

N00H00
Child Support Enforcement
Department of Human Resources

Operating Budget Data

(\$ in Thousands)

	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 09-10</u>	<u>% Change</u>
	<u>Actual</u>	<u>Working</u>	<u>Allowance</u>	<u>Change</u>	<u>Prior Year</u>
General Fund	\$16,818	\$18,807	\$19,703	\$896	4.8%
Contingent & Back of Bill Reductions	0	0	-143	-143	
Adjusted General Fund	\$16,818	\$18,807	\$19,560	\$753	4.0%
Special Fund	11,523	8,167	10,924	2,757	33.8%
Contingent & Back of Bill Reductions	0	0	-4	-4	
Adjusted Special Fund	\$11,523	\$8,167	\$10,920	\$2,754	33.7%
Federal Fund	61,697	60,536	58,589	-1,947	-3.2%
Contingent & Back of Bill Reductions	0	0	-284	-284	
Adjusted Federal Fund	\$61,697	\$60,536	\$58,306	-\$2,230	-3.7%
Adjusted Grand Total	\$90,037	\$87,510	\$88,786	\$1,276	1.5%

- A federal fund deficiency appropriation of \$327,586 for fiscal 2009 is proposed to provide funding for the Erasing Borders project, which focuses on inter-jurisdictional child support cases.
- The fiscal 2010 allowance for the Child Support Enforcement Administration (CSEA) increases by approximately \$1.28 million, or 1.5%, including the contingent reduction for deferred compensation. The general fund appropriation increases by \$753,149, or 4.0%. The special fund appropriation increases by approximately \$2.75 million, or 33.7%. The federal fund appropriation decreases by approximately \$2.23 million, or 3.7%.
- Contingent across-the-board reductions in the CSEA budget reduce \$430,197 in total funds to delete the deferred compensation match. Departmentwide the Department of Human Resources (DHR) is expected to reduce 200 positions as part of the abolition of 1,000 positions and to realize savings in contracted services based on a favorable bidding climate. These reductions have not been allocated by the administration within DHR, and as a result, the changes are not reflected in this analysis. Additional personnel reductions may occur in this agency as part of a statewide \$30.0 million unallocated across-the-board reduction.

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

For further information contact: Tonya D. Zimmerman

Phone: (410) 946-5530

Personnel Data

	<u>FY 08 Actual</u>	<u>FY 09 Working</u>	<u>FY 10 Allowance</u>	<u>FY 09-10 Change</u>
Regular Positions	737.25	730.25	728.25	-2.00
Contractual FTEs	<u>5.27</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Personnel	742.52	730.25	728.25	-2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	36.41	5.00%
Positions and Percentage Vacant as of 12/31/08	39.85	5.46%

- The fiscal 2010 allowance abolishes 2.0 vacant positions. Additional personnel reductions may occur when the 200.0 vacant position abolition for DHR contained in Section 18 of the budget bill is allocated by the administration.
- As of December 31, 2008, CSEA had 39.85 positions vacant, a vacancy rate of 5.46%. More recent vacancy information indicates that the number of vacant positions has decreased by 5.0 to 34.85 positions, a vacancy rate of 4.77%. The fiscal 2010 turnover expectancy of 5% requires 36.41 positions to be vacant.

Analysis in Brief

Major Trends

CSEA Exceeds Federal Goal in Percent of Cases with a Support Order in Fiscal 2008: In federal fiscal 2008, CSEA improved its performance in the percent of cases in the State child support caseload with a support order. This increase led to an overall performance which was higher than the federal goal of 80%.

Performance in Two Key Areas Remain Well Below the Federal Goal: CSEA's performance in the percent of current support paid and percent of cases with arrears for which a payment is received still lags the federal standard.

Issues

Privatization of Child Support Services: The Child Support Enforcement Privatization Pilot Project began as a result of Chapter 491 of 1995. This legislation authorized two privatized sites, Baltimore City and Queen Anne's County, which continue to operate under a private contractor. This statute also authorized the first demonstration site in Washington County. Subsequent reauthorizations have led to all nonprivatized jurisdictions becoming demonstration sites. An examination of recent performance was generally inconclusive regarding the performance of privatized jurisdictions under the current contract compared to other models. DHR intends to continue to operate Baltimore City's Office of Child Support as a private office in the future; however, it does not plan to include Queen Anne's County in the next contract.

CSEA Audit: In October 2008, the Office of Legislative Audits released a fiscal compliance audit for CSEA covering the period March 10, 2004 – August 31, 2007. The audit contained 15 findings, 9 of which are repeated from the audit dated May 17, 2005. The audit disclosed several findings including failing to fully or effectively use some authorized enforcement procedures, payments to deceased individuals, and contract monitoring.

Implementation of the \$25 Annual Fee for Child Support Collections: Based on a requirement imposed in the federal Deficit Reduction Act of 2005, Chapter 483 of 2007 authorized CSEA to collect a \$25 fee from disbursements of child support to custodial parents when \$500 or more had been disbursed and the individual had never received public assistance. Chapter 162 of 2008 altered the State collection of this annual fee, allowing the collection only after \$3,500 had been disbursed to the custodial parent. This change in statute is expected to lead to a shortfall of \$426,617 in fiscal 2009 and \$274,272 in fiscal 2010 in the CSEA budget, as a result of reduced federal fund revenues without a special fund replacement from the collections of the annual fee.

Recommended Actions

1. Adopt narrative requesting a transition plan for Queen Anne’s County child support.
2. Adopt narrative requesting an evaluation of the demonstration site bonus payments.

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:

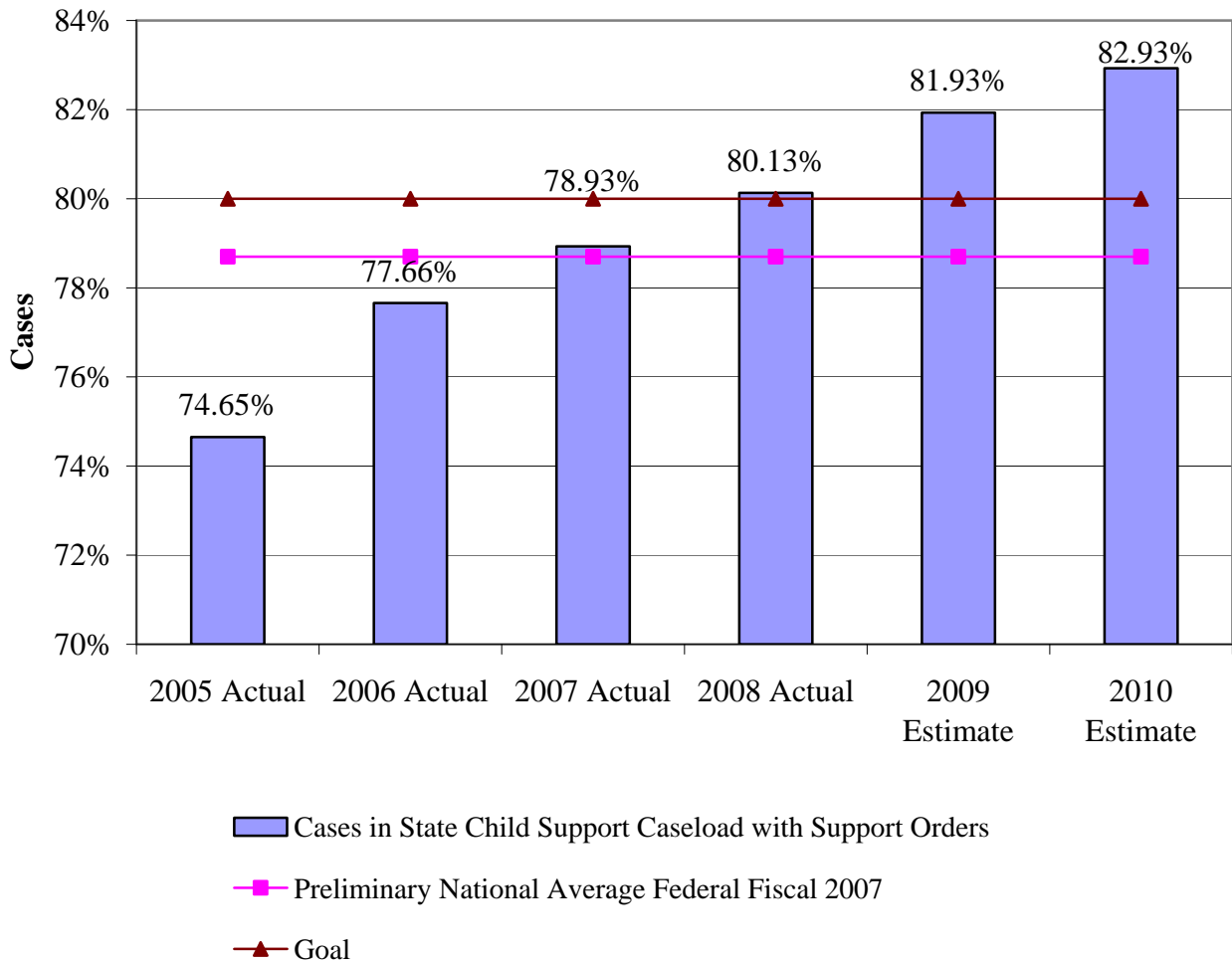
- locating non-custodial parents;
- establishing paternity;
- enforcing support orders;
- collecting and disbursing payments; and
- processing interstate cases.

