DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

May 31, 2005

Report Number: A-05-04-00054

Mr. Tom Hayes, Director
Ohio Department of Job and Family Services
30 East Broad Street, 32nd Floor
Columbus, Ohio 43215-3414

Dear Mr. Hayes:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled, "State Agency Use of Contracted Services in the State of Ohio" for the period July 1, 2001 through December 31, 2002. A copy of the report will be forwarded to the action official noted below for review and any action deemed necessary.

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, OIG reports are made available to the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR part 5.)

To facilitate identification, please refer to report number A-05-04-00054 in all correspondence relating to this report.

Sincerely,

Paul Swanson

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures - as stated

Direct Reply to HHS Action Official
Regional Administrator
Administration for Children and Families
U.S. Department of Health and Human Services
Region V
233 North Michigan Avenue
Suite 400
Chicago, IL 60601

Department of Health and Human Services

OFFICE OF
INSPECTOR GENERAL

STATE AGENCY USE OF CONTRACTED SERVICES – STATE OF OHIO

JULY 1, 2001, THROUGH DECEMBER 31, 2002

OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

MAY 2005
A-05-04-00054

Office of Inspector General

http://oig.hhs.gov

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.

EXECUTIVE SUMMARY

OBJECTIVE

The objective of our audit was to determine if claims for contracted services provided under the child support enforcement program were allowable.

BACKGROUND

The child support enforcement program is a Federal, state, and local partnership, with each level of government having clearly defined roles. The program was enacted in 1975 under Title IV-D of the Social Security Act and is administered by the Office of Child Support within the Administration for Children and Families (ACF). In Ohio, the Department of Job and Family Services (State agency) is the designated Title IV-D agency. The Ohio child support enforcement program is State supervised and county administered.

The goal of the child support enforcement program is to ensure that parents provide financial support to their children. As such, each of the State of Ohio county agencies enters into contracted services with the county Domestic Relations Courts, Sheriff's Departments and other providers to help achieve child support enforcement program goals.

FINDINGS

Under the child support enforcement program, the State agency had extensive policies and procedures in place to properly procure contracted services, supervise and review performance, and keep detailed accurate records. After considering the extent of contracting for child support enforcement activities and related controls, we identified contracting deficiencies and overcharges related to: (i) improper allocation of Domestic Relations Court costs in Butler, Clermont and Montgomery Counties ($39,879, Federal share $26,320), (ii) unallowable charges for warrants served by the Hamilton County Sheriff's Department ($495,408, Federal share $326,969), and (iii) improper allocation of claims for security services provided by the Hamilton County Sheriff's Department ($313,576, Federal share $206,960).

These deficiencies and overcharges occurred because the County agencies did not remove the cost of non-reimbursable activities from the Domestic Relations Court contracts, paid for charges that were unallowable per Federal child support enforcement regulations, and did not allocate costs in accordance with the benefits received.

RECOMMENDATIONS

We recommend that the State agency:

- refund the Federal share of the unallocable and unallowable portion of the Domestic Relations Court contract charges of $26,320;

- identify and refund additional overpayments estimated to be $277,243 for Domestic Relations Court contract charges in the months not specifically reviewed;

- refund the Federal share of $326,969 for unallowable payments to serve warrants;

- refund the Federal share of unallocable county building security costs totaling $206,960; and

- implement necessary oversight procedures to ensure that county allocations for contract charges to child support enforcement program contracts are based on benefits derived by each program.

STATE'S COMMENTS

Although the county agencies made changes to address over-allocations of the Domestic Relations Court costs and the State agreed that charging building security costs completely to the Title IV-D Program might be questionable, they did not agree with the recommendations to refund identified overpayments. Despite their disagreements with our recommended adjustments, the State issued rules for reimbursement agreements to appropriately allocate charges for the Domestic Relations Court costs based on Title IV-D activities. In addition, the State passed legislation to eliminate the $3 statutory limit on the reimbursement of the costs of the Sheriffs' Department serving warrants for child support matters.

OFFICE OF INSPECTOR GENERAL RESPONSE

Although the use of reimbursement agreements serve to promote the provision of Title IV-D services, the charges for reimbursement agreements must adhere to applicable Federal criteria in order for Federal matching funds to be allowable. In response to the comments regarding our estimate of cost adjustments, we did revise the report to question only those costs associated with the months specifically reviewed and request that the State review the remaining months to determine the additional amount of overpayments. Based on the Hamilton County Sheriff comments that they do not bill any other agency for the service of warrants and associated mileage, we revised the basis for our recommended adjustment and questioned the full amount of the contract to serve warrants. The Sheriff stated that, without the contract, the child support enforcement warrants would be served without a charge in the same manner as the other warrants

received by the Sheriff's department. Therefore, we have revised the report to question all costs associated with Hamilton County's charging the Title IV-D program for service of warrants.

