

Audit Report

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

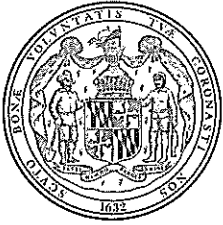
September 2011

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**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

September 1, 2011

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Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Department of Human Resources – Child Support Enforcement Administration (CSEA) for the period beginning September 1, 2007 and ending October 20, 2010. CSEA is responsible for operating a 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, 2010, child support collections totaled \$530 million and unpaid child support totaled \$1.72 billion at that date.

Our audit disclosed that CSEA did not maximize child support collections by effectively using certain available collection enforcement tools allowed by State law, including wage withholdings, occupational license suspensions, and seizure of bank account funds.

Although the withholding of wages from noncustodial parents accounts for the largest portion of collections, the related procedures need to be strengthened. For example, CSEA did not ensure that local child support offices followed up on cases in which noncustodial parent wages were identified by the federal Office of Child Support Enforcement for possible wage withholding, nor did it ensure that employers were reporting new hires to the State's new hire registry. We determined that wage withholding had not been established for 8,763 noncustodial parents with child support arrearages totaling \$88 million whose wages totaled \$43 million for the quarter ending September 30, 2010. Our tests of 22 of these accounts disclosed that, in 12 cases, wages should have been withheld.

CSEA only obtained occupational licensing data from 7 of 15 State licensing authorities to identify obligors for possible license suspensions. Furthermore, the matches conducted using the licensing data from these authorities was not properly designed; therefore, only a few individuals were referred to the applicable authorities for suspension. Our match of CSEA obligor records with 10 licensing authorities' records (including some previously obtained by CSEA)

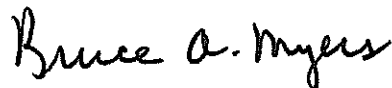
identified 6,966 licensees that owed \$47 million in child support. Our tests of 25 of these individuals disclosed that 17, who owed \$966,000, were eligible for license suspensions.

Although State law allows CSEA to seize obligor bank account funds if the obligor owes more than \$500 in child support and has not paid for more than 60 days, CSEA only used this collection method for obligors who owed more than \$2,500. Consequently, although all these obligors might not be late, as of December 2010, there were 25,550 noncustodial parents with child support accounts totaling \$33.6 million whose bank account funds were not subject to bank garnishment procedures. CSEA also had not established adequate procedures to ensure obligor's incorrect social security numbers in its automated records were investigated and corrected. Valid social security numbers are essential for successful child support enforcement efforts.

Finally, internal control and procedural deficiencies existed in several areas of CSEA operations, including local office monitoring, contracts, and access to the automated Child Support Enforcement System.

An executive summary of our findings can be found on page 5. The Department of Human Resources' 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 that reads "Bruce A. Myers". The signature is written in a cursive style with a large initial "B".

Bruce A. Myers, CPA  
Legislative Auditor

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\* Denotes item repeated in full or part from preceding audit report

## Executive Summary

**Legislative Audit Report on the Department of Human Resources (DHR)  
Child Support Enforcement Administration (CSEA)  
September 2011**

- **CSEA did not utilize wage withholding orders to the fullest extent possible. We matched a CSEA file of noncustodial parents who owed child support with a file from the Department of Labor, Licensing and Regulation (DLLR) of employees with wages during the third quarter of calendar 2010. This match identified 8,763 individuals with child support arrearages totaling \$88 million whose wages, which totaled \$43 million in the quarter, were not being garnished. Our tests of 22 of these accounts disclosed that, in 12 cases, wages should have been withheld. Although the federal Office of Child Support Enforcement had a process to notify CSEA of noncustodial parents with wages, our tests disclosed that local offices were not always following up on these notifications. Furthermore, the vendor who maintains the State's new hire registry did not ensure that employers reported all new hires, as required. In federal fiscal year 2010, wage withholdings accounted for two-thirds of the State's \$530 million in child support collections.**

CSEA should ensure that wage withholding orders are pursued to the fullest extent possible. CSEA should ensure local offices follow up on federal notifications of noncustodial parents with earned wages and take appropriate action, and should work with the new hire registry vendor to ensure all employers report their new employees to the registry.

- **CSEA did not effectively use occupational license suspensions as an enforcement tool for delinquent child support obligors. CSEA only obtained licensing data from 7 of the 15 licensing authorities permitted by State law and its matches of child support obligors with licensing data were limited by a restrictive match design. Our match of CSEA obligors with 10 licensing authorities identified 6,966 individuals with occupational licenses that owed child support totaling \$47 million. Our test of 25 disclosed that 17 were eligible for license suspensions.**

CSEA should effectively use occupational license suspensions as an enforcement tool for obligors. Specifically, CSEA should obtain complete licensing data, improve its matching process, and ensure proper follow-up of the match results.

- **Child support collection tools allowed by State law were not fully implemented. For example, although State law allows CSEA to seize the bank accounts of delinquent child support obligors (that is, unpaid for more than 60 days) owing \$500 or more, CSEA only seized accounts of obligors that owed more than \$2,500. We identified 25,550 cases with account balances totaling \$33.6 million that were not subject to bank garnishment procedures because the account balances were between \$500 and \$2,500. The extent to which these accounts were more than 60 days past due was not readily determinable. CSEA also had not established procedures to intercept payments from the Comptroller of Maryland to State vendors who owe child support.**

CSEA should enhance its use of collection tools to the extent allowed by State law, including seizing delinquent obligors' bank accounts and intercepting payments from the Comptroller to State vendors who owe child support.

- **CSEA did not have adequate procedures to ensure incorrect obligor social security numbers recorded in its automated records were investigated and corrected. Our test of 17 incorrect SSNs that had been reported to CSEA by the federal Office of Child Support Enforcement disclosed that appropriate follow-up actions were not taken in 16 instances, including 7 instances in which the federal Office informed CSEA of the correct social security numbers. Valid social security numbers are essential for enforcement efforts and are used to help identify obligors through various automated processes.**

CSEA should investigate and resolve incorrect obligor social security numbers recorded in its automated records.

- **CSEA did not always review and process driver's license suspension referrals rejected by the Motor Vehicle Administration (MVA) because of system edits. According to MVA records, 30,361 licenses were suspended in fiscal year 2010 and 7,929 referrals were rejected.**

CSEA should adequately investigate driver's license suspension referrals that were rejected by the MVA.

- **Control deficiencies were noted with respect to various areas of CSEA's operations, including local office monitoring, payments to deceased individuals, contracts, and computer access.**

CSEA should take the recommended actions to improve controls in these areas.



# Background Information

## Agency Responsibilities

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. CSEA distributes funds to the custodial parents and helps custodial parents enforce the legal child support obligations of noncustodial parents.