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

Performance Analysis: Managing for Results

Exhibit 1 shows the percent of cases in the State child support caseload with support orders. CSEA has steadily increased performance in this measure in the last several years. In federal fiscal 2008, 80% of the State child support caseload had support orders, an increase of 1.2 percentage points. This performance exceeds both the federal goal in this area and the preliminary national average for federal fiscal 2007 as reported by Policy Studies, Inc. (PSI). CSEA expects to continue to improve performance in this area through fiscal 2010.

**Exhibit 1
Child Support Caseload Under Order
Federal Fiscal 2005-2010**

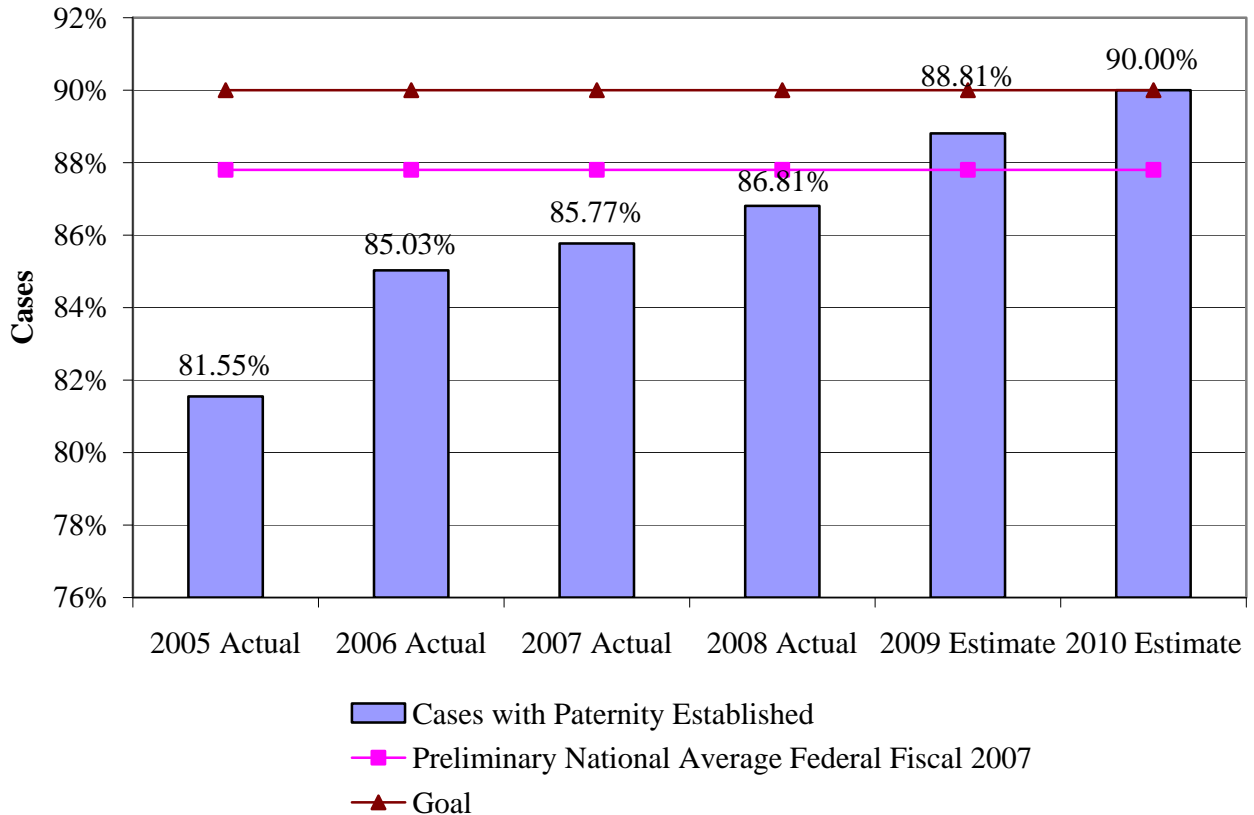


Note: National average numbers are preliminary and are subject to change.

Source: Department of Human Resources

Exhibit 2 shows the percent of children in the child support caseload with paternity established. In federal fiscal 2008, CSEA continued to show improvement in this measure, increasing from 85.77% in federal fiscal 2007 to 86.81% in federal fiscal 2008. Despite this increase, CSEA’s performance is below both the federal goal and the preliminary national average for federal fiscal 2007 as reported by PSI. CSEA expects performance to continue to improve through federal fiscal 2010, at which point the performance should meet the 90.0% federal goal.

