

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

***Operating Budget Data***

(\$ in Thousands)

	<u>FY 11</u> <u>Actual</u>	<u>FY 12</u> <u>Working</u>	<u>FY 13</u> <u>Allowance</u>	<u>FY 12-13</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$17,653	\$17,318	\$17,721	\$403	2.3%
<b>Adjusted General Fund</b>	<b>\$17,653</b>	<b>\$17,318</b>	<b>\$17,721</b>	<b>\$403</b>	<b>2.3%</b>
Special Fund	15,453	12,443	14,818	2,375	19.1%
<b>Adjusted Special Fund</b>	<b>\$15,453</b>	<b>\$12,443</b>	<b>\$14,818</b>	<b>\$2,375</b>	<b>19.1%</b>
Federal Fund	57,678	55,764	55,985	221	0.4%
<b>Adjusted Federal Fund</b>	<b>\$57,678</b>	<b>\$55,764</b>	<b>\$55,985</b>	<b>\$221</b>	<b>0.4%</b>
<b>Adjusted Grand Total</b>	<b>\$90,784</b>	<b>\$85,525</b>	<b>\$88,525</b>	<b>\$3,000</b>	<b>3.5%</b>

- The fiscal 2013 allowance of the Child Support Enforcement Administration (CSEA) increases by \$3.0 million, or 3.5%, compared to the fiscal 2012 working appropriation. The increase occurs primarily among special funds, an increase of \$2.4 million (19.1%); however, general (\$403,071) and federal funds (\$221,416) also increase.
- The largest increases occur in the areas of Cooperative Reimbursement Agreements, a Medical Support Enforcement Contract not funded in fiscal 2012, and personnel and related expenditures as a result of new positions in the Baltimore City Office of Child Support Enforcement.

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

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## ***Personnel Data***

	<b><u>FY 11 Actual</u></b>	<b><u>FY 12 Working</u></b>	<b><u>FY 13 Allowance</u></b>	<b><u>FY 12-13 Change</u></b>
Regular Positions	716.00	690.00	698.20	8.20
Contractual FTEs	<u>6.08</u>	<u>1.00</u>	<u>1.00</u>	<u>0.00</u>
<b>Total Personnel</b>	<b>722.08</b>	<b>691.00</b>	<b>699.20</b>	<b>8.20</b>

### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	46.65	6.80%
Positions and Percentage Vacant as of 12/31/11	47.00	6.81%

- Section 47 of the fiscal 2012 budget bill required 450 regular positions to be abolished by January 1, 2012. One position was abolished in the local offices of CSEA as a result of this section.
- Four vacant positions were abolished in the State offices of CSEA in the fiscal 2013 allowance.
- The fiscal 2013 allowance includes 12.2 new positions for the Baltimore City Office of Child Support Enforcement. The Baltimore City State’s Attorney’s Office had been providing legal support to the office since the 1970s; however, it has provided notice to CSEA that it will no longer perform this function beginning October 1, 2012. The individuals currently in this role are expected to continue in the positions after meeting certain requirements, but the positions will become State positions in the Department of Human Resources.
- The turnover expectancy in CSEA decreases from 7.27% in the fiscal 2012 working appropriation to 6.8% in the fiscal 2013 allowance.
- As of December 31, 2011, CSEA had a vacancy rate of 6.81%, or 47 positions. However, after accounting for the positions abolished in the fiscal 2013 allowance, and excluding the new positions, CSEA would have a vacancy rate of 6.3% (43 positions). To meet its turnover expectancy, excluding new positions, CSEA needs to maintain 46.65 vacant positions in fiscal 2013.

## ***Analysis in Brief***

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### **Major Trends**

***CSEA Performance in Federal Measures Made Little to No Progress:*** In its annual Managing for Results submission, CSEA reports on some of the measures used by the federal government to determine federal incentive payments: percent of cases with a support order, percent of cases with arrears paying on arrears, and percent of current support paid. CSEA’s performance exceeds the federal goal in only one of these measures (cases with a support order). In federal fiscal 2011, limited or no improvements were made in performance, compared to federal fiscal 2010, in each of the three measures.

***Child Support Collections Rebound:*** Between federal fiscal 2008 and 2010, total collections were relatively stable but decreased by \$1.2 million in federal fiscal 2010. In federal fiscal 2011, total collections increased by \$7.9 million or 1.6%, compared to the prior year.

***Child Support Cases and Cumulative Arrearages Decline Due to Case Management Activities:*** After modest declines in the total number of cases in recent years, total cases fell by 3.7% in federal fiscal 2011. In addition, cumulative arrearages decreased by \$5.5 million after increasing in each year since federal fiscal 2008. The Department of Human Resources (DHR) attributes these changes to the closure of cases in Baltimore City and Prince George’s County.

### **Issues**

***Status of Corrective Actions for Audit Findings:*** In September 2011, the Office of Legislative Audits released a fiscal compliance audit for CSEA covering the period September 1, 2007, to October 20, 2010. The audit contained 11 findings, of which 5 are repeated from the previous audit. Information provided by CSEA indicates that as of January 10, 2012, the agency has completed its planned corrective actions for 5 of the findings, some actions have been completed on 3 findings, and actions on 3 findings are still in the process of being implemented.

### **Recommended Actions**

	<b><u>Funds</u></b>
1. Reduce funding for laboratory services.	\$ 100,000
2. Reduce funding double budgeted for legal support for the Baltimore City Office of Child Support Enforcement.	704,129
<b>Total Reductions</b>	<b>\$ 804,129</b>

## **Updates**

***Revised Child Support Guidelines In Effect:*** Chapters 262 and 263 of 2010 altered the Child Support Guidelines in Maryland for the first time since 1989. These guidelines became effective October 1, 2010. DHR reports that 20,090 new cases and 6,253 modified cases had support orders established between October 1, 2010, and October 31, 2011, and were thus established under the new guidelines.

***Annual Fee Shortfall:*** Beginning October 1, 2007, CSEA began collections of the \$25 annual fee for child support imposed by the federal Deficit Reduction Act of 2005. Chapter 162 of 2008 changed the eligibility for fee collections, and as a result, the administration has collected less than it might have under the federal requirements. In federal fiscal 2011, CSEA could have collected nearly \$1.0 million in addition to the amount it actually collected if it had collected under federal eligibility rules.

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

## ***Operating Budget Analysis***

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### **Program Description**

The child support enforcement program establishes paternity when children are born to unmarried parents, establishes child support orders, and collects and distributes both current and arrears child support payments. The Child Support Enforcement Administration (CSEA) administers and monitors child support services provided by local departments of social services and other offices, provides technical assistance, formulates policy, develops and implements new programs, and ensures compliance with regulations and policy. CSEA also operates several centralized programs including:

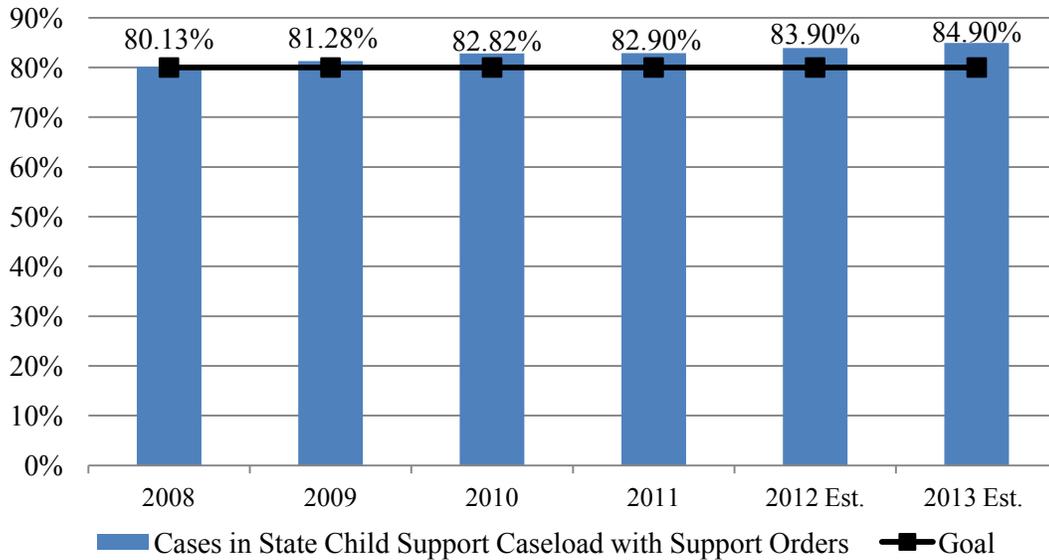
- locating noncustodial parents;
- establishing paternity;
- enforcing support orders;
- collecting and disbursing payments; and
- processing interstate cases.

