

**N00H00**  
**Child Support Enforcement**  
**Department of Human Resources**

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$16,677	\$15,999	\$15,599	-\$400	-2.5%
Contingent & Back of Bill Reductions	0	0	-438	-438	
<b>Adjusted General Fund</b>	<b>\$16,677</b>	<b>\$15,999</b>	<b>\$15,161</b>	<b>-\$838</b>	<b>-5.2%</b>
Special Fund	9,769	10,913	12,664	1,751	16.0%
Contingent & Back of Bill Reductions	0	0	-17	-17	
<b>Adjusted Special Fund</b>	<b>\$9,769</b>	<b>\$10,913</b>	<b>\$12,647</b>	<b>\$1,734</b>	<b>15.9%</b>
Federal Fund	59,264	57,700	56,627	-1,073	-1.9%
Contingent & Back of Bill Reductions	0	0	-803	-803	
<b>Adjusted Federal Fund</b>	<b>\$59,264</b>	<b>\$57,700</b>	<b>\$55,824</b>	<b>-\$1,875</b>	<b>-3.3%</b>
<b>Adjusted Grand Total</b>	<b>\$85,711</b>	<b>\$84,611</b>	<b>\$83,632</b>	<b>-\$979</b>	<b>-1.2%</b>

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- There are two proposed fiscal 2010 deficiency appropriations in the Child Support Enforcement Administration (CSEA). One of the proposed deficiency appropriations would withdraw approximately \$2.36 million of Child Support Reinvestment Funds to be used for information technology projects within the Department of Human Resources (DHR) and would recognize federal funds available as a result of the American Recovery and Reinvestment Act of 2009 (ARRA), a net increase of approximately \$1.25 million. The second deficiency appropriation would provide \$505,935 to support paternity establishment efforts through genetic testing.
- The fiscal 2011 allowance of CSEA decreases by \$979,105, or 1.2%, compared to the fiscal 2010 working appropriation after accounting for contingent and Back of the Bill reductions. The fiscal 2011 allowance increases the use of special funds in CSEA by

Note: Numbers may not sum to total due to rounding.

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approximately \$1.7 million, or 15.9%. This increase is more than offset by decreases of \$838,049 in general funds and approximately \$1.88 million in federal funds.

- The major changes in the fiscal 2011 allowance occur among personnel and contractual services.

***Personnel Data***

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	<b><u>FY 09</u></b>	<b><u>FY 10</u></b>	<b><u>FY 11</u></b>	<b><u>FY 10-11</u></b>
	<b><u>Actual</u></b>	<b><u>Working</u></b>	<b><u>Allowance</u></b>	<b><u>Change</u></b>
Regular Positions	730.25	721.50	720.50	-1.00
Contractual FTEs	<u>9.00</u>	<u>0.00</u>	<u>1.00</u>	<u>1.00</u>
<b>Total Personnel</b>	<b>739.25</b>	<b>721.50</b>	<b>721.50</b>	<b>0.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	51.88	7.20%
Positions and Percentage Vacant as of 12/31/09	31.00	4.30%

- One vacant position is abolished in the fiscal 2011 allowance from the Executive Director’s Office. DHR does not anticipate that this will impact the operations of CSEA.
- The fiscal 2011 allowance adds 1.0 full-time equivalent contractual position. This position will be used as a social services attorney to prosecute child support cases and provide legal services, counseling, and representation at the Washington County Department of Social Services.
- The turnover expectancy increases from 5.16 to 7.2% in the fiscal 2011 allowance.
- To meet the turnover expectancy of 7.2%, CSEA would need to have 51.88 positions vacant. As of December 31, 2009, CSEA had 31.0 positions vacant for a vacancy rate of 4.3%. Accounting for the 1.0 position abolished in the fiscal 2011 allowance would leave CSEA with 30.0 vacant positions. At the current level of vacancy, CSEA will not be able to meet its turnover expectancy.

## ***Analysis in Brief***

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### **Major Trends**

***CSEA Continues to Exceed the Federal Goal in Percent of Cases with a Support Order:*** After exceeding the federal performance goal of 80.0% of cases with a support order in federal fiscal 2008, CSEA improved its performance in federal fiscal 2009 to 81.3% and again exceeded the federal performance goal.

***Performance in Percent of Cases with Paternity Established Nears Federal Goal:*** In federal fiscal 2009, CSEA's performance in the area of percent of cases with paternity established increased by 2.3 percentage points to 89.1%. As a result of this improvement, CSEA is less than one percentage point from reaching the federal performance goal for this measure of 90.0%.

***Despite Improvements, CSEA Performance Remains Well Below the Federal Goal in Two Measures:*** While CSEA performance in both the percent of current child support paid and the percent of cases with arrears for which a payment is received has increased from federal fiscal 2007-2009, the performance in these areas remains well below the federal performance goals of 80%.

### **Issues**

***Privatization of Child Support Services:*** The Child Support Enforcement Privatization Pilot Project within DHR began as a result of Chapter 491 of 1995. The privatized sites were Baltimore City and Queen Anne's County. The privatization project was reauthorized several times through legislation with the most reauthorization expiring on September 30, 2009. House Bill 1448, which would have continued privatization in Baltimore City, failed in the 2009 session. However, DHR intends to continue to operate Baltimore City child support operations under a privatization contract while Queen Anne's County child support operations will return to State operations.

***Evaluation of Demonstration Site Incentive Payments:*** As required in statute, by fiscal 2009 all nonprivatized child support operations functioned as demonstration sites. As demonstration sites, employees were afforded the opportunity to receive bonuses based on the collective performance of the jurisdiction in four measures compared to the jurisdiction goals. From fiscal 2004 through 2009, approximately \$2.5 million was paid in employee bonuses to local child support offices through this program. While the demonstration site program is no longer authorized in statute, committee narrative in the 2009 *Joint Chairmen's Report* requested CSEA evaluate the effectiveness of the bonus program. No report has been submitted in response to this request.

***Annual Fee Shortfall:*** Beginning October 1, 2007, CSEA began collections of the \$25 annual fee for child support imposed by the federal Deficit Reduction Act of 2005. Effective October 1, 2008, Chapter 162 of 2008 changed the eligibility for fee collections. As a result of this change, a shortfall

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in collections of \$341,147 occurred in fiscal 2009 because the federal funds received by CSEA were reduced by more than the revenue generated by the fee. In fiscal 2009, CSEA was able to make up for this shortfall as a result of federal funds available through the ARRA. While shortfalls can be expected to continue as a result of the fee structure, the funding available through the ARRA will not be available to the same extent in fiscal 2011.

**Recommended Actions**

	<u><b>Funds</b></u>
1. Add budget bill language to restrict the appropriation for Queen Anne’s County child support operations until the transition plan is submitted.	
2. Reduce funding for the child support privatization contract.	\$204,168
3. Reduce the special fund portion of the deficiency appropriation to more accurately reflect anticipated expenditures.	76,008
<b>Total Reductions to Fiscal 2010 Deficiency Appropriation</b>	<b>\$76,008</b>
<b>Total Reductions to Allowance</b>	<b>\$204,168</b>

**Updates**

*Child Support Enforcement Administration Audit:* In October 2008, the Office of Legislative Audits released a fiscal compliance audit for CSEA covering the period March 10, 2004, to August 31, 2007. The audit contained 15 findings, 9 of which were repeated from the audit dated May 17, 2005. CSEA indicates it has made progress on corrective actions for all findings included in the audit and that it has completed corrective actions for 6 findings. Corrective actions for the remaining findings are ongoing.

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**Department of Human Resources**

***Operating Budget Analysis***

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**Program Description**

The Child Support Enforcement Agency (CSEA) administers and monitors child support services provided by local departments of social services and other agencies, provides technical assistance, formulates policy, develops and implements new programs, and ensures compliance with regulations and policy. CSEA also operates several centralized programs including:

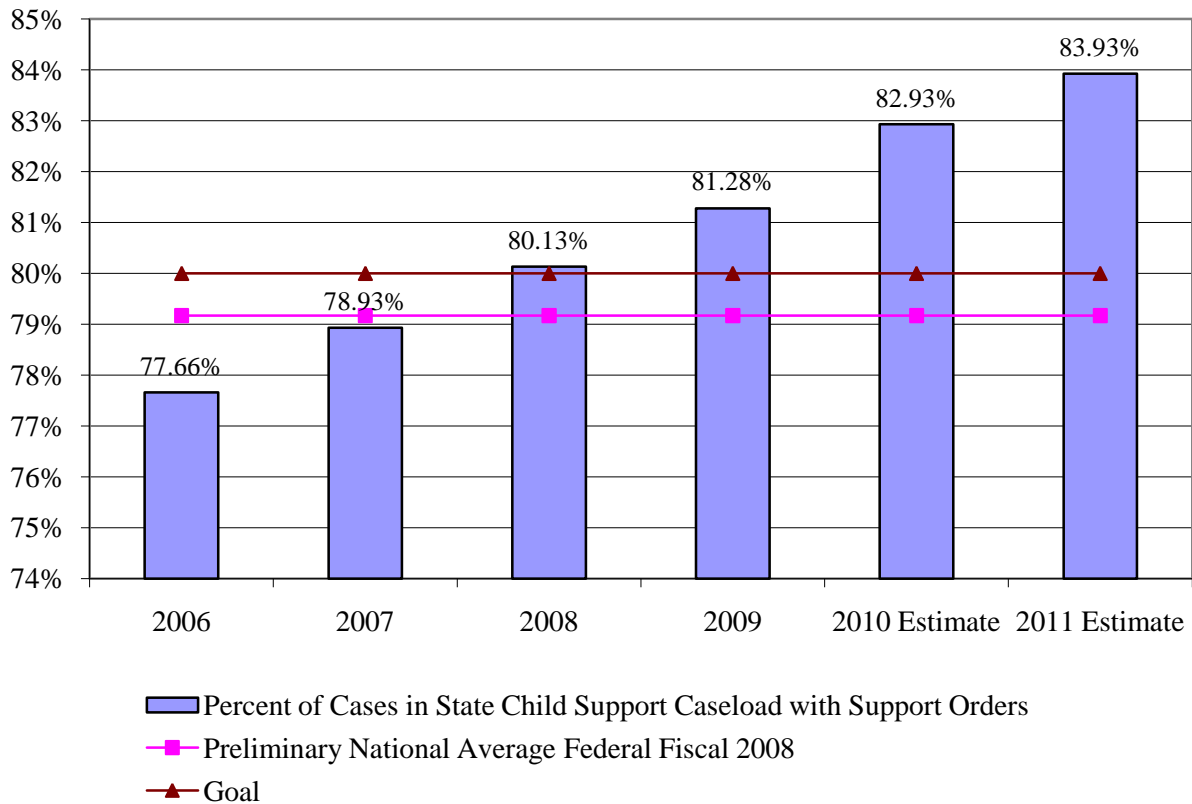
- locating noncustodial parents;
- establishing paternity;
- enforcing support orders;
- collecting and disbursing payments; and
- processing interstate cases.

