O'Malley, Hon. Susan Matcham, Mr. Kevin Harrigan, Ms. Tania Ugrin-Capobianco

Advisory Body Members Absent: Hon. Peter Siggins, Ms. Sherri Carter, Mr. Kevin Lane

Others Present: Mr. Phil Jelicich, Mr. Grant Parks

OPEN MEETING

Call to Order and Roll Call

The chair called the meeting to order at 12:18pm, and took roll call.

Approval of Minutes

Ms. Tania Ugrin-Capobianco moved to approve the minutes of June 19th, 2018 meeting, Hon. Mary Ann O'Malley seconded the motion. There was no further discussion of the minutes. Motion to approve passed by unanimous voice vote of the committee members present.

Mr. Grant Parks informed the audit committee that no public comments were received for this meeting.

DISCUSSION AND ACTION ITEMS

Info Item 1

Report from Audit Services. Mr. Parks reported that the Siskiyou audit should be ready for the audit committee's review in September. Since the last Audit Committee meeting, Audit Services team visited Ventura and Sacramento courts twice, during the weeks of July 14th and August 13th, and performed onsite audit fieldwork. Mr. Parks anticipates having these two audit reports completed in late October or early November. Also, Audit Services is in the process of filling a vacancy for its last vacant auditor position. Mr. Parks anticipates having a full staff of seven auditors by early September. Audit Services continues monitoring spending under Court Innovations Grant Program, which is a key area included in Audit Services audit plan. Courts have about 22 months left to spend the money under Court Innovations Grant Program, and the

amount spent by Courts is roughly 33%. The Administrative Director asked that Audit Services issue an audit advisory to the superior courts to remind them of the deadline to complete their grant-funded projects. Audit Services has been working with Court Executive Advisory Committee (CEAC) to provide additional perspective on some of the findings issued in the past on payments to court interpreters. As far as external audits, State Controller's Office is working on audits of Amador, San Mateo, Sonoma and Tehama, and Mr. Parks is hoping to see the final audit reports in October. Finally, the Administrative Director has informed all presiding judges and CEOs that the Department of Child Support Services will not be asking for \$2.2 million in questioned costs resulting from their audits under the AB 1058 program. DCSS has decided to suspend further audits for the rest of this fiscal year. It remains unclear whether they plan to resume AB 1058 audits during the next fiscal year.

Info Item 2.

General Discussion by Members of the Committee. No items were discussed.

Action Item 1

Annual Audit Plan for FY 2018-19 — Review, Discussion & Potential Approval

Mr. Parks informed the committee that Ms. Sherri Carter asked Audit Services to temporarily suspend reviews of the superior courts' payments to interpreters. Previous audit findings reveal that courts did not document authorized agreements with interpreters prior to the commencement of work, which makes it difficult for courts to adhere to the required invoice matching processes per the FIN Manual. Further, the limited documentation prevents courts from demonstrating that they've at least attempted to adhere to the court interpreter payment rates established by the Judicial Council. According to Ms. Carter, CEAC is considering changing interpreter pay policies and believes it best to suspend audit work in this area until any policy revisions are finalized. Judge O'Malley and Ms. Ugrin-Capobianco agreed with Ms. Carter's suggestion. Judge O'Malley suggested to re-visit this issue in 6 months, and Ms. Ugrin Capobianco and Judge Matcham agreed.

Ms. Ugrin-Capobianco moved to suspend audits of court payments to court interpreters (seconded by Judge O'Malley). The motion passed by unanimous voice vote of the committee members present.

As far as the audit plan, the audit of 4th District Court of Appeal has been added according to a discussion the audit committee had during its June 19th meeting. Mr. Parks indicated that audit staff intend to audit all three divisions when they visit the 4th DCA. Mr. Parks further commented that a lot of the criteria applicable when auditing appellate courts comes from the Judicial Branch Contracting Manual. Mr. Parks commented that the appellate courts do not have the same detailed level of financial policies as the superior courts do, and no branch-wide standard or expectation currently exists. In contrast, the superior courts operate under the guidelines of the Trial Court Financial Policies and Procedures Manual (FIN Manual). As a result, the criteria that Audit Services can use when auditing the courts of appeal is relatively limited when compared to the superior courts, and Audit Services does not want to arbitrarily impose its own criteria during these audits. Judge O'Malley raised a concern that appellate

courts do not have a branch-wide financial policies and procedures manual. Mr. Parks suggested the Audit Committee might consider sending a letter to the presiding justices of the courts of appeal (and their clerks) to recommend the development of such standards (i.e. a letter that would be similar to how this committee recommended that CEAC develop data quality standards for JBSIS). Judge Rosenberg agreed that it would be difficult to audit an appellate court if there were limited criteria or expectations, stating there is no reason why the courts of appeal shouldn't consider developing a branch-wide manual of their own. Ms. Tania Ugrin-Capobianco asked if there is a reason why the courts of appeal don't have their own financial standards. Mr. Parks shared that there might be difference of opinions among appellate court clerks regarding how specific the manual should be. Judge O'Malley and Ms. Ugrin-Capobianco agreed that Judicial Branch Financial Manual could serve as a starting point as the appellate clerks begin development of system wide financial policies.

Judge O'Malley moved to send a letter to the clerks and to administrative presiding justices of courts of appeal, expressing the audit committee's recommendation that they develop financial policies manual (seconded by Ms. Ugrin-Capobianco).

Judge Rosenberg clarified that Mr. Parks should work with him on developing this letter, and then he should send the draft letter to all committee members for review. Ms. Ugrin-Capobianco asked about setting a deadline for completing this letter. Judge Rosenberg confirmed that there will be a reasonable date selected as a deadline to develop and send this letter. With no further discussion, the motion passed by unanimous voice vote of the committee members present.

Action: Ms. Ugrin-Capobianco moved to approve annual audit plan for Audit Services Office, including the postponement of audits of court interpreters program (seconded by Judge Matcham). With no further discussion, the motion passed by unanimous voice vote of the committee members present.

Action Item 2

New CEO Review Process

During last committee meeting, Ms. Ugrin-Capobianco suggested that it would be smart to have an additional service provided by Audit Services Office to new court executive officers (CEO). Audit Services Office created various self-assessment checklists that courts can use on their own to evaluate compliance to Judicial Branch policies and documents such as Judicial Branch Financial Manual and Judicial Branch Contracting Manual. Under this new proposal called "New CEO Review", new CEO would be able to request a review of their court. In order to do that, staff of the court will need to fill out new CEO review request form and self-assessment checklists, submitting it to Audit Services and this committee. Audit Services will review the checklists, come up with a scope of work and estimated time and seek this committee's approval to do the review. These reviews wouldn't be audits, but rather consultative engagements. Further, the results of these reviews wouldn't come before the audit committee for review and discussion. Instead, these reviews are designed to help new CEOs get feedback on their court's operations and not have to wait for an audit.

Judge O'Malley reported that members of the audit committee (herself, Mr. Harrigan and Mr. Parks) spoke at the joint meeting with CEOs and trial court presiding judges regarding the new

CEO review process. Judge O'Malley commented that the feedback received after presentation was very positive.

Action: Judge O'Malley moved to approve new CEO review request process (seconded by Ms. Ugrin-Capobianco). With no further discussion, the motion passed by unanimous voice vote of the committee members present.

Action Item 3

External Audit Report – State Controller's Office (Action Required)

Mr. Parks informed that SCO has selected six courts to do these pilot audits of fund balance, revenues and expenditures. Sacramento audit report is presented at this committee meeting, while Yolo audit report was presented in May. The SCO did have two findings at Sacramento, one of which was in the area of cash handling (security of cash drawers, mail payments and safe combinations). Another finding was unclaimed trust, where the court missed an opportunity to provide public notice that those funds will become court or state property, unless people came forward. Other than that, Sacramento audit revealed that the court complied with government codes, statues and regulations related to validity of recorded revenues, expenditures and fund balances. Mr. Parks recommended this audit report for public posting.

Action: Judge Matcham moved to approve this audit report for posting (seconded by Mr. Harrigan). With no further discussion, the motion passed by unanimous voice vote of the committee members present.

A D J O U R N M E N T

There being no further business, the meeting was adjourned at 12:55pm.

Approved by the advisory body on enter date.



JUDICIAL COUNCIL OF CALIFORNIA

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Meeting Date: 10/3/2018

Informational Item #1 – (No Action Required)

Report from Audit Services

Status Update – Judicial Council’s Audit Services

Staffing & Workload

Audit Services expects to have the audit reports for Sacramento and Ventura available for the committee for our tentative meeting in November 2018. Audit staff have already held entrance conferences for the next two courts on the audit plan (Glenn and the 5th DCA). The first week of onsite fieldwork is expected for the week of October 9th (for Glenn) and October 15th (5th DCA).

Upcoming External Audits

State Auditor’s Office

The California State Auditor’s Office is currently conducting procurement compliance audits in accordance with the Judicial Branch Contract Law (Public Contract Code, Sections 19201 – 19210). The State Auditor has selected the following five superior courts for review:

- Imperial
- Los Angeles
- Monterey
- Santa Barbara
- Santa Cruz

Committee staff expect these audits to be completed and reported to the audit committee before January 15, 2019.

State Controller’s Office

Committee staff anticipate that the State Controller’s Office will begin its biennial audit of the Judicial Council’s revenues, expenditures and fund balance (per Government Code, Section 77206(i)). The audit period will focus fiscal year 2017-18 and include all revenues, expenditures and fund balances under the Judicial Council’s control.



JUDICIAL COUNCIL
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Meeting Date: 10/03/2018

Action Item #1 – (Action Required)

External Audit Reports – Department of Child Support Services

Requested Action:

Discuss the seven external audit reports—Attachments “A” through “G”—and approve their posting on the www.courts.ca.gov website per California Rules of Court, Rule 10.63(c)(1).

Summary:

The Judicial Council and the Department of Child Support Services (DCSS) have an interagency agreement whereby DCSS provides \$55.1 million each year to support the “AB 1058” program at the superior courts. The AB 1058 program supports two sub-programs: the *Child Support Commissioner* and *Family Law Facilitator* programs. Following its agreement with DCSS, the Judicial Council then enters into individual grant agreements with the superior courts to “pass through” the AB 1058 funding originally provided by DCSS. Funding to the courts is a mix of both state support from the General Fund and federal dollars under Title IV-D of the Social Security Act (42 USC 651 – 669b). The overarching goal of the AB 1058 program is to assist with the timely enforcement of child support orders.

As a condition of receiving AB 1058 funds, the superior courts must allow DCSS auditors to evaluate court compliance with state and federal rules, including rules regarding how personnel costs are to be documented. Beginning in the fall of 2016, DCSS began auditing a sample of courts’ supporting documentation for costs charged against the AB 1058 grant during fiscal year 2015-16. A common finding raised by DCSS was the observation that court personnel costs often did not follow grant requirements. Specifically, the JCC-Court grant agreements require court staff to document their ***actual time*** spent on the AB 1058 grant versus non-grant activities using timesheets; however, DCSS found numerous instances when court staff acknowledged that they had estimated the hours spent supporting the AB 1058 program. As a result, DCSS auditors disallowed significant portions of some courts’ costs charged to the program. The DCSS auditors’ review focused on the supporting documentation for each court’s claimed spending activity and did not otherwise evaluate the courts’ performance

in terms of service delivery levels or other performance metrics. Given that DCSS's grant agreement is with the Judicial Council, and not the individual courts, DCSS auditors recommended that the Judicial Council repay over \$1 million to DCSS (as listed below).

Schedule of Disallowed Costs by DCSS

Superior Court	Total Disallowed Costs	Disallowed Costs as a % of Funding Received	Court Perspective on Findings
Colusa	\$85,708	67%	Agree that timekeeping practices can be improved, but returning money would unnecessarily harm program.
Fresno	\$474,638	21%	Court believes it has corrected the problem and the return of funds is unnecessary.
Glenn	\$174,022	68.7%	Agree that timekeeping practices can be improved, but returning money would unnecessarily harm program.
Monterey	\$0	0%	No response, no findings.
Plumas	\$134,584	63.5%	Court believes it has corrected the problem and agrees to follow required guidelines or investigate alternative methods.
Santa Cruz	\$88,806	26%	Court believes existing timesheet records reasonably reflect the work performed, returning money would unnecessarily harm program.
Tehama	\$45,337	30.5%	Agree that timekeeping practices can be improved, but returning money would unnecessarily harm program.
Total	\$1,003,095	25.5%	

Roughly 81.7% of the \$1,003,095 in total disallowed costs pertained to court personnel costs (Fresno, Glenn, Plumas, Santa Cruz and Tehama). Those courts with significant monetary findings consistently stressed in their responses that important program services were being offered to the public and, notwithstanding the need to improve their administrative timekeeping practices, returning such a significant portion of the grant's funding would only harm those who rely on the AB 1058 program.

The Judicial Council's executive management team indicates that DCSS will not be asking for the return of \$2.2 million in question costs that arose from the DCSS AB1058 audits of various courts. DCSS has decided to suspend further audits of the AB1058 program for the rest of this fiscal year. Only one DCSS audit remains to be finalized (San Luis Obispo), and committee staff expect that audit to be completed sometime in October.

Action 1: Committee staff recommend that the audit committee approve the public posting of the attached DCSS audit reports (attachments "A" through "G") on www.courts.ca.gov per California Rules of Court, Rule 10.63(c)(1).

Supporting Documents:

- **Attachment A** – Colusa Superior Court (AB 1058 Audit)
- **Attachment B** – Fresno Superior Court (AB 1058 Audit)
- **Attachment C** – Glenn Superior Court (AB 1058 Audit)
- **Attachment D** – Monterey Superior Court (AB 1058 Audit)
- **Attachment E** – Plumas Superior Court (AB 1058 Audit)
- **Attachment F** – Santa Cruz Superior Court (AB 1058 Audit)
- **Attachment G** – Tehama Superior Court (AB 1058 Audit)

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 Colusa (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 findings. The findings have 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 findings 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 Colusa**



**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 Colusa**

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**Judicial Council Contract Review
Superior Court of California, County of Colusa
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 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 Colusa (Court) CSC and FLF program for the state fiscal year (SFY) of July 1, 2015, through June 30, 2016.

