



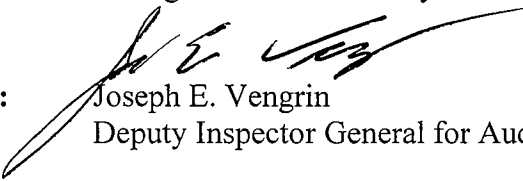
DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JAN 10 2008

TO: Daniel C. Schneider
Acting Assistant Secretary for Children and Families

FROM: 
Joseph E. Vengrin
Deputy Inspector General for Audit Services

SUBJECT: Review of Undistributable Child Support Collections in Maryland From
October 1, 1998, Through December 31, 2005 (A-03-06-00565)

Attached is an advance copy of our final report on undistributable child support collections in Maryland from October 1, 1998, through December 31, 2005. We will issue this report to the Maryland Department of Human Resources (the State agency) within 5 business days.

Our objectives were to determine whether the State agency appropriately reported program income for undistributable child support collections and interest earned on child support collections.

From October 1, 1998, through December 31, 2005, the State agency reported no program income from undistributable child support collections. As of December 31, 2005, the State agency had not reported program income totaling \$3,276,134 (\$2,162,248 Federal share) in undistributable collections. This amount consisted of (1) \$2,842,600 (\$1,876,116 Federal share) that the State agency had not recognized as abandoned property and transferred to the Abandoned Property Unit and (2) \$433,534 (\$286,132 Federal share) that the State agency had recognized as abandoned property and transferred to the Abandoned Property Unit.

These deficiencies occurred because (1) the State agency improperly programmed its child support collection system to record "\$0" in undistributable collections instead of the actual amount, (2) State agency personnel were not aware of the reporting requirements and believed that they should continue to work indefinitely to return collections instead of considering them abandoned, and (3) State agency personnel did not follow procedures for reporting undistributable collections presumed to be abandoned.

The State agency properly reported program income for interest earned on undistributed collections.

We recommend that the State agency:

- transfer \$2,842,600 (\$1,876,116 Federal share) in undistributable child support collections to the Abandoned Property Unit and report it as program income;
- report as program income \$433,534 (\$286,132 Federal share) in undistributable child support collections that have already been transferred to the Abandoned Property Unit;
- modify the program used to enter information on Forms OCSE-34A and OCSE-396A to accurately recognize as abandoned and report undistributable child support collections as program income; and
- provide training to ensure that State officials follow policies and procedures for identifying abandoned property, transferring it to the Abandoned Property Unit, and reporting it as program income.

In its comments on our draft report, the State agency agreed with all of our recommendations.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at Lori.Pilcher@oig.hhs.gov or Stephen Virbitsky, Regional Inspector General for Audit Services, Region III, at (215) 861-4470 or through e-mail at Stephen.Virbitsky@oig.hhs.gov. Please refer to report number A-03-06-00565.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR GENERAL

JAN 15 2008

Office of Audit Services, Region III
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106-3499

Report Number: A-03-06-00565

Ms. Brenda Donald
Secretary
Maryland Department of Human Resources
311 West Saratoga Street
Baltimore, Maryland 21201

Dear Ms. Donald:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Undistributable Child Support Collections in Maryland From October 1, 1998, Through December 31, 2005." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact Michael Walsh, Audit Manager, at (215) 861-4480 or through e-mail at Michael.Walsh@oig.hhs.gov. Please refer to report number A-03-06-00565 in all correspondence.

Sincerely,

for Stephen Virbitsky
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Mr. David J. Lett
Regional Administrator, Region III
Administration for Children and Families
Department of Health and Human Services
150 South Independence Mall West, Suite 864
Philadelphia, Pennsylvania 19106

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF UNDISTRIBUTABLE
CHILD SUPPORT COLLECTIONS
IN MARYLAND
FROM OCTOBER 1, 1998,
THROUGH DECEMBER 31, 2005**



Daniel R. Levinson
Inspector General

January 2008
A-03-06-00565

Office of Inspector General

<http://oig.hhs.gov>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

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The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

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The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within HHS. OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops compliance program guidances, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Notices

THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov>

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

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

BACKGROUND

The Child Support Enforcement program is a Federal, State, and local partnership established in 1975 under Title IV-D of the Social Security Act to collect child support payments from noncustodial parents for distribution to custodial parents. Within the U.S. Department of Health and Human Services, the Administration for Children and Families, Office of Child Support Enforcement (OCSE), provides Federal oversight. In Maryland, the Department of Human Resources (the State agency) administers the program through its Child Support Enforcement Administration and receives Federal reimbursement at a rate of 66 percent of program costs.

