

LEGISLATIVE POST AUDIT REPORT

West Virginia Bureau for Child Support Enforcement

REPORT OVERVIEW

- Account balances of support monies held in local bank accounts were not reconciled to BCSE's accounting records.
- No records maintained by BCSE indicating the source of monies held in the bank accounts and, consequently, we were unable to determine if monies were deposited in a manner that conformed to the designated purpose for each account; and, \$2.5 million in repayment monies originally deposited in the manual processing account were commingled with account operating monies.
- Unable to justify five transfers totaling \$1,557,064 from a State fund to the DHHR's General Administration Federal Funds Account.



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WEST VIRGINIA LEGISLATURE
Joint Committee on Government and Finance

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The Joint Committee on Government and Finance:

In compliance with the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, we conducted a post audit of Bureau of Child Support Enforcement (BCSE). This report is limited in scope and includes all programmatic activities of the BCSE centering on the collection, documenting and disbursement of child and spousal support payments during state fiscal year 2010. Certain expenditures and support related activities conducted by BCSE are calculated or conducted on the basis of the federal fiscal year. Accordingly, we audited such expenditures and activities for federal fiscal year 2010 (October 1, 2009 – September 30, 2010). Also, we conducted audit procedures for the period of July 1, 2011 through February 29, 2012 related to the use of state-owned vehicles assigned to BCSE. A prior report on the general administration of the BCSE, including personnel and general expenditures, and other aspects of the BCSE related to the administration of the agency, was previously presented to the Post Audits Subcommittee on January 10, 2011. This audit was undertaken at the behest of the Legislative Auditor.

We have conducted our audit in accordance with Generally Accepted Government Auditing Standards except for the organizational independence impairment discussed in the Objectives and Methodologies section. Our audit disclosed certain findings which are detailed in this report. Findings that were deemed inconsequential to the financial operations of the agency were discussed with management. Bureau of Child Support Enforcement management has responded to the audit findings; we have included the responses at the end of the report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Stacy L. Sneed".

Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

**WEST VIRGINIA
BUREAU OF CHILD SUPPORT ENFORCEMENT**

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**WEST VIRGINIA
BUREAU OF CHILD SUPPORT ENFORCEMENT**

EXECUTIVE SUMMARY

Finding 1

Bank Account Reconciliations

The BCSE does not perform complete reconciliations of its J.P. Morgan Chase (JPMC) *Operating* and *Manual Processing* accounts. The BCSE's reconciliation procedures for these accounts do not include reconciling to the bank statements, nor do they include reconciling end-of-period book balances to bank balances for any given period of time—monthly or otherwise. In addition, no reconciliations or even reviews of bank statements were performed on the BB&T accounts during state fiscal year (SFY) 2010, which apparently resulted in the BCSE being unaware of three erroneous charges totaling \$281.94. Approximately \$212 million was receipted and disbursed through the JPMC bank accounts during SFY 2010. The month ending balances in these two accounts during fiscal year 2010 averaged approximately \$19.5 million. There was very little disbursement and receipts activity in the BB&T accounts during SFY 2010; however, the BB&T operating and manual processing accounts held on average approximately \$1.87 million and \$707,000.00, respectively, during SFY 2010.

Recommendation

We recommend the BCSE comply with the STO's *Outside Bank Accounts Policies and Procedures* manual and W.V. Code §5A-8-9. We also recommend that reconciliation and review procedures be performed for all bank accounts regardless of the level of activity contained within the accounts. We further recommend BCSE consider the feasibility of upgrading their accounting records so practical account information can be efficiently accessed so as to permit the performance of complete bank account reconciliations, including reconciliation of account balances from bank ledgers to the bank account balances reflected in BCSE records.

Spending Unit's Response

See Appendix B.

Finding 2

Commingled Bank Accounts

The BCSE maintains two bank accounts with JP Morgan Chase (JPMC) bank as follows: The "Operating" account is used for the receipt and distribution of regular child/spousal support payments and the "Manual Processing" account is used for transactions other than the typical receipt and disbursement of child/spousal support. During our audit we noted there were no records

maintained by BCSE that indicated the source of monies held in the accounts and, consequently, we were unable to determine if monies were deposited in a manner that conformed to the designated purpose for each account. Also, during fiscal years 2009 and 2010 \$2.5 million was transferred from the *manual processing account* to the *operating account* resulting in a commingling of manual processing monies with operating monies.

Recommendation

We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and W.V. Code §5A-8-9. We further recommend the BCSE develop and implement accounting records that document the source and nature of funds held in each of their bank accounts. We also recommend the BCSE develop internal controls whereas the segregation of manual processing monies from operating monies is maintained. Given the significance of the monies processed and held in the accounts, we believe it would be prudent for the BCSE to consider developing accounting procedures that meet basic, widely accepted standards of accountability in documenting the source and the character of the deposits held in its bank accounts.

Spending Unit's Response

See Appendix B.

Finding 3

Unsupported Transfers Totaling \$1,557,064.

The West Virginia State Tax Department intercepts state tax refunds for taxpayers who owe arrearages and deposits these monies into BCSE's Support Enforcement Program Fund (Fund 5075). During fiscal year 2010, DHHR made five transfers totaling \$1,557,064 from Fund 5075 to DHHR's General Administration Federal Funds account (Fund 8722). However, BCSE and the DHHR were unable to provide us with adequate supporting documentation justifying these transfers. Further, BCSE could not provide documentation showing an adequate audit trail in order for us to determine if the monies were properly allocated.

Auditor's Recommendation

We recommend the DHHR and the BCSE comply with W. V. Code §48-18-105, as amended, and ensure there are adequate supporting documentation necessary to justify the transfers of State tax refunds to the State's federal funds account.

Spending Unit's Response

See Appendix B.

Finding 4**Recordkeeping & Collection Procedures for BCSE Accounts Receivables**

We noted BCSE records do not sufficiently document and track accounts receivables; therefore, we were unable to determine the amount of outstanding receivables. However, in March 2008, the BCSE wrote off as uncollectable approximately \$1.87 million in receivables that originated within a three-year period of 1995 through 1997. We noted the BCSE repayment procedures do not fully employ adequate measures permissible under Federal and State laws and guidelines to effectively recoup receivables.

Recommendation

We recommend the BCSE comply with W.V. Code §48-15-105, as amended, and §48-14-404, as amended. We also recommend BCSE employ those collection methods permitted by the Federal Office of Child Support Enforcement's Action Transmittal 97-13 and clarified in their Policy Interpretation Question PIQ-02-01. Finally, we recommend the BCSE implement a comprehensive procedure that ensures appropriate record keeping.

Spending Unit's Response

See Appendix B.

Also, See Appendix A for Auditor's Comments to Response.

Finding 5:**Inadequate Documentation Policies**

In 26 of the 115 cases we tested for proper and complete documentation, we noted one or more instances where documents either were missing, incomplete, or unauthorized. Also, we noted instances in which notations of actions taken were not made to case files. Assuming our test results for our sample are reflective of the entire population of approximately 281,000 closed and current support cases, we estimated approximately 60,000 cases will have at least one pertinent document not included in the case files.

Recommendation

We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and the Code of Federal Regulations Title 45 Section 302.15 and ensure the BCSE implement adequate documentation policies and internal controls governing the maintenance, administration, and monitoring of these case files. Also, we recommend the BCSE ensure all computerized systems relied upon to serve as a case system of record include the final authorized version of any documents generated. Finally, we recommend the BCSE review their document retention schedule to reflect the addition of new information systems since this schedule was last revised in November of 2005.

Spending Unit's Response

See Appendix B.

Also, See Appendix A for Auditor's Comments to Response.

Finding 6

Inadequate Monitoring of PSI Contract

BCSE did not adequately monitor the contract of vendor, Policy Studies Inc. (PSI) during our audit period. PSI did not provide required financial documents to the BCSE and BCSE also did not maintain sufficient documentation to support meetings conducted, and, has not notified the vendor in writing of problem areas (through an "Alert Letter") since 2007. Without adequate documentation of contract monitoring, the risk of terms not being met increases. Also, due to inadequate monitoring, during federal fiscal year 2007 incentives were overpaid to PSI by \$50,662. In addition, due to lack of records, we were unable to determine if some incentives and penalties were correctly calculated resulting in our inability to confirm if amounts paid PSI based on these calculations were correct.

Auditor's Recommendation

We recommend BCSE monitor vendor performance and ensure correct amounts are paid to PSI. We also recommend BCSE pursue collection of the \$50,662. Finally, we recommend the BCSE clarify the ambiguous language as reflected in Section 3.2.5 of the contract regarding the amount of annual collections.

Spending Unit's Response

See Appendix B.

Also, See Appendix A for Auditor's Comments to Response.

Finding 7

Lack of Adequate Adjustment Processes

We noted the following exceptions related to the BCSE's adjustment process as follows: (1) The BCSE's Disbursement Unit (DU) does not currently have comprehensive written procedures governing the process of pulling checks or the process of writing checks payable to the BCSE from the BCSE in order to accomplish an adjustment to a case; (2) Adjustments effectuated by the preparation of checks payable to the BCSE from the BCSE creates, in effect, an artificial disbursement booked in the accounting records; (3) When adjustments are either performed by pulling checks written to a caretaker (CT), or checks are written by the BCSE payable to the BSCE, it is necessary to subsequently void these checks. Rather than deface the checks and maintain them in the records, the BCSE's procedure calls for shredding these checks. However, the DU did not maintain copies of these shredded checks. During state fiscal year 2009, the

amount of pulled checks totaled approximately \$580,000 and checks written to BCSE by BCSE in order to adjust case balances totaled approximately \$1,800.

Auditor's Recommendation

We recommend the BCSE comply with W.V. Code §48-18-105, as amended. We recommend the BCSE develop and document detailed and comprehensive procedures covering all facets of the adjustment process. We recommend the BCSE coordinate with DHHR-MIS to implement an adjustment process within the OSCAR system that eliminates the need to create faux disbursements in order to accomplish some account adjustments. Finally, we recommend such checks be properly voided and these checks either be maintained, or such checks be scanned prior to their destruction.

Spending Unit's Response

See Appendix B.

Finding 8

Funds Not Seized

The BCSE is not seizing all available amounts to satisfy arrearages. The BCSE currently has available to it the Financial Institution Data Match (FIDM) method. This method allows for the BCSE to initiate seizure of assets held by Non-custodial Parents (NCP). These assets could be assets/moneys held in bank accounts, brokerage accounts, or other types of financial accounts. We noted during our testing of procedures related to enforcement, in six cases the BCSE did not attempt to seize funds that would have resulted in the collection of \$4,180.75 in support arrearages.

Auditor's Recommendation

We recommend the BCSE comply with West Virginia Code 48-18-105, as amended, and ensure that methods as allowed by West Virginia Code 48-18-124 are implemented. Also, we recommend the BCSE pursue collections of arrearages owed to its clients and the state from available balances as noted by the OSCAR system.

Spending Unit's Response

See Appendix B.

Also, See Appendix A for Auditor's Comments to Response.

Finding 9:

Inadequate Procedures Governing the Enforcement of Liens

Condition:

We tested 200 support cases and noted BCSE had liens imposed on NCPs for 63 of these cases as a means to collect support arrearages. We noted seven of these cases had eight liens (one case had two liens imposed) that were not

removed promptly after the arrearages were satisfied. These liens have remained active an average of 823 days after the satisfaction of the support arrearages. Only one lien was released as of 06/18/2012, the last date of auditor verification. For the seven liens that were not released, the last verification date was used to calculate the number of days the liens remained active after satisfaction of support arrearage.

Auditor's Recommendation

We recommend the BCSE comply with W.V. Code §48-1-234, §48-1-235, §48-14-211, and §48-14-305, as amended, and develop internal controls that ensure liens are released promptly after arrearages and interest are paid.

Spending Unit's Response

See Appendix B.

Finding 10

Monitoring of Accounts Maintained with BB&T

Condition:

We noted both Branch Banking and Trust (BB&T) accounts maintained by the BCSE had not been effectively monitored or controlled. During state fiscal year 2010, the *operating* and *manual processing* accounts maintained with BB&T held on average approximately \$1.87 million and \$0.71 million, respectively. The bulk of the approximately \$200 million dollars of receipts were processed through the accounts maintained with JPMC. We noted:

- There was no valid contractual agreement specifying the purpose or use of these bank accounts;
- There was no documented agreement in effect regarding the rate to be charged by BB&T for conducting support records research;
- Service charges assessed for these accounts were not itemized and could not be recalculated.

Auditor's Recommendation

We recommend the BCSE comply with W.V. Code §48-18-102, as amended, and with the West Virginia Purchasing Handbook. We recommend the BCSE ensure that all future expenditures are made through valid legal contracts when deemed appropriate by West Virginia Code and by policies promulgated by the West Virginia Purchasing Division.

Spending Unit's Response

See Appendix B.

Finding 11: Monitoring of State-Owned Vehicles.

Condition: The BCSE is not maintaining adequate documentation or control over its state owned vehicles. We noted per our review the following exceptions related to the use of State Vehicles:

- Mileage logs were not maintained for any of the seven (7) vehicles leased to BCSE.
- The BCSE/DHHR did not validate drivers' licenses prior to allowing employees to operate state-owned vehicles.
- One vehicle did not have the required State decal. All new vehicles (model year 2011 or newer) are required by Legislative rule to be marked with either the seal of the State of West Virginia or the seal or the insignia of the state agency.

Auditor's Recommendation

We recommend the BCSE/DHHR comply with all the DOA Legislative Rules and require the use of mileage logs for state-owned vehicles, periodically validate driver's licenses of employees prior to allowing them to operate state-owned vehicles, and ensure that state-owned vehicle decals are attached on those vehicles that are required to have such decals.

Spending Unit's Response

See Appendix B.

Finding 12 PayConnexion Receipts not Adequately Tracked.

The BCSE did not receive adequate documentation of amounts applied to their bank account. We noted the following exceptions:

- All of the transactions tested involving the Pay Connexion service used by JPMC to process support payments made by credit card, debit card, e-checks, and other electronic payment methods could not be traced due to missing documentation.
- The BCSE did not receive adequate documentation of the composition of credits applied to their main JPMC operating account totaling approximately \$2.5 million dollars over a two (2) month period.

Auditor's Recommendation

We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and ensure bank contract terms require bank statements with sufficient details necessary to disclose the source of all receipts.

Spending Unit's Response

See Appendix B.