The key goal of CSEA is to enable, encourage, and enforce parental responsibility.

**Performance Analysis: Managing for Results**

As shown in **Exhibit 1**, in federal fiscal 2008 and 2009, CSEA exceeded the federal performance goal in the percent of cases with a support order. CSEA also exceeded the preliminary national average for federal fiscal 2008 for this measure. CSEA attributes the improved performance in federal fiscal 2009 to improved processes related to the scheduling of appointments with custodial parents and movement to close cases that are not moving forward or to sanction Temporary Cash Assistance (TCA) cases for noncompliance.

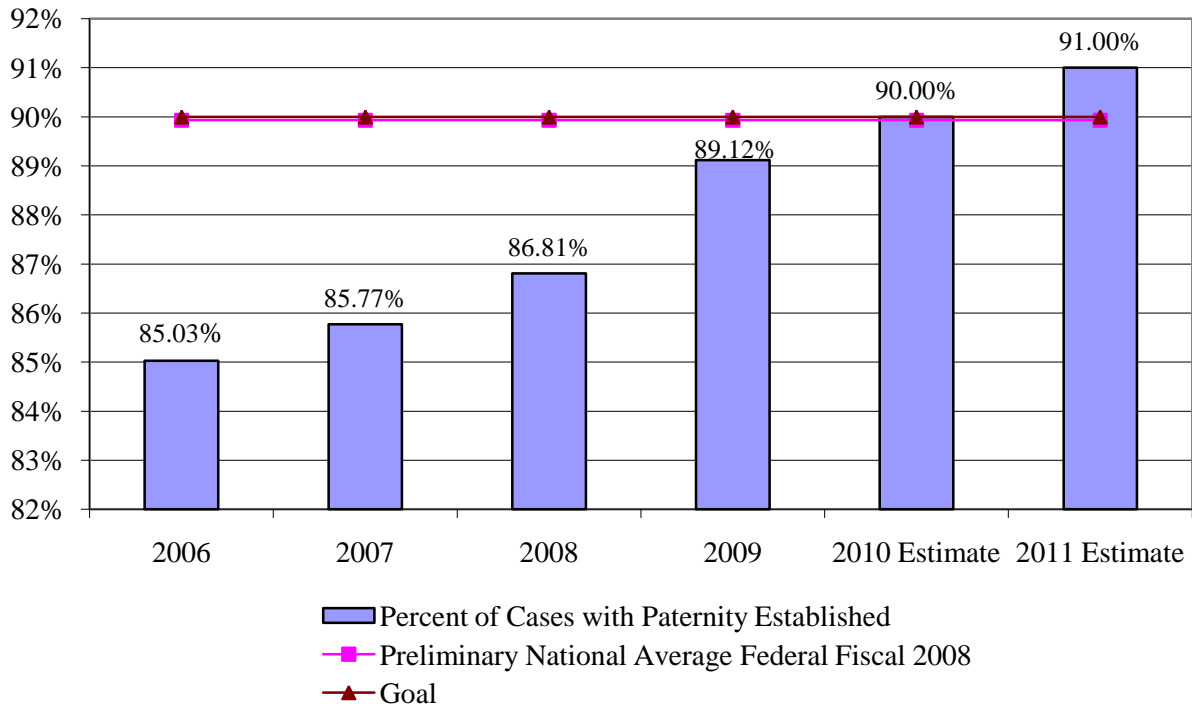
**Exhibit 1**  
**Child Support Caseload Under Order**  
**Federal Fiscal 2006-2011**



Source: Department of Human Resources; Governor’s Budget Books

As shown in **Exhibit 2**, in federal fiscal 2009, CSEA’s performance in the percent of cases with paternity established increased by 2.3 percentage points compared to federal fiscal 2008. At this level, CSEA’s performance was less than one percentage point below the federal performance goals and the federal fiscal 2008 preliminary national average. CSEA anticipates meeting the federal performance goal in federal fiscal 2010. CSEA attributes the improvement in this area to reports that enable the local offices to identify and close cases that are not likely to lead to a support order or paternity establishment.

**Exhibit 2**  
**Child Support Caseload with Paternity Established**  
**Federal Fiscal 2006-2011**

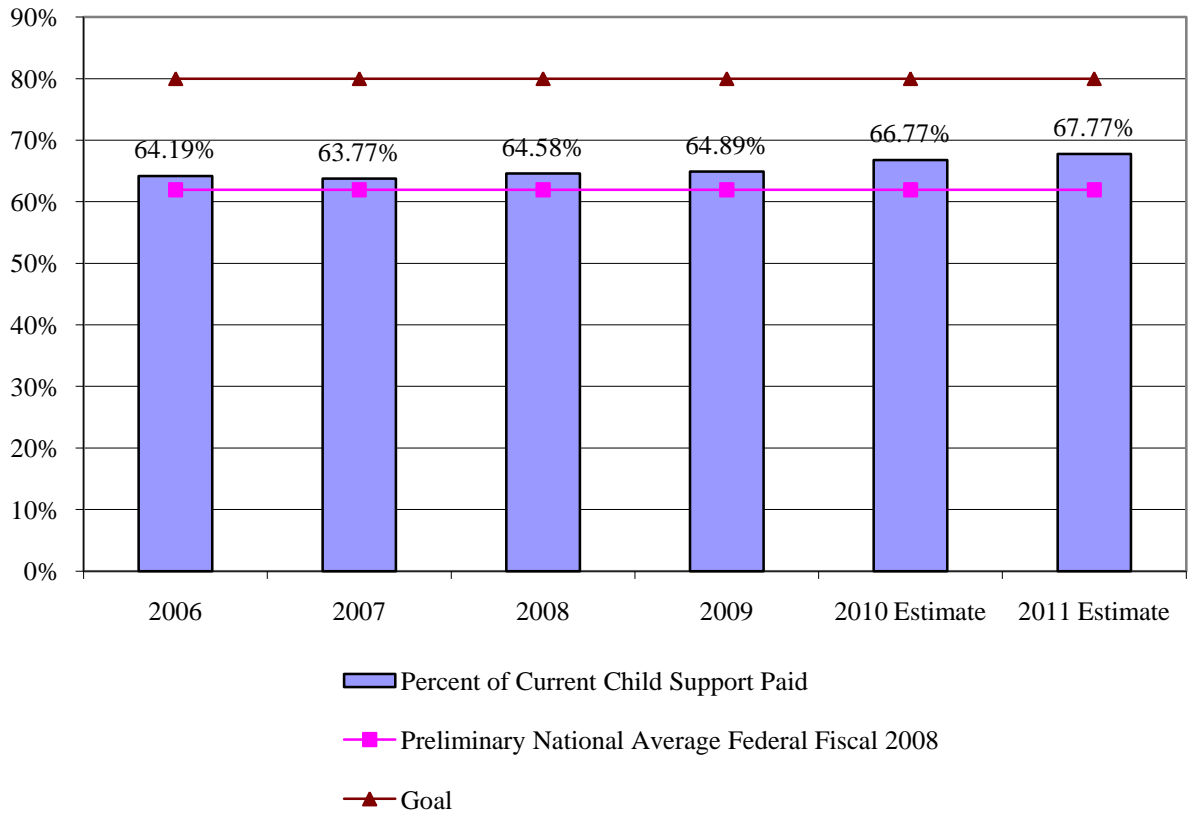


Note: There are two options for measuring performance in the area of paternity establishment for federal incentive payments, percent of the State child support caseload with paternity established and percent statewide with paternity established. In the Managing for Results submission, the Department of Human Resources reports on the percent of the State child support caseload with paternity established, which is not the measurement used for its incentive payment determination.