The federal Office of Child Support Enforcement (OCSE) provides oversight to State programs and maintains the Federal Case Registry (FCR), which is a federal database that consolidates state child support data. The OCSE uses the FCR to assist in the location and enforcement efforts of state child support offices by matching states' noncustodial parent data with other federal databases such as the National Directory of New Hires, which is a national directory of employment, and by providing the state offices with the match results.

Local child support offices, other state and local government agencies (for example, State's Attorneys' Offices), and a private contractor (in Baltimore City and Queen Anne's County<sup>1</sup>) perform various child support services. In addition, CSEA uses the services of vendors to maintain noncustodial wage data on a Statewide basis and to centrally receive and process 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. CSES 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 records, during federal fiscal year 2010 (October 1, 2009 through September 30, 2010), the Statewide child support collections totaled approximately \$530 million and the CSEA open caseload totaled approximately 248,000. As of September 30, 2010, the Statewide unpaid child support due from noncustodial parents totaled approximately \$1.72 billion, which related to 165,403 cases. During State fiscal year 2010, CSEA's operating expenditures totaled approximately \$42 million.

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<sup>1</sup> A private contractor operated the Baltimore City child support office throughout the audit period and the Queen Anne's County child support office through September 30, 2010.

## **Potential Federal Sanctions**

Potential federal sanctions totaling approximately \$2 million are under consideration against CSEA by the United States Department of Health and Human Services (HHS) for its failure to achieve required results for the paternity establishment performance measure in federal fiscal year 2009. Specifically, CSEA is required to establish paternity in 90 percent of its caseload, but its actual result was 87 percent. In accordance with federal law, HHS will not assess these sanctions if CSEA's performance result has increased by two percent over the prior year's percentage (that is, to 89 percent) by the end of federal fiscal year 2010. We were advised by CSEA management that corrective actions have been taken and that CSEA is awaiting the results of a HHS review of this performance measure for federal fiscal year 2010 that was conducted during the first quarter of calendar year 2011. According to HHS, the outcome of that review will result in the imposition or waiver of the \$2 million sanction. As of June 2011, we were advised that CSEA had not been informed of this issues resolution.

## **Status of Findings From Preceding Audit Report**

Our audit included a review to determine the status of the 15 findings contained in our preceding audit report on CSEA dated October 7, 2008. We determined that CSEA satisfactorily addressed 10 of these items. The remaining 5 items are repeated in this report.

# Findings and Recommendations

## Enforcement Procedures

### Background

Child support services are generally performed in local offices throughout the State with oversight and administration provided by CSEA headquarters personnel. CSEA has several enforcement tools that it can utilize when noncustodial parents do not pay child support on time, or do not pay in full. These tools include withholding wages, intercepting tax refunds, seizing funds in personal bank accounts, and suspending driver's and occupational licenses.

The wage withholding enforcement tool accounted for 67 percent of all child support collections in federal fiscal year 2010 and totaled approximately \$356 million. The primary sources to facilitate the identification of wages are the State's new hire registry, and the National Directory of New Hires and wage data received from the federal Office of Child Support Enforcement (OCSE), which includes wage data from Maryland and other states.

State law has established the State's new hire registry and requires all employers in the State to report their newly hired employees within 20 days. CSEA contracts with a vendor to maintain the registry and CSEA uses the information in the registry (such as names, social security numbers, and wages earned) to identify noncustodial parents that are earning wages and to then order their employers to withhold wages for child support.

### **Finding 1**

**CSEA did not utilize wage withholding orders to the fullest extent possible.**

### Analysis

CSEA did not utilize the wage withholding enforcement tool to the fullest extent possible. Specifically, we obtained a file from CSEA of noncustodial parents who owed delinquent child support, as of December 28, 2010, and matched it with a file from the Department of Labor, Licensing and Regulation (DLLR) of employees with wages during the third quarter of calendar 2010. We tested both of these files and found them to be reliable for our purposes. This match identified 8,763 individuals with child support arrearages totaling approximately \$88 million whose wages were not being withheld; these individuals had \$43 million in wages reported to DLLR during the third quarter of 2010.

We tested 22 of these 8,763 cases and determined that, for 10 cases, the decision not to collect child support through wage withholding was appropriate because, for example, the noncustodial parent was making payments directly to CSEA; however, for 12 cases, wage withholding was appropriate, but was not used. Our review of these 12 cases revealed the following conditions:

- CSEA's Child Support Enforcement System (CSES) prompted these 12 cases for a manual review by the applicable local child support offices because the noncustodial parents were identified by the federal OCSE as having earned wages; however, the local child support offices had not conducted these reviews. Consequently, CSEA did not send the related employers wage withholding orders. The noncustodial parents in these 12 cases earned third quarter wages totaling approximately \$191,000 and owed child support totaling approximately \$336,000.

Additionally, although a daily report of cases prompted for OCSE manual reviews is available to each local office to aid in enforcement efforts, we were informed by two large jurisdictions that this report was not being used. These two jurisdictions accounted for 61percent of the delinquent child support owed as of September 2010. Since CSEA was not effectively monitoring the efforts of the local offices to address OCSE notifications, it was not aware that the reports were not being used.

- For 8 of these 12 cases, the applicable employers failed to report the hiring of the noncustodial parents via the State's new hire registry; these 8 cases had third quarter wages totaling \$147,000 and arrearages totaling \$255,000. If the employers had complied with the law, CSEA would have been aware of the employees' wages within 20 days rather than up to six months later via the OCSE. Although the contract requires the vendor who maintains the registry to ensure employers report all new employees timely, we were advised that the data needed by the vendor from DLLR to comply with this requirement has been unavailable because of concerns about providing this information to a private vendor. CSEA did not attempt to resolve this, nor did it take any action to identify employers who did not report as required. According to State law, an employer can be fined \$20 for each month that it does not report, or \$500 if the employer did not report because of a conspiracy between the employee and employer.

### **Recommendation 1**

**We recommend that CSEA ensure that wage withholding orders are pursued to the fullest extent possible. Specifically, we recommend that CSEA**

- a. monitor the efforts of the local offices to follow up on OCSE notifications (including those noted in this finding) and, when appropriate, ensure that wage withholding orders are generated and sent to the employers; and**
- b. work with the vendor and DLLR to secure data needed to identify non-compliant employers, ensure that the vendor is using these data, and take enforcement actions (such as, imposing penalties) against those employers (including those noted in this finding) that do not report employees to the new hire vendor.**

### **Finding 2**

**CSEA did not effectively use occupational license suspensions as an enforcement tool for delinquent noncustodial parents.**

### **Analysis**

CSEA did not effectively use occupational license suspensions as an enforcement tool for delinquent noncustodial parents. State law permits CSEA to request 15 State licensing authorities (such as, the Department of Health and Mental Hygiene) to suspend the applicable occupational licenses of noncustodial parents who are more than 120 days delinquent in their child support obligations.