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 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 the Court \$128,028 in state and federal funds as follows: \$58,615 for the CSC and \$69,413 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 the Court under JCC contract agreement #10-30618 for the CSC program and #10-30672 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 Findings and Recommendations section of this report below, we found the Court did not have sufficient support for the operating expenses claimed for the contractors in the CSC Program and in the FLF Program during our audit period.

RESTRICTED USE

This audit report is intended solely for the information and use of the DCSS and JCC 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

Condition

Finding 1 – Unsupported Operating Expenses, Contracted Commissioner – \$50,944

The Court paid an independent contractor (Contractor) for Child Support Commissioner services, but failed to maintain documentation to support the direct labor hours spent in the IV-D child support program activity. We reviewed the Contractor's contract agreement which specifies the Contractor was required to work 36 hours each week for three different courts (Tehama, Colusa, and Glenn). As the Court was required to reimburse the Contractor for 1/3 of the Contractor's salary, benefits, and travel costs the Court was entitled to receive 12 hours per week of CSC service (36 weekly hours/ 3 courts). Court documentation revealed the caseload in Colusa did not support this level of service. Specifically, the SFY 2015-16 Court calendar revealed court was in session one afternoon a week, generally for one hour starting at 4:00 p.m. and based on discussions with the Contractor, ending by 5:00 p.m. Court calendars also revealed court was held for only 38 out of 52 weeks during SFY 2015-16, with an average of 10 cases a month.

As we question the actual time the Contractor spent in IV-D activity, we requested a contractor activity log. A contractor activity log is required by the JCC to support the direct labor hours the Contractor spends in the IV-D program. The Court was not able to provide contractor activity logs, but instead provided us with a JCC timesheet documenting the Contractor worked 4 days a week for 9 hours each day. The JCC timesheet did not record actual hours the CSC spent directly in IV-D activity at the Court, did not support the direct labor hours allocated under the JCC Agreement #10-30618 for SFY 2015-16, and demonstrated the Contractor claimed hours outside of regular court activity (i.e., before 8:00 am or after 5:00 pm when administrative offices of the Court were closed). The Contractor asserted she was a salaried employee and therefore not required to maintain a contractor activity log. However, these costs were reimbursed as an operating expense based on a contract agreement so JCC policy requires a contractor activity log to support the direct operating expenses reimbursed to the Court.

In lieu of a contractor activity log, we accepted alternative documentation to support time the Contractor spent in the IV-D activity. During SFY 2015-16, the Court calendar supported court was in session for 44.5 hours. As the contract allowed travel costs, we allowed a 1/2 hour of travel for each of the 38 days in SFY 2015-16 in which court was in session. The Contractor's schedule was to drive from the court in Glenn to the court in Colusa, a 1/2 hour drive. As a result, we allowed 64 hours of CSC time as follows:

**Supported Contractor Hours
SFY 2015-16**

CSC Supported Hours:	
Hours Court was in Session	44.5
Travel Time (38 days x ½ hour)	19.5
Total Supported Hours	64

For SFY 2015-16, the Contractor’s salary was established at \$144,616, benefits were limited to \$25,000 and travel costs were set at \$1,872. To calculate allowable costs, we multiplied supported hours to the hourly salary/benefit amount in the contract agreement. We further allowed the 1/3 of the CSC’s travel allowance as outlined in the contract agreement terms. As a result, we found the Court had support for \$7,671 in salary, benefits and travel costs as follows:

**Hourly Rate for Contractor
SFY 2015-16**

CSC Agreement:	
Salary \$144,616/1872 hours	\$77.25
Benefits \$25,000/1872 hours	13.36
Hourly Rate Per Agreement Terms	\$90.61

Supported Operating Expenses:	
Total Supported Salary and Benefits (64 hours x \$90.61)	\$5,799
Add: 1/3 Travel Allowance	1,872
Total Supported Costs:	\$7,671

We are questioning \$50,944 in unsupported costs paid to the Contractor for CSC services as follows:

**Unsupported Operating Expenses (CSC)
SFY 2015-16**

Claimed Contractor Costs	(\$58,615)
Less: Supported Costs	7,671
Total Unsupported Costs	(\$50,944)

Criteria

Title 2 CFR 200.403 Factors affecting allowability of costs requires costs to be adequately documented and consistent with the policies and procedures. 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 to 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.

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, (page 5), "Allocation and Contracts" clarifies that the Judicial Council allocates funds to each court individually via separate funding contracts, and funding must be expended from July 1 through June 30." Page 16 "Operating Expenses" clarifies that court staff paid as a contractor (including a Contract Commissioner) shall be reported as an operating expense and will not be reported as part of salaries and benefits or included in the calculation of indirect costs allocation pool. Under "Supporting Documentation," the JCC requires the Court to provide actual vendor receipts for services purchased. "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." Lastly, Contractors are required to complete a mandatory contractor activity log. The contractor 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.

JCC Contract for the CSC program #1030618, Exhibit B, 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."

Recommendation

The JCC should return \$50,944 to DCSS for unsupported operating expenses – Contracted Commissioner. In the future, the Court should ensure contracting practices comply with JCC policy and the uniform requirements. For example, the Court must obtain the appropriate supporting documentation, such as the contractor activity logs, prior to authorizing payment. Further, the Court should compare and verify invoiced costs against terms specified in written agreement to ensure the amounts are accurate and services were provided in full.

Finding 2 – Unsupported Operating Expenses, Contracted FLF – \$34,764

Condition

The Court subcontracted Family Law Facilitator (FLF) services, but did not have a current contract agreement to support the activity, did not obtain approval in advance from the JCC for FLF subcontracted services, and did not maintain the required documentation to support the amount of time the FLF spent in the IV-D program. Based on an interview with the FLF and supporting documentation, we found the FLF

performed both IV-D and non-IV-D activity, but claimed all hours to the IV-D program. The Court's Executive Officer stated the Court is taking corrective action in the future to properly document these costs.

We reviewed the contract agreement, dated September 1, 2011, and found the contract states the FLF shall not charge for more than 7.5 hours each day, and will be paid \$65 per hour. Based on the contractor activity log, we found the FLF charged a full 8-hours each day to the IV-D program. Prior to claiming contracted costs from the JCC, the Court is responsible for understanding the methodology used in the contract agreement to determine the costs are accurate and to ensure the services were provided in full and do not include additional charges outside the contract terms.

The FLF worked in the self-help center and provided service to "anyone who walks in the door," which included non-IV-D activity. Yet all time was documented to the IV-D program. As a result, we deemed the contractor activity log unreliable. In lieu of disallowing all FLF contracted costs, we accepted alternative documentation to support time spent directly in the IV-D program, including the FLF's detailed calendar, phone logs, and database records. Using this alternative documentation, the Court was able to support 519 hours of IV-D activity for the FLF. We found the Court overclaimed \$34,764 as follows:

**Unsupported Operating Expenses (FLF)
SFY 2015-16**

Supported FLF Hours (519 hours x \$65 per hour)	\$33,735
Add: Training expense	914
Total Supported Cost	\$34,649
Less: Reimbursement to the JCC	(69,413)
Total Unsupported Costs	(\$34,764)

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 200.404 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.

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 contractor 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)

JCC Contract for the FLF program #1030672, 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 reimbursements invoiced are limited to that portion of time the Family Law Facilitator(s) and staff are engaged in matters involving child support, spousal support, medical support, and family support in accord with instructions issued by the Judicial Council....”

Recommendation

The JCC should return \$34,764 to DCSS for unsupported operating expenses – Contracted FLF. In the future, the Court should ensure contracting practices comply with JCC policy and the uniform requirements. For example, the Court must obtain the appropriate supporting documentation, such as the contractor activity logs, prior to authorizing payment. The Court should also ensure it has a current contract agreement in place for all contracted services that allows Court staff to confirm hours, rates, or other cost information prior to payment. The Court should compare and verify invoiced costs against terms specified in the written agreement to ensure the amounts are correct and services were provided in full.

Lastly, the JCC has an opportunity to provide training and monitoring to ensure the Court staff fully understand and apply current JCC policy and regulation and implement strong internal controls prior to seeking reimbursement for contracted costs.

Finding 3 – Payment in Excess of Contract Agreement

Condition

The Court obtained reimbursement for an independent contractor for Child Support Commissioner services in excess of contract agreement terms, did not obtain approval in advance from the JCC for subcontracting CSC services, and utilized an outdated contract agreement approved in 2008. We reviewed the Contractor’s contract agreement, which specifies the Contractor’s benefits are limited to \$25,000 each year, of which the Court will pay \$8,333 (\$25,000/3). In SFY 2015-16, the court in Tehama billed the Court \$65,758 for the Contractor costs, including \$15,680 in benefits. We compared the amount invoiced and paid by the Court to the amount the Court is required to pay according to the contract agreement terms. We found the Court overpaid \$7,348 for contracted CSC benefits as follows:

**Contracted CSC Costs for the Court
SFY 2015-16**

	Contract Agreement Amount	Colusa's Share (1/3 Contract Amount)	Invoiced/Paid by Colusa	Unsupported (Difference)
	(a)	(b=a/3)	(c)	d=(b-c)
Salary	\$144,616	\$48,205	\$48,205	\$0
Benefits	25,000	8,333	15,680	(7,347)
Travel	5,616	1,872	1,872	0
Total		\$58,410	\$65,757	(\$7,347)

We also noted the contract agreement was dated in 2008, and not approved in advance in writing by the JCC. Prior to claiming contracted costs from the JCC, the Court is responsible for understanding the methodology used to determine the contracted costs are accurate, the services were provided in full, and the invoiced amounts do not include additional charges outside 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 200.404 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 200.318 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 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, (page 5), "Allocation and Contracts" clarifies that the Judicial Council allocates funds to each court individually via separate funding contracts, and funding must be expended from July 1 through June 30." Page 16 "Operating Expenses" clarifies that court staff paid as a contractor (including a Contract Commissioner) shall be reported as an operating expense and will not be reported as part of salaries and benefits or included in the calculation of indirect costs allocation pool. Under "Supporting Documentation," the JCC requires the Court to provide actual vendor receipts for services purchased. "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 Judicial Council Grant Accounting.”

JCC Contract for the CSC program #1030618, 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.”

Recommendation

As the amount questioned is included in Finding 1, no additional costs result from this finding. However, the Court should ensure contracting practices comply with JCC policy and the uniform requirements. For example, the Court should also ensure it has a current contract agreement in place for all contracted services that allows staff to validate hours, rates or other cost information prior to authorizing payment. Further, the Court should ensure the contract is approved by the JCC and compare and verify invoiced costs against terms specified in the written agreement to ensure the amounts are accurate and services were provided in full.

Agency Response



Superior Court of California County of Colusa

JEFFREY A. THOMPSON
PRESIDING JUDGE

532 Oak Street
Colusa, CA 95932

JASON B. GALKIN
COURT EXECUTIVE OFFICER
CLERK OF THE COURT
JURY COMMISSIONER

ELIZABETH UFKES OLIVERA
ASSISTANT PRESIDING JUDGE

PHONE: 530-458-5149
FAX: 530-458-2230

February 13, 2018

VIA EMAIL TO: dcssoac@dcss.ca.gov

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

Re: Response to DCSS Draft Audit Report of the Colusa Superior Court

Dear Ms. Dailey:

Colusa Superior Court (Court) is pleased to submit this written response to the State Department of Child Support Services (DCSS) regarding its audit of the Court and the Child Support Enforcement Program (AB1058 program). The audit focused on the Court's claimed spending activity during fiscal year 2015-16, which included \$128,027 in total program spending for both the Child Support Commissioner grant (\$58,615) and the Family Law Facilitator program (\$69,413).

In its report, DCSS concludes that \$85,708, or roughly 67 percent of the Court's total grant funding, was not adequately supported by documentation such as timesheets, logs, or court calendars. While the Court agrees that its documentation for these costs may not have always met the administrative standards required in its grant agreement, significant program activity and service delivery did occur at the Court as described further in this response. In the Court's view, DCSS' recommendation to return the \$85,708 will unnecessarily harm the Court's ability to effectively serve litigants who request help in seeking or enforcing child support orders. In the sections that follow, the Court provides further perspective on DCSS' audit findings and the Court's current staffing, highlights the corrective action planned by the Court, and describes the Court's recent performance under the AB1058 program.

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 AB1058 program is effectively serving the children of California.

THE IMPACT OF COURT STAFFING

The Court has limited personnel, requiring that staff in the clerk's office be able to effectively address both DCSS-related cases under the AB1058 program as well as other case types. As a result, Court staff are frequently cross-trained on how to process a wide variety of different filings. This approach allows for the immediate processing and scheduling of child support matters as they are filed during the Court's business hours. While larger courts may have the staff resources to assign specific individuals that are specialized to support the AB1058 program, Colusa Superior Court lacks the staffing levels to do so and believes its current staffing approach to be the most efficient. However, with the same court staff processing a wide variety of family law, probate, adoptions, civil, traffic, and criminal matters, the Court has found the granular tracking of individual clerk staff time—as currently required under the AB1058 program—to be too administratively burdensome given our available resources. While the Court could invest additional time for its staff to complete overly precise timesheets—and then bill those costs to the AB1058 program—the Court has chosen instead to focus on providing important program services benefiting California's vulnerable children. The Court's current approach is efficient and has significantly alleviated the burden on its staff in preparing documentation for their contributions to the program. The Court has not historically sought recognition for these in-kind contributions, but it cannot be denied that work in support of both the Family Law Facilitator and Child Support Commissioner is being performed by Court staff.

Furthermore, many operational tasks, general supervision, training, and other administrative efforts cannot be clearly segregated between DCSS' AB1058 program versus the support services provided to other case types. This complication necessarily makes seeking reimbursement or recognition of these contributions to the program administratively burdensome and cost ineffective.

THE IMPACT OF PART TIME COMMISSIONERS IN SMALL COUNTIES

Colusa Superior Court is one of the smallest counties in the state. As a result it has a relatively small workload when compared with much larger counties. Larger counties face less challenges regarding the hiring of an adequately trained and experienced commissioner to hear DCSS matters as required by statute and Rule of Court. Colusa has made arrangements with two other courts in a relatively similar position in order to attract a sufficiently experienced commissioner and to provide commensurate compensation. This arrangement covers the full DCSS needs for three courts based on a salary and benefits package for four of five days (or less than a full FTE). In addition, this arrangement requires the commissioner to commute between facilities to appear in the proper county. The audit does acknowledge this, but only gives credit for thirty minutes of that commute. This understates the length of the commute by fifteen to thirty percent (as indicated using readily available mapping applications). A calculation of funds to be returned that does not adequately consider the operational realities of providing an experienced commissioner will necessarily understate the impact on the local community in the absence of that funding source. A certain amount of funding is required to provide adequate services to comply with the law and serve the families and children intended to be addressed by way of AB1058.