Undistributable collections result when the State agency receives a child support payment but cannot identify or locate the custodial parent or return the funds to the noncustodial parent. OCSE requires States to offset Child Support Enforcement program costs by recognizing and reporting program income from undistributable child support collections and interest earned on child support collections. OCSE defines undistributable collections as those that are considered abandoned under State law. Maryland's abandoned property laws state that child support collections that remain unclaimed by the owner for more than 3, 4, or 5 years, depending on when the payments were collected, are presumed abandoned and must be reported and transferred to the State's Abandoned Property Unit.

States report undistributable collections and program income quarterly on Federal Forms OCSE-34A, "Child Support Enforcement Program Quarterly Report of Collections," and OCSE-396A, "Child Support Enforcement Program Financial Report," respectively.

OBJECTIVES

Our objectives were to determine whether the State agency appropriately reported program income for undistributable child support collections and interest earned on child support collections.

SUMMARY OF FINDING

From October 1, 1998, through December 31, 2005, the State agency reported no program income from undistributable child support collections. As of December 31, 2005, the State agency had not reported program income totaling \$3,276,134 (\$2,162,248 Federal share) in undistributable collections, including:

- \$2,842,600 (\$1,876,116 Federal share) that the State agency had not recognized as abandoned property and transferred to the Abandoned Property Unit and
- \$433,534 (\$286,132 Federal share) that the State agency had recognized as abandoned property and transferred to the Abandoned Property Unit.

The State agency's system was designed to automatically identify undistributable collections, record them on Form OCSE-34A, and transfer the information to Form OCSE-396A as program income. However, the system was improperly programmed to record "\$0," instead of the actual undistributable collections, on Form OCSE-34A. As a result, the State agency reported "\$0" in program income from undistributable collections. In addition, State agency personnel (1) were not aware of the reporting requirements and believed that they should continue to work indefinitely to return collections instead of considering them abandoned and (2) did not follow procedures for reporting undistributable collections presumed to be abandoned.

The State agency properly reported program income for interest earned on undistributed collections and offset this amount against program expenditures.

RECOMMENDATIONS

We recommend that the State agency:

- transfer \$2,842,600 (\$1,876,116 Federal share) in undistributable child support collections to the Abandoned Property Unit and report it as program income;
- report as program income \$433,534 (\$286,132 Federal share) in undistributable child support collections that have already been transferred to the Abandoned Property Unit;
- modify the program used to enter information on Forms OCSE-34A and OCSE-396A to accurately recognize as abandoned and report undistributable child support collections as program income; and
- provide training to ensure that State officials follow policies and procedures for identifying abandoned property, transferring it to the Abandoned Property Unit, and reporting it as program income.

STATE AGENCY'S COMMENTS

In its comments on our draft report, the State agency agreed with all of our recommendations. The State agency's comments are included as the Appendix. We have excluded the exhibits because of their volume.

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INTRODUCTION

BACKGROUND

Child Support Enforcement Program

The Child Support Enforcement program is a Federal, State, and local partnership established in 1975 under Title IV-D of the Social Security Act to collect child support payments from noncustodial parents for distribution to custodial parents. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF), Office of Child Support Enforcement (OCSE), provides Federal oversight. In Maryland, the Department of Human Resources (the State agency) administers the program through its Child Support Enforcement Administration and receives Federal reimbursement at a rate of 66 percent of program costs. The program is locally administered through the State agency offices located in Baltimore City and 23 counties.

Requirements for Reporting Program Income

Undistributable collections result when the State agency receives a child support payment but cannot identify or locate the custodial parent or return the funds to the noncustodial parent. OCSE Policy Interpretation Question (PIQ)-88-7 and OCSE-PIQ-90-02 require States to offset Child Support Enforcement program costs by recognizing and reporting undistributable child support collections as program income at the time the funds are considered abandoned under State law. OCSE-PIQ-90-02 states: "Every State has statutes and regulations governing the handling of unclaimed or abandoned property left in its care. OCSE-PIQ-88-7 . . . recognizes this fact and encourages each State to utilize these individual State procedures to report undistributable or uncashed title IV-D collections as title IV-D program income."