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

### **Performance Analysis: Managing for Results**

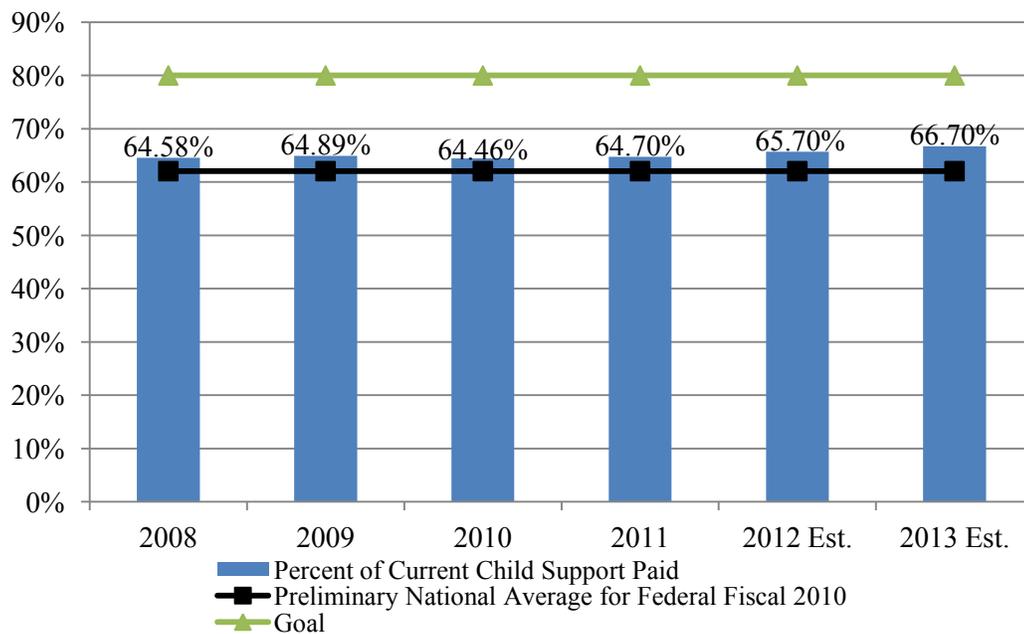
**Exhibits 1, 2, and 3** provide information on CSEA performance on three of the performance measures used by the federal Office of Child Support Enforcement in determining federal incentive payments: percent of the child support cases with a support order, percent of current support paid, and percent of cases with arrears paying on arrears. CSEA has met the federal performance goal of 80% in only one of these three measures (percent of the child support cases with a support order). Although below the federal performance goal in the percent of current support paid, in federal fiscal 2011, CSEA slightly exceeded the preliminary national average in federal fiscal 2010. Improvement in each of the three measures in fiscal 2011 compared to the prior year was limited.

**Exhibit 1  
Child Support Caseload Under Order  
Federal Fiscal 2008-2013**



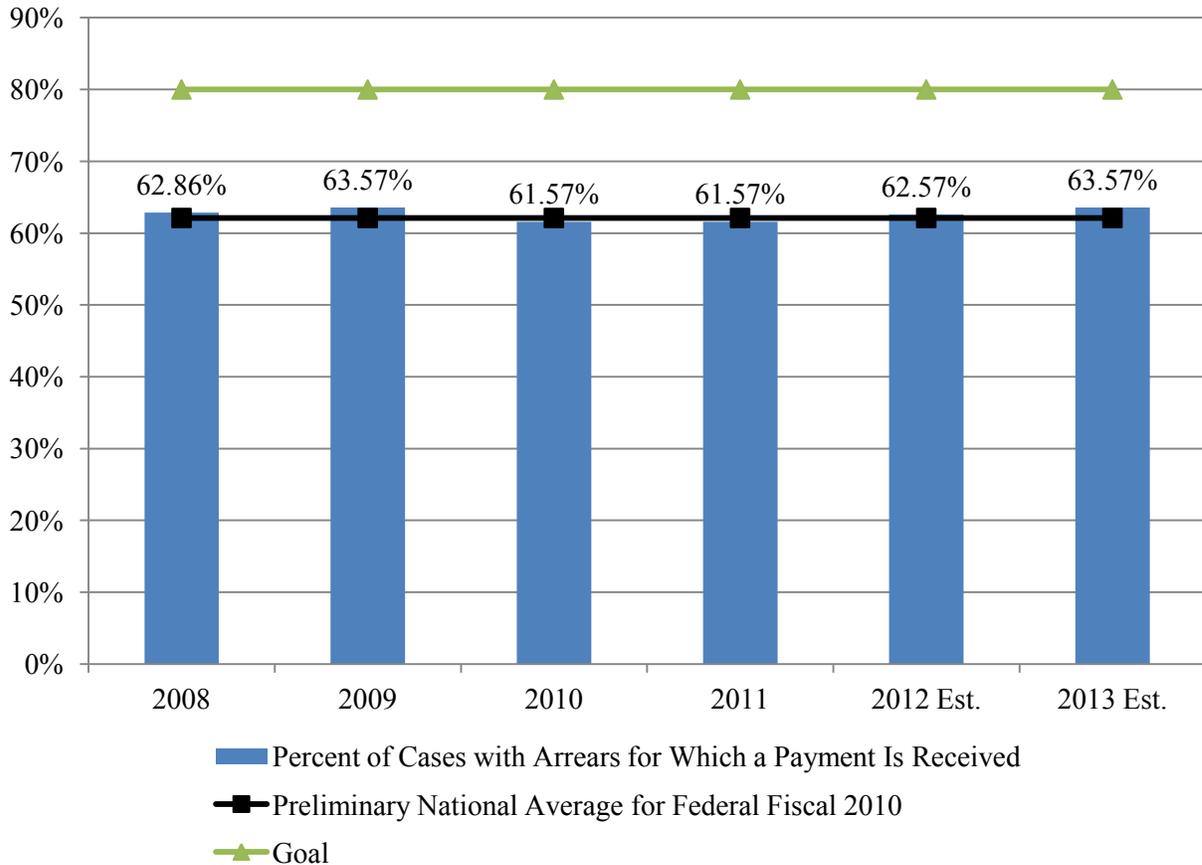
Source: Department of Human Resources; Governor’s Budget Books

**Exhibit 2  
Current Child Support Paid  
Federal Fiscal 2008-2013**



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

**Exhibit 3**  
**Cases with Arrears for Which a Payment Is Received**  
**Federal Fiscal 2008-2013**

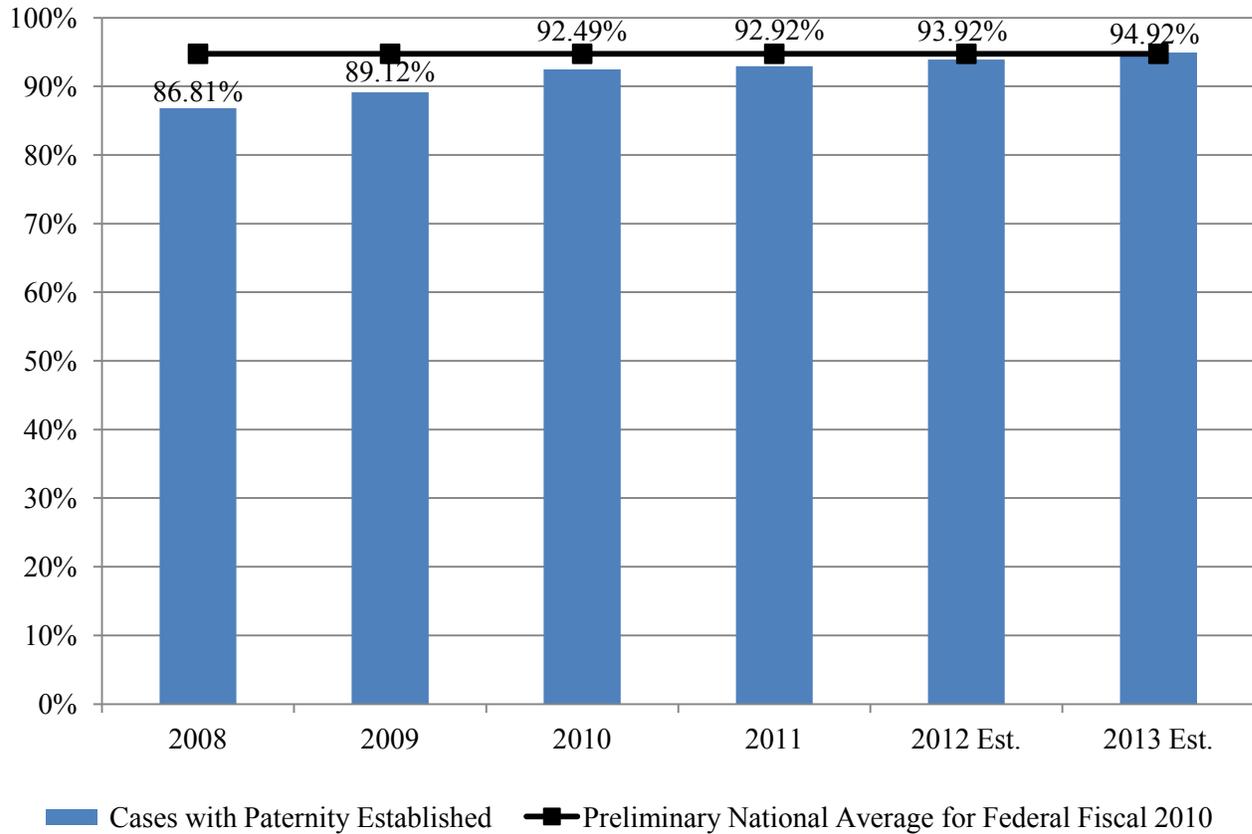


Source: Department of Human Resources; Governor’s Budget Books

As shown **Exhibit 4**, after a substantial improvement in the percent of the child support caseload with paternity established in federal fiscal 2010, progress was limited in federal fiscal 2011 and performance was below the preliminary national average for federal fiscal 2010.

