

N00H00
Child Support Enforcement
 Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$16,348	\$20,003	\$21,358	\$1,355	6.8%
Special Fund	7,391	8,477	8,173	-304	-3.6%
Federal Fund	<u>57,827</u>	<u>64,733</u>	<u>61,995</u>	<u>-2,738</u>	<u>-4.2%</u>
Total Funds	\$81,565	\$93,214	\$91,526	-\$1,688	-1.8%

- A federal fund deficiency appropriation of \$491,379 is proposed for fiscal 2008. This deficiency appropriation is for the Erasing Borders Program which addresses collection of child support across State lines.
- The fiscal 2009 allowance decreases the overall budget for the Child Support Enforcement Administration (CSEA) by \$1.7 million, or 1.8%, compared to fiscal 2008. The general fund appropriation increases by \$1.4 million, or 6.8%. The special fund appropriation decreases by \$304,045, or 3.6%. The federal fund appropriation decreases by \$2.7 million, or 4.2%. The major changes occur in personnel and contractual services.
- The underlying change for fiscal 2009, absent health insurance and Other Post Employment Benefits funding which distorts year-to-year comparisons, is a decrease of \$5.0 million, or 5.7%.

Personnel Data

	<u>FY 07</u> <u>Actual</u>	<u>FY 08</u> <u>Working</u>	<u>FY 09</u> <u>Allowance</u>	<u>FY 08-09</u> <u>Change</u>
Regular Positions	703.25	741.25	737.25	-4.00
Contractual FTEs	<u>5.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	708.25	741.25	737.25	-4.00

Vacancy Data: Regular Positions

Turnover, Excluding New Positions	36.86	5.00%
Positions Vacant as of 1/1/08	40.50	5.46%

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

For further information contact: Tonya D. Zimmerman

Phone: (410) 946-5530

N00H00 – DHR – Child Support Enforcement

- The fiscal 2009 allowance eliminates four regular full-time equivalent (FTE) positions. These abolished positions are part of the Board of Public Works statewide reduction of positions.
- As of January 1, 2008, CSEA has 40.50 regular FTE positions that are vacant. In fiscal 2009, CSEA needs to keep 36.86 positions vacant to meet the budgeted turnover of 5%.

Analysis in Brief

Major Trends

CSEA Exceeds National Averages in Performance Measures: CSEA exceeds the federal fiscal 2006 national averages in three of the four performance measures from federal fiscal 2006 and 2007 projections. Performance on these measures determines the amount of incentive funds received. However, the performance of CSEA is below the overall federal goal in all but one measure through federal fiscal 2009.

Issues

Reallocation of Child Support Resources: In response to committee narrative in the 2007 *Joint Chairmen's Report* (JCR), the Department of Human Resources submitted a report on the possible advantages and logistics of reallocating current child support resources throughout the State to improve child support services.

Recommended Actions

1. Adopt narrative requesting a report on best practices and standardization of administrative structure.

Updates

Status of the Implementation of Audit Recommendations: The audit of CSEA for the period December 2000 through March 2004 determined that the accountability and compliance level of CSEA was unsatisfactory. A response to a 2006 JCR request indicated that 12 of the recommendations were completed. This update provides the status on the 9 recommendations not considered completed at the time of the 2006 report.

N00H00
Child Support Enforcement
Department of Human Resources

Operating Budget Analysis

Program Description

The Child Support Enforcement Administration (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 non-custodial parents (NCP);
- establishing paternity;
- enforcing support orders;
- collecting and disbursing payments; and
- processing interstate cases.

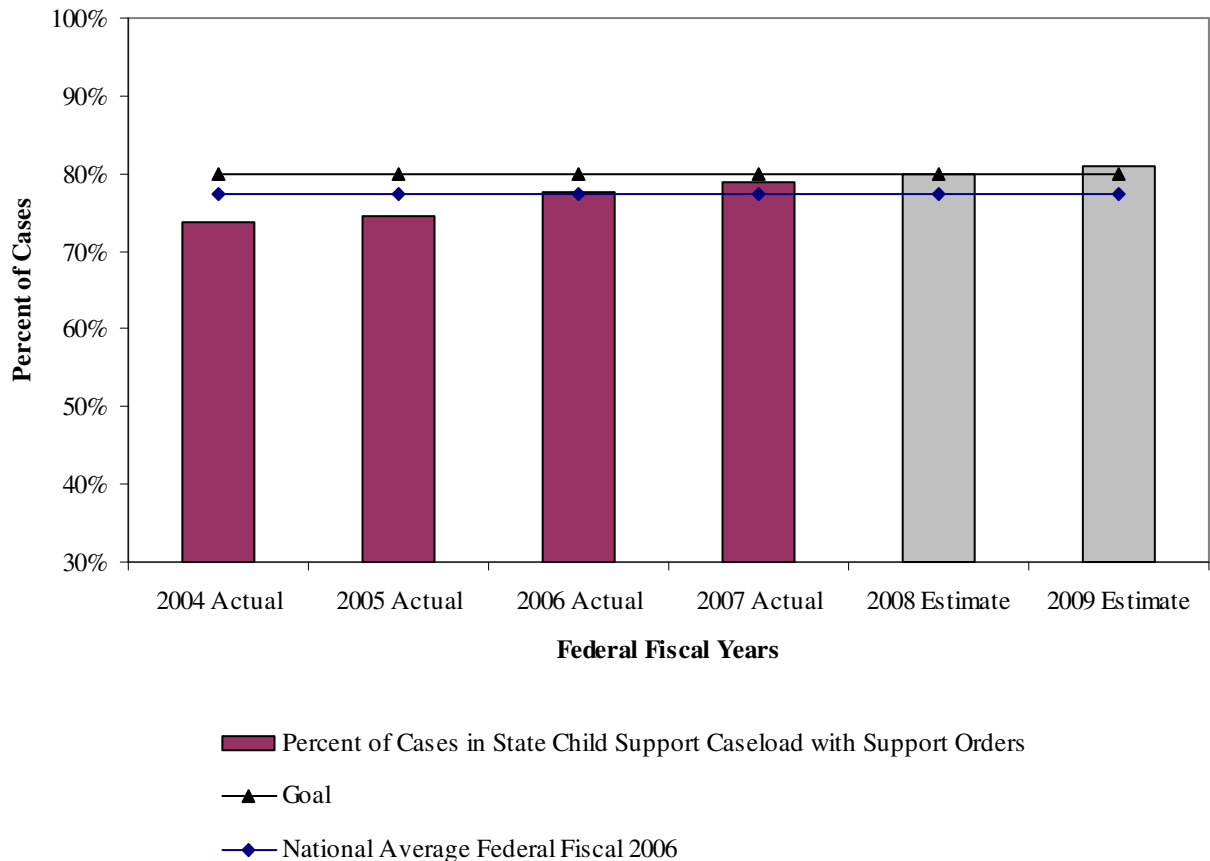
The key goal of CSEA is to enable, encourage, and enforce parental responsibility.