**Exhibit 2
Child Support Caseload with Paternity Established
Federal Fiscal 2005-2010**

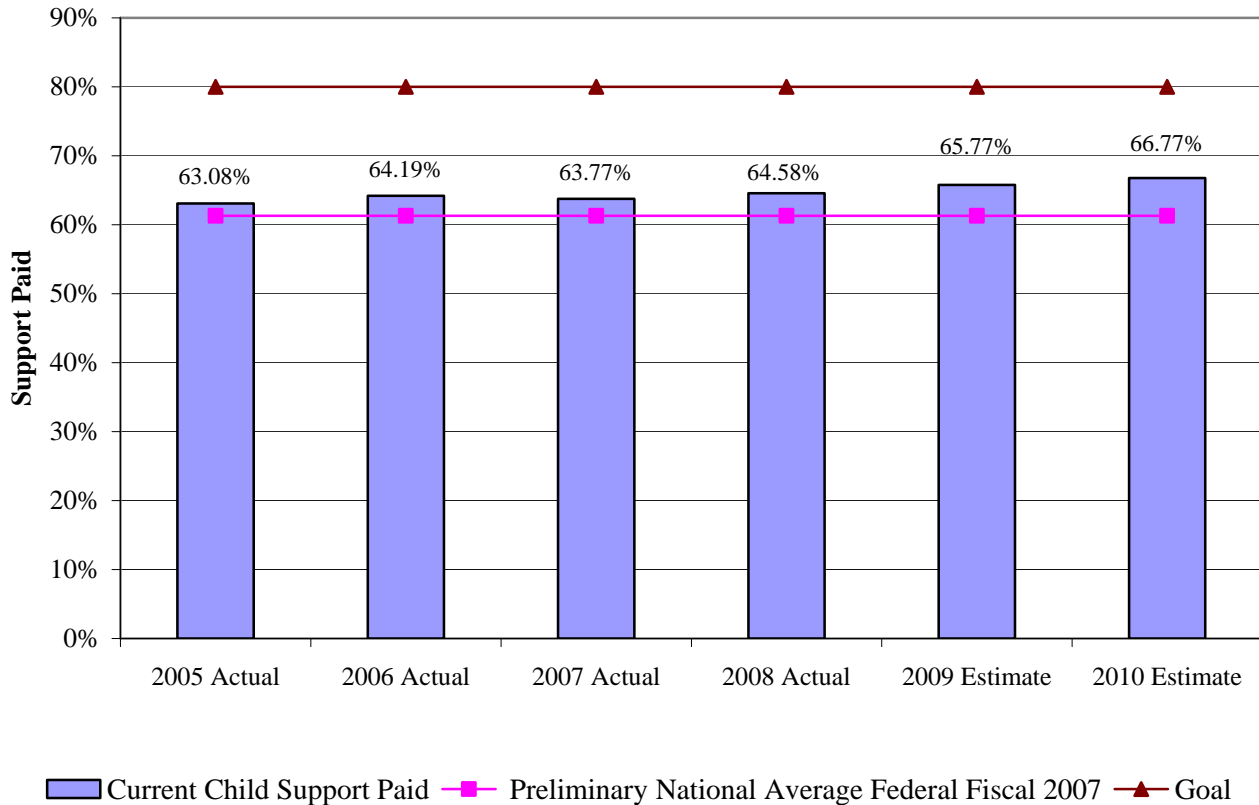


Note: There are two options for measuring performance in the area of paternity establishment for federal incentive payments, percent of the State child support caseload with paternity established and percent statewide with paternity established. In the Managing for Results submission, the Department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

Source: Department of Human Resources

Exhibit 3 shows the percent of current support paid. CSEA’s performance in this area has fluctuated within a small range in recent years, increasing slightly in federal fiscal 2008 to 64.58 from 63.77% in the prior year. CSEA expects to continue to increase performance in this area through fiscal 2010. The performance in federal fiscal 2008 exceeded the preliminary national average for federal fiscal 2007 as reported by PSI, but remains well below the 80.0% goal.

Exhibit 3
Current Child Support Paid
Federal Fiscal 2005-2010

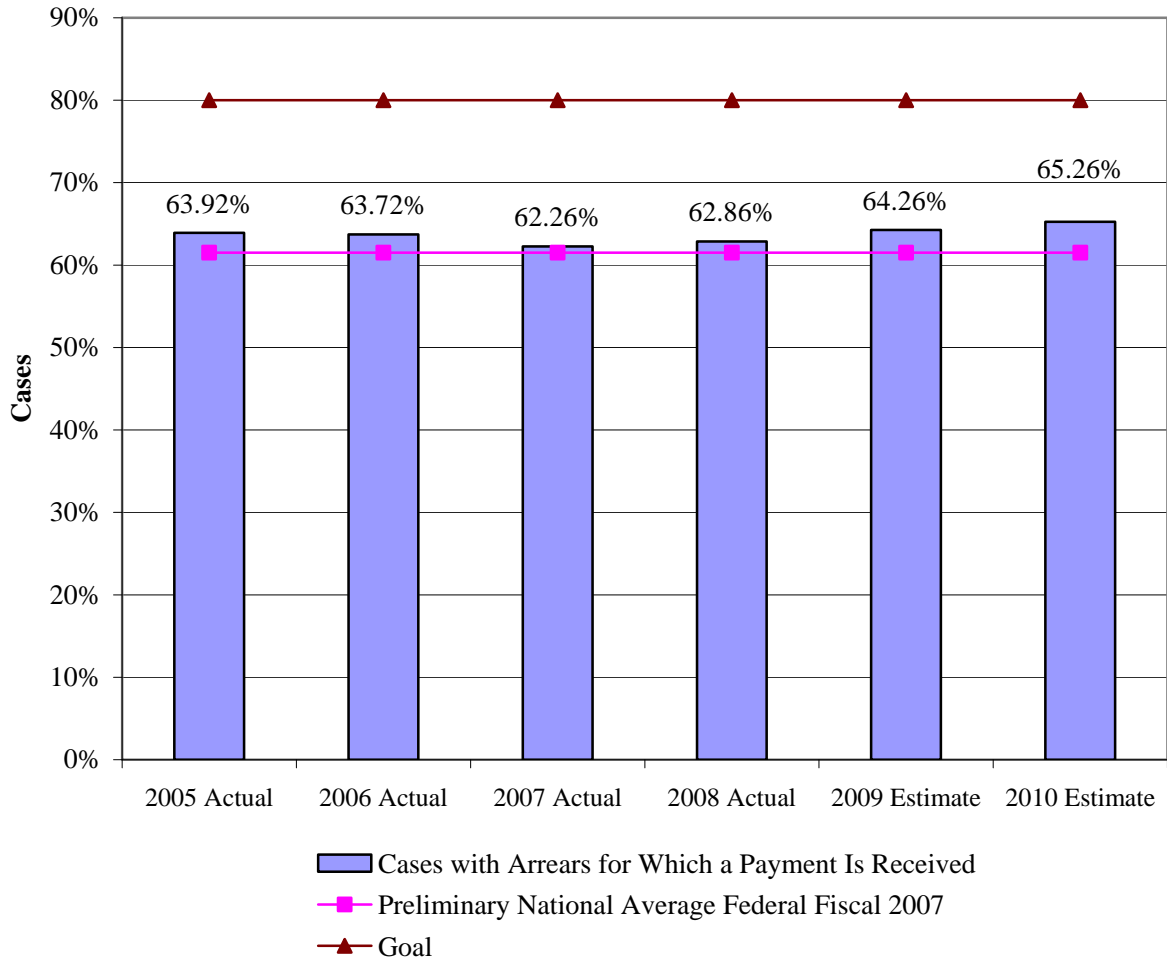


Note: National average numbers are preliminary and are subject to change.

Source: Department of Human Resources

Exhibit 4 shows the percent of cases with arrears for which a payment is received. In federal fiscal 2008, after slight decreases in recent years, the percent of cases with arrears for which a payment is received increased slightly from 62.26 to 62.86%. CSEA expects to continue to improve its performance in this area through federal fiscal 2010. The performance in federal fiscal 2008 exceeded the preliminary national average for federal fiscal 2007 as reported by PSI, but remains well below the 80.0% goal.

**Exhibit 4
Cases with Arrears for Which a Payment Is Received
Federal Fiscal 2005-2010**



Note: National average numbers are preliminary and are subject to change.

Source: Department of Human Resources

The performance of CSEA is relatively strong compared to the national average in three of the four measures reported. However, for the percent of current support paid and the percent of cases with arrears for which a payment is received, CSEA’s performance is more than 15 percentage points below the federal goal. **The department should comment on actions it intends to take to increase performance in the percent of current support paid and cases with arrears for which a payment is received to maximize incentive payments from the Federal Office of Child Support Enforcement (OCSE).**

Fiscal 2009 Actions

Proposed Deficiency

A federal fund deficiency appropriation of \$327,586 is proposed for fiscal 2009. This deficiency appropriation will be used for the Erasing Borders project in Prince George’s County. The Erasing Borders project focuses on barriers found in inter-jurisdictional child support cases with a goal to expedite registration and enforcement functions needed for management of inter-jurisdictional cases. The project involves collaboration between several Prince George’s County and District of Columbia departments and agencies. This proposed deficiency is related to a multi-year federal grant first appropriated in CSEA in a fiscal 2008 deficiency appropriation for this project. The proposed fiscal 2009 deficiency appropriation reflects part of the remaining funding for this project.

Impact of Cost Containment

The fiscal 2009 appropriation of CSEA has been reduced by approximately \$3.12 million as a result of the June and October cost containment actions taken by the Board of Public Works (BPW). The majority of this reduction has occurred in general funds (\$2.4 million), with the remaining decreases in special (\$2,799) and federal (\$704,138) funds.

Approximately \$1.5 million of this reduction has occurred in the area of personnel expenses. This includes the abolishment of four vacant positions, two from the State offices of CSEA and two from local child support offices. The remaining personnel decreases occur due to a hiring freeze, changes in health insurance funding, and the elimination of payments to reduce the Other Post Employment Benefits unfunded liability.