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INTRODUCTION

BACKGROUND

The child support enforcement program was enacted in 1975 under Title IV-D of the Social Security Act. The goal of the child support enforcement program is to ensure that parents provide financial support to their children. Welfare reform legislation signed in 1996 provided strong measures to ensure that children receive the support.

The child support enforcement program is a Federal, state, and local partnership, with each level of government having clearly defined roles. Within the Department of Health and Human Services (HHS), the Administration for Children and Family (ACF), Office of Child Support Enforcement, is responsible for administering the program at the Federal level. In Ohio, the Department of Job and Family Services (State agency) is the designated Title IV-D agency responsible for administering the State program. The Office of Child Support, within the State agency, has the primary responsibility for the child support enforcement program, which is State supervised and county administered. As such, each county in Ohio is required to establish a separate child support enforcement agency (County agency). The State agency and each of the 88 counties share responsibility for the child support enforcement program, which provides five major services:

- locating noncustodial parents
- establishing paternity
- establishing child support and medical support obligations
- enforcing child support and medical support orders
- review and modification of support orders

In providing IV-D services, the county agencies enter into contracts with Domestic Relations Courts, Sheriff's Departments and other providers to help achieve child support enforcement program goals.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to determine if claims for contracted services provided under the child support enforcement program were allowable.

Scope

For the period of July 1, 2001, through December 31, 2002, the State agency and county agencies entered into 292 child support enforcement contracts totaling $48,533,304. After surveying the general content of the contracting universe and contracting procedures at the State agency and two of the State's largest counties, we selected a non-statistical sample of contracts for county court and warrant serving activities.

The overall internal control structures of the State agency and the county agencies were not reviewed. Our internal control review was limited to obtaining an understanding of the procedures for implementing contracts and the pricing of contracts for the child support enforcement program.

We performed our fieldwork at State agency offices in Columbus, Ohio; at County agency offices in Cuyahoga, Hamilton, Butler, Clermont and Montgomery; and at selected contractor offices. The fieldwork was conducted from July through December 2003.

Methodology

To accomplish our objectives, we reviewed applicable laws, regulations, and policies regarding the child support enforcement program. We obtained a State listing of 292 federally funded Title IV-D contracts awarded by the State and county agencies and segregated the contracts into the 5 service categories: courts, warrants, filings, prosecutors, and miscellaneous. We interviewed County agency officials in Cuyahoga and Hamilton to determine the policies, procedures and controls that existed with regard to the contracted services and child support enforcement program staff in these and three other counties reviewed.

Based on our initial interviews, we identified potential problems with contracted services for the courts and warrants. Because our review of Domestic Court contracts in Cuyahoga and Hamilton determined that substantially all of the court activities were Title IV-D related, that there were only limited charges applicable to non-Title IV-D activities, and that allocation of costs to the IV-D program was not a problem, we expanded our review of the allocability of these costs and judgmentally selected Domestic Relations Court contracts in Butler, Clermont and Montgomery Counties. In regard to warrants, we reviewed the Hamilton County Sheriff's Department contract to serve warrants. We also reviewed the Hamilton County Sheriff's Department contract to provide security at a county building.

Our audit was conducted in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

Although the State agency had extensive policies and procedures in place to properly procure contracted services, supervise and review performance, and keep accurately detailed records, we identified contracting problems and overcharges related to: (i) improper allocation of Domestic Relations Court costs in Butler, Clermont and Montgomery Counties (identified $39,879 - Federal share $26,320 and estimated $420,065 - Federal share $277,243), (ii) inconsistent and unallowable charges for warrants served by the Hamilton County Sheriff's Department ($495,408 - Federal share $326,969), and (iii) improper allocation of claims for security services provided by the

Hamilton County Sheriff's Department ($313,576 - Federal share $206,960). We attribute these overcharges to the County agencies not removing the cost of non-Title IV-D activities from the claims under Domestic Relations Court contracts, paying for service of process charges which were inconsistently made to the Federal child support enforcement program and not to other agencies, and not allocating security costs in accordance with the benefits received.

CONTRACTS WITH DOMESTIC RELATIONS COURTS

Although the State agency had guidelines describing the methods for allocating Domestic Relations Court costs, three reviewed county agencies did not adequately monitor the allocation of costs. Overcharges to the Title IV-D program occurred because non-Title IV-D costs were not removed from the claim for reimbursement. The Domestic Relations Courts in Butler, Clermont and Montgomery counties claimed costs totaling $39,879 ($26,320 Federal share) that were not allocable to the Title IV-D program. We estimate that additional costs of $420,065 ($277,243 Federal share) were inappropriately claimed.