In December 2011, the Department of Human Resources (DHR) announced several changes to CSEA designed to improve agency performance. One of the changes is to adopt best practices to increase the amount of support collected and expedite the distribution of child support payments. Reviews will be conducted to determine practices that are not producing results, and the agency will instead focus its efforts on programs that are succeeding. In addition, CSEA plans to increase accountability in local offices. **DHR should explain the changes underway in the local offices of CSEA and the State office to improve performance and outline a timeline for achieving improved outcomes.**

**Exhibit 4  
Child Support Caseload with Paternity Established  
Federal Fiscal 2008-2013**

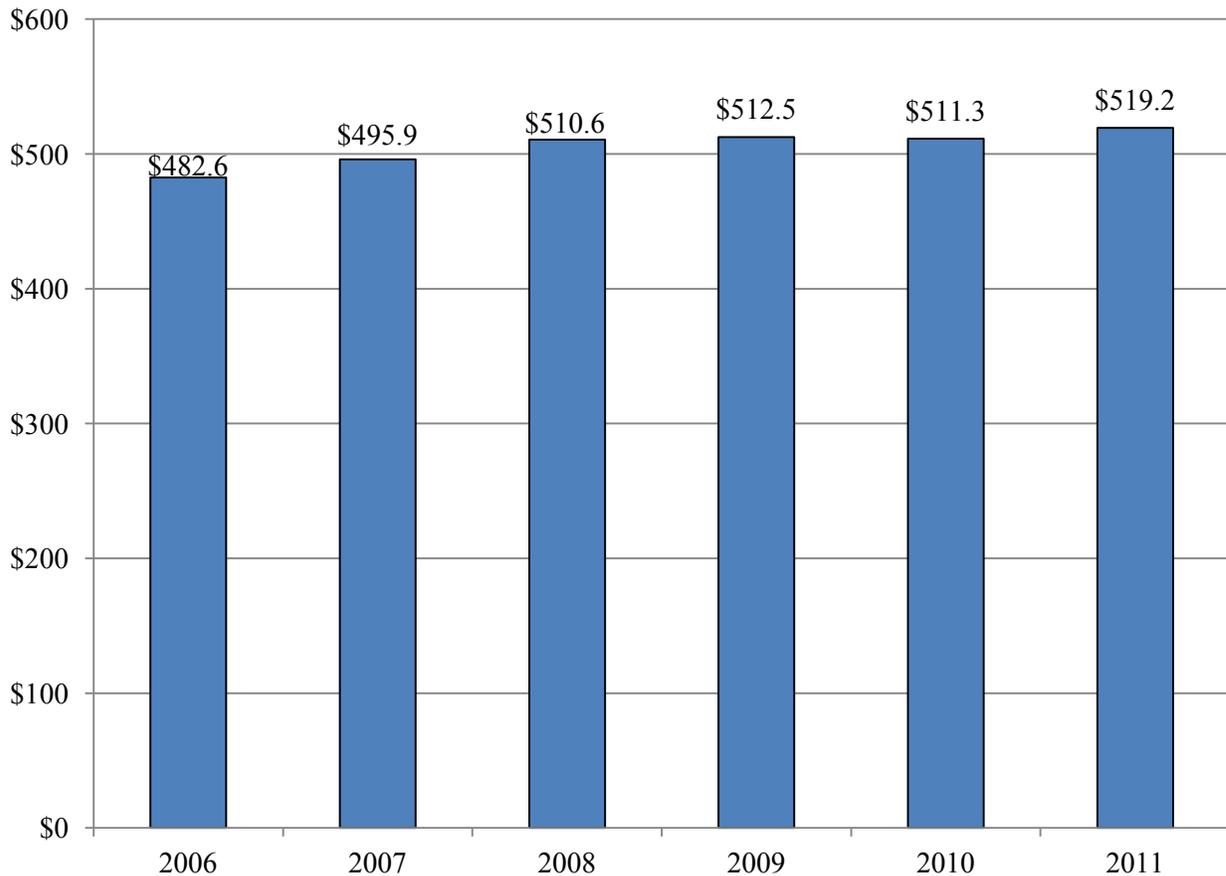


Note: There are two options for measuring performance in the area of paternity establishment for federal incentive payments, percent of the State child support caseload with paternity established and percent statewide with paternity established. In the Managing for Results submission, the Department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

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

Despite little to no improvement in the percent of current support paid and the percent of cases with arrears paying on arrears, total collections increased by \$7.9 million, or 1.6%, in federal fiscal 2011 compared to the prior year, as shown in **Exhibit 5**. Among other causes, collections increased as a result of additional administrative collections (wage withholding, income tax intercepts, and administrative garnishments) and from individuals participating in the Noncustodial Parent Employment Program. As discussed in the Updates section of this analysis, federal fiscal 2011 was the first year in which the revised child support guidelines went into effect potentially resulting in some increased collections.

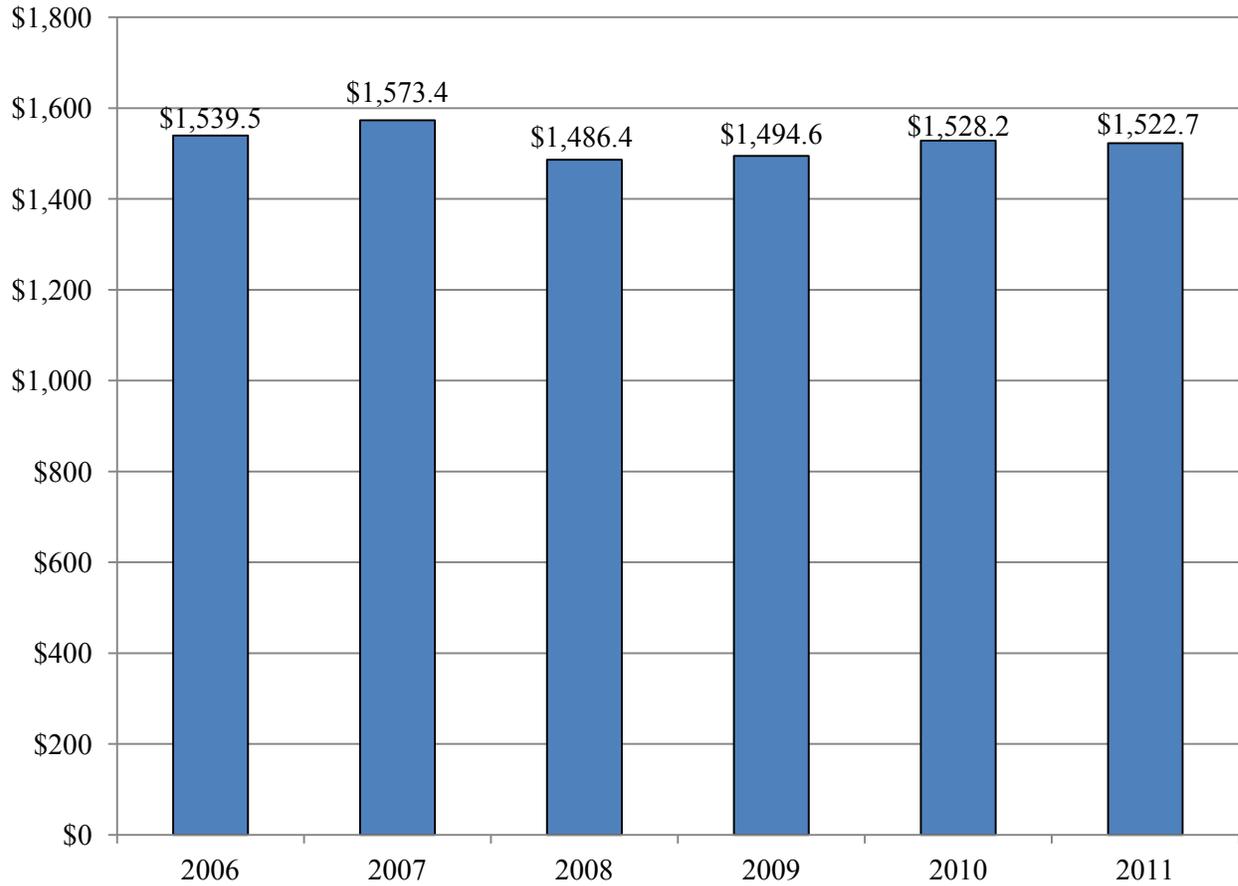
**Exhibit 5**  
**Total Collections**  
**Federal Fiscal 2006-2011**  
**(\$ in Millions)**