Although CSEA performed matches in May and September 2010 between its records of child support obligors with licensing data from certain licensing authorities to identify potential cases for license suspension, the matches were not properly designed. Ultimately, CSEA could only provide the names of five individuals whose licenses were referred for suspension in calendar year 2010. We were advised by CSEA management that one reason that the matches disclosed so few individuals was because the matches were designed with a high precision level (that is, exact same name on both the CSEA and licensing authority files). Therefore, those names that were recorded on both files with minor differences were not reviewed.

In addition to the limitations caused by the precise match design, CSEA did not obtain licensing data from 8 of 15 licensing authorities as of December 2010, including from the Maryland Insurance Administration which licenses insurance agents, many of which are self-employed. Consequently, these licensees were not included in CSEA's matches with its child support obligors and any delinquent noncustodial parents were not subject to license suspension. Furthermore, CSEA did not have a process to prioritize the use of data from licensing authorities and

determine which occupational license suspensions could be most effective. For example, it would be more effective to use this as an enforcement tool for self-employed individuals because wage withholding would not be available.

Included in this report, as Exhibit A, is a schedule of the 15 State licensing authorities, including an indication of the authorities from which CSEA obtained licensing information. We obtained the licensing data from 4 of the 8 authorities from which CSEA did not obtain licensing information, including from the Maryland Insurance Administration; as of January 2011, these licensing authorities had 477,837 licensees.

In addition to the licensing data from the four authorities, we also obtained files of licensees (such as, the names and social security numbers of the licensees) from six other licensing authorities and matched the data from the ten authorities to CSEA's file of noncustodial parents with arrearage balances, as of December 28, 2010. We tested these files and found them to be reliable for our purposes. These matches identified 6,966 individuals with occupational licenses that owed child support payments totaling approximately \$47 million. Our test of 25 of these individuals revealed that 17 individuals, with delinquent child support payments totaling \$966,000, were in arrears for more than 120 days and therefore, were eligible for license suspension, but the licenses were not referred for suspension. The other individuals tested were making payments on their balances and, therefore, would not be eligible for license suspensions. Similar conditions were commented upon in our preceding audit report.

During the course of our review, we noted that one of the 15 licensing authorities had not required all licensees to provide social security numbers for CSEA to use to identify licensees who were delinquent noncustodial parents. Specifically, we obtained from the Court of Appeals a listing of all attorneys in Maryland, which approximated 35,000. However, we noted that the Court did not have social security numbers for approximately 9,800 attorneys. State law requires licensing authorities to obtain social security numbers from licensees for child support enforcement purposes. Without social security numbers, CSEA is precluded from performing automated matches of the licensing data with its automated system and, therefore, it cannot effectively use occupational license suspensions as an enforcement tool.

## **Recommendation 2**

**We recommend that CSEA work with State licensing authorities to effectively use occupational license suspensions as an enforcement tool, as authorized by State law (repeat). Specifically, we recommend that CSEA**

- a. obtain complete licensing data from state licensing authorities;
- b. establish a process to prioritize the matches to help ensure the most effective use of this collection tool (for example, by targeting licensees who have a higher likelihood of being excluded from other enforcement efforts);
- c. conduct matches of licensee data with delinquent child support obligors, using appropriate matching parameters; and
- d. document the match process, and ensure proper follow-up of the match results with the licensing authorities, including the aforementioned individuals cited in this finding.

### **Finding 3**

**The seizure of bank account funds was not effectively used as a collection tool.**

#### **Analysis**

CSEA was not identifying or seizing certain obligor bank account funds to satisfy unpaid child support balances. State and federal laws require financial institutions to participate in a process to identify funds owned by obligors with unpaid child support balances. State law further allows CSEA to seize the funds identified through this process. According to State law, if an obligor owes \$500 or more in child support and has not paid for more than 60 days, then CSEA may seize funds in various financial accounts to satisfy the amount owed. CSEA has contracted with a vendor to assist with the database match with financial institutions.

However, CSEA's policy was to only refer, for matching with financial institution records, the list of noncustodial parents who owed more than \$2,500.

Consequently, according to CSEA records, which we tested and found to be reliable for our purposes, as of December 2010, there were 25,550 cases with arrearage account balances totaling \$33.6 million that were not subject to bank garnishment procedures because the individual arrearage balances were between \$500 and \$2,500. The extent to which these cases were more than 60 days past due could not be readily determined.

Additionally, while CSEA used garnishments to obtain funds from obligor savings accounts, it did not impose similar garnishments on funds in obligor checking accounts even though such garnishments are allowed by State law. We reviewed the CSEA vendor's records of the match results with financial institutions, which we tested and found to be reliable for our purposes. Those records indicated that, during the period from July 1, 2009 through October 31, 2010, obligors owned 1,052 checking accounts with balances totaling \$3.8 million that were subject to garnishment (that is, obligor owed \$500 or more), including

51 checking accounts with balances exceeding \$10,000. Our test of 14 accounts with bank balances greater than \$5,000 revealed that, for 7 accounts, CSEA could have garnished funds totaling approximately \$65,000. The other test items were not subject to garnishment for various reasons; for example, child support payments had been made within the last 60 days. CSEA management advised us that since the bank account seizure process was a new initiative, it only included savings accounts. CSEA also expressed some concern about seizing checking account funds primarily because it results in a freeze on the entire account balance, which could restrict obligors' ability to pay their living expenses. Nevertheless, CSEA advised it would consider establishing a process to freeze account balances above a certain amount.

According to CSEA records, from November 2009 through October 2011, obligor bank account garnishments totaled approximately \$600,000.

### **Recommendation 3**

**We recommend that CSEA enhance its process for seizing delinquent obligors' bank accounts as allowed by State law. Specifically, we recommend that CSEA modify its procedures to include child support accounts that are delinquent for \$500 or more, and include funds in checking accounts that exceed an established balance.**

### **Finding 4**

**CSEA did not have procedures to ensure that two large local child support offices investigated and resolved inaccurate noncustodial parent social security numbers recorded in CSES.**

### **Analysis**

CSEA did not have procedures to ensure that two large local offices investigated and resolved inaccurate noncustodial parent social security numbers (SSNs) recorded in CSES. According to federal and state regulations, accurate SSNs are a required element of CSES and are critical in enforcing payments from noncustodial parents through various automated processes, including wage withholdings. Our review disclosed the following conditions:

- Although the federal OCSE provides daily reports of incorrect SSNs, we were advised by CSEA management personnel from two large local offices that these reports were not used to investigate and resolve the incorrect SSNs. In addition, CSEA headquarters had no procedures to ensure that these reports were used. Such investigations could include contacting the noncustodial parent for the accurate SSN.



