

# Department of Child Support Services Office of Audits and Compliance Contra Costa Trust Fund Closeout Audit Report

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## INTRODUCTION

This report presents the results of the Trust Fund Closeout Audit conducted by the Department of Child Support Services (DCSS), Office of Audits and Compliance (OAC), for Contra Costa County Department of Child Support Services. The review of trust fund closeout reports prepared by the Local Child Support Agencies (LCSAs) was performed to ensure that all child support funds have been effectively transferred to the State one year after transition to the State Disbursement Unit (SDU).

## BACKGROUND AND CRITERIA

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 required all state IV-D agencies to establish a state-wide child support system, including an SDU for the collection and disbursement of payments. Once the establishment had been completed the counties were required to transition all undisbursed trust funds to the state. This closeout process commenced on the day that each county transitioned their child support funds to the SDU and ended one year later. Each county was required to submit their trust fund closeout reports within a year of transition.

The Family Code requiring this transition states, "(a) Upon the transfer of collection and disbursement activities from each county to the State Disbursement Unit, the auditor and controller of each county shall perform closeout activities as directed by the Department of Child Support Services to ensure accounting for all collections, obligations, and payments. All child support collections remaining undisbursed shall be transferred to the Department of Child Support Services for deposit in the Child Support Payment Trust Fund. The Local Child Support Agency Director and Auditor Controller shall perform these activities based on guidelines provided by the department and shall certify the results of these activities in a report submitted to the department within one year of transfer of collection and distribution functions to the state. (b) The department may contract for the audit of each county report submitted under subdivision (a). Each audit shall be completed within one year after the receipt of the report from the county."

In addition, the county was required to follow instructions provided by the State DCSS in Child Support Services Letter 05-32 and Child Support Services Informational Notice 06-08 and any criteria pertaining to these activities listed in the Plan of Cooperation (POC).

## OBJECTIVE

The objective of the review was to determine that the transition reported by the county was accomplished as required and adequately reflected the transition of collection and disbursement activities of child support funds to the SDU.

## SCOPE

The time period of the review commenced on the day each county transitioned its child support funds to the SDU and ends one year after transition.

## METHODOLOGY

To accomplish our objectives, we:

- ensured that all required documentation has been accumulated for use in the audit;
- determined that all undistributed collections (UDC) in terms of exceptions and prepayments have been remitted to the State DCSS;
- verified that the LCSA submitted a check or warrant to DCSS Accounting Section for Welfare Distribution as per CS35 for the month prior to transition to the SDU;
- verified that the LCSA made periodic remittances to the State DCSS for amounts related primarily to the cancellation of warrants that were still outstanding as of the SDU transition date and subsequently cancelled;
- determined that the Trust Fund Closeout Report submitted by the County LCSA accurately reflected the progression of the LCSA from transition through the actual closeout of the fund and that the Financial Closeout Worksheet accurately reported the status of the trust fund upon closeout.

The OAC conducted this Trust Fund Closeout 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

## FINDINGS AND RECOMMENDATIONS

### **Finding 1 - Non-compliance with deadline reporting requirements as stated in DCSS CSS Letter 05-32 dated November 1, 2005**

The Trust Fund closeout report was signed by the Contra Costa County LCSA Director Linda Dippel on January 19, 2009 and signed by the County Auditor Controller on February 3, 2009. It was

received in the OAC on February 10, 2009, twenty-two months overdue. CSSIN Letter06-08 requires each county to submit the Child Support Trust Fund Closeout Report one year after transition to the SDU. The LCSA transitioned to the SDU on March 1, 2006 and the Closeout Report was due to the State DCSS on April 2, 2007. Since the LCSA subsequently submitted the report, there are no further recommendations.

**Finding 2 – Inappropriate Write Off of Accounts Receivables with the use of Health Insurance Incentive funds**

Original posted child report collection receipts were not picked up by the Informatix Imaging System and CASES interface. In an effort to solve the problem, the original receipts were backed out and a new file was submitted. Due to system procedure, both original and new receipts were run by the system resulting in duplicate child support payments. Most of the duplicate payments were recovered by the LCSA and the remaining unrecoupable amount of \$51,085 was written off using Health Insurance Incentive funds (HII). Family Code Section 17714 specifically limits the use of "excess" funds to support child support enforcement program only. Use of the HII to write off bad debts is not in accordance with Family Code Section 17714 and the Office of Budgets and Management (OMB) Circular A-87, now Title 2 Code of Federal Regulations (CFR) Subtitle A, Chapter II, Part 225.5 Bad debts, "including losses (whether actual or estimated rising from uncollectible accounts and other claims, related collection costs, and related legal costs are unallowable." The OAC recommends the LCSA return \$51,085 to the HII fund.

**Finding 3 – Remaining unreconciled/undisbursed child support funds in the Legacy Trust Fund 833700 not escheated at time of closeout**

Legacy Trust Fund 833700 has a fund balance of \$81,686.18 which the LCSA claimed represents unidentifiable funds available for escheatment. The LCSA had one year from the time of transition to SDU to escheat and closeout the Trust Fund. The time to escheat for Contra Costa has long passed and the remaining funds are now due to the State DCSS consistent with instructions in CSSIN 06-08. The OAC recommends Contra Costa LCSA remit to the State DCSS \$81,686.16 and close out Trust Fund 833700.

**Finding 4 - Inadequate fiscal control of child support trust funds**

Child Support Trust Fund took two years to close and required assistance from an outside LCSA employee hired as a contractor to reconcile. The LCSA is responsible for maintaining and keeping

sound fiscal management. DCSS POC, Section IV, states that the county shall maintain accounting standards and systems consistent with uniform accounting procedures prescribed by federal and state requirements. We recommend the LCSA comply with the Department's POC.

## CONCLUSION

Contra Costa County DCSS has completed the trust fund closeout activities including the return of unreconciled/undistributed child support funds to the state with the exception of the above finding(s).

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