Source: Department of Human Resources

Cumulative arrearages tend to increase over time, as shown in **Exhibit 6**. A change in federal policy led to the exclusion of certain interstate cases in the calculation and ultimately led to a decrease in cumulative arrearages between the last day of federal fiscal 2007 and 2008. Cumulative arrearages decreased again between the last day of federal fiscal 2010 and 2011, a decrease of \$5.5 million (or 0.36%). DHR attributes this decrease to the closure of cases in Baltimore City and Prince George’s County consistent with federal rules. The closure of cases in these two jurisdictions also led to a decrease in the total number of cases in the State child support caseload, as shown in **Exhibit 7**. **DHR should comment on whether changes in policy might lead to further reductions in the child support caseload and cumulative arrearages.**

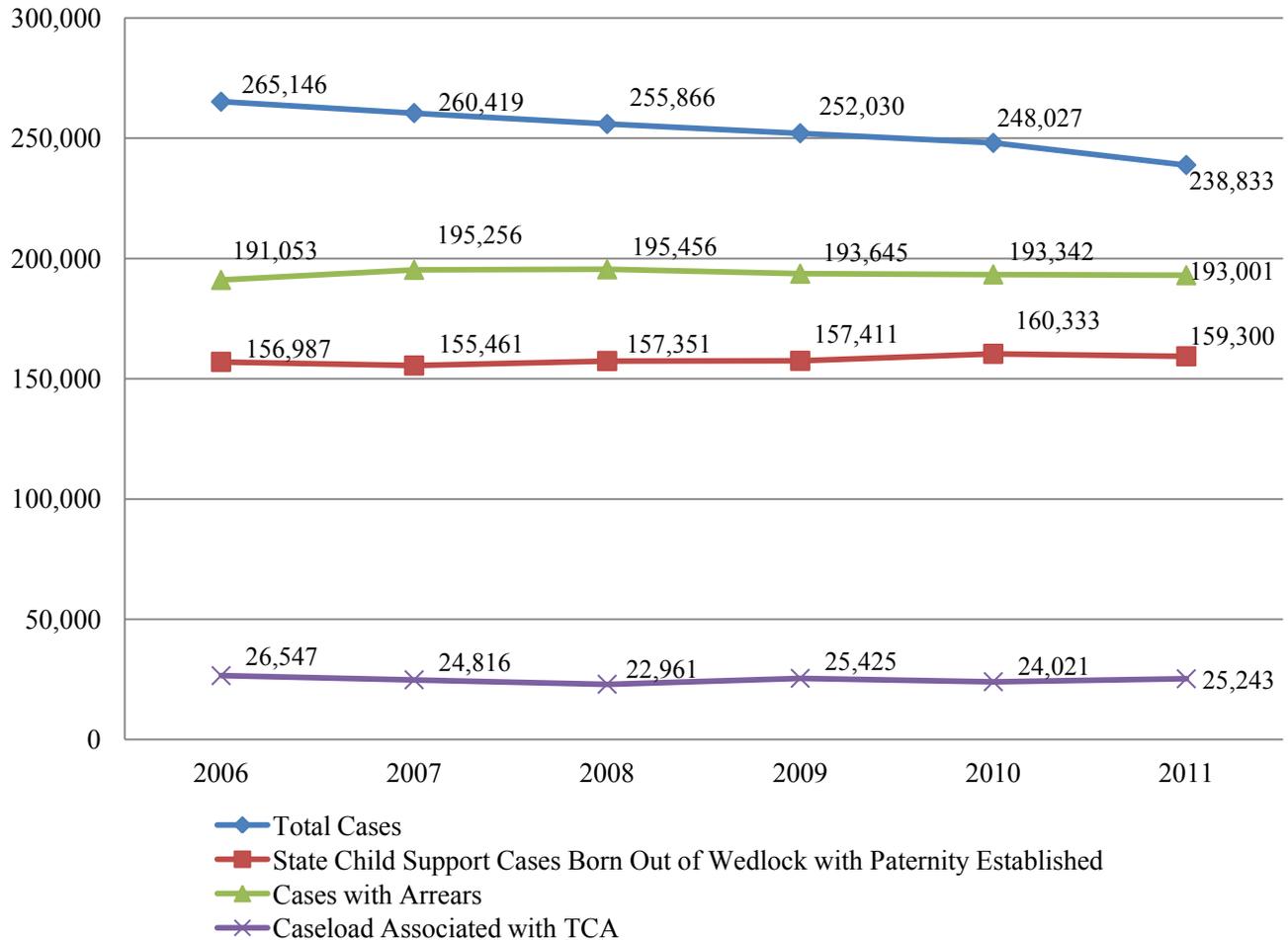
**Exhibit 6**  
**Cumulative Arrearages**  
**Federal Fiscal 2006-2011**  
**(\$ in Millions)**



Source: Department of Human Resources

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**Exhibit 7  
Child Support Caseload  
Federal Fiscal 2006-2011**



TCA: Temporary Cash Assistance

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

**Fiscal 2012 Actions**

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions as of January 1, 2012. CSEA’s share of the reduction was 1 position. The annualized salary savings due to the abolition of the position is expected to be \$36,544 in total funds (\$12,425 in general funds and \$24,119 in federal funds).

## **Proposed Budget**

As shown in **Exhibit 8**, the fiscal 2013 allowance of CSEA increases by \$3.0 million, or 3.5%. Special funds increase by \$2.4 million, or 19.1%, largely as a result of the anticipated availability of Child Support Reinvestment Funds. The additional funding is used primarily to support changes in contractual services such as the medical support enforcement contract which was not funded in fiscal 2012 and increases in the call center contract due to increased call volume. In addition, a funding change resulted in the heavier reliance on Child Support Reinvestment Funds to support the central collections contract (an approximately \$3.0 million contract).

General and federal funds also increase in the fiscal 2013 allowance, by \$403,071 and \$221,416 respectively.

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

<b>How Much It Grows:</b>	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Total</u></b>
2012 Working Appropriation	\$17,318	\$12,443	\$55,764	\$85,525
2013 Allowance	<u>17,721</u>	<u>14,818</u>	<u>55,985</u>	<u>88,525</u>
Amount Change	\$403	\$2,375	\$221	\$3,000
Percent Change	2.3%	19.1%	0.4%	3.5%
 Contingent Reductions	 \$0	 \$0	 \$0	 \$0
Adjusted Change	\$403	\$2,375	\$221	\$3,000
Adjusted Percent Change	2.3%	19.1%	0.4%	3.5%

**Where It Goes:**

**Personnel Expenses**

12.2 new positions to provide legal support for Baltimore City Office of Child Support Enforcement previously performed by Baltimore City State’s Attorney Office.....	\$954
Employee and retiree health insurance.....	441
Turnover expectancy from 7.27 to 6.80%.....	267
Employee retirement .....	263
Overtime, accrued leave payment, reclassifications, and unemployment insurance.....	20
Social Security contributions .....	-88
4 positions abolished in the State offices of Child Support Enforcement Administration.....	-208
Removal of one-time bonus .....	-534
Regular earnings primarily due to savings associated with the annualization of the Voluntary Separation Program, Section 47, and other salary adjustments .....	-1,095

**Contractual Services**

Cooperative Reimbursement Agreements to more closely reflect recent experience .....	2,107
Medical support enforcement contract for which no funds were available in fiscal 2012 .....	350
Anticipated increase in collections will result in increased need for check mailing, check printing, and courier services .....	165
Contracts with the University of Maryland School of Social Work due to increased contract cost for research, data analysis, technical assistance, and administration of child support guidelines .....	109

*N00H00 – DHR – Child Support Enforcement*

**Where It Goes:**

Genetic testing for paternity establishment.....	100
Call center contract due to increased customer contacts.....	92
Reinvestment fund allocations to local offices of child support enforcement and cooperative reimbursement agreements.....	69
Agreement with Division of Vital Records for paternity database contract due to increased use of services.....	48
Financial Institution Data Match.....	-19

