

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**

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



June 4, 2005

LCSA LETTER: 05-09

ALL IV-D DIRECTORS

**SUBJECT: AGREED-UPON PROCEDURES OF LOCAL CHILD SUPPORT AGENCY  
ADMINISTRATIVE COSTS**Reason for this Transmittal

- State Law or Regulation Change
- Federal Law or Regulation Change
- Court Order or Settlement Change
- Clarification requested by One or More Counties
- Initiated by DCSS

As you are aware, the Department of Child Support Services (DCSS) contracted with the Department of Finance (DOF) in 2003 to conduct reviews of county local child support agencies' (LCSAs) administrative and Electronic Data Processing expenditures claimed on the CS 356. The reviews were put on hold while DCSS evaluated the findings, developed policies, and issued claiming and financial policy clarification letters (CSS Letter 04-20 & CSS Letter 05-05). As part of the DCSS continuing effort to improve program performance and standards, and to comply with the oversight responsibilities for which we are charged by federal law, DCSS has resumed the fiscal reviews of the LCSAs' administrative costs.

The review period will be the most recently completed state fiscal year at the time of the audit. It is anticipated that each LCSA will be reviewed once every three years. DCSS will determine the order in which LCSAs will be reviewed and will share this schedule with the LCSAs as soon as it is available.

The objective of the review is to ensure compliance with requirements contained in Title 45, Code of Federal Regulations (CFR), Section 302.14 which requires maintenance of an accounting system and supporting fiscal records adequate to ensure that claims for federal funds are in accordance with applicable federal requirements, and 45 CFR, Section 302.10 which requires regular planned examinations and evaluations of operations in local offices by State staff, including regular visits by such staff; and through reports, controls, or other necessary methods. A copy of the Agreed Upon Procedures is attached.

In addition, as a result of the most recent Internal Revenue Service (IRS) review of DCSS, the IRS has requested that DCSS establish a review cycle of LCSAs to ensure all field offices receiving federal tax information establish and maintain safeguards to prevent unauthorized disclosure or use of that information. DCSS has asked DOF to incorporate this process in the current reviews to determine the feasibility of permanently incorporating it into the agreed-upon procedures.

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Federal regulations in 45 CFR, Sections 74.53 and 302.15 require all financial records, supporting documents, statistical records and all other records pertinent to an award be retained until all audit findings involving the records have been resolved and final action taken. This letter serves to remind LCSAs that they must retain all records pertinent to the audit until the audit is closed.

DCSS will notify each LCSA prior to its review. If you have any questions or concerns regarding this letter, please contact Elizabeth González, Audit Manager, at (916) 464-5048.

Sincerely,

*/s/ Olivia Cortez*

OLIVIA CORTEZ  
Deputy Director  
Administrative Services Division

**Agreed-Upon Procedures Engagement  
California Department of Child Support Services (DCSS)**

The Department of Finance, Office of State Audits and Evaluations (OSAE), will perform the procedures enumerated below, which were agreed to by the California Department of Child Support Services (DCSS), solely to assist the DCSS in evaluating the Local Child Support Agency's (LCSA) compliance with United States Office of Management and Budget (OMB) Circulars A-133 and A-87, state codes and regulations applicable to the Administrative Expense Claim Schedule and Certification (CS 356), and related internal controls.

Under this agreement, OSAE has not been engaged to and will not conduct an examination as defined in the *Codification of Statements on Standards for Attestation Engagements*, issued by the American Institute of Certified Public Accountants, the objective of which would be the expression of an opinion on the specified elements or items noted below.

**OSAE's Responsibilities:**

1. Carry out the procedures enumerated below and report the *Government Auditing Standards*, as promulgated by the Comptroller General of the United States. Such responsibility will be sufficient in scope to determine only the results of the agreed-upon procedures set out below.
2. Prepare a written report detailing procedures and findings.
3. Include in the report a disclaimer of opinion on the assertions.
4. Include in the report any applicable restrictions on its use.