Source: Department of Human Resources; Governor’s Budget Books

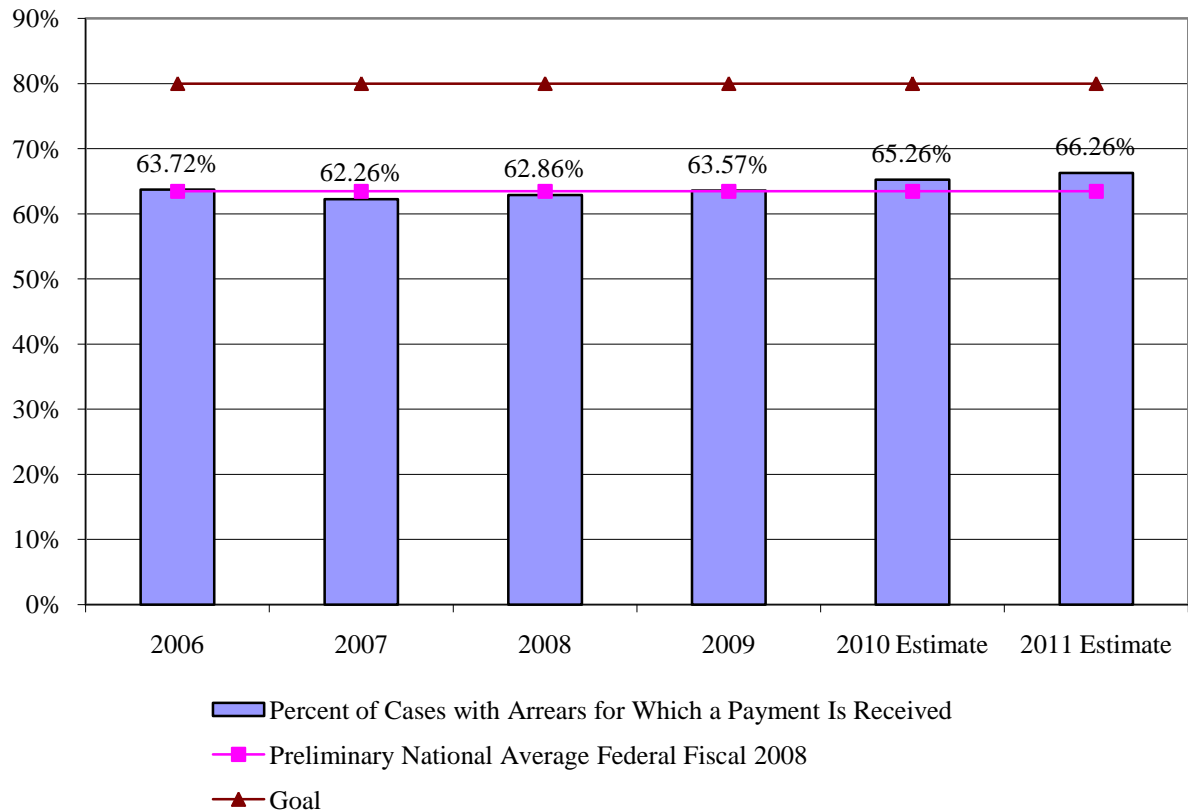
As shown in **Exhibit 3** and **Exhibit 4**, despite modest improvements in the performance of CSEA in the percent of current support paid and percent of cases with arrears for which a payment is received from federal fiscal 2007-2009, CSEA’s performance in both measures is more than 15 percentage points below the federal performance goals of 80% in federal fiscal 2009. While CSEA expects to continue to improve in each of these measures, the agency’s performance is expected to remain below the federal performance goals through federal fiscal 2011. However, in federal fiscal 2009, the performance of CSEA in both of these measures exceeded the preliminary national averages for federal fiscal 2008. **The department should comment on actions it intends to take to continue to improve performance in these areas and to move toward the federal performance goals.**

**Exhibit 3**  
**Current Child Support Paid**  
**Federal Fiscal 2006-2011**



Source: Department of Human Resources; Governor's Budget Books

**Exhibit 4  
Cases with Arrears for Which a Payment Is Received  
Federal Fiscal 2006-2011**

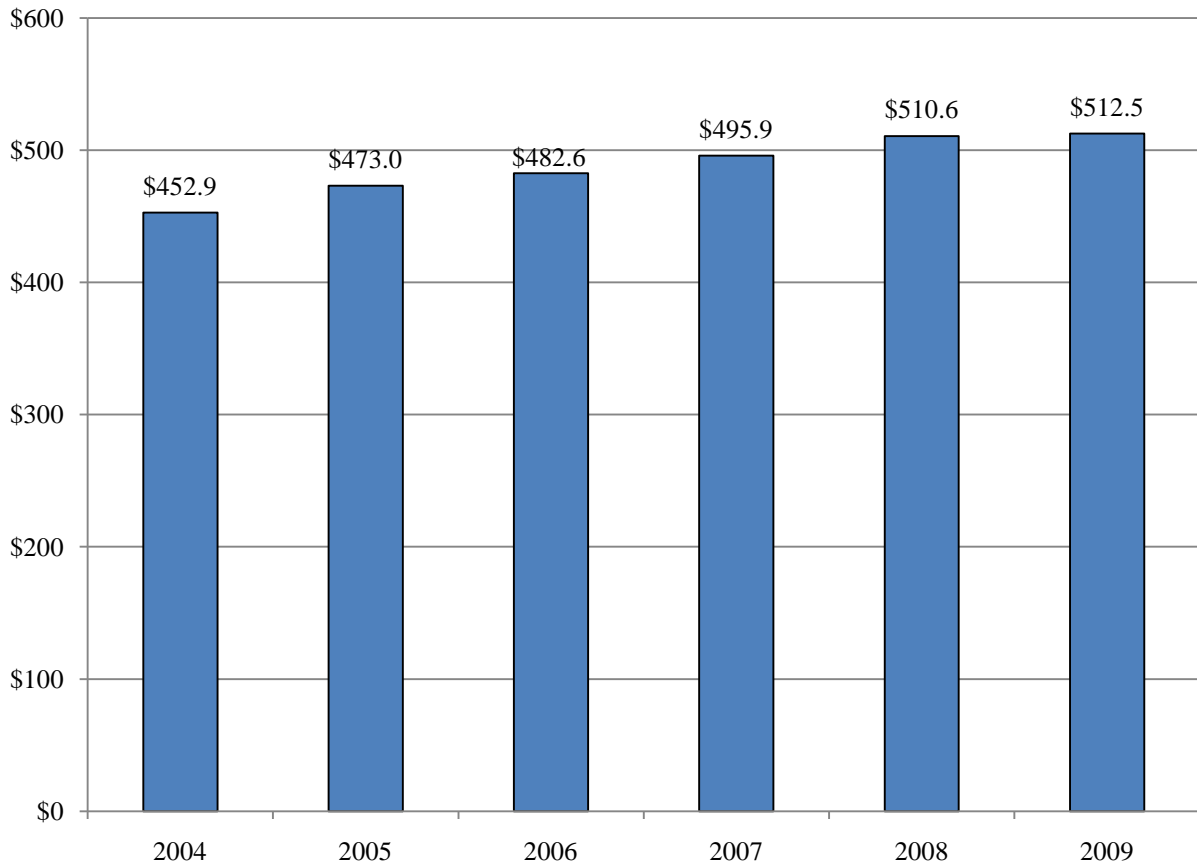


Source: Department of Human Resources; Governor’s Budget Books

In March 2009, the Office of Legislative Audits (OLA) released an audit report of the Managing for Results (MFR) Performance Measures for the 13 MFR measures included in the Public Safety and Safer Neighborhoods section of the *Managing for Results – State Comprehensive Plan*. One of these 13 measures was the percent of current support paid. This measure was 1 of 2 measures included in the audit by OLA that was certified, meaning the reported performance was reasonably accurate.

Similar to the upward trends in the other areas of performance measurement, CSEA’s total collections has improved in recent years. As shown in **Exhibit 5**, CSEA’s total collections have increased by nearly \$60.0 million between federal fiscal 2004 and 2009 to approximately \$512.5 million.

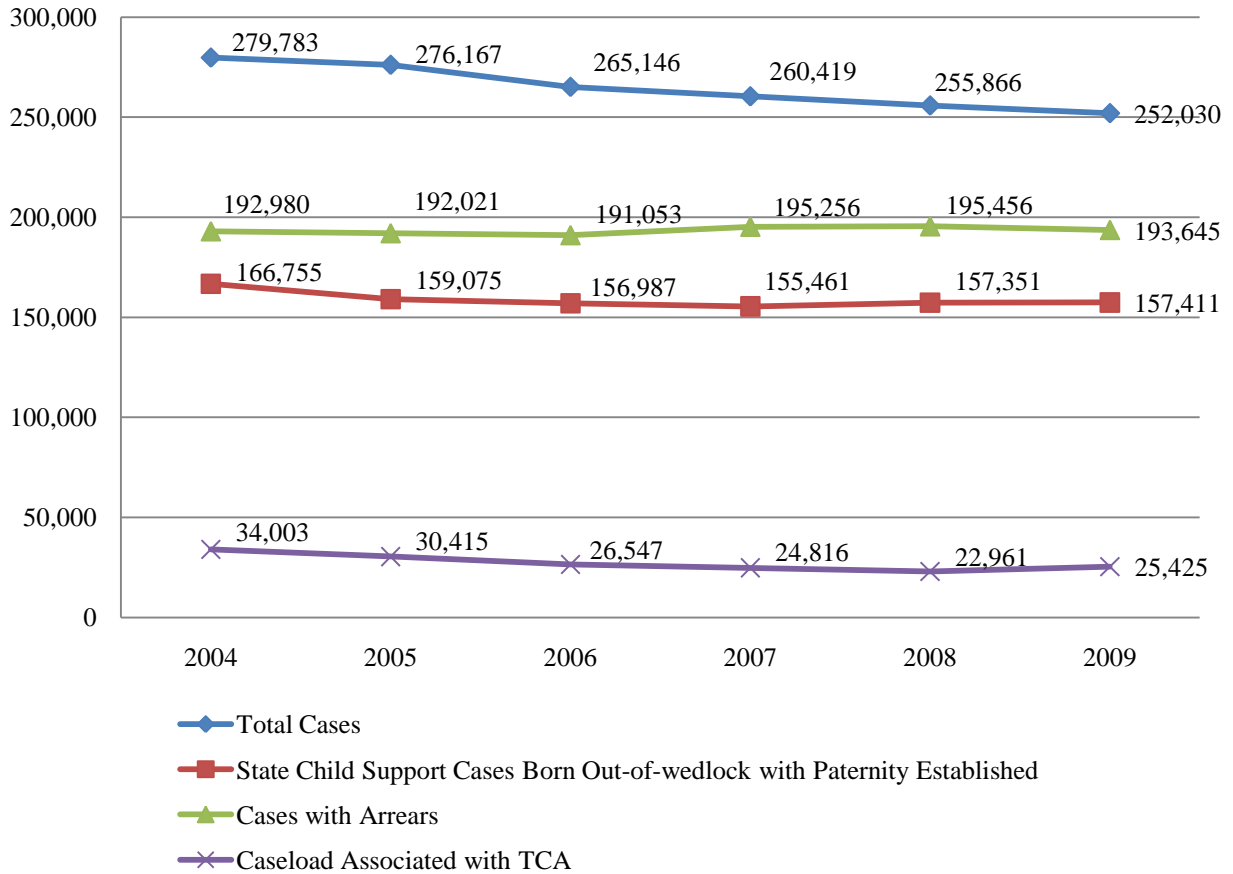
**Exhibit 5**  
**Total Collections**  
**Federal Fiscal 2004-2009**  
**(\$ in Millions)**



Source: Department of Human Resources

The increase in total collections has occurred despite a decrease in the child support caseload from federal fiscal 2004-2009. As shown in **Exhibit 6**, the State child support caseload decreased by 9.9% from 279,783 cases in federal fiscal 2004 to 252,030 in federal fiscal 2009. Despite the decrease in the overall size of the child support caseload, the number of cases with arrearages and number of cases in the State child support caseload born out of wedlock that have had paternity established have fluctuated within relatively small ranges. After recent decreases in the number of cases associated with TCA, the number of cases increased between federal fiscal 2008 and 2009.