**Other Changes**

Equipment, supplies, and rent associated with the 12.2 new positions to support legal services for the Baltimore City Office of Child Support Enforcement.....	70
Utilities largely due to electricity to better align with recent experience.....	15
Postage and cell phone expenditures partially offset by telephone costs to reflect recent experience.....	13
Rent primarily due to the cancellation of proposed new locations in Caroline and Kent counties and to better align with cost in Queen Anne’s County partially offset by increase in rent paid to the Department of General Services.....	-160
Other changes.....	20

**Total** **\$3,000**

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

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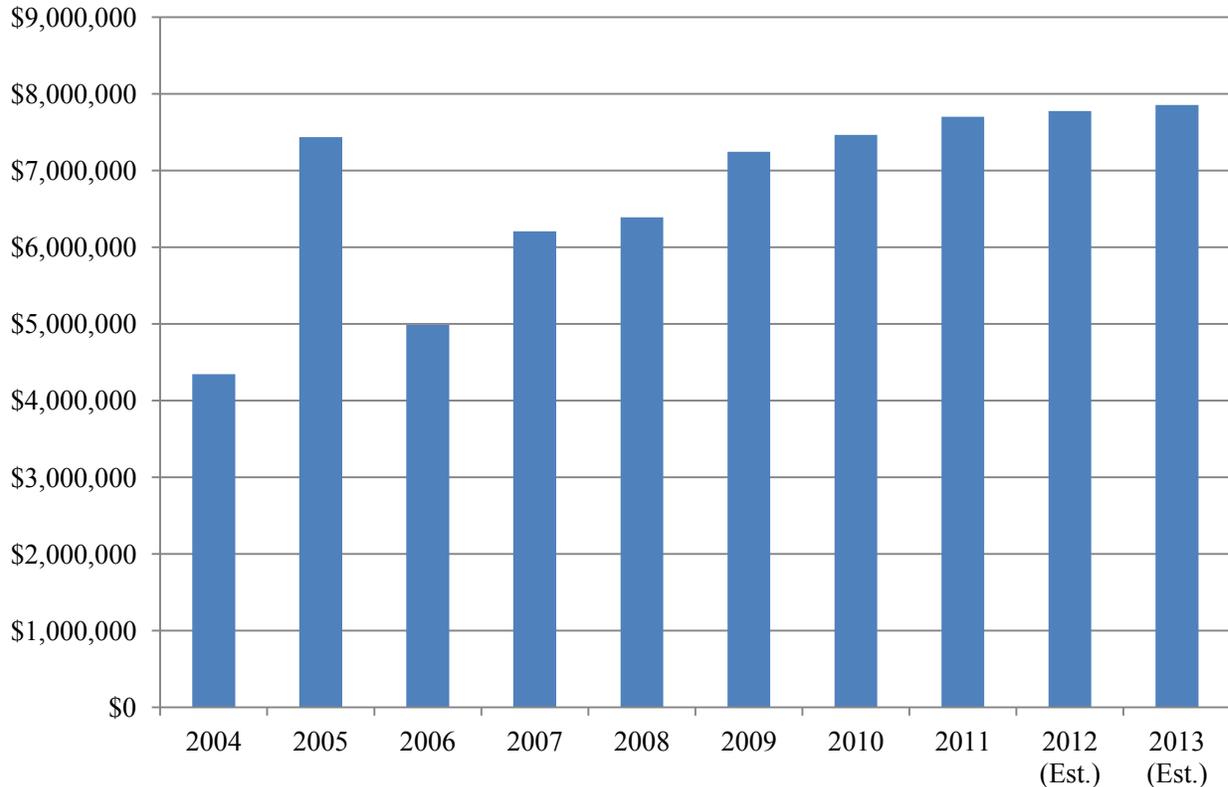
**Child Support Reinvestment Fund**

The Child Support Reinvestment Fund, a special fund, holds the federal incentive payments received by CSEA for performance. These payments are received based on performance in the second preceding year; for example, incentive payments received in federal fiscal 2013 would reflect federal fiscal 2011 performance. DHR anticipates receiving money into this fund each year, but in recent years, more of these funds have been spent in the budget than has been received by the fund, in part by relying on the fund’s balance. The heavier reliance on these funds helped draw down additional federal funds during a temporary reinstatement of the ability to match the Child Support Reinvestment Funds with federal funds that was included in the American Recovery and Reinvestment Act of 2009. After the temporary reinstatement ended September 30, 2010, and the federal match was no longer available, reinvestment funds were depleted more quickly.

In addition, Section 28 of the Budget Reconciliation and Financing Act (BRFA) of 2010 authorized the transfer of interest from special fund accounts to the general fund in fiscal 2010 and 2011. The BRFA of 2011 permanently credited special fund interest to the general fund, further reducing the amount of special funds available to the Child Support Reinvestment Fund.

As shown in **Exhibit 9**, the level of Child Support Reinvestment Funds received by CSEA has increased each year since federal fiscal 2006. In federal fiscal 2011, DHR received slightly more

**Exhibit 9**  
**CSEA Reinvestment Funds Received**  
**Federal Fiscal 2004-2013**



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

than \$7.7 million, an amount higher than in all recent years. DHR anticipates that the level of Child Support Reinvestment Funds received will continue to increase through fiscal 2013, at which point it will reach approximately \$7.9 million.

At the close of fiscal 2011, DHR reported that it had an unobligated balance of \$0 in the Child Support Reinvestment Fund. DHR also expects it will have an unobligated balance of \$0 at the close of fiscal 2012. As a result, it would be expected that only the funds received by the department each year could be used to support expenditures. However, the fiscal 2012 working appropriation (\$8.7 million) and fiscal 2013 allowance (\$11.7 million) for these funds exceed the amounts expected to be received in the corresponding federal fiscal year by \$0.9 million and \$3.9 million, respectively.

**Given the level of incentive payments received historically and the federal fiscal 2011 performance, DHR should comment on why the agency anticipates having \$11.7 million of Child Support Reinvestment Funds available for use in fiscal 2013. DHR should also explain what reductions might be necessary in the event that the Child Support Reinvestment Funds are not available at a level sufficient to support the appropriation.**

## **New Positions in Baltimore City Child Support Enforcement**

The Baltimore City State's Attorney's Office has provided legal support for Baltimore City as part of the State child support program since the 1970s. Under this cooperative reimbursement agreement, as with other agreements in the State for various child support activities, the State's Attorney's Office receives the federal match for expenses it incurs for completing this function. However, the funds are provided through CSEA as the State child support agency and are budgeted within CSEA. In fiscal 2012, in addition to Baltimore City, State's Attorney's offices in eight other jurisdictions provide legal services for the local child support office.

Under State law, State's Attorney's offices involved in a cooperative reimbursement agreement to provide legal support for a local office of CSEA are to complete the written agreement for the following year by September 1 of the year before the agreement, *i.e.*, complete the federal fiscal 2013 agreement by September 1, 2011. Consistent with that timeline, notice has been provided by the Baltimore City office that it will end its support for legal services effective at the close of federal fiscal 2012. As a result, 12.2 new State positions have been provided in the fiscal 2013 allowance for legal support services. The intention of DHR is for the individuals in the positions providing this service in the State's Attorney's Office to continue providing those services but as State employees after meeting certain State requirements.

An increase of \$953,708 in personnel expenditures is the result of the new positions. In addition, the fiscal 2013 allowance includes increases totaling \$70,466 for equipment, supplies, and rent due to these new positions. However, the fiscal 2013 allowance also provides federal funds to support the child support activities of the Baltimore City State's Attorney's office at a level required for a full year of activity (\$938,839).

### **Personnel**

Excluding the new positions, CSEA personnel expenditures decrease by \$934,494 in fiscal 2013. A decrease of \$1.1 million in regular earnings is largely due to annualization of savings from positions abolished as a result of the Voluntary Separation Program and Section 47 of the fiscal 2012 budget bill, as well as other salary adjustments.

A decrease of \$208,470 occurs as a result of 4 positions in the State office of CSEA abolished in the fiscal 2013 allowance. These positions primarily provided administrative and policy support. DHR does not anticipate that the abolition of these positions will impact services.

Removal of the one-time employee bonus results in a decrease of \$533,837 in the fiscal 2013 allowance. These decreases are partially offset by increases in other fringe benefits including health insurance expenditures for both existing employees and retirees, as well as a decrease in the turnover expectancy.

## ***Issues***

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### **1. Status of Corrective Actions for Audit Findings**

In September 2011, the Office of Legislative Audits (OLA) released a fiscal compliance audit for CSEA covering the period from September 1, 2007, to October 20, 2010. The audit contained 11 findings, of which 5 were repeats. Although CSEA audits continue to have a substantial number of findings and repeated findings, the number of audit findings indicates CSEA has made progress since the two previous audits. The audit released in May 2005, contained 21 findings and indicated that the accountability and compliance level of CSEA was unsatisfactory. The audit dated October 2008, found that the accountability and compliance level was no longer unsatisfactory but still contained 15 findings including 9 repeat findings.