- Our test of 17 noncustodial parent SSNs that the federal OCSE reported to CSEA as being incorrect disclosed that the various local offices did not take appropriate follow-up actions to obtain the correct numbers for 16 noncustodial parents with arrearages totaling \$292,000. Furthermore, in 7 of these 16 instances, OCSE had informed CSEA of the correct SSNs, yet the local offices only corrected two of these SSNs and those corrections occurred three and seven years later based on other information that came to the local offices' attention. For the other 9 SSNs that were not resolved, OCSE did not provide an alternative SSN and, as of our test date, the inaccurate SSNs remained in CSES.

CSEA case information (including SSN, name, and date of birth) interfaces with the Federal Case Registry (FCR) maintained by OCSE on a nightly basis. The FCR serves as a conduit for various data matching purposes. This match process attempts to verify the accuracy of SSNs recorded in CSES by comparing CSES data against records housed in federal databases, such as the federal Social Security Administration records. In some instances, these matches can determine that the SSN in CSES is inaccurate and can provide CSEA with the proper SSN to update CSES; in other instances, these matches can only determine that CSEA's records are incorrect and serve as notification to CSEA to research and correct the SSNs. According to CSEA's records, during the period from July 1, 2009 through October 31, 2010, there were 875 SSN errors reported by the FCR.

#### **Recommendation 4**

**We recommend that CSEA establish procedures to ensure that the local child support offices investigate and resolve inaccurate social security numbers identified on error reports from the federal government in a timely manner.**

#### **Finding 5**

**CSEA did not adequately review and process driver's license suspension referrals rejected by the Motor Vehicle Administration (MVA).**

#### **Analysis**

CSEA did not adequately review and process driver's license suspension referrals that were rejected by the MVA because of system edits. The driver's license suspension program is an enforcement program established in law that generally provides for the suspension of driver's licenses by MVA when a noncustodial parent is at least 60 days delinquent in his or her child support payments. After automated notification by CSEA of delinquent obligors, MVA should issue a suspension notice to the noncustodial parent and, if the debt is not subsequently paid, should suspend the driver's license of the noncustodial parent. The automated notification and match process includes an edit feature that was

designed to identify possible incorrect matches, such as instances in which name spellings differ between CSEA's records and MVA's licensing system, and provides CSEA with possible matches to resolve the rejected referrals. For example, the system may identify individuals with the same or similar names and individuals with the same birth dates. According to MVA records, 30,361 licenses were suspended in fiscal year 2010, and 7,929 referrals were rejected.

Our test of 20 rejected referrals from calendar year 2010 of noncustodial parents with outstanding child support totaling approximately \$1.5 million disclosed that, although 2 were properly processed, 18 rejected referrals were not adequately reviewed, processed, and resubmitted. For these 18, our test disclosed the following conditions:

- For 15 noncustodial parents owing approximately \$1.3 million in child support, CSEA did not review the possible matches provided to try to resolve the rejected referrals. For 12 of these accounts, with arrearages totaling \$780,000, we noted that there were minor variances between the records, and MVA provided CSEA with sufficient identifiable information for the matches that should have readily permitted CSEA to correct and resubmit the suspension referrals. A similar comment was included in our preceding three audit reports.
- For 3 noncustodial parents tested, owing approximately \$160,000 in child support, there was documentation that CSEA had reviewed the rejected referrals and identified the correct individuals for license suspension purposes; however, CSEA did not report this information to the MVA. Consequently, as of April 2011, these individuals did not have their licenses suspended.

#### **Recommendation 5**

**We recommend that CSEA perform timely follow-up on all cases rejected by the MVA due to system edits, review possible matches identified, and report corrected information to the MVA (repeat).**

#### **Finding 6**

**CSEA had not established procedures to intercept payments from the Comptroller of Maryland to State vendors who were child support obligors, as allowed by State law.**

#### **Analysis**

CSEA had not established procedures to intercept payments from the Comptroller of Maryland to State vendors who were also child support obligors, as provided

for in State law. Such payments would primarily relate to sole proprietors, such as contractors, performing services for State agencies. Our match of State vendor payments made during the period from July 1, 2009 through February 28, 2011, with child support obligors as of December 2010, revealed that payments totaling \$493,000 were made to 119 obligors. Our test of 15 of these obligors disclosed that 134 payments totaling approximately \$95,000 could have been intercepted had CSEA established such procedures.

State law, effective October 1 2005, permits CSEA to refer child support obligors with arrearage balances of \$150 or more to the Comptroller for intercept of any State payments.

We were advised by CSEA management 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 by using its payment process to maximize child support collections, we believe that CSEA should utilize this enforcement tool.

#### **Recommendation 6**

**We recommend that CSEA establish procedures to intercept payments from the Comptroller of Maryland to State vendors who are child support obligors, as allowed by State law.**

### **Local Office Monitoring**

#### **Finding 7**

**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.**

#### **Analysis**

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 related to the establishment of paternity and child support orders, and child support enforcement efforts. Our review of the contractor's performance revealed that, as required, the contractor hired a contract monitor to periodically assess its compliance with child support enforcement procedures; however, CSEA did not take appropriate action to address instances of contractor noncompliance identified by the contract monitor. Specifically, while CSEA did

review individual corrective action plans for individual cases of noncompliance, it did not require the contractor to prepare a systemic corrective action plan that addressed the underlying causes for areas of noncompliance, nor did it ensure that the individual noncompliant cases were corrected timely. The contract required the contractor to report these quality control results on a quarterly basis, including corrective actions, within 30 days of the end of the quarter.

A corrective action plan to address systemic issues is important because the contract monitor's quarterly reports for three quarters in 2009 and 2010 that we reviewed disclosed that, between 59 percent and 61 percent of the time, cases evaluated were deemed noncompliant with one or more of CSEA policies. For example, the contractor's quarterly report for the second quarter of 2010 indicated that the contractor did not use all appropriate enforcement remedies and resources to enforce delinquent court orders in 42 percent of the cases reviewed. On average, the contract monitor evaluated approximately 900 cases each quarter.

Additionally, CSEA did not ensure that the individual noncompliant cases were resolved within six months of the end of the quarter reviewed, as required by CSEA procedures. Specifically, our review of 11 quarterly contract monitor reviews for quarters ending from September 2007 through March 2010 disclosed that the case errors identified were not corrected for 8 to 19 months. These delays could impede the contractor's ability to collect child support.

According to CSEA records, as of September 2010, this jurisdiction had approximately 85,000 child support cases, representing one-third of the State's active caseload. Furthermore, these cases had related arrearage balances totaling approximately \$698 million. During federal fiscal year 2010, the contractor's collections for this local office totaled approximately \$56 million. Payments to the contractor for services in this jurisdiction totaled \$7.7 million in state fiscal year 2010.

Similar conditions were commented on in our preceding audit report.