**Exhibit 6**  
**State Child Support Caseload**  
**Federal Fiscal 2004-2009**

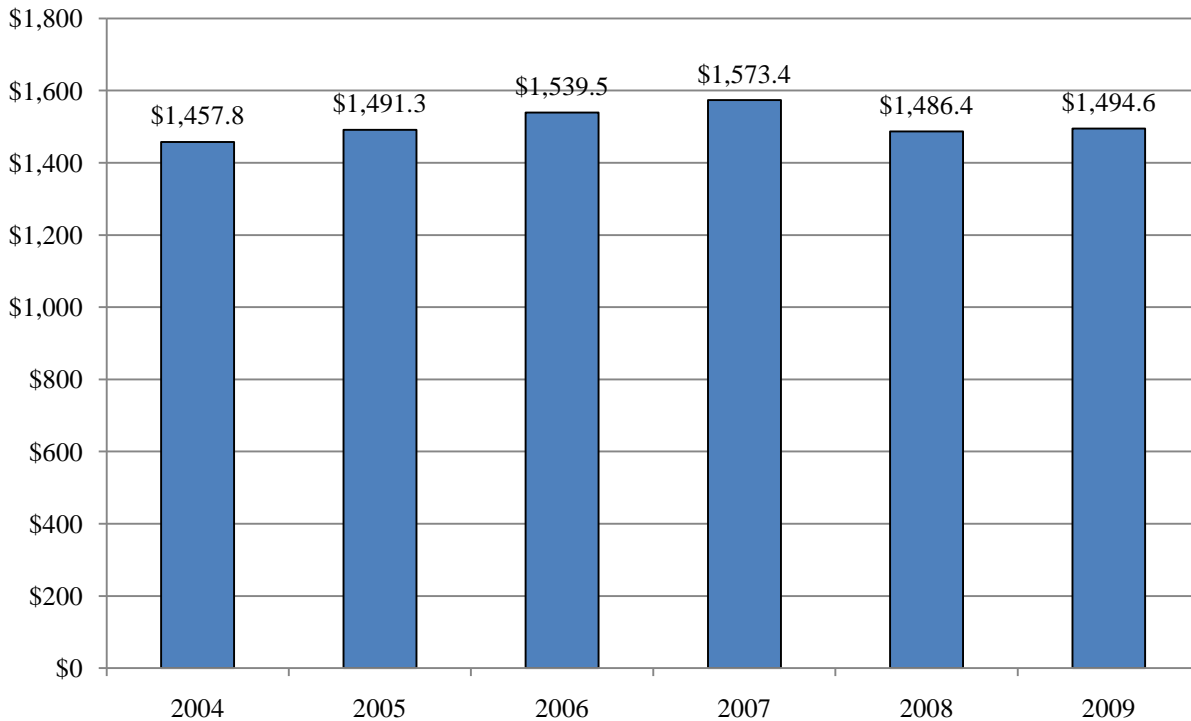


TCA: Temporary Cash Assistance

Source: Department of Human Resources; Governor’s Budget Books

As shown in **Exhibit 7**, the cumulative arrearages as of the end of the federal fiscal year decreased by 5.5% between federal fiscal 2007 and 2008, approximately \$87.0 million. This decrease resulted from a change in federal policy which led to the exclusion of certain interstate cases. Following this decrease, the cumulative arrearages increased between the end of federal fiscal 2008 and 2009. The cumulative arrearages as of the last day of federal fiscal 2009 were approximately \$1.49 billion.

**Exhibit 7**  
**Cumulative Arrearages**  
**Federal Fiscal 2004-2009**  
**(\$ in Millions)**



Source: Department of Human Resources

**Fiscal 2010 Actions**

**Proposed Deficiency**

There are two proposed fiscal 2010 deficiency appropriations for CSEA. A deficiency appropriation of \$505,935 would provide additional funding for laboratory services to support paternity establishment efforts. These additional funds are required because genetic testing is now typically required even with voluntary acknowledgments of paternity. This proposed deficiency would provide \$248,027 in special funds and \$257,908 in federal funds; however, the Department of Human Resources (DHR) advises that fewer special funds will be required and more federal funds available for these services. The special funds are available from the Child Support Reinvestment Fund and the federal funds available as a result of the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA temporarily reinstates the ability of the State to match Child Support Reinvestment Funds with federal funds.

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The second proposed deficiency appropriation would provide a net increase to contractual services in CSEA of approximately \$1.25 million. This proposed deficiency appropriation would withdraw approximately \$2.36 million in special funds to instead be used for information technology (IT) projects in DHR, including four enhancements to the Child Support Enforcement System (CSES), and for part of the funding for consultant services to develop a document imaging system.

This deficiency appropriation also recognizes additional federal funds available as a result of the ARRA, approximately \$3.61 million, to be used for contractual services. The federal funds brought in through this deficiency appropriation are expected to be used to support those contracts which are currently supported in the fiscal 2010 appropriation with only Child Support Reinvestment Funds.

### **Impact of Cost Containment**

The fiscal 2010 appropriation for CSEA has decreased by approximately \$2.4 million as a result of cost containment actions approved by the Board of Public Works (BPW) on August 26 and November 18, 2009. These reductions occur primarily in general funds (approximately \$1.8 million) with the remaining reductions occurring in federal funds (\$605,392) and special funds (\$7,906). Approximately half of these reductions (approximately \$1.2 million) occur as the result of anticipated savings from maintaining vacancies.

An additional reduction of \$786,623 is part of a planned fund swap with Child Support Reinvestment Funds. The special fund portion of the fund swap has not yet been brought into the fiscal 2010 budget of CSEA through either budget amendment or deficiency appropriation.

The remaining decrease of \$444,251 is the result of savings associated with the furlough plan. While the general fund and special fund appropriations have been reduced to reflect the savings from the furlough plan, the federal fund appropriation has not yet been reduced; as a result, additional reductions are possible.

### **Federal Stimulus Fund**

DHR anticipates that in fiscal 2010, approximately \$15.3 million of federal funds will be available to DHR as a result of the ARRA. Areas in which these funds can be expected to be used include personnel, training, IT, and contractual services. Some of this additional federal fund appropriation is recognized through two proposed deficiency appropriations in CSEA noted above and two proposed deficiency appropriations in DHR Administration that will benefit CSEA operations. The rest of this funding can be expected to be recognized during the fiscal 2010 closeout process.

The two proposed fiscal 2010 deficiency appropriations in DHR Administration would provide funding available through the child support provision of the ARRA in support of CSES and the development of a document imaging system. DHR intends to implement four enhancements to

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CSES at an anticipated cost of approximately \$6.8 million (approximately \$4.5 million in federal funds). The planned enhancements are:

- phase two of the medical support enhancement focusing on sending, tracking, and receiving medical support information from the noncustodial parent's employer;
- futures payments processing enhancement intended to improve the future payment distribution process and limit the funds held in the futures payment account;
- unclaimed and abandoned property enhancement will create electronic processes necessary to identify funds received as unclaimed/abandoned and forward those funds to the Comptroller's Office; and
- modifications to allow for the transition to a new banking institution.

The development of the document imaging system is only partially supported through the child support provision of the ARRA (\$90,750 of \$550,000). This system when implemented will be used for multiple administrations of DHR, including child support.

In total, the proposed fiscal 2010 deficiency appropriations provide CSEA and DHR approximately \$8.46 million of federal funds available as a result of the child support provision of the ARRA to DHR.

## **Proposed Budget**

As shown in **Exhibit 8**, the fiscal 2011 allowance decreases by \$979,105, or 1.2%, compared to the fiscal 2010 working appropriation after accounting for contingent and Back of the Bill reductions. This decrease is the result of decreases among general, \$838,049, and federal funds, approximately \$1.88 million. These decreases are partially offset by an increase of approximately \$1.73 million, or 15.9%, in special funds.

The fiscal 2011 budget reflects several across-the-board actions to be allocated by the Administration. This includes a combination of employee furloughs and government shut-down days similar to the plan adopted in fiscal 2010; a reduction in overtime based on accident leave management; streamlining of State operations; hiring freeze and attrition savings; a change in the injured workers' settlement policy and administrative costs; and a savings in health insurance to reflect a balance in that account. For purposes of illustration, the Department of Legislative Services (DLS) has estimated the distribution of selected actions relating to employee furloughs, health insurance, and the Injured Workers' Insurance Fund cost savings.