Finding 13

Missing Documentation

The BCSE currently uses a process that included both optional and mandatory referrals. Optional referrals are those in which one (or both) parties requests the services of the BCSE using either an application printed from the Internet or one prepared with the help of the caseworker during an interview at a field offices. Mandatory referrals are those made by another state agency, such as the Bureau of Children and Families (BCF), in which one of the parties has received some type of assistance through the agency. In these cases, the state will refer the cases using interfaces between each agency's information systems. We have noted the following exceptions regarding this process below:

- We noted for 15 of the 320 cases tested were not supported by an application or referral.
- We noted after review, 35 of 248 IV-A¹ cases showed the case initiation date was significantly before the referral date per the RAPIDS system. When projected this equals approximately 18,132 cases in the OSCAR system.

Auditor's Recommendation

We recommend the BCSE comply with W.V. Code §48-18- 105, as amended, and ensure documentation necessary to determine if support orders and applications/referrals were inputted in a timely manner are maintained. Also, we recommend the BCSE comply with Title 45, Part 303, Section 02, Subpart b of the Code of Federal Regulations and ensure records are maintained documenting applications have been entered within 20 days as required.

Spending Unit's Response

See Appendix B.

Also, See Appendix A for Auditor's Comments to Response.

¹ IV-A cases refer to Temporary Assistance for Needy Families (TANF). These cases are referred by the Bureau of Children and Families (BCF) as a result of a TANF applicant having a need to establish a support order. It is required by WV law that the TANF applicant assign their support rights over to the state to allow for the state to recoup some of the cost of assistance.

Finding 14

Inadequate of Segregation of Controls

We noted incompatible duties in receipts processed through the *manual processing* account. For these receipts, one BCSE employee was responsible for the initial receipt of manual processing monies, for entering the payments into the accounting records, and for depositing the receipts into the bank account. This employee was also responsible for processing refunds for certain cases. The BCSE was unable to provide any records documenting the performance of external reviews of this employee’s work. Approximately, \$1.16 million was deposited into the *manual processing* account during state fiscal year 2010.

Auditor’s Recommendation

We recommend that BCSE comply with W.V. Code §5A-8-9(b) and strengthen internal controls to help reduce the risk of skimming or theft. This can be achieved by assigning another employee(s) who could help implement controls such as authorizations, reconciliations, and review or oversight of work.

Spending Unit’s Response

See Appendix B.

Finding 15

Special Handled Checks.

Condition:

While reviewing BCSE disbursements for State Fiscal Year (SFY) 2009, we noted the DHHR Finance Division processed 96 checks by “special handling;” whereas, the expenditures were either exclusively paid from BCSE accounts, or the expenditures were allocated in part to BCSE funds in combination with funds of other DHHR bureaus and divisions. We believe the DHHR did not have sufficient reasons in order to justify the “special handling” 81 of these checks totaling \$186,171.

Auditor’s Recommendation

We recommend the DHHR and the BCSE comply with W.V. Code §5A-8-9 and W.V. Code §12-3-1a, as amended, and avoid processing payments by “special handling” unless circumstances justify such processing.

Spending Unit’s Response

See Appendix B.

Also, See Appendix A for Auditor’s Comments to Response.

**WEST VIRGINIA
BUREAU OF CHILD SUPPORT ENFORCEMENT**

INTRODUCTION

POST AUDIT AUTHORITY

This is a report on the post audit of the West Virginia Bureau of Child Support Enforcement (BCSE). This audit report includes all programmatic activities of the BCSE centering on the collection, documenting and disbursement of child and spousal support payments. This audit report also covers activities conducted by both the BCSE and DHHR centering on the proper use of State Vehicles during a portion of the 2012 State Fiscal Year. The audit was conducted pursuant to Chapter 4, Article 2 of the West Virginia Code, as amended, which requires the Legislative Auditor to “make post audits of the revenues and funds of the spending units of the state government, at least once every two years, if practicable, to report any misapplication of state funds or erroneous, extravagant or unlawful expenditures by any spending unit, to ascertain facts and to make recommendations to the Legislature concerning post audit findings, the revenues and expenditures of the state and of the organization and functions of the state and its spending units.”

BACKGROUND

In 1975, Congress passed P.L. 93-647 establishing the Federal Child Support Enforcement program as Title IV-D of the Social Security Act. (42 U.S.C. §§ 651 *et seq.*, and Title IV-D §§ 451 *et seq.* of the Social Security Act) Title IV-D and its subsequent amendments contain the requirements for the Child Support Enforcement program. The Federal Office of Child Support Enforcement (OCSE) is part of the U.S. Department of Health and Human Services. Although, the primary responsibility for operating child support enforcement programs is placed on the States; the OCSE provides assistance to the States in developing, managing, and operating their respective child support programs.

In 1976, the child support program under Title IV-D of the Act began operating in West Virginia. West Virginia’s Bureau for Child Support Enforcement (BCSE) is located within the Department of Health and Human Resources. It is the office which has been designated as the single State agency to administer and operate the State’s IV-D Program. The program is provided in all 55 counties of the State. The BCSE processes approximately \$210 million in child and spousal support payments per year by receiving and processing support payment receipts from non-custodial parents and distributing them to caretakers as determined and ordered by a Family Law Judge. The majority of West Virginia’s child support laws can be found in Chapter 48 of the West Virginia Code. Laws pertaining to the BCSE can be found in WV Code §48-18 *et seq.*

**WEST VIRGINIA
BUREAU OF CHILD SUPPORT ENFORCEMENT**

SPENDING UNIT CONTACTS

Bureau of Child Support Enforcement

Garrett Jacobs Commissioner
David Welker Deputy Commissioner
Beverly Kimberling Commissioner Secretary
Hal Pendell Deputy Commissioner/Chief Financial Officer
Stacey Cullen Distribution Unit Manager
Heidi Talmage Deputy General Counsel
Karen Yahr Manager of Policy and Training
Betty Justice Manager of the Performance Evaluation Unit
Tammy Bradshaw Personnel Coordinator
Susan Linville Fiscal Unit Manager

Department of Health and Human Resources

Tara L. Buckner Chief Financial Officer
Starlah A. Wilcox Chief Budget Officer
Terry L. Wass Director of Office of Safety, Security and Loss Management
Brian Cassis Director of Internal Control and Policy Development

**WEST VIRGINIA
BUREAU OF CHILD SUPPORT ENFORCEMENT**

AUDIT SCOPE

We have audited the West Virginia Bureau of Child Support Enforcement (BCSE). The audit was limited in scope and included all programmatic activities of the BCSE centering on the collection, documenting and disbursement of child and spousal support payments during state fiscal year 2010. Certain expenditures and support related activities conducted by BCSE are calculated or conducted on the basis of the federal fiscal year. Accordingly, we audited such expenditures and activities for federal fiscal year 2010 (October 1, 2009 – September 30, 2010). Also, we conducted audit procedures for the period of July 1, 2011 through March 1, 2012 related to the use of state-owned vehicles assigned to BCSE. Our audit scope included a review of internal control and compliance with laws, regulations, and provisions of contract agreements. A prior audit was released during January 2011 on the general administration of the BCSE including personnel, general expenditures, minor contracts, and other aspects of the BCSE concerned with the administration of the agency. Except for the independence impairment that ensued when the President of the West Virginia Senate became Acting Governor of West Virginia, we have conducted our audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

OBJECTIVES AND METHODOLOGIES

The objectives of our post audit were to audit programmatic activities of the BCSE related to the collection, documenting and disbursement of child and spousal support payments and to audit the use of state-owned vehicles assigned to BCSE. Our objectives also included reporting any misapplication of state funds or erroneous, extravagant, or unlawful expenditures, and to ascertain facts and make recommendations to the Legislature concerning audit findings, the expenditures of the state and of the organization, and functions of the state and its spending units. This audit was undertaken at the behest of the Legislative Auditor.

Except for the organizational impairment described in the following paragraph, we conducted this post audit, which is a performance audit, in accordance with the standards applicable to performance audits contained in generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. An audit includes examining, on a test basis, evidence about BCSE compliance with those requirements referred to above and performing such other procedures, as we considered necessary in the circumstances. Our audit does not provide a legal determination of BCSE compliance with those requirements.

In accordance with W. Va. Code §4-2, the Post Audit Division is required to conduct post audits of the revenues and expenditures of the spending units of the state government. The Post Audit Division is organized under the Legislative Branch of the State and our audits are reported to the Legislative Post Audits Subcommittee. Therefore, the Division has historically been organizationally independent when

audits are performed on an agency, board, or program of the Executive Branch of the State. However, this organizational independence was impaired when the President of the Senate became acting Governor of the State on November 15, 2010, in accordance with W.V. Code §3-10-2. Audits conducted or completed after this date, but before November 13, 2011, will not comply with Generally Accepted Governmental Auditing Standards (2007 Revision) sections 3.12 – 3.15. These sections of the auditing standards assert that the ability of an audit organization to perform work and report the results objectively can be affected by placement within the governmental organizational structure. Since the President of the Senate was acting Governor, the Executive Branch had the ability to influence the initiation, scope, timing, and completion of any audit. The Executive Branch could also obstruct audit reporting, including the findings and conclusions or the manner, means, or timing of the audit organization's reports.

To achieve our audit objectives, we reviewed Chapter 48, Article 18 and Chapter 14, Article 1 of the WV Code; the US Code of the Social Security Acts IV-D and IV-E; and other applicable rules, regulations, and policies of BCSE. Provisions we considered significant were documented and compliance with those requirements was verified by interview, observations of BCSE operations, and through inspections of documents and records. We obtained the financial information recorded in WVFIMS for the audit period and conducted audit procedures. We tested transactions and performed other auditing procedures we considered necessary to achieve our objectives. Additionally, we reviewed the budget, studied financial trends, and interviewed BCSE personnel to obtain an understanding of the programs and the internal controls respective to the scope of our audit. In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of materiality and risk.

We did not audit BCSE federal financial assistance programs for compliance with federal laws and regulations because the State of West Virginia engages an independent accounting firm to annually review such programs administered by State agencies.

To select transactions for testing, both statistical and non-statistical sampling approaches were used. Our samples of transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Transactions were either randomly selected for testing or, in some instances were deemed appropriate, by professional judgment.

BCSE written responses to the deficiencies identified in our audit have not been subject to the auditing procedures applied in the audit of BCSE.

BCSE management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules, and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

We did not disclose any identifying information concerning employees or vendors within this report in an effort to protect the privacy and interests of all parties. This lack of disclosure is not significant to the understanding of this report and should have no impact on the usefulness of the information provided. All information pertinent to the report has been disclosed.

This communication is intended solely for the information and use of the Post Audits Subcommittee, the members of the WV Legislature, and management of BCSE. However, once presented to the Post Audits Subcommittee, this report is a matter of public record and its distribution is not limited. Our reports are designed to assist the Post Audits Subcommittee in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

CONCLUSION

BCSE generally had adequate internal controls over the disbursement and receipt of support payments for both cases subject to the guidelines of the Federally Administered Child Support Program and for cases not subject to these guidelines. In addition, the BCSE has generally maintained adequate control over its banking vendor. However, this report includes instances of noncompliance with the West Virginia Code, the U.S. Code of Federal Regulations, West Virginia Purchasing Policies and Procedures and provisions of contracts governing services provided by private vendors. A significant majority of the findings in this report were due either to a lack of procedures governing certain processes, limitations of the agency's computerized systems, inadequate records, and inadequate knowledge by agency staff of applicable laws, rules, regulations and contract provisions.

**WEST VIRGINIA
BUREAU OF CHILD SUPPORT ENFORCEMENT**

REPORTABLE COMPLIANCE AND OTHER MATTERS

Finding 1: Bank Account Reconciliations

Condition: The BCSE maintained four bank accounts with two vendors during our audit period (fiscal year 2010). Two accounts were held with J.P. Morgan Chase (JPMC)—the current contracted vendor for processing support payments. Also, two additional accounts were held with Branch Banking and Trust (BB&T). BB&T was the previous contracted vendor for processing support payments. These accounts were not closed after the contract was rebid and awarded to JPMC in 2005.

Approximately \$212 million was receipted and disbursed through the JPMC bank accounts during state fiscal year (SFY) 2010. The month ending balances in these two accounts during fiscal year 2010 averaged approximately \$19.5 million. The operating and manual processing accounts maintained with BB&T held on average approximately \$1.87 million and \$707,000.00, respectively. There was very little activity in the two BB&T accounts during SFY 2010 beyond interest earnings and the payment of research “service fees”.

The BCSE performs reconciliation procedures for the JPMC bank accounts; however, these procedures do not include reconciling to the bank statements, nor do they include reconciling end-of-period book balances to bank balances for any given period of time—monthly or otherwise. The reconciliation that is performed is a daily reconciliation for the previous business day’s receipts and disbursements. It involves comparing receipt and disbursement reports run from BCSE’s OSCAR (On-line Support Collections and Reporting) system with information contained within JPMC’s bank records accessible by the BCSE’s Chief Financial Officer (CFO) through a web-based portal.

These OSCAR receipt and disbursement records are entered independently of the bank records; however, they are based on the same source documentation (e.g., checks received, etc). Although the bank records used by the CFO for the reconciliation procedure is uploaded by the bank to execute debits and credits to the BCSE’s bank accounts, it is not synonymous with the actual bank ledger. It does not necessarily account for all debits made to the bank accounts—including any adjustments/debits made to the account as the result of non-sufficient fund (NSF) checks.

Also, as stated earlier, the reconciliation procedure does not reconcile balances in the bank account to balances in the OSCAR system. In fact, the OSCAR system is not designed to provide information on overall balances held within the BCSE bank accounts.

In addition, no reconciliations or even reviews of bank statements were performed on the BB&T accounts during SFY 2010. The decision not to perform reconciliations was apparently the result of the relatively limited number of transactions occurring in these accounts. However, we noted during our review of the debits in the accounts three erroneous, and possibly fraudulent, debits totaling \$281.94. Two payments appear to have been made to a power/utility company and one payment was made to a cellular telephone company.

Criteria:

The West Virginia State Treasurer's Office (STO) *Outside Bank Accounts Policies and Procedures* manual states in part:

“...III. Maintaining Control Over Outside Bank Accounts

A. At the end of each fiscal year, as of June 30 and due by July 31, and at various times determined by the STO, state agencies maintaining outside bank accounts must provide the following information:...

2. Bank reconciliations

E. State agencies should maintain as much internal control over outside bank accounts as possible. Some internal control suggestions would be:...

3. Accounts should be reconciled on a monthly basis.

4. Reconciliations should be signed by the preparer and reviewer....” (**Emphasis Added**)

W.V. Code §5A-8-9 states in part,

“...The head of each agency shall:

(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency's activities....”

Cause:

The BCSE stated reconciliations of monthly bank account statements to BCSE accounting records are not performed. Specifically, for the manual processing account, the BCSE CFO stated:

“Reconcilement of this account has never been treated as a true balancing/reconcilement process in part due to the inability of that account to support traditional distributions.”

