

DFA - CHILD SUPPORT ENFORCEMENT

Enabling Laws

Act 1841 of 2005

A.C.A. §25-8-107

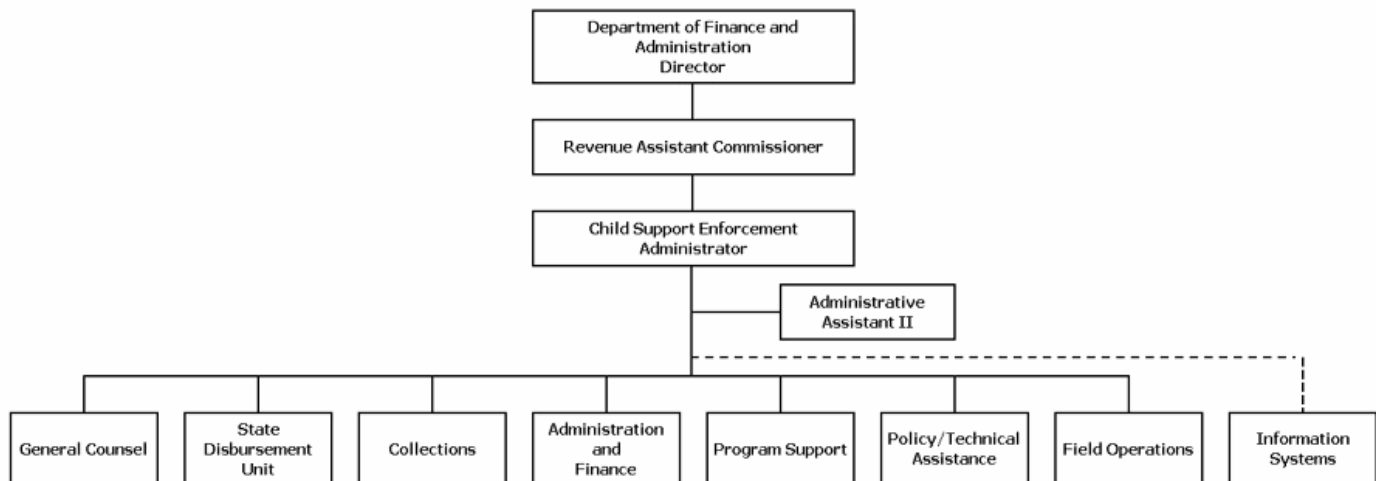
A.C.A. §9-14-206 - 210

History and Organization

In 1975 the Social Security Act was amended by Congress to add part IV-D that established the Child Support Program. In order to receive federal funds for the Aid to Families with Dependent Children (AFDC) Program, each state had to establish and operate a child support program. The Arkansas program began in 1977. The mission of the program is to provide assistance to children and families in obtaining financial and medical support due them by requiring parents absent from the home to assume responsibility for the social and economic well-being of their children.

The program is responsible for locating parents, establishing paternity and orders for child and medical support, collecting and disbursing the support owed and bringing enforcement action when payments are not made. Workers assigned to the agency provide investigative and legal services on cases assigned to the agency, and provide the administrative and managerial support necessary for the organization to properly function. There are approximately 123,000 cases assigned. The cases originate in part from Transitional Employment Assistance (TEA), Medicaid and Foster Care cases referred by the Department of Health and Human Services. Other cases are established as a result of citizens applying for service. The eligibility criteria for these cases require the custodian to have a minor child in his or her care. Approximately 31,000 additional cases are monitored for payment and disbursement services. The program is authorized for 893 positions.

The Office of Child Support Enforcement (OCSE) is located within the Department of Finance and Administration - Revenue Division.



Agency Commentary

The Office of Child Support Enforcement (OCSE) is responsible for locating absent parents, establishing paternity and orders for child support, collecting and distributing the funds to the appropriate case, disbursing the child support funds, and enforcing payment of support orders. Funding for this appropriation consists of a combination of federal reimbursement, fees for collection services, and general revenue.