**Exhibit 8**  
**Proposed Budget**  
**DHR – Child Support Enforcement**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Total</u></b>
2010 Working Appropriation	\$15,999	\$10,913	\$57,700	\$84,611
2011 Allowance	<u>15,599</u>	<u>12,664</u>	<u>56,627</u>	<u>84,890</u>
Amount Change	-\$400	\$1,751	-\$1,073	\$278
Percent Change	-2.5%	16.0%	-1.9%	0.3%
Contingent Reductions	-\$438	-\$17	-\$803	-\$1,257
Adjusted Change	-\$838	\$1,734	-\$1,875	-\$979
Adjusted Percent Change	-5.2%	15.9%	-3.3%	-1.2%

**Where It Goes:**

**Personnel Expenses**

Increases in regular earnings primarily related to fiscal 2010 cost containment actions partially offset by estimated Section 18 reductions for the furlough plan.....	\$1,245
Workers' compensation premium assessment partially offset by estimated Section 21 and 23 reductions .....	414
Employee retirement .....	396
Employee and retiree health insurance partially offset by estimated Section 19 reductions	265
Reclassification .....	92
Abolition of 1 regular position .....	-\$75
Increase in turnover from 5.16 to 7.2% .....	-880
Other fringe benefit adjustments .....	8

**Contractual Services**

Legal services in Howard County .....	19
Courier and shredding services in Baltimore County .....	-11
Banking fees in local offices .....	-19
Security guard services in Anne Arundel County .....	-26
Laboratory services for paternity establishment efforts .....	-48
Child support privatization contract due to not including Queen Anne's County .....	-98

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**Contractual Services (cont.)**

Reinvestment funds available for local child support offices and cooperative reimbursement agencies .....	-107
End of Erasing Borders Project in Prince George's County .....	-216

**Administrative Expenses**

New FTE contractual position in Washington County for an attorney to prosecute child support cases and provide other legal services.....	36
Increase in rent paid to DGS partially offset by non-DGS rent .....	15
Elimination of funding for stipends and tuition .....	-13
Elimination of funding for travel to conferences .....	-66
Unallocated reduction .....	-1,901
Other changes.....	-11

**Total** **-\$979**

DGS: Department of General Services

FTE: full-time equivalent

Note: Numbers may not sum to total due to rounding.

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**Impact of Cost Containment**

The fiscal 2011 allowance of CSEA contains several reductions attributed to departmentwide cost containment actions. The fiscal 2011 allowance includes a reduction of \$65,839 as part of the elimination of travel to both in-state and out-of-state conferences. A reduction of \$12,907 is the result of the elimination of stipends and tuition in CSEA.

In addition, one position, in the Executive Director’s Office, is abolished in the fiscal 2011 allowance, a decrease of \$75,085. DHR does not expect any impact for this reduction.

As in the other administrations of DHR, CSEA’s fiscal 2011 allowance contains an unallocated reduction in the area of salaries, wages, and fringe benefits. In CSEA, the total for the unallocated reduction is approximately \$1.9 million, with \$624,870 in general funds. In the DHR Overview, DLS recommended budget bill language requiring DHR submit a plan to the Department of Budget and Management allocating the reduction by objects, programs, and subprograms where the reductions will occur.

**Fund Source Change**

The fiscal 2011 allowance of CSEA includes approximately \$12.65 million in special funds, after accounting for contingent and Back of the Bill reductions. This level of special funds support is higher than both the fiscal 2010 working appropriation and recent year actual spending. The primary

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driver in the fiscal 2011 allowance is increased use of Child Support Reinvestment Fund compared to fiscal 2010. However, other changes in special fund use impact comparisons to prior year actual expenditures.

The fiscal 2010 working appropriation of CSEA, not including deficiency appropriations, includes approximately \$10.91 million of special funds. Including adjustments to reflect a fund swap occurring as a result of cost containment actions approved by BPW in August 2009 and the proposed deficiency appropriations, the special fund support of CSEA would be approximately \$9.58 million.

The recent actual special fund expenditures of CSEA were:

- \$9.77 million in fiscal 2009;
- \$11.52 million in fiscal 2008;
- \$7.39 million in fiscal 2007;
- \$8.07 million in fiscal 2006; and
- \$7.02 million in fiscal 2005.

For fiscal 2009 through the first quarter of fiscal 2011, a higher level of special fund usage may be expected from Child Support Reinvestment Funds to allow the State to fully capture the benefits of the child support provision in the ARRA. However, for the final three quarters of fiscal 2011, the State will no longer be able to match the Child Support Reinvestment Funds with additional federal dollars, which means that more Child Support Reinvestment Funds are required to support the same type of activity than would have been required in fiscal 2009 and 2010.

DHR anticipates that the balance of the Child Support Reinvestment Fund will decrease to \$290,846 at the close of fiscal 2011, from approximately \$1.99 million at the close of fiscal 2010. While DHR anticipates receiving additional money into this fund each year, a smaller balance at the close of one fiscal year would generally limit the amount of funds that can be used in the following fiscal year. In addition, Section 28 of the Budget Reconciliation and Financing Act (BRFA) of 2010 would authorize the transfer of interest from special fund accounts to the general fund in fiscal 2010 and 2011. This can be expected to reduce the funding available in special fund accounts, including the Child Support Reinvestment Fund, in fiscal 2011 and 2012.

**DHR should comment on whether special funds, in particular Child Support Reinvestment Funds, will continue to be available to support child support enforcement activities at the same level in fiscal 2012 as planned for fiscal 2011.**

## **Queen Anne’s County**

The fiscal 2011 allowance recognizes funding for Queen Anne’s County child support operations separately from the privatization contract that has supported these operations in recent years. The fiscal 2011 allowance includes \$302,301 for Queen Anne’s County child support operations primarily in personnel (\$289,120), to support positions that were transferred to Queen Anne’s County child support operations during fiscal 2010. This is discussed more fully in Issue 1 of this analysis.

## **Contractual Services**

The fiscal 2011 allowance contains approximately \$34.8 million for contractual services, a decrease of \$616,647 compared to the fiscal 2010 working appropriation, not including the proposed deficiency appropriations. Although the fiscal 2011 allowance of general funds for contractual services shows as a negative \$660,722, the fiscal 2011 special and federal fund allowance for contractual services will provide sufficient appropriation for contractual services. This assumes, however, that CSEA will make the contract expenditures in the first quarter of fiscal 2011 prior to the end of the child support provision in ARRA. Absent this assumption, CSEA will not be able to receive federal matching funds for these expenditures. However, due to the unallocated general fund reduction, CSEA will have to reduce general fund spending in other areas to meet the total fiscal 2011 allowance. **DHR should comment on the areas it expects to reduce as a result of this unallocated reduction.**

A decrease of \$215,873 results from the end of the Erasing Borders project in Prince George’s County. This project focused on barriers found in interjurisdictional child support cases with a goal to expedite registration and enforcement functions needed for management of interjurisdictional cases. The project involved collaboration between Prince George’s County and the District of Columbia. This project was ongoing in fiscal 2008, 2009, and 2010.

The child support privatization contract decreases by \$98,133 in anticipation of decreased costs for this contract because Queen Anne’s County will not be included in the planned new privatization contract. DHR intends for the new child support privatization contract for Baltimore City operations only to begin October 1, 2010.

Funding for laboratory services decrease by \$47,577 in the fiscal 2011 allowance compared to the fiscal 2010 working appropriation. These services are used for genetic tests in paternity establishment efforts. A proposed fiscal 2010 deficiency appropriation includes \$505,935 for these services. If approved, the fiscal 2011 allowance for laboratory services would be \$553,512 lower than in fiscal 2010. However, the increased need for laboratory services to verify paternity in fiscal 2010 could be expected to continue in fiscal 2011. **DHR should comment on whether the funding in the fiscal 2011 allowance for these services is adequate to support paternity establishment efforts.**

## **Federal Stimulus Fund**

The fiscal 2011 allowance contains approximately \$2.84 million of federal funds as a result of the child support provision in the ARRA. The ability to match the Child Support Reinvestment Funds with federal funds does not expire until the end of federal fiscal 2010, which allows this match to continue for one quarter in State fiscal 2011. DHR anticipates using the majority of these funds for contractual services (approximately \$2.79 million) including the call center, new hire registry, research and technical assistance, financial institution data match, and privatization. The remaining funding is expected to be used for supplies and travel.

## ***Issues***

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### **1. Privatization of Child Support Services**

Child support operations in Baltimore City and Queen Anne’s County have operated under privatization contracts for more than a decade. The Child Support Enforcement Privatization Pilot Project was first authorized by Chapter 491 of 1995. This pilot project was reauthorized several times through legislation. The most recent authorization, Chapters 312 and 392 of 2003, expired on September 30, 2009, after legislation during the 2009 session (House Bill 1448) failed to pass out of both houses. The current privatization contract extends through March 2010.

During June 2009, DHR issued a request for proposals (RFP) for a cost benefit analysis of privatized child support operations in Baltimore City and Queen Anne’s County. The report was submitted to DHR in September 2009.

#### **Costs of Privatization and State-operated Child Support**

Over the seven-year period examined, fiscal 2010-2016, the analysis found it would be less expensive for Baltimore City child support operations to remain privatized. However, the analysis discovered that in some of the early years, fiscal 2011 and 2012, State operations would be less costly. In addition, the analysis determined that at a payment of less than 12.03% of collections, on average over a seven-year period, child support operations would be less costly to remain privatized than to return to State operations.

However, for Queen Anne’s County, the analysis determined that the cost of returning the child support operations to the State was less expensive than remaining privatized. The difference in the cost over the total period examined was relatively small, approximately \$100,000. The analysis also found that a payment of less than 9.01% of collections, on average over a seven-year period than it would be less costly to continue operating through a privatized office rather than returning to State operations.

#### **Benefits of Privatization and State-operated Child Support**

The benefits of privatization and State operations of child support were described qualitatively but were not calculated quantitatively.

In Baltimore City, during federal fiscal 2004-2008, the current contractor exceeded the contract goal in cost effectiveness, collections, paternity establishment, and support order establishment in each year. The contract goal for current support paid was exceeded for all years examined except federal fiscal 2007. However, the contract goal was not exceeded in any year examined for the percent of cases paying on arrears.

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In each of the years examined, the privatization contractor exceeded the contract goal for three areas in Queen Anne’s County: collections, paternity establishment, and support order establishment. However, the privatization contractor fell below the contract goal for cost effectiveness in all years except federal fiscal 2008 and in all years for the percent of cases paying on arrears and current support paid.