There is no efficient and practical way for BCSE to access cash balances within OSCAR that can be used to reconcile to amounts deposited in BCSE's bank accounts. The BCSE has used the OSCAR system since 1994, for the dual

purposes of documenting child support case management processes and as a financial accounting system that tracks child/spousal support receipts and disbursements from the JPMC bank accounts. The BCSE was unable to consolidate all of the distribution and receipt information within the system into a single balance that could be reconciled to the amounts on deposit with the bank(s), despite consulting with DHHR-MIS². Also, due to the limitations in the BCSE's accounting system, the BCSE is unable to provide adjusted book balances in order to fully reconcile the accounts.

Effect:

The four accounts maintained by the BCSE during the audit period contained well over \$200 million with the bulk of the funds residing with JPMC. It is our opinion the reconciliation performed by BCSE mitigates to some degree the potential of errors or fraudulent activities. However, we are also of the opinion the assurance currently provided does not rise to the level of assurance that would be provided if a complete reconciliation was performed of balances denoted on bank ledgers to balances recorded in comprehensive BCSE accounting records—assuming such records existed.

Also, due to limitations in accessing the data contained with the BCSE's OSCAR system, the BCSE could not account for differences noted in our proof of cash of the main JPMC Operating account which included a shortage of over \$2.3 million for one month of SFY 2010 and an overage averaging over \$812,000.00 per month for the remaining 11 months of that year.

In addition, the BCSE performed no reconciliations on the BB&T accounts. This apparently resulted in the BCSE being unaware of three erroneous charges totaling \$281.94 all occurring within a three-day period in August 2009. Although these debits were not significant, it is conceivable material unauthorized or fraudulent disbursements could have been made from the accounts and not have been detected since reconciliations or reviews of the bank statements were not performed.

Recommendation:

We recommend the BCSE comply with the STO's *Outside Bank Accounts Policies and Procedures* manual and W.V. Code §5A-8-9. We also recommend that reconciliation and review procedures be performed for all bank accounts regardless of the level of activity contained within the accounts. We further recommend BSCE consider the feasibility of upgrading their accounting records so practical account information can be efficiently accessed so as to permit the performance of complete bank account reconciliations, including reconciliation of account balances from bank ledgers to the bank account balances reflected in BCSE records.

Spending Unit's

Response:

See Appendix B

² ¹ The West Virginia Department of Human Resources' Management Information Systems Division. The Division is responsible for administering and programming the OSCAR system.

Finding 2:

Commingled Bank Accounts

The BCSE maintains two bank accounts with JP Morgan Chase (JPMC) bank as follows:

- (1) The “operating” account is used for the receipt and distribution of regular child/spousal support payments. The majority of payments received by the BCSE are through this account. The account is managed by JPMC with oversight conducted by the BCSE.
- (2) The “manual processing” account, according to documentation provided by the WV Office of the State Treasurer, was “...set-up to collect repayments...” According to BCSE personnel, the account is used for transactions other than the typical receipt and disbursement of child/spousal support. Such uses for the account include, but are not limited to: (a) Support payments that are required by court order to be applied to obligations in a manner that is inconsistent with the payment hierarchy programmed in BCSE’s automated electronic accounting system; (b) Payments used to reimburse the State for expenses incurred in the support process; (c) Payments or refunds due to non-custodial parents; and (d) Monies required by legal decree to be reimbursed to the BCSE by certain non-custodial parents for costs incurred by BCSE in establishing their paternity.

Each account was set-up for specific purpose according to BCSE and according to documentation provided by the Office of the State Treasurer. The character of the monies to be deposited into the JPMC *manual processing account* is, by definition, distinct from the character of the monies to be deposited into the JPMC *operating account*. In fact, it is our understanding the accounts were set-up as a way of maintaining the integrity of the monies deposited into each. However, during our audit we noted there were no records maintained by BCSE that indicated the source of monies held in the accounts and, consequently, we were unable to determine if monies were deposited in a manner that conformed with the designated purpose for each account.

All disbursements initiated by BCSE are made from the operating account even if a particular disbursement is properly defined as a *repayment*. It follows that, subsequent to *repayment* disbursements made from the *operating* account, monies be transferred from the *manual processing account* to reimburse the operating account on a dollar-for-dollar basis. This would be done in order to maintain the integrity of the funds held in each account.

However, the BCSE does not track *repayment* disbursements made from the operating account so as to properly reimburse the *operating account* on a dollar-for-dollar basis. Rather, monies are simply transferred from the *manual processing account* to the *operating account* on an “as needed” basis. This practice fails to protect the integrity of the accounts and results in an obvious commingling of repayment monies deposited in the *manual processing account*

with operating monies. We noted two such “as needed” transfers totaling \$2.5 million were made from the *manual processing account* to the *operating account* during fiscal years 2009 and 2010.

Criteria:

W. V. Code §48-18-105, as amended, states in part:

“General duties and powers of the Bureau for Child Support Enforcement

...(16) To adopt standards for staffing, record-keeping, reporting, intergovernmental cooperation, training, physical structures and time frames for case processing;...” **(Emphasis Added)**

W.V. Code §5A-8- 9 states in part,

“...The head of each agency shall:

(b) **Make and maintain records containing adequate and proper documentation** of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the state and of persons directly affected by the agency’s activities....” **(Emphasis Added)**

Cause:

The BCSE does not currently have accounting books of record that adequately account for all funds currently on deposit in the JPMC bank . The JPMC *operating account* is used to make all distributions. This includes distributions properly defined as *repayments*. Transfers made from the *manual processing account* to the *operating account* are not based upon the distributions made from the JPMC *operating account*, but are instead done on an “as needed” basis based upon the *operating account* balance.

Effect:

Approximately \$212 million was receipted and disbursed through the JPMC bank accounts during fiscal year 2010. The month ending balances in these two accounts during fiscal year 2010 averaged approximately \$19.5 million. We believe the lack of accounting records for documenting the source of funds held in the bank accounts and the practice of transferring monies from one account to the other, with no consideration of the character of the monies transferred, increases the risk of monies being erroneously or fraudulently disbursed without detection.

Recommendation:

We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and W.V. Code §5A-8-9. We further recommend the BCSE develop and implement accounting records that document the source and nature of funds held in each of their bank accounts. We also recommend the BCSE develop internal controls whereas the segregation of manual processing monies from operating monies is maintained. Given the significance of the monies processed and held in the accounts, we believe it would be prudent for the BCSE to consider developing

accounting procedures that meet basic, widely accepted standards of accountability in documenting the source and the character of the deposits held in its bank accounts.

**Spending Unit's
Response:**

See Appendix B

Finding 3: Unsupported Transfers Totaling \$1,557,064.

Condition: The West Virginia State Tax Department intercepts state tax refunds for taxpayers who owe arrearages and deposits these monies into BCSE's Support Enforcement Program Fund (Fund 5075). During fiscal year 2010, DHHR made five transfers totaling \$1,557,064 from 5075 to the DHHR's General Administration Federal Funds account (Fund #8722). However, BCSE and the DHHR were unable to provide us with adequate supporting documentation justifying these transfers. Further, BCSE could not provide documentation showing an adequate audit trail in order for us to determine if the monies were properly allocated.

Criteria: W.V. Code §48-18-105, as amended, states in part:

"General duties and powers of the bureau for child support enforcement.

In carrying out the policies and procedures for enforcing the provisions of this chapter, the bureau shall have the following power and authority:

.... (16) ***To adopt standards for*** staffing, record-keeping, reporting, intergovernmental cooperation, training, physical structures and time frames for case processing;.... **(Emphasis Added)"**

Cause: As explained by DHHR Grant Management Personnel, the individual expenditures paid from the monies "swept" or transferred from Fund 5075 to Fund 8722 are not supported due to the large amount of individual disbursements.

"Per draft review..., the swept amounts related to Fund 5075 cannot be tied to an individual payment...as we may have 200 payments in WVFIMS and the funding is swept to cover them in the entirety."

Effect: Without adequate documentation supporting these transfers, we could not determine if the monies were used in accordance with Federal and State regulations. The DHHR and BCSE could not provide us with adequate documentation to justify the transfer of supporting moneys to DHHR's federal fund account.

Recommendation: We recommend the DHHR and the BCSE comply with W.V. Code §48-18-105, as amended, and ensure there are adequate supporting documentation necessary to justify the transfers of State tax refunds to the State's federal funds account.

Spending Unit's Response: See Appendix B

Finding 4: Recordkeeping & Collection Procedures for BCSE Accounts Receivables

Condition: Due to variety of circumstances incurred in administering the support enforcement program, the BCSE accumulates accounts receivables due primarily from caretakers, non-custodial parents and employers of non-custodial parents. In regards to these receivables, we noted the following:

- (1) BCSE records do not sufficiently document and track receivables owed to BCSE; and
- (2) BCSE repayment procedures do not fully employ adequate measures permissible under Federal and State laws and guidelines to effectively recoup receivables.

Our conclusions are based on the following:

- The BCSE was unable to provide us with an accounts receivable report. Therefore, we could not secure a list of debtors, we could not establish the age of the receivables, nor could we efficiently determine the total amount of receivables due BCSE for any given point in time;
- The BCSE does not currently have a centralized method of tracking and preserving all signed repayment agreements.
- The source deemed to be most complete in regards to outstanding receivables was the Central Auditing Unit's (CAU) database. However, this database does not contain all relevant information as noted in the repayment agreement;
- The BCSE does not currently use all of the collection methods available to it permitted by either Federal code or West Virginia code to recoup overpayments. Such available methods not in use by BCSE include:
 - Obtaining upfront permission from the CT during the initial application process whereas the CT agrees to allow the BCSE to recoup any overpayments made to the CT from subsequent BCSE receipts of support monies for the case;
 - In lieu of such upfront permission, assuming such permission is granted by default when no response is received within a reasonable time after a third letter has been mailed to the CT asking for permission recoup overpayments made to the CT;
 - Issuing an income withholding (wage garnishment order) to the CT's employer to recoup the amount of an overpayment if certain other avenues of collection have been tried and prove to be ineffective or

not applicable. Since this is not an attempt to divert support payments, the CT's permission is not required;

Criteria:

W. V. Code §48-18-105, as amended, states in part:

“General duties and powers of the Bureau for Child Support Enforcement

...(16) To adopt standards for staffing, record-keeping, reporting, intergovernmental cooperation, training, physical structures and time frames for case processing;...” **(Emphasis Added)**

W. V. Code §48-14-404, as amended, states in part:

“...If no arrearage exists with which to offset the overpayment or the arrearage is not sufficient to offset the overpayment and the obligee does not enter into a repayment agreement with the Bureau for Child Support Enforcement, the Bureau for Child Support Enforcement may issue an income withholding to the obligee's employer to recoup the amount of the overpayment....” **(Emphasis Added)**

The Federal Office of Child Support Enforcement (OCSE), which administers at the Federal level the Child Support Program under Title IV, Part D of the Society Security Act, provided guidance to states in relation to recouping overpayments made to CTs in their Action Transmittal-97-13. This publication states in part:

“...Q13: When custodial parents are overpaid, or warrants are returned by the bank to the SDU as insufficient funds, are States allowed under federal regulations to offset the overpayment from the custodial parent's next monthly support check?

A13: No. All collections must be distributed in accordance with the requirements of section 457 of the Act. **However, a State may recoup the overpayment to a custodial parent from the next monthly support payment if the custodial parent agrees, in writing, to allow the State to do so....”**³**(Emphasis Added)**

The OCSE's Policy Interpretation Question for 2002 (PIQ-02-01) states in part:

“...Client permission to recoup an overpayment may be obtained during the IV-D application process. A state may consider client permission as a document that the custodial parent signs and

³ “SDU” as used in this quote is an abbreviation for “State Disbursement Unit.” Section IV-D of the Social Security Act requires States to establish an SDU agency (or agencies) for the collection and disbursement of payments under orders in IV-D cases and in non-IV-D cases in which the support order was initially issued on or after January 1, 1994, and in which the income of noncustodial parent is subject to withholding.

indicates by checking a 'yes' or 'no' box, that the state may withhold an incremental amount, at a reasonable rate, from future child support payments to correct an overpayment.

2. When custodial parents do not respond to letters from the state requesting permission to recoup an overpayment from the next or subsequent child support payment, permission may be assumed when no response is received after a third letter asking for permission is sent to a custodial parent...." (Emphasis Added)

Cause: According to the CFO for BCSE any possible BCSE repayment policy would be too "unwieldy" due to the high volume of BCSE overpayments and the complexity of the laws regarding the determination and collection of repayment debt. We were also told by the BCSE Assistant General Counsel that the BCSE does not use wage garnishments for overpaid CTs (reverse income withholdings) as a repayment method due to the complexity the process would present in programming the OSCAR system to perform this task.

Effect: The BCSE's has no practical method of determining how much money is owed either to the State or to the State's public assistance programs in the form of BCSE receivables that have resulted during BCSE's operation of the State's support enforcement program. Therefore, any rationale estimation as to the potential cost to the State in uncollectable receivables resulting from BCSE's operation of enforcement program cannot be reasonably calculated. However, some indication of the significance is given by the fact that in March 2008, the BCSE wrote off as uncollectable approximately \$1.87 million in receivables that originated within a three-year period of 1995 through 1997. This, in turn, necessitated a Legislative annual appropriation of \$300,000 each year from fiscal year 2009 through fiscal year 2013 in order to off-set the costs of the write-offs.

Although, we cannot in any efficient manner determine the amount of outstanding receivables, we believe the lack of comprehensive collection procedures has increased the amount of receivables that have remained uncollected. Resulting write-offs of such uncollected debt has increased, and will further increase, the cost to the State in running the State's support enforcement program.

Recommendation: We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and §48-14-404, as amended. We also recommend BCSE employ those collection methods permitted by the Federal Office of Child Support Enforcement's Action Transmittal 97-13 and clarified in their Policy Interpretation Question PIQ-02-01. Finally, we recommend the BCSE implement a comprehensive procedure that ensures appropriate record keeping.

Spending Unit's Response:

**See Appendix B
Also, see Appendix A for Auditor's Comment to Response**

Finding 5: Inadequate Documentation Policies

Condition: In addition to financial records documenting the collection and disbursement of child and spousal support, there are additional documents generated in a typical support case. The BCSE relies upon supporting documents maintained in electronic format. During, our audit period the BCSE implemented an electronic scanning system and for a portion of this audit period had to rely upon hard copy case records to perform their duties. Case file records generated include, but are not limited to, the following:

- Applications requesting child support services;
- Court Orders ruling on child support cases;
- Correspondence to and from caretakers (CTs) and non-custodial parents (NCPs) regarding decisions rendered and either actions taken or actions that may be taken in regards to a case;
- Correspondence to and from employers of NCPs regarding current or possible future wage garnishment of NCPs as a means to secure support obligations;
- Information and completed forms maintained in either the Online Support, Collections, and Reporting (OSCAR) system, the FormQUEST system, and other information systems maintained by the BCSE.