Applicable Criteria

OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, includes guidance and establishes principles that apply to sub-awards to government units. Section 3a. of the Circular states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The Ohio child support enforcement manual follows the Ohio Revised Code, the Office of Child Support Enforcement Manual and the United States Code. Section 1517 of the child support enforcement manual delineates responsibilities for contracts with courts by stating:

> . . . [W]hen referees hear both IV-D and non-IV-D matters, some arrangement must be made to remove the cost of non-reimbursable activities. There are several possible methods for accomplishing this:
>
> (1) Retain the per hearing unit rate but bill for only a portion of a unit such as .5 or .75 to reflect the time spent on reimbursable activities.
>
> (2) Use hours, or increments of hours to reflect units of service. This requires the referee to keep records on time spent in all hearings, breaking down the total into IV-D and non-IV-D portions.
>
> (3) Use the per hearing unit and, for purpose of recording units and billing, the referee may separate hearing issues into IV-D and non-IV-D matters, and upon conclusion of IV-D matters, declare a separate hearing for non-IV-D questions.

Title IV-D Charged for Non-Title IV-D Costs

Although the State recognized the need to segregate Title IV-D program activities from non-Title IV-D program activities, three County agencies did not assign costs in accordance with relative benefits received. The Title IV-D program was charged with unallowable costs.

We judgmentally selected the Butler, Clermont and Montgomery County agency contracts with the Domestic Relations Courts and found that the courts generally considered cases starting as a child support case to be Title IV-D activity, regardless of whether the hearing in question involved activity other than child support. Butler and Clermont did not attempt to segregate Title IV-D cases from non-child support cases such as those pertaining to spousal support or visitation. The allocation of court costs was not relative to the benefit received, as required by both Section 1517 of the child support enforcement manual and OMB Circular A-87.

The State and County agencies did not adequately monitor the contracts or provide sufficient training to the court's case managers to ensure the proper allocation of costs were made. Court officials indicated that they were unaware of the Section 1517 and Circular A-87 criteria and were claiming Title IV-D cost based on the method used by their predecessor.

Using the court's hearing schedules, which document planned court activities of each judge and other available documentation, we identified claims unrelated to the Title IV-D program and calculated overcharges of $39,879. Details by the three counties reviewed follow.

Clermont County. For June and September 2003, the magistrates used available but incomplete data to record time spent on Title IV-D activities. Court magistrates complete a case disposition sheet for each case they hear. Included in the disposition sheet is a line to record the actual time spent on the case. The disposition sheets were available for 2003, but were not available for 2002. We reviewed the case disposition sheets used by the magistrates and determined that 25 percent of the disposition sheets were either missing or the actual court time was not completed. Based on available information, the actual time spent on Title IV-D activities was 9.7 percent less than the claimed amount, and the resulting overcharges were $2,077.

Butler County. For May and October 2002, we identified administrative orders that were considered a Title IV-D activity but were not based on a Magistrate hearing. Since the contract specifically states that a unit of service is a magistrate hearing, we eliminated those orders without an associated hearing. This adjustment resulted in a 6 percent reduction in the amount of Title IV-D units and overcharges of $10,205.

Montgomery County. Although magistrates billed the Title IV-D program for May and October 2002 at the rate of 44 percent, we received court docket information indicating

that they spent only 33 percent of their time on Title IV-D cases. The resulting overcharges were $27,596.

Extending these error percentages to the 18-month period of our audit, we estimate that an additional $420,065 ($277,243 Federal share) was inappropriately allocated to the Title IV-D program. Since we did not specifically review these additional State agency claims, the State should review county claims for the entire audit period to identify specific activities that are not allocable to the Title IV-D program.

CONTRACTS TO SERVE WARRANTS

Because the Hamilton County Sheriff's Department did not charge other agencies to serve warrants, payments for serving warrants were not reimbursable under the Title IV-D program. Federal Regulations at 45 CFR § 304.21(1) state that Federal participation is not available for service of process fees, unless the court or law enforcement agency would normally be required to pay such fees. Section 1518 of the child support enforcement manual states that the cited prohibition against Federal financial participation is to prevent law enforcement agencies from charging IV-D programs for service of process when they do not charge other agencies. Payments claimed in the amount of $495,408 ($326,969 Federal share) did not meet the Federal child support enforcement requirements for reimbursement.

