

Audit Report

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

June 2015



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

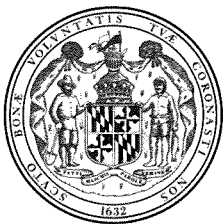
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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

June 26, 2015

Thomas J. Barnickel III, CPA
Legislative Auditor

Senator Guy J. Guzzone, Co-Chair, Joint Audit Committee
Delegate Craig J. Zucker, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Department of Human Resources – Child Support Enforcement Administration (CSEA) for the period beginning October 21, 2010 and ending May 4, 2014. 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. For the year ended September 30, 2014, child support collections totaled \$559 million and unpaid child support due from obligors (non-custodial parents) totaled \$1.33 billion at that date.

Our audit disclosed that CSEA had taken action to correct all 11 findings in our preceding audit report. Nevertheless, our audit identified opportunities for CSEA to improve its oversight of the child support enforcement operations. Although the withholding of wages from obligors accounts for the largest portion of child support collections, CSEA did not ensure that local child support offices initiated timely follow-up actions when employers failed to remit wage withholding payments.

In addition, certain eligible obligors were improperly excluded from both the driver's license and occupational license suspension processes. For example, we identified 682 obligors with unpaid child support totaling approximately \$10.5 million who were excluded from the driver's license suspension process because the proper system code for the applicable accounts was not used when these obligors entered into payment plans. Consequently, these obligors would not be automatically subject to driver's license suspension if they did not keep current on their payment plans.

CSEA did not ensure State licensing authorities suspended obligors' occupational licenses when requested and we identified two occupational licensing authorities

where no suspensions were being performed. There were 165 obligors who were referred to these two authorities and owed child support totaling \$2.6 million.

Finally, CSEA needs to improve its monitoring of the vendors responsible for overseeing the child support services at one local office and for maintaining the new hire registry.

An executive summary of our findings can be found on page 5. The Department's response to this audit, on behalf of CSEA, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by CSEA.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom J. Barnickel III".

Thomas J. Barnickel III, CPA
Legislative Auditor

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Executive Summary

Legislative Audit Report on the Department of Human Resources Child Support Enforcement Administration (CSEA) June 2015

- **Required follow-up action was not always taken for employers that failed to remit wage withholding payments. Although CSEA's automated system prompted local offices to follow up with the related employers, our tests identified instances in which the local offices failed to take such action for extended periods (Finding 1).**

CSEA should ensure that the local child support offices take appropriate follow-up action when wage withholding payments are not received, as required by its policy.

- **At one local child support office, certain obligors who had entered into a payment plan were excluded from the driver's license suspension process, due to improper case coding. Furthermore, our test disclosed obligors on payment plans that were delinquent but were not referred to the MVA for license suspension because of the improper coding. At this local office, we identified 682 obligors with unpaid child support totaling approximately \$10.5 million, who had entered into a payment plan (Finding 2).**

CSEA should ensure that the cases for obligors in payment plans are properly coded so that the obligors are subject to the driver's license suspension process if they become delinquent on their payment plan.

- **Certain obligors were not subject to the occupational license suspension enforcement process. As of September 2014, there were 487 obligors with unpaid child support totaling \$11.2 million for which, due to coding issues, would not be subject to the license suspension process if their circumstances change (for example, they become delinquent on their payments) (Finding 3).**

CSEA should reinstate these obligors in the occupational license suspension program and ensure that the cases for obligors who have been identified as having an occupational license are properly coded.

- **CSEA did not ensure State licensing authorities took action to suspend obligors' occupational licenses when requested. Consequently, we identified two licensing authorities who advised that they do not suspend related licenses when requested to by CSEA. There were 165 obligors who were referred to these two authorities and owed child support totaling \$2.6 million (Finding 4).**

CSEA should follow-up with licensing authorities to ensure that obligors' occupational licenses are suspended upon its request, as required.