The Agency requests to restore forty-eight currently authorized positions to maintain normal operations. Severe shortages of positions throughout Child Support Enforcement and hiring delays due to normal employee turnover would be the repercussions if positions were not restored.

Continuation of three supplemental positions to regular positions, approved in FY07 for replacement of contract positions, through Ciber Systems, to fulfill the federal government requirement of the State's Advanced Planning Document (ADP). The Agency shows a net savings of \$342,000 annually converting contract positions to regular positions.

The Agency requests to transfer twenty currently authorized positions to other Department of Finance and Administration (DFA) Divisions. Historically, these positions have been authorized in the Office of Child Support Enforcement (OCSE) and used in DFA Management Services (19) and Revenue Division (1) to assist with administrative functions as a result of the OCSE operations. Positions not utilized 100% for OCSE functions are not eligible for Federal Financial Participation (FFP). The transfer of these positions will allow the Agency to maximize federal funding resulting in a projected \$1,700,000 in FFP annually and will enhance the ability to offset a projected \$3,000,000 of lost FFP due to recent federal funding changes.

The Agency seeks to restore \$13,000 each year in Capital Outlay to replace equipment that is beyond repair, becomes obsolete or is too expensive to maintain.

New special language is also requested to allow for the carry forward of appropriation remaining in the Data Processing and Equipment Expenses line item due to completion timelines of Information Technology projects.

Current funding levels will sufficiently cover the Agency's Biennial Request.

Audit Findings

DIVISION OF LEGISLATIVE AUDIT

AUDIT OF :

DEPARTMENT OF FINANCE AND ADMINISTRATION – REVENUE DIVISION

OFFICE OF CHILD SUPPORT ENFORCEMENT

FOR THE YEAR ENDED JUNE 30, 2005

<u>Findings</u>	<u>Recommendations</u>
None	None

Performance Audit Findings

Child Support Enforcement – Department of Finance and Administration – Issued December 14, 2004

Findings and Conclusions:

- It is estimated the Office of Child Support Enforcement (OCSE) could save \$766,000 per year if all custodial parents enrolled for electronic payments.
- In apparent conflict with the Arkansas Code, OCSE does not accrue interest on child support arrearages unless ordered to do so by the courts.
- OCSE pays a contingency fee of 8.95% to a private vendor to collect delinquent child support payments; the federal government reimburses 2/3 of the fee and the remaining 1/3 is absorbed by the State.

Recommendations:

- OCSE strive to make electronic payment of child support an option for all custodial parents and consider the viability of making electronic payments mandatory for the State of Arkansas.
- OCSE seek clarification through an Attorney General's Opinion of A.C.A. §9-14-233 to determine if OCSE is required to accrue interest on child support arrearages.
- Consider establishing a penalty to be charged against all cases referred to a private collections service, to offset fees currently absorbed by the State.

Employment Summary

	Male	Female	Total	%
White Employees	83	445	528	67 %
Black Employees	19	237	256	32 %
Other Racial Minorities	1	7	8	1 %
		Total Minorities	264	33 %
		Total Employees	792	100 %

Publications

A.C.A 25-1-204

Name	Statutory Authorization	Required for		# Of Copies	Reason (s) for Continued Publication and Distribution
		Governor	General Assembly		
Direct Deposit Form and Instructions	N/A	N	N	5,000	Public information and convenience
Employers Guide to Child Support Laws	N/A	N	N	60,000	Keep employers informed as to state law requirements
Financial Institution Data Match Notebook	N/A	N	N	800	Keep financial institutions informed as to law, policy and procedures on liens
Give Your Child a Gift that Lasts a Lifetime	20-18-408 (2) (3)	N	N	8,000	Federal and State law require Hospital based Paternity Acknowledgement Program and issuance of a form and information
Non Custodial Parent Handbook	N/A	N	N	10,000	Customer Education
Non-TEA Application Packet	N/A	N	N	15,000	Public information and convenience
OCSE Information Guide	N/A	N	N	5,000	Public information and convenience
OCSE Policy Manual	25-15-203	N	N	100	Staff training and public information
Paternity Acknowledgement Brochure	20-18-408(2)	N	N	20,000	Public information and convenience
Paternity Acknowledgement Form	20-18-408 (2) (3)	N	N	15,000	Federal and State law require Hospital based Paternity Acknowledgement Program and issuance of a form and information
Voluntary Paternity Acknowledgement Program of AR	20-18-408 (2) (3)	N	N	15,000	Federal and State law require Hospital based Paternity Acknowledgement Program and issuance of a form and information