In 26 of the 115 cases we tested for proper and complete documentation, we noted one or more instances where documents either were missing, incomplete, or unauthorized. Also, we noted instances in which notations of actions taken were not made to case files. Assuming our test results for our sample are reflective of the entire population of approximately 281,000 closed and current support cases, we estimated approximately 60,000 cases will have at least one pertinent document not included in the case files.

Criteria: W.V. Code §48-18-105, as amended, states in part:

“General duties and powers of the bureau for child support enforcement.

In carrying out the policies and procedures for enforcing the provisions of this chapter, the bureau shall have the following power and authority:

.... (16) ***To adopt standards for*** staffing, record-keeping, reporting, intergovernmental cooperation, training, physical structures and time frames for case processing;.... **(Emphasis Added)”**

Title 45 of the Code of Federal Regulations states in part:

“§ 302.15 Reports and maintenance of records.

“The State plan shall provide that:

(a) The IV-D agency will maintain records necessary for the proper and efficient operation of the plan, including records regarding:

(1) Applications pursuant to § 302.33 for support services available under the State plan;

(2) Location of noncustodial parents, actions to establish paternity and obtain and enforce support, and the costs incurred in such actions;

(3) Amount and sources of support collections and the distribution of these collections;

(4) Any fees charged or paid for support enforcement services;

(5) Any other administrative costs;

(6) Any other information required by the Office; and

(7) Statistical, fiscal, and other records necessary for reporting and accountability required by the Secretary. The retention and custodial requirements for these records are prescribed in 45 CFR part 74.”

Cause: Upon the request for a missing document, we were informed the only document available in most cases must be reprinted and doesn't represent the finished/final copy including any necessary signatures or endorsements by a caseworker or other BCSE personnel. Upon communication with the BCSE, we were informed that upon a case narrative's creation within the OSCAR system if the document is not noted as being necessary per the scanning policies or per the documentation retention policy it will not be maintained. This would include notices of actions taken, and form letters sent to various parties related to the case. In reference to the forms prepared using the FormQUEST system, the BCSE does not currently retain all authorized FormQUEST documents in their case files, they rely upon the finalized unsigned documents.

Effect: When certain relevant case documents are not retained, information supporting the proper completion of tasks related to administering a case cannot be determined. These forms and documents offer evidence of those steps taken by BCSE staff and others in administering child support cases are systematic, rational and in accord with Federal and State laws and guidelines. This, in turn,

limits the effectiveness of audits and management oversight of caseworker performance. Also, failure to have a well-defined document retention policy contributed to a lack of consistency in the documents retained in the case files noted by us during the audit when comparing the files maintained by the various BCSE caseworkers.

Recommendation: We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and the Code of Federal Regulations Title 45 Section 302.15 and ensure the BCSE implement adequate documentation policies and internal controls governing the maintenance, administration, and monitoring of these case files. Also, we recommend the BCSE ensure all computerized systems relied upon to serve as a case system of record include the final authorized version of any documents generated. Finally, we recommend the BCSE review their document retention schedule to reflect the addition of new information systems since this schedule was last revised in November of 2005.

**Spending Unit's
Response:**

**See Appendix B
Also, see Appendix A for Auditor's Comment to Response**

Finding 6: Inadequate Monitoring of PSI Contract.

Condition: BCSE did not adequately monitor the contract of vendor, Policy Studies Inc. (PSI) during our audit period. PSI currently provides child/spousal support services for Kanawha and Clay Counties. During state fiscal year (SFY) 2009, BCSE paid PSI \$3.36 million. Specifically, we noted:

- PSI did not provide required documents including a balance sheet, monthly income statement, annual audit report, and quarterly fixed asset report as required by the contract. BCSE also did not maintain sufficient documentation to support meetings conducted, and, has not notified the vendor in writing of problem areas (through an “Alert Letter”) since 2007, as required in the contract;
- We noted during SFY 2010, BCSE overpaid two PSI invoices resulting in a total overpayment of \$50,662;
- We noted documentation related to the data and methods used to calculate one incentive and one penalty assessed for FFY 2008 and two penalties and one incentive payment assessed for FFY 2007 were not maintained and could not be provided by BCSE. Finally, we noted the “Total Penalties Due” row heading on the FFY 2009 PSI invoice was omitted; whereas such a row heading was included on the 2008 and 2007 invoices. If in fact no penalties were due, the invoice should have contained a row heading with \$0.00 entered accordingly.

Criteria: The PSI contract section 3.2.2.6, addresses what reports are to be provided to BCSE and states, in part:

“...The vendor shall supply the Bureau with relevant fiscal records of Contract revenue and expenses. These records shall include, but are not limited to, the following:

3.2.2.6(a) Statement of financial position (balance sheet);

3.2.2.6(b) A monthly income statement including all revenues and expenses incurred in the operation of the Contract;

3.2.2.6(c) An annual audit report submitted at the beginning of each State fiscal year.

3.2.2.6(d) A quarterly fixed asset report....”

The PSI contract section 3.2.4.16 concerns notifications to PSI with:

“3.2.4.16 Notification of Deficiencies

.... In the normal course of business, however, the Bureau will use three (3) types of notification to the Vendor upon the identification and discovery of any deficiencies. These are an "Alert" letter, a "Warning" letter and "A Notice of Intent to Take Action" letter. ".....

The PSI *base compensation* paid to the vendor is defined in the PSI contract section 3.2.5, with:

"The compensation schedule will be monthly. The base payment to the Vendor shall be calculated as a percentage of collections in Clay and Kanawha County Cases."

On *incentive payments*, the PSI contract section 3.2.5 states in part:

"The vendor shall be paid an additional .2% (two-tenths of a percent) of total annual collections for:

3.2.5(a) Each increase during the year of one (1) percentage point in the percent of current support paid..."

On *penalties*, section 3.2.6 of the PSI contract states in part:

"...The Vendor shall be assessed a penalty of 2.5 percent of its total annual base compensation when:

...3.2.6(c) The total percentage of current support owed on IV-D cases in the Kanawha and Clay County cases that is collected and distributed increases by less than two (2) percentage points during any contract year, unless the percentage of current support collected for the preceding year was 75% or higher;..."

Cause:

The BCSE replied to our concerns by stating in many ways the vendor has not been compliant in providing necessary information and in many cases the vendor has seemingly ignored requests or concerns reported by the BCSE. However, we also noted instances where proper oversight was not conducted by BCSE personnel in the monitoring of activities of the vendor, in the process of paying the vendor its base compensation, or in the assessment of penalties and incentives.

The BCSE has not undertaken effective monitoring in the following situations. The BCSE Contract Monitor was unaware of the requirement that PSI was to provide the reports as noted above. The monitor stated the notes and emails maintained provided adequate documentation of the conversations and meetings. When asked about the issuance of warnings and alerts the monitor stated that warnings issued via emails gave sufficient notice.

BCSE personnel stated the method used to determine the base amount has not been standardized on a year to year basis. The BCSE could not provide us with a recalculation of how the base amount was determined and what exact payments were used in the calculation of the base compensation amount for each year. The contract's terms that govern this process are ambiguous and the exact amount cannot be readily determined.

Per BCSE personnel responsible for the monitoring of the contract the methodology used in awarding the incentive payment was based on rounding to the nearest whole percent. In particular BCSE personnel stated:

“In the absence of any specific language in the contract, we would follow the explanation of rounding taught in math classes. **Round up for .50. Round down for .49.” (Emphasis Added)**

We also noted in many instances in which the vendor did not provide adequate documentation or respond to the BCSE in a positive manner. The BCSE has been unable to get PSI to provide the reliable reports of its activities. Due to the vendor not providing adequate documentation of its activities, BCSE was unable to determine if all penalties or incentives could be assessed.

Effect: Without adequate documentation of contract monitoring, the risk of terms not being met increases. Due to inadequate monitoring, incentives were overpaid by \$50,662. In addition, due to lack of records, we were unable to determine if some incentives and penalties were correctly calculated resulting in our inability to confirm if amounts paid PSI based on these calculations were correct.

Recommendation: We recommend BCSE comply with the above criteria and contract terms so as to more effectively monitor vendor performance and ensure correct amounts are paid. We also recommend BCSE pursue collection of the \$50,662. Finally, we recommend the BCSE clarify the ambiguous language as reflected in Section 3.2.5 of the contract regarding the amount of annual collections.

Spending Unit's Response:

**See Appendix B
Also, see Appendix A for Auditor's Comment to Response**

Finding 7: Lack of Adequate Adjustment Processes

Condition: Among other duties, the BCSE Disbursement Unit (DU) is responsible for adjustments necessary to correct case balances in the accounting records within BCSE's OSCAR system for each individual case. The adjustment process often requires the DU to stop or intercept support disbursements. Depending on the method employed in order to carry out disbursements for any given case, this may involve stopping an electronic disbursement or it may involve manually pulling a check in order to prevent an erroneous payment. In many of these instances, the case's accounting records have previously been debited for the amount of the adjustment reducing case balances to the desired amount. Less often, in order to perform an adjustment, the DU authorizes the State Disbursement Unit⁴ to prepare checks written by the BCSE payable to the BCSE. In doing so, entries are effectuated within the OSCAR system and the bank's accounting system that debit and credit cases to accomplish the necessary adjustment.

We noted the following exceptions related to the BCSE's adjustment process as follows:

- The DU does not currently have comprehensive written procedures governing the process of pulling checks or the process of writing checks payable to the BCSE from the BCSE in order to accomplish an adjustment to a case.
- Adjustments effectuated by the preparation of checks payable to the BCSE from the BCSE creates, in effect, an artificial disbursement booked in the accounting records.
- When adjustments are either performed by pulling checks written to a caretaker (CT), or checks are written by the BCSE payable to the BSCE, it is necessary to subsequently void these checks. Rather than deface the checks and maintain them in the records, the BCSE's procedure calls for shredding these checks. However, the DU did not maintain copies of these shredded checks.

Criteria: W.V. Code §48-18-105, as amended, states in part:

“General duties and powers of the bureau for child support enforcement.

In carrying out the policies and procedures for enforcing the provisions of this chapter, the bureau shall have the following power and authority:

⁴ The State Disbursement Unit (SDU) is the contracted entity authorized by BCSE to deposit and disburse child and spousal support funds. During our audit period, JPMC Bank was the SDU. However, subsequent to the audit period JPMC contracted with SMI to perform some functions related to the disbursement and receipt of support funds.

.... (16) **To adopt standards for** staffing, **record-keeping,** reporting, intergovernmental cooperation, training, physical structures and time frames for case processing;.... (**Emphasis Added**)”

Cause: Due to staff changeover and vacancies left unfilled within the DU, not all standard operating procedures have been completed.

The OCSAR database and accounting system will not permit the performance of certain adjustments to case accounts unless the process results in corresponding disbursement transactions—even though no such disbursements are warranted.

Previously, checks written or pulled as a result of the adjustment process were retained by BCSE; however, the process of shredding checks was instituted in January 2008. According to BCSE personnel, the shredding of checks was initiated in order to minimize the amount of documentation retained. The checks were not scanned or copied prior to their destruction. After our inquiries regarding the lack of documentation available related to such checks, the BCSE began scanning and maintaining copies of voided checks prior to their destruction during the fall of 2011.

Effect: The lack of detailed and comprehensive written procedures regarding the performance of adjustments involving the pulling or creation of checks increases the risk that errors may occur. Also, the lack of such procedures is a detriment in training new employees involved in the adjustment process.

Some adjustments to case balances cannot be performed unless artificial disbursements are performed in order to initiate the process. Such limitations results in inefficiencies and, more importantly, increases the risk that someone involved in the process could fraudulently divert such disbursements for his or her personal use. The risk is further compounded when the process requires either pulling checks or writing checks payable to the BCSE. During state fiscal year 2009, the amount of pulled checks totaled approximately \$580,000 and checks written to BCSE by BCSE in order to adjust case balances totaled approximately \$1,800. In addition, errors made in the adjustment process could result in the need to establish a repayment agreement with a client in order to collect an overpayment made and this, in turn, increases the risk of uncollectable debts resulting in losses to the state.

Lastly, checks were not voided and then scanned or copied prior to their destruction. Therefore, we could perform audit tests to provide assurance that such checks were not converted to personal use.

Recommendation: We recommend the BCSE comply with W.V. Code §48-18-105, as amended. We recommend the BCSE develop and document detailed and comprehensive procedures covering all facets of the adjustment process. We recommend the BCSE coordinate with DHHR-MIS to implement an adjustment process within

the OSCAR system that eliminates the need to create faux disbursements in order to accomplish some account adjustments. Finally, we recommend such checks be properly voided and these checks either be maintained, or such checks be scanned prior to their destruction.

**Spending Unit's
Response:**

See Appendix B

Finding 8**Funds Not Seized****Condition:**

The BCSE is not seizing all available amounts to satisfy arrearages. The BCSE currently has available to it the Financial Institution Data Match (FIDM) method. This method allows for the BCSE to initiate seizure of assets held by Non-custodial Parents (NCP). These assets could be assets/moneys held in bank accounts, brokerage accounts, or other types of financial accounts. We noted during our testing of procedures related to enforcement, in six cases the BCSE did not attempt to seize funds noted by the OSCAR system as being available for seizure as noted below:

<u>Date</u>	<u>Asset Balance</u>	<u>Total Amount Due</u>	<u>Amount of Collections Foregone</u>	<u>Arrearage Balance as of 6/30/2012</u>
06/15/2010	\$ 511.00	\$5,631.54	\$ 511.00	\$ 367.76
12/09/2009	438.00	1,927.38	438.00	1,996.63
04/26/2010	1,068.00	6,803.24	1,068.00	3,867.39
08/13/2010	594.00	9,296.20	594.00	1,542.15
08/20/2010	1,721.00	555.63	555.63	525.00
12/09/2009	\$1,219.00	\$1,014.12	1,014.12	1,148.19
Total			\$4,180.75	\$9,447.12

Criteria:

W.V. Code §48-18-105, as amended, states in part:

“General duties and powers of the bureau for child support enforcement.

In carrying out the policies and procedures for enforcing the provisions of this chapter, the bureau shall have the following power and authority:

..(1) To establish policies and procedures for obtaining and enforcing support orders and establishing paternity according to this chapter;

(2) To undertake directly, or by contract, activities to obtain and enforce support orders and establish paternity;

...(16) To adopt standards for staffing, record-keeping, reporting, intergovernmental cooperation, training, physical structures and time frames for case processing;...”