Title IV-D Charged Excessive Amounts for Contracted Services

Although we initially questioned service of warrant costs that exceeded a statutory limit of $3 per warrant served, our draft report presentation was changed to reflect the inconsistent charging of this service, which makes it unallowable for Federal financial participation. Based on the Sheriff's comments provided in response to our draft report, the Hamilton County Sheriff's Department did not charge other agencies for these types of services. The Sheriff states that they do not bill any other agency for service and mileage and that without the contract the child support enforcement warrants would simply fall into the mix of other warrants received by the Sheriff's office. Since the contract between the County agency and the Hamilton County Sheriff defined a unit of service as service of a warrant on a IV-D case, the Hamilton County Sheriff's Department claimed costs of $495,408 for serving warrants on IV-D cases. These services were not reimbursable by Title IV-D Federal programs.

SECURITY CONTRACT WITH THE HAMILTON COUNTY SHERIFF'S DEPARTMENT

Payments for the Hamilton County Sheriff's Department to provide security for the County cashier's office were not allocated to IV-D activities in accordance with benefits received. Although Federal Regulation at 45 CFR § 302.34 provides that States may enter into necessary cooperative agreements with courts and law enforcement officials to run the program, Circular A-87, Section 3a, limits the charges by stating that "[a] cost is allocable to a particular cost objective if the goods or services involved are chargeable or

assignable to such cost objective in accordance with relative benefits received." Title IV-D was charged for the full cost of the security services stationed at the building's main entrance, rather than the proportion of the costs based on the benefits received by the cashier's office of the child support enforcement program. The full cost of the security contract exceeded the Title IV-D equitable share by $313,576 ($206,960 Federal share).

Common Costs Not Properly Allocated

Although the Hamilton County Child Support Enforcement Agency entered into a contract with the Hamilton County Sheriff's Department for the security of the County agency cashier's office, charges to programs benefiting from these expenditures were not properly allocated. During the calendar year 2002, the Sheriff's Department claimed costs totaling $316,675 for 4.73 officers, 5 days a week, 8 hours a day, plus overtime. Although the contract was for the security of the County agency cashier's office, the entire building was secured by posting the security officers at the main entrance with everyone entering the building passing through security. All programs within the county building benefited from the security services and should have shared in its cost. Using the county building's rentable square footage of 296,051 and the Title IV-D cashier's office square footage of 2,897, we reallocated the security costs of $316,675. The charges to the Title IV-D program should be reduced to the allocable portion based on benefits derived of $3,099. The overcharge of security costs amounted to $313,576 ($206,960 Federal share).

RECOMMENDATIONS

We recommend that the State agency:

- refund the Federal share of the unallocable and unallowable portion of the Domestic Relations Court contract charges of $26,320;

- identify and refund additional overpayments estimated to be $277,243 for Domestic Relations Court contract charges in the months not specifically reviewed;

- refund the Federal share of $326,969 for unallowable payments to serve warrants;

- refund the Federal share of unallocable county building security costs totaling $206,960; and

- implement necessary oversight procedures to ensure that county allocations for contract charges to child support enforcement program contracts are based on benefits derived by each program.

STATE'S COMMENTS

In a written response dated February 15, 2005, the State provided its summary comments along with materials and comments from individual counties. We have included only the State officials response as Appendix A and the Hamilton County Sheriff response as Appendix B. Based on comments to our draft report, findings and recommendations were modified to only question Domestic Relations Court costs for the two months reviewed and all of the service of warrant costs, including the amount above the previously cited statutory limitations. The entire response will be provided to the Administration for Children and Families Action Official.

Although the county agencies made changes to address over-allocations of the Domestic Relations Court costs and the State agreed that charging building security costs completely to the Title IV-D Program might be questionable, they did not agree with the recommendations to refund identified overpayments. Despite their disagreements with our recommended adjustments, the State issued rules for reimbursement agreements to appropriately allocate charges for the Domestic Relations Court based on Title IV-D activities. In addition, the State passed legislation to eliminate the previously cited statutory limit on the reimbursement of the Sheriffs' Department costs of serving warrants for child support matters.

OFFICE OF INSPECTOR GENERAL RESPONSE

Although the use of reimbursement agreements serve to promote the provision of Title IV-D services, the charges for reimbursement agreements must adhere to applicable Federal criteria in order for Federal matching funds to be allowable. In response to the comments regarding our estimate of cost adjustments, we did revise the report to question only those costs associated with the months specifically reviewed and request that the State review the remaining months to determine the additional amount of overpayments. Based on the Hamilton County Sheriff's comments that they do not bill any other agency for the service of warrants and associated mileage, we revised the basis for our recommended adjustment and questioned the full amount of the contract to serve warrants. The Sheriff stated that, without the contract, the child support enforcement warrants would be served without a charge in the same manner as the other warrants received by the Sheriff's department. Therefore, we revised our report to question all costs associated with the Hamilton County charging the service warrants only to the Title IV-D program.