In addition, the OCSE Action Transmittal (AT)-89-16 requires States to offset Child Support Enforcement program costs by recognizing and reporting program income from interest earned on child support collections.

States report undistributable collections and program income quarterly on Federal Forms OCSE-34A, "Child Support Enforcement Program Quarterly Report of Collections," and OCSE-396A, "Child Support Enforcement Program Financial Report," respectively.

Maryland's Abandoned Property Laws

Maryland's abandoned property laws are included in sections 17-301 through 17-326 of the Annotated Code of Maryland, Commercial Law, and apply to the disposition of undistributable child support collections. Depending on the year in which the collection was made, the State agency is required to hold collections from 3 to 5 years before presuming the collection to be abandoned.

Once undistributable collections are presumed abandoned, the State agency must provide notice to the owner that the payment will become State property if the owner does not respond within

30 days. If there is no response, the State agency must submit a report and transfer the abandoned property to the Abandoned Property Unit in the State Comptroller's office. Even after the State Comptroller's office assumes custody of the abandoned property, any person with a legitimate claim to the property may be reimbursed by the State agency, which in turn will be reimbursed by the Abandoned Property Unit.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine whether the State agency appropriately reported program income for undistributable child support collections and interest earned on child support collections.

Scope

We reviewed undistributable collections reportable on Form OCSE-34A and program income reportable on Form OCSE-396A for the period October 1, 1998, through December 31, 2005. We reviewed (1) undistributed child support collections held by the State agency on December 31, 2005, and (2) undistributable child support collections transferred to the Abandoned Property Unit from October 1, 1998, through December 31, 2005. We also reviewed the interest earned on child support collections between October 1, 1998, and December 31, 2005.

We limited our review of internal controls to understanding the State agency's policies and procedures governing the reporting of undistributable child support collections.

We performed our fieldwork at the State agency's offices in Baltimore and Temple Hills, Maryland, from May through August 2006.

Methodology

To accomplish our objectives, we:

- reviewed applicable Federal and State laws, regulations, and guidance, including OCSE program and policy announcements;
- reviewed State agency policies and procedures for recognizing and reporting program income related to undistributable child support collections and interest earned on child support collections;
- reviewed Forms OCSE-34A and OCSE-396A and determined the undistributable child support collections reported by the State agency;
- obtained listings of all undistributed child support collections held by the State agency on December 31, 2005, and all undistributable child support collections transferred to the Abandoned Property Unit between October 1, 1998, and December 31, 2005;

- analyzed the listings and compared the data with the supporting documentation to determine the total amount that should have been reported as program income;
- reviewed undistributed child support collections data from the State agency to quantify collections that had been held beyond the State’s holding period for abandoned property; and
- reviewed accounting ledgers to verify interest earned on child support accounts that the State agency reported on Form OCSE-396A.

We performed the audit in accordance with generally accepted government auditing standards.

FINDING AND RECOMMENDATIONS

From October 1, 1998, through December 31, 2005, the State agency reported no program income from undistributable child support collections. As of December 31, 2005, the State agency had not reported program income totaling \$3,276,134 (\$2,162,248 Federal share) in undistributable collections, including:

- \$2,842,600 (\$1,876,116 Federal share) that the State agency had not recognized as abandoned property and transferred to the Abandoned Property Unit and
- \$433,534 (\$286,132 Federal share) that the State agency had recognized as abandoned property and transferred to the Abandoned Property Unit.

The State agency’s system was designed to automatically identify undistributable collections, record them on Form OCSE-34A, and transfer the information to Form OCSE-396A as program income. However, the system was improperly programmed to record “\$0,” instead of the actual undistributable collections, on Form OCSE-34A. As a result, the State agency reported “\$0” in program income from undistributable collections. In addition, State agency personnel (1) were not aware of the reporting requirements and believed that they should continue to work indefinitely to return collections instead of considering them abandoned and (2) did not follow procedures for reporting undistributable collections presumed to be abandoned.

The State agency properly reported program income for interest earned on undistributed collections and offset this amount against program expenditures.