THE COURT'S PLANNED CORRECTIVE ACTION

DCSS audit staff have determined that the Court's method of documenting time for both the Family Law Facilitator and Child Support Commissioner is inconsistent with existing grant requirements. The Court will work with the Judicial Council to modify its timekeeping and documentation processes for both the Family Law Facilitator and Child Support Commissioner in line with grant requirements. Changes to the timekeeping and documentation processes for the Family Law Facilitator had already been implemented at the time this audit was conducted. As the Court shares the Child Support Commissioner with several other courts, it will be working closely with those other courts and the Judicial Council to revisit the contract and the timekeeping requirements expected pursuant to that contract. The Court notes that federal regulations under 45 CFR 304.21 provides DCSS with the discretion to determine the method of calculating eligible expenditures by the courts, and the impractical timesheet-based approach currently in place is only one of several possible methods that could be used. Nevertheless, recognizing the current grant requirements in the short term, the Court is already in the process of implementing the following changes to its local administration of the AB1058 program:

1. Clerk's Office, Courtroom Clerks, and other Court Staff – The Court will work with Judicial Council and other similarly positioned small courts in an attempt to provide a means of tracking time and contributions to the program that both addresses Court concerns about the cost inefficient administrative burden and DCSS' need for granular timekeeping and documentation.
2. Child Support Commissioner – The Court Commissioner assigned to the DCSS calendar will document the exact time spent presiding over courtroom proceedings, reviewing case files in chambers, coordinating DCSS matters with other court staff, attorneys, and local DCSS agency employees, as well as eligible travel and training activities. The means of this documentation will reflect contractual requirements negotiated between the courts sharing the Commissioner with the approval of the Judicial Council.
3. Family Law Facilitator – The Family Law Facilitator has begun to use a manual tracking system to track individual triage, phone calls, and shorter engagements that are eligible for AB1058 program reimbursement. Additionally, the issues addressed in the audit regarding the tracking of time between the AB1058 program and Self-Help program have already been resolved. Each timesheet provided by the Family Law Facilitator reflects the actual time worked for each respective program.

THE COURT'S PERFORMANCE UNDER AB1058

The Court recognizes and supports state and federal audits of AB1058 grant funding. However, the Court is concerned that those who read DCSS' audit report and the amount of disallowed cost may assume that significant portions of the work were not completed or that program services were not being offered to the public. Such an assumption would be false. While the Court understands and accepts that it has not documented personnel costs in the manner currently prescribed by DCSS, the Court is proud of its past contributions under the AB1058 program. For example, during the period covered by DCSS' audit, court staff and judicial officers:

1. Opened dozens of new child support cases filed by the local child support agency
2. Received, filed, and processed over one hundred case documents related to DCSS filed cases
3. Calendared over one hundred matters in DCSS filed cases.
4. Conducted courtroom hearings on all such calendared matters
5. Spent significant time training and overseeing the work performed by grant-funded staff and contractors, as well as coordinating justice system activities with the local child support agency
6. Assisted hundreds of self-represented litigants (including many that struggled with literacy or did not speak, read, or write in English) involved in child support matters by explaining court policies and procedures and assisting in the completion of Court documents. This includes those documents where the local child support agency lacked the resources necessary to provide this assistance directly.

These statistics do not include activities and services provided to general family law cases wherein the local child support agency entered into the case after the initial filing by the involved parents.

Given the important work noted above, the Court believes that returning \$85,708, or roughly 67 percent of the Court's total grant funding, would unnecessarily harm the Court's ability to achieve these kinds of outcomes and effectively serve those who are seeking help in the courts or in navigating the legal system surrounding child support.

The Court sincerely thanks the DCSS auditors for their professionalism and for their efforts to improve the AB1058 program. The Court is hopeful that DCSS and the Judicial Council will be open to further dialogue that considers alternative methods for documenting personnel costs that would allow smaller courts, such as ours, to continue to focus the majority of our energies on serving the public and ensuring the continued financial support of California's children.

Sincerely,



Jason B. Galkin

Court Executive Officer

Cc: Anna Maves, Supervising Attorney, CFCC Administration, Judicial Council of California
Grant Parks, Manager, Internal Audit Services, Judicial Council of California

Evaluation of Response

On January 23, 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 February 13, 2018. The Court concurs with our findings and provided a corrective action plan. 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
Associate Management Auditor
Office of Audits and Compliance
Department of Child Support Services

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

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



August 24, 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 Fresno (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 Fresno**



**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 Fresno**

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**Judicial Council Contract Review
Superior Court of California, County of Fresno
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 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 Fresno (Court) CSC and FLF programs for the state fiscal year (SFY) of July 1, 2015 through June 30, 2016.

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 children have the financial support of both their parents, foster responsible behavior towards children, and 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 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 the Court \$2,248,649 in state and federal funds as follows: \$1,765,237 for the CSC and \$483,412 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 the Court under JCC contract agreement #10-30621 for the CSC program and #10-30688 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 (GAS). 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 GAS; 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 AB 1058 program to any cooperative agreement.

CONCLUSION

As noted in the Finding and Recommendation section of this report, we found the Court did not have sufficient support for the personnel expenses claimed in the FLF Program 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 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 – \$474,683

For SFY 2015-16, we found the Court did not have support for salaries, benefits, or indirect costs claimed for the Family Law Facilitator program. Specifically, Court staff worked in the Self-Help Center performing both AB 1058 and non-AB 1058 program activities. Judicial Council of California AB 1058 grant instruction manual and annual training requires the courts to allocate salaries and benefits based on actual hours court staff spend directly working in the AB 1058 program. However, instead of documenting actual direct labor hours worked in the AB 1058 program, the fiscal staff created a “Staff Split Worksheet” documenting these estimated percentages based on the FLF manager’s understanding of the projected workload in the Self-Help Center. The fiscal staff created the JC-4 Timesheets, using the agreed-upon percentages based on projected workload, and staff signed the timesheets created by fiscal staff that “certify under penalty of perjury that this time sheet accurately represents actual time worked...” Interviews with staff in the FLF program revealed the timesheets were not based on the actual direct labor hours worked, and the FLF manager and staff agreed they might have worked hours in addition to those documented on the timesheets. While we noted there was AB 1058 program activity occurring at the Court, we deemed the time reporting documentation unreliable and unsupported.

Using alternative methods, we requested supplemental documents to support hours in the AB 1058 program, such as sign-in sheets, intake forms, detailed calendars, phone logs, database records, etc. In response, the Court provided us sign-in sheets, intake forms, and a Court calendar for the week of January 25-29, 2016. However, the Court did not provide this alternative supporting documentation for the remainder of the audit period.

To correct, the Court plans to maintain logs and tallies to track the actual hours staff spend in the FLF program. The Court also plans to have staff complete the automatic data processing timesheets using the correct budgetary codes that document the direct labor hours staff spend in the FLF program. Since direct labor hours were not tracked in SFY 2015-16, and the documentation did not support hours spent in the program in accordance with JCC policy, we found the Court overclaimed \$474,683 in FLF for salaries, benefits, and indirect costs.

Criteria

2 CFR Part 200.430 Compensation-personal services, (i) Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries 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;
- (ii) Be incorporated into the official records of the non-Federal entity;

- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100 percent of compensated activities;
- (iv) Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity's written policy;
- (v) Comply with the established accounting policies and practices of the non-Federal entity; and
- (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.

Policies and procedures provided to the Court in the Title IV-D 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). Additionally, the instructions provide 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 (Page 15).

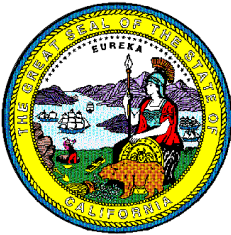
The JC-4 timesheet, signed by the employee and the employee's supervisor, states, "I hereby certify under penalty of perjury that this time sheet accurately represents actual time worked...."

Recommendation

The JCC should return \$474,683 to DCSS for unsupported salaries, benefits, and associated indirect costs claimed in SFY 2015-16. The percentage of salary and benefit costs claimed must be allocated based on the actual labor hours directly worked 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 benefits.

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 JCC policies, procedures, and federal regulation requirements that must be met to support the claimed AB 1058 costs.

Agency Response



**Superior Court of California
County of Fresno**

Sheran Morton
Executive Officer/Clerk/Jury Commissioner
Michael Elliott
Assistant Executive Officer

March 27, 2018

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

SUBJECT: Response to DCSS Draft Audit Report of the Fresno Superior Court

Dear Ms. Dailey,

The Fresno Superior Court (Court) is pleased to submit this written response to the State Department of Child Support Services (DCSS) regarding its audit of the Court's Child Support Enforcement Program (AB1058).

The audit was limited to a review of the Court's claimed expenses for the period July 1, 2015 to June 30, 2016, and principally focused on whether the Court's personnel costs were documented in a manner consistent with its grant agreement with the Judicial Council (JCC). DCSS' audit report concludes that \$474,683—or roughly 21 percent of the total AB 1058 funds received—were not supported by appropriately completed timesheets or similar documentation pursuant to the grant's rules. Ultimately, DCSS recommends the JCC return the entire amount of questioned costs, despite the audit report lacking any conclusion or finding that the Court was not providing important program services or was not otherwise meeting expected service delivery levels.

The Court has already taken corrective action in response to the audit, yet returning such a significant amount of the program's funding will only endanger the Court's ability to provide important services to California's most vulnerable children. In general, the Court believes there are alternative timekeeping practices—all of which are allowable under federal rules—that would strike a more appropriate and realistic balance between administrative timekeeping and actual program performance.

Nevertheless, the Court offers the following perspectives on the audit report's specific audit findings and recommendations.

Finding 1 - DCSS concluded that the Personnel Expenses were unsupported in the Family Law Facilitator program (FLF) based on a finding that actual direct labor hours worked in the AB 1058 program could not be substantiated. Although the Court believes that its recording practices for the time period of the audit reasonably reflected the staff time spent working in each grant activity,

after additional education and training provided by the JCC in 2017, the Court immediately updated its recording methodology of staff time related to IV-D activities. Consistent with this direction and education from the JCC, effective in the current fiscal year all staff in the grant programs currently maintains daily logs of their time spent on each program--including those who charge 100% to their respective grants. This recording of time for the AB1058 program is then transferred to the Courts accounting system and JC-4 timesheets as documentation of time spent in IV-D activities.

Specifically, the Audit Report states “instead of documenting actual direct labor hours worked in the AB 1058 program, the managers developed estimated percentages that fiscal staff would use to allocate staff hours.” However; to clarify, the “managers” did not develop estimated percentages.

Rather, instead of an estimation or approximation, the fiscal staff would confirm that specific staff members were scheduled (or allocated) to work in dedicated grant program activities. This information was eventually compiled as a percentage and reflected in a document entitled “staff split”. The staff split was continuously updated throughout the year as staff changes occurred. Our approach did not appear to be unreasonable under the federal regulation since the “staff split” document actually reflected the time staff spent working in each grant program. Similarly, since it accurately reflected the time each staff person performed grant activities, we believe it is consistent with “documentation” as set forth under the state materials.

As stated earlier, since 2017 we instituted a new recording methodology of staff time related to IV-D activities. It is important to note, that these efforts have confirmed the initial percentages (and methodology used in 2015/16) are still accurately reflective of the grant activities currently being performed; further proof to the court that our methodology was indeed reasonable and sound.

Reasonableness

Under the cited federal regulation, the recordation supporting the personnel expenses of the non-federal entity must be “reasonably” reflective of the time charged to the federal program. (see 2 C.F.R. Part 200.430(i)(1)(i) [. . . “provides reasonable assurance” . . .]; 2 C.F.R. Part 200.430(i)(1)(iii) [“Reasonably reflect . . .].)

2 C.F.R. Part 200.430(b).

Further extending the “reasonableness” set forth in the federal regulation, the state materials merely require the grant/non grant activities be documented. (see Title IV-D Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions, pg. 13, first para. [staff who “do not work exclusively on AB1058 activities must document staff time spent on program activities . . .”].) Neither the federal regulation nor the state materials specifically address how or when the recordation take place. Essentially, under the criteria stated in the Audit Report, the documentation must only be reasonably reflective of the time charged to the grant program.

The Court would also note that the auditors chose to observe the FLF Office at a time when it was closed to the public. Thus, they could not observe how staff funded 100% to the AB 1058 Grant were assigned to purely grant activities (i.e., front counter triage/outreach performed 8am to 4pm each day the FLF Office is open to the public; outreach performed in the courtroom; the division of reimbursable activities during one-on-one customer assistance.) Unfortunately, although an invitation was extended to the auditors to return to the FLF Office at their convenience when these

activities were fully operational, the auditors declined. Although there was an acknowledgement that there was no question that IV-D activities are occurring at the Court, the object of their review was not to observe IV-D activities, but their scope was limited to ensuring expenditures were adequately supported and compiled with applicable laws, rules, regulations and JCC policy during the audit period.

Substitute Systems

Under 2 C.F.R. Part 200.430(i)(5)(i) substitute systems may be implemented which base time recording on allocations. Such a substitute system was at least indirectly acknowledged in AB 1058 Child Support Proceedings: Establishing Support [revised 2014] Benchguide 203 issued by the Administrative Office of the Courts. According to this publication, of which Michael Wright (AB 1058 Program Manager) was a member of the CFCC Project Staff, child support commissioners were allowed to distinguish Title IV-D activities from non Title IV-D activities by the use of a “time study”. (Id. at sect. 203.5.)

From this publication the use of the term “time study” connotes a practice where activities are associated by percentages which reliably reoccur each work session. Theoretically, if such a practice was authorized in managing IV-D activities at the Commissioner level, it is reasonable that it would also apply to Family Law Facilitator practices as well.

Corrective Action

As stated above, the Court immediately updated its recording methodology of staff time related to IV-D activities upon receiving further direction and education from the JCC. No additional corrective action is needed.