- **CSEA needs to enhance its monitoring of the vendors responsible for providing child support services at one local child support office and for maintaining the New Hire Registry (Findings 5 and 6).**

CSEA should strengthen its monitoring efforts to ensure that the local child support office vendor initiates timely follow-up action for delinquent accounts. CSEA should also ensure that critical account adjustments are properly supported and reviewed and that adjustments to payee information are verified. CSEA should establish procedures to verify the completeness and timeliness of the new hire registry information and the propriety of the related billings.

Background Information

Agency Responsibilities

The Child Support Enforcement Administration (CSEA) is a unit of the Department of Human Resources (DHR) and is responsible for operating the Statewide child support program. CSEA provides services to both the noncustodial and custodial parents, which include the establishment of paternity and child support orders, the collection of support payments, and the distribution of such funds.

Local child support offices and other state and local government agencies (for example, State's Attorneys' Offices) perform various child support services. Furthermore, a private vendor provides child support functions in Baltimore City, which handles approximately 29 percent of the State's child support cases. In addition, CSEA uses the services of vendors to maintain the new hire registry used to identify noncustodial parent wages on a Statewide basis and to centrally receive, process, and distribute child support payments.

CSEA's Child Support Enforcement System (CSES) is used to record child support case information, including enforcement efforts, and to account for the collection and subsequent distribution of support payments. CSEA also provides financial and statistical data for management oversight purposes, and has certain automated enforcement features to aid in the collection function.

According to CSEA's records, during federal fiscal year 2014 (October 1, 2013 through September 30, 2014), the Statewide child support collections totaled approximately \$559 million, representing an increase of approximately 9 percent compared to September 2010, and the CSEA open caseload totaled approximately 214,000. As of September 2014, the Statewide unpaid child support due from obligors totaled approximately \$1.33 billion, representing a decrease of approximately 13 percent compared to September 2010. According to the State's records, CSEA's operating expenditures for State fiscal year 2014 totaled approximately \$45 million. This excludes local child support office expenditures which are included in a separate DHR budgetary unit.

Status of Findings From Preceding Audit Report

Our audit included a review to determine the status of the 11 findings contained in our preceding audit report dated September 1, 2011. We determined that CSEA satisfactorily addressed these findings.

Findings and Recommendations

Enforcement Procedures

Background

Child support services are generally performed by the local offices throughout the State with oversight and administration provided by Child Support Enforcement Administration (CSEA) headquarters personnel. CSEA has several enforcement tools that it can use to pursue court-ordered child support when an obligor does not pay on time, or does not pay in full. These tools include withholding wages, intercepting tax refunds, and seizing funds in personal bank accounts.

Child support collections in federal fiscal year 2014 resulting from the wage withholding enforcement tool totaled approximately \$395 million and accounted for approximately 71 percent of total collections. The primary sources to facilitate the identification of wages are the State's new hire registry, which includes newly hired employees as reported by Maryland employers, and wage data received from the federal Office of Child Support Enforcement (OCSE), which includes wage data from Maryland and other states.

Other enforcement tools include driver's license and occupational license suspension. State law permits the suspension of driver's licenses by the Motor Vehicle Administration (MVA) when an obligor is at least 60 days delinquent in child support payments. State law also permits CSEA to request 14 licensing authorities (such as the Department of Labor, Licensing, and Regulation) to suspend the occupational licenses¹ of obligors who are more than 120 days delinquent in their child support obligations.

Finding 1

Required follow-up action was not always taken for employers with wage withholding orders that failed to remit wage withholding payments.

Analysis

Local child support offices did not take timely action for employers with wage withholding orders that failed to remit wage withholding payments within 90 days, as required by CSEA's procedures. While CSEA's Child Support Enforcement System (CSES) alerted the local offices to these cases, our testing disclosed that caseworkers did not always follow up with the employers in a timely manner.

¹There are 14 licensing authorities responsible for issuing business, occupational, and professional licenses (hereinafter referred to as occupational licenses).