The general fund appropriation of CSEA was also reduced by approximately \$1.6 million in contractual services to eliminate virtually all general fund expenditures associated with contracts in the State disbursement unit in fiscal 2009. These contracts are expected to be funded in fiscal 2009 with Child Support Reinvestment Funds. The increase in special funds associated with this action is expected to occur during the closeout process. This action would generally be expected to reduce federal fund expenditures associated with these contracts because the special fund expenditures are ineligible for a federal match. However, the American Recovery and Reinvestment Act of 2009 temporarily reinstates the ability to match reinvestment funds with federal funds.

An additional reduction of approximately \$102,000 in general funds is expected as a result of the furlough plan pending BPW action.

Proposed Budget

As shown in **Exhibit 5**, the fiscal 2010 allowance of CSEA increases by approximately \$1.28 million, or 1.5%, after including the reduction in deferred compensation contingent on the passage of legislation.

**Exhibit 5
Proposed Budget
DHR – Child Support Enforcement
(\$ in Thousands)**

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2009 Working Appropriation	\$18,807	\$8,167	\$60,536	\$87,510
2010 Allowance	<u>19,703</u>	<u>10,924</u>	<u>58,589</u>	<u>89,216</u>
Amount Change	\$896	\$2,757	-\$1,947	\$1,707
Percent Change	4.8%	33.8%	-3.2%	2.0%
Contingent Reductions	-\$143	-\$4	-\$284	-\$430
Adjusted Change	\$753	\$2,754	-\$2,230	\$1,276
Adjusted Percent Change	4.0%	33.7%	-3.7%	1.5%

Where It Goes:

Personnel Expenses

Employee and retiree health insurance pay-as-you-go costs	\$2,142
Retirement contribution	581
Regular earnings	155
Turnover adjustments	-51
Abolish 2.0 positions	-107
Reclassification.....	-216
Deferred compensation including reduction contingent on the passage of legislation.....	-435
Delete funds reducing Other Post Employment Benefits' unfunded liability	-772
Other fringe benefit adjustments	4

Other Changes

State disbursement unit contracts to reflect full cost of contracts in fiscal 2010.....	1,349
Child Support Enforcement Agency local area network contract to reflect increased salaries and wages and a new administrator in Prince George's County	342
Erasing Borders Project	258
Research and technical assistance contracts to reflect cost of contract	197
Rent.....	142
Decrease in call center contract offset by increase in federal parent locator service to align with recent spending.....	105
Supplies	-27
Communications to reflect recent experience.....	-97

N00H00 – DHR – Child Support Enforcement

Where It Goes:

Legal services contracts in Frederick, Washington, and Wicomico counties.....	-131
Interstate process service contract to reflect estimated need	-202
Contractual services related to local offices and cooperative reimbursement agreements.....	-768
Contracts for which fiscal 2009 encumbered funds will pay fiscal 2010 expenses.....	-1,177
Other	-16
Total	\$1,276

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

The increase occurs primarily in the special fund appropriation which increases by approximately \$2.75 million, or 33.7%. The general fund appropriation also increases by \$753,149, or 4.0%. These increases are partially offset by a decrease of approximately \$2.23 million, or 3.7%, in the federal fund appropriation.

The major changes in the fiscal 2010 allowance for CSEA occur in the areas of personnel, communications, rent, and contractual services.

Impact of Cost Containment

A reduction of \$430,197 is associated with the elimination of the deferred compensation match, which is contingent on the passage of legislation.

The fiscal 2010 allowance also reduces 2 regular positions and the associated funding (\$106,896) in CSEA. Both positions are vacant and located in the State offices of CSEA. In light of these position reductions and the current level of vacancy, CSEA is not likely to meet the turnover expectancy.

Additional reductions may be anticipated when the reductions of 200 vacant positions in Section 18 and \$5.76 million in contractual services in Section 24 are allocated by the Administration. These reductions are currently allocated departmentwide.

Fund Source Change

The fiscal 2010 allowance reflects a change in funding for CSEA, which is primarily the result of the October 2008 BPW actions. In the October BPW action, the funding for the State disbursement unit contracts within CSEA was altered to virtually eliminate general fund expenditures. The eliminated general funds were expected to be replaced with special funds from the Child Support Reinvestment Fund. This action was also expected to have the impact of reducing federal funds for this contract because the special funds are ineligible for a federal match.

N00H00 – DHR – Child Support Enforcement

A budget amendment was approved which eliminated the general funds associated with this change in funding; however, no formal action has increased the special fund appropriation needed for this action or reduced the federal fund appropriation.

These actions generally carry forward into fiscal 2010 and impact the allowance in two ways. First, the appropriation for these contracts increase by approximately \$1.3 million to reflect the full funding of the contracts, which is not currently reflected in the fiscal 2009 working appropriation. Second, the federal fund appropriation amount is reduced to reflect the ineligible federal match for these contracts and the special fund appropriation increased to reflect the use of these funds for the contracts.

The Department of Human Resources (DHR) anticipates there is an adequate amount of Child Support Reinvestment Funds available for the increased use of these funds in fiscal 2009 and 2010.

Section 2104 of the American Recovery and Reinvestment Act of 2009 temporarily reinstates the ability to match these reinvestment funds with federal funds, which was eliminated under the federal Deficit Reduction Act of 2005. **DHR should comment on how this provision will impact its spending plan in fiscal 2010.**

Contractual Services

A decrease of approximately \$1.18 million occurs for contracts related to medical support enforcement, administrative garnishments, and hard to collect cases enforcement. DHR indicates that these contracts will be implemented on or before June 1, 2009. As a result of the expected implementation date toward the end of the fiscal year, DHR intends to encumber the entire fiscal 2009 funding for these contracts to pay for costs in fiscal 2010. No additional funding for these contracts is provided in the fiscal 2010 allowance. The fiscal 2011 budget for CSEA, however, can be expected to increase to reflect the cost of these contracts in that year.

A decrease of approximately \$768,000 in contractual services reflects changes in the projected level of federal incentive payments and ineligible federal fund matches for local offices and cooperative reimbursement agreements. DHR indicates funds budgeted in this area are for incentive funds for local offices and agencies with which it has cooperative reimbursement agreements including Sheriff's offices, Court Masters, Clerks of Courts, and State's Attorney offices.

Erasing Borders Project

The fiscal 2010 allowance for the Erasing Borders project increases by \$258,000 compared to the current fiscal 2009 appropriation. However, a fiscal 2009 deficiency appropriation of \$327,586 is proposed for this project. If this deficiency appropriation is approved, the fiscal 2010 allowance would reflect a decrease of approximately \$70,000 compared to fiscal 2009.

The fiscal 2009 proposed deficiency appropriation and the fiscal 2010 allowance for this project are part of a multi-year grant award (September 1, 2007 – August 30, 2010). The total available funding for this project, as a result of this grant, is approximately \$1.12 million. A fiscal 2008 deficiency appropriation provided \$491,379. Most of the funding associated with the deficiency appropriation was cancelled. Based on these appropriation and actual expenditure levels, additional funding is available for this project from the grant.

Issues

1. 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. This legislation also created the first demonstration site in Washington County. The demonstration site was to compete against the two privatized sites. As a demonstration site, jurisdictions are provided management flexibility, such as special appointment status for employees, and the potential for employee bonuses for performance in several areas.

The privatization pilot project was reauthorized several times through legislation (Chapter 486 of 1999, Chapter 439 of 2002, and Chapters 312 and 392 of 2003). Under the most recent authorization, the privatization pilot would end September 30, 2009. That same legislation also ordered all jurisdictions that are not privatized to become demonstration sites by July 1, 2008, on a phased-in schedule. The final jurisdiction became a demonstration site on July 1, 2008.

Exhibit 6 provides information on the date each nonprivatized jurisdiction became a demonstration site.

Exhibit 6 Child Support Demonstration Sites

<u>County</u>	<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

The current child support privatization contract had a base period from January 1, 2004 – March 31, 2008, with two one-year option periods. In November 2007, BPW approved the first of these renewal options, extending the contract through March 31, 2009. DHR intends to take the second renewal option for this contract to BPW in March 2009, which would extend the contract through March 31, 2010.