Final Comments

The Court respectfully disagrees with the audit recommendation that the JCC return \$474,683 in funding associated with the FLF Program which would unnecessarily harm the Court’s ability to serve those children who desperately benefit from these services.

It is the Court’s hope that we can work with the JCC, DCSS, and other Courts in devising an acceptable timekeeping system that would satisfy federal and state requirements and not be so arduous, requiring a significant amount of time by staff. In performing minute by minute timekeeping requirements, valuable time is diverted from the true mission of the AB1058 program, serving the needs of the children and families in our county that greatly benefit from this program.

The Court sincerely appreciates the time and efforts of the DCSS audit staff, including additional time spent to review documentation provided after the fieldwork period. We remain committed to supporting the AB1058 Program, and look forward to continued collaboration with the DCSS, JCC, and local agencies for these invaluable services that we provide to the public.

Sincerely,

Sheran Morton,
Court Executive Officer
Superior Court of California, County of Fresno

cc: Hon. Alan M. Simpson, Presiding Judge, Superior of California, County of Fresno
Ms. Anna Maves, Supervising Attorney, CFCC Administration, Judicial Council of California
Mr. Grant Parks, Principal Manager, Audit Services, Judicial Council of California

Evaluation of Response

On March 5, 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 March 27, 2018. The Court disagrees with our audit recommendation. The Court states federal regulation only requires documentation to "reasonably" reflect the time charged to the grant program and the regulations do not specifically address how or when the recordation takes place. The Court also argues the auditors did not directly observe activity at the Self-Help Center to see "staff funded 100% to the AB 1058 grant were assigned purely to grant activities." Lastly, the Court indicated it has already taken corrective action tracking actual hours worked in the AB 1058 grant program.

In response to the Court's interpretation of the term "reasonableness", Title 2 CFR 200.404 states, "In determining reasonableness of a given cost, consideration must be given to: (e) Whether the non-Federal entity significantly deviates from its established practices and policies regarding the incurrence of costs...." We noted, the Court's methodology of using projected workload is not in accordance with JCC policy and therefore does not meet the reasonableness test of 200.404. In addition to applying the test of reasonableness, the regulations also specify a cost must be "accurate, allowable, and properly allocated" (2 CFR 200.430) and must be allocated in accordance to the direct benefit to the AB 1058 program (2 CFR 200.405). As the test of reasonableness and other tests are not met, the finding remains.

In order to gain an understanding of the activity at the Court's Self-Help Center during SFY 2015-16, the auditors conducted interviews with the Family Law Facilitator, Assistant FLF Attorney, and the Self-Help Examiner. These interviews were conducted when the Self-Help Center was closed. Interviews and documentation reveal the Self-Help Center staff performed both IV-D and non-IV-D activity during SFY 2015-16, with no Court staff person performing purely AB 1058 grant functions. We agree IV-D activity did occur in the Court. To support this activity, we asked for alternative documentation such as intake forms, Self-Help sign-in sheets, Case Management System (CMS) reports, phone logs or other documents to support direct labor hours spent in IV-D activity. While the Court provided sign-in sheets and recreated CMS reports for the week beginning January 25, 2016, we were not provided sufficient documentation to support the IV-D work was performed for the remainder of our audit period, so the finding remains.

While we appreciate the Court's kind invitation for us to directly observe current court activities, current activities at the Self-Help Center are not reflective of the activities performed during the review period of SFY 2015-16. Therefore, direct observation does not provide evidence related to our audit objective, nor does it provide insight into the actual AB 1058 grant activity that occurred during the SFY 2015-16 audit period.

We are pleased to learn the Court has implemented new timekeeping practices. While we have not yet reviewed these timekeeping practices, if implemented as described, the practices should be sufficient to fully address these issues in the future. We will follow up within six months for the progress of the corrective action plan.

Francesca Chavez, Auditor in Charge
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

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 Glenn (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 findings. The findings have 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 findings 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 Glenn**



**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 Glenn**

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**Judicial Council Contract Review
Superior Court of California, County of Glenn
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 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 Glenn (Court) CSC and FLF program for the state fiscal year (SFY) of July 1, 2015, through June 30, 2016.

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 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 the Court \$253,163 in state and federal funds as follows: \$154,365 for the CSC and \$98,798 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 the Court under JCC contract agreement #10-30645 for the CSC program and #10-30717 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

In SFY 2015-16, we found the Court did not have support for salary, benefits, and indirect costs claimed. Further, we found the Court did not maintain documentation to support direct labor hours in the AB 1058 program for the contracted FLF and the contracted CSC and has the opportunity to strengthen its internal controls over the contracting process.

RESTRICTED USE

This audit report is intended solely for the information and use of 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.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Unsupported Personnel Expenses – \$106,802

Condition

We found the Court did not have support for salaries and benefits, and indirect costs. Specifically, Court employees do not track actual hours spent in child support (IV-D) activity on the JC-4 timesheets, as required by JCC policy. We found the Court staff performed both IV-D and non IV-D activities and the JC-4 timesheets were based on estimated hours in lieu of tracking actual direct labor hours worked in the IV-D child support program. As a result, we found the timesheets unreliable since there is no way to identify the direct benefit to CSC and FLF programs in terms of actual labor hours and no basis for allocating salaries and benefits to the program.

In lieu of JC-4 timesheets, we requested alternative documentation such as courtroom calendars, personal calendars, case management system reports, phone logs, Self-Help sign in sheets, or intake forms to support actual hours staff spent in AB 1058 activity for the remaining CSC and FLF staff. The Court provided the Court calendar for SFY 2015-16. The Court calendar indicates court was in session for 192 hours, and the Court provided documentation showing the CSC courtroom clerk was in attendance for 161 of these hours. As a result, we allowed 161 hours of CSC courtroom clerk time, which in turn supported an allocated \$6,386 of CSC salaries and benefits to the program, and \$1,277 in indirect costs. The Court did not provide further documentation, so the remaining salaries and benefits costs were unsupported. Specifically, we found the Court overclaimed \$106,802 in salaries and benefits and indirect costs related to the CSC and FLF program as follows:

Summary of Unsupported Personnel Expenses and Indirect Costs

	CSC Estimated Time	FLF Estimated Time	Total Disallowed
<u>CSC Program</u>			
Salaries and Benefits	\$55,870		
Indirect Costs	11,174		
Total CSC	67,044		
<u>FLF Program</u>			
Salaries and Benefits		\$33,132	
Indirect Costs		6,626	
Total FLF		39,758	
Total	\$67,044	\$39,758	\$106,802

We further observed the Court had weak internal controls in reporting and claiming salaries and benefits. For the June 2016 claim, we found the Court claimed an additional \$10,500 in salaries (\$1,500 for each employee), stating it was an estimated amount for salaries paid in July 2016 of the following fiscal year. As there was no support for the \$10,500 amount arbitrarily claimed in June 2016, the amount is not allowable. However, we have already included the disallowed amount in the \$106,802 of questioned costs, so no additional disallowed costs will result.

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....”

Section 200.403 Factors affecting allowability of costs states all costs must be necessary and reasonable to the Federal award, be consistent with JCC and the Court’s policies and procedures and be adequately documented. Section 200.404 defines a reasonable cost as one that does not deviate from established practices and policies.

Policies and procedures provided to the Court in the Title IV-D Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions issued by the Judicial Council of California, dated June of 2015, Personnel Services – Salaries and Wages 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. Page 36, Payroll Summary Instructions requires the Court to maintain timesheets in accordance with the Court’s pay period start and end dates. This section also requires the Court to bill and claim salary in the month in which the pay period ends.

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 \$106,802 to DCSS for unsupported salaries, benefits, and associated indirect costs claimed in SFY 2015-16. In the future, the Court could benefit by implementing internal controls to ensure Court staff complete the JC-4 timesheet based on actual hours worked, and not estimates. The Court staff would benefit from additional training on completing JC-4 timesheets and requiring the supervisor to carefully review reported hours before certifying.

Finding 2 – Unsupported Operating Expenses, Contracted Commissioner – \$43,227

Condition

The Court paid an independent contractor (Contractor) for Child Support Commissioner services but failed to maintain documentation to support direct labor hours spent in the IV-D child support program activity. We reviewed the Contractor's contract agreement, which specifies the Contractor is required to work 36 hours each week for three different courts (Tehama, Colusa, and Glenn). The Court is required to reimburse the Contractor for one-third of the Contractor's salary, benefits, and travel costs, and is entitled to receive 12 hours per week of CSC service (36 hours per week/3 courts). Court documentation reveals the caseload in Glenn does not support this level of service. The SFY 2015-16 Court calendar revealed court was in session for one-half day a week, with an average of 16 cases on calendar each session. In July 2015, court was held in Monday mornings only, starting at 8:30 a.m., with the Contractor traveling to Colusa in the afternoon. After August 2015, and for the remainder of SFY 2015-16, the Contractor held court on Thursday afternoons starting at 1:30 p.m. The Contractor was in the court in Tehama on Thursday mornings, and states court always ends by 5:00 p.m.

As we question the actual time the Contractor spent in IV-D activity, we requested a contractor activity log. A contractor activity log is required by the JCC to support the direct labor hours the Contractor spent in the IV-D program. The Court was not able to provide a contractor activity log, but instead provided us with a JCC timesheet, documenting the Contractor worked 4 days a week for 9 hours each day. The JCC timesheet does not record actual hours the CSC spent directly in IV-D activity at Court, does not support the direct labor hours allocated under the JCC Agreement #10-30645 for SFY 2015-16, and demonstrates the Contractor is claiming hours outside of regular court activity when administrative offices of the Court are closed. The Contractor asserts their position is salaried and is not required to maintain a contractor activity log. However, the costs were reimbursed as an operating expense based on a contract agreement and JCC policy requires a contractor activity log to support the direct operating expenses reimbursed to the Court.

In lieu of a contractor activity log, we accepted alternative documentation to support time the Contractor spent in the IV-D activity. During SFY 2015-16, the Court calendar supports court was in session for 192 hours. In August 2016, the CSC commissioner

began holding court on Mondays and commuted from Tehama to Glenn on those days. As the contract allows for travel costs, we allowed 50 minutes of travel time during the period the Contractor commuted from the court in Tehama to the court in Glenn, which is 47 miles away. As a result, we allowed 228 hours of CSC time as follows:

**Supported Contractor Hours (CSC)
SFY 2015-16**

CSC Supported Hours:	
Hours Court was in Session	192
Travel Time (43 days x 50 minutes)	36
Total Actual Courtroom Hours & Travel Hours	228

For SFY 2015-16, the Contractor’s salary was established at \$144,616, benefits were limited to \$25,000 and travel costs were set at \$1,872. To calculate allowable costs, we multiplied supported hours to the hourly salary/benefit amount in the contract agreement. We further allowed the one-third of the CSC’s travel allowance as outlined in the contract agreement terms. As a result, we found the Court had support for \$22,531 in salary, benefits and travel costs as follows:

**Hourly Rate for Contractor (CSC)
SFY 2015-16**

CSC Agreement:	
Salary \$144,616/1872 hours	\$77.25
Benefits \$25,000/1872 hours	13.36
Hourly Rate Per Agreement Terms	\$90.61

Supported Costs:	
Total Supported Salary and Benefits (228 hours x \$90.61)	\$20,659
Plus 1/3 Travel Allowance	1,872
Total Supported CSC Costs:	\$22,531

We are questioning \$43,227 in unsupported costs paid to the Contractor for CSC services as follows:

**Unsupported Contractor Costs (CSC)
SFY 2015-16**

Claimed Contractor Costs	(\$65,758)
Less: Supported by Alternative Documentation	22,531
Total Unsupported Costs	(\$43,227)

Criteria

Title 2 CFR 200.403 Factors affecting allowability of costs requires costs to be adequately documented and consistent with the policies and procedures. 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 to 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.

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 5), "Allocation and Contracts" clarifies that the Judicial Council allocates funds to each court individually via separate funding contracts, and funding must be expended from July 1 through June 30." Page 16 "Operating Expenses" clarifies that court staff paid as a contractor (including a Contract Commissioner) shall be reported as an operating expense and will not be reported as part of salaries and benefits or included in the calculation of indirect costs allocation pool. Under "Supporting Documentation" the JCC requires the Court to provide actual vendor receipts for services purchased. "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 Judicial Council Grant Accounting."

JCC Contract for the CSC program #103645, Exhibit B, 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."

Recommendation

The JCC should return \$43,227 to DCSS for unsupported Contractor expenses. In the future, the Court should ensure contracting practices comply with JCC policy and the Uniform Requirements. For example, the Court must obtain the appropriate supporting documentation, such as the contractor activity logs, prior to authorizing payment. Further, the Court should compare and verify invoiced costs against terms specified in written agreement to ensure the amounts are accurate and services were provided in full.

Finding 3 – Unsupported Operating Expenses, Contracted FLF – \$23,993

Condition

The Court subcontracted FLF services but did not obtain approval in advance from the JCC for FLF subcontracted services and did not maintain the required documentation to support the amount of time the FLF spent in the IV-D program. We reviewed the contract agreements and found the FLF is responsible to oversee the operations of the Self-Help Service program for Glenn County Superior Court. The Self-Help Center performs both IV-D and non-IV D activity. Based on the review of the contractor activity logs for SFY 2015-16, we found the FLF worked three days a week and only charged time to the IV-D program. No hours were charged to non-IV-D activity, such as the Self-Help services. We further noted all invoiced charges for FLF services were claimed and reimbursed from the IV-D child support program for the months of July 2015 through March 2016. However, in April, May and June of 2016, the Court fiscal staff allocated an estimated 5 percent of the invoiced amounts to the Self-Help program, even though all hours on the contractor activity logs were claimed to the IV-D program for these months. As a result, we found these contract activity logs unreliable as they did not record direct labor hours spent in IV-D program, and the subsequent allocation was unsupported.

In lieu of disallowing all FLF contracted costs, we accepted alternative documentation to support time spent directly in the IV-D program, including the FLF's detailed calendar, phone logs, and database records. On May 1, 2018, we received the Court's written response to the draft report with additional alternative documentation such a copy of FLFED report, Daily Statistics Report (phone calls, Brief Info, customer served), and outlook calendars for SFY 2015-16, earmarking time spent in IV-D and non-IV-D activity. Using this alternative documentation, we were able to support a total of 504 hours the FLF worked directly in IV-D activity. We found the Court overclaimed \$23,993 as follows:

Contracted FLF Expenses (FLF) SFY 2015-16

Reimbursement by the JCC	(\$51,713)
Less: Supported FLF Hours (504 hours x \$55 per hour)	27,720
Total Questioned Costs	(\$23,993)

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 200.404 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.

