

CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES

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



August 14, 2017

Mr. Martin Hoshino, Administrative Director
Judicial Council of California
455 Golden Gate Avenue
San Francisco, California 94102

**SUBJECT: JUDICIAL COUNCIL OF CALIFORNIA CONTRACT
FINAL AUDIT REPORT**

Dear Mr. Hoshino:

Enclosed is the California Department of Child Support Services (DCSS), Office of Audits and Compliance (OAC), final report on the costs claimed under the Judicial Council of California contract by the Superior Court of California, County of San Joaquin (Court). Our review was limited to examining Assembly Bill (AB) 1058 child support related costs claimed in state fiscal year 2014-15 for the Child Support Commissioner and the Family Law Facilitator programs. This engagement was performed to satisfy federal and state mandated subrecipient monitoring of the AB 1058 child support grant funds.

OAC reviewed the Court's response to the draft report, including the corrective action identified by the Court in response to the reported findings. The findings have not changed and the results of the review are in the attached Evaluation of Response.

DCSS Administrative Services Division will issue a letter regarding the repayment and/or corrective action required in response to the findings in this report. OAC will follow up within six months from the date of this report to ensure the corrective action was implemented by JCC.

We appreciate the assistance and cooperation of the Judicial Council and the Court staff during the review. If you have any questions regarding this report, please contact me at (916) 464-5520.

Sincerely,

A handwritten signature in blue ink that reads "Karen Dailey".

KAREN DAILEY
Audit Manager
Office of Audits and Compliance
Department of Child Support Services

Enclosure

**Department of Child Support Services
Office of Audits and Compliance**

**Judicial Council of California Contract
Review Audit Report**

**Superior Court of California
County of San Joaquin**



**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 San Joaquin**

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

INTRODUCTION

California Department of Child Support Services (DCSS), Office of Audits and Compliance (OAC), conducts fiscal and compliance audits of subrecipients who receive IV-D program funds in the administration of the child support program. These audits are required as part of DCSS subrecipients monitoring responsibilities. DCSS contracts with the Judicial Council of California (JCC) for statewide Title IV-D services with the Child Support Commissioner (CSC) program and Family Law Facilitator (FLF) offices. The Court receives federal and state funds through a contract with the Judicial Council of California who oversees these programs and the expenditures claimed under this contract.

This report presents the results of the OAC's review of the Superior Court, County of San Joaquin (Court) CSC and FLF program for the state fiscal year (SFY) of July 1, 2014, through June 30, 2015.

BACKGROUND

The Child Support Enforcement (CSE) program is a federal/state/local partnership to collect child support from non-custodial parents. The goals of this program are to ensure that the children have the financial support of both their parents, to foster responsible behavior towards children, and to reduce welfare costs. The CSE Program was established in 1975 as Title IV-D of the Social Security Act.

Established by state legislation in 1999, the California Department of Child Support Services is designated as the single state entity responsible for ensuring that all functions necessary to establish, collect, and distribute child support are effectively and efficiently implemented. Title 45, Section 302.34 gives DCSS authority to enter into a cooperative agreement with the courts under the state plan. The JCC, chaired by the Chief Justice of California, is the chief policy making agency of the California Judicial System. The JCC oversees the ongoing operations of the statewide Title IV-D CSC and FLF programs in the courts under grant funding Assembly Bill (AB) 1058. In SFY 2014-15, DCSS contracted the JCC for a total of \$55,171,367. For the period July 1, 2014, through June 30, 2015, JCC reimbursed the Court \$998,842 in state and federal funds as follows: \$747,023 for the CSC and \$251,819 for the FLF program.

OBJECTIVES, SCOPE, AND METHODOLOGY

The review was conducted for the period July 1, 2014, to June 30, 2015. The area of review was limited to claimed expenditures under the contract agreement #10-0490-14 between DCSS and the JCC for this period. The objective of the review was further limited to determining if expenditures claimed by the Court under JCC contract agreement #10-28971 for the CSC program and #10-28972 for the FLF program complied with applicable laws, rules, and regulations, including OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards set forth in Title 2 CFR Subtitle A Chapter II, Part 200 (Uniform Requirements), Trial Court Financial Policies and Procedures Manual (FIN Manual) and Title IV-D (AB 1058) Child Support Commissioner and Family Law Facilitator Program Accounting and Reporting Instructions.