Other potential benefits and areas of concern related to privatization and a return to State operations were developed through a survey of State employees in the Baltimore City child support operations and discussions with the current contractor, Policy Studies, Inc. (PSI). The survey of State employees in Baltimore City child support operations identified several areas of concern over the use of privatization and potential advantages of State operations including communication (between employees and between the Baltimore City office and other child support offices), staffing and training, work environment, quality of service, focus of the organization, economic, and knowledge of laws and regulations. However, the survey also revealed some advantages of privatized operation including the use of technology, flexibility, and use of best practices.

PSI also highlighted its use of technology, including creation of imaged files, use of a workflow management tool, and a pilot of a paperless application. In addition, PSI explained that during the company’s tenure as the contractor it established partnerships with 23 community-based organizations, opened community-based child support centers, implemented a noncustodial parent employment program, and implemented an incarcerated noncustodial parent program.

### **Cost Benefit Analysis Recommendations**

The analysis recommended that Baltimore City child support operations remain privatized. However, the contractor recommended certain actions to improve the child support operations if the operations remain privatized including:

- altering the goals and incentives of the contractor to encourage better performance toward the goal in the area of cases paying on arrears;
- providing possibilities for career advancement for the State employees;
- developing methods of improving morale for State employees by both CSEA and the contractor; and
- developing a feeling of partnership between the contractor and State employees.

However, the contractor recommended that Queen Anne’s County child support operation be returned to the State, unless the payments are expected to be below a certain level.

## **Next Steps**

DHR indicates that it intends to continue with the privatization of child support services in Baltimore City. The current privatization contract option expires March 31, 2010. As a result, DHR intends to extend the current privatization contract for both Baltimore City and Queen Anne's County for an additional six-month period, ending September 30, 2010, to allow time for the procurement process for a new contract to be completed. DHR expects this extension will appear before the BPW in late February 2010.

The RFP for a new privatization contract is in the final stages of development. DHR anticipates the new contract will be in place by October 1, 2010. The fiscal 2011 allowance includes approximately \$10.6 million to support the privatization contract, a decrease of \$98,133 compared to fiscal 2010.

DHR plans to transition Queen Anne's County child support operations back to State operations following the six-month extension period of the current contract. DHR indicates that the Queen Anne's County Office of Child Support will be returned to full control of the Queen Anne's County Department of Social Services on October 1, 2010.

CSEA has already allocated five vacant positions for Queen Anne's County child support operations. Four of these positions were transferred from positions available in other local child support offices as of July 1, 2009. The fifth position was transferred from the central office effective November 20, 2009. DHR indicates it plans to start the recruitment process in April 2010 for these positions. DHR anticipates approximately \$102,000 of transition costs for Queen Anne's County during fiscal 2010. The fiscal 2011 allowance includes \$302,301 for Queen Anne's county child support operations.

The 2009 *Joint Chairmen's Report* (JCR) requested DHR provide a copy of the transition plan for Queen Anne's County to the budget committees by October 1, 2009. In November 2009, the budget committees received a letter requesting an extension to December 30, 2009, for the submission of this transition plan to provide time to complete the transition plan following the completion of the cost benefit analysis. The request for extension was granted. A public hearing on the transition plan was held in Queen Anne's County on January 12, 2010. It was the understanding of DLS that DHR intended to submit the transition plan pending the outcome of this public hearing. No transition plan has been received at this time. **DHR should comment on the outcome of the public hearing and when the budget committees can expect to receive a copy of this transition plan. In addition, DLS recommends restricting the funds included in the allowance for Queen Anne's County child support operations until the transition plan is submitted.**

## **2. Evaluation of Demonstration Site Incentive Payments**

The legislation that first authorized privatization, Chapter 491 of 1995, also first authorized the demonstration site program in CSEA. This chapter authorized one demonstration site, which

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became Washington County. Similar to the privatization project, the demonstration site project had also been reauthorized under legislation, although there was a time when these sites were not in existence. Under the most recent authorization for the child support privatization project, all nonprivatized jurisdictions were expected to become demonstration sites by July 1, 2008, on a phased-in schedule. The final jurisdiction, St. Mary's County, became a demonstration site on July 1, 2008.

As a demonstration site, jurisdictions were provided management flexibility, such as special appointment status for employees, and the potential for employee bonuses for performance in several areas. Employee bonuses become available to demonstration sites based on the collective performance of the jurisdiction compared to the quarterly goal in each performance area (cases with paternity established, cases with a support order, collections of current support, and cases with arrearages paying on arrears). The goals are set at the beginning of each federal fiscal year and vary based on the performance measure and the jurisdiction's previous performance. The maximum amount a jurisdiction could receive in bonuses each quarter was 5% of its quarterly salary base, although this was subject to funding availability.

**Exhibits 9 and 10** provide information on the date a jurisdiction became a demonstration site and the amount of bonuses received by that jurisdiction after becoming a demonstration site since fiscal 2004. Under the demonstration site bonus program, employees of the demonstration site jurisdictions had received approximately \$2.5 million in bonuses from fiscal 2004-2009. In total for fiscal 2009, employees in demonstration sites received \$678,452 in bonuses, representing 51.8% of the amount that could have been received.

**Exhibit 9**  
**Child Support Demonstration Sites**

	<u>Date Became Demonstration Site</u>
Allegany	July 1, 2005
Anne Arundel	July 1, 2005
Baltimore County	July 1, 2005
Calvert	July 1, 2003
Caroline	January 1, 2007
Carroll	July 1, 2005
Cecil	April 1, 2007
Charles	July 1, 2005
Dorchester	July 1, 2005
Frederick	July 1, 2005
Garrett	January 1, 2007
Harford	October 1, 2006
Howard	July 1, 2003
Kent	October 1, 2007
Montgomery	July 1, 2003
Prince George's	July 1, 2005
St. Mary's	July 1, 2008
Somerset	January 1, 2007
Talbot	April 1, 2007
Washington	July 1, 1996
Wicomico	October 1, 2007
Worcester	April 1, 2007

Source: Department of Human Resources; Department of Legislative Services

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**Exhibit 10  
Demonstration Site Performance Incentives  
Fiscal 2004-2009**

	<u>Fiscal 2004</u>	<u>Maximum Eligible Based on Actuals</u>	<u>Fiscal 2005</u>	<u>Maximum Eligible Based on Actuals</u>	<u>Fiscal 2006</u>	<u>Maximum Eligible Based on Actuals</u>	<u>Fiscal 2007</u>	<u>Maximum Eligible Based on Actuals</u>	<u>Revised Fiscal 2008</u>	<u>Maximum Eligible Based on Actuals</u>	<u>Fiscal 2009</u>	<u>Maximum Eligible Based on Actuals</u>	
Allegany					\$28,316	\$44,320	\$40,549	\$47,232	\$33,394	\$47,140	\$40,700	\$46,279	87.9%
Anne Arundel					98,076	140,624	112,043	146,953	36,876	140,140	72,501	156,914	46.2%
Baltimore County					97,812	155,685	100,224	163,857	112,569	163,897	66,032	169,938	38.9%
Calvert	\$4,306	\$19,204	\$15,484	\$20,598	16,464	21,622	16,190	22,534	16,312	22,833	11,904	23,301	51.1%
Caroline							3,203	21,680	12,991	24,521	9,080	21,894	41.5%
Carroll					12,122	24,513	16,148	25,797	7,090	25,938	8,612	34,863	24.7%
Cecil									16,496	38,202	18,598	44,184	42.1%
Charles					10,423	22,295	9,333	23,290	9,264	20,415	5,436	24,964	21.8%
Dorchester					14,516	27,887	12,716	27,314	7,624	28,176	18,841	29,236	64.4%
Frederick					16,293	32,994	12,331	36,856	13,014	30,846	17,010	35,780	47.5%
Garrett							1,593	14,050	14,077	14,274	13,399	17,204	77.9%
Harford							12,371	45,437	26,865	44,739	21,218	48,689	43.6%
Howard	23,806	36,838	25,203	39,547	20,935	37,636	17,100	38,133	13,309	33,302	23,198	43,535	53.3%
Kent									632	16,019	5,272	15,288	34.5%
Montgomery	36,244	110,687	72,962	115,294	60,627	120,588	55,216	124,350	58,257	128,665	69,918	133,094	52.5%
Prince George's					83,166	178,562	116,621	196,792	106,279	253,264	164,771	270,115	61.0%
St. Mary's										7,756		23,437	33.1%
Somerset							1,125	19,393	8,080	18,316	5,491	21,000	26.1%
Talbot									6,091	11,151	6,095	15,389	39.6%
Washington	21,877	51,285	33,529	53,350	38,674	55,442	24,098	56,172	27,336	61,768	52,818	60,049	88.0%
Wicomico									25,683	44,294	27,133	44,521	60.9%
Worcester									10,011	27,827	12,669	29,241	43.3%
<b>Total State</b>	<b>\$86,233</b>	<b>\$218,014</b>	<b>\$147,178</b>	<b>\$228,789</b>	<b>\$497,424</b>	<b>\$862,168</b>	<b>\$550,861</b>	<b>\$1,009,840</b>	<b>\$562,250</b>	<b>\$1,195,727</b>	<b>\$678,452</b>	<b>\$1,308,914</b>	<b>51.8%</b>

Note: The Department of Human Resources reported a figure of \$1,804 for Prince George's County in fiscal 2005. Because Prince George's County did not become a demonstration site until fiscal 2006, this is assumed to be an error, and is, therefore, not reported.

Source: Department of Human Resources; Department of Legislative Services

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The authorization for demonstration sites and the bonus program expired on September 30, 2009. DHR advises it does not plan on awarding bonuses in fiscal 2010 for the quarter ending September 30, 2009, due to Section 14 of the BRFA of 2009.