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 contractor 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)

JCC Contract for the FLF program #1030717, 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 invoiced are limited to that portion of time the Family Law Facilitator and staff are engaged in matters involving child support, spousal support, medical support, and family support in accord with the instructions issued by the Judicial Council."

Recommendation

The JCC should return \$23,993 to DCSS for unsupported Contractor expenses. In the future, the Court should ensure contracting practices comply with JCC policy and the uniform requirements. For example, the Court must obtain the appropriate supporting documentation, further, the Court should compare and verify invoiced costs against terms specified in written agreement to ensure the amounts are accurate and services were provided in full.

Lastly, the JCC has an opportunity to provide training and monitoring to ensure the Court staff fully understand and apply current JCC policy and regulation and implement strong internal controls prior to seeking reimbursement for contracted costs.

Finding 4 – Outdated Contract Agreement

Condition

The Court did not obtain approval in advance from the JCC for subcontracting CSC services, and utilized an outdated contract agreement approved in 2008. Prior to claiming contracted costs from the JCC, the Court is responsible for understanding the methodology used to determine contracted costs are accurate and the contract should be renewed periodically.

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 200.404 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 200.318 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 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 5), "Allocation and Contracts" clarifies that the Judicial Council allocates funds to each court individually via separate funding contracts, and funding must be expended from July 1 through June 30." Page 16 "Operating Expenses" clarifies that court staff paid as a contractor (including a Contract Commissioner) shall be reported as an operating expense and will not be reported as part of salaries and benefits or included in the calculation of indirect costs allocation pool. Under "Supporting Documentation" the JCC requires the Court to provide actual vendor receipts for services purchased. "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 Judicial Council Grant Accounting."

JCC Contract for the CSC program #1030645, 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."

Recommendation

The Court should ensure contracting practices comply with JCC policy and the Uniform Requirements. For example, the Court should also ensure a current contract agreement is in place for all contracted services that allow staff to validate hours, rates, or other cost information prior to authorizing payment. Further, the Court should ensure the contract is approved by the JCC and compare and verify invoiced costs against terms specified in the written agreement to ensure the amounts are accurate and services were provided in full.

Agency Response



Superior Court of California, County of Glenn

Cindia Martinez
Interim Court Executive Officer • Jury Commissioner

May 1, 2018

Karen Dailey
Audit Chief
Office of Audits and Compliance
Department of Child Support Services
PO Box 419064
Rancho Cordova, CA 98741-9064

Re: Response to DCSS Draft Audit Report of the Glenn Superior Court

Dear Ms. Daily:

The Glenn Superior Court (Court) appreciates the opportunity to respond to the draft audit report prepared by the State Department of Child Support Services (DCSS) for the Child Support Enforcement Program (AB 1058 Program). The audit was focused on the Court's claimed spending activity during the fiscal year 2015-16, which included \$253,163 in state and federal spending for both the Child Support Commissioner grant (\$154,365) and the Family Law Facilitator grant (\$98,798).

In its report, DCSS concludes that \$203,161, or over 80% percent of the Court's total spending was not adequately supported by documentation such as timesheets, logs and court calendars. While the Court agrees that its documentation for these costs may not have met the administrative standards required in its grant agreement, such activity did in fact take place. In the sections that follow, the Court provides further perspective on the DCSS' audit findings and the Court's current corrective action plans.

In the Court's view, DCSS' recommendation to return \$203,161 will unnecessarily harm the Court's ability to effectively serve litigants who request help in seeking or enforcing child support orders and will harm the very litigants we are trying to serve. We seek to continue to partner with the DCSS and will take the recommendations provided to further improve our documentation processes, while continuing to serve the AB 1058 population as we always have.

Finding 1 – Unsupported Salary and Benefits

The Court agrees that employees used allocation estimates of their time when completing time sheets for the AB 1058 program. As a very small court with about twenty employees, our employees are cross trained to handle all the Court's workload, rather than having designated staff to complete certain tasks. This does create a more challenging burden on the employee to identify eligible tasks every day for claiming appropriate time against the grant and as such used an estimating model. The Court does agree that using this allocation methodology is currently not in compliance with the Judicial Council's grant rules. The Court appreciates the audit findings and has reviewed our processes to now include staff calculating each day's tasks to the best of their abilities while covering the entire court's workload. Each employee is issued a bi-weekly timesheet at the beginning of each pay period and any time spent on DCSS or Facilitator activities is documented throughout the pay period, on a daily basis on that timesheet.

Federal regulations (2 CFR 200.430) state that costs must both be reasonable for the services rendered and supported by specific levels of documentation. The Court acknowledges the deficiencies in timekeeping practices, however the costs claimed by staff support the workload produced during this fiscal year, which included 3,489 actions and events entered by court staff and 139 new filed cases. While the auditors allowed 161 hours of courtroom clerk time for the 192 hours of court sessions, we would submit that court does not operate without a courtroom clerk. Further, staff time outside of court is required in order for the processes in court to actually occur. Additional paperwork is attached to this response which identifies the actions and events to support additional labor provided by Court staff to service AB 1058 cases (sent overnight to the DCSS's offices due to the volume of paper). We hope after further review that this additional documentation will support the work produced by court staff.

The auditors raised weak internal controls in reporting and claiming salary and benefit costs, specifically identifying \$10,500 in salary (\$1,500 for each employee) arbitrarily paid and in the next fiscal year. The Court acknowledges that earned and bargained compensation was paid to all employees, including the six employees charged to the grant (one employee charges to both FLF and CS) but only as a percentage of the time spent on the grant. This was paid in the last pay period of the fiscal year which covered payroll from June 19 – July 2 and was paid on July 8, 2016, which included 9 days in the FY 15-16. The Court acknowledges that it should have prorated the 9 days, reducing the claimed amount by 1 day for FY 15-16. The Court will review our allocations at year end to assure appropriate entry into the correct fiscal year.

Finding 2 – Unsupported Operating Expense, Contracted Commissioner

Small courts do not have the volume to sustain and hire an employee Commissioner and therefore must rely on contracting. Further, contracting someone local for only the hours the Court requires would limit this Contractor from performing work as a local family law attorney, making it difficult for someone to sustain a living. As a result three courts collaborated together to share one resource, which would otherwise be difficult to fill. The costs for this resource is

1/3 to each of the three courts, regardless of the workload as this is the cost for the resource as contracted. As required by Federal Regulations 2 CFR 200.403, this is a reasonable cost, necessary and utilized for the proper and efficient performance and administration of this federal award. The Court does agree that the Contractor should complete an activity log and this has been remedied.

The auditors did use alternative documentation to support some of the claimed time, but the Court disputes the travel time, as well as not providing any allowance for chamber time. The auditors indicate it is 47 miles between courthouses and provided only 50 minutes for travel. MapQuest actually identifies the mileage at 48.4 miles and indicates at light traffic 53 minutes. We also note that it does not consider time to leave the building, walk to the car or the encountering of any traffic and believe that the allocation of travel time is too lean.

The audit also indicated that the Court did not seek prior approval, nor submit a copy to the Judicial Council. The Court engaged in the contract with this party in 2008 and included language that the agreement would be ongoing unless canceled by either party. The Judicial Branch Contracting Manual went into effect October 1, 2011 which succeeded the initial date of Glenn's contract for these services. We will assure that the Judicial Council receives a copy of our agreement for these services going forward.

Finding 3 Unsupported Operating Expense, Contracted FLF

The Court acknowledges that the timekeeping on the activity logs should be improved to reflect actual time between the programs. Since the audit was conducted the Court located additional documentation created by the previous Family Law Facilitator (FLF) and used that documentation to update the amount of hours that we believe was used to support the Family Law Facilitator program. We are submitting that documentation for your additional review at this time. This documentation identifies a total of 447 hours of contractor time spent on AB 1058 matters. The audit only identified 110 hours. We hope that the additional supplied information will further support the valuable hours of work that was performed by the FLF.

The Court also acknowledges that the Court should seek prior approval before contracting out these services and will comply with this requirement going forward.

Finding 4 – Payment in Excess of Contract Agreement

The audit states that the Court reimbursed the Contractor in excess of contract agreement terms. The Court acknowledges that the agreement has not been updated to reflect the annual increases in benefits costs, even though it acknowledged increases in ongoing salary costs, which was an error when the Court initially negotiated this agreement. Any increase in salary costs would increase benefit costs, plus certain benefit costs do increase from year to year. The Court would therefore deny that it overpaid the Contractor, but acknowledges that the agreement did not properly reflect actual benefit increases from year to year. The agreement will be updated to reflect this error. The audit also identified that the contract was outdated, but as submitted above in Finding #2, it was an ongoing agreement until terminated by either party and was negotiated

prior to the requirements of the Judicial Branch contracting manual. The Court will update the agreement and submit as required.

The Court appreciates the work of the auditors to help us identify areas of improvement that are needed. The Court remains committed to supporting the AB 1058 program goals and working with the State DCSS, our local child support agency and the Judicial Council on continued efforts to meet the program objectives and outcomes. We further acknowledge that returning \$203,161, or over 80% percent of the Court's funding, would unnecessarily harm the Court's ability to achieve these goals. Ultimately, the DCSS auditor's monetary recommendations are unnecessarily punitive and misplaced given that the auditors did not conclude that 80% of the work remained unaccomplished. The Court is also hopeful that DCSS and the Judicial Council will continue to explore other alternative methods for documenting personnel costs which would allow smaller courts, such as ours, to continue to be efficient in providing the services to support this valuable program.

Sincerely,



Cindia Martinez
Interim Court Executive Officer

cc: Hon. Donald Byrd, Presiding Judge, Superior Court of California, County of Glenn
Anna Maves, Supervising Attorney, Judicial Council of California
Grant Parks, Manager, Internal Audit Services, Judicial Council of California

Evaluation of Response

On April 3, 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 May 1, 2018. The Court concurs with our findings and provided additional documentation to support the contracted facilitator's actual hours, totaling 504 hours of IV-D activity in the FLF program. The Court provided a corrective action plan, 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
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

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



August 24, 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, Office of Audits and Compliance, final report on the costs claimed under the Judicial Council of California contract by the Superior Court of California, County of Monterey (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 Family Law Facilitator programs. This engagement was performed to satisfy federal and state mandated subrecipient monitoring of the AB 1058 child support grant funds.

Based on the results of this review, we determined the Court's claimed expenditures are allowable, reasonable, and complied with applicable laws, rules, and regulations for the period July 1, 2015 through June 30, 2016.

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 Monterey**



**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 Monterey**

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**Judicial Council Contract Review
Superior Court of California, County of Monterey
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 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 Monterey (Court) CSC and FLF program for the state fiscal year (SFY) of July 1, 2015, through June 30, 2016.

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 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 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 the Court \$605,973 in state and federal funds as follows: \$446,515 for the CSC and \$159,458 for the FLF program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The review was conducted for the period July 1, 2015, through 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 the Court under JCC contract agreement #10-30668 for the CSC program and #10-30726 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

Based on the results of this review, we determined the Court's claimed expenditures are allowable, reasonable, and complied with applicable laws, rules, and regulations for the period July 1, 2015 through June 30, 2016.

RESTRICTED USE

This audit report is intended solely for the information and use of 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.

Mackenzie Kerling
Staff Services Management Auditor
Office of Audits and Compliance
Department of Child Support Services

Francesca Chavez, Auditor in Charge
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

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 Plumas (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 findings. The findings have 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 findings 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 Plumas**



**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 Plumas**

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**Judicial Council Contract Review
Superior Court of California, County of Plumas
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 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 Plumas (Court) CSC and FLF program for the state fiscal year (SFY) of July 1, 2015, through June 30, 2016.

BACKGROUND

The Child Support Enforcement (CSE) program is a federal/state/local partnership to collect child support from noncustodial parents. The goals of the program are to ensure 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 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 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 the Court \$212,078 in state and federal funds as follows: \$150,424 for the CSC and \$61,654 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 the Court under JCC contract agreement #10-30630 for the CSC program and #10-30728 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 Findings and Recommendations section of this report below, we found the Court did not have sufficient support for the 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. We also found the Court did not have sufficient support for claimed operating costs for the contracted CSC based on the sample of operating expenditures reviewed.

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 Expenses – \$104,179

Condition

For SFY 2015-16, we found the Court did not have support for the salaries, benefits or indirect costs claimed for the CSC program. Specifically, the JCC AB 1058 Grant Instruction Manual and annual training requires courts to allocate salaries and benefits based on actual hours court staff spend in the IV-D child support (AB 1058) grant program activities. We found the CSC Contractor worked for the Court one day a week and performed both IV-D and non IV-D activity, and Court staff assisted and worked in both AB 1058 and non AB 1058 program activities. However, interviews with Court staff revealed they documented all hours worked for the CSC Contractor in the family law court or in family law activities as reimbursable AB 1058 child support program activity on the JC-4 timesheet. Court staff stated they were unaware the CSC Contractor worked on both AB 1058 and non AB 1058 reimbursable IV-D activities. As a result, there is no way to differentiate the benefit, in terms of direct labor hours, to the child support AB 1058 program.

As we could not rely on the JC-4 timesheets, we requested alternative documentation; such as court calendars, phone logs, personal calendars, or other documentation to support program activity. We obtained the court calendars for the year, and the Court created an excel spreadsheet of all AB 1058 cases during a three month period. We reconciled the excel listing of AB 1058 cases to the court calendars and found the AB 1058 activity was scheduled in the mornings beginning at 10:00 a.m. We further found non AB 1058 family law activity occurred in the afternoon starting at 1:00 p.m. As a result, we concluded up to three hours of time in court was spent directly in AB 1058 activity.

We then reviewed the JC-4 timesheets for the courtroom clerks, court specialists, and court reporters who reported attendance in court. We allowed the time recorded on the JC-4 timesheet, up to a maximum of three hours (when AB 1058 activity was heard). We further allowed AB 1058 training for the Fiscal Manager, who documented attendance for AB 1058 training. As the Court did not provide further documentation to support AB 1058 activity, we deemed the remaining hours as unsupported. We found the Court did not have support for \$104,179 in salaries, benefits, and indirect costs related to the CSC program as follows:

Summary of Unsupported Personnel Expenses and Indirect Costs SFY 2015-16

Unsupported Salaries and Benefits	\$86,815
Unsupported Indirect Costs	17,364
Total Unsupported Costs	\$104,179

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....”