Below we discuss specific comments related to the Domestic Relations Court, contracts to serve warrants, and the security contract with the Hamilton County Sheriff's Department.

STATE'S COMMENTS – CONTRACTS WITH DOMESTIC RELATIONS COURT

Although the Office of Child Support did not agree with our estimating the recommended adjustment for the audit period rather than identifying the adjustment for the two months

reviewed, it took immediate steps to issue rules to appropriately allocate the cost of Domestic Relations Court contracts to Title IV-D activities.

OFFICE OF INSPECTOR GENERAL RESPONSE

We revised the report to question only those costs associated with the months specifically reviewed and set aside an estimate of the claims for which allocability to Title IV-D was not supported. The State will need to review the remaining months to determine the additional overpayment. Our responses to individual County comments follow.

Clermont County. Although the County did not agree that time spent on child support activities was not clearly identifiable and properly recorded, the County made changes to record actual time spent on child support activities.

Because the County's response indicated that time tracking, to ensure the accuracy of the units invoiced, was not available in 2002, we estimated the amount of unallowable claims. Our findings are based on a review of two months of charges indicating that the actual time spent on Title IV-D activities was less than the amount claimed.

Butler County. Although the County stated that court staff received training on what is allowable for Title IV-D reimbursement and only billed for allowable Title IV-D cases, they took immediate steps to ensure only allowable costs were charged to the Title IV-D program.

Although a related State comment contended that the process of journalizing administrative actions into court orders constitutes a hearing, even when no formal hearing is held, the contract specifically states that a unit of service is a magistrate hearing. Thus, we believe that the time claimed for journalizing administrative orders does not qualify as a hearing, and as such, does not qualify for Title IV-D reimbursement per terms of the contract.

Montgomery County. Although the County stated that training was provided to distinguish between Title IV-D and non-Title IV-D cases, our estimate of questioned costs for Montgomery County based on court dockets of planned activities identified charges for non-reimbursable costs. Although the County's allocation per the court docket did not agree, the County took immediate action to remove non-Title IV-D costs from Title IV-D hearing claims based on our audit work.

Although a related State response suggested that we based our findings on the incorrect number of hearings (1,426 instead of 1,728 hearings), our calculation used information contained in the court dockets to estimate the time spent on Title IV-D cases. The actual number of hearings was not a factor in the calculation.

STATE'S COMMENTS – CONTRACTS TO SERVE WARRANTS

Although the State indicated that the service of process includes a wide variety of services, not limited to serving subpoenas or notices to appear for court hearings, and

believed that local agencies were receiving expedited services through reimbursement contracts for these services, it did not mention the inconsistency in charging only the Title IV-D program for these services. The State believes that the child support program will be damaged if these expedited services are no longer available.

OFFICE OF INSPECTOR GENERAL RESPONSE

Federal regulations and the child support enforcement manual clearly state that Federal financial participation is prohibited for service of process costs charged by law enforcement agencies when they do not charge other programs for the same service. Based on the Hamilton County Sheriff's response to the draft report, the county did not bill any other agency for service and mileage. We, therefore, revised our reported recommendation to question all costs associated with the Hamilton County contract to service warrants, rather than the amount charged in excess of a previously existing statutory limit on the service of a warrant.

STATE'S COMMENTS – SECURITY CONTRACT WITH THE HAMILTON COUNTY SHERIFF'S DEPARTMENT

Although Child Support Enforcement Agency staff initially occupied the building at the time of the initial security contract, the State agreed that the cashier's office had the only Title IV-D staff remaining in the building during our audit period. The State recognized that charging the full cost of the security contract to the Title IV-D program may be questionable but did not believe that a financial adjustment should be made.

OFFICE OF INSPECTOR GENERAL RESPONSE

Since only those costs allocable to the Title IV-D program are allowable for Federal reimbursement, charging the Title IV-D program with the full cost of building security is not equitable or allowable.

APPENDIXES

Bob Taft
Governor

Barbara Riley
Director

30 East Broad Street · Columbus, Ohio 43215-3414
jfs.ohio.gov

February 15, 2005

Mr. Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services
233 North Michigan Ave.
Chicago IL 60601

RE: State Agency Use of Contracted Services in the State of Ohio
Audit Report No. A-05-04-00054

Dear Mr. Swanson:

Enclosed is the Ohio Department of Job and Family Services' (ODJFS) response to the US Department of Health and Human Services, Office of Inspector General's draft report dated December 21, 2004. Mr. Mike Barton, Audit Manager, granted a 30-day response extension to February 21, 2005.

Please direct any questions/comments concerning these responses through the ODJFS Office of the Chief Inspector to the attention of Art Stackhouse at 614-995-7026 or stacka@odjfs.state.oh.us.