UNDISTRIBUTABLE COLLECTIONS NOT REPORTED AS PROGRAM INCOME

Federal and State Requirements

OCSE-PIQ-88-7 states:

If a . . . collection is truly undistributable, the State may dispose of it in accordance with State law. States may, for example, provide that such collections must be refunded to the obligor or that they become the property of the State if unclaimed

after a period of time. In the latter case, . . . this revenue must be counted as program income and be used to reduce IV-D program expenditures, in accordance with Federal regulations at 45 CFR 304.50.

OCSE requires States to offset Child Support Enforcement program costs by reporting as program income any undistributable child support collections that are considered abandoned property. Instructions for line 9a of Form OCSE-34A define undistributable collections as “[t]he portion of collections reported on Line 9 that, despite numerous attempts, the State has determined it will be unable to distribute . . . and unable to return to the non-custodial parent.” Instructions for line 2b of Form OCSE-396A define program income as “[t]he total amount of other income to the State used to offset the administrative costs reported on Lines 1a or 1b. Include: . . . (ii) undistributable child support collections as reported on Line 9a of Form OCSE-34A, the ‘Quarterly Report of Collections’”

Section 17-307 of the Annotated Code of Maryland, Commercial Law (the Code), specifies the holding period for intangible personal property, which includes undistributable child support collections, before it is presumed abandoned.¹ This holding period changed twice during the review period, as shown in the following table.

Holding Periods for Collections

Payments Collected	Collections Presumed Abandoned After
Prior to July 1, 2002	5 years
July 1, 2002, through May 31, 2003	4 years
After May 31, 2003	3 years

Once undistributable collections are presumed abandoned, section 17-308.2 of the Code requires the State agency to provide written notice to the apparent owners stating that the property will become abandoned if the owner does not respond within 30 days from the date of notice. If there is no response, section 17-310 of the Code states that the State agency must submit to the Abandoned Property Unit in the State Comptroller’s office² a report listing all abandoned payments and any identifying information for the reporting period (July 1 through June 30 of each year). (See also COMAR 07.07.07.06(C)(1) and the Maryland Department of Human Resources Fiscal Policy Manual, Appendix 209.) According to amendments made in 2004 to section 17-312 of the Code, the State agency must transfer the abandoned property to the Abandoned Property Unit at the time the report is filed. COMAR 07.07.07.06(C)(2)(2006)

¹The exception is for collections that are unidentified. The Code of Maryland Regulations (COMAR) at 07.07.07.06(B)(1) provides that a child support collection that is unidentified because the custodial and noncustodial parent information is unknown is presumed abandoned after only 1 year.

²The State Comptroller is referred to as the “Administrator” in the Code (section 17-101(c)).

provides that the State agency has 30 days to remit the undistributable collections listed in the report submitted to the Abandoned Property Unit.

Section 17-313 of the Code provides that if a person presents to the State agency a legitimate claim to any collection already transferred to the Abandoned Property Unit, the State agency must pay the claim and seek reimbursement from the Abandoned Property Unit.

Undistributable Collections That Should Have Been Recognized as Abandoned and Reported as Program Income

The State agency did not recognize as abandoned property and transfer to the Abandoned Property Unit \$2,842,600 (\$1,876,116 Federal share) in undistributable child support collections that it was holding on December 31, 2005. The State agency had collected these payments prior to January 1, 2001. Accordingly, the payments should have been treated as abandoned property pursuant to State law and reported to ACF as program income.

The State agency's automated Child Support Enforcement System generates reports of undistributed child support collections sorted by age of the collection. These reports include undistributed collections that the State agency has held for longer than the maximum holding periods for abandoned property. However, the State agency did not use these reports to identify collections that should have been recognized as abandoned and report them on line 9a of Form OCSE-34A. The State agency instead programmed the system to automatically enter "\$0" in undistributable collections on line 9a of Form OCSE-34A. In turn, the system reported "\$0" in program income from undistributable collections on line 2b of Form OCSE-396A. State agency officials informed us that they were not sure why the system was programmed to automatically enter "\$0."

State officials also informed us that not all State personnel were aware of the specific timeframes for considering collections abandoned. Officials said that State personnel did not transfer some of the collections because they believed that the collections should be returned to their rightful owners no matter how long it took. We did find that State personnel were still working to return some of these collections. However, State law allows the State agency to make payments to the rightful owners after the funds have been transferred and to seek reimbursement from the Abandoned Property Unit.