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.

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 \$104,179 to DCSS for unsupported salaries, benefits, and indirect costs claimed in SFY 2015-16. In the future, the Court should ensure staff understand and record actual direct labor hours spent in the AB 1058 program activities on the JC-4 timesheet. In accordance with JCC policies, the Court should allocate salaries and benefits based on the percentage of direct labor hours worked in the AB 1058 program as certified on the JC-4 timesheet. The Court should ensure it understands and follows established policies and practices of the JCC.

Finding 2 – Unsupported Operating Expenses, Contracted CSC – \$30,405

Condition

For SFY 2015-16, we found the Court did not have support for operating expenses claimed for the CSC program. Specifically, the Court obtained an independent

contractor (Contractor) to perform CSC services. The contract agreement allowed four hours each Wednesday at 85 percent of a Superior Court Judge's hourly rate. The Contract further compensated the Contractor for mileage and required the Contractor maintain a Contractor Activity Log (Log) to support direct labor hours worked in the AB 1058 program. We found the contract agreement was not approved by the JCC, as required, and did not compensate the Contractor for travel time. Further, we found the Contractor was concurrently obligated for an additional 36 hours a week of AB 1058 Commissioner duties under another contract agreement with three other courts.

We found the Log was maintained by the Contractor, but was not signed by her for three of the twelve months. Further, the Log revealed the Contractor worked directly in AB 1058 activity for an average of 8.65 hours each Wednesday. In fact, there were instances when the Contractor claimed and was paid for as much as 10.5 hours on a Wednesday for direct AB 1058 labor hours. When we asked the Court's Executive Officer why the Contractor claimed and received payment for more than four hours as specified in the contract agreement, the Executive Officer responded the "contract with the Commissioner includes payment for travel time." As stated above, the Contract does not allow for the payment for travel time, so the hours are unallowable. Chapter 9 of the Judicial Branch Contracting Manual does not allow for travel time unless specifically permitted for in the contract.

Further, we found the Contractor works on both AB 1058 and non AB 1058 activities at the Court. While the contract agreement allows for mileage, it would be improper under federal regulation to shift the full cost of mileage to the AB 1058 program as the Contractor is performing both federally funded AB 1058 activity and non AB 1058 grant activity. We obtained support for the mileage costs, and learned the Contractor claimed regular commute miles from home to the Court. Trial Court Policies and Procedures specifically prohibits travel costs between "home and a judge's or employees' regular place of work", stating it is "not reimbursable." The Court is required to follow the policies and procedures in place for a cost to be allowable for federal reimbursement. As a result, travel mileage is unallowable.

Once we established the Log was unsupported and unreliable, we requested alternative documentation; such as court calendars, personal calendars, call logs, or other supporting documentation to identify AB 1058 hours. The Court provided court calendars and we found the calendars documented both AB 1058 and non AB 1058 program activity. The Court provided a sample of three months of courtroom activity, which documented AB 1058 activity was scheduled at 10:00 a.m., and non AB 1058 activity was scheduled to start at 1:00 p.m. As a result, we were able to consider a maximum of three hours of documented AB 1058 activity (10:00 a.m. – 1:00 p.m.) We then reviewed the JC-4 timesheets maintained by courtroom staff who present for the morning AB 1058 courtroom activity. We allowed the lesser of 3 hours (maximum time for AB 1058 activity in the court) documented by the courtroom staff in attendance. As a result, we found support for 93 hours of actual AB 1058 courtroom activity.

**Supported Contractor Costs
SFY 2015-16**

Total Supported Salaries (93 Hours x \$77.26)	\$7,185
Mileage	\$0
Total Supported Costs	\$7,185

**Unsupported Contractor Costs
SFY 2015-16**

Total Reimbursed	\$37,590
Less: Total Supported Costs (93 Hours x \$77.26)	(7,185)
Total Unsupported Costs	\$30,405

Criteria

Title 2 CFR 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.

Section 200.403 Factors affecting allowability of costs requires costs to be adequately documented and consistent with established policies and procedures.

Section 200.404 Reasonable costs 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 Allocable costs. (d) states, "If a cost benefits two or more projects or activities...the cost must be allocated to the projects based on the proportional benefit."

The Judicial Branch Contracting Manual Chapter 9, Page 8, F. Payment of Invoices states, "Accurate, properly submitted invoices: JBEs should not pay for anything that is not set forth in the contract" And Page 9 states, "Travel Provisions: All travel expenses should be related to official JBE business. Reimbursement for such expenses should only be permitted if provided for in the contract."

The Trial Court Financial Policies and Procedures Manual 6.3.2 Personal Vehicle Mileage states, "Travel between home and a judge's or employees' regular place of work is not reimbursable."

JCC Contract No. 1030630 for the CSC Program, Exhibit B, Item 6, Court Responsibilities states "the Court shall ensure that reimbursements claimed are limited to that portion of time the Commissioner(s) and staff are engaged in matters involving Title IV-D matters."

JCC Contract No. 1030630 for the CSC Program, 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 the subcontracting in writing."

Court Contract for Family Support Commissioner states, "The Contractor shall be compensated for such services at 85% of the Judges' current hourly rate. The Contractor shall also be compensated for mileage as authorized of California for the trial court employees."

Recommendation

The JCC should return \$30,405 to DCSS for unsupported and unallowable Contractor expenses. In the future, the Court should ensure contracting practices comply with JCC policy and the Uniform Requirements. For example, the Court must review supporting documentation; such as Contractor Activity Logs, for appropriate allocation of hours prior to authorizing payment. Additionally, the Court should verify and compare costs and services against terms specified in the written agreement to ensure the amounts are correct and services provided in full. Further, travel time must be specifically identified in the contract agreement, meet the definition of travel in accordance with JCC policy, and be properly allocated if it benefits a federal and nonfederal program.

Lastly, the JCC has an opportunity to provide training and monitoring to ensure the Court staff fully understand and apply current JCC policy and regulation and implement strong internal controls prior to seeking reimbursement for contracted costs.

Agency Response

Plumas Superior Court

Deborah W. Norrie, Court Executive Officer
520 Main Street, Rm. 104, Quincy, CA 95971 (530) 283-6232



Hon. Janet Hilde
Superior Court Judge, Presiding
Hon. Douglas Prouty
Superior Court Judge

June 12, 2018

California Department of Child Support Services
P. O. Box 419064
Rancho Cordova, CA 95741-9064

Re: Judicial Council of California Contract Review Draft Audit Report

The Plumas Superior Court comments on the findings made in the Draft Audit Report dated May 22, 2018 as follows:

Response to Finding 1 – Unsupported Personnel Expenses

The Court believes that the DCSS analysis of personnel time in FY15-16 did not include consideration of any staff processing time for documents (e.g. new motions, stipulations, dismissals, transfer-in and transfer out cases, orders after hearing), any interactions with DCSS staff and family support litigants at the public counter or on the telephone or communication with the Child Support Commissioner on days other than the Wednesday court day.

In FY15-16 court staff was following oral reimbursement guidelines provided by a now-former employee of the Judicial Council. The Court had specifically requested this guidance and was told it would be “safe” to count .25 of an hour for any interaction with a family support case. Written acknowledgement of this conversation was requested but never provided by Judicial Council staff. No supporting documentation (e.g. scratch sheets) was required nor recommended by Judicial Council in FY15-16, and any notes, etc. that court staff would have used to create their timesheets were disposed of after the timesheet was submitted. Therefore, that information could not be provided to the auditors.

This oral representation was the model the court used for claiming time on personnel reimbursement claims until the Judicial Council produced and distributed a webinar in FY16-17. This webinar provided more specifics and required that court staff keep scratch sheets or other written documentation to support the monthly claims submitted. After all Plumas court staff had viewed the webinar, staff meetings were held to answer questions and clarify the procedure moving forward. Supervisors were trained in providing more oversight on completing and approving staff timesheets. The timesheets submitted since the webinar training reflect the new instructions/procedures. The Court is now recording actual time spent on family support cases.

The monetary finding is somewhat overstated. Due to technical issues in its network, the Court was unable to recover 3 months of scanned claims for FY15-16. The Court's Fiscal Manager requested that Judicial Council staff (who holds the original claims) provide the court with a copy of the missing months for submission to DCSS. However, copies could not be obtained within the time frame of the audit.

The Court, as a public agency, has always participated in and sees the value of the audit process. However, in this audit, the Court is being audited against standards that were not known or communicated to the court by the agency holding the grant in FY15-16 (Judicial Council). Reimbursement claims for personnel costs were submitted regularly to Judicial Council and some claims were disallowed or questioned before approval and reimbursement. The Court has no issue with following whatever guidelines are required when it accepts grant monies – so long as it has the appropriate knowledge.

Response to Finding 2 – Unsupported Operating Expense, Contracted CSC

The Court has had a contract with a Child Support Commissioner since the inception of the grant program as there has never been a workload that would support either a fulltime or part-time court employee. Before this audit, there had been no issues raised with the contract, the form of the contract had remained the same, and the Court has provided a qualified Commissioner. The Plumas Commissioner also works for three other courts (Glenn, Tehama and Colusa) under a separate agreement. The Court will not argue with the auditors' findings if they are provisions of the grant. The Court would comment that payment of travel time (or as characterized by DCSS auditors as "commuter time") for professional services is a common practice in the more isolated areas of California and is often required to attract competent professionals. Since it appears that the terms of the grant disallow the model for Commissioner that the Plumas Court has historically used, the Court will investigate alternative methods to see if it can find a qualified Child Support Commissioner.

Given that the Court is now on notice that its CSC contract does not meet the terms of the grant, the Court will have to decline any AB1058 grant opportunity in FY18-19. The Court will not have sufficient time to investigate a new model by either partnering with another court or going out to bid for a new contract before the beginning of the next fiscal year. It is also highly unlikely that the Court will find a qualified attorney who will accept a CSC contract for less than 8 hours per week at an hourly rate of 85% of a judge's rate and be unable to practice any other type of law in the state of California. (Note: The auditors allocated only \$7, 185.00 for commissioner costs for FY15-16). There are few local attorney resources in Plumas County, and the closest neighboring attorney resources are a minimum of one and a half hours away from the Plumas Court. If the Court cannot find a contractor or partner with another court, the grant will be unavailable to the Court moving forward.

The finding as to the Commissioner hearing non- AB1058 matters can be easily remedied by reassigning those cases to a sitting Plumas judge. The Commissioner has heard those cases pro bono as a public service to the Court and as a way of keeping current on the myriad issues in family law that affect the issues of child support.

This finding is ultimately devastating to the Plumas Court and its AB1058 program. Without a qualified Commissioner, there is no AB1058 program. Even if there is no AB1058 program, the Plumas judges will continue to hear family support matters and staff will provide the necessary support.

Yours truly,

A handwritten signature in blue ink that reads "Deborah W. Norrie".

Deborah W. Norrie
Court Executive Officer

cc: Anna Maves

Evaluation of Response

On May 22, 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 June 12, 2018, and appreciate the thorough consideration of our reported findings.

In response to Finding 1, the Court states during the review period they received oral instructions from the JCC for claiming personnel costs. Subsequently, new instructions and procedures were implemented to support the monthly claims submitted. While the finding remains, the Court states that they are now recording actual time spent on family support cases. This corrective action, if implemented as stated, should mitigate this issue in the future.

In response to Finding 2, the Court plans to investigate alternative methods to see if it can find a qualified Child Support Commissioner. If the Court follows written JCC requirements regarding contract agreements and subcontracting for the Commissioner, this should mitigate the finding in the future. The finding remains unchanged.

Mackenzie Kerling
Staff Services Management Auditor
Office of Audits and Compliance
Department of Child Support Services

Francesca Chavez
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

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



September 19, 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 Santa Cruz (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 findings. The findings have 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 findings 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 Santa Cruz**



**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 Santa Cruz**

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**Judicial Council Contract Review
Superior Court of California, County of Santa Cruz
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 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 Santa Cruz (Court) CSC and FLF program for the state fiscal year (SFY) of July 1, 2015 through June 30, 2016.

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 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 the Court \$340,612 in state and federal funds as follows: \$230,313 for the CSC and \$110,299 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 the Court under JCC contract agreement #10-30652 for the CSC program and #10-30706 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 Findings and Recommendations section, the Court did not have sufficient support in personnel expenses for the Supervisor in the CSC program, and the Self-Help Clerks in the FLF program. 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.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Unsupported Personnel Expenses CSC – \$53,510

Condition

For SFY 2015-16, we found the Court did not have support for salary, benefits, and indirect costs claimed for the Supervisor in the CSC Program. On March 28, 2018, we interviewed the CSC Supervisor who stated her timesheet did not reflect the actual hours worked in the child support program. The Supervisor further explained she recorded hours when court was in session following an estimated percentage given to her by the previous Chief Financial Officer and this was done due to time restraints and the difficulty tracking IV-D time. We verified her timesheet recorded hours when DCSS court was in session, on Tuesdays and Wednesdays. However, we further determined her job duties were not performed on these recorded days. For example, the CSC Supervisor stated her job duties were to supervise the court clerks, cover for shortages in court, and approve the clerks' timesheets at the end of the pay period, but these duties generally occurred on days other than Tuesday and Wednesday. As a result, there is no way to identify the Supervisor's actual direct labor hours spent in the CSC program or support the salary based on a direct benefit to the program.

Summary of Unsupported Personnel Expenses	
Salary and Benefits	\$44,592
Add: Indirect Costs (20%)	8,918
Total Unsupported Cost	\$53,510

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...

Section 200.403 Factors affecting allowability of costs states all costs must be necessary and reasonable to the Federal award, be consistent with JCC and the Court's

policies and procedures and be adequately documented. Section 200.404 defines a reasonable cost as one that does not deviate from established practices and policies.

Policies and procedures provided to the Court in the Title IV-D Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions issued by the Judicial Council of California, dated June of 2015, Personnel Services – Salaries and Wages 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).