Performance Analysis: Managing for Results

The performance measures presented for CSEA are the measures used by the federal Office of Child Support to determine the incentive payments to states. These payments are made based on a state's performance within a specified range. Nearing the goal maximizes federal incentive payments. These measures are reported on the federal fiscal year.

Exhibit 1 shows the change in the percent of the child support caseload with a support order. The percent of the caseload with a support order has steadily increased since federal fiscal 2004, 73.77%, to federal fiscal 2007, 78.93%. The percent of the caseload with a support order is expected to increase through federal fiscal 2009, at which time CSEA is projected to exceed the federal goal of 80.0%. CSEA exceeded the federal fiscal 2006 national average for percent of the child support caseload with a support order in federal fiscal 2006 and 2007. This is expected to continue through federal fiscal 2009.

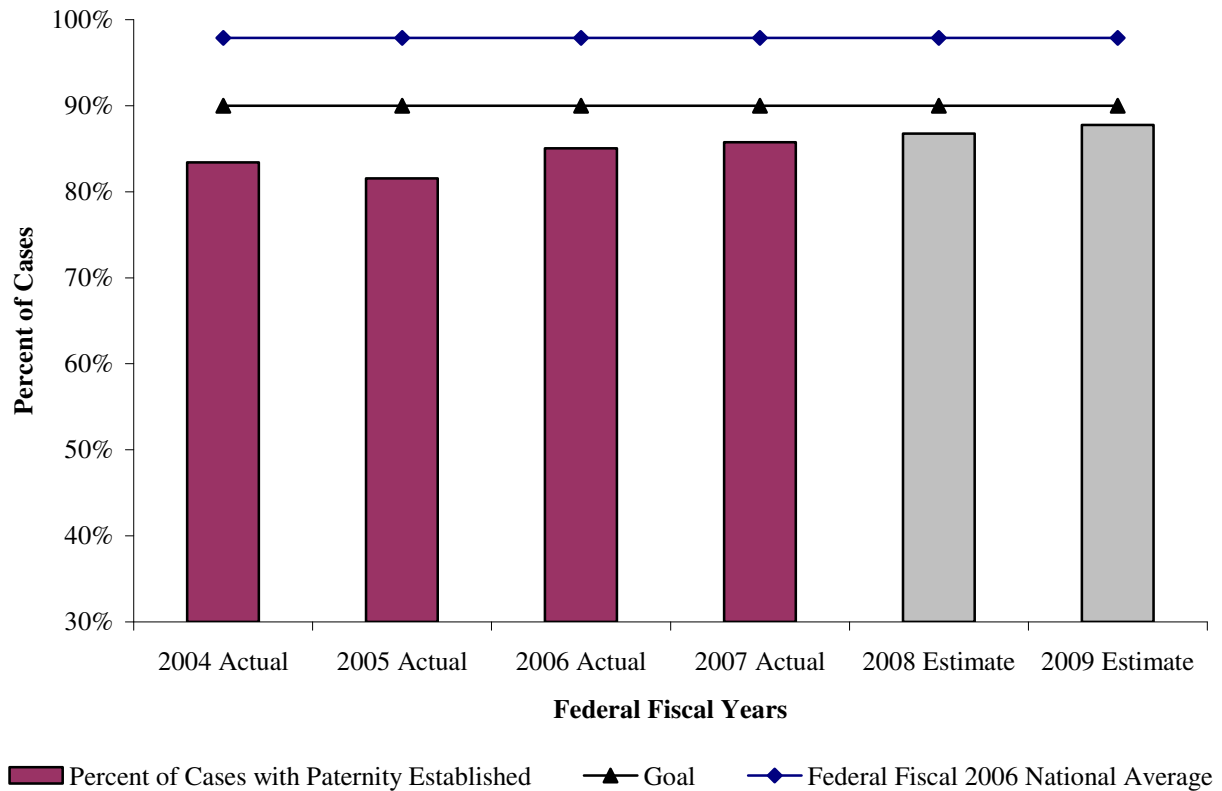
Exhibit 1
Child Support Caseload Under Order
Federal Fiscal 2004-2009



Source: Department of Human Resources

Exhibit 2 shows the change in the percent of the child support caseload with paternity established. The percent of the caseload with paternity established fluctuated between a low of 81.55% and a high of 85.77% between federal fiscal 2004 and 2007. The percent of the caseload with paternity established is expected to increase through federal fiscal 2009 when it will be near the federal goal of 90.0%. However, performance remains below the federal fiscal 2006 national average of 97.87% for the statewide paternity measure, which is the measure for paternity establishment that Maryland uses for incentive payments.

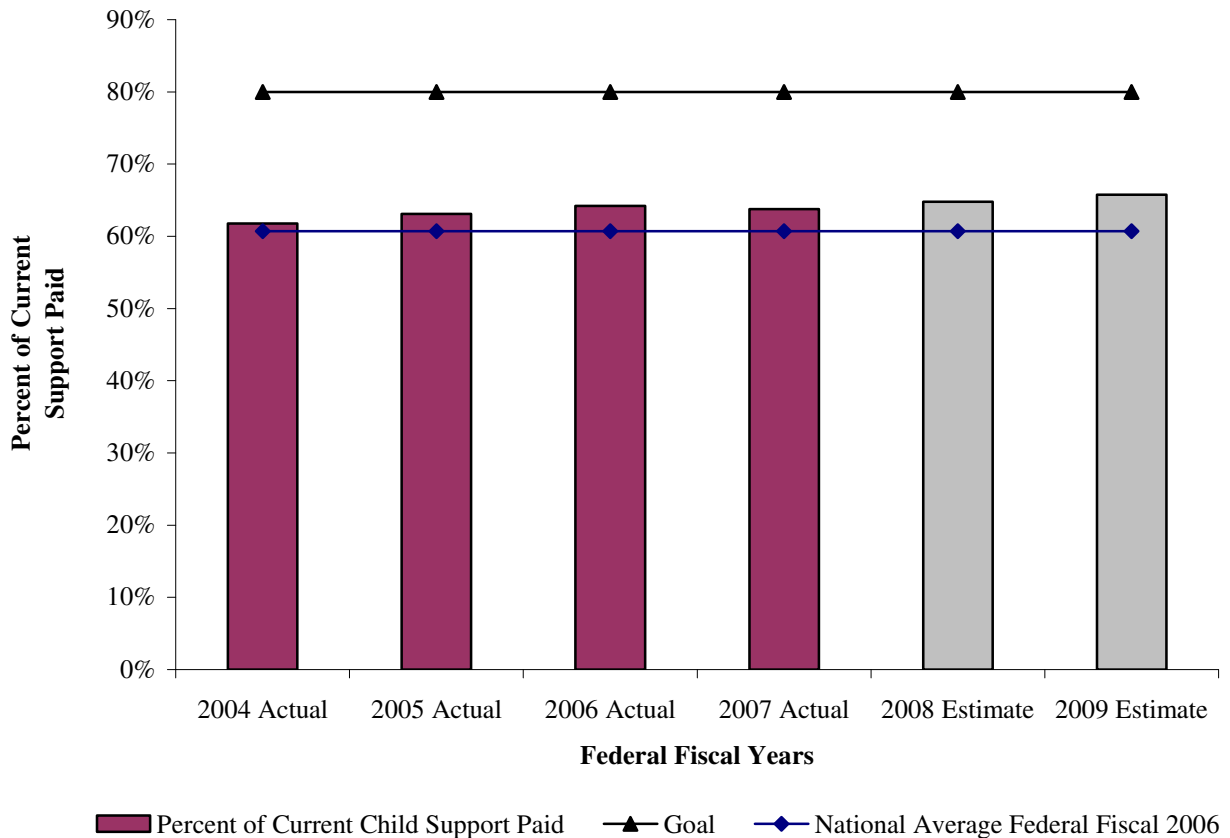
Exhibit 2
Child Support Caseload with Paternity Established
Federal Fiscal 2004-2009