W.V. Code § 48-18-124 as amended states in part:

“...Liability for financial institutions providing financial records to the bureau for child support enforcement; agreements for data match system; encumbrance or surrender of assets.

“... (b) The bureau for child support enforcement, after obtaining a financial record of an individual from a financial institution, may disclose such financial record only for the purpose of, and to the extent necessary in, establishing, modifying or enforcing a child support obligation of such individual....”

Cause : When asked about why the FIDM method was not used appropriately, BCSE personnel stated they were unable to seize the assets above due to a variety of reasons. The BCSE currently employs one person to perform the functions associated with FIDM. Due to the volume of paperwork necessary to perform a seizure and the volume of cases themselves, the worker will prioritize the seizures to the cases. This is due in large part to the ability of the account holder to withdraw money from the account prior to the seizure paper work being completed. As a result, the BCSE has instituted an agency practice within the FIDM collection unit to only pursue certain accounts with balances greater than \$2,000 in assets and more than \$500.00 in arrears.

Effect: The BCSE is not currently seizing all assets noted as being available. The BCSE does not pursue cases using the FIDM method in cases with arrearage balances below \$500.00 and without assets greater than \$2,000. Without these funds some arrearages that are owed to the State and to the BCSE’s clients could go uncollected. We noted a total of \$4,180.75 of available assets could have been applied toward support arrearages; however, these assets were not seized by BCSE.

Recommendation: We recommend the BCSE comply with West Virginia Code 48-18-105, as amended, and ensure that methods as allowed by West Virginia Code 48-18-124 are implemented. Also, we recommend the BCSE pursue collections of arrearages owed to its clients and the state from available balances as noted by the OSCAR system.

**Spending Unit’s
Response:**

**See Appendix B
Also, see Appendix A for Auditor’s Comment to Response**

Finding 9: Inadequate Procedures Governing the Enforcement of Liens

Condition:

As a tool in collecting support arrearages the BCSE has the authority to impose liens on support obligors’ assets held within the State. A lien is a judgment against specified property owned by the Non-Custodial Parent (NCP). This property could be items such as land, cars, and other items of significant value. Liens are instituted by the BCSE in order to persuade NCPs to pay support arrearages and interest. Liens are usually used after other methods such as income withholdings, the assessment of interest, and tax intercepts have failed or have only been partly successful in making collections from the NCP.

We tested 200 support cases and noted BCSE had liens imposed on NCPs for 63 of these cases as a means to collect support arrearages. We noted seven of these cases had eight liens (one case had two liens imposed) that were not removed promptly after the arrearages were satisfied. Only one lien had been removed as of June 18, 2012—the last date we reviewed BCSE records regarding the liens imposed on these cases. The table that follows shows the number of days liens remained active after the arrearages were satisfied:

<u>Lien α</u>	<u>Date Lien Was Imposed</u>	<u>Date Support Arrearage Satisfied</u>	<u>Date Lien Was Released or Last Date of Verification*</u>	<u>Days Lien Remained Active After Payment of Arrearage</u>
1	08/11/2009	02/28/2010	06/18/2012	841
2	06/02/2008	03/03/2009	06/18/2012	1203
3	08/12/2010	09/30/2010	06/18/2012	627
4	11/30/2007	12/29/2008	06/18/2012	1267
5	03/19/2009	07/21/2010	01/10/2011	173
6	01/28/2009	06/16/2009	06/18/2012	1098
7	11/15/2010	03/02/2011	06/18/2012	474
8	02/11/2009	12/31/2009	06/18/2012	900
Avg. # of Days Lien Remained Active After Payment of Arrearage				823
* Only one lien was released as of 06/18/2012, the last date of auditor verification. For the seven liens not released, this date was used to calculate the number of days lien remained after satisfaction of support arrearage.				
α One case had two separate liens (listed as #6 & #7) imposed.				

Criteria:

W.V. Code §48-1-234, as amended, states in part:

"Obligee" means:

- (1) An individual to whom a duty of support is or is alleged to be owed or in whose favor a support order has been issued or a judgment determining parentage has been rendered;
- (2) A state or political subdivision to which the rights under a duty of support or support order have been assigned or which has independent claims based on financial assistance provided to an individual obligee; or

(3) An individual seeking a judgment determining parentage of the individual's child.”

W.V. Code §48-1-235, as amended, states in part:

"Obligor means an individual or the estate of a decedent:

(1) Who owes or is alleged to owe a duty of support;

(2) Who is alleged, but has not been adjudicated, to be a parent of a child; or

(3) Who is liable under a support order.”

W.V. Code §48-14-211, as amended, states in part:

“Release of lien.

Upon satisfaction of the overdue support obligation, the obligee shall issue a release to the obligor and file a copy thereof with the clerk of the county commission in the county in which the lien arose pursuant to this section. The bureau for child support enforcement shall issue a release in the same manner and with the same effect as liens taken by the tax commissioner pursuant to section twelve, article ten, chapter eleven of this code.”

W.V. Code §48-14-305, as amended, states in part:

“Release of lien.

Upon satisfaction of the overdue support obligation, the obligee shall issue a release to the obligor and file a copy thereof with the clerk of the county commission in the county in which the lien arose pursuant to this section. The bureau for child support enforcement shall issue a release in the same manner and with the same effect as liens taken by the tax commissioner pursuant to section twelve, article ten, chapter eleven of this code.”

Cause: We asked BCSE personnel about each of the cases noted above and were told these were oversights by the caseworkers responsible for the individual cases, but others were noted as being in the process of enforcement and the BCSE personnel did not see a problem with maintaining these liens in their current condition.

Effect: Liens are not being removed either on a timely basis or at all in some cases. This could result in the ability of a NCP that is current on their payments to not be able to get a loan or sell property. The seven liens we noted as not being

properly removed totaled \$14,456.96. However, one of the liens totaling \$3,481.58 was released within five months after the end of our audit period. The remaining six liens were still in effect as of May 2012. We were unable to project the results of our sample to the overall amount of those cases with liens because the BCSE could not provide us with a population of NCPs with liens.

Recommendation: We recommend the BCSE comply with W.V. Code §48-1-234, §48-1-235, §48-14-211, and §48-14-305, as amended, and develop internal controls that ensure liens are released promptly after arrearages and interest are paid.

**Spending Unit's
Response:** See Appendix B

Finding 10: Inadequate Monitoring of BB&T accounts.

Condition: Branch Banking and Trust (BB&T) was the previous contracted vendor for processing support payments prior to the rebidding of the contract and the award of the contract to J.P. Morgan Chase (JPMC) bank in 2005. As is the case with JPMC, two bank accounts—the *operating* account and the *manual processing* account—were used to process support payments during the period BB&T was the contracted vendor. Although most of the support monies were transferred to the JPMC accounts after JPMC was awarded the contract, a significant amount of monies were left in the BB&T accounts. During state fiscal year 2010, the *operating* and *manual processing* accounts maintained with BB&T held on average approximately \$1.87 million and \$0.71 million, respectively.

According to BCSE personnel, the accounts were maintained so as to have available interest earnings in the accounts from which to offset “service charges” assessed by BB&T against BCSE for researching bank records. BCSE personnel added that since the expiration of the BB&T contract, it was occasionally necessary for BCSE to request BB&T research their records to resolve any disputed transactions that may have occurred during the term BB&T was the contracted vendor.

We noted exceptions in regards to the maintenance of the BB&T bank accounts during our audit period (SFY 2010):

- There was no valid contractual agreement specifying the purpose or use of these bank accounts;
- There was no documented agreement in effect regarding the rate to be charged by BB&T for conducting support records research;
- Service charges assessed for these accounts were not itemized and could not be recalculated.

Criteria: W.V. Code §48-18-102, as amended, which describes the duties of the Commissioner of the Bureau of Child Support Enforcement, states in part:

“...(b) The duties of the commissioner shall include the following:

(1) To direct and administer the daily operations of the Bureau for Child Support Enforcement;...”

The West Virginia Purchasing Handbook Section 6.1 states in part;

“.6.1.2 Purchases \$2,500.01 to \$5,000: A minimum of three (3) **verbal** bids are required, when possible and must be present in the file.

Bids shall be documented and recorded for public record. (See Appendix B for Verbal Bid Quotation Summary form, WV-49). An Agency Purchase Order, WV-88, or TEAM-generated Purchase Order is required for purchase exceeding \$2,500....”

Cause: According to BCSE personnel, it was occasionally necessary for BCSE to request BB&T research their records to resolve any disputed transactions that may have occurred during the term BB&T was the contracted vendor. The bank accounts were left open with significant balances so as to have a readily available source of funds from interest earnings in order to pay BB&T for service charges levied for such research.

Effect: There were approximately \$2.58 million held in the two BB&T accounts during our audit period. Since there was no valid contract or written agreement in regards to the support monies maintained in the BB&T bank accounts, we believe child support monies should not have been held in these bank accounts. BCSE lost \$1,575.00 during SFY 2010 in interest earning by maintaining the funds with BB&T rather than maintaining them entirely with JPMC.

Since no such contract existed, obligations or expectations of the parties involved were not outlined in regards to the maintenance of funds and the rate to be charged for research fees. As a result, we could not perform audit tests to determine if research fee charges were accurate and reasonable. During SFY 2010 services fees for records research totaled \$2,360.49.

In addition, itemized invoices documenting service fee charges for records research were not provided by BB&T to BCSE. As a result, we were unable to perform audit tests to obtain adequate assurance that such charges were reasonable and mathematically accurate.

As of August 31, 2011, this account was closed and the remaining undistributed balance was transferred to the main J.P. Morgan Chase (JPMC) accounts. The BCSE CFO said no further research activities would be performed due to the resolution of those cases.

Recommendation: We recommend the BCSE comply with W.V. Code §48-18-102, as amended, and with the West Virginia Purchasing Handbook. We recommend the BCSE ensure that all future expenditures are made through valid legal contracts when deemed appropriate by West Virginia Code and by policies promulgated by the West Virginia Purchasing Division.

Spending Unit's Response: See Appendix B

Finding 11

Monitoring of State-Owned Vehicles.

Condition:

The BCSE is not maintaining adequate documentation or control over its seven state-owned vehicles. The BCSE currently uses these vehicles to perform tasks related to both the establishment of support orders and the performance of basic administrative tasks. We noted per our review the following exceptions related to the use of state vehicles:

- Mileage logs were not maintained for any of BCSE’s seven State-owned vehicles. Such logs can provide an effective way of documenting the destination, the number of miles traveled, the beginning and ending odometer readings, and the traveler’s name (if a shared vehicle) each time a vehicle is driven.
- The BCSE/DHHR did not validate drivers’ licenses prior to allowing employees to operate state-owned vehicles.
- One vehicle did not have the required State decal. All new vehicles (model year 2011 or newer) are required by Legislative rule to be marked with either the seal of the State of West Virginia or the seal or the insignia of the state agency.

Criteria:

Section 8.4 of Title 148 Series 3 of the West Virginia Department of Administration Legislative Rule states in part:

“...All operators must have a valid operator's (driver's) license in good standing.... ”

“Section 6.1 of this same rule states in part:

“...It is the responsibility of the spending unit to monitor vehicle use and to take appropriate action when an employee’s use is determined to be inappropriate or is not in accordance with this rule. ” (Emphasis Added)

“Section 5.5 of this same rule states in part:

“...Beginning with Model Year 2011 and thereafter, state owned and long-term leased vehicles shall be clearly and permanently marked with either the seal of the State of West Virginia or the seal or the insignia of a state agency, board, or commission..... (Emphasis Added)

Cause:

A DHHR employee responsible for oversight of DHHR’s State-owned vehicles was not aware of the state mandate that all current drivers be checked to ensure they possess a license in good standing or that vehicle mileage logs were necessary. Vehicle odometer readings are required to be entered into gas pump card readers when gasoline is purchased with the state’s Automotive Rental Inc.

(ARI) credit card. ARI compiles this data and provides mileage information for each vehicle to agencies with their monthly billings. DHHR's Director of Internal Control and Policy Development indicated to us that ARI reports provided enough information to constitute mileage logs. However, this system does not capture travel dates, destinations, or miles driven for each trip.

According to the Fleet Manager for the Office of Fleet Management⁵, the contract for the production and issuance of the State Decals was only recently made available to agencies throughout the State. We noted the contract was listed on the West Virginia Fleet's website as "Decal Purchase Order" with an effective date of January 9, 2012. We observed the decal was not affixed to the vehicle on April 20, 2012.

Effect:

Non-compliance with management oversight directives outlined in the Legislative Rule quoted above increases the risk of improper, unsafe, or reckless use of state-owned vehicles. This, in turn, can result in significant increased costs to the agency and to the State.

The validation of a driver's licenses for state employees could have a large potential savings of time and money by preventing or minimizing accidents, unsafe/reckless driving and citations.

As a result of the BCSE/DHHR not preparing mileage logs, we are unable to determine if the vehicles operated by the BCSE have been used only for official State business. This, in turn, prevented us from determining if personal use of state-owned vehicles occurred and, if so, if this use could result in taxable income to employees as defined by IRS regulations.

New state-owned vehicles can be more readily identified by the general populace as state government property if they have been affixed with decals indicating state ownership. It is reasonable to conclude that awareness of such easier identification by state-owned vehicle operators could result in more responsible usage of these vehicles.

Recommendation:

We recommend the BCSE/DHHR comply with all the DOA Legislative Rules and require the use of mileage logs for state-owned vehicles, periodically validate driver's licenses of employees prior to allowing them to operate state-owned vehicles, and ensure that state-owned vehicle decals are attached on those vehicles that are required to have such decals.

Spending Unit's

Response:

See Appendix B

⁵ The Fleet Management Office is organized under the West Virginia Division of Personnel. The Fleet Management Office is charged with providing overall management services for state-owned vehicles leased by the Office to various state government agencies and boards.

Finding 12: PayConnexion Receipts not Adequately Tracked.

Condition: We noted the BCSE did not receive adequate documentation detailing the composition of receipts and expenses applied to its accounts. The JPMC contract requires the State Disbursement Unit (SDU) to process child support payments received from support obligors and to disburse those payments to the guardian or caretaker (CT). This is accomplished mostly through a “lockbox” system for support payments (or receipts) mailed to the SDU Vendor by the obligor which are then credited (distributed) to the CT by way of either a bank debit card, direct deposit to the CT’s bank account, or check issued to the CT.

The BCSE, as outlined in its contract, required that customers be allowed to pay support obligations using “a Web Based payment option that will allow non-custodial parents to initiate payments by Visa, Master Card, Debit Card, or through the ACH network” as stated in “section 1.2” of the contract. This requirement is accomplished by JPMC through the use of its PayConnexion service. This service is provided by and managed by JPMC personnel with BCSE personnel directing customers to this service when appropriate based upon the method of payment the customer is wishing to use. We noted during our testing of receipts, the BCSE was unable to provide us with documentation showing that any of the receipts tested noted as being made using the PayConnexion were deposited promptly and into the correct account.