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 \$53,510 to DCSS for unsupported personnel expenses and associated indirect costs claimed in SFY 2015-16. In the future, the Court should ensure the percentage of salary and benefits costs claimed are allocated based on the actual labor hours directly worked in the AB 1058 grant program. These costs 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 salary and benefits.

Finding 2 – Unsupported Personnel Expenses FLF – \$35,296

Condition

For SFY 2015-16, we found the Court did not have support for the salaries, benefits, and indirect costs claimed for the Self-Help Clerks (Clerks) who charge hours in the Family Law Facilitator Program. Specifically, we reviewed the JC-4 timesheet which recorded the Clerks worked a consistent 1.6 hours each day in the FLF program (20 percent). We interviewed the Court Director of Operations, who explained the Clerks estimated their time based on a time study percentage in lieu of tracking actual hours on the JC-4 timesheet. We interviewed one of the Clerks who stated they were instructed by their supervisor to use a time percentage for tracking 20 percent of their time during SFY 2015-16. As a result, we concluded there is no way to identify the direct benefit to the FLF program nor was there any support for the allocation of the Clerks’ salaries and benefits, as the Clerks did not track actual hours worked.

Summary of Unsupported Personnel Expenses	
Salaries and Benefits	\$29,414
Add: Indirect Costs (20%)	5,882
Total Unsupported Cost	\$35,296

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...

Section 200.403 Factors affecting allowability of costs states all costs must be necessary and reasonable to the Federal award, be consistent with JCC and the Court's policies and procedures and be adequately documented. Section 200.404 defines a reasonable cost as one that does not deviate from established practices and policies.

Policies and procedures provided to the Court in the Title IV-D Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions issued by the Judicial Council of California, dated June of 2015, Personnel Services – Salaries and Wages 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).

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 \$35,296 to DCSS for unsupported personnel expenses, and indirect costs claimed in SFY 2015-16. In the future, the Court should ensure the percentage of salaries and benefit costs claimed are allocated based on the actual labor hours directly worked in the AB 1058 grant program. These costs 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 benefits.

Agency Response

Superior Court of California

COUNTY OF SANTA CRUZ
Justice With Dignity and Respect



Alex Calvo
Room 101c
Court Executive Officer

701 Ocean Street,
Santa Cruz, CA 95060
Phone: (831) 420-2200
Fax: (831) 420-2260

August 23, 2018

VIA EMAIL TO: dcssoac@dcss.ca.gov

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

SUBJECT: Response to DCSS Contract Review Draft Audit Report

Dear Ms. Dailey:

In response to the March 2018 Judicial Council Contract Review, Department of Child Support Services (DCSS), Office of Audits and Compliance Draft Audit Report for the Superior Court to California, County of Santa Cruz, the Court has the following general comments.

The audit's primary finding is that the Court's staff did not properly record their time to substantiate the personnel costs charged to the AB 1058 program. Despite the audit findings, the Court believes its existing timesheet records reasonably reflect the work performed, and notes that returning \$88,806 (or 26% of the total grant as recommended by the auditors) will unnecessarily limit the Court's ability to assist those who seek child support orders from the Court.

Aside from the general observation noted above, the Court has the following specific comments on certain aspects of the DCSS audit report:

Prior Audits and Areas not audited comments

In the section of the draft report entitled “Background” there was a reference to a JCC (formerly AOC) audit conducted in 2009-10. The Court does not agree with the statements made in the draft report or see the relevance of the statements to the audit being conducted for the AB 1058 programs. The draft audit report statements were later revised, but nonetheless, the Court still fails to see the relevance to the audit and respectfully requests that all references to the 2009-10 audit be removed unless the relevance to the March 2018 AB1058 audit can be clearly established.

Under the section entitled “Objectives, Scope and Methodology”, the last sentence states, “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.” This statement seems unnecessary as it is suggestive, speculative and without any basis. We request the sentence be removed.

Additionally, the Court has the following comments regarding the findings presented in the draft audit report.

Finding 1 -- Unsupported Salary and Benefits (CSC) --\$53,510

In the report, the DCSS auditors found the Court “did not have support for the salary, benefits, and indirect costs claimed for the Supervisor in the Child Support Commissioner Program”. The lack of support for the personnel expense was a result of a former employee of the Court providing estimated amounts of time spent on the program for the Supervisor and Self-Help Clerks to use. The Court believes the estimates to be accurate, as the estimates were based on studies of the actual amount of time worked on the projects. However, the Court agrees with the accuracy of the finding with respect to using estimates versus the actual time worked each day. The Court ceased using the estimate of time procedure for timecards in August of 2017 and the employees began recording actual time worked as instructed at the AB 1058 conference in September of 2017.

Regardless of the means used to record the time worked by the supervisor, the supervisor spent significant time and produced meaningful results for the program. The Court does not believe it is reasonable to disallow all hours worked, when it can be shown that the Supervisor worked significant hours on the program but spread her time evenly over the days of the week instead of individually recording each day’s hours worked. As mentioned earlier, the current process, since August 2017, is to record the actual hours worked daily instead of using estimates and spreading the hours evenly over the week.

Finding 2 – Unsupported Salary and Benefits (FLF) -- \$35,296

The finding for the Family Law Facilitator (FLF) program is similar to the finding for CSC. The Court has also changed the method of recording time worked for FLF beginning in August of 2017, resulting in compliance with the audit recommendation. Similar to the CSC finding response, the Court does not agree with disallowing all time worked by the employees involved, since significant results were produced as a result of the time spent

working on the program. Another significant fact regarding the FLF findings is that the Court spent \$88,942.72 more than the total reimbursed amounts. Even if the total clerical salary and benefits were not allowed, the Court would have been reimbursed the same amount since Court spending exceeded the \$35,296.00 of unsupported salary and benefits by \$53,646.72.

This concludes the Court's comments relating to the audit draft report. I appreciate the consideration of our comments and requests and the assistance you and your staff provided before, during and after their audit work. Ultimately, the Court shares DCSS' desire for an effective AB 1058 program, where all program stakeholders collaboratively work to support California's children. Please feel free to contact me should you have any questions regarding the Court's response.

Sincerely,



ALEX CALVO

Court Executive Officer

cc:

Grant Parks, Principal Manager, Audit Services Executive Office, Judicial Council of California

Sasha Morgan, Director of Operations and Court AB 1058 Grant Programs, Superior Court of California, County of Santa Cruz

Jim Owen, Director of Finance and Human Resources, Superior Court of California, County of Santa Cruz

Evaluation of Response

On July 20, 2018, OAC issued a draft report for the Court's review and response. We received the Court's response to the draft report on August 24, 2018. We appreciate the thorough consideration of our reported findings and updated the background section of the final report, the remaining sections of the report remain unchanged. The Court concurs with our findings but disagrees with our recommendation concerning the \$88,806 in disallowed costs. The Court provided a corrective action plan and, if implemented as described, 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.

Mackenzie Kerling
Staff Services Management Auditor
Office of Audits and Compliance
Department of Child Support Services

Rakhee Devi, CPA
Staff 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

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**

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**Judicial Council Contract Review
Superior Court of California, County of Tehama
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 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

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

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

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



JUDICIAL COUNCIL
OF CALIFORNIA

ADVISORY COMMITTEE ON AUDITS AND
FINANCIAL ACCOUNTABILITY FOR THE
JUDICIAL BRANCH

Meeting Date: 10/03/2018

Action Item #2 – (Action Required)

External Audit Report – State Controller’s Office

Requested Action:

- **Action Item** - Discuss the external audit report and approve its posting on the www.courts.ca.gov website per California Rules of Court, Rule 10.63(c)(1).

Supporting Documents:

- ***Attachment H***—California State Controller’s audit of Amador Superior Court for fiscal year 2016-17 (review of revenues, expenditures, and fund balance per Government Code, Section 77206(h))

Summary:

Government Code, Section 77206(h) requires the State Controller’s Office (SCO) to engage in a pilot audit program (involving six courts) to review each court’s revenues, expenditures and fund balance. The audit findings and costs associated with the pilot audit program will be used to inform the Legislature of the potential costs associated with the SCO auditing roughly 14-15 courts per year on a recurring basis.

The Judicial Council entered into an agreement with the SCO in September 2017 in order to facilitate the pilot audit program, which includes the following six courts:

- Yolo – (discussed at May 23, 2018, audit committee meeting)
- Sacramento – (discussed at August 23, 2018, audit committee meeting)
- Amador – (**discussed today**)
- San Mateo – (expected late October)
- Sonoma – (expected late October)
- Tehama – (expected late October)

Overall, the SCO concluded that Amador Superior Court “complied with the governing statutes, rules, and regulations relating to the validity of recorded revenues, expenditures

and fund balances.” However, the SCO auditors noted four audit findings, summarized below, and the Court generally agreed with the auditor’s observations.

Finding #1 (Cash Handling) – Auditors observed that cashiers are not adequately safeguarding cash collections. In several instances they left keys unsecured. Also, cashiers did not verify identities of customers writing personal checks or using credit cards when payment was made at the public window. In addition, only one employee opens the mail, instead of a two-person team. Last, but not the least, payment receipts are not recorded in a log when payment is received through the mail and safes are not secured to the wall and remain open throughout the day. The Court responded that they will initiate procedures to comply with recommendations.

Finding #2 (Cash Handling) – Auditors observed that the Court does not process payments received through the mail on the day that payments are received. The Court agreed with the need for a segregation of duties and cites limited staffing as a limiting factor. The Court responded that they will initiate procedures to comply with recommendations.

Finding #3 (Procurement) – Auditors noted that the court did not comply with procurement policies that require the court to obtain at least three bid offers. The court did not document any justification for sole-sourcing its procurement. The Court responded that they will initiate procedures to comply with recommendations

Action 2: Committee staff recommend that the audit committee approve the public posting of the attached SCO audit report (Attachment H) on www.courts.ca.gov per California Rules of Court, Rule 10.63(c)(1).

SUPERIOR COURT OF AMADOR COUNTY

Audit Report

VALIDITY OF RECORDED REVENUES, EXPENDITURES, AND FUND BALANCES

July 1, 2016, through June 30, 2017



BETTY T. YEE
California State Controller

September 2018



BETTY T. YEE
California State Controller

September 14, 2018

Robert Klotz, Court Executive Officer
Superior Court of Amador County
500 Argonaut Lane
Jackson, CA 95642

Dear Mr. Klotz:

The State Controller's Office audited the Superior Court of Amador County's (court) compliance with governing statutes, rules, and regulations to assess the validity of recorded revenues, expenditures, and fund balances of all material and significant funds under its administration, jurisdiction, and control. The audit period was July 1, 2016, through June 30, 2017.

Our audit found no instances of non-compliance. However, we found weaknesses in the court's administrative and internal accounting control system; these weaknesses are described in the Findings and Recommendations section of our report.

The court agreed with our findings and recommendations, and stated that it would initiate procedures to address the fiscal control weaknesses and recommendations. We appreciate the court's willingness to implement corrective actions.

If you have any questions, please contact Lisa Kurokawa, Chief, Compliance Audits Bureau, by telephone at (916) 327-3138.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/lis

cc: Dawn Harmon, Administrative Services Manager
Superior Court of Amador County
Martin Hoshino, Administrative Director
Judicial Council of California
Millicent Tidwell, Chief Deputy Director
Judicial Council of California
John Wordlaw, Chief Administrative Officer
Judicial Council of California
Zlatko Theodorovic, Chief Financial Officer and Director of Finance
Judicial Council of California
Grant Parks, Principal Manager
Audit Services
Judicial Council of California
Daniel Alvarez, Secretary of the Senate
Office of the Secretary of State
E. Dotson Wilson, Chief Clerk
California State Assembly, Office of the Chief Clerk
Amy Leach, Journal Clerk
California State Assembly, Office of the Chief Clerk
Diane F. Boyer-Vine, Legislative Counsel
Office of Legislative Counsel
Mark Tollefson, Assistant Program Budget Manager
California Department of Finance

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Audit Report

Summary

The State Controller's Office (SCO) audited the Superior Court of Amador County's (court) compliance with governing statutes, rules, and regulations to assess the validity of recorded revenues, expenditures, and fund balances of all material and significant funds under its administration, jurisdiction, and control. The audit period was July 1, 2016, through June 30, 2017.

The court complied with governing statutes, rules, and regulations relating to the validity of recorded revenues, expenditures, and fund balances. However, we found the following weaknesses in the court's administrative and internal accounting control system:

- Inadequate internal controls over the cash-handling process;
- Inappropriate processing of payments received through mail; and
- Non-compliance with procurement policies and procedures.

Background

The court operates from one location in Jackson, California. The court employs two judges and approximately 30 court staff members to fulfill its operational and administrative activities. The court incurred almost \$3 million in expenditures for the period of July 1, 2016, through June 30, 2017.

The court controls the General Fund, the Non-Grant Special Revenue Fund, and the Grant Special Revenue Fund. All three funds had revenues and expenditures in excess of 4% of total revenues and expenditures; therefore, all three funds are considered material and significant.

Per the Judicial Council's *Trial Court Financial Policies and Procedures Manual*, trial courts are subject to rules and policies established by the Judicial Council of California to promote efficiency and uniformity within a system of trial court management. However, each trial court has the authority and responsibility for managing its own operations. All employees are expected to fulfill at least the minimum requirements of their positions and to conduct themselves with honesty, integrity, and professionalism. In addition, they must operate within the specific levels of authority that may be established by the trial court for their positions. California Rules of Court (CRC) and the *Trial Court Financial Policies and Procedures Manual*, established under Government Code (GC) sections 77000 through 77013 and adopted under CRC 10.804, specify guidelines and requirements for court governance.

GC sections 13400 through 13407 require state agencies to establish and maintain internal controls, including proper segregation of duties and an effective system of internal review.

Objective, Scope, and Methodology

We performed the audit at the request of the Judicial Council of California. The authority is provided by Interagency Agreement No. 1034558, dated September 5, 2017, between the SCO and the Judicial Council of California.

The objective of our audit was to determine whether the court complied with governing statutes, rules, and regulations relating to the validity of recorded revenues, expenditures, and fund balances of all material and significant funds under its administration, jurisdiction, and control.

The audit period was July 1, 2016, through June 30, 2017.

Specifically, we conducted this audit to determine whether:

- Revenues were consistent with authorizing GC sections 77000 through 77013 requiring that they be properly supported by documentation and recorded accurately in the accounting records;
- Expenditures were properly authorized, adequately supported, accurately recorded in the accounting records, and incurred pursuant to authorizing GC sections 77000 through 77013 requiring consistency with the fund's purpose; and
- Fund balances were reported based on the Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles.