Sincerely,

Wm. Eric Minamyer
Chief Inspector
Office of the Chief Inspector

WEM:ADS:plq

Enclosure

cc: Barbara Riley, ODJFS Director
China Widener, ODJFS Chief-of-Staff/Operations
Bruce Madson, ODJFS Asst. Director
Quentin Potter, ODJFS Fiscal Services
Neva Terry, ODJFS/ORAA
Robert Mullinax, ODJFS Legal Services
Arthur Stackhouse, ODJFS/OCI
File

Bob Taft
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30 East Broad Street · Columbus, Ohio 43215-3414
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February 14, 2005

Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services
233 North Michigan Ave.
Chicago, Illinois 60601

RE: State Agency Use of Contracted Services in the State of Ohio
Report Number A-05-04-00054

Dear Mr. Swanson:

We appreciate the opportunity to provide comments regarding this audit review. The Office of Child Support has taken a proactive approach to the issues that you raise in this audit and would hope that you would consider our actions as a good faith effort to rectify any issues that you have brought to our attention.

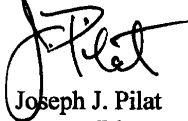
We believe the intent of the federal legislation and regulations that provide direction to the program is to encourage and promote inter-governmental co-operation through the use of reimbursement agreements. We believe these audit findings, if upheld, will set a precedent and will hinder our ability to maintain the program goals and objectives. We would hope that you would consider the effect that this audit finding would have on the program as a whole and not just the effect on the Ohio program.

Our position with respect to the findings is elaborated in the following attachments. We have asked that the County CSEAs also provide comments to the findings and are attached as well.

Even though we object to the findings and maintain our right to promulgate rules that allow reimbursement for sheriff and court contracts, as a demonstration of our proactive approach and the need to inject more accountability into the program, we have successfully passed HB 200 which will now clarify and allow the sheriff to be reimbursed for actual expenses in the performance of their duties in child support matters. Additionally, the Office of Child Support has promulgated rules which delineate the guidelines for reimbursement for inter-governmental reimbursement agreements. These rules inject a high level of accountability and are designed to alleviate any future audit concerns. You will find these documents attached for your reference.

With this in mind, we would hope that you consider removing the financial findings as it has always been our intent to comply within the federal guidelines.

Sincerely,



Joseph J. Pilat
Deputy Director
Office of Child Support

cc Barbara Riley, Director
Bruce Madson, Assistant Director
Eric Minamyer, Chief Inspector

Attachments

AUDIT FINDINGS AND RECOMMENDATIONS

Contracts with Domestic Relations Courts

We would like to raise three separate concerns.

Clermont County's unit of service was defined as a hearing. A divorce with children in which child support was ordered and included a signed IV-D application was billed as 1/4 of a unit; therefore adjustments were being made to the billing amounts to take into consideration the fact that the entire hearing was not IV-D related. Clermont County CSEA and the Court both believed that this was a valid representation of time spent on IV-D activities.

Section 1517 of the Child Support Enforcement Manual (CSEM) referenced in the audit report clearly states that it is an option to "(1) Retain the per hearing unit rate but bill for only a portion of a unit such as .5 or .75 to reflect the time spent on reimbursable activities." The auditors argued that actual time spent on the child support matter should be identifiable and auditable to ensure the appropriateness of the billing. The CSEM follows the Ohio Revised Code, the Office of Child Support Enforcement Manual and the United States Code, therefore option (1) above was considered to be an appropriate method to allocate IV-D costs in a hearing.

In Clermont County's response, they requested the opportunity to review each of the cases that the field auditor considered. They are questioning the accuracy of the finding since only a percentage of the actual costs were taken into consideration when the auditor made his findings. We now understand that the audit file contains only the September 2003 docket. The June 2003 docket is not available for review. In addition, the field auditor making the recommendation has retired and his records are not available for review. We believe that Clermont County has the right to ask for and to receive detailed information upon which the audit finding was made so that they have the opportunity to confirm or refute the finding. Absent the requested information, the Clermont County portion of the finding should be removed.

In Butler County, the finding is based on the procedure that was employed by the Court Magistrates when journalizing administrative actions into court orders. The finding indicates that since a formal hearing was not held, even though these administrative cases were docketed before the Court, that the Magistrate was merely signing the order and is therefore ineligible for reimbursement since this was not a hearing. We would contest this finding as the Court must independently review the facts and conclusion of law and make a decision to adopt the recommended order for prospective enforcement purposes. Parties to an action do not have to be physically present in Court in order for the matter to be considered a hearing.