Source: Department of Human Resources

Exhibit 3 shows that the percent of current child support paid has remained relatively steady between federal fiscal 2004 and 2007, with federal fiscal 2007 slightly higher than federal fiscal 2004. However, the percent of current child support paid is projected to increase through federal fiscal 2009. Through federal fiscal 2009, CSEA is well below the overall federal goal of 80%. Despite this, CSEA has exceeded the federal fiscal 2006 national average in each of these fiscal years. This trend is expected to continue through federal fiscal 2009.

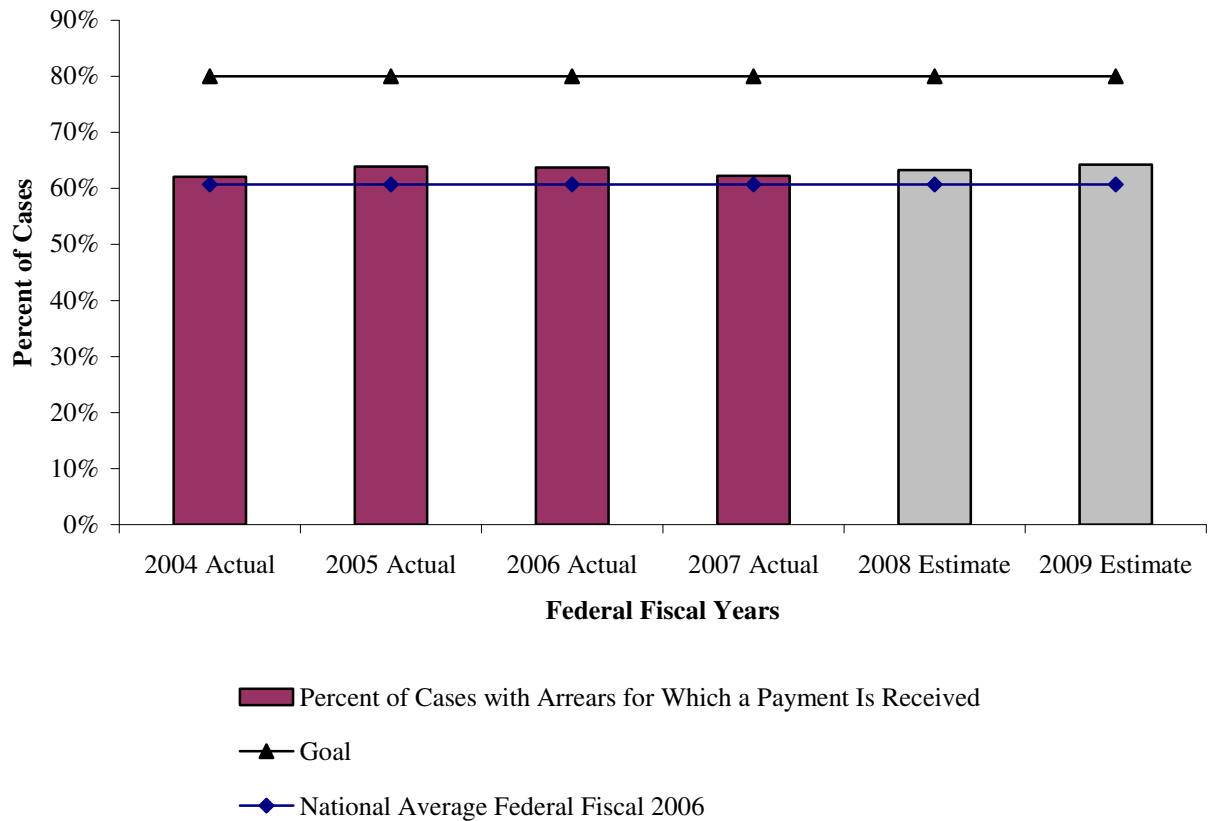
Exhibit 3
Current Child Support Paid
Federal Fiscal 2004-2009



Source: Department of Human Resources

Exhibit 4 shows the percent of cases with arrears for which a payment is received. This measure has remained relatively stable between federal fiscal 2004 and 2007, with only small year-to-year fluctuations. CSEA is well below the overall goal of 80% through federal fiscal 2009. However, CSEA has exceeded the federal fiscal 2006 national average in each of these fiscal years. This trend is expected to continue through federal fiscal 2009.

Exhibit 4
Cases with Arrears for Which a Payment Is Received
Federal Fiscal 2004-2009



Source: Department of Human Resources

The performance of CSEA is strong overall compared to the national average and is near the federal goal for three measures. However, the current performance of CSEA is over 15% below the federal goal in the areas of current child support paid and payment on arrears. **The department should comment on how it intends to improve performance in the areas of caseload with paternity established, current child support paid, and cases with arrears for which a payment is received in order to maximize incentive payments from the Federal Office of Child Support. The department should also comment on how it intends to improve performance in the percent of the caseload with paternity established to approach the national average.**

Fiscal 2008 Actions

Proposed Deficiency

A federal fund deficiency appropriation in the amount of \$491,379 has been proposed for fiscal 2008. The proposed deficiency is related to a federal grant received in fiscal 2008 for the Erasing Borders Program in Prince George's County. The Erasing Borders Program focuses on barriers in inter-jurisdictional child support cases with a goal to expedite registration and enforcement functions needed for management of inter-jurisdictional cases. This program will involve collaboration between several Prince George's County and District of Columbia departments and agencies.

