



**Department of Legislative Services
Office of Legislative Audits**

**Department of Human Resources –
Child Support Enforcement
Administration (CSEA)**

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Presentation to the Senate Finance Committee and
Senate Budget and Taxation
Health and Human Services Subcommittee

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Audit Overview

- The Child Support Enforcement Administration (CSEA) is responsible for operating the Statewide child support program, which includes the establishment of paternity and child support orders, and the collection and distribution of child support payments.
 - Local child support offices, other state and local government agencies, and private contractors perform various child support functions.
 - During federal FY 2014, Statewide child support collections totaled \$559 million and CSEA's caseload totaled approximately 214,000. As of September 2014, the Statewide unpaid child support due from obligors (noncustodial parents) totaled \$1.33 billion.
 - The report included 6 findings, and noted that CSEA had corrected all 11 findings from the preceding report.
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Key Audit Issues

- Certain enforcement tools available to assist in the collection of unpaid child support were not used as effectively as possible. These enforcement tools included wage withholding orders, driver's license suspensions, and occupational license suspensions.
- CSEA needs to enhance its monitoring of the vendor responsible for providing all child support services at one local child support office to ensure the timely follow-up of delinquent accounts and proper controls over account adjustments.
- CSEA did not adequately monitor the completeness of the new hire registry information and did not verify the propriety of the related contractor billings.



Enforcement Procedures

Background

- Child support services are generally performed by local offices throughout the State with oversight provided by CSEA headquarters personnel.
- The wage withholding enforcement tool accounted for 71 percent of total collections in federal FY 2014. The primary sources for wage identification are the State's new hire registry, which includes newly hired employees as reported by Maryland employers, and the federal Office of Child Support Enforcement (OCSE), which includes wage data from Maryland and other states.
- As allowed by State law, other enforcement tools include suspending the driver's and occupational licenses of obligors who are delinquent with child support payments.



Enforcement Procedures (continued)

Local offices did not take timely action for employers with wage withholding orders that did not remit related payments within the required 90 days (**Finding 1**).

- CSEA's automated system (CSES) alerted the local offices to these cases, but caseworkers did not always follow up with the employers in a timely manner.
- OLA's test of 18 cases with unpaid child support totaling \$734,000 disclosed that for 5 cases, with unpaid support totaling \$226,000, CSES prompted the local office to contact the employer and inquire about wage withholding, but no such action was taken for 3 to 26 months.

In 1 of the 5 cases, the obligor owed \$65,000 and the local office was prompted by CSES on 4 occasions to contact the employer, but no contact had been made. During part of this period, the obligor earned \$92,000 annually.



Enforcement Procedures (continued)

Certain obligors were improperly excluded from the driver's license suspension process at the local child support office where we performed testing (**Finding 2**).

- State law provides for the suspension of a driver's license by MVA when an obligor is at least 60 days delinquent in support payments. This local office miscoded the accounts of obligors in CSES who entered into payment plans so that they were not subject to the license suspension process if they became delinquent on their payment plans.
 - OLA tested 19 cases that were miscoded and noted 7 cases of obligors not current with their payment plans, with balances totaling \$143,000, but because they had been removed from the suspension process their licenses were not suspended.
 - As of October 2014, this local child support office had 682 obligors with unpaid child support totaling \$10.5 million who had entered into payment plans.
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Enforcement Procedures (continued)

Certain obligors were improperly excluded from the automated occupational license suspension enforcement process (**Finding 3**).

- State law permits the suspension of an occupational license for an obligor who is at least 120 days delinquent.
- OLA testing disclosed that certain obligors from multiple offices were improperly excluded from the suspension process based on how the cases were coded in CSES. For example, obligors with inactive occupational licenses were coded to be excluded from the suspension process. As a result, if the licenses were to be reactivated, the obligors would not be subject to suspension.
- As of September 2014, there were 281 obligors with occupational licenses and unpaid child support totaling \$6.8 million who were excluded from the suspension process based on this coding.



Enforcement Procedures (continued)

CSEA did not determine whether State licensing authorities suspended obligors' occupational licenses when requested (**Finding 4**).

- During our audit period, CSEA requested various licensing authorities to suspend the occupational licenses of 1,894 obligors who owed child support totaling \$31.5 million, but did not routinely follow up when it did not receive notification or confirmation of the requested suspension.
 - OLA's test of 10 cases at one local office disclosed that, for 7 cases, CSEA did not take follow up action when the licensing authorities did not notify CSEA of the suspensions.
 - Two licensing authorities associated with 3 of these 7 cases informed OLA that they do not suspend licenses when requested by CSEA. CSEA had referred 165 obligors with balances of \$2.6 million to the two authorities, but was unaware that they were not suspending licenses.
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Local Office Contract Monitoring

CSEA needs to enhance its monitoring over the vendor responsible for all child support services at one local office (**Finding 5**).

- CSEA performed reviews of vendor performance, but did not sufficiently review the vendor's actions with respect to cases on the delinquency report (cases with balances outstanding >90 days). This office had 12,220 cases that were >90 days delinquent as of April 2014.
- OLA tested 15 cases from the delinquency report with balances totaling \$144,000. For 9 cases totaling \$62,000, the vendor had not documented follow-up with the obligors within 30 days as required. For 2 of the 9 cases, there was no documented follow-up and for the other 7 cases delays ranged from 24 to 184 days.



Local Office Contract Monitoring (continued)

In addition to vendor follow-up on delinquent obligor accounts, CSEA also needs to improve monitoring with respect to vendor controls over adjustments to account balances and changes to payee information.

- The contract required an independent operational review of cash receipts at the local office to be performed by an accounting firm, however, this review did not include an assessment of controls over adjustments.
 - OLA's test of 15 account adjustments, totaling \$9.5 million, found that 7, totaling \$7.8 million, were approved by a supervisor, but required supporting documentation was not on file to justify the adjustments.
 - Changes to payee name and mailing address information recorded in CSES were not verified for propriety by supervisory personnel. In a different local office, >\$100,000 was stolen by an employee by, in part, changing payee address information.
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New Hire Registry Contract

CSEA did not adequately monitor the new hire registry contract and did not verify the propriety of the related vendor invoices (**Finding 6**).

- State law requires employers to report newly hired employees, which CSEA uses to identify obligors who may be eligible for wage withholding. CSEA contracts with a vendor who receives these reports and transmits the information to CSEA.
 - CSEA did not verify that the vendor transmitted complete and timely new hire data.
 - CSEA paid the vendor invoices without verifying the number of records billed. The vendor was paid a fixed price for each new hire submission transmitted to CSEA. However, CSEA did not capture the number of records transmitted by the vendor so that it could verify the related invoices.
 - The three-year vendor contract was valued at \$925,000.
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Conclusions

CSEA needs to

- ensure local offices take timely follow-up action when employers fail to remit wage withholding payments,
 - ensure all obligors are subject to the driver's license and occupational license suspension processes,
 - follow up with licensing authorities that do not notify CSEA of requested occupational license suspensions,
 - strengthen its monitoring over the vendor responsible for child support services at one local office to ensure documented follow-up action is taken within 30 days on delinquent cases and that account adjustments were properly supported and reviewed, and
 - establish procedures to verify the completeness and timeliness of the new hire registry information and the propriety of the related vendor invoices.
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