



DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

November 9, 2012

Thomas J. Barnickel III, CPA
Acting Legislative Auditor

Senator Edward J. Kasemeyer
Chairman, Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen Street
Annapolis, Maryland 21401

Delegate Norman H. Conway
Chairman, House Appropriations Committee
House Office Building, Room 121
6 Bladen Street
Annapolis, Maryland 21401

Dear Senator Kasemeyer and Delegate Conway:

The Office of Legislative Audits (OLA) has conducted a review of the actions taken by the Department of Human Resources – Child Support Enforcement Administration (CSEA), as of September 1, 2012, to resolve the 11 findings included in our September 1, 2011 audit report. This review was conducted in accordance with a requirement specified in the April 2012 *Joint Chairmen's Report* (JCR page 87). The JCR required that, prior to CSEA submitting a status report to the budget committees and the Joint Audit Committee by November 15, 2012 on the actions taken to address the audit findings, OLA review and comment on whether those actions completed by CSEA are sufficient to resolve the audit findings.

Our review consisted of obtaining a September 1, 2012 status report from CSEA (describing the level of implementation of each prior audit report recommendation), performing limited tests and analyses of selected information, and holding discussions with CSEA personnel as deemed necessary to assess CSEA's actions to resolve the findings from our September 1, 2011 audit report. Our review, which was conducted primarily during September 2012, did not constitute an audit conducted in accordance with generally accepted government auditing standards.

CSEA's September 1, 2012 status report indicated that corrective actions had been completed for 8 of the 11 findings in our September 1, 2011 audit report with the remaining 3 findings in the process of being corrected. However, our review determined that CSEA had completed the necessary corrective actions to resolve five findings. CSEA was working towards resolving another five findings, but we noted only minimal progress was made toward resolving the remaining finding (Finding 7). Even though corrective actions had not been completed for all the findings, CSEA has demonstrated a commitment to taking the necessary actions to fully resolve the findings.

A summary of CSEA's reported status and OLA's assessment of the current status of each of the 11 audit report findings is included in the attached Exhibit 1. In addition, for each finding that OLA determined to be in progress or as having minimal progress, Exhibit 2 is included that contains a description of the actions that have been taken and the planned actions and/or the actions required to resolve the findings. After discussing our review results, CSEA generally agreed with our assessments.

To satisfy the JCR requirement as it relates to CSEA, CSEA will separately submit to the budget committees and the Joint Audit Committee its comprehensive status report, which was used by OLA to perform this review.

Since the September 1, 2011 audit report included five repeat audit findings, CSEA has been subject to quarterly reporting in accordance with Section 2-1224 of the State Government Article of the Annotated Code of Maryland. That law requires every unit of State government that had five or more repeat audit findings in its most recent legislative audit report to report to OLA the corrective actions taken for each finding, or a schedule for when specific corrective action will be implemented. Each agency must continue to submit reports on a quarterly basis until OLA determined that the reported actions indicate that satisfactory progress has been made to address all agency findings contained in the report. The results of this review indicate that CSEA has not yet made satisfactory progress to address all prior findings; consequently, OLA will request that CSEA continue to submit the quarterly reports.

We wish to acknowledge the cooperation extended to us by CSEA during this review.

Respectfully submitted,



Thomas J. Barnickel III, CPA
Acting Legislative Auditor

Enclosures

cc: Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Joint Audit Committee Members and Staff
Senator Thomas V. Mike Miller, Jr., President of the Senate
Delegate Michael E. Busch, Speaker of the House of Delegates
Governor Martin J. O'Malley
Comptroller Peter V.R. Franchot
Treasurer Nancy K. Kopp
Attorney General Douglas F. Gansler
Secretary T. Eloise Foster, Department of Budget and Management
Theodore Dallas, Secretary, Department of Human Resources
Joseph DiPrimio, Esq., Executive Director, CSEA
William E. Johnson, Jr., Inspector General, Department of Human Resources
David Walton, Chief Internal Auditor, CSEA
Joan Peacock, Manager, Audit Compliance Unit, DBM
Karl S. Aro, Executive Director, Department of Legislative Services

Exhibit 1 to November 9, 2012 Letter to Joint Chairmen

Status of Findings in OLA's September 1, 2011 Audit Report on the Department of Human Resources – Child Support Enforcement Administration¹ as of September 1, 2012

