



Department of Legislative Services  
Office of Legislative Audits

---

# Department of Human Resources

## Child Support Enforcement Administration

Report dated  
October 7, 2008

---



## Department of Legislative Services Office of Legislative Audits

---

### Audit Overview

---

- The Child Support Enforcement Administration (CSEA) operates a statewide child support program that includes:
    - Establishment of paternity and child support orders
    - Collection of support payments
    - Distribution of funds collected
  - Local child support offices, other state and local government agencies, and private contractors perform child support services.
  - Collections during FY 2007 totaled \$496 million, an increase of \$43 million from FY 2004.
  - Unpaid support obligations increased by \$110 million over the 3-year period ended 9/07 to \$1.57 billion.
  - The audit covered the period from March 10, 2004 to August 31, 2007 and included 15 findings. Although 9 findings were repeats, CSEA's audit accountability and compliance level has improved since last audit.
-



## Department of Legislative Services Office of Legislative Audits

---

### Key Audit Issues

---

- Certain available enforcement procedures (e.g., occupational license suspension) were not used or were not used effectively to maximize and further enhance collection efforts.
  - A process was not in place to identify payments being issued to deceased custodial parties. Our match to DHMH death records found payments in excess of \$300,000 made to deceased individuals.
  - \$1.1 million in undisbursed funds were not forwarded to the State Comptroller as required by State law.
  - CSEA did not analyze the proper distribution of \$2.4 million transferred from a local office bank account to its central bank account.
  - CSEA did not adequately monitor several contracts to ensure all deliverables were received or that all billed costs were proper.
-



## Certain Enforcement Tools Were Not Used

---

- Suspension of occupational licenses was not used as an enforcement tool. (Finding 1)
  - Upon CSEA's request, State law requires 14 State licensing authorities, such as the Department of Health and Mental Hygiene, to suspend occupational licenses of delinquent obligors.
  - OLA computer matches identified 5,283 individuals with occupational licenses who owed delinquent child support totaling \$47 million.
  - 11 of 20 licensed individuals tested had not made any recent payments and had delinquent child support totaling \$206,147 that were in arrears for more than 120 days. The other 9 were making some payments.



## Missing or Potentially Inaccurate SSNs

---

- Comprehensive procedures were not in place to ensure that valid social security numbers (SSN) were on file for all obligors, limiting the effectiveness of CSEA's automated collection procedures (e.g., wage withholding and income tax refund intercepts). (Finding 2)
  - Follow-up was not conducted to ensure that local offices investigated all reported cases of missing SSNs. For example, one local office only investigated 6% of 1,662 cases without SSNs on a February 2007 report.
  - A process was not in place to verify the accuracy of SSNs that were recorded on the automated child support system.



## Obligor Bank Accounts Not Identified and Seized

---

- CSEA was not identifying or seizing funds in certain obligor bank accounts to satisfy delinquent child support balances. (Finding 3)
  - Since July 2005, CSEA had not identified accounts held by delinquent obligors in State-chartered banks.
  - Although the federal child support agency identifies obligors with funds in federally-chartered banks, our test of 10 such obligors found 6 with \$139,000 in funds available for seizure that were not pursued by CSEA.



## Payments to Deceased Individuals

---

- CSEA did not have an effective process in place to identify payments issued to deceased individuals, who were custodial parties. (Finding 7)
  - OLA matched CSEA records to the DHMH death records registry and identified payments totaling \$334,000 during FYs 2006 and 2007 made to 576 deceased individuals.
  - A limited review of payments to 20 individuals after date of death found that checks totaling \$152,000 for 13 individuals had been negotiated 12 to 96 months after the payee's death. (Checks for the other 7 had not been cashed.)



## Undisbursed Funds / Account Adjustments

---

- CSEA did not forward undisbursed funds to the Comptroller of the Treasury, as required by State law. These funds occur when a child support check is returned to CSEA (e.g., custodial parent moves) or collections can't be matched with a child support case. (Finding 8)
    - As of August 2007, CSEA was holding approximately \$1.1 million in funds that had been undisbursed for over four years
  - In February 2006, CSEA transferred \$2.4 million from a local office's bank account, representing collections made prior to 2000, and retained these funds in its central account without determining the proper distribution. (Finding 9)
  - CSEA could not document (as was required by JCR language) \$825,000 of a \$2.1 million reduction to its cash balance in its central disbursement account, which was also commented upon during the prior audit. (Finding 10)
-





## Instances of Inadequate Contract Monitoring

---

- CSEA could not document that it adequately monitored the operations of the contractor responsible for the collections of \$414 million in FY 2007, to ensure adequate controls and safeguards were in place. (Finding 11)
  - For contracts with 36 government agencies, which were paid \$10 million in FY 2007, to perform certain child support services (generally on a cost-reimbursement basis), CSEA did not verify the accuracy of billings or take prompt action to adjust future contract deliverables when performance was below established goals. (Finding 12)
  - CSEA did not take sufficient action when the contractor hired to operate two local child support offices did not comply with contract requirements. Monitoring reports for certain quarters in 2006 and 2007 noted that 67% to 80% of cases were noncompliant with CSEA collection policies, yet no penalties were assessed or corrective action plans required. (Finding 13)
-



## Conclusion

---

CSEA needs to:

- Maximize and improve the use of all available collection enforcement tools;
- Establish effective procedures for identifying payments being made to deceased individuals;
- Ensure undisbursed funds are forwarded to the State Comptroller as required by State law;
- Investigate the proper disposition of funds transferred and adjustments made to its central bank account; and
- Improve monitoring of contractors.