Specifically, we judgmentally selected 18 cases with significant unpaid child support totaling \$734,000 according to CSES as of March 31, 2014. Our test disclosed that, for 5 cases from several local offices, generally, CSES prompted the applicable local offices on several occasions to contact the employer and inquire about possible wage withholding; however, no such action was taken for periods ranging from 3 to 26 months. The unpaid child support totaled approximately \$226,000 for these 5 cases. For example, for 1 of these 5 cases, the obligor owed approximately \$65,000. A wage withholding order was in effect, but payments were not received from the employer. Although CSES prompted the local office to contact the employer on four occasions between October 2013 and July 2014, no contact (such as a phone call) was made. For the year ended March 2014, the obligor earned wages totaling \$92,000, according to OCSE information recorded in CSES. For the remaining 13 cases, no additional follow-up action was required because, for example, wages had been recently remitted.

CSEA management advised us that the local offices do not always contact the employers because past efforts have not always been effective. For example, the employer may inform CSEA that the obligor is not a current employee. CSEA management advised us that it is considering new technology to make its follow-up efforts more efficient.

The aforementioned cases selected for testing were derived from the results of a match we conducted to identify obligors who were subject to an active wage withholding order and had wage earnings, but for which no child support wage withholding payments had been received by CSEA in the preceding 90 days. This match identified approximately 4,000 obligors with individual unpaid child support balances over \$500, which totaled \$48.5 million in the aggregate. To perform the match we obtained a file from CSEA of noncustodial parents with unpaid child support (obligors), and matched it with the wage earnings file from the Department of Labor, Licensing and Regulation (DLLR). We tested both of these files and found them to be reliable for our purposes.

Recommendation 1

We recommend that CSEA ensure that the local child support offices comply with its policies by taking timely follow-up action (such as, contacting the employers) when identified employers fail to remit wage withholding payments.

Finding 2

Certain obligors were improperly excluded from the driver's license suspension process at a local child support office.

Analysis

For the one local office where we performed testing, certain obligors were improperly excluded from the automated driver's license suspension process based on the coding of the cases in CSES. State law generally provides for the suspension of driver's licenses by MVA when an obligor is at least 60 days delinquent in child support payments. However, this local office removed obligors from the process indefinitely by applying an improper code when the obligors entered into a payment plan; accordingly, these obligors were not subject to license suspension if they became delinquent on their payment plans. CSEA's policy states that obligors are only to be removed from the driver's license suspension process when a court order prohibits future suspension.

We tested 19 cases that were removed from the driver's license suspension process because a payment plan was established. For 7 of the cases with balances totaling \$143,000, the obligors did not make payments in compliance with their payment plans and were at least 60 days delinquent. In addition, because the obligors had been removed from the driver's license suspension process, their licenses were not referred to MVA for suspension.

At this local office, as of October 2014, there were 682 obligors with unpaid child support totaling approximately \$10.5 million that had entered into a payment plan. As a result of this procedure, these obligors would not be automatically subject to driver's license suspension and could be improperly excluded from the process if those individuals did not keep current on their payment plans. CSEA advised us that this condition is unique to this local child support office and does not exist Statewide, although we did not confirm this assertion.

Recommendation 2

We recommend that CSEA ensure that the local office follows CSEA policy and that cases are coded properly, including the aforementioned cases, so that obligors who become delinquent on their payment plans are subject to the driver's license suspension process.

Finding 3

Certain obligors were improperly excluded from the occupational license suspension enforcement process.

Analysis

Certain obligors were improperly excluded from the automated occupational license suspension enforcement process. State law permits the suspension of occupational licenses of obligors who are more than 120 days delinquent in child support obligations. According to CSEA management and its policy, there are very limited instances (such as, mistaken identity) in which obligors should be excluded from this enforcement process. According to CSEA's records, as of September 2014, 4,479 obligors had an active occupational license.

Our tests disclosed that certain obligors from multiple local offices with occupational licenses and unpaid child support balances were improperly excluded from license suspension enforcement based on the coding of the cases in CSES. For example, certain cases were coded by the local offices to exclude the license suspension process because the obligor had an inactive license. As a result, if the obligor subsequently reactivated the license, the obligor would not be subject to the automated referral to the applicable licensing authority for suspension. As of September 2014, there were 281 obligors with occupational licenses and unpaid child support totaling approximately \$6.8 million who were excluded from the automated referral process based on the coding in CSES.