The majority of audit findings related to CSEA's use of enforcement procedures (6 findings) and explained that the agency did not utilize an assortment of enforcement tools as effectively as possible. Three findings related to the agency's monitoring of local offices. The remaining 2 findings related to verification of billings for services provided by local government agencies and access controls in the Child Support Enforcement System.

**Appendix 2** provides information on CSEA's progress in implementing corrective actions related to each of the findings. Based on the information provided, DHR has completed all planned actions for 5 of the 11 findings. CSEA has completed some, but not all, planned actions for 3 findings. Planned actions are still in the process of being implemented for 3 additional findings.

### **Enforcement Procedures**

Of the 6 findings related to enforcement procedures, 2 findings are repeated from the previous audit. Finding #2 relates to the use of occupational license suspensions, which were not effectively used as an enforcement tool. The audit notes that under State law, CSEA can request that 15 State licensing authorities suspend occupational licenses of noncustodial parents who are more than 120 days delinquent in their child support obligations but had only obtained licensing data from 7 of the 15 agencies. The audit stated that for the limited matches conducted, the high precision levels required in the match resulted in names with minor differences not being reviewed. **Exhibit 10** provides information on CSEA's progress in reaching agreements with each of the 15 licensing agencies and ultimately allow for matches to occur. Of the 15 licensing agencies, data matching processes are in place for 4 agencies and an additional 3 are on target for a March 2012 implementation.

**Exhibit 10**  
**Progress in Matching Noncustodial Parents with Licensing Agencies**  
**As of January 10, 2012**

<b>State Licensing Agency</b>	<b>Type of License</b>	<b>Status</b>	<b>Date Implemented or Anticipated</b>
Department of Natural Resources	Commercial fishing	Completed.	March 2011
Department of Labor, Licensing, and Regulation	Home improvement, etc.	Completed.	2000
Clerks of the Court	Trader and peddler	Completed.	March 2011
Comptroller of Maryland	Sales use	Completed.	March 2011
Maryland Insurance Administration	Insurance producers and motor club representatives	MOU signed October 2011; data exchange in development.	<i>March 2012</i>
Department of Agriculture	Nutrient management, veterinarians, and veterinarian technicians	MOU signed; technical development in process.	<i>March 2012</i>
Public Service Commission	Taxi drivers, for hire drivers	MOU signed; technical development in process.	<i>March 2012</i>
State Department of Education (MSDE)	Child care providers	MOU signed; technical development underway but potentially delayed due to competing priorities at MSDE.	<i>Initially March 2012 but may be delayed</i>
Department of Transportation (MDOT)	Driving instructors, car dealers	MOU under review by MDOT and will be modified by CSEA.	<i>September 2012</i>
Secretary of State	Notary public	MOU signed; office does not collect Social Security numbers and a test is planned for the accuracy of the match without this information.	<i>Not available</i>
Court of Appeals	Lawyers	Discussions have begun on an agreement.	Lawyers newly admitted to Maryland Bar must have clearance before the license issued  <i>Date for existing licenses not available</i>

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<b>State Licensing Agency</b>	<b>Type of License</b>	<b>Status</b>	<b>Date Implemented or Anticipated</b>
Department of Health and Mental Hygiene	Various health occupations	Board of Physicians MOU signed.  No other health occupations boards have had an MOU completed.  Seeking potential for a single MOU for all health occupation boards.	<i>Not available</i>
Office of Attorney General	Securities Commission	Memorandum of Agreement in review; DHR will pay for changes needed to database.	<i>September 2012</i>
Department of the Environment	Well drillers, sanitarians, oil control, etc.	MOU in development; agency agreed to modify system to capture Social Security numbers.	<i>Not available</i>
Department of Human Resources	Child placement agencies	The office issues licenses to agencies not individuals. The agencies certify foster parents who must receive a child support clearance.  In the process of revising regulations; CSEA will suggest including child support clearances of agency employees in new regulations.	<i>Not applicable because individuals are not the licensee.</i>

CSEA: Child Support Enforcement Administration  
MOU: memorandum of understanding

Source: Department of Human Resources

Two of the enforcement-related findings, including a repeat finding, were the result of the failure to investigate information provided to child support case workers. In the case of finding #4, CSEA did not ensure that two local offices investigated and resolved inaccurate Social Security numbers, a key tool used for enforcing payments from noncustodial parents. CSEA has revised policy regarding use of the Social Security Administration Social Security number error report to require a review by staff within two days of the receipt of the report and intends to monitor the use of the report.

## *N00H00 – DHR – Child Support Enforcement*

Finding #5, a repeat finding, related to the failure to review driver's license suspension referrals rejected by the Motor Vehicle Administration (MVA) due to system edits. These edits are designed to identify possible incorrect matches and can occur when the spelling of a name is different in the two files. DHR stated that it has provided instruction to employees on the policy related to referrals to MVA when other enforcement action is in place. In addition, DHR is monitoring the use of the report on rejected referrals.

OLA explained that, beginning October 1, 2005, State law allowed CSEA to refer child support obligors with arrearages of \$150 or more to the Comptroller of Maryland for interception of State payments. However, CSEA had not yet established procedures to intercept payments by the Comptroller to State vendors, as noted in finding #6. CSEA is still in the process of developing the intercept process; however, the agencies have met and identified tasks to be completed by each agency. CSEA anticipates this finding will be resolved in May 2012.

### **Local Office Monitoring**

Two of the three findings related to local office monitoring were repeat findings. The repeat findings related to monitoring contract compliance with the private contractor operating the Baltimore City Office of Child Support Enforcement and not ensuring that a local office performed sufficient and timely reviews of delinquent accounts. The third finding noted that CSEA did not have sufficient procedures in place to identify payments made to deceased custodial parents. OLA explained that, although CSEA performed periodic matches with the Division of Vital Records in the Department of Health and Mental Hygiene, the matches required identical names in both records. In addition, CSEA did not perform matches with the Social Security Administration. CSEA has modified its policy manual to include a review of the Social Security Administration death match report.

### **Changes in CSEA**

As noted earlier, in December 2011, DHR announced changes in CSEA. One of the changes was to better leverage targeted enforcement tools, including garnishment of wages, bank accounts, and professional license suspension. The failure to effectively utilize these tools has resulted in multiple audit findings. Another change is to move an audit unit that has been housed in CSEA and has conducted both audits and reviewed compliance with audit findings, to the Office of the Inspector General. Once the positions are moved, the auditors will be able to focus on auditing the work of CSEA at both the State and local level.

**DHR should comment on when the change with the auditor positions will occur and how these changes are expected to improve the agency's performance in future fiscal compliance audits.**

## ***Recommended Actions***

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	<b><u>Amount Reduction</u></b>	
1. Reduce funding for laboratory services. This reduction level funds laboratory services compared to the fiscal 2012 working appropriation. This reduction still allows for an increase of more than \$100,000 from the fiscal 2011 actual expenditures.	\$ 100,000	SF
2. Reduce funding for legal support for the Baltimore City Office of Child Support Enforcement. Effective October 1, 2012, the Baltimore City State’s Attorney’s Office will no longer provide these services. The fiscal 2013 allowance contains 12.2 new positions and related funding to provide these services. However, the federal funds previously provided to the office for this purpose are also included in the fiscal 2013 allowance. This reduction still allows for the federal funds required for the one quarter in which the Baltimore City State’s Attorney’s Office will conduct these services prior to the effective date of the change.	704,129	FF
<b>Total Reductions</b>	<b>\$ 804,129</b>	
<b>Total Special Fund Reductions</b>	<b>\$ 100,000</b>	
<b>Total Federal Fund Reductions</b>	<b>\$ 704,129</b>	

## ***Updates***

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### **1. Revised Child Support Guidelines in Effect**

Child support guidelines are used to establish child support awards. There is a rebuttable presumption that the amount of child support that would result from the application of the guidelines is the correct amount of support to be awarded. The presumption may be rebutted by evidence that the application of the guidelines would be unjust or inappropriate in a particular case. In this determination, the court may consider the presence in the household of either parent of other children to whom that parent owes a duty of support and the expenses for whom that parent is directly contributing.

Under federal law (42 U.S.C. 667 Part D Section 467), states are required to establish child support guidelines as a condition of approval for its state plan. The guidelines are required to be reviewed at least once every four years. Maryland has also codified a requirement for review of these guidelines at least every four years in Sections 12-202(c) of the Family Law Article.

#### **Child Support Guidelines in Maryland**

Maryland's child support guidelines were first enacted in 1989. Maryland's guidelines are based on the premise that a child should receive the same proportion of parental income as would have been received if the parents lived together. The basic child support obligation is determined in accordance with a statutory schedule and then divided between the parents in proportion to the adjusted actual income of each parent.