Undistributable Collections That Were Recognized as Abandoned but Not Reported as Program Income

The State agency did not report program income totaling \$433,534 (\$286,132 Federal share) for undistributable child support collections that it had recognized as abandoned and transferred to the Abandoned Property Unit between October 1, 1998, and December 31, 2005. The State agency did not report these collections as program income because the State agency had programmed the system to report "\$0" in undistributable collections and did not follow its procedures for reporting as program income undistributable collections presumed to be abandoned.

RECOMMENDATIONS

We recommend that the State agency:

- transfer \$2,842,600 (\$1,876,116 Federal share) in undistributable child support collections to the Abandoned Property Unit and report it as program income;
- report as program income \$433,534 (\$286,132 Federal share) in undistributable child support collections that have already been transferred to the Abandoned Property Unit;
- modify the program used to enter information on Forms OCSE-34A and OCSE-396A to accurately recognize as abandoned and report undistributable child support collections as program income; and
- provide training to ensure that State officials follow policies and procedures for identifying abandoned property, transferring it to the Abandoned Property Unit, and reporting it as program income.

STATE AGENCY'S COMMENTS

In its comments on our draft report, the State agency agreed with all of our recommendations and said that it (1) had reported \$477,458 of the \$2,842,600 to ACF and expected to report the remaining \$2,365,142 by the second quarter of Federal fiscal year 2009; (2) had reported to ACF the \$433,534 that it previously transferred to the Abandoned Property Unit; (3) would modify the program used to report undistributable child support collections; and (4) would provide training to State employees in identifying and reporting abandoned property. The State agency's comments are included as the Appendix. We have excluded the exhibits because of their volume.

APPENDIX

State of Maryland
Department of Human Resources



Maryland's Human Services Agency

Martin O'Malley
Governor

Anthony Brown
Lt. Governor

Brenda Donald
Secretary

November 21, 2007

Stephen Virbitsky
Regional Inspector General
For Audit Services
150 S. Independent Mall West
Suite 316
Philadelphia, PA 19106-3499

Re: Audit Report No. A-03-06-00565

Dear Mr. Virbitsky:

The Maryland Department of Human Resources (DHR) is pleased to provide you with our responses to the "Review of Undistributable Child Support Collections in Maryland from October 1, 1998, through December 31, 2005"; Report Number A-03-06-00565.

We concur and agree that undistributable collections result when child support payments received by the child support agency cannot be distributed to the custodial parent or returned to the noncustodial parent. We also agree that any such undistributable collections must be reported as program income at the time the funds are considered abandoned under the State law.

We appreciated the opportunity to review the draft report, respond to the recommendations and provide status updates on actions taken or completed in response to the recommendations.

Please find enclosed a description of the corrective actions that are being implemented. If you have any additional questions or need additional information, please contact Joseph A. Jackins, Executive Director, Child Support Enforcement Administration (CSEA) at 410-767-7065.

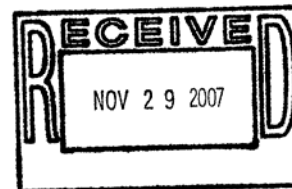
Sincerely,

A handwritten signature in cursive script that reads "Brenda Donald".

Brenda Donald
Secretary

Enclosure:

cc: Stacy Rogers, Chief of Staff, DHR
Brian Wilbon, Deputy Secretary, Operations, DHR
Joseph A. Jackins, Executive Director, CSEA
Shirley Larson, Deputy Executive Director, CSEA
Fran Johnson, Director, Office of Direct Services, CSEA
William Johnson, Inspector General, DHR
Daniel R. Levinson, Inspector General, Office of Inspector General, DHHS
Ms Juanita Devine, OCSE Program Manager, Region III



DEPARTMENT OF HUMAN RESOURCES (DHR)
CHILD SUPPORT ENFORCEMENT ADMINISTRATION (CSEA)
Responses to OIG Draft Report Entitled
"Review of Undistributable Child Support Collections in Maryland
From October 1, 1998, Through December 31, 2005"
Report Number A-03-06-00565

OIG RECOMMENDATIONS

Transfer \$2,842,600 (\$1,876,116 Federal share) in undistributable child support collections to the Abandoned Property Unit and report it as program income.