#### **Recommendation 7**

**We recommend that CSEA**

- a. determine the reasons for the contractor's noncompliance with contract performance requirements and take appropriate actions, including requiring the preparation of a systemic corrective action plan (repeat); and**
- b. ensure that cases that were deemed non-compliant are corrected timely.**

**Finding 8****CSEA did not ensure that a local child support office performed sufficient and timely reviews of delinquent accounts.****Analysis**

CSEA did not ensure that one large local child support office performed sufficient and timely reviews of delinquent accounts. Monthly, CSES generates a delinquency report of certain overdue child support accounts, which is to be used by local office staff to monitor case activity and by supervisors to monitor caseworker performance. The delinquency report lists cases for which at least one month's support was not paid by the due date. Our review of delinquency reports and the related cases at this local office disclosed the following conditions:

- Caseworkers were not reviewing all of the cases listed on the delinquency reports, as required, to determine the next enforcement action (such as, setting a hearing date). Our review of 20 delinquency reports from fiscal year 2010 and 2009 that contained 13,362 cases, disclosed that only 27 percent (3,665) of the cases were reviewed by caseworkers. Furthermore, our test of 20 cases from the December 31, 2010 delinquency report with delinquent balances totaling \$271,000 disclosed that, for 9 cases with balances totaling \$141,000, the caseworkers did not initiate documented follow-up with the obligors within 30 days of the accounts becoming delinquent, as required by State and federal regulations. Rather, delays in performing appropriate follow-up action (such as contacting the obligor or referring the obligor to the courts) for these 9 cases ranged from 48 to 168 days (or from 18 to 138 days beyond the 30-day requirement). This condition has been commented upon in our three preceding audit reports.
- Supervisors were not performing reviews of the caseworkers' follow-up activities on the delinquency reports in an adequate and timely manner. We requested the most recent supervisory reviews performed by four of this office's six supervisors as of February 2011 and were provided with three reviews, dated March, June, and October 2010; the fourth supervisor could not provide any documented reviews. These three reviews disclosed that, on average, the supervisors reviewed one percent of the cases, rather than the required five percent. Furthermore, as of February 2011, the most recent supervisory review was from October 2010.

This local office's procedures require caseworkers to perform a monthly review all of the cases on the delinquency report and supervisors to review five percent of each caseworker's work. According to CSEA records, in federal fiscal year 2010, this jurisdiction accounted for \$297 million in past due child support owed,

representing 34 percent of the \$886 million owed in the 22 State-operated jurisdictions. (During that period, the child support operations at the two remaining jurisdictions were operated by a contractor.)

### **Recommendation 8**

**We recommend that CSEA ensure that local offices perform sufficient and timely follow-up with delinquent obligors. Specifically, we recommend that CSEA ensure that**

- a. caseworkers review cases identified on the delinquency report on a monthly basis in accordance with its policy (repeat) and perform a documented follow-up within 30 days, and**
- b. supervisors review five percent of each caseworker's total cases from the delinquency reports in a timely manner.**

### **Finding 9**

**Sufficient procedures were not established to identify payments made to deceased custodial parents.**

### **Analysis**

CSEA did not establish sufficient procedures to identify payments made to deceased custodial parents. We were advised that caseworkers relied on notifications, such as from noncustodial parents, and the results of periodic matches between CSEA records and the State's death records, to identify and stop such payments. However, based on the results of a separate match procedure that we performed, these procedures were not comprehensive.

Specifically, CSEA periodically matched its records of custodial parents with the death records from the Department of Health and Mental Hygiene's Division of Vital Records; however, the match required the exact name on both records and, therefore, did not consider possible name changes. Also, the State's death records do not include individuals who die outside of Maryland. A separate match that we performed, using federal Social Security Administration (SSA) death records and different match criteria, identified other payments made to deceased custodial parents that CSEA had not terminated.

Specifically, we matched a CSEA file of payments made to custodial parents from July 2008 through December 2010 with a file of deceased individuals from the federal SSA as of June 2011, based on identical social security numbers and dates of birth. This match disclosed 1,735 payments totaling \$207,999 that were made to 362 individuals, 30 or more days after the payees' dates of death. In several instances, payments were made years after the death of the custodial parents, including one payment made to a custodial parent in June 2009 that was made

more than 20 years after the custodial parent's death. Some payments were ongoing as of our test date. For nine of these individuals, we reviewed the related death certificates and/or information in CSEA's records. In one instance, the payments appeared to be appropriately made to the current custodial parent, but CSEA's system (CSES) improperly reflected that the payments were being made to the deceased custodial parent. However, for eight individuals, checks totaling \$36,750 were issued at least 30 days after the payees' dates of death. Of those checks, 16 checks totaling \$8,300 made payable to six individuals were negotiated by unknown individuals up to 7 years after the payee's date of death; the remaining checks were not negotiated.

We presented our findings to CSEA management and it agreed with the accuracy of our findings and advised us that, in instances in which checks were negotiated by individuals who were not entitled to the funds (for example, they were not providing care for the child), it would refer the cases to DHR's Office of Inspector General and to the Office of the Attorney General (OAG) for investigation.

#### **Recommendation 9**

**We recommend that CSEA**

- a. periodically (for example, quarterly) match its records of payees to the federal SSA's death records based on identical social security numbers and dates of birth, investigate the match results, and cease payments as appropriate;**
- b. investigate the aforementioned match results indicating payments made to custodial parents after the dates of death; and**
- c. confer with the OAG to determine what action should be taken against individuals who cashed State-issued child support checks that were payable to deceased individuals.**

#### **Contracts**

##### **Finding 10**

**CSEA did not adequately verify billings for services provided by local government agencies.**

##### **Analysis**

CSEA did not verify billings for services provided by local government agencies (such as to issue summonses and to establish paternity) to ensure the accuracy of the charges. Cooperative reimbursement agreements generally provide for CSEA to reimburse the local government agencies for the salaries of employees

performing child support services and for related administrative expenses, or provide for payments based on an established fee for the service provided (such as summons served).

We tested four local government agency agreements for which federal fiscal year 2010 payments totaled approximately \$5.5 million. Our test disclosed that CSEA's contract monitors did not verify that the rates charged by the local government agencies were consistent with the contractually agreed-upon rates. For example, our review of the quarterly invoices relating to one contract with payments totaling \$3.4 million in federal fiscal year 2010 noted that the rates charged (based on annual salaries) for all of the 126 employees were incorrect, resulting in both over-charges and under-charges. While it does not appear that CSEA overpaid the total contract amount, the risk exists for overpayments under these circumstances. Furthermore, documentation (such as timesheets) supporting the payroll charges on the invoices was generally not obtained, and when it was obtained, we were advised that the documentation was not reviewed.