A Comparison of Performance

This analysis compares the performance of the two privatized sites under the current contract that began January 2004 to the eight jurisdictions (Allegany, Anne Arundel, Baltimore, Carroll, Charles, Dorchester, Frederick, and Prince George’s counties) that became demonstration sites on July 1, 2005, and the three jurisdictions (Kent, St. Mary’s, and Wicomico counties) that became demonstration sites only after the time period for which data was examined.

Performance of child support can be measured in several ways including total collections, cost effectiveness, percent of cases with a support order, percent of cases with paternity established, percent of current support paid, and percent of cases paying on arrears. In this section, detail is provided on two of those measures, the percent of current support paid and the percent of cases paying on arrears, during the period of federal fiscal 2005 to 2007.

As shown in **Exhibit 7**, the performance of the privatized jurisdictions was mixed compared to other jurisdictions between federal fiscal 2005 and 2007 in terms of the percent of current support paid. Queen Anne’s County performed better than six of the comparison demonstration sites and all three non-demonstration sites during this time period despite beginning the comparison period already having a high percentage of current support paid. Baltimore City, despite starting the period as a low performer in this category, performed better than only two of the demonstration sites, and its overall performance decreased. Nonetheless, the city did perform better than two of the non-demonstration sites.

However, as also shown in Exhibit 7, the two privatized sites performed worse compared to the demonstration and non-demonstration sites between federal fiscal 2005 and 2007 in terms of the percent of cases in arrears that were actually making progress on those arrearages. Both jurisdictions, as did most other jurisdictions, experienced overall declines in performance.

As shown, and as also borne out in the other available performance data, the relative performance of the privatized jurisdictions compared to other jurisdiction types is generally inconclusive.

Exhibit 7
Comparison of Child Support Performance
Various Data
Federal Fiscal 2005-2007

<u>Jurisdiction</u>	<u>Current Support Paid</u>			<u>Cases Paying on Arrears</u>		
	<u>2005</u>	<u>2007</u>	<u>Annual Change</u> <u>2005 to 2007</u>	<u>2005</u>	<u>2007</u>	<u>Annual Change</u> <u>2005 to 2007</u>
Baltimore City	49.63%	49.32%	-0.31%	50.63%	47.97%	-2.66%
Queen Anne's	66.55%	67.62%	0.80%	72.94%	69.23%	-2.58%
Allegany	70.31%	71.02%	0.50%	74.66%	77.40%	1.82%
Anne Arundel	63.18%	66.02%	2.22%	70.74%	70.41%	-0.23%
Baltimore Co.	65.89%	66.91%	0.77%	71.36%	71.40%	0.03%
Carroll	71.36%	70.61%	-0.53%	76.69%	75.16%	-1.00%
Charles	68.18%	67.90%	-0.21%	78.66%	75.20%	-2.22%
Dorchester	58.92%	58.70%	-0.19%	67.07%	66.49%	-0.43%
Frederick	70.53%	68.04%	-1.78%	75.45%	74.84%	-0.41%
Prince George's	65.21%	67.08%	1.42%	65.03%	64.00%	-0.80%
<i>Kent</i>	<i>66.55%</i>	<i>65.00%</i>	<i>-1.17%</i>	<i>76.62%</i>	<i>73.13%</i>	<i>-2.30%</i>
<i>St. Mary's</i>	<i>68.10%</i>	<i>69.02%</i>	<i>0.67%</i>	<i>72.24%</i>	<i>71.36%</i>	<i>-0.61%</i>
<i>Wicomico</i>	<i>60.05%</i>	<i>59.21%</i>	<i>-0.70%</i>	<i>63.56%</i>	<i>60.95%</i>	<i>-2.07%</i>
State	63.08%	63.77%	0.55%	63.92%	62.26%	-1.31%

Notes: Calculation for Current Support Paid: Total Current Support Distributed year-to-date/ Total Current Support Due year-to-date. Calculation for Cases Paying on Arrears: Total IV-D cases paying arrears/ Total IV-D cases with arrears. Demonstration sites began July 1, 2005 (FFY 2005). New contract began January 2004 (FFY 2004).

Source: Department of Human Resources; Department of Legislative Services

Demonstration Site Performance

Employee bonuses available to demonstration sites are 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 level. For two measures (cases with paternity established and cases with a support order established), a jurisdiction can have a goal of either improving performance to a certain level or maintaining performance, depending on the previous performance levels. For the performance measures of current support paid and cases with arrearages paying on arrears, the goal is based on improving performance for all jurisdictions. The maximum amount a jurisdiction can receive in bonuses each quarter is 5% of its quarterly salary base. However, the amount of bonuses available in a jurisdiction is impacted by available funding. For example, DHR indicates that the inability to match the Child Support Reinvestment Funds with federal dollars has impacted this program.

N00H00 – DHR – Child Support Enforcement

Exhibit 8 shows the recent performance incentive bonuses of demonstration sites. This exhibit shows the percent of the maximum bonus that could be received by a demonstration site and the amount that was received. As shown in Exhibit 8, the percent of the maximum bonus achieved is relatively inconsistent from year-to-year and between jurisdictions.

From fiscal 2004 through 2008, CSEA paid approximately \$1.71 million in employee bonuses to demonstration sites. Despite an increase in the number of jurisdictions eligible to receive bonuses between fiscal 2007 and 2008, the actual amount paid statewide declined. Nearly all jurisdictions that were eligible to receive bonuses in both fiscal 2007 and 2008 had a decline in the level of bonus achieved between these years. In fact, the only jurisdictions for which the bonus level increased between these years were those that were only a demonstration site for part of fiscal 2007. Some of the changes discussed in this section could be the result of available funding.

Several jurisdictions experienced a substantial decline in the percent of the maximum bonus received between fiscal 2007 and 2008, including Allegany (85.9 versus 53.3%), Anne Arundel (76.2 versus 20.2%), Carroll (62.6 versus 21.2%), Dorchester (46.6 to 13.1%), and Prince George's (59.3 versus 24.5%) counties. Of these five jurisdictions, only Allegany and Dorchester counties had a decline in performance between federal fiscal 2007 and 2008 in any of the four measures of performance used in the determination of these bonuses.

In fiscal 2006, 8 of 12 jurisdictions received at least 50% of the bonus they were eligible to receive, with the remaining 4 receiving at least 45% of the bonus they were eligible to receive. In fiscal 2007, only 6 of 16 jurisdictions received at least 50% of the bonus they were eligible to receive; 6 of 21 jurisdictions reached that level in fiscal 2008.

While the performance bonuses appear to generally reflect performance of jurisdictions, there appears to be some variations between years in the amount of bonuses paid relative to the maximum amount that could be paid, and it is not clear that performance is always the determining factor. **DHR should comment on the reason for variations in the level of bonuses received by jurisdictions from year to year, particularly focusing on the changes between fiscal 2007 and 2008. DHR should also explain why bonuses can be received by a jurisdiction for merely maintaining performance and how the goals are set by jurisdictions.**

In addition, the Department of Legislative Services (DLS) recommends committee narrative requesting an evaluation of the demonstration site bonus program to demonstrate effectiveness in increasing performance.