The audit was conducted in accordance with generally accepted *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. This audit includes examining, on a test basis, evidence supporting the amounts included on contract invoices. An audit also includes assessing the accounting principles used and significant estimates made by management.

Due to the limited scope, our audit does not constitute a financial statement audit conducted in accordance with Government Auditing Standards; therefore, we do not express an opinion on the financial statements, or on any individual account balances. Had we performed additional procedures, or conducted a complete audit of the financial statements, other matters might have come to our attention that may have been reported.

AUDIT AUTHORITY

Uniform Requirements 2 CFR 200.328 Monitoring and reporting program performance makes DCSS responsible for oversight of the operations of the Federal award supported activities. Section 200.331 requires DCSS, as the pass through entity, to monitor the activities of the subrecipients to ensure the subaward is used for authorized purposes, in compliance with the federal statutes and regulations and the terms and conditions of the federal award and subaward, and that the subaward performance goals are achieved. This section also provides the authority for DCSS, as the pass-through entity, to perform on-site reviews of the subrecipients program operations. Section 200.336 Access to records provides DCSS the right to access any pertinent documents.

Title 45 CFR 302.12 gives DCSS the responsibility for securing compliance with the requirements of the State plan when delegating any of the functions of the IV-D program to any cooperative agreement.

CONCLUSION

As noted in the Findings and Recommendations section of this report, we found the Court did not have sufficient support for some personnel expenses claimed in the CSC program for the Commissioner and Courtroom Clerk. As indirect costs are based on supported personnel expenses, the Court lacked support for a portion of the indirect costs claimed. Based on the sample testing of operating expenditures reviewed, we found the Court did not have sufficient support of claimed operating costs for a portion of the Bailiff's invoices.

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 – \$65,254

Condition

In SFY 2014-15, we found the court did not have support for the salary, benefits, and indirect costs claimed for the Commissioner and Courtroom Clerk. Specifically, the Judicial Council of California AB 1058 grant instruction manual and annual training requires the courts to allocate salary and benefits based on the actual hours that court staff spent in the IV-D child support (AB 1058) grant program activities. However, instead of documenting actual hours worked on the time reporting documentation, the Court staff recorded a predetermined number of hours to the AB 1058 program. For example, we found the courtroom clerk used a sample JC-4 timesheet of a previous employee to record 7.5 hours each day regardless of the amount of time actually spent in the AB 1058 program. This is not in accordance with JCC policy and procedures, nor is it in accordance with federal regulations. Further, the Commissioner recorded all hours to the AB 1058 program, even though some hours in court were spent in non-IV-D activity. The court staff signed and dated the JC-4 timesheet which states the staff “certify under penalty of perjury that this time sheet accurately represents actual time worked...”

We reviewed the Court calendar of November and December 2014 and found the Court calendar recorded both AB 1058 and non-AB 1058 activity. The Court staff verified non-AB 1058 activity occurs in the CSC courtroom. This indicates that the same Commissioner and Courtroom Clerk were handling both child support and non-child support cases concurrently.

Using alternative methods, we accepted supplemental documents provided by the court to support the claimed charges. Specifically, we reviewed Courtroom Calendars and recorded cases to allocate the AB 1058 and non-AB 1058 activity, and used this allocation in support of time expensed directly to the child support program for the Court Commissioner and the Courtroom Clerk’s salary and benefit costs. As a result, we were able to reasonably verify \$504,474 in salary and benefits, and \$64,169 in indirect costs to the CSC program as follows:

Total Disallowed Salary, Benefits, and Indirect Costs (SFY 2014-15)		
<u>Description</u>	<u>Salary and Benefits</u>	<u>Indirect</u>
Total Salary and Benefits Claimed	\$562,364	\$71,533
Less: Supported Allocation of Salary and Benefits	\$504,474	\$64,169
Total Disallowance (Unsupported)	\$57,890	\$7,364
Total Disallowed Salary, Benefits, Indirect Costs		\$65,254

Criteria

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

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

Policies and procedures provided to the Court in the Title IV-D (AB 1058) Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions issued by the Judicial Council of California, dated June 2015, states, “The salaries and benefits of 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 non-allowable hours that can be charged directly to the AB 1058 program when completing 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 \$65,254 to DCSS for unsupported salary, benefit and indirect costs claimed in SFY 2014-15. The JCC has an opportunity to strengthen its processes by working collaboratively with the courts to develop a methodology that supports claimed costs. The JCC may consider developing a process, such as on-site monitoring reviews, to ensure the courts understand and apply the JCC policies, procedures, and federal regulation requirements which must be followed to support claimed AB 1058 costs.

Finding 2 – Unsupported Operating Expenses – \$35,838

Condition

For SFY 2014-15, we found the Court did not have support for \$35,838 in operating expenses for the Court’s bailiff. Specifically, we reviewed the operating costs for SFY 2014-15 and found the Court invoiced the CSC program for \$113,471 in operating expenses paid to the San Joaquin Sheriff’s Department for bailiff services. To support the bailiff’s costs, the bailiff on duty completed time reporting documentation (Activity log) with 8 hours spent directly (100 percent) in child support activity each day.

However, the Court Calendar and discussion with Court staff revealed both child support and non-child support activity occurred in the CSC courtroom.

Using alternative methods, we accepted supplemental documents provided by the court to support the claimed operating expenses for the bailiff. Specifically, we reviewed Courtroom Calendars and recorded case activity to allocate charges based on the reported AB 1058 and non-AB 1058 activity. As a result, we were able to reasonably verify \$77,633 in bailiff services costs. However, we are questioning \$35,838 in unsupported, unallowable costs, for SFY 2014-15 as follows:

Total Disallowed Bailiff Expenses (SFY 2014-15)	
<u>Description</u>	<u>Expenses</u>
Total Operating Expenses Claimed for Bailiff	\$113,471
Less: Supported Allocation of Bailiff Services	\$77,633
Total Disallowed Bailiff Expenses	\$35,838

We also found the Court paid for telecommunication charges provided by the County of San Joaquin but did not have an MOU or contract agreement for these services.

Criteria

Title 2 CFR 200.403 Factors affecting allowability of costs requires costs to be adequately documented and consistent with the policies and procedures that apply uniformly to both federally-financed and other activities of the non-federal entity. Section 200.405 states that costs are only allocable to the federal award in accordance with the benefits received and specifies that allocable costs may not be charged to federal award to overcome funding deficiencies. 200.318 General procurement standards (b) requires the Court to maintain oversight and ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

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

AB 1058 Grant Manual 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 Judicial Council Grant Accounting Unit.”

Title IV-D (AB 1058) Child Support Commissioner and Family Law Facilitator Accounting and Reporting Instructions issued by the Judicial Council of California, dated June 2015, states, “The activity log is designed to calculate the total of all hours worked

on all programs, including title IV-D support hours. This should be a total of 8 hours per day unless a contractor is scheduled to work other than an 8-hour shift” (page 47).

Recommendation

The JCC should return \$35,838 to DCSS for unsupported operating costs related to the bailiff’s salary and benefits paid to the San Joaquin Sheriff’s Department for SFY 2014-15. The percentage of operating costs for the bailiff’s salary and benefits 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. Further, contracted telecommunication costs should be supported by an MOU agreement or contract agreement which outlines the services that will be provided including the cost. This way, the Court can verify charges are accurate and provided in accordance with agreement terms.