Impact of Cost Containment

The fiscal 2008 legislative appropriation for CSEA was reduced by \$1.2 million in general funds and \$339,756 in federal funds as a result of cost containment measures. The general fund reduction occurred mainly in the State operations of CSEA, while the federal fund reduction occurred mostly in the local child support operations. Of the \$1.2 million in general funds reduction, \$1.1 million occurred in contractual services in the State operations of CSEA, in particular contracts for central collections, medical support enforcement, hard to collect cases enforcement, administrative garnishment, and financial data match. The remaining reductions were to general operating expenses. The Department of Human Resources (DHR) indicates that these reductions will have no impact on the programs of CSEA.

Governor's Proposed Budget

As shown in **Exhibit 5**, the CSEA budget decreases by \$1.7 million, or 1.8%, in the fiscal 2009 allowance. The general funds increase by \$1.4 million, or 6.8% while both the special and federal funds decrease. The special funds decrease by \$304,045, or 3.6%; federal funds decrease by \$2.7 million, of 4.2%. The major changes in the budget are related to personnel and contractual services.

Personnel

Personnel-related expenses account for the largest increase in the fiscal 2009 allowance in CSEA, an increase of \$4.3 million, or 10.2%. The new category for Other Post Employment Benefits is the source of the largest increase of \$2.3 million. Employee and retiree health insurance increases by \$1.0 million. In fiscal 2008, retiree health costs were not included in the allowance because they were paid with health insurance savings from previous years. The retiree health insurance cost is included in the fiscal 2009 allowance. In addition, CSEA experiences a \$1.4 million increase as the result of increments and other compensation changes.

Exhibit 5
Governor’s Proposed Budget
DHR – Child Support Enforcement
(\$ in Thousands)

How Much It Grows:	General Fund	Special Fund	Federal Fund	Total
2008 Working Appropriation	\$20,003	\$8,477	\$64,733	\$93,214
2009 Governor’s Allowance	<u>21,358</u>	<u>8,173</u>	<u>61,995</u>	<u>91,526</u>
Amount Change	\$1,355	-\$304	-\$2,738	-\$1,688
Percent Change	6.8%	-3.6%	-4.2%	-1.8%
Where It Goes:				
Personnel Expenses				
Health Insurance – Other Post Employment Benefits				\$2,301
Increments and other compensation.....				1,375
Health Insurance – pay-as-you-go				1,036
One-time fiscal 2008 adjustments.....				160
Other fringe benefits adjustments				-39
Abolished/transferred positions				-243
Increased turnover rate from 4.44% to 5.00%				-284
Other Changes				
Rent.....				527
Increase in costs of contracts for paternity establishment.....				21
Increase in cost of legal services.....				17
Reduction in clerical support, interpreter, and consultation fees				-26
Reductions in communications, travel, and supplies				-139
One time fiscal 2008 costs associated with new positions.....				-185
End of grant for Project Fresh Start				-261
Decline in Cooperative Reimbursement Agreement costs				-492
Declines in the projected costs of several contracts.....				-2,427
Transfer of the Child Support Enforcement System enhancement contract to the Office of the Technology for Human Services.....				-3,020
Other changes				-9
Total				-\$1,688

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

N00H00 – DHR – Child Support Enforcement

The fiscal 2009 allowance abolishes 4 full-time equivalent (FTE) positions, which accounts for a decrease in personnel expenses of \$242,778. The abolished positions are part of the Board of Public Works statewide reduction of positions. Of the 4 positions, 1.5 FTEs are in the local child support offices, while 2.5 FTEs are in the State offices of CSEA.

Contractual Services

The largest decrease in the fiscal 2009 allowance for CSEA occurs among contractual services, a decrease of \$6.2 million, or 13.7%. Most of this decrease occurs in the budget for the State operations of CSEA. A decrease of \$3.0 million in contractual services is the result of transferring from the CSEA budget the cost of the enhancement contract for the Child Support Enforcement System (CSES) to the budget of the Office of the Technology for Human Services.

CSEA received a two-year federal grant for Project Fresh Start. This program provides opportunities for modification of child support orders for NCP that have been incarcerated. It also provides assistance in obtaining employment after release from incarceration. The goal of the program is to reduce cases with large arrearages. The grant ends on August 31, 2008. DHR indicates that, as of November 2007, \$36,926 in arrearages have been avoided as a result of this project. DHR indicates that this number is expected to increase by the end of the project due to the number of orders available for modification. Since the grant will end this year, funding for Project Fresh Start is not included in the fiscal 2009 allowance.

Several other contracts decrease in the fiscal 2009 allowance compared to fiscal 2008. The largest of these is for Central Collections, with a decrease of approximately \$1.3 million. The costs for Cooperative Reimbursement Agreements declines by \$492,312 to better reflect fiscal 2007 expenditures. Other substantial declines in contracts occur for the Child Support Call Center, Financial Institution Data Match, the Local Reinvestment Fund Project, and Research and Technical Assistance. **The department should comment on the impact of declining contract expenditures on the ability of CSEA to maximize federal incentives for performance. The department should also comment on how declining expenditures will impact the ability of CSEA to meet its mission.**

Other Changes

In fiscal 2008, the local child support office for Prince George's County received 38 new positions. Some additional equipment costs were associated with these new positions. These were one-time expenses and are not included in the fiscal 2009 allowance. This accounts for a decrease of \$184,870.

Issues

1. Reallocation of Child Support Resources

In response to committee narrative in the 2007 JCR, DHR submitted a report on the possible advantages and logistics of reallocating current child support resources throughout the State to improve child support services. The report focuses on three issues: current resources by jurisdiction, impacts of demographics, and likely benefits of reallocation. The report examines the first issue on a statewide basis. The report then looks at the impact of demographics and administrative organization on performance in five jurisdictions: Baltimore, Prince George's, Somerset, and Washington counties, and Baltimore City.