Agency Position Usage Report

FY2004-2005						FY2005-2006						FY2006-2007					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
887	810	38	848	39	8.68%	893	797	52	849	44	10.75%	893	792	53	845	48	11.31%

Analysis of Budget Request

Appropriation: 120 - Child Support Enforcement - Operations

Funding Sources: MCE - Child Support Enforcement Fund

The Office of Child Support Enforcement (OCSE) is a federal/state effort to collect child support from non-custodial parents. OCSE establishes and enforces orders to collect child support. The Agency determines on a case-by-case basis which of the following services will be utilized:

- Locating the non-custodial parent
- Establishing paternity
- Establishing, modifying, and terminating support/medical obligations
- Collecting and disbursing support obligations
- Enforcing delinquent child support obligations

Funding for this appropriation consists of a combination of federal funds (66%), general revenue, fees, federal incentive payments, and state share of Temporary Assistance for Needy Families (TANF) collections (34%).

A cost of living increase is not incorporated in Base Level pending the outcome of the Classification and Compensation Study. FY07 salary levels have been held flat each year for all incumbents. Personal Services Matching may reflect increases in the Base Level due to the Social Security Tax maximum income limit and certain increases in Worker's Compensation and Unemployment Tax rates. Personal Services Matching also includes a \$30 increase in the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$350 per month.

The Base Level request for this appropriation is \$58,559,272 for both years of the biennium. The Agency is requesting restoration of 48 currently authorized positions to maintain normal operations to ensure services continue at the current level without interruption and so that hiring delays are not experienced throughout the Agency due to normal employee turnover.

The Agency requests continuation of three (3) supplemental positions to regular positions, approved in FY07 for replacement of contract positions to fulfill the federal government requirement of the State's Advanced Planning Document (ADP). Normally contractors are considered temporary employees, used to augment state staff until a project is completed, but based on history to date, the Federal Government will probably be mandating changes to the Family Support Act of 1988 and/or the Federal Welfare Reform Act of 1996. As a result, OCSE will require long-term services of computer applications quality assurance personnel. Acquiring state positions is more cost effective than continuing the Ciber Systems contract services. The Agency will show a net savings of \$342,000 annually converting contract positions to regular positions.

Positions not utilized 100% for OCSE functions are not eligible for Federal Financial Participation (FFP). The transfer of twenty (20) currently authorized positions, nineteen (19) to DFA Management Services and one (1) to DFA Revenue Division to assist with administrative functions as a result of the OCSE operations will allow the Agency to maximize federal funding resulting in a projected \$1,700,000 in FFP annually and will enhance the ability to offset a projected \$3,000,000 of lost FFP

due to recent federal funding changes.