The 2009 JCR requested DHR evaluate the effectiveness of the demonstration bonus program. This evaluation was due December 1, 2009. No report has been submitted.

Section 31 of the BRFA of 2010 prohibits State employees from receiving bonuses. **DHR should comment on when the budget committees can expect to receive a copy of the demonstration site evaluation and whether the department intends to continue the demonstration site program in the future.**

### **3. Annual Fee Shortfall**

The federal Deficit Reduction Act of 2005 imposed a \$25 annual fee for child support cases handled by the child support enforcement agency in each state where \$500 has been collected in the federal fiscal year and the individual has never received public assistance. The federal government reduces the federal financial participation that states receive for child support by 66% of the amount that could be collected from this fee. This means that the federal government reduces funding by \$16.50 for each eligible case. States have several options for the implementation of this fee: (1) pay the fee from state funds (*i.e.*, absorb the lost revenue); (2) charge the applicants; (3) charge the noncustodial parents; and (4) deduct the fee from support received after \$500 has been collected.

Chapter 483 of 2007 allowed CSEA to collect this fee by deducting it from the child support payments of cases where \$500 was collected and the individual has never received public assistance. This legislation was in effect for one year, October 1, 2007, to September 30, 2008.

Chapter 162 of 2008 altered the State collection of the annual fee. Under this statute, CSEA deducts the \$25 fee for individuals who have never received public assistance only after \$3,500 has been collected.

### **State Fiscal 2009 Collections**

During fiscal 2009, CSEA collected the \$25 fee from 5,750 cases during the period of eligibility at the \$500 level of collections, June to October 2008. CSEA collected from an additional 29,095 cases from October 2008, through the end of the fiscal year that were eligible under the new State law, \$3,500. In total, CSEA collected \$871,125 from 34,845 cases during fiscal 2009.

However, the federal government would have anticipated State collections during this time period from 73,471 cases, or approximately \$1.8 million. As a result, the federal revenue reduction was approximately \$1.2 million. This anticipated reduction led to a State shortfall in fiscal 2009 of \$341,147. DHR indicates that, as a result of federal funds available through the ARRA, the State was able to address the fiscal 2009 shortfall.

## **Implications for Fiscal 2010 and 2011**

In federal fiscal 2009 CSEA collected the annual fee from 41,136 cases. CSEA explained that an additional 2,939 cases were eligible for collections, but which CSEA was not able to collect. If CSEA had collected on these cases, the total collections would have been approximately \$1.1 million.

Under the federal criteria, 81,470 cases would have been eligible for collections. With that eligibility, the federal revenue reduction would be approximately \$1.3 million. If CSEA were to collect on all cases eligible at the \$3,500 level and the number of eligible cases remained the same, the shortfall would be \$246,835 in fiscal 2010. A similar level of shortfall could be expected in fiscal 2011. The actual shortfall will vary based on the number of cases that CSEA is able to collect from based on the State criteria and the total number of cases eligible for collection based on the federal criteria.

The child support provision of the ARRA will continue to be in effect during fiscal 2010 and may, as a result, allow the State to lessen the impact of the shortfall in that year. However, this will not be available for most of fiscal 2011. **CSEA should comment on the plan for addressing the expected shortfall in fiscal 2011.**

## ***Recommended Actions***

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1. Add the following language:

Provided that \$302,301 of this appropriation made for the purpose of Queen Anne’s County child support operations may not be expended until the Department of Human Resources submits a report to the budget committees on the transition plan for Queen Anne’s County child support out of privatization into State operations. The budget committees shall have 45 days from the receipt of the report to review and comment.

**Explanation:** The 2009 *Joint Chairmen’s Report* requested the Department of Human Resources (DHR) to provide to the budget committees a copy of the transition plan for Queen Anne’s County from privatized child support operations to State operations. The fiscal 2011 allowance provides funding for Queen Anne’s County child support to operate as a State operated office rather than a privatized office. The budget committees have not received the transition report and as a result cannot determine the appropriateness of the funding for Queen Anne’s County child support operations in fiscal 2011.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Transition plan for Queen Anne’s County child support	DHR	45 days prior to the release of funds

	<b><u>Amount Reduction</u></b>	
2. Reduce funding for the child support privatization contract to recognize additional savings from transitioning child support operations in Queen Anne’s county back to State operations. This reduction makes the transition cost neutral in fiscal 2011.	\$69,417 SF \$134,751 FF	
3. Reduce the special fund portion of the deficiency appropriation to more accurately reflect anticipated expenditures. The Department of Human Resources advises that only \$172,019 in special funds will be needed for these services. Additional federal funds will be required and may be added by budget amendment.	76,008 SF	
<b>Total Reductions to Fiscal 2010 Deficiency</b>	<b>\$76,008</b>	

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<b>Total Reductions to Allowance</b>	<b>\$204,168</b>
<b>Total Special Fund Reductions to Allowance</b>	<b>\$69,417</b>
<b>Total Federal Fund Reductions to Allowance</b>	<b>\$134,751</b>

## ***Updates***

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### **1. Child Support Enforcement Administration Audit**

In October 2008, OLA released a fiscal compliance audit for CSEA covering the period March 10, 2004, to August 31, 2007. The previous audit dated May 17, 2005, contained 21 findings and indicated that the accountability and compliance level of CSEA was unsatisfactory. OLA determined in the audit released in October 2008 that CSEA's accountability and compliance level was no longer unsatisfactory. However, the audit still contained 15 findings, of which 9 are repeated from the previous audit.

CSEA has made progress on implementing corrective actions for each of the findings, as shown in **Appendix 4**. CSEA considers the corrective actions for 6 of the 15 findings completed, although some pieces of the corrective action may be ongoing. In general, CSEA has completed at least some of the corrective actions for each of the remaining findings.

#### **Enforcement Procedures**

The audit contained six findings and recommendations related to issues of enforcement procedures, of which four were repeated findings. CSEA has made substantial progress in completing or partially completing five of the six findings. All are expected to be fully implemented by June 2010; however, some actions are ongoing. Some of CSEA's actions have been to make corrections to the interface with the State Lottery Agency to intercept lottery winnings of those with delinquent accounts, distributing quarterly reports on cases with missing Social Security numbers, and awarding contracts to assist CSEA in the garnishment of financial institution accounts.

#### **Payment to Deceased Individuals**

The audit indicated CSEA did not have procedures in place to detect payments made to deceased individuals. In particular, the audit noted that a match between payments and the Division of Vital Records showed more than \$330,000 in payments were made to individuals more than 30 days after death in fiscal 2006 and 2007. CSEA has, in addition to verifying with the Office of Attorney General that no action needed to be taken in those cases, developed new policies related to the handling of cases in which the custodial parent has died. CSEA is also planning to implement a process to match cases with the Division of Vital Records. CSEA anticipates this process will be completed in February 2010.

#### **Undisbursed Funds**

The audit identified \$1.1 million of funds that had not been disbursed for over four years that had not been forwarded to the State Comptroller of the Treasury. CSEA indicates that as of June 30, 2009, \$993,876 of the undisbursed funds identified in the audit had been forwarded to the State Comptroller of the Treasury as abandoned property. CSEA continues to review the funds.

***Current and Prior Year Budgets***

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**Current and Prior Year Budgets  
DHR – Child Support  
(\$ in Thousands)**

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2009</b>					
Legislative Appropriation	\$20,977	\$8,163	\$61,240	\$0	\$90,380
Deficiency Appropriation	0	0	328	0	328
Budget Amendments	-1,614	1,646	892	0	923
Cost Containment	-2,686	-40	-704	0	-3,430
Reversions and Cancellations	0	0	-2,491	0	-2,491
<b>Actual Expenditures</b>	<b>\$16,677</b>	<b>\$9,769</b>	<b>\$59,264</b>	<b>\$0</b>	<b>\$85,711</b>
<b>Fiscal 2010</b>					
Legislative Appropriation	\$17,828	\$10,920	\$58,305	\$0	\$87,053
Cost Containment	-1,828	-8	-605	0	-2,442
Budget Amendments	0	0	0	0	0
<b>Working Appropriation</b>	<b>\$15,999</b>	<b>\$10,913</b>	<b>\$57,700</b>	<b>\$0</b>	<b>\$84,611</b>

Note: Numbers may not sum to total due to rounding.

## **Fiscal 2009**

CSEA's fiscal 2009 general fund appropriation decreased by a net of approximately \$4.3 million. An increase of \$242,610, due to employee cost-of-living adjustments (COLA), was more than offset by decreases associated with cost containment (approximately \$2.69 million) and other adjustments. The cost containment actions include:

- approximately \$1.6 million for the State Disbursement Unit contract which was paid with Child Support Reinvestment Funds rather than general funds;
- approximately \$1.08 million in salaries and wages due to abolishing eight positions, a hiring freeze, furlough, adjustments to health insurance spending, and Other Post Employment Benefits; and
- \$2,491 in travel.

A decrease of approximately \$1.49 million is related to salary and wage adjustments primarily in the local child support offices due to the department's salary plan. An additional decrease of \$370,433 occurred as the result of lower than expected non-Department of General Services rent in local child support offices.

The fiscal 2009 special fund appropriation of CSEA increased by a net of approximately \$1.6 million during fiscal 2009. An increase of approximately \$3.17 million is the result of adjustments to salaries and wages in both the local and State child support offices according to the department's salary plan and employee bonuses in demonstration sites. An increase of \$6,967 was the result of employee COLAs. These increases were partially offset by a decrease of approximately \$1.53 million for contracts in which fewer special funds were needed as a result of the availability of federal funds from the child support provision in the ARRA. The child support provision of the ARRA allows for a federal match of Child Support Reinvestment Funds during federal fiscal 2009 and 2010. Cost containment actions in the areas of salaries and wages decreased the appropriation by an additional \$39,540.