In addition, in July 2013, CSEA discovered that obligors whose licenses were previously suspended and subsequently reinstated after child support payments were made were improperly excluded from future occupational license suspension enforcement. After CSEA became aware of the situation, it began a monthly batch process to change the coding in CSES so these obligors would be subject to the occupational license suspension enforcement process if circumstances change (for example, they become delinquent on their payments); however, CSEA discontinued this monthly process after December 2013 and could not provide an explanation. We noted that, as of September 2014, the case coding for 206 obligors with unpaid child support totaling \$4.4 million had not been corrected in CSES and, therefore, these obligors were not subject to occupational license suspension enforcement. These 206 obligors are in addition to the aforementioned 281 obligors.

Recommendation 3

We recommend that CSEA

- a. reinstate the aforementioned obligors in the license suspension enforcement process, and**

- b. ensure that the cases for obligors who have been identified as having an occupational license are properly coded and are only removed from the occupational license suspension enforcement process for reasons allowed by its policy.**

Finding 4

CSEA did not determine whether State licensing authorities took action to suspend obligors' occupational licenses when requested.

Analysis

CSEA did not determine whether licensing authorities took action to suspend obligors' occupational licenses when requested. According to its records, during our audit period, CSEA requested the various licensing authorities to suspend the occupational licenses of 1,894 obligors who owed child support totaling approximately \$31.5 million as of October 2014. However, CSEA did not routinely follow up with these authorities when notification or confirmation of the requested license suspension was not received.

Our test of 10 cases for one local office in which license suspensions were requested disclosed that, for 7 cases, CSEA did not take follow-up action when the authorities did not provide notification or confirmation that the licenses were suspended, as required. We contacted the relevant licensing authorities and were advised that, for 5 cases, the licenses had not been suspended.

For two of the five cases, the authorities advised that the failure to suspend the licenses was their oversight. The remaining three cases related to a cab driver's license issued by the Public Service Commission (PSC) and vehicle sales licenses issued by MVA. Both licensing authorities advised that they do not suspend these licenses when requested by CSEA. While the PSC did not provide a sound explanation, MVA stated that it did not suspend the licenses because it was concerned that, because of timing issues, it could erroneously suspend a license after an obligor became compliant. CSEA was unaware that these two authorities were not suspending occupational licenses, as required. According to CSEA's records, as of October 2014, CSEA had referred for suspension 48 obligors with an active cab driver's license and 117 obligors with an active vehicle sales license, who collectively owed child support totaling approximately \$2.6 million.

State law and memoranda of understanding (MOUs) between CSEA and the authorities generally require the authorities to suspend licenses upon CSEA's request. State regulations further require the licensing authorities to notify CSEA of the suspension effective date.

Recommendation 4

We recommend that CSEA follow up with licensing authorities that do not notify CSEA of requested suspensions of obligors' occupational licenses (including cab driver's licenses and vehicle sales licenses), as required.

Local Office Contract Monitoring

Finding 5

CSEA needs to enhance its monitoring of the vendor responsible for providing all child support services at a local child support office.

Analysis

CSEA needs to enhance its monitoring efforts over the vendor responsible for providing all child support services at one local office. While CSEA had procedures to monitor vendor performance on certain aspects of the services provided, CSEA needs to improve monitoring with respect to the vendor's follow-up on delinquent obligor accounts, and controls over adjustments to account balances and changes to payee information.

- Although CSEA performed a quarterly review process to ensure that the vendor complied with its policies and contractual requirements, including enforcement efforts, our review disclosed that this process did not sufficiently address the actions taken by the vendor to address delinquent obligors. Specifically, CSEA's review did not target the vendor's actions with respect to cases listed on the CSES delinquency report, which identifies cases with child support balances that have been outstanding for more than 90 days. According to CSEA policy, the vendor at this local office is required to follow up with the obligors within 30 days for cases that have been delinquent for more than 90 days.