The initial guidelines in Maryland provided a minimum obligation of \$20 to \$150 per month for monthly incomes up to \$850. The child support guidelines considered only incomes of up to \$10,000 per month. For incomes beyond that level, a ruling of the Court of Appeals provided some guidance on how judges should set child support obligations. The schedule was based on estimates of child-rearing expenditures as a proportion of household consumption developed in 1988 by Dr. Thomas J. Espenshade using national data on household expenditures from 1972-1973.

CSEA has conducted the required reviews of child support guidelines, with the most recent review completed in 2008. A case-level review conducted by the University of Maryland School of Social Work in 2008 found that nearly all (96.5%) of the established or modified orders could be calculated using the established schedule, meaning incomes fell within the schedule. In addition, approximately 75% of orders were written to the guidelines, and most cases that deviated from the guidelines included a reason in the file.

Chapters 262 and 263 of 2010 revised the child support guidelines in Maryland for the first time since 1989. The revised schedule used more recent data on child-rearing costs and accounts for the cost of housing in the State. The revised schedule increased the self support reserve from \$481 to \$867 per month, which is designed to ensure that a noncustodial parent has sufficient income available to maintain a minimum standard of living. The schedule also altered the incomes to which

the minimum order is applied, to incomes between \$100 and \$1,200 per month, and expanded the schedule of incomes up to \$15,000 per month.

### **Impact of Guideline Change**

The change in guidelines became effective October 1, 2010, and applies to both private and State child support orders. Previously a change in guidelines would have been grounds for requesting a modification of a child support award under certain circumstances, but Chapters 262 and 263 revised statute to specify that the adoption or revision of guidelines is not a material change of circumstance for the purpose of modification of a child support award. This change would be assumed to have a limiting effect on the cases to which the revised guidelines apply.

DHR reports that 20,090 new support orders and 6,253 modifications to support orders established in cases handled by CSEA between October 1, 2010, and October 31, 2011, have been subject to the new guidelines. New private orders and modifications would also be subject to this award. Of the new and modified support orders handled by CSEA, subject to the revised guidelines, 3,182 of the orders were in cases associated with Temporary Cash Assistance receipts. DHR was unable to specifically identify the impact of the change in guidelines on collections but noted that in federal fiscal 2011 overall collections increased by \$7.9 million, as shown in Exhibit 5.

## **2. Annual Fee Shortfall**

The federal Deficit Reduction Act of 2005 imposed a \$25 annual fee for child support cases handled by the State child support enforcement agency where \$500 has been collected in the federal fiscal year and the individual has never received public assistance. Revenues from the fee are shared 66% federal and 34% State through the federal government reducing the federal financial participation that states receive for child support by 66% of the amount that would be collected from this fee. This means that the federal government reduces funding by \$16.50 for each eligible case. Collections in excess of the reduced funding can be retained by states. States have several options for the implementation of this fee: (1) pay the fee from state funds (*i.e.*, absorb the lost revenue); (2) charge the applicants; (3) charge the noncustodial parents; and (4) deduct the fee from support received after \$500 has been collected.

Chapter 483 of 2007 allowed CSEA to collect this fee by deducting it from the child support payments of cases where \$500 was collected in a federal fiscal year and the individual has never received public assistance. This legislation was in effect for one year, October 1, 2007, to September 30, 2008. As a result of this legislation, CSEA was able to use \$565,862, the portion of the annual fee the State was able to retain, to support salaries and wages of the local operations of CSEA.

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

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been collected in a federal fiscal year. In effect, the State absorbs the lost revenue for cases in which between \$500 and \$3,499 are collected in a federal fiscal year.

**Federal Fiscal 2011 Collections**

In federal fiscal 2011, CSEA reports that 81,505 cases would have been eligible for collection of the annual fee under the federal requirement (collection after \$500 in the federal fiscal year). Based on this number of eligible cases, the federal government would have expected total collections of approximately \$2.0 million and, therefore, reduced funding by about \$1.3 million.

Under the State eligibility rules for collection, only 44,532 cases were eligible for collection. CSEA, however, was able to collect this fee for 41,591 of these cases for a total collection of approximately \$1.0 million. This amount is not sufficient to offset lost revenue. If CSEA had been able to collect under federal eligible rules, the fee collections, in addition to fully offsetting the lost federal revenue, would have provided CSEA \$692,792 of revenue that could have been available to support its operations.

***Current and Prior Year Budgets***

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

	<b><u>General Fund</u></b>	<b><u>Special Fund</u></b>	<b><u>Federal Fund</u></b>	<b><u>Reimb. Fund</u></b>	<b><u>Total</u></b>
<b>Fiscal 2011</b>					
Legislative Appropriation	\$15,112	\$12,578	\$55,863	\$0	\$83,553
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	2,541	2,874	4,014	0	9,430
Reversions and Cancellations	0	0	-2,199	0	-2,199
<b>Actual Expenditures</b>	<b>\$17,653</b>	<b>\$15,453</b>	<b>\$57,678</b>	<b>\$0</b>	<b>\$90,784</b>
<b>Fiscal 2012</b>					
Legislative Appropriation	\$17,126	\$12,436	\$55,429	\$0	\$84,991
Budget Amendments	192	7	335	0	534
<b>Working Appropriation</b>	<b>\$17,318</b>	<b>\$12,443</b>	<b>\$55,764</b>	<b>\$0</b>	<b>\$85,525</b>

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

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## **Fiscal 2011**

The fiscal 2011 expenditures of CSEA were approximately \$7.2 million higher than the legislative appropriation.

General fund expenditures were \$2.5 million higher than the legislative appropriation due to salary and wage adjustments in the local and State operations of CSEA. CSEA reverted \$42.

The fiscal 2011 special fund expenditures of CSEA were approximately \$2.9 million higher than the legislative appropriation. The majority of the increase (\$1.9 million) supported contractual services related to medical support, the call center, and the interactive voice response and tracking system in the State operations of CSEA. Increases in the local operations of CSEA resulted from salary and wage adjustments (\$808,899) and supplies and materials (\$169,517).

CSEA's fiscal 2011 federal fund expenditures were approximately \$1.8 million higher than the legislative appropriation. An increase of \$3.4 million was the result of salary and wage adjustments in the local and State operations of CSEA. The remaining increase of \$565,800 provided funding for two demonstration grants:

- the Survive and Thrive grant in Prince George's County (\$411,700) provided assistance to unemployed noncustodial parents in obtaining employment, modifying child support orders (as appropriate) and encouraging mediation (as needed); and
- the Excellence through Evaluation grant in Baltimore City (\$154,100) used a community-based navigation service to assist low-income noncustodial parents operate in the child support system with goals to increase the payment of child support and involvement with the children.

These increases were partially offset by cancellations of approximately \$2.2 million. These cancellations resulted from lower than expected expenditures for genetic testing services for paternity establishment, the Survive and Thrive grant, and leases.

## **Fiscal 2012**

The fiscal 2012 appropriation of CSEA has increased by \$533,837 (\$191,762 in general funds, \$7,051 in special funds, and \$335,024 in federal funds) due to the distribution of funds centrally budgeted to support the \$750 bonus provided to employees.

**Audit Findings and Corrective Actions**

<b>Finding</b>	<b>Planned Actions</b>	<b>Expected Completion Date</b>
<p>CSEA did not utilize wage withholding orders to the fullest extent possible</p>	<p>Provided instruction to the management team to allow the team to begin corrective actions with the staff and statewide instruction to staff.</p> <p>Computer system changes to the daily report.</p> <p>Field team monitoring the review of the daily report.</p> <p>DHR and the Department of Labor, Licensing, and Regulation work together to secure data needed to identify noncompliant employers.</p> <p>CSEA contract monitor to perform monthly checks to ensure data from employers is being sent and received.</p> <p>CSEA contract monitor to ensure vendor is using data to identify noncompliant employers.</p> <p>CSEA to refer noncompliant employers to the Office of Attorney General.</p>	<p>Completed</p> <p>On target to be completed May 2012</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Will use December federal quarterly report to determine</p> <p>Will be referred when identified</p>
<p><b>CSEA did not effectively use occupational license suspensions as an enforcement tool for delinquent noncustodial parents</b></p>	<p>Phase in automated data exchange with agencies (see Exhibit 10) including a documentation of the exchanges.</p> <p>Identify occupations that include primarily self-employed individuals.</p> <p>Interface with agencies that issue licenses for self-employed individuals.</p> <p>Complete a technical review of the data match process to ensure it contains appropriate parameters.</p> <p>CSEA field unit to track followup of the matches.</p> <p>Cases cited in the audit to be reviewed for possible license suspension.</p>	<p>Expected to be completed in 2012</p> <p>Completed</p> <p>Expect to be completed May 2012</p> <p>Completed</p> <p>Completed</p> <p>Completed</p>