**Exhibit 8
Demonstration Site Performance Incentives
Fiscal 2004-Third Quarter Fiscal 2008**

	Fiscal 2004		Fiscal 2005		Fiscal 2006		Fiscal 2007		Fiscal 2008	
	<u>Bonuses Paid</u>	<u>Percent of Maximum Bonus Achieved</u>	<u>Bonuses Paid</u>	<u>Percent of Maximum Bonus Achieved</u>	<u>Bonuses Paid</u>	<u>Percent of Maximum Bonus Achieved</u>	<u>Bonuses Paid</u>	<u>Percent of Maximum Bonus Achieved</u>	<u>Bonuses Paid</u>	<u>Percent of Maximum Bonus Achieved</u>
Allegany					\$28,316	63.9%	\$40,549	85.9%	\$25,138	53.3%
Anne Arundel					98,076	69.7%	112,043	76.2%	28,293	20.2%
Baltimore County					97,812	62.8%	100,224	61.2%	82,846	50.5%
Calvert	\$4,306	22.4%	\$15,484	75.2%	16,464	76.1%	16,190	71.8%	13,697	60.0%
Caroline							3,203	14.8%	12,991	53.0%
Carroll					12,122	49.5%	16,148	62.6%	5,490	21.2%
Cecil									16,496	43.2%
Charles					10,423	46.8%	9,333	40.1%	8,677	42.5%
Dorchester					14,516	52.1%	12,716	46.6%	3,699	13.1%
Frederick					16,293	49.4%	12,331	33.5%	9,784	31.7%
Garrett							1,593	11.3%	11,358	79.6%
Harford							12,371	27.2%	21,899	48.9%
Howard	23,806	64.6%	25,203	63.7%	20,935	55.6%	17,100	44.8%	13,309	40.0%
Kent									632	3.9%
Montgomery	36,244	32.7%	72,962	63.3%	60,627	50.3%	55,216	44.4%	47,334	36.8%
Prince George's					83,166	46.6%	116,621	59.3%	61,938	24.5%
Somerset							1,125	5.8%	8,080	44.1%
Talbot									6,091	54.6%
Washington	21,877	42.7%	33,529	62.8%	38,674	69.8%	24,098	42.9%	20,541	33.3%
Wicomico									15,627	35.3%
Worcester									10,011	36.0%
Total State	\$86,233	39.6%	\$147,178	65.1%	\$497,424	57.7%	\$550,861	54.5%	\$423,931	35.5%

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. St. Mary's County became a demonstration site in fiscal 2009.

Source: Department of Human Resources; Department of Legislative Services

CSEA Planned Actions

The privatization of child support operations in Baltimore City and Queen Anne’s County is expected to continue through March 31, 2010, under a renewal option from the current contract. Legislation (House Bill 1448) has been introduced to reauthorize the privatization of child support in Baltimore City, which is currently expected to terminate prior to the end date of the renewal option.

DHR has indicated its intention to continue Baltimore City as a privatized child support office following the end of the current contract. DHR reports, however, that it plans to transition Queen Anne’s County child support operations out of privatization. The request for proposal for the new contract for the Baltimore City Office of Child Support is under development and expected to be released in July 2009.

DHR has not yet developed a specific plan for the transition of Queen Anne’s County. However, work is to begin in May 2009, with a final plan to be completed in September 2009. **DLS recommends committee narrative requesting a copy of this transition plan be provided to the budget committees upon completion.**

The fiscal 2010 allowance does not reflect changes which will be necessary for the transition of Queen Anne’s County child support. DHR had not finalized a decision to transition Queen Anne’s County out of privatization at the time of the budget development. It anticipates moving by budget amendment the appropriation for Queen Anne’s County child support to a separate subprogram, from the current location within the privatization contract. DHR indicates that 5 State regular positions will be needed in Queen Anne’s County following this transition; vacant positions from elsewhere within the department will be used to re-establish this office. **DLS recommends if the realignment of expenditures in the fiscal 2010 budget to reflect the transition of Queen Anne’s county will occur during the latter part of fiscal 2010 that the realignment be presented to the General Assembly with the fiscal 2011 budget.**

DHR should comment on how it intends to proceed if legislation is not passed to reauthorize and extend the privatization project.

2. CSEA Audit

In October 2008, the Office of Legislative Audits (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 that 11 of the findings from this previous audit had been addressed satisfactorily, with the remaining 10 findings repeated in the current audit as 9 items. OLA also determined that the accountability and compliance level of CSEA was no longer unsatisfactory. However, the October 2008 audit still contains 15 findings, of which 9 are repeated.

Exhibit 9 contains the full list of findings, recent actions relating to these findings, and expected completion dates of the corrective actions. The bolded findings are those that are repeat

N00H00 – DHR – Child Support Enforcement

findings. For each finding, DHR produced a plan for corrective actions; recent actions listed may not cover the complete scope of the corrective action plan of DHR. These corrective actions should be completed by spring 2010. DHR indicated that three of the recommendations are fully completed.

Exhibit 9
CSEA Audit Findings and Corrective Action Plan Status

<u>Findings</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	Revised policy regarding suspension of licenses Changes to IT system to improve lottery intercept Meetings with various State agencies to begin discussion or process of suspension and developing lists of potential other licenses to be suspended issued by other State agencies	October 2009
Social Security numbers of obligors were not always obtained and recorded in the Automated Child Support System	In process of revising policy regarding actions when Social Security numbers are missing Sent a missing Social Security report to local departments in December 2008 Planning visits to large metropolitan local departments for case review	March 2009, but several actions will be ongoing
Seizure of delinquent obligor bank accounts was not effectively used as a collection tool	Met with OTHS to discuss system changes	July 1, 2009
Documentation of enforcement of medical support orders was lacking	Changes to CSES which will migrate in March 2009 Train staff on new processes in March 2009 Updated policy manual Met with procurement office	March 2010
Driver's license suspension referrals rejected by MVA were not adequately investigated	Plan to incorporate follow-up of MVA driver's license suspensions rejections into quality control review process Exploring possibility of establishing additional central oversight process	September 2009

<u>Findings</u>	<u>Recent Actions</u>	<u>Expected Completion Date</u>
CSEA did not ensure that a local office's follow-up with delinquent obligors was timely	Revised letter sent at 30 days delinquent and plan to send a 60-day delinquent letter	Completed February 2009 and ongoing
Effective procedures were not in place to detect child support payments being issued to deceased individuals	Implemented Early Intervention Pilot which focuses on actions taken if a first payment is not made	December 2009
Undisbursed funds were not sent to the Comptroller of the Treasury as required by law	Developing new policies	December 2009
Undisbursed funds were not sent to the Comptroller of the Treasury as required by law	Has matched Division of Vital Records information with non-custodial parents and will create a work order for the match with custodial parents	October 2010
Undisbursed funds were not sent to the Comptroller of the Treasury as required by law	Received advice from the Attorney General's office on whether to proceed with actions against those that had cashed checks	October 2010
Undisbursed funds were not sent to the Comptroller of the Treasury as required by law	Inspector General's office reviewed cases for fraud	October 2010
Undisbursed funds were not sent to the Comptroller of the Treasury as required by law	Workgroup to address issue met on January 21, 2009	October 2010
Undisbursed funds were not sent to the Comptroller of the Treasury as required by law	Developed policies to establish procedures for documenting location efforts	October 2010
Undisbursed funds were not sent to the Comptroller of the Treasury as required by law	Plan to send first abandoned property report to Comptroller's office in October 2010	October 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	Working to identify the \$2.4 million referenced in audit	April 2009
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	Planned reconciliations for first quarter of calendar 2009	April 2009
CSEA was unable to substantiate the propriety of an \$825,000 reconciling adjustment	Determined propriety of adjustment	Completed September 2008
CSEA could not document that adequate controls were established by the central receipt and processing contractor	Policy written	Completed and ongoing
CSEA could not document that adequate controls were established by the central receipt and processing contractor	Contractor performance evaluations completed in June and December 2008 will now conduct annual reviews, the first is for December 2009	Completed and ongoing

<u>Findings</u>	<u>Recent Actions</u>	<u>Expected Completion Date</u>
CSEA did not verify billings or take appropriate action when contractors were not performing in accordance with established goals	<p>Completed billing verification</p> <p>Updated Cooperative Reimbursement Agreement Contracts updated</p> <p>Reconvened a Cooperative Reimbursement Agreement Workgroup which will begin meeting by end of March 2009 to address penalty procedures</p>	September 2009
CSEA did not take sufficient actions to address contractor noncompliance with certain contract requirements	<p>In procurement process, intend to include fiscal sanctions in new contract for failure to meet contract requirements</p> <p>Plan to review and update performance requirements</p>	April 10, 2010
CSEA had not established adequate controls to prevent or detect unauthorized changes to critical data	<p>Delete system access for former employees</p> <p>Correct conflicting roles in refund processing</p> <p>Authorized user reports evaluated by local departments and returned to central office</p> <p>Review certain roles in process</p> <p>Plan to create process to verify computer access for former employees is deleted</p>	March 2009