We judgmentally selected 15 cases from the January 2014 CSES delinquency report, with higher delinquent balances totaling \$144,000. Our tests of those cases disclosed that, for 9 cases with delinquent balances totaling \$62,000, the local office had not initiated documented follow-up with the obligors in a timely manner. Delays in performing adequate follow-up action for 7 cases with balances totaling \$45,000 ranged from 24 to 184 days. For the remaining 2 cases, with balances totaling \$17,000, no follow-up action had been taken as of September 2014. According to CSEA's records, this local office had 12,220 cases that were delinquent for more than 90 days as of April 2014.

- Additional enhancements in CSEA's contract monitoring efforts are needed with respect to controls over adjustments to obligor account balances and changes to payee information. While the contract required an independent operational review of cash receipts at the local office to be performed by an accounting firm, this review did not include an assessment of these controls.

Our review disclosed that adjustments to obligor account balances were not always supported and subject to an adequate supervisory review. We tested 15 account adjustments totaling \$9.5 million that were processed during the period from June 2012 through June 2014. In 7 instances, although the adjustments were approved by a supervisor, supporting documentation (such as, the related court order) was not on file to justify the adjustments; these adjustments totaled \$7.8 million, including an adjustment for what appeared to be a clerical error of \$7.6 million. CSEA's policy requires supporting documentation substantiating the propriety of the adjustment, such as the court order, to be included with the adjustment request.

In addition, changes to payee information (name and mailing address) recorded in CSES were not verified for propriety. Such changes typically occur when a payment is disbursed to an obligor for a refund and the obligor was not previously established as a payee. Our test of 10 payee changes disclosed that none was subject to supervisory approval, as required by CSEA's procedure manual. According to CSEA's records, 295 payee information changes occurred at this local office during the period from December 2013 through March 2014. Ensuring the propriety of changes to payee information is critical. In this regard, in December 2014, an employee at a different local office pleaded guilty to stealing more than \$100,000 from January 2008 to July 2013. This was accomplished, in part, by changing payee address information allowing payment checks to be negotiated by the employee.

Recommendation 5

We recommend that CSEA strengthen its monitoring efforts over the vendor. Specifically, CSEA should enhance its quarterly review process at this local office and consider using the accounting firm to ensure that

- a. documented follow-up action is initiated within 30 days for cases that have been delinquent for more than 90 days, and**
- b. obligor account balance adjustments are properly supported and subject to an adequate supervisory review, and adjustments to payee information recorded in CSES are verified for propriety.**

New Hire Registry Contract

Finding 6

CSEA did not adequately monitor the new hire registry contract and did not verify the propriety of related invoices.

Analysis

CSEA did not adequately monitor the new hire registry contract and did not verify that the related invoices were accurate. State law requires all employers in the State to report newly hired employees within 20 days. This information is used to identify obligors who may be eligible for wage withholding, which is CSEA's primary enforcement tool. CSEA contracts with a vendor to process these new hire reports and to transmit the information to CSEA to be uploaded to CSES.

- CSEA did not verify that the vendor transmitted complete and timely new hire data to CSEA. CSEA did not monitor the transmission activity for reasonableness and did not review the employer reports on file during the periodic site visits to ensure that the information was properly transmitted to CSEA in a timely manner. The contract requires the vendor to process and forward all records to CSEA within two days of receipt from the employers and allows for periodic site visits by CSEA to review the completeness and timeliness of its processing.
- CSEA paid the vendor's invoices without verifying the number of records billed. The contract provided for the vendor to be paid a fixed price for each new hire submission. However, CSEA management was not capturing the number of records which the vendor uploaded to CSES. During the period from November 2013 through April 2014, the vendor reportedly processed 614,767 new hire submissions.

In November 2013, CSEA entered into a three-year contract totaling approximately \$925,000 for the maintenance of the new hire registry. As of July 2014, payments made under the contract totaled approximately \$189,000, according to State records.