It is our understanding that Butler County files a motion for each case and a hearing is scheduled before a Magistrate. The review process employed by the Court Magistrate is in fact a hearing. In order to be placed on the Court docket, the Clerk must assign the case a court number. The parties in these actions do not have to be present for the hearing as they have had their opportunity to object or raise other issues during the administrative

process pursuant to ORC 3111.84. The Court Magistrate must make an independent judgment regarding whether the Court will accept the recommendation of the CSEA. Once the decision is made to adopt the findings, the matter is considered to be heard. These cases are reported to the Supreme Court as hearings held before the Court. Accordingly, they must be counted as hearings and qualify for reimbursement under the terms of the reimbursement contract.

In Montgomery County, the local agency developed a unit rate of reimbursement (cost per hearing) which included court hearing time and other related activities which occur during the normal course of business. The field audit only looked at the percentage of IVD cases scheduled before the court and based the findings on that particular percentage (37%). The difference between the actual unit rate and the percentage determined by the audit was disallowed. The times used for the "IV-D Time in Court Proceedings" and "Total Court time" were estimated. Because these times were estimated in some instances, a true numerical value of time spent cannot be calculated. Also, given the estimates used, it is questionable to apply these percentages to an 18 month period without further audit or review of the other 16 months.

We also believe that the auditor should have taken into consideration the time it took to prepare for the docketed cases before the hearing was held and equally important, the time it took to draw up the court entries after the hearing was concluded. This audit finding does not acknowledge that the unit rate included costs outside of the actual hearing itself.

It was clearly the intent of Montgomery County to include these costs as evidenced in the contract document "Description of Services". Paragraph #1 states in part "...a unit of service is defined as a hearing, to include accumulation of supporting data, preparation of decisions and orders, etc ..." Further, Paragraph #3 (D) "Other services defined by the parties: The Provider (Domestic Relations Court) will provide to the CSEA, an interpretation of all court entries affecting child support and direct how to adjust the account record..."

Finally, we would point out that the field auditor used the number of hearing estimated for contract purposes versus the actual number of hearing held when he made his monetary finding. For the period covering 7/1/02 through 12/31/02 the actual number of hearings held was 1,426 not 1,728 which was the number used to arrive at the finding. This would significantly impact the finding if this finding is upheld.

For these reasons, this recommendation should be modified to count these as hearings before the Court.

Contracts to Serve Warrants

We take exception to Audit finding #2 as we believe that the federal intent and the underlying purpose of reimbursement agreements is to encourage IVD participation by other governmental agencies. The success that this program has enjoyed over the years is due in great part, as a direct result of being able to reimburse actual expenditures for

services provided. The ability to offer reimbursement for services has elevated the status of the program and assures local agencies of receiving expedited services. Because of this funding option, services such as service of process, execution of arrest warrants, investigations and location services have become a priority whereas in the past, child support was an afterthought. This finding is shortsighted and if upheld, will damage the progress that has been made over the years as the child support program will be again considered a financial burden for local government. Expedited services will no longer be available and as a further consequence, many of the mandated program requirements will be negatively impacted.

This audit finding did not consider the other services being provided by the Sheriff in Hamilton County. A wide variety of services were identified during the onsite review. While we acknowledge that the contract document could have been more detailed, clearly through the construction of the unit rate, these additional services were incorporated. To limit reimbursement for all these services to the statutory fee is not an accurate picture of the true scope of this contract.

It is our position that the fee is not all inclusive and that federal regulations allow for reimbursement of actual costs. In addition, most contracts with the Sheriff include a wide range of services and are not just limited to "service of process" (i.e. serving subpoenas or notices to appear for court hearings). The statute provides for a fee that can be charged for service of process but this fee clearly does not cover the actual cost of the services that are purchased and included in the overall unit rate. Public funds are budgeted to the Sheriff to provide this type of service and the IVD program provides (45 CFR 304.21(c)) that "the State IVD Agency has discretion with respect to the method of calculating eligible expenditures by courts and law enforcement agencies..." This language, in conjunction with the additional services that are included in this contract, provides the basis for reimbursement through federal financial participation.

The statutory fee plus mileage can be charged and paid for under the IV-D program and it is our contention that the agencies have the right to be reimbursed for actual expenses in addition. Therefore the counties that have reimbursement contracts with the Sheriff could in fact charge the statutory fees. As currently constructed, the counties are undercharging what could be a legitimate IVD expense.

This finding takes a section of the ORC and makes a very narrow interpretation which minimizes allowable costs to the program. This narrow interpretation is not applicable to the true scope and intent of the agreement. The Sheriff provides services to County government. County government provides funding to the Sheriff through general fund revenue to pay for these services. If a subpoena is issued by the local Prosecutor or if a Judge issues an arrest warrant, that branch of local government is not assessed the statutory fee. The Sheriff provides the service and the costs of the operation are paid from general revenue funds. Therefore, in light of this, we believe that the statutory language has been narrowly interpreted to make this financial finding and if upheld, would limit reimbursement for a true expense.