We noted the BCSE did not receive adequate documentation detailing the composition of credits applied to their account. We noted during our Proof of Cash for the main JPMC lockbox account numerous credits of varying description shown on the bank statements. We reviewed two (2) months of bank statements and noted approximately \$2.5 million of credits were shown on the statements. We were unable to determine the purpose of these credits by examining the bank statement of other documentation such as their JPMC Contract or Lockbox procedures maintained by the BCSE.

Criteria: W.V. Code §48-18-105, as amended, states in part:

“General duties and powers of the bureau for child support enforcement.

...(4) To undertake directly, or by contract, activities to collect and disburse support payments;

The J.P. Morgan Chase Contract (CSE50633) Part 1 states in part:

“ General Information

1.2 Project

The mission or purpose of this project is to ensure that all support payments are collected, **tracked**, and distributed

efficiently and accurately, and that the majority of said payments, approximately 99%, are disbursed within twenty-four hours of receipt....” **(Emphasis Added)**

Cause: Concerning these banks statement credit entries, the BCSE CFO for the BCSE, stated the entries were not used by JPMC with enough consistency for a definitive answer without consulting with JPMC. After consultation with JPMC, he told us the entries we requested information on were reimbursements made by JPMC to the BCSE for posting errors. In regards to the PayConnexion records, these records are not maintained either by the BCSE or JPMC for a period beyond 12 months and therefore could not be produced.

Effect: Without these records, we are unable to determine if payments received through the PayConnexion service and credits made by JPMC are properly reflected in OSCAR and have been disbursed as required by Federal and State Law.

Recommendation: We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and ensure bank contract terms require bank statements with sufficient details necessary to disclose the source of all receipts.

**Spending Unit's
Response:** **See Appendix B**

Finding 13: Missing Documentation

Condition: The BCSE currently uses a process that included both optional and mandatory referrals. Optional referrals are those in which one (or both) parties requests the services of the BCSE using either an application printed from the Internet or one prepared with the help of the caseworker during an interview at a field offices. Mandatory referrals are those made by another state agency, such as the Bureau of Children and Families (BCF), in which one of the parties has received some type of assistance through the agency. In these cases, the state will refer the cases using interfaces between each agency’s information systems. We have noted the following exceptions regarding this process below:

- We noted for 15 of the 320 cases tested were not supported by an application or referral.
- We noted after review, 35 of 248 IV-A⁶ cases showed the case initiation date was significantly before the referral date per the RAPIDS system. When projected this equals approximately 18,132 cases in the OSCAR system.

The BCSE currently operates a State Disbursement Unit (SDU) as required by Federal Code that uses two bank accounts maintained with J.P. Morgan Chase (JPMC) to accept payments made by both employers and by private citizens. During this process, the BCSE will accept payments that are returned as Non-Sufficient Funds (NSF). During our test of NSF payments, we were unable to trace and identify one payment for \$90 to its respective bank statement.

Criteria: W.V. Code §48-18- 105, as amended, states in part:

“General duties and powers of the bureau for child support enforcement.

In carrying out the policies and procedures for enforcing the provisions of this chapter, the bureau shall have the following power and authority:

.... (16) ***To adopt standards for* staffing, record-keeping, reporting, intergovernmental cooperation, training, physical structures and time frames for case processing;.... (Emphasis Added)**”

The Code of Federal Regulations Title 45, Part 303, Section 02, Subpart b states in part,

⁶ IV-A cases refer to Temporary Assistance for Needy Families (TANF). These cases are referred by the Bureau of Children and Families (BCF) as a result of a TANF applicant having a need to establish a support order. It is required by WV law that the TANF applicant assign their support rights over to the state to allow for the state to recoup some of the cost of assistance.

“For all cases referred to the IV-D agency or applying for services under § 302.33 of this chapter, the IV-D agency must, **within no more than 20 calendar days of receipt** of referral of a case or filing of an application for services under § 302.33, open a case by establishing a case record and, based on an assessment of the case to determine necessary action.”
(Emphasis Added)

Cause: We requested the BCSE provide us the missing applications noted above. We also informed them if no application was present that the underlying document to initiate the case along with the relevant code section should be made available for review. The BCSE did not send the necessary documents in the cases noted above.

In regard to referrals sent using the RAPIDS system that were noted as having a case initiation date prior to the referral date, the OSCAR system only maintains the most recent referral from the RAPIDS system and cases can be referred multiple times. We requested information from the BCF’s RAPIDS system as the information is not contained in the OSCAR system. DHHR-MIS was not able to provide us the necessary referrals as the RAPIDS system does not keep track of referral dates made to the OSCAR system. Confirmation dates are not equivalent to the referral dates. The documents relating to the \$90 payment could not be provided as a result of PayConnexion not maintaining the necessary documents.

Effect: For those cases without an application, referral, or narrative, we are unable to determine if the case was properly initiated as required by Federal Code. Without documentation related to the deposit of funds, we are unable to determine if the funds were properly deposited.

Recommendation: We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and ensure documentation necessary to determine if support orders and applications/referrals were inputted in a timely manner are maintained. Also, we recommend the BCSE comply with Title 45, Part 303, Section 02, Subpart b of the Code of Federal Regulations and ensure records are maintained documenting applications have been entered within 20 days as required.

**Spending Unit’s
Response:**

**See Appendix B
Also, see Appendix A for Auditor’s Comment to Response**

Finding 14: Inadequate Segregation of Controls

Condition: Adequate segregation of duties reduces the likelihood that errors (intentional or unintentional) will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed.

During our audit, we noted such incompatible duties in receipts processed through the *manual processing* account.⁷ For these receipts, one BCSE employee was responsible for the initial receipt of manual processing monies, for entering the payments into the accounting records, and for depositing the receipts into the bank account. This employee was also responsible for processing refunds for certain cases. The BCSE was unable to provide any records documenting the performance of external reviews of this employee's work. Approximately, \$1.16 million was deposited into the *manual processing* account during state fiscal year 2010.

Criteria: WV Code §5A-8-9 states in part:

"The head of each agency shall:

...(b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency's activities. . . ."

Cause: The BCSE permitted one employee to process all receipt and accounting functions for the *manual processing* account. In addition, there was inadequate management oversight of duties performed by this employee.

Effect: Adequate segregation of duties reduces the likelihood that errors (intentional or unintentional) will remain undetected by providing for separate processing by different individuals at various stages of a transaction and for independent reviews of the work performed. The basic idea underlying segregation of duties is that no single employee should be in a position both to perpetrate and conceal errors or irregularities in the normal course of their duties. In general, the principal incompatible duties to be segregated are: authorization, custody of assets, and recording or reporting of transactions.

One BCSE employee was responsible for receipt, recording and deposit of approximately \$1.16 million. In addition, no independent review of this employees' work was documented. Therefore, opportunities existed for the employee to both perpetrate and conceal errors or irregularities in the normal course of his/her duties.

⁷ Monies processed by SDU through the repayment account.

Recommendation: We recommend that BCSE comply with W.V. Code §5A-8-9(b) and strengthen internal controls to help reduce the risk of skimming or theft. This can be achieved by assigning another employee(s) who could help implement controls such as authorizations, reconciliations, and review or oversight of work.

**Spending Unit's
Response:** See Appendix B

Finding 15

Special Handled Checks.

Condition:

Generally, vendors are paid by State agencies by electronic fund transfers or by State checks mailed to vendors directly from the State Treasurer’s Office. However, when an agency designates payments as “special handling,” the checks are returned or picked up by the agencies and agency personnel are responsible for delivery of the checks to vendors. Generally, due to the additional risk of fraud or loss, as well as the increased costs in processing paper checks, special handling disbursements should only be used when the additional costs and risks associated with their use can be justified.

While reviewing BCSE disbursements for State Fiscal Year (SFY) 2009, we noted the DHHR Finance Division processed 96 checks by “special handling;” whereas, the expenditures were either exclusively paid from BCSE accounts, or the expenditures were allocated in part to BCSE funds in combination with funds of other DHHR bureaus and divisions. We believe the DHHR did not have sufficient reasons in order to justify the “special handling” of 81 of these checks totaling \$186,171 in disbursements, as listed below:

- Twenty workers compensation checks totaling \$33,386;
- Three unemployment compensation checks totaling \$2,552;
- Ten payments to contractors totaling \$69,973;
- Thirty-one association dues or professional membership fee checks totaling \$7,750;
- Eight postal and freight checks totaling \$28,500;
- Eight computer equipment and supply checks totaling \$41,206;
- One book/periodical expenditure check in the amount of \$2,804.

Criteria:

WV Code §5A-8-9 states in part:

“The head of each agency shall:

. . . (b) Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures and essential transactions of the agency designed to furnish information to protect the legal and financial rights of the State and of persons directly affected by the agency’s activities. . . .”

WV Code §12-3-1a, as amended, states in part:

“ Payment by deposit in bank account.

“...Provided, That after the first day of July, two thousand two, the State Auditor shall cease issuing paper warrants except for income tax refunds. After that date all warrants except for income tax refunds, shall be issued by electronic funds transfer:

Provided, however, That the Auditor, in his or her discretion, may issue paper warrants on an emergency basis.”

Cause: The Director of DHHR-Accounts Payable stated some checks were received by the BCSE in order to attach additional documentation or to hand-deliver them in order to prevent the checks from being late. However, DHHR/BCSE was unable to provide sufficient examples or explanations to justify these checks to be special handled.

Effect: DHHR-Finance designated 84 checks totaling \$186,225 as “special handling” without sufficient justification for doing so. There is an increased risk State checks may be lost or stolen when designated for “special handling”.

Recommendation: We recommend the DHHR and the BCSE comply with W.V. Code §5A-8-9 and W.V. Code §12-3-1a, as amended, and avoid processing payments by “special handling” unless circumstances justify such processing.

**Spending Unit's
Response:**


**See Appendix B
Also, see Appendix A for Auditor's Comment to Response**

STATE OF WEST VIRGINIA

OFFICE OF THE LEGISLATIVE AUDITOR, TO WIT:

I, Stacy L. Sneed, CPA, CICA, Director of the Legislative Post Audit Division, do hereby certify that the report appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 4, Article 2, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 21st day of July 2012.



Stacy L. Sneed, CPA, CICA, Director
Legislative Post Audit Division

Copy forwarded to the Secretary of the Department of Administration to be filed as a public record. Copies forwarded to the Bureau of Child Support Enforcement; the Department of Health and Human Resources; Governor; Attorney General; and State Auditor.

WEST VIRGINIA
BUREAU OF CHILD SUPPORT ENFORCEMENT

Appendix A
Auditor's Comments to Spending Unit's Response

Auditor’s Comment to Finding 4 Response:

As we stated in our finding, the BCSE has no practical method of determining how much money is owed either to the State or to the State’s public assistance programs in the form of BCSE receivables resulting from BCSE’s operation of the State’s support enforcement program. However, there are indications amounts owed are significant since the BCSE wrote-off as uncollectable approximately \$1.87 million in receivables in March 2008. A write-off of debt owed the State is not just a cost to the State—it is also a cost for the State’s taxpayers. Therefore, we believe DHHR and BCSE have a responsibility to the taxpayers of this State to use those methods permissible under Federal and State regulations to limit the accumulation of uncollectable debt.

Auditor’s Comment to Finding 5 Response:

We requested the BCSE’s documentation procedures. Upon our review of these procedures, we noted a retention schedule that listed items not to be retained in the case files, such as attorney letters and moving child forms. In addition, emails communicating authorization to perform functions between various BCSE personnel, such as the discharge of a repayment agreement, are not maintained as matter of policy, as evidenced by the BCSE’s scanning policy. We were also referred by BCSE personnel to the BCSE’s State Plan. Upon our review, we found no additional documentation retention procedures within this plan. In addition, we reviewed Appendix C of the BCSE policy manual including a “General Retention Schedule” noted as an exhibit in the Appendix. After reviewing the documents and procedures noted above, it is our opinion the BCSE’s document retention procedures remain insufficient.

We informed BCSE of instances of missing documents prior to the close of field work; however, many of these documents were not provided until after our exit conference was held on July 17, 2012. Although we accepted some of these documents, the late arrival of other documents prevented us from performing audit tests

Auditor’s Comment to Finding 6 Response:

On multiple occasions we requested the BCSE provide us with their calculations supporting base compensation amounts paid to PSI. Although BCSE personnel told us they had these documents, they were not provided to us.

Auditor’s Comment to Finding 8 Response:

All of the NCPs in the cases noted in our finding owed in excess of \$500 and, in one-half of the cases noted, the NCPs owed in excess of \$5,000. Available assets exceeded \$500 in all but one case. The Federal Office of Child Support Enforcement’s guide for *Automated Systems for Child Support Enforcement*

(October 2008) states that "...an aggressive FIDM process can have collateral benefits such as settlements, locations, and re-starting of on-time payments...." Therefore, we believe seizure of NCP assets was the appropriate course of action in the cases noted in our finding when considering the arrearage amounts owed by the NCPs and the available assets uncovered through FIDM.

Auditor's Comment to Finding 13 Response:

As noted in our comments to the BCSE's response to Finding #5, in our opinion the BCSE's documentation retention policies are inadequate. In regards to the assertion that some cases were not compliant with the 20 day rule, we were unable to substantiate this assertion in the cases noted in Finding 13 due to inadequate documentation. Also, due to the time required for testing, we were unable to perform test procedures on the applications received after the date of our exit conference with the BCSE. We noted some documents represented by BCSE as support applications did not conform to the usual applications or referrals we observed during our field work. Due to this and time constraints, we were unable to verify nine documents as valid replacements for applications. An additional six documents were not provided in their entirety by the BCSE. These fifteen documents are noted as exceptions in Finding #13.

In reference to BCSE's assertion that the OSCAR system documents case creation dates, we were unable to corroborate the case creation dates by other information either within the system or outside of it. DHHR-MIS system personnel, when asked, could not provide information from the DHHR's RAPIDS computer system that would corroborate the case creation dates recorded in the OSCAR system in all instances. Therefore, we were unable to independently verify if case creation dates noted in OSCAR system were correct.

Auditor's Comment to Finding 15 Response:

The agency indicated in their responses that circumstances warranted the "special handling" of checks for all of exceptions noted in our finding. They provided explanations for all the types of special handled disbursements noted in our finding. However, we believe the reasons provided by the agency to not justify the special handling of checks.