Recommendation 6

We recommend that CSEA establish procedures to verify

- a. the completeness and timeliness of the new hire registry information received from the vendor, and**
- b. that the number of records billed agrees with the number of records received.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Department of Human Resources (DHR) – Child Support Enforcement Administration (CSEA) for the period beginning October 21, 2010 and ending May 4, 2014. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine CSEA's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included enforcement procedures (for example, occupational and driver's license suspensions and wage withholding), CSEA's Child Support Enforcement System (CSES) access and controls, monitoring of local child support offices, and contracts. We also determined the status of the findings contained in our preceding audit report.

Our audit did not include certain support services provided to CSEA by DHR – Office of the Secretary. These support services (such as payroll processing, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our audit of the Office of the Secretary. In addition, our audit did not include an evaluation of internal controls over compliance with federal laws and regulations for federal financial assistance programs and an assessment of CSEA's compliance with those laws and regulations because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including CSEA.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of CSEA's operations, and tests of transactions. We also extracted data from CSES for the purpose of testing various enforcement efforts. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives.

The reliability of data used in this report for background or informational purposes was not assessed.

CSEA's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes findings related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect CSEA's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations. Other less significant findings were communicated to CSEA that did not warrant inclusion in this report.

The response from DHR, on behalf of CSEA, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise DHR regarding the results of our review of its response.



APPENDIX

Maryland's Human Services Agency

Department of Human Resources | Lawrence J. Hogan, Jr., Governor | Boyd K. Rutherford, Lt. Governor | Sam Malhotra, Secretary

June 18, 2015

Mr. Thomas J. Barnickel III
Legislative Auditor
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Barnickel:

Please find enclosed the Department of Human Resources' (DHR) responses to the draft Legislative Audit Report on the Department of Human Resources – Child Support Enforcement Administration (CSEA) for the period beginning October 21, 2010 and ending May 4, 2014.

If there are any questions regarding these responses, please contact the Inspector General, William E. Johnson, Jr. of my staff at 443-378-4060 or william.johnson1@maryland.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sam Malhotra', written over a large, stylized circular flourish.

Sam Malhotra
Secretary

Enclosures:

cc:

Tracey Paliath, Deputy Secretary, Programs
William E. Johnson Jr., Inspector General, DHR
Samantha Blizzard, Special Assistant, Office of the Secretary
Joseph Diprimio, Executive Director, CSEA

Finding 1

Required follow-up action was not always taken for employers with wage withholding orders that failed to remit wage withholding payments.

Recommendation 1

We recommend that CSEA ensure that the local child support offices comply with its policies by taking timely follow-up action (such as, contacting the employers) when identified employers fail to remit wage withholding payments.

The Department's Response: CSEA agrees with the finding.

From a review of the 4,022 obligors referenced above, 25 of the aforementioned obligor's cases were closed at the time of the review with no balance due. Furthermore, 54% of the 4,022 obligor's cases received a payment prior to or within 90 days after receipt of the DLLR file referenced.¹

Additionally, CSEA conducted a detailed review specifically of the five cases cited. CSEA determined that income withholding has been in effect in two cases since December, 2014 and in another case since May, 2014. An interstate action was filed in one case and payments have been consistently received from Pennsylvania since December, 2014. In the remaining case the obligor's place of employment, if any, is unknown.

Furthermore, for clarification, CSEA management did not advise the Office of Legislative Audits (OLA) that the local offices do not always contact the employers because past efforts have not always been effective. Rather, CSEA informed OLA that the administration had determined the Daily Manual Review report is ineffective due to a large proportion of false positives. Therefore, CSEA's management implemented processes to enhance automation which is expected to improve the effectiveness of the program. In lieu of working the Daily Manual Review report, the following improvements have either been implemented or are in development.