Prior Finding	Status Based on OLA Review	Status Indicated by CSEA
Enforcement Procedures		
1. CSEA did not utilize wage withholding orders to the fullest extent possible.	Completed	Completed
2. CSEA did not effectively use occupational license suspensions as an enforcement tool for delinquent noncustodial parents.	In Progress	In Progress
3. The seizure of bank account funds was not effectively used as a collection tool.	Completed	Completed
4. CSEA did not have procedures to ensure that two large local child support offices investigated and resolved inaccurate noncustodial parent social security numbers recorded in the Child Support Enforcement System (CSES).	Completed	Completed
5. CSEA did not adequately review and process driver's license suspension referrals rejected by the Motor Vehicle Administration.	In Progress	In Progress
6. 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.	Completed	Completed
Local Office Monitoring		
7. CSEA did not take sufficient actions to ensure that the contractor hired to provide child support functions in Baltimore City complied with certain contract requirements.	Minimal Progress	In Progress
8. CSEA did not ensure that a local child support office performed sufficient and timely reviews of delinquent accounts.	In Progress	Completed
9. Sufficient procedures were not established to identify payments made to deceased custodial parents.	In Progress	Completed

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Shaded findings are more fully described in Exhibit 2.

¹ OLA's assessment was based on CSEA's status report which described the actions taken to address the prior audit findings as of September 1, 2012. The CSEA status report did not clearly state if the finding was deemed "Completed" or "In Progress." To enable a comparative assessment, OLA determined these status categories, with CSEA concurrence, based on comments CSEA provided on the September 1, 2012 status report and on additional comments CSEA provided on two previous quarterly status reports submitted to OLA.

Exhibit 1 to November 9, 2012 Letter to Joint Chairmen

**Status of Findings in OLA's September 1, 2011 Audit Report on the
Department of Human Resources – Child Support Enforcement Administration
as of September 1, 2012**

Prior Finding	Status Based on OLA Review	Status Indicated by CSEA
Contracts		
10. CSEA did not adequately verify billings for services provided by local government agencies.	In Progress	Completed
System Access		
11. 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.	Completed	Completed
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Shaded findings are more fully described in Exhibit 2.

Exhibit 2 to November 9, 2012 Letter to Joint Chairmen

Current Status of Findings for Which Corrective Action Was Deemed to be in Progress or as Minimal Progress

Prior Finding 2

CSEA did not effectively use occupational license suspensions as an enforcement tool for delinquent noncustodial parents.

Prior Report Recommendation

We recommend that CSEA work with State licensing authorities to effectively use occupational license suspensions as an enforcement tool, as authorized by State law (repeat). Specifically, we recommend that CSEA

- a. obtain complete licensing data from state licensing authorities;**
- b. establish a process to prioritize the matches to help ensure the most effective use of this collection tool (for example, by targeting licensees who have a higher likelihood of being excluded from other enforcement efforts);**
- c. conduct matches of licensee data with delinquent child support obligors, using appropriate matching parameters; and**
- d. document the match process, and ensure proper follow-up of the match results with the licensing authorities, including the aforementioned individuals cited in this finding.**

Current Status: In Progress

CSEA has implemented an electronic data exchange with 7 of 15 licensing authorities identified in the prior audit report, and has been performing monthly matches using the licensee data and notifying these authorities of all of their licensees who have met certain criteria for the referrals. CSEA has been documenting the match results and is developing an automated follow-up process to determine the status of those cases with the licensing authorities.

We were advised that CSEA had memoranda of understanding (MOUs) with two other licensing authorities to begin the data exchange in the near future. Of the remaining six licensing authorities, CSEA is working with five of the licensing authorities to implement procedures for performing matches in the future. CSEA is no longer considering the remaining licensing authority for an electronic data exchange because it does not issue state professional licenses to individuals.

Prior Finding 5

CSEA did not adequately review and process driver's license suspension referrals rejected by the Motor Vehicle Administration (MVA).

Prior Report Recommendation

We recommend that CSEA perform timely follow-up on all cases rejected by the MVA due to system edits, review possible matches identified, and report corrected information to the MVA (repeat).

Current Status: In Progress

Timely follow-up on cases rejected by MVA is not being performed because CSEA is not providing the local child support offices with MVA's report of rejected cases in a timely manner. During the prior audit, we commented that for 18 of 20 rejected referrals tested, the referrals were not reviewed, processed, and resubmitted. Although the records we currently reviewed indicated that the local offices now performed timely follow-up on rejected referrals after they were received from CSEA, CSEA's delay in forwarding the MVA rejected case reports to the local offices contributed to some information being at least two months old when it was reviewed by the local offices. Specifically, CSEA did not provide the rejected referral data received from MVA for the fourth quarter of calendar year 2011 and the first quarter of calendar year 2012 to the local jurisdictions until two months after they were received from MVA.