Transfer to DFA Management Services:

Transfer to DFA Revenue Division:

	<u>GR</u>	<u>#</u>		<u>GR</u>	<u>#</u>			
R170	Attorney Specialist	24	-	1	K181 Mailroom Supervisor	12	-	1
D064	Sr Systems Programmer	24	-	1				
D038	Systems Programmer	22	-	3				
D124	Lead Programmer Analyst	22	-	1				
D121	User Support Analyst	20	-	1				
R200	OCSE Program Coordinator	20	-	1				
R266	Management Project Analyst II	20	-	1				
A110	Accountant II	19	-	1				
R030	Asst Personnel Manager	19	-	1				
D032	Jr Systems Programmer	18	-	2				
D128	PC Support Specialist	18	-	3				
V040	Purchase Agent II / Purchase Agent	18	-	1				
W030	Records Mangement Analyst II	18	-	1				
A063	Payroll Officer	15	-	<u>1</u>				
				19				

The Agency also requests to restore \$13,000 each year in Capital Outlay to replace equipment that is beyond repair, becoming obsolete and/or is too expensive to maintain.

New special language is also requested to allow for the carry forward of appropriation remaining in the Data Processing and Equipment Expenses line item due to completion timelines of Information Technology projects. Allowing for carry forward of this line item would facilitate better planning and management to meet the demands within the biennium.

Summary of Agency Request:

	<u>FY2008</u>	<u>FY2009</u>
Restoration of 48 currently authorized positions	\$ 1,337,557	\$ 1,337,557
Continue 3 supplemental positions as regular positions	\$ 342,000	\$ 342,000
Restore Capital Outlay to replace aging equipment	\$ 13,000	\$ 13,000
Cancellation of contract due to 3 supplemental positions	<u>\$ (684,000)</u>	<u>\$ (684,000)</u>
Actual increases for OCSE with current level of funding	\$ 1,008,557	\$ 1,008,557
Transfer of 20 positions to other DFA Divisions	<u>\$ (927,435)</u>	<u>\$ (927,435)</u>
Net increase with transfer of positions	\$ 81,122	\$ 81,122

Current funding levels will sufficiently cover the Agency's Biennial Request.

The Executive Recommendation provides for the Agency Request.

Appropriation Summary

Appropriation: 120 Child Support Enforcement - Operations
Funding Sources: MCE - Child Support Enforcement Fund

Commitment Item	Historical Data			Agency Request and Executive Recommendation					
	2005-2006 Actual	2006-2007 Budget	2006-2007 Authorized	2007-2008			2008-2009		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	21,541,485	22,701,369	24,219,623	22,701,369	23,211,142	23,211,142	22,701,369	23,211,142	23,211,142
#Positions	883	845	893	845	876	876	845	876	876
Extra Help 5010001	27,199	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
#Extra Help	5	15	15	15	15	15	15	15	15
Personal Services Matching 5010003	7,683,342	8,166,875	8,252,773	8,552,766	8,795,115	8,795,115	8,552,766	8,795,115	8,795,115
Operating Expenses 5020002	12,184,535	14,035,654	14,035,654	14,035,654	14,035,654	14,035,654	14,035,654	14,035,654	14,035,654
Conference & Travel Expenses 5050009	5,445	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Professional Fees 5060010	297,246	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	111,789	100,000	100,000	87,000	100,000	100,000	87,000	100,000	100,000
Data Processing and Equipment Expen5900046	11,947,212	12,032,483	12,032,483	12,032,483	11,348,483	11,348,483	12,032,483	11,348,483	11,348,483
Total	53,798,253	58,186,381	59,790,533	58,559,272	58,640,394	58,640,394	58,559,272	58,640,394	58,640,394
Funding Sources									
Fund Balance 4000005	6,844,430	9,653,633		9,232,185	9,232,185	9,232,185	7,237,846	7,237,846	7,237,846
General Revenue 4000010	13,014,933	13,014,933		13,014,933	13,014,933	13,014,933	13,014,933	13,014,933	13,014,933
Federal Revenue 4000020	28,360,742	34,000,000		32,800,000	32,800,000	32,800,000	32,800,000	32,800,000	32,800,000
Non-Revenue Receipts 4000040	15,215,010	10,750,000		10,750,000	10,831,122	10,831,122	10,750,000	10,831,122	10,831,122
M & R Sales 4000340	16,771	0		0	0	0	0	0	0
Total Funding	63,451,886	67,418,566		65,797,118	65,878,240	65,878,240	63,802,779	63,883,901	63,883,901
Excess Appropriation/(Funding)	(9,653,633)	(9,232,185)		(7,237,846)	(7,237,846)	(7,237,846)	(5,243,507)	(5,243,507)	(5,243,507)
Grand Total	53,798,253	58,186,381		58,559,272	58,640,394	58,640,394	58,559,272	58,640,394	58,640,394

Actual amount in Capital Outlay exceeds authorized amount due to transfer from the M&R Holding Account.