Key Findings

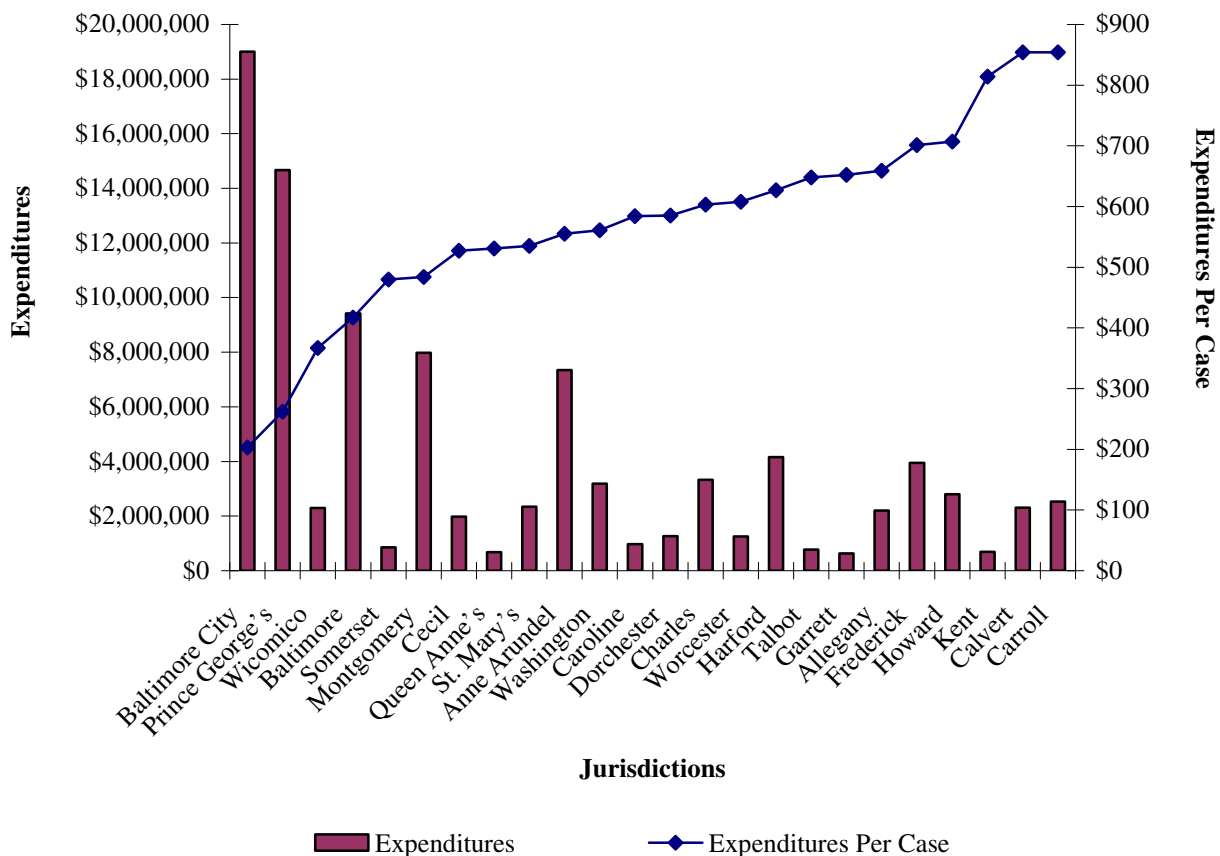
The report begins with a discussion of the current resource allocation within the State. This section focused on two key concepts. The first concept is expenditures: how much each jurisdiction spends on child support collections. In this section, DHR indicates that while expenditures may vary across the State, much of the reason for this is the number of open cases in each jurisdiction.

DHR maintains that expenditures in each jurisdiction do not vary considerably when the number of open cases is taken into account. **Exhibit 6** shows the total expenditures by jurisdiction compared to the expenditures per open case. Thirteen of the 24 jurisdictions have expenditures per case within the \$500 to \$700 range. Eighteen of the 24 jurisdictions have expenditures per case within the \$300 to \$800 range.

As seen in Exhibit 6, the largest jurisdictions are also some of the jurisdictions that have the lowest expenditures per case. Of the six jurisdictions with the lowest expenditures per case, four are the largest jurisdictions in the State: Montgomery, Baltimore, and Prince George's counties, and Baltimore City. DHR states that the reason for this is economies of scale, which may allow larger jurisdictions to spend fewer dollars per case, and therefore, appear to do well on this measure.

The second key concept related to the current resource allocation is cost effectiveness. Cost effectiveness is measured by the total collections divided by total expenditures. A higher cost effectiveness number indicates that a jurisdiction is more efficient in its child support collections. The current federal goal is 5.00. This number would indicate that \$5.00 is collected in child support for every \$1.00 that is spent by a jurisdiction. This measure is impacted by two factors – expenditures and collections.

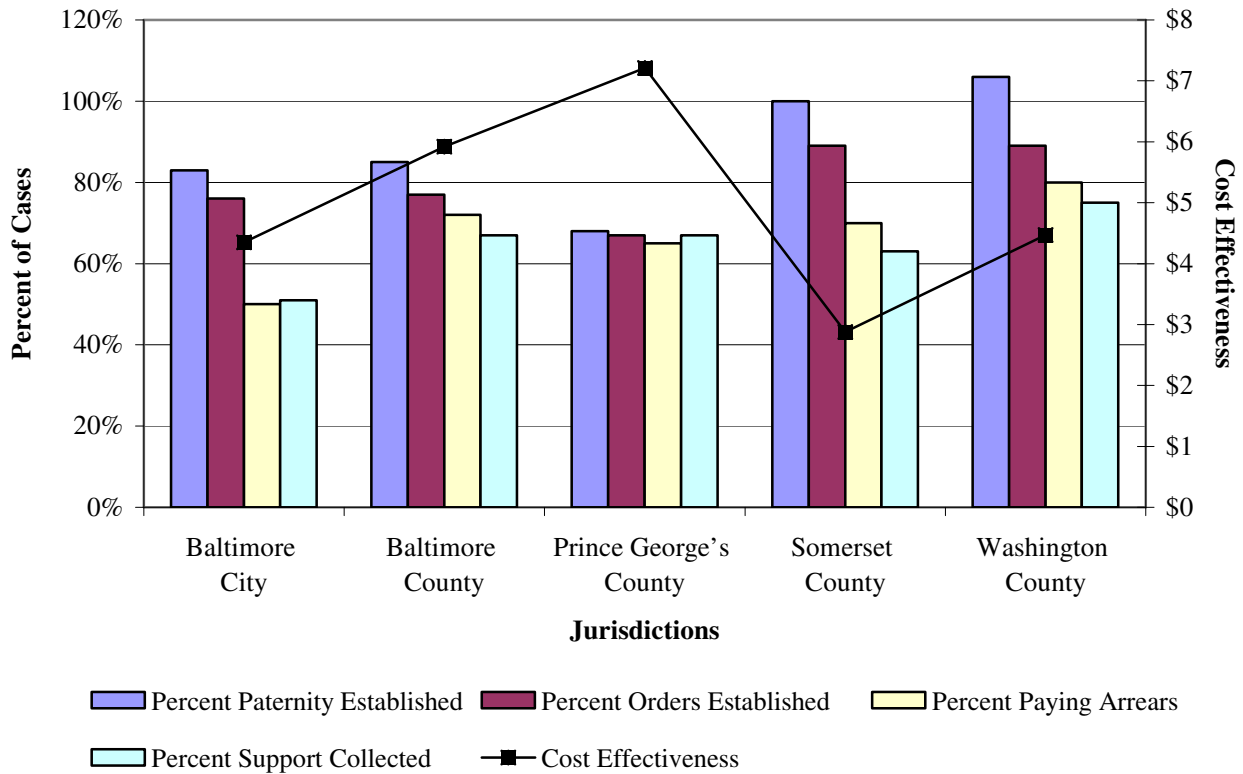
**Exhibit 6
Total Expenditures Compared to Expenditures Per Open Case by Jurisdiction
Federal Fiscal 2006**



Source: Department of Human Resource; Department of Legislative Services

The imperfection of measuring cost effectiveness alone is highlighted in the report's discussion of Baltimore, Prince George's, Somerset, and Washington counties, and Baltimore City. **Exhibit 7** shows the performance of these five jurisdictions on four key child support performance measures versus the cost effectiveness ratio in each jurisdiction. As this exhibit shows, and as the report discusses, low cost effectiveness measures can occur in areas with higher performance levels. In addition, low performance levels can occur in areas with high cost effectiveness.