- a. On July 25, 2014, CSEA enhanced the language of the employer delinquency notices, and now sends three successive notices to an employer who appears to have not complied with previously sent IWO. (PRJ -4100)
- b. CSEA collaborated with the University of Maryland, College Park to develop a comprehensive case management tool (dashboard) for employees to use. The dashboard enables staff to identify cases where earnings withholding orders have been sent to employers but payments have not been received. In December 2014, the dashboard was implemented in the metro counties as a pilot and CSEA's Management expanded its' use as

¹**Auditor's Comment:** Based on CSEA's response, the report finding has been clarified to indicate that no child support *wage withholding* payments had been received by CSEA in the preceding 90 days. The 54% of cases for which a payment had been received prior to or within 90 days, as cited by CSEA, does not specifically relate to employer remittances of withheld wages, which was the focus of the finding.

of April 2015 to all DSS child support programs. (Action Transmittals 14-07 and 15-02, respectively)

- c. In August 2014, CSEA implemented an Employer Table. Specifically, when an IWO is returned due to a bad address, the appropriate employee determines the correct address, mails the IWO, and submits a request to update the employer table so that future IWOs for that employer are mailed to the correct address. (Policy Alert 14-13) In December 2014, CSEA has implemented electronic income withholding orders (e-IWO) (PRJ-0411)
- d. A system modification has been proposed that will remove the “bypass” indicator if more than forty-five days pass without a wage withholding payment being received. (PRJ-05383)

Finding 2

Certain obligors were improperly excluded from the driver’s license suspension process at a local child support office.

Recommendation 2

We recommend that CSEA ensure that the local office follows CSEA policy and that cases are coded properly, including the aforementioned cases, so that obligors who become delinquent on their payment plans are subject to the driver’s license suspension process.

The Department’s Response: CSEA agrees with the finding.

In 2007, the Maryland legislature enacted a law to assist low income obligors with getting back on track with child support payments. The law authorized the abatement of arrears owed to the state (arrears accruing when custodial parent receives public assistance) if the obligor paid his/her monthly child support for a certain timeframe. This is referred to as the Child Support Payment Incentive Program (PIP). If the obligor enters into an agreement to consistently pay their child support, CSEA must exempt the obligor from State enforcement measures. It was under this law that the child support worker coded the case to exempt the obligor from driver's license suspension.

It should also be noted that a suspended driver’s license may be reinstated or excluded from suspension in the event that suspension would be an impediment to the obligor’s current or potential employment or suspension would create an undue hardship because of the obligor’s inability to comply with the court order or disability.

Of the 19 cases cited, 12 were compliant with their payment agreements. All seven cases identified as part of this finding have been corrected. CSEA worked with the University of Maryland, School of Social Work to develop a statewide report identifying cases in payment plans which were indefinitely removed from the driver’s license suspension process. The report identified three cases, all of which have been addressed. As of April 2015, CSEA’s Quality Assurance Unit monitors this report on a monthly basis to ensure compliance regarding the driver’s license suspension process.

Finding 3

Certain obligors were improperly excluded from the occupational license suspension enforcement process.

Recommendation 3

We recommend that CSEA

- a. reinstate the aforementioned obligors in the license suspension enforcement process, and**
- b. ensure that the cases for obligors who have been identified as having an occupational license are properly coded and are only removed from the occupational license suspension enforcement process for reasons allowed by its policy.**

The Department's Response: CSEA agrees with the finding.

Of the 281 abovementioned obligors with occupational licenses and unpaid child support, the professional license for 192 of the obligors, or 68%, had expired. For remaining 89 obligors, their unpaid child support totaled \$1.6 million. Similarly of the 206 obligors referenced, the professional licenses for 141 of the obligors, or 68%, had expired. For the remaining 65 obligors, their unpaid child support totaled \$2.1 million. Since those licenses had expired, CSEA could not have suspended them. Furthermore, of those 487 obligors, 188, or 39%, made a payment during the month of September 2014.