For these reasons we ask that you reconsider and remove this financial finding.

Security Contract with the Hamilton County Sheriff's Department

Hamilton County CSEA entered into a contract with the Sheriff to provide security for the cashier's office which was located in the first floor lobby of a building that was formerly occupied in large part by the County CSEA. When this contract was initially developed, security was intended for the entire CSEA staff and the cashier office. While there may have been other building tenants that did not require building security, the CSEA had no choice but to provide security for the building that included other tenants as well. At some later date, the CSEA staff was relocated but the cashier remained in the lobby. The Security issues remain the same.

While this may be a questionable cost, we do not believe that it should be a finding for recovery.

January 28, 2005

Suzanne Burke
Director
Job and Family Services
222 E. Central Pkwy
Cincinnati, Ohio 45202 – 1225

Dear Suzanne,

This letter is in response to questions raised in the U.S. Department of Health and Human Services, Office of Inspector General's draft report entitled "State Agency Use of Contracted Services in the State of Ohio". This draft report has raised two issues with the Sheriff's contract, those being warrant service and building security. The following information is offered to explain our interpretation of the terms of the contract.

The Hamilton County Sheriff Contract for Warrants specifies "Provider must attempt to serve the warrant within 24 hours of the request from HCJFS. Provider will document all attempts at service and send HCJFS a report of the outcomes".

The auditor has somehow interpreted that the only payment due to the Sheriff to serve warrants is the service and mileage fee listed in Ohio Statute 311.17. These service and mileage fees are included in the warrant service return to the Clerk's Office and are added to the defendant's court costs. Court costs then become purview of the judge who can order payment or waive the costs at the court's discretion. Under the terms of the contract we have never billed CSEA nor do we bill any other agency for service and mileage.

The intent of the contract is to have Sheriff Deputies devote full time attention to CSEA warrants. Without this contract CSEA warrants would simply fall into the mix of all other warrants received by the Sheriff's Office and be handled on a priority of importance based upon whether the warrant is a felony, misdemeanor or in the case of CSEA warrants being a civil matter. Being civil in nature these warrants would fall to the lowest priority and not receive significant attention. Currently the Sheriff's Office has six full time deputies devoted to warrant service (this does not include the CSEA contract). These deputies receive on average 75,000 warrants per year to serve. Warrant service is a difficult task in trying to find people who take significant steps to avoid arrest. The current number of unserved warrants in Hamilton County is 102,798. Needless to say there would be little attention to CSEA warrants were it not for the contract.

The ODJFS requested other information on warrant service that is not particularly relevant, however, the following information is offered to those questions.

1. Where was the warrant served – this is not a statistic currently tracked.
2. How many attempts were made – this is currently recorded.
3. Was there any location work or prep work involved before serving the warrant – there is considerable prep work including data entry and search of government and public data bases.

4. Do deputies keep mileage logs – this is recorded.
5. Are other county agencies charged for the same service – as previously stated no one is charged for mileage or service fees. These fees are listed on service returns for court cost application. The Sheriff has no other contracts in place for warrant service.

The security contract specifically states, "Provider must always assign three deputies in the front lobby at 800 Broadway. Two (2) deputies to work the metal detectors and 1 deputy to check badges at the front desk". Again, this contract has been in place for over ten years with no material change in provider services. The intent of the contract is to provide security to the CSEA cashier's office and employees. At the time this contract was initially agreed upon there were no metal detectors or badge checks at 800 Broadway and it was determined that it would be impossible to screen CSEA visitors from the over 3,000 other visitors and employees entering and leaving the building on a daily basis. While the cashier's office is the primary focus of the contract CSEA employees do have other business throughout this 16-story building. The only practical method to screen all visitors and maintain security for CSEA employees and services is to continue the metal detectors and badge control systems currently in place. The only option would be to find new office space in the building and provide metal detectors and badge control at the entrance to that office area. The same terms of the existing contract would still apply.

It is the opinion of my office that these existing contracts have served CSEA extremely well over the many years that they have been in place. There have been no safety or security incidents for the CSEA office or employees at the 800 Broadway building and warrant service has been timely and at a much higher level than any other warrant service due to full time attention of deputies and other staff under the provisions of these contracts. Hopefully this information will provide enough information to the auditors to help them understand why and how we fulfill the responsibilities of these contracts.

Should there be a need for additional information or if you or your staff have additional questions please contact my office immediately.

Sincerely,

Simon L. Leis, Jr.
Sheriff