For example, for worker's compensation checks and unemployment checks the agency said special handling was necessary because they were "time sensitive." Based on our experience, there would be no decrease in the delivery time of special handled checks versus those mailed from the Treasurer's Office. Although, we cannot rule out the possibility of time savings if such special handled checks were hand-delivered by the agency, we contend any time saved would be minimal and not warrant the additional risk and cost involved in special handling these checks.

Also, the agency stated payments to a contractor needed to be special handled because the “address on the invoice was different than the address on the commitment document.” It is our understanding entries can be easily effectuated in WVFIMS to overcome situations where a vendor mailing address is not the same as the vendor address recorded in the commitment document. Therefore, special handling is not required.

Finally, the agency contended payments for DHHR postage meters need to be special handled because “the vendor (Pitney Bowes) will not load postage until the United States Postal Office (USPS) has been paid. Vendor further requires the state warrant be made payable to the USPS but sent to them (vendor) so they may personally tender it to the USPS.” But, the Legislative Auditor’s Office does not special handle checks for their postage machines. Rather, checks are made payable to “Reserve Account Pitney Bowles” and mailed directly from the State Treasurer’s Office with no special handling required.

WEST VIRGINIA
BUREAU OF CHILD SUPPORT ENFORCEMENT

Appendix B
Spending Unit's Response to Findings



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Bureau for Child Support Enforcement
350 Capitol Street, Room 147
Charleston, West Virginia 25301-3703
Telephone: (304) 558-0909 FAX: (304) 558-2445

Earl Ray Tomblin
Governor

Rocco S. Fucillo
Cabinet Secretary

July 20, 2012

Stacy L. Sneed, CAP, CICA, Director
Legislative Post Audit Division
Building 1, Room W-329
1900 Kanawha Blvd., E.
Charleston, WV 25301

Dear Director Sneed:

Attached please find BCSE's responses to the final Reportable Compliance and Other Matters section of the completed audit report on the Bureau for Child Support Enforcement.

As you requested, we are providing you with our response via electronic copy.

Sincerely,



Garrett M. Jacobs
BCSE Commissioner

GMJ/bk

cc: Aaron Allred, Legislative Auditor
Rocco S. Fucillo, DHHR Cabinet Secretary
Tara Buckner, CFO for DHHR
Brian Cassis, Manager of Internal Control and Policy Development-DHHR Finance
Kimberly Merritt, Internal Control and Policy Development-DHHR Finance



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

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Governor

Rocco S. Fucillo
Cabinet Secretary

Finding 1: Bank Account Reconciliations

The Bureau for Child Support Enforcement (BCSE) does not agree in total with this finding. Initially, the Bureau for Child Support Enforcement (BCSE) completed an independent daily reconciliation of the various components that impact the balances of bank accounts maintained at JPMorganChase (JPMC.) Cash settlement requirements set forth by the North American Clearing House Association (NACHA) for electronic payments necessitate multiple reconciling processes. Upon the auditor's suggestion this process was changed and a "checkbook" style reconciliation implemented. This process uses a format that shows a beginning balance plus credits, minus debits and leads to an ending balance. The beginning and ending account balances obtained from the JPMorganChase (JPMC) daily account statement are cross referenced to the JPMC ledger balances as reported through the JPMC Access System on the Cash Reporting-Summary of Accounts Report. Debits to our operating account are listed as either outgoing electronic transmissions, checks paid or adjustments and rejects. These debits are all enumerated on the JPMC daily statement and reconciled to OSCAR's WEO3PW16 report for checks paid and the OSCAR WEPW14RPT3 report for outgoing electronic transmissions. Electronic transmissions are segregated by point of destination (out of state agencies, debit card or direct deposits) and reconciled to the JPMC daily statement and ledger balances. Similarly, credits are in the form of checks or electronic receipts. The receipting process is subcontracted to Systems and Methods, Inc. (SMI). SMI's daily receipt files totals are accessed through the SMI secure web portal. These totals are reconciled to OSCAR's receipt file (WEO3PW02) and to JPMC's daily statement and ledger balances. In addition to the daily process, BCSE completes the required annual GAAP reconciliation forms and submits them to the Department's accounting section. Although the reconciling process is completed by function, BCSE agrees OSCAR is not designed to provide information on overall balances held within its bank accounts. BCSE further agrees to explore the possibility of enhancing OSCAR to provide this information.

BCSE also agrees that closer monitoring of its inactive BB&T account during the audit period may have prevented unauthorized debits into the account. Upon learning that unauthorized debits had taken place, BCSE notified the DHHR Inspector General (IG). Documentation and evidence were provided to the IG and an investigation opened. A suspect was identified and investigated. The DHHR IG's office subsequently obtained and perfected a lien against the suspect in the amount of the unauthorized debits. The IG's office now considers this investigation closed. A copy of the investigative file has been requested and is forthcoming.

J.P.Morgan

Cash Reporting - Summary of Accounts STATE OF WEST VIRGIN

07/16/2012 09:01 AM

Date Option: Prior Day As of: 07/13/2012

View Option: Float

Account	CCY	Opening Ledger	Closing Ledger	Closing Available	1 Day	2+ Days
JPMorgan Chase Bank, N.A. (OH)						
713442929 DISTRIBUTION ACCT	USD	4,294,072.05	4,456,449.39	4,168,344.15	263,403.65	24,901.59
713442937 STATE OF WEST VIRGINIA	USD	4,656,895.50	4,659,116.51	4,656,273.43	1,272.07	1,771.01
Bank Totals	USD	8,950,967.55	9,115,565.90	8,824,617.58	264,675.72	26,672.60
Grand Totals	USD	8,950,967.55	9,115,565.90	8,824,617.58	264,675.72	26,672.60

Attachment

Finding #1

BCSE CASH MANAGEMENT DATA

MEAN MEDIAN DATE	\$5,644,894 \$5,239,205	\$5,394,792 \$4,837,755	\$4,997,323 \$4,562,300	\$397,668 \$298,077	\$362,722 \$271,412	\$34,946 \$25,844
	Opening Ledger	Closing Ledger	Closing Available	Total Float	1 Day Float	2 Day Float
07/02	\$6,707,370.28	\$6,795,106.80	\$6,526,869.84	\$268,436.96	\$244,044	\$24,393
07/03	\$6,795,106.80	\$8,162,250.02	\$7,428,201.31	\$734,248.71	\$667,816	\$66,433
07/04	\$8,162,250.02	\$4,629,222.07	\$4,116,385.76	\$513,036.31	\$469,094	\$43,942
07/05	\$4,629,222.07	\$5,309,642.12	\$4,995,195.64	\$314,646.48	\$288,802	\$25,844
07/06	\$5,309,642.12	\$5,239,204.67	\$4,614,441.18	\$624,963.49	\$565,980	\$58,983
07/09	\$5,239,204.67	\$4,837,754.89	\$4,562,300.45	\$275,654.44	\$254,927	\$20,728
07/10	\$4,837,754.89	\$4,829,423.83	\$4,531,547.02	\$298,076.81	\$271,412	\$26,665
07/11	\$4,829,423.83	\$4,294,072.05	\$4,032,625.43	\$261,646.62	\$239,021	\$22,626
07/12	\$4,294,072.05	\$4,456,449.39	\$4,168,344.15	\$288,305.24	\$263,404	\$24,902
07/13				\$0.00		
07/16				\$0.00		
07/17				\$0.00		
07/18				\$0.00		
07/19				\$0.00		
07/20				\$0.00		
07/23				\$0.00		
07/24				\$0.00		
07/25				\$0.00		
07/26				\$0.00		
07/27				\$0.00		
07/30				\$0.00		
07/31				\$0.00		

Opening available plus dai
 credits minus daily debits =
 closing ledger minus float =
 closed available.

WEO OSCAR PROD PW14 RPT3 (6)

STATE OF WEST VIRGINIA
BUREAU FOR CHILD SUPPORT ENFORCEMENT
JPM CHASE ACH OUTGOING COUNTS
06/29/12

TOTAL RECORDS	:	4,129	TOTAL CREDIT AMOUNT	:	\$	434,005.10
TOTAL OOS RECORDS	:	302	TOTAL OOS AMOUNT	:	\$	29,180.89
TOTAL DIR DEP RECORDS	:	884	TOTAL DIR DEP AMOUNT	:	\$	117,253.49
TOTAL D CARD RECORDS	:	2,934	TOTAL D CARD AMOUNT	:	\$	287,570.72
TOTAL REVERSAL RECORDS	:	0	TOTAL DEBIT AMOUNT	:	\$	0.00
TOTAL PRENOTE RECORDS	:	9				

J.P.Morgan

Cash Reporting -- Balance Report
Prior Day

Business Date: 07/03/2012

Bank: JPMorgan Chase Bank, N.A. (OH) Currency: US Dollar

Account Number: 713442929 LAST UPDATE: 03:25 NY TIME 07/04/2012
Account Name: DISTRIBUTION ACCT

Summary:	LEDGER	SAME DAY	NEXT DAY	2012
OPENING	6,795,106.80	6,770,913.92	24,392.88	
CREDITS (5534)	1,844,292.09	1,134,436.26	643,422.87	
DEBITS (171)	477,148.87	477,148.87	0.00	
CLOSING	8,162,250.02	7,428,201.31	667,815.75	

Summary of Other Balances

OPENING ON 07/05/2012	:	8,096,017.06
TOTAL FLOAT	:	734,248.71
AGGREGATE FLOAT ADJUSTMENT	:	200.00
CLOSING BALANCE - 3+ DAYS FLT	:	0.00
TOTAL LOCK BOX CREDITS	:	2,072.05
TOTAL ACH CREDIT	:	1,100,124.14
ACH SETTLEMENT CREDITS	:	535.48
TOTAL OTHER CHECK DEPOSITS	:	741,560.42
ACH SETTLEMENT DEBITS	:	434,005.10
TOTAL CHECKS PAID	:	43,143.77
PREVIOUS MONTH	:	5,234,720.98
AVERAGE THIS MONTH	:	6,777,668.61
YEAR-TO-DATE	:	4,781,888.98

J.P.Morgan

Cash Reporting -- Balance Report
Prior Day

Business Date: 06/01

Bank: JPMorgan Chase Bank, N.A. (OH) Currency: US Dollar

Account Number: 713442929 LAST UPDATE: 03:54 NY TIME 06/02/2012
Account Name: DISTRIBUTION ACCT

Summary:	LEDGER	SAME DAY	NEXT DAY
OPENING	6,911,432.24	6,882,781.04	28,851.20
CREDITS (6171)	2,157,314.10	1,790,597.06	330,518.34
DEBITS (112)	969,619.32	969,619.32	0.00
CLOSING	8,099,127.02	7,703,758.78	359,369.54

Summary of Other Balances

OPENING ON 06/04/2012	:	8,063,128.32
TOTAL FLOAT	:	395,568.24
AGGREGATE FLOAT ADJUSTMENT	:	200.00
CLOSING BALANCE - 3+ DAYS FLT	:	0.00
TOTAL LOCK BOX CREDITS	:	708.10
TOTAL ACH CREDIT	:	1,769,157.82
ACH SETTLEMENT CREDITS	:	1,692.31
TOTAL OTHER CHECK DEPOSITS	:	385,755.87
TOTAL OTHER/MISC CREDIT	:	0.00
ACH SETTLEMENT DEBITS	:	924,958.23
TOTAL CHECKS PAID	:	43,753.50
TOTAL DEPOSITED ITEMS RETURNED	:	763.63
TOTAL OTHER/MISC DEBITS	:	143.96
PREVIOUS MONTH	:	5,353,694.82
AVERAGE THIS MONTH	:	7,703,558.78
YEAR-TO-DATE	:	4,673,061.34

\$ 386,463⁹⁹

Pendell, Hal M

From: WVSDU.RFNotify@smimail.net
Sent: Friday, June 01, 2012 2:22 PM
To: WVSDU.RFNotify; DHHR-BCSEOSCARDataJobCoordinator@wv.gov; Judy A. Young (WV State); Paul B. Shannon (WV State); Jim E. Williams (WV State)
Subject: WV Receipt File Created

The Receipt Files for 06/01/2012 have been created.

E-com:
Total Amount=\$1,478,031.87
Total Record=7465

Regular:
Total Amount=\$386,463.97
Total Record=2938

Unsent Debits

This report was generated 06/01/2012 at 02:17:52 by tammi.bostic using the following criteria:
Through Date: 06/01/2012

There are no records to display.

Prior Day Debit Sent Today

This report was generated 06/01/2012 at 02:24:26 by tammi.bostic using the following criteria:
Date: 06/01/2012

There are no records to display.