**Exhibit 7
Child Support Collections Performance
Compared to Cost Effectiveness
Federal Fiscal 2006**



Source: Department of Human Resources

Simply put, jurisdictions that are more affluent are able to collect more per case. As a result, these jurisdictions do well on cost-effectiveness measures. The implication of this discussion is that the State could improve its overall cost-effectiveness in child support by reallocating resources to larger and more affluent jurisdictions. However, DHR indicates that this may be at the expense of smaller and poorer jurisdictions.

The report then focuses on demographics of the five case study jurisdictions, which it is claimed, are the most important factors determining collections. In particular, the report focuses on the following demographic factors:

- unemployment levels;

N00H00 – DHR – Child Support Enforcement

- incarceration;
- self employment;
- teen birthrate;
- gang activity; and
- interstate or inter-jurisdictional cases.

The discussion of each jurisdiction also includes a discussion of administrative factors that influence child support collections performance, such as:

- communication and cooperation with local Department of Social Services offices in both Temporary Cash Assistance and foster care cases;
- staffing issues including retention of staff;
- relationships with the circuit court;
- relationships with the State's Attorney's offices; and
- unique programs within the jurisdiction.

Recommendations

The report concluded that reallocating resources based on cost-effectiveness, which would improve the overall State performance, may be appealing if the objective is merely to maximize collections on a statewide basis. However, this type of resource reallocation was not viewed favorably in this report due to the potential impact on poorer, smaller jurisdictions. Instead, the recommendations focused on administrative improvements on the assumption that demographic changes are not likely in the short run. The recommendations for administrative improvement in the jurisdictions studied were:

- initiating dialogue between Baltimore City and the Baltimore City Circuit Court regarding the inflexibility of certain child support processing requirements;
- improving the working relationship between the Baltimore County Office of Child Support and the County's Department of Social Services;
- more diligently pursuing federal grants to support the needs of jurisdictions with a high number of interstate cases, including Prince George's and Somerset counties;

N00H00 – DHR – Child Support Enforcement

- determining whether salary disparities exist across jurisdictions and develop policies that will correct any such findings; and
- initiating discussion between DHR and the State’s Attorney’s office in Somerset County to focus on the practicalities of continuing to require NCP to reimburse the State for unpaid health expenses incurred by the birth mother.

Implementation of Recommendations

DHR indicates that it plans to implement four of the five recommendations included in its report. The recommendation regarding medical support in Somerset County will not be implemented. Actions to implement the other four recommendations have begun.

Baltimore City Office of Child Support Enforcement and Baltimore City Circuit Court

The Baltimore City Office of Child Support Enforcement (OCSE) has begun monthly meetings with the masters who handle child support cases and quarterly meetings held with the judges to discuss ways to improve child support case processing. The executive director of CSEA attends these meetings as needed to provide assistance. These meetings are expected to continue in the future. CSEA notes an improvement in the working relationship between the Baltimore City OCSE and the courts.

Baltimore County Office of Child Support and Baltimore County Department of Social Services

In December, the Executive Director of CSEA met with the Deputy Director of the Family Investment Administration (FIA). This meeting included a discussion of piloting a collaboration workshop. They concluded that, pending approval by the Executive Director of FIA, CSEA would contact the Federal Regional OCSE to facilitate a pilot workshop of this nature between the Baltimore County Office of Child Support and the Baltimore County Department of Social Services. The timelines for this workshop is the end of May 2008. It was later decided that this workshop should include additional jurisdictions. The workshop will cover overviews of Temporary Assistance for Needy Families (TANF) and child support, TANF/child support referrals, and improving cooperation between TANF and child support. In January 2008 a workgroup will be formed to organize the workshop.

Pursuit of Federal Grants for Interstate Cases

CSEA and the DHR Office of Governmental Affairs offer assistance to local offices with grant proposals. In addition, CSEA distributes grant opportunities to Department of Social Services heads and local CSEA offices. Recently, the administration applied for and received a grant for the Erasing Borders Program which will operate in Prince George’s County. This is a three-year grant of \$1.1 million including federal matching and 5% matching State funds. This grant is for the time period September 1, 2007 through August 30, 2010. This grant involves collaboration between various offices in Prince George’s County and the District of Columbia. The goal of the project is to expedite registration and enforcement functions needed to manage inter-jurisdictional cases.

N00H00 – DHR – Child Support Enforcement

The grant includes funding for eight positions, four of which are assigned to Prince George's County and the other four positions assigned to the District of Columbia. The positions in Prince George's County will be contractual positions.

DHR indicated that this grant is one of the largest awards made to DHR/CSEA and is the largest received by Prince George's County Office of Child Support Enforcement.

Salary Disparities

CSEA plans to gather salary information by jurisdiction. CSEA has reviewed the personnel policy that governs the salary plan which allows for instances of hiring employees above the base salary. CSEA plans to coordinate with DHR's Office of Human Resources Development and Training to assess the degree to which local jurisdictions use this policy to hire above the base as well as their justification for this. CSEA plans to begin gathering and assessing this information during calendar 2008.

Conclusions

The DHR report, prepared in response to a 2007 JCR request, indicated that reallocating resources based on cost effectiveness may improve performance but hurt small and poorer jurisdictions. It also indicated that expenditures do not vary much except as they relate to the number of open cases. Instead, the report focuses on the impact of demographics and administrative organization. Most of the recommendations focused on administrative reform in particular jurisdictions. While these recommendations address specific barriers, they do not address wider issues of administrative organization that the case studies develop. In particular, questions remain about the variation in administration and standard practices among local jurisdiction offices. Additionally, the report indicates that little can be done about demographics in the short run. However, DHR notes in the report two local jurisdictions that maintain programs regarding employment for NCP. DHR also notes in the report a program called Project Fresh Start, a program designed to impact arrearages of NCP due to incarceration, as well as to help these NCP obtain employment after their incarceration ends. This grant ends in August 2008. These types of programs indicate that opportunities exist to impact the demographic factors discussed in the report. The report also does not discuss the millions of dollars the State annually invests for programs to address the demographic factors cited in the report: unemployment, incarceration, teen birth, etc. Surely these efforts can be expected to have some impact on the State's ability to collect child support in the long run.

The Department of Legislative Services recommends the committees adopt committee narrative requiring a report about an alternative measure of child support collection performance, a method to assess and implement best practices of child support collections, and to develop an approach for a standardization of administrative organization and interactions with relevant governmental organizations including local departments of social services, circuit courts, and State's Attorney's offices.