Prior Finding 7

CSEA did not take sufficient actions to ensure that the contractor hired to provide child support functions in Baltimore City complied with certain contract requirements.

Prior Report Recommendation

We recommend that CSEA

- a. determine the reasons for the contractor's noncompliance with contract performance requirements and take appropriate actions, including requiring the preparation of a systemic corrective action plan (repeat); and**
- b. ensure that cases that were deemed non-compliant are corrected timely.**

Current Status: Minimal Progress

CSEA did not determine the reasons for the contractor's non-compliance with contract requirements nor has CSEA or the contractor developed a systemic corrective action plan to bring the contractor into compliance. CSEA reviews of contractor compliance with child support enforcement procedures continue to

indicate a significant number of cases involving non-compliance issues. For example, of the more than 1,100 Baltimore City child support cases reviewed by CSEA during the period from October 1, 2011 through March 31, 2012 at least 63 percent of the cases were deemed non-compliant and required corrective action.

We also found that CSEA did not ensure that non-compliant cases were corrected in a timely manner. For example, although CSEA is monitoring the contractor's actions, as of September 2012, 70 of 702 non-compliant cases identified from the quarter ending December 31, 2011 remain uncorrected. We did note that CSEA withheld one monthly payment in April 2012 because the contractor failed to timely complete case corrections for the third quarter of calendar year 2011; however, the percentage of cases deemed non-compliant and requiring action for the subsequent quarters was still high and the cases were not being corrected timely by the contractor. No other contractor payments have been withheld.

Prior Finding 8

CSEA did not ensure that a local child support office performed sufficient and timely reviews of delinquent accounts.

Prior Report Recommendation

We recommend that CSEA ensure that local offices perform sufficient and timely follow-up with delinquent obligors. Specifically, we recommend that CSEA ensure that

- a. caseworkers review cases identified on the delinquency report on a monthly basis in accordance with its policy (repeat) and perform a documented follow-up within 30 days, and**
- b. supervisors review five percent of each caseworker's total cases from the delinquency reports in a timely manner.**

Current Status: In Progress

CSEA implemented a process to generally review 20 cases from the delinquency report on a monthly basis for each jurisdiction to ensure caseworkers are reviewing cases and performing a documented follow-up within 30 days as recommended. However, CSEA did not establish a process to ensure that the supervisors at the local jurisdictions are reviewing five percent of their caseworkers' cases from the delinquency reports as required. Consequently, CSEA was uncertain as to whether the reviews were being performed.

Prior Finding 9

Sufficient procedures were not established to identify payments made to deceased custodial parents.

Prior Report Recommendation

We recommend that CSEA

- a. periodically (for example, quarterly) match its records of payees to the federal Social Security Administration's (SSA) death records based on identical social security numbers and dates of birth, investigate the match results, and cease payments as appropriate;**
- b. investigate the aforementioned match results indicating payments made to custodial parents after the dates of death; and**
- c. confer with the Office of the Attorney General (OAG) to determine what action should be taken against individuals who cashed State-issued child support checks that were payable to deceased individuals.**

Current Status: In Progress

CSEA has been performing monthly matches of its records and SSA death records to identify payments made to deceased custodial parents and investigating the match results. Also, on a quarterly basis, CSEA's Quality Assurance Unit performs reviews of the death matches to monitor adherence to CSEA's procedures. However, CSEA had not investigated all of the 362 individuals identified with payments 30 or more days after the payees' dates of death that OLA identified in the prior report finding. Furthermore, five of the eight cases specifically highlighted in our prior audit report were being investigated, but still have not been resolved. Finally, CSEA had not conferred with the OAG for cases of individuals cashing State-issued support checks payable to deceased individuals.

Prior Finding 10

CSEA did not adequately verify billings for services provided by local government agencies.

Prior Report Recommendation

We recommend that CSEA

- a. verify that the rates charged on invoices are consistent with related contracts and pursue any overpayments; and**
- b. obtain and review documentation supporting invoices, at least on a test basis.**

Current Status: In Progress

Although our review disclosed that CSEA is obtaining and reviewing documentation (such as, time records) supporting invoices, CSEA's contract monitors still did not always verify that the rates charged by the local government agencies were consistent with the contractually agreed-upon rates. Specifically, our review of eight invoices totaling approximately \$3 million related to four local government agency agreements disclosed that CSEA did not verify rates charged for six invoices totaling approximately \$2.6 million. For example, for one invoice totaling approximately \$973,200, the rates charged for 24 of the 51 salaries tested were not in accordance with the contract. Consequently, there continues to be a lack of assurance regarding the propriety of such billings.