

**CALIFORNIA DEPARTMENT OF CHILD SUPPORT SERVICES**

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

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

January 28, 2004

LCSA LETTER: 04-05

ALL IV-D DIRECTORS

SUBJECT: PROCEDURES FOR THE 2003 DATA RELIABILITY AUDIT

The purpose of this letter is to communicate the Department of Child Support Services (DCSS) expectations of local child support agencies (LCSAs) during the federal fiscal year (FFY) 2003 Data Reliability Audit (DRA) and to update you on the federal audit process. These same procedures were used in DRA 2002 and proved to be effective in responding to the auditors' inquiries and in resolving specific findings. As you are aware, the DRA necessitates the highest level of attention because of the monetary impact that failing the audit can have upon the state.

This year, the Office of Child Support Enforcement (OCSE) has developed "Preliminary federal DRA Policy Changes". Although preliminary, this new policy provides further incentive for states to succeed in passing these audits. Following are the two possible scenarios:

SCENARIO 1: Beginning with the FFY 2003 period, an on-site audit will not be conducted for a state that has:

- Passed the DRA for the last three years
- No marginal performance standards for the last two years, and
- Passed all performance standards for the current year

The state is then excused for two years from an on-site audit, but will submit audit trails which will be desk reviewed.

SCENARIO 2: Beginning with the FFY 2003 period, an on-site audit will not be conducted for a state that has:

- Passed the DRA for the last two years
- No marginal performance standards for the last year, and
- Passed all performance standards for the current year

The state is then excused for one year from an on-site audit, but will submit audit trails which will be desk reviewed.

### Overview of Audit Process

The Administration for Children and Families (ACF), OCSE, Office of Audits will conduct an entrance conference with DCSS on January 28, 2004. The actual DRA 2003 audit will occur February through April 2004. Based on past experience, DCSS expects that the federal auditors will draw a sample of cases from the statewide universe of all cases provided by LCSAs with their submission of the CS 157. In DRA 2002, a total of 321 cases representing 31 LCSAs were selected randomly from the statewide universe. Of these 321 cases, 182 were determined to be open cases during the audit period, and were therefore reviewed on lines 1, 2, 24, 25, 28 and 29 of the OCSE 157 form. Different samples of cases are used to audit the Paternity Establishment Percentage (PEP) for lines 8 and 9 of the OCSE 157. In DRA 2002, 50 cases from each of lines 8 and 9 were reviewed. Line 8 data is compiled by the California Department of Health Services (DHS), Office of Vital Records (OVR). Neither DCSS nor the LCSAs compile or maintain line 8 data. The federal auditor contacted the OVR to review line 8 data for DRA 2002 and DCSS expects the same for DRA 2003. In DRA 2002, 3 of the cases reviewed for line 9 were cases in which paternity was established judicially and 11 were cases from the Paternity Opportunity Program (POP) database.

In DRA 2003, lines 5 and 6, addressing the IV-D Paternity Establishment Percentage (PEP), will also be audited even though California elects the statewide PEP measured by lines 8 and 9. However, we will only be held accountable for the PEP measure elected, and the federal government will use the additional audit information to help them develop baselines and identify potential problems in statewide PEP options.

As part of the DRA, the federal auditors make site visits to conduct actual case audits from selected LCSAs and also request case records be submitted via mail from other LCSAs. In DRA 2002, the federal auditors visited six of the 31 LCSAs and requested hard copy documentation from the other 25 LCSAs. We will make contact with those LCSAs selected for audit in DRA 2003, once we are notified by the auditors which LCSAs they intend to visit.

Once the federal auditors have completed site visits, a draft audit report is compiled and issued. Normally, DCSS is given 14 days to provide a response to the draft audit report and our response is incorporated into the final audit report. Additional evidence may be submitted to the federal auditor throughout the audit process and as part of the State's response to the draft audit report. A draft report was not issued for DRA 2002 because California did not have findings on any of the audited lines of the CS 157. The final report was issued June 10, 2003.

### Procedures During the Audit

During the audit process, the auditor will identify "variances", where case data does not match report data and/or federal requirements. All staff involved in DRA 2003 should understand the implications of even a single variance. In DRA 2001, one case made the difference between passing or failing the paternity establishment measure. Moreover, each federal measure equates to \$10 to \$15 million in federal incentive funding, which can be matched by another \$2 Federal Financial Participation (FFP). Therefore, it is important that each case identified as a variance be thoroughly analyzed.

The following procedures were developed for DRA 2002 and should again be followed in DRA 2003. These procedures will apply regardless of whether the LCSA is visited by the auditor or requested to submit hard copy case documentation. These procedures are critical in order for the DCSS Audit Unit to respond to audit findings from a statewide perspective. Due to the complexity and significance of even a single variance, DCSS is requiring LCSA management review and DCSS concurrence in the resolution of all variances.

- During the federal auditor's review, LCSA staff assisting the auditor should provide information to attempt to resolve variances. LCSA staff should inform their management and refer all unresolved variances to DCSS Audit Unit staff.
- When research on a case is necessary to determine whether evidence exists to overturn a finding, the analysis of the evidence must be conducted by LCSA staff, the LCSA Director and DCSS Audit Unit staff. All documentation and/or explanations about a case must be provided to DCSS Audit Unit staff, who will be responsible for compiling and forwarding information to the federal auditor.
- If a variance(s) is identified in your LCSA, daily communication with DCSS Audit Unit staff is imperative while working to resolve the issue.
- Regional Administrators and DCSS Audit Unit staff will participate via conference call in all exit conferences conducted by the federal auditor in each LCSA visited.
- Each LCSA Director and appropriate LCSA management staff must remain actively involved in all aspects of the audit.

**Audit Unit contacts:**

Cindi Pocaroba, (916) 464-5235, [cindi.pocaroba@dcss.ca.gov](mailto:cindi.pocaroba@dcss.ca.gov)

Elizabeth Gonzalez, Supervisor, (916) 464-5048, [elizabeth.gonzalez@dcss.ca.gov](mailto:elizabeth.gonzalez@dcss.ca.gov)

Thank you in advance for your dedication to ensuring that California once again successfully completes the annual federal DRA process. If you have questions or need additional assistance, you may contact the Audit Unit staff or Annette Siler, Chief of the Financial Services Branch at (916) 464-5150.

Sincerely,

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JAN SHERWOOD  
Deputy Director  
Administrative Services Division

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