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

Agency Response



Superior Court of California, County of San Joaquin

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P.O. Box 201022

Stockton, CA 95201

Telephone: (209) 992-5695

July 17, 2017

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

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

Dear Ms. Daily:

The San Joaquin County 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 (AB 1058 program). The audit focused on the Court's claimed spending activity during fiscal year 2014-15, which included \$998,842 in total program spending for both the Child Support Commissioner grant (\$747,023) and the Family Law Facilitators grant (\$251,819). At the outset, the Court would like to thank the DCSS auditors for their professionalism and for their willingness to consider additional documentation as they finalized the two audit findings contained in this draft report.

The Court views the audit as a valuable opportunity to both collaboratively work with DCSS and to further improve its grant administration practices.

DCSS concludes that \$101,092—or roughly 10 percent of the court's total spending—was not adequately supported by timesheets or corroborating documentation, such as court calendars. As a result, DCSS recommends that the Judicial Council of California (Judicial Council), which receives AB 1058 funding from DCSS and provides it to the Court, return this amount to DCSS. Although the Court agrees it can improve its administrative timekeeping practices—and has already initiated taking corrective action based on DCSS' findings—the Court believes returning \$101,092 would unnecessarily harm the Court's ability to effectively serve litigants who request help in seeking or enforcing child support orders. The Court has limited financial resources and returning such a large sum, if even possible, is unnecessary to ensure the Court takes corrective action in response to the audit. Further, the Court is concerned that those who read the 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. In fiscal year 2014-15, the Court opened 3,099 new Child Support Cases, with our Commissioner hearing 2,589 AB 1058 cases. DCSS's audit focused only on reviewing administrative aspects of the AB 1058 program—particularly employee timesheets—and did not also include a review of the Court's actual performance in processing AB 1058 cases or in promptly responding to its local partner agencies.

Ms. Karen Dailey, Audit Manager
Office of Audits and Compliance
July 17, 2017
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While we fully accept the audit's findings, we believe DCSS' audit report should be used as tool to promote improvement and not financially harm the Court's AB 1058 program, which is otherwise meeting its performance objectives.

The court staff that works on AB 1058 cases participated in the Judicial Council's AB 1058 Timekeeping Webinar training on June 23, 2017. In addition, we will provide refresher training to all of the staff that work on AB 1058 cases, and will emphasize the requirement that they only record the actual time spent supporting the AB 1058 program on their timesheet (instead of providing their best or most reasonable estimates). The Court has also developed a process to review completed timesheets on a monthly basis to ensure these requirements are followed in actual practice. The Court will be working with the Judicial Council—and hopefully DCSS—to reach a consensus on a more administratively feasible alternative to the current timesheet process. The Court believes the focus of its employees should be directed towards fulfilling the mission of the AB 1058 program by serving the public, and not diverting limited staff time towards preparing overly precise timesheets on an hour-by-hour, day-by-day basis. The Court believes that alternative approaches, such as working with DCSS to perform periodic time studies that would support a mutually agreeable reimbursement rate for each AB 1058 case, may strike a more appropriate balance between staff effort and program accountability. The Court notes that federal regulations do not specifically require grant recipients to use timesheets when charging personnel costs to federal awards. Further, federal regulations at 45 CFR 304.21(c) provides DCSS (as the State IV-D agency) with the discretion for determining the method of calculating eligible expenditures by courts under its cooperative agreements.

Again, the Court greatly appreciates the time and effort of DCSS and looks forward to further discussions as we maximize the important work of the AB 1058 program to benefit California's most vulnerable children.

Sincerely,



Rosa Junqueiro
Court Executive Officer

cc: Hon. Jose L. Alva, Presiding Judge, Superior Court of California, County of San Joaquin
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 July 10, 2017, OAC issued a draft report for the Court's review and response. We received the Court's written response to the draft report on July 21, 2017.

The court concurs with our findings, has implemented additional training for staff, second level of review of the timesheets, and plans to work with the JCC to develop alternative methods of tracking staff and contractor time. The JCC should continue to work with the court to determine if the new methodology is sufficient to fully address these findings and complies with regulation and JCC established policies and procedures. We will follow up with the JCC in six months to determine the sufficiency of the corrective action implemented.

Patricia Yoldi
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