



Department of Legislative Services  
Office of Legislative Audits

---

# Department of Human Resources

## Child Support Enforcement Administration

Report dated September 1, 2011

Presentation to the Joint Audit Committee

Bruce A. Myers, CPA  
Joshua S. Adler, CPA, CFE  
James M. Fowler  
Robert A. Wells, CPA

September 20, 2011

---



## Department of Legislative Services Office of Legislative Audits

---

### Audit Overview

---

- The Child Support Enforcement Administration (CSEA) is responsible for operating a statewide child support program and 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, other state and local government agencies and a private contractor perform various child support services.
  - According to CSEA records, during FFY 2010 (October 2009 – September 2010), the Statewide child support collections totaled \$530 million and the caseload totaled 248,000. As of September 30, 2010, the statewide unpaid child support due from noncustodial parents totaled \$1.72 billion relating to 165,403 cases.
  - The audit report included 11 findings, 5 of which were repeated from the preceding audit report.
-



## Department of Legislative Services Office of Legislative Audits

---

### Key Audit Issues

---

- CSEA was not effectively using certain enforcement tools to help collect unpaid child support owed by noncustodial parents, including:
  - Wage withholding orders,
  - Federal Office of Child Support Enforcement (OCSE) match results,
  - Occupational license suspensions,
  - Bank account seizures,
  - Driver's license suspensions, and
  - Vendor payment intercepts from the Comptroller of Maryland
- Local office monitoring needs improvement; CSEA did not ensure that:
  - the Baltimore City contractor complied with all contract terms,
  - a local office adequately and timely reviewed delinquent accounts, and
  - sufficient procedures were established to identify payments to deceased custodial parents.



## Enforcement Procedures

---

### Background:

- Child support services are generally performed in local offices throughout the State with oversight provided by CSEA. CSEA has a number of enforcement tools that it can utilize when noncustodial parents do not pay child support.
- Wage withholding accounted for \$356 million or 67% of all child support collections in FFY 2010. The primary sources for identifying wages are the State's new hire registry and the National Directory of New Hires and wage data from the federal OCSE. By State law, all employers in Maryland are required to report their newly hired employees within 20 days.
- Other collection tools include seizing funds in personal bank accounts, suspending driver's and occupational licenses and intercepting State vendor payments.



## Enforcement Procedures (continued)

---

CSEA did not utilize the wage withholding to the fullest extent possible. **(finding 1)**

- OLA matched a CSEA file of noncustodial delinquent parents with a file from the Department of Labor, Licensing and Regulation (DLLR) of employees with wages from the 3<sup>rd</sup> quarter of CY 2010. The match identified 8,763 individuals with \$88 million in child support arrearages who had \$43 million in wages, but had no wages withheld.
- OLA tested 22 of these cases and found that, for 12 cases with 3<sup>rd</sup> quarter wages totaling \$191,000 and arrearages totaling \$336,000, wage withholding was appropriate, but was not used. OLA found that CSEA's automated system had prompted these 12 cases for manual review by local child support offices based on Federal OCSE notification, but this was not done.



## Enforcement Procedures (Finding 1 continued)

---

- For 8 of the aforementioned 12 cases, the employers failed to report the hiring of non-custodial parents via the State's new hire registry, as required by State law. These 8 cases had 3<sup>rd</sup> quarter wages of \$147,000 and arrearages of \$255,000.
  - These conditions were the result of CSEA not effectively monitoring the local offices and the contractor who maintains the new hire registry.
    - A daily report of cases prompted for manual review is available to each local office, but we were advised by two jurisdictions that accounted for 61% of delinquent child support owed as of September 2010 that this report was not used.
    - Certain information needed from DLLR to ensure the timely reporting of new hires by employers was unavailable due to DLLR's concerns about providing it to a private vendor.
-



## Enforcement Procedures (continued)

---

CSEA did not effectively use occupational license suspension as an enforcement tool. State law permits CSEA to request 15 State licensing authorities to suspend applicable licenses of noncustodial parents who are delinquent in support by >120 days. **(Finding 2)**

- Although CSEA matched delinquent accounts with licensee records from 7 authorities, the high precision level set by CSEA limited the usefulness of the matches.
  - CSEA did not obtain licensing data from 8 licensing authorities. OLA obtained data from 4 of the 8 authorities, which contained 477,837 licensees.
  - OLA's match of files from 10 authorities to CSEA records identified 6,966 individuals with occupational licenses who owed child support totaling \$47 million. OLA tested 25 individuals and found 17 individuals with delinquent payments totaling \$966,000, were in arrears beyond 120 days and eligible for license suspension, but were not referred for suspension.
-



## Enforcement Procedures (continued)

---

CSEA was not identifying or seizing certain obligor bank account funds to satisfy unpaid child support balances as permitted by State law. **(Finding 3)**

- State law allows the seizure of bank account funds when a noncustodial parent owes more than \$500 and has not paid for more than 60 days. Yet CSEA's policy was to only pursue individuals owing more than \$2,500. As of 12/2010, there were 25,550 cases with arrearages of \$33.6 million in arrearage that were not subject to bank garnishment procedures because they owed between \$500 and \$2,500. The number of these cases overdue for more than 60 days was not readily known.
  - Although CSEA seized funds from obligor savings accounts, funds were not seized from checking accounts even though such garnishments were allowed by State law. From July 2009 – October 2010, obligors owned 1,052 checking accounts with balances totaling \$3.8 million.
-





## Enforcement Procedures (continued)

---

CSEA did not ensure that two large local offices investigated and resolved inaccurate noncustodial parent social security numbers (SSNs) recorded in the automated Child Support Enforcement System (CSES). Accurate SSNs are key to performing effective enforcement and collection efforts. **(Finding 4)**