The fiscal 2009 federal fund appropriation of CSEA increased by a net of \$515,103 through cost containment actions and budget amendments. An increase of \$891,655 occurred in the area of salaries and wages in local child support offices as a result of the department's salary plan. A deficiency appropriation for the Erasing Borders Project in Prince George's County, which focuses on barriers in interjurisdictional child support cases with a goal to expedite registration and enforcement functions needed for management of interjurisdictional cases, increased the appropriation by \$327,586. These increases were partially offset by cost containment actions of \$704,138 in the area of salaries and wages. In addition, CSEA cancelled approximately \$2.5 million of the federal fund appropriation as a result of position reductions and furlough actions taken as part of cost containment.

**Fiscal 2010**

The general fund appropriation of CSEA has decreased by approximately \$1.8 million during fiscal 2010 as a result of cost containment actions including using child support reinvestment funds instead of general funds for salaries and wages in the local child support offices (\$786,623), a hiring freeze (\$605,392), and furlough savings (\$436,345).

The fiscal 2010 special fund appropriation of CSEA has decreased by \$7,906 from furlough savings as a result of cost containment actions.

The federal fund appropriation of CSEA has decreased by \$605,392 from a hiring freeze as a result of cost containment actions.

**Object/Fund Difference Report  
N00H00 - DHR – Child Support Enforcement**

<u>Object/Fund</u>	<u>FY09 Actual</u>	<u>FY10 Working Appropriation</u>	<u>FY11 Allowance</u>	<u>FY10 - FY11 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	730.25	721.50	720.50	-1.00	-0.1%
02 Contractual	9.00	0	1.00	1.00	N/A
<b>Total Positions</b>	<b>739.25</b>	<b>721.50</b>	<b>721.50</b>	<b>0</b>	<b>0%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 44,138,107	\$ 42,820,066	\$ 43,642,886	\$ 822,820	1.9%
02 Technical and Spec. Fees	531,438	16,969	158,793	141,824	835.8%
03 Communication	744,005	756,133	751,733	-4,400	-0.6%
04 Travel	197,174	146,737	83,221	-63,516	-43.3%
06 Fuel and Utilities	106,860	129,946	128,676	-1,270	-1.0%
07 Motor Vehicles	43,837	92,827	88,339	-4,488	-4.8%
08 Contractual Services	35,655,966	35,434,336	34,817,689	-616,647	-1.7%
09 Supplies and Materials	428,393	357,426	357,274	-152	0%
10 Equipment – Replacement	6,969	0	0	0	0.0%
11 Equipment – Additional	40,751	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	24,826	12,996	80	-12,916	-99.4%
13 Fixed Charges	3,792,174	4,843,840	4,860,873	17,033	0.4%
<b>Total Objects</b>	<b>\$ 85,710,500</b>	<b>\$ 84,611,276</b>	<b>\$ 84,889,564</b>	<b>\$ 278,288</b>	<b>0.3%</b>
<b>Funds</b>					
01 General Fund	\$ 16,677,281	\$ 15,999,155	\$ 15,598,961	-\$ 400,194	-2.5%
03 Special Fund	9,768,893	10,912,554	12,663,612	1,751,058	16.0%
05 Federal Fund	59,264,326	57,699,567	56,626,991	-1,072,576	-1.9%
<b>Total Funds</b>	<b>\$ 85,710,500</b>	<b>\$ 84,611,276</b>	<b>\$ 84,889,564</b>	<b>\$ 278,288</b>	<b>0.3%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.

**Fiscal Summary**  
**N00H00 - DHR – Child Support Enforcement**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
06 Local Child Support Enforcement Administration	\$ 44,147,232	\$ 43,805,848	\$ 43,878,697	\$ 72,849	0.2%
08 Support Enforcement – State	41,563,268	40,805,428	41,010,867	205,439	0.5%
<b>Total Expenditures</b>	<b>\$ 85,710,500</b>	<b>\$ 84,611,276</b>	<b>\$ 84,889,564</b>	<b>\$ 278,288</b>	<b>0.3%</b>
General Fund	\$ 16,677,281	\$ 15,999,155	\$ 15,598,961	-\$ 400,194	-2.5%
Special Fund	9,768,893	10,912,554	12,663,612	1,751,058	16.0%
Federal Fund	59,264,326	57,699,567	56,626,991	-1,072,576	-1.9%
<b>Total Appropriations</b>	<b>\$ 85,710,500</b>	<b>\$ 84,611,276</b>	<b>\$ 84,889,564</b>	<b>\$ 278,288</b>	<b>0.3%</b>

Note: The fiscal 2010 appropriation does not include deficiencies.

N00H00 – DHR – Child Support Enforcement

Appendix 3

## CSEA Audit Findings and Status of Corrective Actions

<u>Finding</u>	<u>Recent Actions</u>	<u>Expected Completion Date</u>
CSEA did not request licensing authorities to suspend occupational licenses and the State Lottery match was not always effective	<p>Revised policy regarding suspension of licenses</p> <p>Changes to IT system to improve lottery intercept</p> <p>Contacting agencies that participate in licensing activity and determine methods for sharing information and processing requests for suspensions</p>	Two actions completed, final action to be completed March 2010
<b>Social security numbers of obligors were not always obtained and recorded in the Automated Child Support System</b>	<p>Revised policy on Social Security Number collection</p> <p>Send quarterly reports on missing Social Security Numbers and quarterly on-site monitoring</p> <p>Ongoing visits to large metropolitan local departments for case review</p>	Completed, but some actions are ongoing
<b>Seizure of delinquent obligor bank accounts was not effectively used as a collection tool</b>	<p>Pursue garnishment agreements with various financial institutions, Informatix, Inc. assists in this process</p> <p>Contract with Informatix Inc. to assist with developing automated process of administrative garnishment which is in the implementation phase</p> <p>Plan to expand to other accounts through brokerages and asset management organizations</p>	In process, final action (expansion) expected to be completed June 2010
Documentation of enforcement of medical support orders was lacking	<p>Update policies and train on revised policies</p> <p>Enhancements to CSES</p> <p>Contract for an automated matching process, matches are then used to update files in CSES</p>	Completed, but matching process is ongoing

<u>Finding</u>	<u>Recent Actions</u>	<u>Expected Completion Date</u>
<b>Driver's license suspension referrals rejected by MVA were not adequately investigated</b>	Distribute quarterly report  Develop a policy regarding follow-up for the review of possible matches and updates CSES  Develop a process in CSES to document a confirmed no match for MVA records	Two actions considered completed, but ongoing. Changes to CSES expected to be completed June 2010
<b>CSEA did not ensure that a local office's follow-up with delinquent obligors was timely</b>	Implemented Early Intervention Pilot which focuses on actions taken if a first payment is not made, project is no longer in effect  Develop enhancement to CSES to generate follow-up notices at 30, 60, and 90 days delinquent	June 2010
Effective procedures were not in place to detect child support payments being issued to deceased individuals	Develop new policies regarding changes in custody resulting from death of the custodial parent  Develop a matching processing with the Division of Vital Records	New policies in place, matching process expected to be completed in February 2010
<b>Undisbursed funds were not sent to the Comptroller of the Treasury as required by law</b>	Received advice from Attorney General's Office on whether to proceed with actions against those that had cashed checks  Of the \$1.1 million noted in the audit, CSEA is seeking to resolve these amounts  Forward monthly those collections meeting the criteria of abandoned property	Majority of \$1.1 million has been forwarded with remainder continues to be researched and will be forwarded no later than October 31, 2010
CSEA did not analyze the proper disposition of \$2.4 million that was transferred to its central bank account from a local child support office account	Analyzed the relationship of identified transferred funds and the prior payments from the central disbursement account for two quarters, expect to complete additional reconciliations before determining surplus or deficit  Following determination any excess will be forwarded as abandoned property, and any deficit would lead to a request for funding	Monthly forwarding is ongoing  June 2010

<u>Finding</u>	<u>Recent Actions</u>	<u>Expected Completion Date</u>
CSEA was unable to substantiate the propriety of an \$825,000 reconciling adjustment	Obtained supporting documentation for the \$825,000.	Completed
<b>CSEA could not document that adequate controls were established by the central receipt and processing contractor</b>	<p>Development and implementation of contract monitoring duties</p> <p>Completed a monitoring report for the contract for each quarter beginning with the quarter ending in December 2007 through the quarter ending in June 2009.</p> <p>Contractor performance evaluations completed in June and December 2008 will now conduct annual reviews, the first was for December 2009</p>	Completed and ongoing
<b>CSEA did not verify billings or take appropriate action when contractors were not performing in accordance with established goals</b>	<p>Initiated a variety of steps to verify billings including having the cooperative reimbursement agreement agencies provide support documentation for various expenditures, prepare quarterly contract monitoring reports to evaluate contract agency performance with a corrective action plan that is review and approved if necessary.</p> <p>New language in federal fiscal 2010 contracts allows CSEA to withhold funds if the corrective action plan is not implemented.</p>	Completed and ongoing
CSEA did not take sufficient actions to address contractor noncompliance with certain contract requirements	<p>Revised audit review tool</p> <p>Plan to pursue fiscal sanctions for case processing deficiencies and failure to meet minimum performance standards in future contracts</p>	<p>Revision considered completed October 2009, but ongoing</p> <p>Pursuing fiscal sanctions in future contracts expected completion date of October 2010</p>
<b>CSEA had not established adequate controls to prevent or detect unauthorized changes to critical data</b>	<p>Review role assignment to job function and complete monthly audits of employee access</p> <p>Modified certain security roles to provide separation of duties</p>	Completed

<u>Finding</u>	<u>Recent Actions</u>	<u>Expected Completion Date</u>
<b>CSEA did not always perform adequate collection efforts on certain accounts receivable</b>	<p>Forwarded administrative debt to Central Collections Unit; however additional debt forwarding is on hold per Central Collections Unit notification</p> <p>Requested opinion of Office of Attorney General to clarify the status of administrative debts</p>	Response from Office of Attorney General pending

CSEA: Child Support Enforcement Agency  
 CSES: Child Support Enforcement System  
 IT: Information Technology  
 MVA: Motor Vehicle Administration

Source: Department of Human Resources