Nonetheless, the following procedures have been implemented for all obligors:

- a) CSEA implemented a process to correct the coding of the aforementioned obligors and expect this process to be completed by end of July 2015.
- b) CSEA is developing a change to the CSES system that will remove all codes which would allow a case from being excluded from the automated suspension program with the exception of a case in which a court order prohibits suspension. (PRJ-05169)

Finding 4

CSEA did not determine whether State licensing authorities took action to suspend obligors' occupational licenses when requested.

Recommendation 4

We recommend that CSEA follow up with licensing authorities that do not notify CSEA of requested suspensions of obligors' occupational licenses (including cab driver's licenses and vehicle sales licenses), as required.

The Department's Response: CSEA respectfully disagrees with this finding.

There is no statutory requirement for CSEA to determine whether State licensing authorities took action to suspend the license. CSEA fulfilled its duty by referring delinquent cases to State

licensing authorities so that the licensing authority might fulfill its duty to initiate suspension on qualifying cases. Moreover, even if CSEA took action to determine whether State licensing authorities took action to suspend the license, as noted in the Attorney General's advice of Counsel Letter, CSEA is without authority or power to mandate that suspension actions be taken by the State licensing agencies.²

Local Office Contract Monitoring

Finding 5

CSEA needs to enhance its monitoring of the vendor responsible for providing all child support services at a local child support office.

Recommendation 5

We recommend that CSEA strengthen its monitoring efforts over the vendor. Specifically, CSEA should enhance its quarterly review process at this local office and consider using the accounting firm to ensure that

- a. documented follow-up action is initiated within 30 days for cases that have been delinquent for more than 90 days, and**
- b. obligor account balance adjustments are properly supported and subject to an adequate supervisory review, and adjustments to payee information recorded in CSES are verified for propriety.**

The Department's Response: CSEA agrees with the finding.

It should be noted that of the 12,220, 4,613, or 38% are incarcerated. These orders are not enforceable during incarceration. Moreover, the above referenced theft was detected as a result of CSEA's existing internal controls regarding banking activities. Additionally, to strengthen existing controls, effective January 2015 CSEA's Quality Assurance Unit has been conducting quarterly reviews of the payee change report on a test basis to ensure that adjustments to payee accounts are adequate and appropriate.

As noted below, we have implemented new procedures that will ensure adherence to the aforementioned processes.

²**Auditor's Comment:** The finding did not state that there was a statutory requirement for CSEA to determine whether State licensing authorities took action to suspend licenses. Since State regulations require licensing authorities to notify CSEA of license suspensions, it would be prudent for CSEA to compare its requests for suspensions to subsequent notifications received from licensing authorities and to follow up with licensing authorities when such notifications are absent. These actions would identify authorities, such as those noted in the finding, that are not assisting CSEA in its child support collection efforts by complying with State law. We do not believe the cited Advice of Counsel means there is an impediment or a prohibition to implementing the recommendation.

- a) This local office is required to work the delinquency report per policy. CSEA's Quality Assurance Unit monitors on a test basis 5% of the cases as reviewed by the supervisors. Failure to comply will result in the local office being put on a corrective action plan.
- b) On a monthly basis, both the CSEA and the local office will conduct reviews of cases on the Audit Adjustment report. This review includes verifying that all supporting documentation was provided and that the correct actions were taken in the system to complete the account adjustment.

New Hire Registry Contract

Finding 6

CSEA did not adequately monitor the new hire registry contract and did not verify the propriety of related invoices.

Recommendation 6

We recommend that CSEA establish procedures to verify

- a. the completeness and timeliness of the new hire registry information received from the vendor, and**
- b. that the number of records billed agrees with the number of records received.**

The Department's Response: CSEA agrees with the finding.

- a) CSEA is in the process of developing conceptual framework to ensure the completeness and timeliness of the new hire registry information.
- b) A reconciliation protocol has been developed and implemented by CSEA's management that enables CSEA to compare vendor billed transmissions of new hire information to the new hire information received by DHR's Office of Technology for Human Services. Additionally, any material discrepancies between the vendor's billings and the information received from DHR's Office of Technology for Human Services are investigated and resolved.

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