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<b>Finding</b>	<b>Planned Actions</b>	<b>Expected Completion Date</b>
The seizure of bank account funds was not effectively used as a collection tool	Complete programming changes to lower threshold to \$500 for savings account and include checking accounts.  Policy amendments reflecting changes to be distributed.	Development of system on target for implementation in January 2012  Policy changes issued December 2011; effective January 20, 2012
CSEA did not have procedures to ensure that two large local child support offices investigated and resolved inaccurate non-custodial parent Social Security numbers recorded in the Child Support Enforcement System	Revise existing policy to require staff to review error report within two days of receipt.  CSEA field unit to monitor the review of the error reports.	Completed  Completed
<b>CSEA did not adequately review and process driver's license suspension referrals rejected by the Motor Vehicle Administration (MVA)</b>	CSEA to provide statewide instruction to staff on proper procedure to ensure that individuals are referred to MVA for possible license suspension even if other enforcement remedies are in place.  CSEA field unit to monitor the follow-up on MVA reports quarterly.  Informing of CSEA leadership of noncompliant local jurisdictions and include compliance in office management performance evaluations.  Include follow-up on MVA report in semi-annual local child support staff performance evaluations.	Completed  Completed  Completed  Completed, added to position description for local directors a requirement to address audit findings
CSEA had not established procedures to intercept payments from the Comptroller of Maryland to State vendors who were child support obligors, as allowed by State law	CSEA and Comptroller of Maryland to work together to implement the program.	Expected to be completed May 2012

*N00H00 – DHR – Child Support Enforcement*

<b>Finding</b>	<b>Planned Actions</b>	<b>Expected Completion Date</b>
<b>CSEA did not take sufficient actions to ensure that the contractor hired to provide child support functions to Baltimore City complied with certain contract requirements</b>	CSEA to meet with contractor to discuss noncompliance and require a systemic corrective action plan when repeated deficiencies are discovered in quality control reviews.	Completed
	CSEA to ensure more urgency regarding timely case corrections.	Completed
	Consult with the Office of Attorney General regarding withholding of payments if noncompliance continues.	Implemented monthly meetings with senior contractor staff to assess performance
<b>CSEA did not ensure that a local child support office performed sufficient and timely review of delinquent accounts</b>	Modify delinquency report to exclude cases with enforcement actions taken during the review timeframe.	Completed
	Add a requirement regarding review of this report in staff evaluations.	Completed, added to position description for local directors a requirement to address audit findings
	Require local offices to include supervisory review of 5% of a case worker’s total cases and include requirement in staff performance evaluations.	Completed, added to position description for local directors a requirement to address audit findings
Sufficient procedures were not established to identify payments to deceased custodial parents	Enhance policy manual to include a monthly review of the Social Security Administration death match report.	Completed
	Investigate match results.	Completed investigation and referred to the Office of Attorney General and OIG
	Seek advice of counsel to determine actions to be taken against individuals cashing checks and following advice of counsel to refer cases to OIG drafted an inquiry to the office.	OIG responded to inquiry and are investigating the cases
CSEA did not adequately verify billings for services provided by local government agencies	Revise Cooperative Reimbursement Agreement for the Administrative Office of the Courts to reflect current salaries.	Completed

*N00H00 – DHR – Child Support Enforcement*

<b>Finding</b>	<b>Planned Actions</b>	<b>Expected Completion Date</b>
<b>CSEA did not establish adequate controls in CSES to prevent or detect unauthorized changes to critical data such as addresses and the amounts disbursed to custodial parents</b>	Notify central and local office management of employees with conflicting and/or unnecessary access capabilities and require changes be made to access.	Completed
	Develop comprehensive policies and procedures to ensure compliance with existing security features.	Completed

CSEA: Child Support Enforcement Administration  
 CSES: Child Support Enforcement System  
 DHR: Department of Human Resources  
 MVA: Motor Vehicle Administration  
 OIG: Office of the Inspector General

## ***Audit Findings***

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Audit Period for Last Audit:	September 1, 2007 – October 20, 2010
Issue Date:	September 2011
Number of Findings:	11
Number of Repeat Findings:	5
% of Repeat Findings:	45.5%
Rating: (if applicable)	n/a

- Finding 1:*** CSEA did not utilize wage withholding orders to the fullest extent possible.
- Finding 2:*** **Occupational license suspensions were not effectively used as an enforcement tool.**
- Finding 3:*** Bank account seizures were not effectively used as a collection tool.
- Finding 4:*** CSEA did not ensure two large local offices investigated and resolved inaccurate Social Security numbers of noncustodial parents in the automated child support system.
- Finding 5:*** **Driver’s license suspension referrals rejected by the MVA were not adequately reviewed and processed.**
- Finding 6:*** CSEA did not establish procedures to intercept payments from the Comptroller of Maryland to State vendors who were child support obligors, as allowed by State law.
- Finding 7:*** **CSEA did not take sufficient actions to ensure that the Baltimore City contractor was in compliance with contract requirements.**
- Finding 8:*** **CSEA did not ensure that a local office performed adequate and timely reviews of delinquent accounts.**
- Finding 9:*** Sufficient procedures were not established to identify payments issued to deceased custodial parents.
- Finding 10:*** CSEA did not adequately verify billings for services provided by local government agencies.
- Finding 11:*** **CSEA did not establish adequate access controls in the automated child support enforcement system.**

\*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>FY 11 Actual</u>	<u>FY 12 Working Appropriation</u>	<u>FY 13 Allowance</u>	<u>FY 12 - FY 13 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	716.00	690.00	698.20	8.20	1.2%
02 Contractual	6.08	1.00	1.00	0.00	0%
<b>Total Positions</b>	<b>722.08</b>	<b>691.00</b>	<b>699.20</b>	<b>8.20</b>	<b>1.2%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 44,355,217	\$ 45,329,796	\$ 45,349,009	\$ 19,213	0%
02 Technical and Spec. Fees	618,547	158,415	156,225	-2,190	-1.4%
03 Communication	566,949	579,709	593,051	13,342	2.3%
04 Travel	81,437	89,436	87,715	-1,721	-1.9%
06 Fuel and Utilities	107,823	109,592	124,575	14,983	13.7%
07 Motor Vehicles	52,295	85,119	84,517	-602	-0.7%
08 Contractual Services	40,059,968	33,868,238	36,908,068	3,039,830	9.0%
09 Supplies and Materials	625,515	353,516	363,511	9,995	2.8%
10 Equipment – Replacement	85,694	0	0	0	0.0%
11 Equipment – Additional	201,894	0	49,118	49,118	N/A
12 Grants, Subsidies, and Contributions	99,607	85	85	0	0%
13 Fixed Charges	3,928,957	4,951,007	4,808,720	-142,287	-2.9%
<b>Total Objects</b>	<b>\$ 90,783,903</b>	<b>\$ 85,524,913</b>	<b>\$ 88,524,594</b>	<b>\$ 2,999,681</b>	<b>3.5%</b>
<b>Funds</b>					
01 General Fund	\$ 17,653,341	\$ 17,317,652	\$ 17,720,723	\$ 403,071	2.3%
03 Special Fund	15,452,823	12,443,209	14,818,403	2,375,194	19.1%
05 Federal Fund	57,677,739	55,764,052	55,985,468	221,416	0.4%
<b>Total Funds</b>	<b>\$ 90,783,903</b>	<b>\$ 85,524,913</b>	<b>\$ 88,524,594</b>	<b>\$ 2,999,681</b>	<b>3.5%</b>

Note: The fiscal 2012 appropriation does not include deficiencies.

**Fiscal Summary  
DHR – Child Support Enforcement**

<u>Program/Unit</u>	<u>FY 11 Actual</u>	<u>FY 12 Wrk Approp</u>	<u>FY 13 Allowance</u>	<u>Change</u>	<u>FY 12 - FY 13 % Change</u>
06 Local Child Support Enforcement Administration	\$ 45,047,899	\$ 45,725,137	\$ 46,347,169	\$ 622,032	1.4%
08 Support Enforcement – State	45,736,004	39,799,776	42,177,425	2,377,649	6.0%
<b>Total Expenditures</b>	<b>\$ 90,783,903</b>	<b>\$ 85,524,913</b>	<b>\$ 88,524,594</b>	<b>\$ 2,999,681</b>	<b>3.5%</b>
General Fund	\$ 17,653,341	\$ 17,317,652	\$ 17,720,723	\$ 403,071	2.3%
Special Fund	15,452,823	12,443,209	14,818,403	2,375,194	19.1%
Federal Fund	57,677,739	55,764,052	55,985,468	221,416	0.4%
<b>Total Appropriations</b>	<b>\$ 90,783,903</b>	<b>\$ 85,524,913</b>	<b>\$ 88,524,594</b>	<b>\$ 2,999,681</b>	<b>3.5%</b>

Note: The fiscal 2012 appropriation does not include deficiencies.