#### **Recommendation 10**

**We recommend that CSEA**

- a. verify that the rates charged on invoices are consistent with related contracts (including those mentioned above) and pursue any overpayments; and**
- b. obtain and review documentation supporting invoices, at least on a test basis.**

#### **System Access**

##### **Finding 11**

**CSEA did not establish adequate controls in CSES to prevent or detect unauthorized changes to critical data such as addresses and the amounts disbursed to custodial parents.**

##### **Analysis**

CSEA had not established adequate controls in CSES to prevent or detect unauthorized changes to critical custodial parent data, such as addresses and disbursement amounts. As of July 2011, 1,048 employees had access to CSES. Our test of 102 employees who were assigned system capabilities that allowed them to perform critical functions disclosed the following conditions:



- Forty-four employees had been assigned incompatible and/or unnecessary system access capabilities that allowed them to change custodial parent data, including direct deposit mailing addresses and bank account information. For example, 24 employees could change both the payment address and the amount disbursed. Consequently, these employees could improperly route child support payments to themselves without being detected.
- Five employees had been assigned system capabilities that allowed them to initiate and release child support disbursements and had regular access to cash receipts. Since cash receipts are received from obligors, deposited, and then disbursed to the custodians, these incompatible duties could allow cash receipts to be misappropriated without readily being detected.

Unnecessary system access to critical data has been commented upon in our six preceding audit reports dating back to December 1992. During federal fiscal year 2010, CSEA disbursed approximately \$511 million in child support payments.

#### **Recommendation 11**

**We recommend that CSEA use available security features to ensure that employees are not assigned conflicting and/or unnecessary access capabilities involving critical functions (repeat).**



## **Audit Scope, Objectives, and Methodology**

We have audited the Department of Human Resources (DHR) – Child Support Enforcement Administration (CSEA) for the period beginning September 1, 2007 and ending October 20, 2010. 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. We also determined the status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk. The areas addressed by the audit included enforcement procedures (for example, wage withholding, bank account seizure, occupational and driver's license suspensions), CSES access and controls, monitoring of local offices of child support, and contracts. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of CSEA's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives. Data provided in this report for background or informational purposes were deemed reasonable, but were not independently verified.

Our audit did not include certain support services provided to CSEA by DHR – Office of the Secretary. These support services (such as payroll, 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 for federal financial assistance programs and an assessment of CSEA's compliance with federal laws and regulations pertaining to those programs because the State of Maryland engages an independent accounting firm to annually audit such programs administered by State agencies, including CSEA.

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 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.

DHR's response to our findings and recommendations, on behalf of CSEA, 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.

## Exhibit A

### 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



## APPENDIX

State of Maryland  
Department of Human Resources



Maryland's Human Services Agency

Martin O'Malley  
Governor

Anthony Brown  
Lt. Governor

Theodore Dallas  
Secretary

August 26, 2011

Bruce A. Myers, CPA  
Legislative Auditor  
Office of the Legislative Audits  
301 West Preston Street – Room 1202  
Baltimore, Maryland 21201

Dear Mr. Myers:

Enclosed is our response to the audit report on the Department of Human Resources (DHR) – Child Support Enforcement Administration (CSEA) for the period beginning September 1, 2007 ending October 20, 2010. We appreciate the opportunity to provide responses and information relating to the 11 findings and recommendations. As of February 2011, we had resolved all but five of our findings from the previous audit.

On August 17, 2011, we received notice from the United States Department of Health and Human Services that Maryland passed the FFY 2010 Data Reliability Audit, which is the final indicator as to whether Maryland met its federal paternity establishment performance measure. Maryland successfully met the required 89% performance measure with reliable data, and therefore, no penalties will be assessed to DHR.

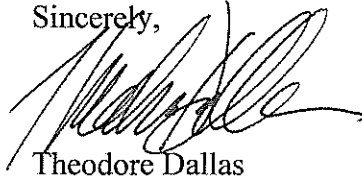
Since our last audit, we expanded our collection tools to include an automated process to garnish financial accounts for past-due child support. This program increased collections by \$1.4 million. We also expanded our system interfaces with State licensing agencies such as the Maryland State Comptroller's Office and Department of Natural Resources so that we can identify noncustodial parents who may have a state-issued license subject to suspension for past-due child support.

For low-income noncustodial parents, we provide employment services via federal grants, as well as arrears abatement programs for parents who owe arrears to the State and follow through on payment plans for child support.

Bruce A. Myers  
August 26, 2011  
Page 2

If you have any questions concerning our responses, please contact Gina Higginbotham, Interim Executive Director, Child Support Enforcement Administration at 410-767-7886 or [ghigginb@dhr.state.md.us](mailto:ghigginb@dhr.state.md.us).

Sincerely,

A handwritten signature in black ink, appearing to read 'Theodore Dallas', written in a cursive style.

Theodore Dallas  
Secretary

Enclosure

cc: William E. Johnson, Jr., Inspector General, DHR  
Gina Higginbotham, Interim Executive Director, CSEA



**Maryland Department of Human Resources  
Child Support Enforcement Administration  
Audit Report Response August 2011**

**ENFORCEMENT PROCEDURES**

**Finding 1**

CSEA did not utilize wage withholding orders to the fullest extent possible.

**Recommendation 1**

We recommend that CSEA ensure that wage withholding orders are pursued to the fullest extent possible. Specifically, we recommend that CSEA

- a. monitor the efforts of the local offices to follow up on OCSE notifications (including those noted in this finding) and, when appropriate, ensure that wage withholding orders are generated and sent to the employers; and
- b. work with the vendor and DLLR to secure data needed to identify non-compliant employers, ensure that the vendor is using these data, and take enforcement actions (such as, imposing penalties) against those employers (including those noted in this finding) that do not report employees to the new hire vendor.

**CSEA Response**

Wage withholding is CSEA's most productive tool for collecting child support. In FFY2010, we collected \$345.5 million via wage withholding and issued 160,919 wage withholding notices.

- a. CSEA agrees with recommendation 1a.

While CSEA agrees with this finding, it is important to note that our review of the report indicates that the daily report of wages sometimes lists cases where it is not appropriate for a wage withholding order to generate. We tested a daily match report of wages where out of 61 total cases, none required any action because the cases were already paying or were shared cases with another state already enforcing the order. Due to the report's limitations, we are reviewing the report for possible modifications that would produce a more productive report for local offices to use. The Department has taken or initiated the following steps to resolve this finding.

- Provided instruction to the management team statewide on August 12, 2011 so that they may begin immediate corrective actions with their staff.
- Changes to the CSES daily report of wages will occur May 2012.
- We will provide formal statewide instructions to staff beginning September 2011.
- The cases noted in the finding are in the process of being corrected. Case corrections will be complete by September 12, 2011.
- CSEA Field Team will monitor the completions of the daily report of wages effective Sept. 2011.

- b. CSEA agrees with recommendation 1b. The Department has taken or initiated the following steps to resolve this finding.

- DHR Office of Technology is currently working with DLLR and the vendor to resolve this issue and expects resolution by September 12, 2011.
- CSEA contract monitor will, effective immediately, check monthly with the contractor and DLLR to ensure that the employer files have been sent and received.
- CSEA contract monitor will, effective immediately, ensure the vendor is using the data and identifying noncompliant employers.
- CSEA will, effectively immediately, also refer noncompliant employers to the Office of the Attorney General to determine if legal action is appropriate.