The sufficiency of the procedures performed will be solely the responsibility of the DCSS. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

*Statements on Standards for Attestation Engagements*, Section AT 600.28 requires that we report all findings from the application of the agreed-upon procedures. The concept of materiality does not apply to findings reported in an agreed-upon procedures engagement. OSAE will consult with DCSS staff to establish materiality guidelines. Materiality, in terms of reporting questioned costs will be determined based on consideration of the reporting requirements of OMB Circular A-133 Compliance Supplement, CFDA 93.563 Child Support Enforcement, and A-87.

DCSS will determine the specific counties and periods on which the agreed-upon procedures will be performed.

**Procedures to be Performed:**

**A. Personnel Services Expenses (Non-EDP)**

1. OSAE will select a sample of claimed expenditures, based on professional judgment.
2. For the sample selected, OSAE will determine if amounts reported on the CS 356 were allowable costs under: (a) OMB Circular A-133 Compliance Supplement for CFDA 93.563, (b) OMB Circular A-87, and (c) applicable federal and state codes and regulations.

**B. Operating Expenses (Non-EDP)**

1. OSAE will select a sample of claimed expenditures, based on professional judgment.
2. For the sample selected, OSAE will determine if amounts reported on the CS 356 were allowable costs under: (a) OMB Circular A-133 Compliance Supplement for CFDA 93.563, (b) OMB Circular A-87, and (c) applicable federal and state codes and regulations.

**C. Total Direct Services Contracts (Non-EDP)**

1. OSAE will select a sample of claimed expenditures, based on professional judgment.
2. For the sample selected, OSAE will determine if amounts reported on the CS 356 were allowable costs under: (a) OMB Circular A-133 Compliance Supplement for CFDA 93.563, (b) OMB Circular A-87, and (c) applicable federal and state codes and regulations.

**D. Total EDP Staff and EDP Expenses**

1. OSAE will select a sample of claimed expenditures, based on professional judgment.
2. For the sample selected, OSAE will determine if amounts reported on the CS 356 were allowable costs under: (a) OMB Circular A-133 Compliance Supplement for CFDA 93.563, (b) OMB Circular A-87, and (c) applicable federal and state codes and regulations.

**E. Laboratory Expenses**

1. OSAE will select a sample of claimed expenditures, based on professional judgment.
2. For the sample selected, OSAE will determine if amounts reported on the CS 356 were allowable costs under: (a) OMB Circular A-133 Compliance Supplement for CFDA 93.563, (b) OMB Circular A-87, and (c) applicable federal and state codes and regulations.

**F. Abatements**

1. OSAE will determine whether interest-earned fees collected and other program revenue were reported as abatements on the CS 356.
2. OSAE will select a sample of abatements reported, based on professional judgment.
3. For the sample selected, OSAE will determine if amounts reported on the CS 356 were allowable costs under: (a) OMB Circular A-133 Compliance Supplement for CFDA 93.563, (b) OMB Circular A-87, and (c) applicable federal and state codes and regulations.

**G. Health Insurance and Performance Incentive Expenses**

1. OSAE will select a sample of claimed expenditures, based on professional judgment.
2. For the sample selected, OSAE will determine if amounts reported on the CS 356 were allowable costs under: (a) OMB Circular A-133 Compliance Supplement for CFDA 93.563, (b) OMB Circular A-87, and (c) applicable federal and state codes and regulations.

**H. Internal Control**

1. OSAE will review the most current internal control audit of the LCSA.
2. OSAE will perform a limited review of the LCSA's internal controls over the CS 356 claim process not covered in the IC audit. A limited review may include observation, inquiry and dual purpose testing of CS 356 expenditures.

The resulting report of the procedures agreed to is intended solely for the information and use of DCSS management and the LCSA, and is not intended to be and should not be used by anyone other than those specified parties.

This document accurately summarizes the significant terms of the engagement. The signatures below indicate understanding of and agreement with the terms of the engagement.

15/ Greta Wallace

Greta Wallace, Director  
California Department of Child Support Services

3/22/05

Date

15/ Samuel E. Hull

Samuel E. Hull, Chief  
Office of State Audits and Evaluations

2/15/05

Date