DHR/CSEA RESPONSES

Funds transferred to the OCSE-34A

We concur and agree that undistributable child support collections must be reported as program income at the time the funds are considered abandoned under the State law. Of the \$2,842,600 in undistributable child support collections, a total of \$477,457.52 (\$356,595.95 + \$120,861.57) have already been reported to the Form OCSE-34A. \$356,595.95 was transferred to the Abandoned Property Unit and included in the amount reported on line 9a of the Form OCSE-34A for the quarter ending 9/30/07, which was submitted on 10/19/07. Please see Attachment I. Also reported was \$120,861.57 on line 9a of the Form OCSE 34A for the quarter ending 6/30/07, which was submitted on 07/25/2007. Please see Attachment II.

Funds from Unprocessed, Escrow and Check Extract and Stale Dated Accounts

CSEA is in the process of developing enhancements to the automated child support enforcement system (CSES) to incorporate changes to Forms OCSE 34A and add functionality to capture and report undistributed collections that are considered abandoned property. At present, CSES is accounting for undistributed collections in three categories Unprocessed, Escrow, and Check Extract Accounts. Because CSES functionality does not currently exist to identify and report amounts that should be attributed to abandoned property, we are unable to make transfers to the State's Abandoned Property Unit. We anticipate that the CSES enhancements will be completed by the first or second quarter Federal Fiscal Year 2009. At that time, we anticipate sending **\$1,712,470.05** to the Abandoned Property Unit less any amounts distributed to the rightful owners, and the same amount will be reported in Forms OCSE 34A and 396A.

Funds from the balance of UDC over 3 years old.

The UDC older than 3 years reported on the OIG draft reports include the remaining **\$652,671.33** of the undistributable collections from years 1998 to 2005. Once the system fixes are completed, this amount will be transferred to Abandoned Property and reported on Forms OCSE 34A and 396A Reports.

DEPARTMENT OF HUMAN RESOURCES (DHR)
CHILD SUPPORT ENFORCEMENT ADMINISTRATION (CSEA)
Responses to OIG Draft Report Entitled
"Review of Undistributable Child Support Collections in Maryland
From October 1, 1998, Through December 31, 2005"
Report Number A-03-06-00565

OIG RECOMMENDATIONS

Report as program income \$433,534 (\$286,132 Federal share) in undistributable child support collections that have already been transferred to the Abandoned Property Unit.

DHR/CSEA RESPONSES

CSEA concurs and agrees with the recommendation. \$148,542.76 was reported on line 9a of Form OCSE 34A for the quarter ending 6/30/06. Please see attachment III. The balance amount of \$286,605.05 was included in the amount reported on line 9a on Form OCSE 34A for the quarter ending 9/30/07. Please see attachment I.

OIG RECOMMENDATIONS

Modify the program used to enter information on Forms OCSE-34A and 396A to accurately recognize as abandoned and report undistributable child support collections as program income.

DHR/CSEA RESPONSES

CSEA concurred and agreed with the finding to modify the program used in entering information on Forms OCSE-34A. Once the programming is completed and abandoned property amounts are reported on the OCSE-34A, the Department will be able to use this information to report abandoned property as program income on the OCSE 396A. As indicated above, the Department anticipates that the system enhancement for the OCSE 34-A will be completed by the first or second quarter of FFY 2009.

OIG RECOMMENDATIONS

Provide training to ensure that State officials follow policies and procedures for identifying abandoned property, transferring it to the Abandoned Property Unit, and reporting it as program income.

DHR/CSEA RESPONSES

CSEA concurred and agreed with the finding to provide training to State employees in policies and procedures which would enable them to identify abandoned property, report it as program income, and transfer it to the Abandoned Property Unit. A new enhanced Abandoned Property Policy is being written to coincide with the enhancement to CSES. CSEA's current policies and procedures for identifying undistributable child support collections as abandoned property and for reporting and transferring the funds to the Abandoned Property Unit are enclosed (see attachments IV & V).

In addition, CSEA issued Abandoned Property Informational Updates for Fiscal Year 2006 and 2007 for use until the system enhancements are completed (see attachment VI). Once the system fixes are completed, refresher training will be given to employees.