**Finding 2**

CSEA did not effectively use occupational license suspensions as an enforcement tool for delinquent noncustodial parents.

**Recommendation 2**

- a. obtain complete licensing data from state licensing authorities;
- b. establish a process to prioritize the matches to help ensure the most effective use of this collection tool (for example, by targeting licensees who have a higher likelihood of being excluded from other enforcement efforts);
- c. conduct matches of licensee data with delinquent child support obligors, using appropriate matching parameters; and
- d. document the match process, and ensure proper follow-up of the match results with the licensing authorities, including the aforementioned individuals cited in this finding.

**CSEA Response**

CSEA agrees to:

a. Continue working with other state agencies to exchange data as necessary to enforce occupational license suspension for past-due child support. The Department has taken or initiated the following steps to resolve this finding.

- We will phase in the automated data exchange with agencies beginning September 2011 and expect to be complete May 2012.
- The chart below displays the current implementation status thus far.

State Licensing Agency	Status
Clerks of the Court	Information share began 8/12
Comptroller of Maryland	Implemented March 2011
Department of Agriculture	MOU signed by DOA, under review by DHR OAG
Department of Health and Mental Hygiene	Board of Physicians: AG approved, en route to DHR. Board of Social Workers: Under review by Board Counsel. Follow up with remaining agencies to be completed by September 2011

Department of Human Resources	FIA: no licenses issued SSA: no licenses issued to individuals – group homes only
Department of the Environment	DOE expanding their data base to capture SSN. Once completed will begin exchange with CSEA. Follow up with DOE September 2011
Department of Licensing and Regulation	Implemented in 2000
Department of Natural Resources	Implemented March 2011
Department of Transportation	MOU under review by DOT
Maryland Insurance Administration	Data exchange in development; MOU under review by MIA
Office of the Attorney General	Dear Colleague Letter resent 8/1
Public Service Commission	MOU Under review by Commission
Secretary of State	Dear Colleague Letter to be sent September 2011
State Department of Education	Data exchange in development. MOU signed by DOE, @ DHR Procurement Office for transfer to OAG
Court of Appeals	Data exchange in development. MOU under review by Clerk's Office

b. Prioritize the matches by targeting licensing agencies that issue licenses to persons who have a higher likelihood of being self-employed and therefore not included in the New Hire Registry match conducted with employers to issue wage withholding orders. The Department has taken or initiated the following steps to resolve this finding.

- Identify occupations that include primarily self-employed individuals by September 2011.
- Interface with those agencies that issue licenses for self-employment by May 2012.

c. Conduct matches of licensee data with delinquent child support obligors using appropriate matching parameters. The Department has initiated the following step to resolve this finding.

- A technical review of the data match process to ensure appropriate parameters will begin October 2011.

d. Document the match process through automation and ensure proper follow-up of the match results with the licensing authorities, including those cited in the finding. The Department has taken or will take the following steps to resolve this finding.

- The automated data exchange will include documentation projected to be completed by May 2012.
- Proper follow-up of the match results will be tracked by the CSEA Field Unit.

- Cases cited in the finding will be reviewed for possible suspension by October 2011.

### **Finding 3**

The seizure of bank account funds was not effectively used as a collection tool.

#### Recommendation 3

We recommend that CSEA enhance its process for seizing delinquent obligors' bank accounts as allowed by State law. Specifically, we recommend that CSEA modify its procedures to include child support accounts that are delinquent for \$500 or more, and include funds in checking accounts that exceed an established balance.

### **CSEA Response**

CSEA agrees with this finding and was already planning to reduce the threshold from \$2,500 to \$500. The administrative garnishment process for savings accounts was automated in April 2010. In an effort to ensure the system program logic was accurate, we proceeded with caution and established the arrears threshold at \$2,500 instead of \$500 to meet criteria for garnishment. The Department has taken or initiated the following steps to resolve this finding.

- The programming changes that will lower the threshold to \$500 for savings accounts and include checking accounts will be implemented January 2012.
- Policy amendments reflecting the aforementioned changes will be distributed December 2011.

### **Finding 4**

CSEA did not have procedures to ensure that two large local child support offices investigated and resolved inaccurate noncustodial parent social security numbers recorded in CSES.

#### Recommendation 4

We recommend that CSEA establish procedures to ensure that the local child support offices investigate and resolve inaccurate social security numbers identified on error reports from the federal government in a timely manner.

### **CSEA Response**

CSEA agrees with this finding. We reemphasized the importance of this information with Prince George's County Office and our privatization vendor managing the Baltimore City Office. The Department has taken or will take the following steps to resolve this finding.

- CSEA revised existing policy to require that staff review the SSA SSN error report within 2 days of receipt in August 2011.
- CSEA Field Unit will monitor local office completions of the SSA SSN error report effective September 2011.

### **Finding 5**

CSEA did not adequately review and process driver's license suspension referrals rejected by the Motor Vehicle Administration (MVA).

#### Recommendation 5

We recommend that CSEA perform timely follow-up on all cases rejected by the MVA due to system edits, review possible matches identified, and report corrected information to the MVA (repeat).

### **CSEA Response**

CSEA agrees with this finding. In 2010, we created a more user-friendly report that local office staff use to research and disposition "possible matches" received from MVA when there is no definite noncustodial parent match. This report has improved local office productivity in working the MVA noncustodial parent matches. The Department has taken or initiated the following steps to resolve this finding.

- CSEA will provide statewide instruction to staff on the correct procedures to use when cases meet the driver's license suspension criteria, but have other enforcement remedies already in process. This will ensure that these individuals are still referred to MVA for possible license suspension effective September 2011.
- The Field Unit will provide local office monitoring of the MVA reports on a quarterly basis.
- CSEA leadership will be apprised of any jurisdiction not compliant with the MVA follow-up for possible license suspension. Local office management performance evaluations will reflect whether the county is compliant.
- The requirement to perform timely follow-up on cases and possible matches will be incorporated into the semi-annual performance evaluations for local child support staff beginning January 2012.

### **Finding 6**

CSEA had not established procedures to intercept payments from the Comptroller of Maryland to State vendors who were child support obligors, as allowed by State law.

#### Recommendation 6

We recommend that CSEA establish procedures to intercept payments from the Comptroller of Maryland to State vendors who are child support obligors, as allowed by State law.

### **CSEA Response**

CSEA agrees with this finding. When the state law was passed in 2005, CSEA met with the Comptroller's Office and developed a project plan to implement the vendor intercept program. At that time, a test match was conducted and determined that the program was not cost effective and we therefore did not pursue its implementation. CSEA believes that technology has improved since that initial test match and will revisit the feasibility of the program with the Comptroller's Office. The Department has taken or initiated the following steps to resolve this finding.

- CSEA will work with the Comptroller's Office to implement the Vendor Offset Program.
- Initial meeting planned for September 2011.
- Projected completion May 2012.