To accomplish our objective, we:

General Procedures

- Reviewed the court's Governance Policies, the Budget Act, the Manual of State Funds, GC sections 13400 through 13407 and 77000 through 77013, CRC, the *Trial Court Financial Policies and Procedures Manual*, and relevant internal policies and procedures to identify compliance requirements applicable to trial courts for revenues, expenditures, and fund balances.

Internal Controls

- Reviewed current policies and procedures, organization charts, and the court's website, and interviewed court staff to gain an understanding of the internal control environment;
- Assessed whether key internal controls, such as reviews and approvals, reconciliations, and segregation of duties are properly designed, implemented, and operating effectively by performing walk-throughs of revenue and expenditure transactions;
- Evaluated the court's formal written internal policies and procedures;
- Completed internal control questionnaires by interviewing key staff, and observed the business operations for the purpose of evaluating cash-handling and internal accounting controls; and

- Reviewed the court’s documentation and financial records supporting the validity of recorded revenues, expenditures, and fund balances.

We performed the following tests of transactions to ensure adherence with prescribed procedures and to validate and test the effectiveness of controls:

Revenue Substantive Testing

- Tested revenue transactions of the General Fund, the Non-Grant Special Revenue Fund, and the Grant Special Revenue Fund by selecting non-statistical samples (see the table below) to determine whether revenues were consistent with authorizing Government Code sections, properly supported by documentation, and recorded accurately in the accounting records;
- Tested individual revenue accounts that exceeded \$123,000, totaling \$1,187,997 out of \$3,076,627, or 38.6% of the total revenues (see the table below for percentages of revenue accounts sampled); and
- Judgmentally sampled a minimum of 10% of the selected revenue accounts, consisting of large-dollar-amount transactions within each account sampled, and traced to supporting documentation.

We did not identify any errors in the samples.

The following table identifies total revenues by account and related amounts tested:

Revenue Accounts	Total Revenues	Percentage Total	Amount Tested	Percentage Tested
<u>State Financing Sources</u>				
Trial Court Trust Fund	\$ 2,277,173	74.0%	\$ 1,015,962	44.6%
MOU Reimbursements	168,154	5.5%	81,690	48.6%
	2,445,327		1,097,652	
<u>Grants</u>				
AB 1058 Commissioner/Facilitator	170,489	5.5%	51,823	30.4%
<u>Other Financing Sources</u>				
Enhanced Collections	171,178	5.6%	38,522	22.5%
Other Accounts ¹	289,633	9.4%	-	
Total Revenues	\$ 3,076,627	100.0%	\$ 1,187,997	38.6%

¹ Other Accounts were not selected for testing.

Expenditure Substantive Testing

- Tested expenditure transactions of the General Fund, the Non-Grant Special Revenue Fund, and the Grant Special Revenue Fund to determine whether expenditures were incurred pursuant to authorizing Government Code sections consistent with the fund’s purpose, properly authorized, adequately supported, and accurately recorded in the accounting records; and

- Tested individual expenditure accounts that exceeded \$116,000, totaling \$107,945 of \$2,904,430, or 3.7% of total expenditures (see the table below for percentages of expenditure accounts sampled).

We did not identify any errors in the sample.

The following table identifies total expenditures by account and related amounts tested:

Expenditure Accounts	Total Expenditures	Percentage Total	Amount Tested	Percentage Tested
<u>Personal Services¹</u>				
Salaries – Permanent Employees	\$ 1,605,482	55.3%	\$ 51,057	3.2%
Staff Benefits	666,238	22.9%	7,991	1.2%
	<u>2,271,720</u>		<u>59,048</u>	
<u>Operating Expenditures and Equipment</u>				
General Expense	116,107	4.0%	13,868	11.9%
Contracted Services	322,659	11.1%	35,029	10.9%
	<u>438,766</u>		<u>48,897</u>	
Other Accounts ²	193,944	6.7%	-	
Total Expenditures	<u>\$ 2,904,430</u>	<u>100.0%</u>	<u>\$ 107,945</u>	<u>3.7%</u>

¹ Personal Services were tested using a different methodology (see details below).

² Other Accounts were not selected for testing.

- For Salaries – Permanent Employees, we selected three employees out of 30 from a list provided by the court for three pay periods in October 2016 and three pay periods in April 2017, and reconciled the amounts to supporting documentation to ensure that:
 - Employee time included supervisory approval;
 - Overtime was authorized;
 - Regular earnings were supported by the Salary Resolution; and
 - Regular earnings tied back to the general ledger;
- For Staff Benefits, we selected the same three employees out of 30 from a list provided by the court for three pay periods in October 2016 and three pay periods in April 2017, and reconciled the amounts to supporting documentation and the general ledger; and
- For Operating Expenditures and Equipment, we judgmentally sampled a minimum of 10% of the selected expenditure accounts consisting of large dollar amounts, and traced the amounts to supporting documentation.

Fund Balance Substantive Testing

- Tested expenditure transactions of the General Fund, the Non-Grant Special Revenue Fund, and the Grant Special Revenue Fund to determine whether transactions were reported based on the

Legal/Budgetary basis of accounting and maintained in accordance with fund accounting principles (see the following table for transaction summary by fund);

- Verified the accuracy of individual fund balances in the court’s financial supporting documentation; and
- Recalculated sampled funds to ensure that fund balances as of June 30, 2017, were accurate and in compliance with applicable criteria.

We did not identify any errors in the sample.

The following table identifies changes in fund balances:

	General Fund	Non-Grant Special Revenue Fund	Grant Special Revenue Fund	Total
Beginning Balance	\$ 28,020	\$ 750	\$ -	\$ 28,770
Revenues	2,694,352	186,114	196,160	3,076,626
Expenditures	(2,526,088)	(182,182)	(196,160)	(2,904,430)
Transfers In	115,724	-	-	115,724
Transfers Out	(115,724)	-	-	(115,724)
Ending Balance	<u>\$ 196,284</u>	<u>\$ 4,682</u>	<u>\$ -</u>	<u>\$ 200,966</u>
Percent Change	<u>600.5%</u>	<u>524.3%</u>	<u>0.0%</u>	

We conducted this performance audit under the authority of GC section 77206(h). We conducted the audit 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We limited our review of the court’s internal controls to gaining an understanding of the significant internal controls within the context of the audit objective. We did not audit the court’s financial statements.

Conclusion

Our audit found that the court complied with statutes, rules, and regulations relating to the validity of recorded revenues, expenditures, and fund balances for the period of July 1, 2016, through June 30, 2017. However, we found the following weaknesses in the administrative and internal accounting control system, which are described in the Findings and Recommendations section of this report:

- Inadequate internal controls over the cash-handling process;
- Inappropriate processing of payments received through mail; and
- Non-compliance with procurement policies and procedures.

**Follow-up on
Prior Audit
Findings**

This is the first audit performed at the court pursuant to GC section 77206(h); however, the court was audited by the Judicial Council of California's Internal Audit Services in April 2011. We found that the court has satisfactorily resolved the findings noted in that prior audit report.

**Views of
Responsible
Officials**

We provided the court with a preliminary final audit report on August 20, 2018. Robert (Rob) Klotz, Court Executive Officer, responded by letter dated August 30, 2018 (Attachment), agreeing with the audit results. This final audit report includes the court's response.

Restricted Use

This final report is solely intended for the information and use of the Superior Court of Amador County, the Judicial Council of California, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

September 14, 2018

Findings and Recommendations

FINDING 1— Inadequate internal controls over the cash-handling process

During our review of the court’s internal controls, we found that it does not have adequate internal controls over the cash-handling process. Cash collection is one of the major components of reported revenues; therefore, inadequate cash controls could affect the accuracy of reported revenues.

We identified deficiencies in the following areas:

- Cashiers are not adequately safeguarding cash collections. We noted several instances in which cashiers left keys unsecured on their desks or in keyholes while not at their stations, or when leaving the room altogether;
- Cashiers do not verify the identities of customers writing personal checks or using credit cards when payment is made at the public window;
- Only one employee opens the mail, instead of a two-person team. In addition, the mail-opening responsibilities are not regularly rotated among the staff members;
- Payment receipts are not recorded in a log when payment is received through the mail; and
- Safes are not secured to the wall and remain open throughout the day.

GC section 13401(a) (5) states, “Systems of internal control are necessarily dynamic and must be routinely monitored, continuously evaluated, and, where necessary, improved.”

The *Trial Court Financial Policies and Procedures Manual* (section 10.02, subsection 6.1.1) states, “During the day, collections shall be secured in a lockable cash drawer or bag.” In addition, section 6.3.2 states, “Trial Courts must require cashiers to secure their assigned cash funds in individually locked drawers or bags.”

The *Trial Court Financial Policies and Procedures Manual* (section 10.02, subsection 6.3.5) states:

The court may accept credit card or debit card payments in person, over the telephone, over the Internet, or by mail. At a minimum, the trial court must verify that the credit card or debit card is current (the card expiration date must not have passed) for payments made in person.

The *Trial Court Financial Policies and Procedures Manual* (section 10.02, subsection 6.3.4) states, “When a check is accepted at the public window, cashiers must require the customer provide an acceptable form of picture identification, such as a driver’s license or passport.”

The *Trial Court Financial Policies and Procedures Manual* (section 10.02, subsection 6.4) states that a two-person team should be assigned to open the mail, the two-person team should be rotated regularly, mail should only be processed when both team members are present, and the court should maintain a payment receipt log.

The *Trial Court Financial Policies and Procedures Manual* (section 10.02, subsection 6.1.1) states, “Safes that are moveable should be attached to the courthouse using a method that would prevent easy removal.”

The development and implementation of internal control procedures will improve the integrity of financial reporting and help court staff more effectively comply with governing statutes and procedures.

Recommendation

We recommend that the court:

- Comply with the policies and procedures outlined in the *Trial Court Financial Policies and Procedures Manual*, and
- Strengthen its control over the cash-handing process to ensure the proper reporting of revenues in the financial statements and the safeguarding of cash assets.

Court’s Response

The Court will initiate procedures to comply with recommendations.

FINDING 2— Inappropriate processing of payments received through mail

During our review of the court’s internal controls, we found that the court does not process payments received through the mail on the day that payments are received. During an interview with a senior clerk, the clerk stated that payments are not always processed the same day they are received; instead, they are left in a cash bag to be processed on the next business day.

The *Trial Court Financial Policies and Procedures Manual* (section 10.02, subsection 6.4) states:

Checks and money orders received through the mail should be processed (i.e., including immediately restrictive endorsement for deposit in the court bank account, entered into the court’s receipting system and deposited to the appropriate bank account) on the day they are received. Any exceptions are to be brought to the attention of a supervisor, placed under dual control, and processed as soon as practicable. Money received through the mail will be deposited and entered in the court’s cashiering system and/or automated case management system on the day received.

The *Trial Court Financial Policies and Procedures Manual* (section 10.02, subsection 6.4) states, “Any payment that cannot be processed will be attached to the Payments Receipt Log sheet and appropriately safeguarded in the safe until the payment can be processed the next business day.”

The inappropriate processing of mailed payments has a pervasive effect on the payment posting process; it impairs the effectiveness of controls by rendering their design ineffective or keeping them from operating effectively. Following correct trial court accounting practices will help to ensure the accurate reporting of all transactions.

Recommendation

We recommend that the court:

- Comply with the policies and procedures outlined in the *Trial Court Financial Policies and Procedures Manual*, and
- Process all payments by mail on the day that they are received, and bring any exceptions to the attention of the supervisor for additional control.

Court's Response

The Court will initiate procedures to comply with recommendations.

FINDING 3— Non-compliance with procurement policies and procedures

During our testing of procurement transactions, we found that the court staff did not comply with procurement policies and procedures to ensure effective management controls over the purchase order process.

We tested four procurement transactions initiated during the audit period. For two of the transactions tested, the court did not comply with procurement policies that require the court to obtain at least three bid offers. The court did not document any justification for sole-sourcing its procurement.

The *Trial Court Financial Policies and Procedures Manual* (section 6.01, subsection 6.5.3) states:

Procurements exceeding a value of \$5,000 but are less than \$24,999, should obtain at least three bids from qualified offers. If fewer than three offers are received, the court must justify the appropriateness and reasonableness. The names and address of the firms or individuals solicited for bids or proposals must be documented in the procurement file.

The *Trial Court Financial Policies and Procedures Manual* (section 6.01, subsection 6.5.4) states:

For all procurements that exceed a value of \$25,000, at least three written offers should be obtained. If three written offers are not obtained, the presiding judge or his or her designee must be consulted as to whether the procurement must proceed. An approval to proceed must be in writing.

The *Trial Court Financial Policies and Procedures Manual* (section 6.01, subsection 6.11.2) states:

Justification of the rationale for sole sources procurements should pre-date the actual procurement, must be documented thoroughly and carefully in the event an audit or investigation is performed during or after the procurement.

The procurement of necessary goods and services must be conducted economically and expeditiously, under fair and open competition, and in accordance with sound procurement practice. All procurement actions must be planned, implemented, and administered under clear and concise procurement guidelines.

Recommendation

We recommend that the court comply with the policies and procedures outlined in the *Trial Court Financial Policies and Procedures Manual* to ensure fairness, efficiency, and security in the purchase order process.

Court's Response

The Court will initiate procedures to comply with recommendations.

**Attachment—
Court's Response to Audit Findings**



**SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF AMADOR**

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

ROB KLOTZ, COURT EXECUTIVE OFFICER

August 30, 2018

Jeffrey V Brownfield, CPA
Chief, Division of Audits
Office of the Controller
State of California

RE: Amador Superior Court Audit for period July 1, 2016 through June 30, 2017

Dear Mr. Brownfield:

In response to Finding 1 – Inadequate internal controls over the cash-handling process.
The Court will initiate procedures to comply with recommendations.

In response to Finding 2 – Inappropriate processing of payments received through the mail. The Court will initiate procedures to comply with recommendations.

In response to Finding 3 – Non-compliance with procurement policies and procedures.
The Court will initiate procedures to comply with recommendations.

We appreciate the professionalism of Shadi Guinee, Auditor in the performance of this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Klotz".

Rob Klotz
CEO

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

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>