Findings

Recent Actions

Expected Completion Date

CSEA did not always perform adequate collection efforts on certain accounts receivable

Developed and implemented policy
Plan to request a report to determine extent of backlog of delinquent cases
Addressing tax overpayments and forwarding to Central Collections Unit as appropriated
Ongoing process related to administrative debt

October 2009 with some on-going processes

CSEA: Child Support Enforcement Agency
CSES: Child Support Enforcement System
IT: information technology
MVA: Motor Vehicle Administration
OTHS: Office of Technology for Human Services

Source: Department of Human Resources; Department of Legislative Services

Enforcement Procedures

The audit contained six findings and recommendations related to issues of enforcement procedures, of which four were repeated findings. These findings including failing to use all available enforcement tools including occupational license suspension and not using the State lottery interception effectively, failure to obtain and record valid Social Security numbers of obligors, ineffective use of seizing delinquent obligor bank accounts, not adequately documenting medical support order enforcement, not adequately investigating driver's license suspension referrals rejected by the Motor Vehicle Administration due to system edits, and not ensuring that a local office performed timely follow-up of delinquent accounts.

DHR indicated that corrective actions have begun in each of these areas. These corrective actions include meeting with State agencies to begin the process of suspending certain occupational licenses, changing CSEA's policy manual, establishing oversight processes, changing the computer matching system, and implementing other changes to the Child Support Enforcement System.

Payment to Deceased Individuals

The audit indicated procedures were not in place to detect payments made to deceased individuals. It noted that a match the auditors conducted between payments and death records from 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. Based on a review of 20 of these cases, 13 of the checks had been cashed. DHR has developed corrective actions related to this area including new policies and a plan to match custodial parents to death records. DHR also indicates it sought advice on actions to take in instances in which these payments were cashed. The advice indicated no actions were required of DHR.

Undisbursed Funds

The audit found approximately \$1.1 million in undisbursed funds was not forwarded to the Comptroller's office as required. This is a repeat finding. DHR indicated that some procedures to correct this issue have been in place since fiscal 2000. However, DHR has taken action related to this finding including the creation of new policies and plans to send a report on abandoned property to the Comptroller's office in October 2010.

Contracts

The audit also included two findings specific to contracts, one of which was a repeated finding. These findings included not verifying billings by the contract or taking actions when contractors did not meet established goals and not taking adequate actions to address the noncompliance of contractors with contract requirements. The latter finding is specifically in reference to the contract for privatized child support services in Baltimore City and Queen Anne's County.

DHR disagreed with some of the recommendations related to contract monitoring but has indicated that it has or plans to revise language in the contracts mentioned in the audit.

CSEA should comment on additional actions to correct these findings.

3. Implementation of the \$25 Annual Fee for Child Support Collections

The federal Deficit Reduction Act of 2005 imposed a \$25 annual fee on child support cases where \$500 has been collected in the federal fiscal year and the individual has never received public assistance. The federal government will reduce 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 will reduce 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 non-custodial parents; and (4) deduct from support received after \$500 has been collected.

For federal fiscal 2008, 81,561 cases in Maryland were eligible for this fee based on the federal criteria. At this level of eligibility, the federal government would assume State collections of approximately \$2.0 million and reduce the federal financial participation by approximately \$1.35 million.

Background

As of this writing, the federal OCSE Interstate Referral Guide indicated that 17 states had chosen to pay this fee from state funds, 4 states collect from the non-custodial parent, and 24 states collect this fee from the custodial parent. Collections from custodial parents are generally deducted from support received; however, some are collected through other means. Some states indicate that, in addition to the main method of collection, it will pay out of its funds for some cases (*e.g.*, interstate) or cases in which it cannot collect. Two states are included in the count under multiple categories (*i.e.*, Georgia and Pennsylvania). Georgia splits the cost between custodial parents (\$12) and non-custodial parents. Pennsylvania absorbs the fee for cases between \$500 and \$1,999, but deducts it from support payments for those receiving more than \$2,000. Ten states note that it collects from the applicant, at least in some cases; however, these states also collect through other methods as well. Eight states, including Maryland, did not report implementation procedures for this guide.

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. CSEA collected fees under this statute from October 1, 2007, to September 30, 2008.

DHR reports that for federal fiscal 2008 it collected approximately \$1.92 million from 76,999 cases. Based on its collections of the annual fee in fiscal 2008, \$565,862 was available to DHR for use in its budget. Some additional funding may be available to the State based on its collections through the remainder of federal fiscal 2008; however, no change to the fiscal 2009

appropriation has occurred as of this writing to reflect these additional funds. DHR did not collect from all eligible cases, but this had minimal impact on the budget of CSEA.

2008 Session Changes

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. Based on federal fiscal 2008 collections, DHR anticipates that under the new statute 42,920 cases are eligible for collection, just over half of the number of cases from which the government will assume revenue, 52.6%.

As a result of the reduced number of eligible cases, DHR anticipates the collection from this fee in the future will be approximately, \$1.07 million. From October through December 2008, DHR had collected \$30,050 from 1,202 cases under this new statute. Including the amount already collected, DHR expects to collect \$776,875 from 31,075 cases under this statute through the end of fiscal 2009. The fiscal 2009 estimated level of collection under the new statute is lower than the estimated collection under the new statute in the future because it reflects only collections for 9 months, rather than 12.

Impact of Changes on General Fund

The new State eligibility criteria, which differ from the criteria established by the federal government, is expected to leave a shortfall in the budget of CSEA in fiscal 2009 and all future years that may need to be covered with general funds. In fiscal 2009, the federal government will reduce revenue by approximately \$1.3 million under the current DHR estimates of eligible cases, based on assumed State revenue of approximately \$2.0 million. However, DHR only expects to have collected \$920,625, including collections under both the old and new statute. This level of collection would result in an expected general fund shortfall of \$426,617. However, DHR expects that after fiscal 2009 the shortfall will be \$274,272, because the higher eligibility level will be in effect for the full fiscal year and as a result it will collect approximately \$1.07 million. Actual eligibility, collections, and shortfalls may vary from DHR estimates.

DHR is still developing a plan on how it will resolve this shortfall. **DHR should comment on how the shortfall is expected to impact the operations of CSEA in fiscal 2009, 2010, and all future years and, to the extent possible, how it plans to cover the expected shortfall given the current fiscal situation.**

Recommended Actions

1. Adopt the following narrative:

Transition Plan for Queen Anne’s County Child Support: Queen Anne’s County child support office has operated as a privatized site for more than 10 years. The Department of Human Resources (DHR) has indicated it intends to transition Queen Anne’s County child support operations out of privatization at the end of the current contract. DHR plans to complete a transition plan for Queen Anne’s County child support in September 2009. The committees request a copy of this transition plan by October 1, 2009.

Information Request	Author	Due Date
Transition plan for Queen Anne’s County child support	DHR	October 1, 2009

2. Adopt the following narrative:

Evaluation of Demonstration Site Incentive Payments: In fiscal 2009, all nonprivatized child support operations function as demonstration sites which afford the opportunity for employee bonuses based on the collective performance of the jurisdiction in four measures compared to its goals. From fiscal 2004 to the third quarter of 2008, approximately \$1.71 million has been paid in bonuses to local child support offices through this program. The budget committees request the Department of Human Resources (DHR) Child Support Enforcement Administration, conduct an evaluation of the effectiveness of the bonus program on performance in these jurisdictions.