## LOCAL OFFICE MONITORING

### Finding 7

CSEA did not take sufficient actions to ensure that the contractor hired to provide child support functions to Baltimore City complied with certain contract requirements.

#### Recommendation 7

We recommend that CSEA

- a. determine the reasons for the contractor's noncompliance with contract performance requirements and take appropriate actions, including requiring the preparation of a systemic corrective action plan (repeat); and
- b. ensure that cases that were deemed non-compliant are corrected timely.

### CSEA Response

- a. CSEA agrees with the recommendation to require a "systemic corrective action plan."

The contract provided for quarterly quality assurance reviews of the cases in Baltimore City. The contractor was required to submit corrective action plans (CAPs) in response to those reviews. The reviews and CAPs were submitted, approved, and monitored by CSEA. The contractor, in each CAP, provided the reasons for the case deficiencies. Reasons included: staff training issues, manual logs needed to be developed so that cases could be tracked, operational/organizational changes needed to enhance productivity.

Some of the deficiencies noted in the quality assurance reviews were a result of insufficient data available to measure the requirement. These areas were still identified as noncompliant even though they were not measured in the review process. An example is the requirement to refer cases to another state within 20 days, once the noncustodial parent has been determined to be residing in that state. There is no automated way to track this information. Under the new contract, effective March 1, 2011, the quality assurance reviews have been modified to ensure that we can obtain the information necessary to measure the standards in the review. The Department will take the following step to resolve this finding.

- CSEA will meet with the contractor to discuss reasons for noncompliance and require a "systemic corrective action plan" from the contractor when there are repeated deficiencies identified by the quality control reviews.

b. CSEA agrees with this recommendation. The contract monitor met monthly with the contractor and emphasized the urgent need to eliminate the backlog of case corrections. The contractor complied and completed the case corrections. The new contract requires case corrections within thirty calendar days from receipt of the quality review report. The Department has taken or initiated the following steps to resolve this finding.

- CSEA will elevate the urgency of timely case corrections within the contractor's organization.
- If noncompliance continues, we will consult with the Office of the Attorney General to determine whether payments should be withheld.

### **Finding 8**

CSEA did not ensure that a local child support office performed sufficient and timely reviews of delinquent accounts.

#### Recommendation 8

We recommend that CSEA ensure that local offices perform sufficient and timely follow-up with delinquent obligors. Specifically, we recommend that CSEA ensure that

- a. caseworkers review cases identified on the delinquency report on a monthly basis in accordance with its policy (repeat) and perform a documented follow-up within 30 days, and
- b. supervisors review five percent of each caseworker's total cases from the delinquency reports in a timely manner.

### **CSEA Response**

- a. CSEA agrees with this finding.

The CSEA Field Unit conducts monthly reviews of local office delinquency reports as an oversight measure to ensure the reports are worked timely. The majority of the jurisdictions complete their delinquency report reviews timely. It is the large jurisdictions that find it difficult to perform the reviews timely due to the size of the report, and those offices may need 60 days to complete the review.

While CSEA agrees with this finding, it is important to note that our review of the report indicates that the monthly delinquency report sometimes lists cases where enforcement action has already been taken. Due to the report's limitations, we are reviewing the report for modifications that would produce a more productive report for local offices to use and enable large jurisdictions to conduct documented follow up within 30 days. The Department will take the following steps to resolve this finding.

- CSEA will modify the current delinquency report to exclude cases that have enforcement action taken during the review timeframe and therefore should not be on the delinquency report for staff review by November 2011.
- This requirement will be included in the staff performance evaluations beginning January 2012.

- b. CSEA also agrees that supervisors review 5 percent of the case worker's total cases from the report. The Department will take the following steps to resolve this finding.

- Local offices will be required to include supervisory reviews of 5 percent of case worker's total cases effective October 2011.
- This requirement will be included in the staff performance evaluations beginning January 2012.

### **Finding 9**

Sufficient procedures were not established to identify payments to deceased custodial parents.

#### Recommendation 9

We recommend that CSEA

- a. periodically (for example, quarterly) match its records of payees to the federal SSA's death records based on identical social security numbers and dates of birth, investigate the match results, and cease payments as appropriate;

- b. investigate the aforementioned match results indicating payments made to custodial parents after the dates of death; and
- c. confer with the OAG to determine what action should be taken against individuals who cashed State-issued child support checks that were payable to deceased individuals.

### **CSEA Response**

CSEA agrees with this finding. In February 2010, we enhanced the report received from the Division of Vital Records (DVR) to include information on deceased custodial parents. We also included new policy that requires staff to review the DVR reports and identify any deceased custodial parents. If a custodial parent is deceased, then staff must hold the child support payments in an escrow account and determine if a beneficiary has been identified to receive the child support for the child.

a. We agree that procedures can be improved by including a review of the death match information received from the Social Security Administration (SSA). The Department has taken the following steps to resolve this finding.

- August 9, 2011, we enhanced our policy manual to include a monthly review of the SSA death match report.

b. We will investigate the match results on payments sent to deceased custodial parents effective immediately.

c. We will seek advice of counsel from the Office of the Attorney General to determine what action should be taken against individuals who cashed State-issued child support checks that were payable to deceased individuals by September 2011.

## **CONTRACTS**

### **Finding 10**

CSEA did not adequately verify billings for services provided by local government agencies.

Recommendation 10

We recommend that CSEA

- a. verify that the rates charged on invoices are consistent with related contracts (including those mentioned above) and pursue any overpayments; and
- b. obtain and review documentation supporting invoices, at least on a test basis.

### **CSEA Response**

CSEA agrees with this finding and has reorganized the unit responsible for the local government contracts and included additional experienced staff and new management. With respect to the individual recommendations in this finding:

a. CSEA reviewed the rates charged by the local government agency and took action to ensure the current contract is consistent with the billings. The past problem occurred when the salaries increased after the contract was finalized and the contract was not modified to reflect the increase in salaries.



The current contract has been modified to reflect the current salaries of the employees and is consistent with the billings.

b. Since October 2010, documentation supporting all invoices has been obtained on a test basis and reviewed for accuracy.

**Finding 11**

CSEA did not establish adequate controls in CSES to prevent or detect unauthorized changes to critical data such as addresses and the amounts disbursed to custodial parents.

**Recommendation 11**

We recommend that CSEA use available security features to ensure that employees are not assigned conflicting and/or unnecessary access capabilities involving critical functions (repeat).

**CSEA Response**

CSEA agrees with this finding and has begun a full review of the 102 relevant employees. The Department will take the following steps to resolve this finding.

- Central and local office management will be notified in September 2011 of the employees with conflicting and/or unnecessary access capabilities and required to make the appropriate changes by October 2011.
- By December 1, 2011, CSEA will develop comprehensive policy and procedures necessary to ensure compliance with the existing security features.

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