Recommended Actions

1. Adopt the following narrative:

Report on Improving Child Support Performance: The committees would like to examine the lack of standardization in administrative structure and interactions between local child support offices, the circuit courts, and State’s attorney’s offices. A recent Department of Human Resources (DHR) report indicated that the current measure of performance, cost effectiveness, is imperfect in measuring the effectiveness of child support collections. The report also indicates that administrative organization can be important in determining child support collections within local jurisdictions. This report made some recommendations regarding administrative reform, but these are generally focused on the jurisdictions used as case studies. The Child Support Enforcement Administration should report on an alternative measure that may be more valid in determining child support performance, identify best practices that may be implemented statewide, and develop an approach for a standardization of administrative structure and interaction with relevant governmental organizations, including local departments of social services, circuit courts, and State’s Attorney’s offices.

Information Request	Author	Due Date
Report on best practices and standardization	DHR	October 31, 2008

Updates

1. Status of the Implementation of Audit Recommendations

The audit for CSEA, for the period of December 2000 to March 2004, had 21 findings. There were 11 repeat findings which appeared in 12 items in this audit. The February 2006 follow-up review evaluated 11 of the recommendations and found that 1 had been corrected with the remaining recommendations in progress.

The 2006 *Joint Chairmen's Report* (JCR) required CSEA to submit a report on the status of the implementation of the audit recommendations. This report explained that 12 of the audit recommendations had been completed. Four recommendations were expected to be completed by January 2007. An additional 3 recommendations were expected to be completed in June 2007. The final 2 were expected to be completed in fiscal 2008. **Exhibit 8** provides an update on the status of the 9 remaining recommendations. DHR indicates that 3 of these recommendations are partially completed with the remaining 6 recommendations that have been fully completed.

Exhibit 8 Status of the Implementation of Audit Recommendations

<u>Audit Recommendation</u>	<u>Status</u>
Resolve Undisbursed Funds	Partially Completed as of December 2007/ Timeline for Completion Unknown
Financial Institution Data Matching	Expected Completion Date July 1, 2008
Cost Effectiveness of Local Offices	Expected completion after Federal Fiscal 2008
Bank Account Reconciliation	Completed December 2006
Obtain Supporting Documentation from Contractors	Completed March 2007
Security Access to the Child Support Enforcement System	Completed June 2007
Bank Account Separation of Duties	Completed June 2007
Review Collection Techniques of Vendors	Completed August 2007
Driver License Suspension Referrals	Completed October/November 2007

Source: Department of Human Resources

Undisbursed Funds

Only one part of this recommendation has not been completed. CSEA planned four actions to complete this recommendation. To meet this recommendation, CSEA:

- closed two Baltimore Office of Child Support bank accounts. The \$12,907.72 and \$12,539.39 that remained in these accounts on June 15, 2007, was forwarded to the Comptroller as abandoned. These accounts started with amounts of \$704,587.98 and \$2,317,390.74, respectively. These actions were completed by June 30, 2007;
- disbursed or forwarded to the Comptroller, as abandoned, the total amount of undistributed funds in Prince George's County of \$1,907,274.15. This was completed by December 5, 2007;
- completes a monthly report of the five categories that make up undisbursed funds. This report is completed by the Central Office and is done monthly; and
- is expected to form a workgroup to address local bank account use by the end of February 2008. The workgroup will look at the feasibility of closing local bank accounts. In addition, if determined to be feasible, the workgroup will develop processes and procedures to do so and recommend any changes needed to CSES. This project is still in progress with time frames to be developed by the workgroup.

Financial Institution Data Matching Collections

This recommendation is expected to be completed on July 1, 2008. The contract for the matching process began in March 2008. Currently, agreements with institutions, scope of outsourcing work, and requirements for CSES enhancements are in development. The implementation of the matching process is expected to begin by spring 2008. The process of garnishment is expected to begin in fiscal 2008 or the beginning of fiscal 2009.

Cost Effectiveness of Local Offices

During the 2007 session, CSEA updated the subcommittee on the status of this recommendation. It indicated that a plan was in place to implement local cost effectiveness goals. The pilot began in federal fiscal 2007 when jurisdictional goals were issued. When the data are available, CSEA will compare performance against the goals for each jurisdiction. CSEA will also assess the methodology used. After this is completed, CSEA will establish and issue federal fiscal 2008 goals. CSEA will, at the end of federal fiscal 2008, compare performance to goals and again assess the methodology used. Following this, CSEA will make this an ongoing process if it determines the methodology is appropriate.

Bank Account Reconciliation

During the 2007 session, CSEA indicated that bank account reconciliations were being performed at the end of each month. The reconciliation was current, at that time, through December 2006. CSEA also discussed other procedures that were put in place related to the reconciliation process. This recommendation was completed at that time.

Obtaining Supporting Documentation from Contractor

In the 2007 session, CSEA indicated that documentation had been provided by the contract. CSEA also indicated that upon review an overpayment was identified. At the time, it expected a check reimbursing the overpayment. CSEA received the refund check in March 2007. It also discussed ongoing procedures to correct this issue.

Security Access to CSES

There were several actions taken by CSEA for this recommendation. These actions were completed by June 30, 2007. These actions involved:

- Addressing security roles.
 - CSEA reinstated procedures for local office security audits of user roles. This was completed in February 2007.
 - As part of the management and oversight process, CSEA requires the local offices to review the security audit quarterly. This action was taken in March 2007.
 - CSEA has begun conducting security audits semi-annually for the central office. This procedure began in April 2007.
- Each month local offices receive a Representative Payee Report which lists prior and current information on the Representative Payee field if changes are made to the CSES account during the month. The local offices are to review this report and verify the changes and reconcile the report. The reviewed report is signed and held for three years.
- States can choose to receive payments for interstate cases through Electronic Funds Transfer (EFT). New procedures were implemented to update the EFT Bank Table, which contains State banking information that CSES uses to make payments.

Bank Account Separation of Duties

In response to this recommendation, CSEA implemented new procedures which allow for the separation of duties and supervisory approval. The process involves a Local Transaction Request

system for local offices to use to request manual refunds and a supervisor to approve the request prior to its execution. This recommendation was completed by June 30, 2007.

Reviewing Collection Techniques of Vendors

This recommendation was based on a finding from two types of contracts – the debt collections and case closing contract and credit bureau contract services. After the audit, both contracts expired. CSEA is developing specifications for a new contract for Hard to Collect cases. These specifications will include reporting requirements to allow for the review of the collection efforts. There is no current statewide contract for the credit bureau services. CSEA recommended on-line location services to local agencies in August 2005. CSEA conducted a survey of the cost effectiveness of the local services in January 2007. CSEA received 11 responses. Of the 10 that used on-line services, 9 indicated the service was cost effective, 1 said it was too soon to evaluate, and 1 indicated that credit bureau services would be better. CSEA, as a result, does not plan to procure statewide credit bureau services. This recommendation was considered completed by CSEA on August 30, 2007.