- Daily reports provided by the federal OCSE of incorrect SSNs recorded in CSEA's records were not used by two large local offices for investigation and resolution. From 7/2009 to 10/2010, OCSE reported 875 SSN errors to the State.
  - OLA tested 17 noncustodial parents' SSNs that the federal OCSE reported to CSEA as being incorrect and found that the various offices did not take appropriate action on 16 (arrears of \$292,000). For 7 of these 16 instances, OCSE had informed CSEA of the correct SSN, but the local offices only corrected 2 of these SSNs and this occurred 3 and 7 years later. As of the date of OLA's test, the other 9 inaccurate SSNs remained uncorrected as well.
-



## Enforcement Procedures (continued)

---

CSEA did not adequately review and process driver's license suspension referrals rejected by the MVA. When rejected, MVA provides CSEA with information and possible matches to help resolve the rejected referrals. OLA tested 20 rejected referrals of noncustodial parents and found that for 18, CSEA did not take proper follow-up action. According to MVA records, 30,361 licenses were suspended in FY 2010 and 7,929 referrals were rejected by MVA. **(Finding 5).**

- CSEA did not review the possible matches provided by MVA for 15 of 18 rejections. OLA determined that for 12 (\$780,000 in arrearages), MVA provided sufficient information for CSEA to correct and resubmit the suspension referrals.
  - There was documentation that CSEA reviewed the other 3 rejected referrals (\$160,000 in arrearages) and identified the correct individuals for license suspension purposes; however, CSEA did not report this information to the MVA. As of April 2011, these individuals did not have their licenses suspended.
-



## Enforcement Procedures (continued)

---

Although allowed by State law, CSEA had not established procedures to intercept payments from the Comptroller of Maryland to State vendors (e.g., sole proprietors) who owed child support. **(Finding 6)**

- OLA's match of State vendor payments made during the period 7/2009 – 2/2011 with child support obligors as of December 2010 revealed that payments totaling \$493,000 were made to 119 obligors. OLA's test of 15 of these obligors disclosed 134 payments totaling \$95,000 could have been intercepted.
  - CSEA management advised that it had not established procedures to implement the law because CSEA would need to hire at least one additional employee to dedicate to this project. Given the potential dollar amount of intercepted vendor payments and the possible perception that the State is not sufficiently contributing to the effort to maximize collections, OLA believes that CSEA should utilize this enforcement tool.
-



## Local Office Monitoring Issues

---

- 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. **(Finding 7)**
  - A comprehensive corrective action plan was not required for areas of non-compliance identified by an independent contract monitor, which quarterly assesses the contractor's compliance with child support enforcement procedures through the evaluation of approximately 900 cases. In one quarterly report it was noted that all appropriate enforcement remedies and resources were not used to enforce delinquent court orders in 42% of the cases reviewed.
  - In September 2010, Baltimore City had approximately 85,000 child support cases and accounted for a third of the State's active caseload.
  - The contractor was paid \$7,700,000 in FY 2010.



## Local Office Monitoring Issues (continued)

---

- CSEA did not ensure that one large local child support office performed sufficient and timely reviews of delinquent accounts to monitor case activity and caseworker performance. **(Finding 8)**
    - Monthly, CSES generates a report of overdue child support accounts to monitor case activity and caseworker performance. OLA's review of 20 reports from FY 2010 and 2009 found that only 27% of the 13,362 cases reported were reviewed by caseworkers.
    - For the periods tested, only 1% instead of the required 5% of the reported cases were reviewed by supervisors.
  - Sufficient procedures were not established to identify payments made to deceased custodial parents. Although CSEA matches custodial parents with State death records, OLA's match to Federal death records noted numerous payments >30 days after the payees' dates of death. **(Finding 9)**
-



## Conclusion

---

CSEA should:

- Ensure that wage withholding orders are pursued to the fullest extent possible.
  - Effectively use occupational license suspension as an enforcement tool for obligors.
  - Enhance its use of collection tools such as seizing delinquent obligors' bank accounts and intercepting payments from the Comptroller of Maryland to State vendors who owe child support.
  - Investigate and resolve incorrect obligor social security numbers recorded in its automated records.
  - Adequately investigate driver's license suspension referrals that were rejected by the MVA.
  - Ensure Baltimore City contractor's compliance with all contract terms & implementation of corrective actions.
  - Ensure local offices timely review delinquency reports.
  - Expand its efforts to identify payments to deceased persons.
-



## Department of Legislative Services Office of Legislative Audits

### Exhibit A – Finding 2

#### Schedule of State Licensing Authorities Permitted by State Law to Suspend Licenses of Delinquent Child Support Obligor

	State Licensing Authority	Example of License or Certification Issued by Licensing Authority	Did CSEA Obtain Licensee Files as of December 2010?
1	Clerks of the Court	Business License	No
2	Comptroller of Maryland	Motor Fuel	No
3	Department of Agriculture	Veterinarian	Yes
4	Department of Health and Mental Hygiene	Physician	Yes
5	Department of Human Resources	Foster or Group Home Provider	No
6	Department of Labor, Licensing, and Regulation	Certified Public Accountant	Yes
7	Department of Natural Resources	Commercial Fisherman	Yes
8	Department of the Environment	Well Driller	Yes
9	Department of Transportation	Dealership Salesman	Yes
10	Maryland Insurance Administration	Insurance Agent	No
11	Office of the Attorney General	Stock Broker	No
12	Public Service Commission	Cab Driver	Yes
13	Secretary of State	Notary Public	No
14	State Department of Education	Educator	No
15	Court of Appeals	Attorney	No