Information Request	Author	Due Date
Evaluation of demonstration site incentive payments	DHR	December 1, 2009

Current and Prior Year Budgets

Current and Prior Year Budgets DHR – 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 2008					
Legislative Appropriation	\$20,995	\$8,470	\$65,073	\$0	\$94,538
Deficiency Appropriation	0	0	491	0	491
Budget Amendments	-2,920	3,511	0	0	591
Cost Containment	-1,257	-1	-399	0	-1,656
Reversions and Cancellations	0	-458	-3,469	0	-3,927
Actual Expenditures	\$16,818	\$11,523	\$61,697	\$0	\$90,037
Fiscal 2009					
Legislative Appropriation	\$20,977	\$8,163	\$61,240	\$0	\$90,380
Cost Containment	-2,413	-3	-704	0	-3,120
Budget Amendments	243	7	0	0	250
Working Appropriation	\$18,807	\$8,167	\$60,536	\$0	\$87,510

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

Fiscal 2008

The general fund appropriation for CSEA decreased by approximately \$4.2 million in fiscal 2008. The general funds increased by \$233,194 as a result of employee cost-of-living adjustments (COLA). However, this increase was more than offset by decreases including:

- approximately \$3.0 million in salaries in the local child support offices due to a reallocation based on DHR's salary plan and the availability of special funds for this purpose;
- approximately \$1.2 million in cost containment actions primarily in contractual services in the State operations of CSEA;
- \$143,030 in contractual services for the call center contract;
- \$50,795 in contractual services due to less than expected activity for the central collections contract; and
- \$31,836 related to the abolishment of four regular positions by BPW action in 2008.

CSEA also reverted approximately \$50 in fiscal 2008.

The special fund appropriation increases by approximately \$3.1 million. The majority of the increase (approximately \$3.0 million) is associated with salary expenses. An increase of \$565,862 is the State portion of the \$25 annual fee which was used for local child support office salaries and wages. The remaining increase is the result of employee COLAs. This increase was partially offset by a decrease of \$568 related to cost containment actions. CSEA cancelled \$457,786 is the result of lower than expected costs in the child support privatization contract.

The federal appropriation decreased by approximately \$3.4 million in fiscal 2008. The federal fund appropriation increased by \$491,379 as a result of a deficiency appropriation for the Erasing Borders project. The Erasing Borders project located in Prince George's County 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 increase was partially offset by \$339,756 in cost containment actions primarily in contractual services and \$59,184 related to the abolishment of four positions by BPW action in 2008. CSEA also cancelled approximately \$3.5 million of the federal fund appropriation. This cancellation resulted from lower than expected expenditures for leases, the Erasing Borders project, communications, and various contractual services.

Fiscal 2009

The general fund appropriation for CSEA has decreased by approximately \$2.2 million in fiscal 2009. The general fund appropriation increased by \$242,610 as a result of employee COLAs. This increase was more than offset by decreases of \$2.4 million in cost containment. The majority of this decrease is \$1.6 million related to contracts in the State disbursement unit to be paid out of Child Support Reinvestment Funds instead of general funds. Other cost containment actions included abolishing four regular positions, extending the hiring freeze, and other reductions in operating expenses.

The special fund appropriation has increased by \$4,168. This increase is the result of \$6,967 in employee COLAs which are partially offset by \$2,799 in cost containment actions.

The federal fund appropriation has decreased by \$704,138 in fiscal 2009 as a result of cost containment actions.

Audit Findings

Audit Period for Last Audit:	March 10, 2004 – August 31, 2007
Issue Date:	October 2008
Number of Findings:	15
Number of Repeat Findings:	9
% of Repeat Findings:	60%
Rating: (if applicable)	n/a

- Finding 1:** CSEA did not request licensing authorities suspend occupational licenses and the State Lottery match was not always effective.
- Finding 2:** **The Social Security numbers of obligors were not always obtained and recorded in the automated child support system.**
- Finding 3:** **The seizure of delinquent obligor bank accounts was not effectively used as a collection tool.**
- Finding 4:** The documentation of enforcement of medical support orders was lacking.
- Finding 5:** **The driver’s license suspension referrals rejected by the Motor Vehicle Administration were not adequately investigated.**
- Finding 6:** **CSEA did not ensure that a local office’s follow-up with delinquent obligors was timely.**
- Finding 7:** Effective procedures were not in place to detect child support payments being issued to deceased individuals.
- Finding 8:** **Undisbursed funds were not sent to the Comptroller of the Treasury as required by law.**
- Finding 9:** CSEA did not analyze the proper disposition of \$2.4 million that was transferred to its central bank account for a local child support office account.
- Finding 10:** CSEA was unable to substantiate the propriety of an \$825,000 reconciling adjustment.
- Finding 11:** **CSEA could not document that adequate controls were established by the central receipt and processing contractor.**

N00H00 – DHR – Child Support Enforcement

Finding 12: CSEA did not verify billings or take appropriate action when contractors were not performing in accordance with established goals.

Finding 13: CSEA did not take sufficient actions to address contractor noncompliance with certain contract requirements.

Finding 14: CSEA had not established adequate controls to prevent or detect unauthorized changes to critical data.

Finding 15: CSEA did not always perform adequate collection efforts on certain accounts receivable.

*Bold denotes item repeated in full or part from preceding audit report.

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

<u>Object/Fund</u>	<u>FY08 Actual</u>	<u>FY09 Working Appropriation</u>	<u>FY10 Allowance</u>	<u>FY09 - FY10 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	737.25	730.25	728.25	-2.00	-0.3%
02 Contractual	5.27	0	0	0	0.0%
Total Positions	742.52	730.25	728.25	-2.00	-0.3%
Objects					
01 Salaries and Wages	\$ 42,545,455	\$ 44,112,941	\$ 45,844,132	\$ 1,731,191	3.9%
02 Technical and Spec. Fees	454,134	20,443	16,969	-3,474	-17.0%
03 Communication	718,516	853,827	757,119	-96,708	-11.3%
04 Travel	266,810	116,138	146,737	30,599	26.3%
06 Fuel and Utilities	106,994	114,254	129,946	15,692	13.7%
07 Motor Vehicles	48,830	81,704	92,827	11,123	13.6%
08 Contractual Services	41,500,571	37,103,038	37,014,405	-88,633	-0.2%
09 Supplies and Materials	456,888	384,149	357,426	-26,723	-7.0%
10 Equipment – Replacement	40,488	0	0	0	0.0%
11 Equipment – Additional	285,654	0	0	0	0.0%
12 Grants, Subsidies, and Contributions	36,126	17,425	12,996	-4,429	-25.4%
13 Fixed Charges	3,576,764	4,705,876	4,843,840	137,964	2.9%
Total Objects	\$ 90,037,230	\$ 87,509,795	\$ 89,216,397	\$ 1,706,602	2.0%
Funds					
01 General Fund	\$ 16,817,727	\$ 18,806,709	\$ 19,702,829	\$ 896,120	4.8%
03 Special Fund	11,523,001	8,166,952	10,924,153	2,757,201	33.8%
05 Federal Fund	61,696,502	60,536,134	58,589,415	-1,946,719	-3.2%
Total Funds	\$ 90,037,230	\$ 87,509,795	\$ 89,216,397	\$ 1,706,602	2.0%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.

**Fiscal Summary
DHR – Child Support Enforcement**

<u>Program/Unit</u>	<u>FY08 Actual</u>	<u>FY09 Wrk Approp</u>	<u>FY10 Allowance</u>	<u>Change</u>	<u>FY09 - FY10 % Change</u>
06 Local Child Support Enforcement Administration	\$ 42,127,760	\$ 44,725,451	\$ 46,427,965	\$ 1,702,514	3.8%
08 Support Enforcement – State	47,909,470	42,784,344	42,788,432	4,088	0%
Total Expenditures	\$ 90,037,230	\$ 87,509,795	\$ 89,216,397	\$ 1,706,602	2.0%
General Fund	\$ 16,817,727	\$ 18,806,709	\$ 19,702,829	\$ 896,120	4.8%
Special Fund	11,523,001	8,166,952	10,924,153	2,757,201	33.8%
Federal Fund	61,696,502	60,536,134	58,589,415	-1,946,719	-3.2%
Total Appropriations	\$ 90,037,230	\$ 87,509,795	\$ 89,216,397	\$ 1,706,602	2.0%

Note: The fiscal 2009 appropriation does not include deficiencies. The fiscal 2010 allowance does not include contingent reductions.