Drivers' License Suspension Referrals

In response to this recommendation in October 2007, CSEA met with the Motor Vehicle Administration (MVA) to discuss criteria used for matching. MVA had made modifications to the match program including the use of Social Security numbers. A Quality Control Review has been developed which, in part, requires a supervisor, when applicable, to determine if a child support worker reviewed and followed up on the possible match list. A related finding appeared in the October 2007 audit report of MVA. The audit recommendation was considered completed following this meeting. The software changes at MVA were not fully implemented in the matching process until November 2007.

Current and Prior Year Budgets

Current and Prior Year Budgets Child Support Enforcement (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2007					
Legislative Appropriation	\$17,315	\$9,192	\$65,573	\$0	\$92,080
Deficiency Appropriation	0	0	212	0	212
Budget Amendments	-967	235	188	0	-543
Reversions and Cancellations	0	-2,037	-8,147	0	-10,183
Actual Expenditures	\$16,348	\$7,391	\$57,827	\$0	\$81,565
Fiscal 2008					
Legislative Appropriation	\$20,995	\$8,470	\$65,073	\$0	\$94,538
Cost Containment	-1,225	0	-340	0	-1,565
Budget Amendments	233	7	0	0	240
Working Appropriation	\$20,003	\$8,477	\$64,733	\$0	\$93,214

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

Fiscal 2007

DHR CSEA had a net general funds decrease of \$966,819 in fiscal 2007. The general funds increased \$270,471 as a result of employee cost-of-living adjustments (COLA), which were more than offset by decreases totaling \$1.2 million. The largest decrease was \$439,458 for medical support enforcement, hard to collect cases enforcement, and administrative garnishment. The general funds also decreased by \$377,996 due to less activity than expected in debt collection, federal parent locator, and new hire data collection, as well as a delay in the implementation of the Interstate Data Match system. Additional decreases resulted from changes in salary funding (\$294,614) and lower lease costs of a local department (\$125,222).

Overall, special funds increased by \$235,427 from the fiscal 2007 legislative appropriation. Most of the changes involved transferring funds from the State Operations of CSEA to Child Support Demonstration Sites for bonuses. These transfers accounted for an increase of \$629,698 to local child support offices and a decrease of \$403,092 from the State operations of CSEA. In addition, there was a small special funds increase due to employee COLAs. CSEA cancelled approximately \$2 million due to lower than expected spending for central collections, privatization, local incentive bonus payments, call center, and technical services.

Overall, federal funds increased by \$399,775 from the fiscal 2007 legislative appropriation. There were two federal fund deficiency appropriations of \$211,604 and \$49,130. The deficiency appropriations were for assisting NCP who are incarcerated to receive a support order review and to obtain employment upon release. The federal funds increased through budget amendments by \$188,171 due to changes in salary funding. CSEA canceled approximately \$8.1 million. These cancellations were due to lower than expected spending for local incentive bonus payments, central collections, cooperative reimbursement agreements, debt collections services, privatization, technical services, call center, Project Fresh Start, lease costs, contractual services, salaries and wages, and for contracts related to administrative garnishments, medical support enforcement, and hard to collect cases enforcements.

Fiscal 2008

The general funds have decreased by \$991,784 from the fiscal 2008 legislative appropriation. There was an increase of \$233,194 for COLA. This increase was more than offset by a decrease of \$1.2 million for cost containment measures.

The special fund appropriation has increased by \$6,726 from the fiscal 2008 legislative appropriation due to COLA. The federal fund appropriation has decreased by \$339,756 due to cost containment measures.

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

<u>Object/Fund</u>	<u>FY07 Actual</u>	<u>FY08 Working Appropriation</u>	<u>FY09 Allowance</u>	<u>FY08-FY09 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	703.25	741.25	737.25	-4.00	-0.5%
02 Contractual	5.00	0	0	0	0.0%
Total Positions	708.25	741.25	737.25	-4.00	-0.5%
Objects					
01 Salaries and Wages	\$ 40,969,131	\$ 42,220,965	\$ 46,527,591	\$ 4,306,626	10.2%
02 Technical and Spec. Fees	368,545	46,421	20,443	-25,978	-56.0%
03 Communication	891,261	894,717	853,827	-40,890	-4.6%
04 Travel	228,346	171,041	118,629	-52,412	-30.6%
06 Fuel and Utilities	104,913	111,328	114,254	2,926	2.6%
07 Motor Vehicles	27,905	89,611	81,704	-7,907	-8.8%
08 Contractual Services	34,675,321	44,863,934	38,701,749	-6,162,185	-13.7%
09 Supplies and Materials	410,830	429,608	384,149	-45,459	-10.6%
10 Equipment – Replacement	131,742	0	0	0	0.0%
11 Equipment – Additional	161,469	184,870	0	-184,870	-100.0%
12 Grants, Subsidies, and Contributions	68,589	29,568	17,425	-12,143	-41.1%
13 Fixed Charges	3,527,443	4,171,459	4,705,876	534,417	12.8%
Total Objects	\$ 81,565,495	\$ 93,213,522	\$ 91,525,647	-\$ 1,687,875	-1.8%
Funds					
01 General Fund	\$ 16,347,816	\$ 20,002,882	\$ 21,357,500	\$ 1,354,618	6.8%
03 Special Fund	7,391,008	8,477,177	8,173,132	-304,045	-3.6%
05 Federal Fund	57,826,671	64,733,463	61,995,015	-2,738,448	-4.2%
Total Funds	\$ 81,565,495	\$ 93,213,522	\$ 91,525,647	-\$ 1,687,875	-1.8%

Note: The fiscal 2008 appropriation does not include deficiencies.

**Fiscal Summary
DHR – Child Support Enforcement**

<u>Program/Unit</u>	<u>FY07 Actual</u>	<u>FY08 Wrk Approp</u>	<u>FY09 Allowance</u>	<u>Change</u>	<u>FY08-FY09 % Change</u>
06 Local Child Support Enforcement Administration	\$ 40,700,899	\$ 42,759,907	\$ 46,807,941	\$ 4,048,034	9.5%
08 Support Enforcement – State	40,864,596	50,453,615	44,717,706	-5,735,909	-11.4%
Total Expenditures	\$ 81,565,495	\$ 93,213,522	\$ 91,525,647	-\$ 1,687,875	-1.8%
General Fund	\$ 16,347,816	\$ 20,002,882	\$ 21,357,500	\$ 1,354,618	6.8%
Special Fund	7,391,008	8,477,177	8,173,132	-304,045	-3.6%
Federal Fund	57,826,671	64,733,463	61,995,015	-2,738,448	-4.2%
Total Appropriations	\$ 81,565,495	\$ 93,213,522	\$ 91,525,647	-\$ 1,687,875	-1.8%

Note: The fiscal 2008 appropriation does not include deficiencies.