



Department of Legislative Services
Office of Legislative Audits

Department of Human Resources

Child Support Enforcement Administration

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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 at September 2007 totaled \$1.57 billion, an increase of \$110 million over a 3-year period.
 - Although issues still exist (15 findings included 9 repeats), CSEA's audit accountability and compliance level has improved since last audit.
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Key Audit Issues

- Certain available enforcement procedures were not used or were not used effectively to maximize collections.
- A process was not in place to identify payments to being issued to deceased custodial parties. Our match to DHMH death records found in excess of \$300,000 made to deceased individuals, some of which continued for extended periods.
- \$1.1 million in undisbursed funds were not forwarded to the State Comptroller as required by State law.
- CSEA did not determine the proper distribution of \$2.4 million transferred from a local office bank account to its central bank account.
- CSEA did not take sufficient action when contractors did not comply with certain contract terms.



Enforcement Procedures

- 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 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.



Enforcement Procedures

- Comprehensive procedures were not in place to ensure that valid social security numbers (SSN) were on file for all obligors. (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.



Enforcement Procedures (continued)

- 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 bank accounts held by delinquent obligors in State-chartered banks.
 - Our limited test found that CSEA was not taking adequate actions on obligors with accounts in federally-chartered banks identified by the federal child support agency. Six of ten individuals selected for testing had \$139,000 in funds available for seizure that were not pursued by CSEA.



Enforcement Procedures (continued)

- CSEA did not adequately investigate driver's license suspension referrals rejected by MVA. During FY 2007, there were 14,751 rejected referrals, which could include multiple referrals for a single individual. CSEA management advised that many of these were not pursued. (Finding 4)
 - OLA's limited review of 14 rejections identified 9 rejections for which obligors owed \$120,000 in child support and MVA match criteria indicated possible matches.
 - CSEA advised that improvements to the match with MVA were implemented, and that fewer rejections are anticipated



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 death records registry maintained by the Department of Health and Mental Hygiene's Division of Vital Records.
 - OLA match identified payments totaling \$334,000 during fiscal years 2006 and 2007 made to 576 deceased individuals.
 - A limited OLA examination 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

- CSEA did not forward undisbursed funds to the Comptroller of the Treasury, as required by State law. (Finding 8)
 - Undisbursed 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.
 - As of August 2007, CSEA was holding approximately \$1.1 million in funds that had been undisbursed for over four years.



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Bank Accounts

- 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 disbursement account without determining the proper distribution. (Finding 9)
- CSEA could not document \$825,000 of a \$2.1 million reduction to the cash balance in its central disbursement account that was commented upon during the prior audit. (Finding 10)



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)
- CSEA contracts with 36 government agencies to perform certain child support services, which are generally on a cost-reimbursement basis; however, CSEA did not verify the accuracy of related billings nor take action when contractor performance was below established goals. During FY 2007, these agencies were paid approximately \$10 million. (Finding 12)



Contract Monitoring

- CSEA did not take sufficient action when the contractor hired to operate two local child support offices did not comply with contract requirements. (Finding 13)
 - 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.
 - The estimated cost of the contract is \$58.6 million for approximately 6 years (including renewal options).



Other Findings

- Controls over access to critical data in the automated child support enforcement system were not comprehensive. For example, 12 of 24 employees tested with the capability to modify critical account information, did not need such access to perform their duties. (Finding 14)
- CSEA did not always perform adequate collection efforts for funds it was owed related to cancelled federal income tax intercepts, which should have been forwarded to the State's Central Collection Unit for further collection efforts. (Finding 15)



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 composition of funds transferred to its central bank account; and
- Ensure contractors comply with contract terms, and improve controls in other areas.