Change Level by Appropriation

Appropriation: 120-Child Support Enforcement - Operations

Funding Sources: MCE - Child Support Enforcement Fund

Agency Request

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	58,559,272	845	58,559,272	100.0	58,559,272	845	58,559,272	100.0
C01	Existing Program	1,350,557	48	59,909,829	102.3	1,350,557	48	59,909,829	102.3
C03	Discontinue Program	(684,000)	0	59,225,829	101.1	(684,000)	0	59,225,829	101.1
C06	Restored Position	342,000	3	59,567,829	101.7	342,000	3	59,567,829	101.7
C07	Agency Transfer	(927,435)	(20)	58,640,394	100.1	(927,435)	(20)	58,640,394	100.1

Executive Recommendation

Change Level		2007-2008	Pos	Cumulative	% of BL	2008-2009	Pos	Cumulative	% of BL
BL	Base Level	58,559,272	845	58,559,272	100.0	58,559,272	845	58,559,272	100.0
C01	Existing Program	1,350,557	48	59,909,829	102.3	1,350,557	48	59,909,829	102.3
C03	Discontinue Program	(684,000)	0	59,225,829	101.1	(684,000)	0	59,225,829	101.1
C06	Restored Position	342,000	3	59,567,829	101.7	342,000	3	59,567,829	101.7
C07	Agency Transfer	(927,435)	(20)	58,640,394	100.1	(927,435)	(20)	58,640,394	100.1

Justification

C01	Restoration of 48 currently authorized positions and restoration of \$13,000 in Capital Outlay. The Agency requests to restore 48 currently authorized positions to maintain normal operations. Severe shortages of positions throughout the Agency and hiring delays due to normal employee turnover would be the repercussions if positions were not restored. The Capital Outlay amount of \$13,000 is authorized in the current biennium and is needed in each year of the upcoming biennium to replace equipment that is beyond repair, becomes obsolete or is too expensive to maintain.
C03	The Agency can maintain the current level of support afforded its' clients and show a savings of approximately \$342,000 annually by continuing the 3 supplemental positions as regular positions to replace the three contractors (see C06 explanation). The Agency currently pays Ciber Systems approximately \$684,000 annually for the services of three contractors.
C06	The federal government will not approve a state's Advanced Planning Document (ADP) unless it evidences adequate quality assurance services. Arkansas currently employees three contractors, through Ciber Systems, to fulfill this requirement. The Agency can maintain the current level of support afforded its' clients and show a savings of approximately \$342,000 annually by continuing the 3 supplemental positions as regular positions to replace the three contractors. The Agency currently pays Ciber Systems approximately \$684,000 annually for the services of three contractors. Acquiring regular positions is more cost effective than continuing the contract services.
C07	Transfer 20 positions from the Department of Finance and Administration Office of Child Support Enforcement (OCSE) to the DFA Management Services (19) and DFA Revenue Division (1). Historically the positions have been authorized for OCSE and have been used in DFA Management Services and DFA Revenue Division to assist with administrative functions as a result of the OCSE support operations. The 20 positions will not be utilized 100% for OCSE functions and therefore the related personnel costs are not eligible for Federal Financial Participation (FFP). A transfer of these positions would allow the agency to maximize federal funding and result in a projected \$1,700,000 in FFP annually. This will enhance the agencies ability to offset a projected \$3,000,000 of lost FFP due to recent federal funding changes.