RECEIVED PAY CD HELD
SELECTED BATCH COMPOSITE TOTALS

PERIOD DATE CHECK NBR AMOUNT

Desk Sw.
500

WED 3PND02

BATCH DESCRIPTION	BATCH-CNT	RECEIPT-CNT	RECEIPTS TOTAL	OOS FEE CNT	OOS FEE AMOUNT	COMPOSITE NET AMT
RECEIPT BATCHES	1	425	37,454.12	0	0.00	87,454.12
EMPLOYER BATCHES	6	2,502	295,416.61	0	0.00	295,416.61
WORKERS COMP BATCHES	1	2	124.00	0	0.00	3,469.24
UNEMPLOYMENT BATCHES	5	1,729	239,029.94	0	0.00	124.00
FTI BATCHES	14	4,667	625,493.91	0	0.00	239,029.94
						625,493.91

91
 - 625,493.91
 94

91
 - 386,463.91

JPMC CHECKS CASHED RECONCILEMENT

JPMC Daily Statement

TODAY 06/29/2012

Opening Balance	\$5,895,712.10
Credits	\$1,321,780.50
Debits	\$510,122.32
Ending Balance	\$6,707,370.28

	JPMC		OSCAR
Checks Paid	\$60,004.82	(Statement)	\$60,134.42
Returns	\$280.00		\$280.00
ACH Debits	\$364,465.90	(Statement)	\$364,465.90
MISC.	\$85,371.60		\$85,371.00
Scanning Error	\$0.00		\$0.00
Outgoing Trans	\$0.00		\$0.00
TOTAL	\$510,122.32		\$510,251.32
Pay Con: Retn.	\$0.00		\$0.00
* Entries not reflected in OSCAR	\$0.00		\$129.00
DIFFERENCE	\$0.00		\$0.00

Pay Connection Returns
 * Entries that will not be reflected in OSCAR

J.P.Morgan

Cash Reporting -- Balance Report
Prior Day

Business Date: 06/29/2012

Bank:	JPMorgan Chase Bank, N.A. (OH)	Currency:	US Dollar
Account Number:	713442929	LAST UPDATE: 03:54 NY TIME 06/30/2012	
Account Name:	DISTRIBUTION ACCT		
Summary:	LEDGER	SAME DAY	NEXT DAY
OPENING	5,895,712.10	5,872,289.66	23,622.44
CREDITS (2062)	1,321,780.50	1,016,367.34	275,029.48
DEBITS (182)	510,122.32	510,122.32	0.00
CLOSING	6,707,370.28	6,378,534.68	298,651.92

Summary of Other Balances

OPENING ON 07/02/2012	:	6,677,186.60
TOTAL FLOAT	:	329,035.60
AGGREGATE FLOAT ADJUSTMENT	:	200.00
CLOSING BALANCE - 3+ DAYS FLT	:	0.00
TOTAL LOCK BOX CREDITS	:	1,775.10
TOTAL ACH CREDIT	:	993,953.59
ACH SETTLEMENT CREDITS	:	5,031.38
TOTAL OTHER CHECK DEPOSITS	:	321,020.43
ACH SETTLEMENT DEBITS	:	364,465.90
TOTAL CHECKS PAID	:	60,004.82
TOTAL DEPOSITED ITEMS RETURNED	:	280.00
TOTAL OTHER/MISC DEBITS	:	85,371.60
PREVIOUS MONTH	:	5,353,694.82
AVERAGE THIS MONTH	:	5,234,720.98
YEAR-TO-DATE	:	4,748,991.51

STATE OF WEST VIRGINIA
 BUREAU FOR CHILD SUPPORT ENFORCEMENT
 ENVIRONMENT: PROD
 1

JP MORGAN CHASE POSITIVE PAY FILE
 EXCEPTION LISTING FOR PAID AND VOIDED CHECKS

WEO3PWT6
 07/03/12
 PAGE:

CHECK NUMBER	AMOUNT	ISSUE DATE	PAID DATE	PAYEE NAME	CASE DISPLAY	STATUS	REASON
EOF	0.00						

RECORDS WITH INVALID RET CODES: 0 AMOUNT: .00
 CHECKS WITH MISMATCHED AMOUNTS: 0 AMOUNT: .00
 CHECKS WITH STATUS CONFLICTS: 0 AMOUNT: .00

RECORDS UPDATED IN OSCAR : 179 AMOUNT: 60,134.42
 RECORDS BYPASSED IN OSCAR : 0 AMOUNT: .00

CHECKS NOT FOUND IN OSCAR : 0 AMOUNT: .00

TOTAL CHECKS CASHED : 179 AMOUNT: 60,134.42

WEO OSCAR PROD PW14 RPT3 (6)

STATE OF WEST VIRGINIA
BUREAU FOR CHILD SUPPORT ENFORCEMENT
JPM CHASE ACH OUTGOING COUNTS
06/27/12

TOTAL RECORDS	:	3,269	TOTAL CREDIT AMOUNT	:	\$	364,465.90
TOTAL OOS RECORDS	:	268	TOTAL OOS AMOUNT	:	\$	32,023.36
TOTAL DIR DEP RECORDS	:	755	TOTAL DIR DEP AMOUNT	:	\$	115,759.51
TOTAL D CARD RECORDS	:	2,242	TOTAL D CARD AMOUNT	:	\$	216,683.03
TOTAL REVERSAL RECORDS	:	1	TOTAL DEBIT AMOUNT	:	\$	115.38
TOTAL PRENOTE RECORDS	:	3				

THIS DOCUMENT IS PRINTED IN TWO COLORS. DO NOT ACCEPT UNLESS BLUE AND BURGUNDY ARE PRESENT.



BUREAU FOR CHILD SUPPORT ENFORCEMENT

JPMorgan Chase Bank, N.A.
Columbus, OH

25-3/000

CHECK NO.
13335855

06/22/12

CASE NUMBER XXXXX01901
CARETAKER NAME SCOTT JENNIFER
NON-CUSTODIAL PARENT SCOTT WILLIAM

NOT VALID AFTER 6 MONTHS

~~129.00~~

PAY One Hundred Twenty-Nine And 60/100 Dollars

TO THE ORDER OF RICHLAND CO CLERK OF COURT
P.O. BOX 192

C-2 3771

Secretary, Department of
Health and Human Resources

COLUMBIA SC 29202

⑈ 13335855⑈ 1044000037⑈ 713442929⑈

DO NOT WRITE STAMP OR ENDORSE HERE

MADE AT ANKER TO VIEW SERIAL NUMBER
DO NOT WRITE STAMP OR ENDORSE HERE

0637222908 06/27/2012 >861108686< BK834BR0084

Paid Date	06/28/12
Account Number	713442929
Check/Serial Number	13335855
Check/Serial Amount	129.00
Sequence Number	6390309747

JPMorgan

JPMorgan Access Dashboard | [Contacts](#) | [Help](#) | [Exit](#)

JPMorgan ACCESS Payables

Check Inquiry

- [Home](#)
- [Sec Admin](#)
- [Inquiry](#)
- [Stops](#)
- [Photos](#)
- [Recon Input](#)
- [Recon Output](#)
- [Pos Pay](#)
- [Reports](#)

User: HPENDALL
[Inbox](#)

Account 713442929-DISTRIBUTION ACCT

Recon Paid Data From 03/22/12

Inquiry Type Single Range **Status** All

Check/Serial No. * 13335855 **Amount *** **Sequence No. *** **Issue Date**

Posted From 04/03/12 **Posted To** 07/02/12

Additional Data

*One or more fields required. For credit and non-check debit searches the amount field is required.

[Inquire](#) [Clear](#)

NOTE:For Inquiry Results greater than 250 items, only the first 250 items matching your inquiry will be returned.

- [Print](#)
- [Revoke Stop](#)
- [Place Stop](#)
- [Request Photo](#)
- [Print Images](#)

#	Check/Serial#	Amount	Issue Date (MM/bb/yy)	Sequence No	Additional Info	Effective Date (MM/bb/yy)	Status	Request Image	Select (All)
1.	13335855	129.60 <small>gross 129.00</small>	06/22/12	6390309747	RICHLAND CO CLERK OF COURT	06/28/12	Debit		<input type="checkbox"/>

J.P.Morgan

Cash Reporting -- Transaction Detail Report

DHHRBCSE

** Inform

Created on: 07/03/2012; 11:55 AM

Account Number:	713442929	Bank Number:	04400003
Account Name:	DISTRIBUTION ACCT	Bank Name:	JPMorgan Chase Bar
Currency Type:	USD		

Transaction Date:	06/29/2012	Description:	DEBIT / WITHDRAW.
Value Date:	06/29/2012	Product Group:	AT
Amount:	85,371.00	Your Reference:	
0 Day:	85,371.00	Bank Reference:	
1 Day:	0.00		
2+ Day:	0.00		

Text: REMARK CASHIERS CHECK

J.P.Morgan

Cash Reporting -- Balance Report
Prior Day

Business Date: 07/09/2012

Bank:	JPMorgan Chase Bank, N.A. (OH)	Currency:	US Dollar
Account Number:	713442929	LAST UPDATE:	03:38 NY TIME 07/10/2012
Account Name:	DISTRIBUTION ACCT		
Summary:	LEDGER	SAME DAY	NEXT DAY
OPENING	5,309,642.12	5,283,997.70	25,844.42
CREDITS (1309)	965,299.24	366,180.17	540,135.85
DEBITS (177)	1,035,736.69	1,035,736.69	0.00
CLOSING	5,239,204.67	4,614,441.18	565,980.27

Summary of Other Balances

OPENING ON 07/10/2012	:	5,180,421.45
TOTAL FLOAT	:	624,963.49
AGGREGATE FLOAT ADJUSTMENT	:	200.00
CLOSING BALANCE - 3+ DAYS FLT	:	201.30
TOTAL LOCK BOX CREDITS	:	201.30
TOTAL ACH CREDIT	:	325,065.46
ACH SETTLEMENT CREDITS	:	6,600.19
TOTAL OTHER CHECK DEPOSITS	:	633,432.29
TOTAL OTHER/MISC CREDIT	:	0.00
ACH SETTLEMENT DEBITS	:	1,008,301.53
TOTAL CHECKS PAID	:	26,841.92
TOTAL DEPOSITED ITEMS RETURNED	:	593.24
PREVIOUS MONTH	:	5,234,720.98
AVERAGE THIS MONTH	:	5,719,602.33
YEAR-TO-DATE	:	4,794,727.10

J.P.Morgan

Cash Reporting - Summary of Accounts

07/11/2012 05:07 PM

STATE OF WEST VIRGIN

Date Option: Prior Day

As of: 07/09/2012

View Option: Debit/Credit

Account	CCY	Opening Ledger	Closing Ledger	Closing Available	Total Credits	Total Debits
JPMorgan Chase Bank, N.A. (OH)						
713442929 DISTRIBUTIONACCT	USD	5,309,642.12	5,239,204.67	4,614,441.18	965,299.24	1,035,736.69
713442937 STATE OF WEST VIRGINIA	USD	4,646,890.74	4,649,699.28	4,643,126.46	2,808.54	0.00
Bank Totals	USD	9,956,532.86	9,888,903.95	9,257,567.64	968,107.78	1,035,736.69
Grand Totals	USD	9,956,532.86	9,888,903.95	9,257,567.64	968,107.78	1,035,736.69

J.P.Morgan

Cash Reporting -- Balance Report
Prior Day

Business Date: 07/10/2012

Bank: JPMorgan Chase Bank, N.A. (OH) Currency: US Dollar

Account Number: 713442929 LAST UPDATE: 03:16 NY TIME 07/11/2012

Account Name: DISTRIBUTION ACCT

Summary:	LEDGER	SAME DAY	NEXT DAY	2012
OPENING	5,239,204.67	5,180,421.45	58,781.92	
CREDITS (2710)	841,718.69	625,047.47	196,145.01	
DEBITS (217)	1,243,168.47	1,243,168.47	0.00	
CLOSING	4,837,754.89	4,562,300.45	254,926.93	

Summary of Other Balances

OPENING ON 07/11/2012	:	4,817,227.38
TOTAL FLOAT	:	275,654.44
AGGREGATE FLOAT ADJUSTMENT	:	200.00
CLOSING BALANCE - 3+ DAYS FLT	:	201.30
TOTAL ACH CREDIT	:	613,115.00
ACH SETTLEMENT CREDITS	:	2,911.39
TOTAL OTHER CHECK DEPOSITS	:	225,692.30
TOTAL OTHER/MISC CREDIT	:	0.00
ACH SETTLEMENT DEBITS	:	1,190,933.07
TOTAL CHECKS PAID	:	51,741.40
TOTAL DEPOSITED ITEMS RETURNED	:	494.00
PREVIOUS MONTH	:	5,234,720.98
AVERAGE THIS MONTH	:	5,603,852.14
YEAR-TO-DATE	:	4,793,515.50

J.P.Morgan

Cash Reporting - Summary of Accounts

STATE OF WEST VIRGIN

07/11/2012 04:56 PM

Date Option: Prior Day

As of: 07/10/2012

View Option: Float

Account	CCY	Opening Ledger	Closing Ledger	Closing Available	1 Day	2+ Days
JPMorgan Chase Bank, N.A. (OH)						
713442929 DISTRIBUTION ACCT	USD	5,239,204.67	4,837,754.89	4,562,300.45	254,926.93	20,727.51
713442937 STATE OF WEST VIRGINIA	USD	4,649,699.28	4,654,823.28	4,648,450.74	6,197.54	375.00
Bank Totals	USD	9,888,903.95	9,492,578.17	9,210,751.19	261,124.47	21,102.51
Grand Totals	USD	9,888,903.95	9,492,578.17	9,210,751.19	261,124.47	21,102.51



STATE OF WEST VIRGINIA
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Earl Ray Tomblin
Governor

Rocco S. Fucillo
Cabinet Secretary

Finding 2: Commingled Bank Accounts

The Bureau for Child Support Enforcement (BCSE) does not agree in total with this finding. Child Support receipts designated for the operating account are accompanied by documentation identifying the source and purpose of the payment. In fact, electronic receipts must have an addenda record attached before they can be sent or received. The source of payment information is entered into various OSCAR screens while the original documents are scanned and cross referenced to the appropriate case. These records are available on a case by case basis. Similarly, receipt information for the manual processing account is entered onto an EXCEL spreadsheet. This daily spreadsheet identifies transactions by case name and number. It also includes the date of deposit, date of posting, amount and type of activity. This spreadsheet is also reconciled to the JPMorganChase (JPMC) daily statement and ledger balances. Individual case track narratives and financial entries are made when appropriate. Monies are ultimately deposited into the manual processing account or the operating account depending on the nature of the deposit so as to maintain the integrity of the purpose of the accounts. The manual processing account balances are tracked and segregated as either program income or case processing funds. Program income data is captured and reported to the Federal Office of Child Support Enforcement on the Federal OCSE 396a report. Case processing funds are also tracked through the aforementioned EXCEL spreadsheet. The dollar amount of transfers from the manual processing account to the operating account are mathematically determined by adjusting program income off the manual processing spreadsheet. BCSE agrees OSCAR is not designed to provide information on overall balances held within it's bank accounts. However, the data is currently available in OSCAR in a format that is beneficial to the agency, but is not currently available in the format requested by the auditors. That particular format does not provide any discernable benefit to the agency. BCSE further agrees to explore the possibility of enhancing OSCAR to provide this information.

DAILY REPAYMENT LOCKBOX RECONCILEMENT

BUS. DATE JUNE 29, 2012

	JPWC	BCSE DEPOSIT LOG	BCSE DIFFERENCE
BEGINING BALANCE	\$4,617,394.45		
DEPOSITS	\$394.67	\$394.67	\$0.00
DISBURSEMENTS	\$0.00		
RETURNS	\$0.00		
ENDING BALANCE	<u>\$4,617,789.12</u>		

RECONCILEMENT NARRATIVE:

Attachment

Finding #2

J.P.Morgan

Cash Reporting - Summary of Accounts

07/16/2012 04:08 PM

STATE OF WEST VIRGIN

Date Option: Prior Day

As of: 06/28/2012

View Option: Debit/Credit

Account	CCY	Opening Ledger	Closing Ledger	Closing Available	Total Credits	Total Debits
JPMorgan Chase Bank, N.A. (OH)						
713442929 DISTRIBUTION ACCT	USD	6,449,167.27	5,895,712.10	5,621,817.21	395,065.19	948,520.36
713442937 STATE OF WEST VIRGINIA	USD	4,611,371.47	4,617,394.45	4,613,211.66	6,022.98	0.00
Bank Totals	USD	11,060,538.74	10,513,106.55	10,235,028.87	401,088.17	948,520.36
Grand Totals	USD	11,060,538.74	10,513,106.55	10,235,028.87	401,088.17	948,520.36

J.P.Morgan

Cash Reporting -- Balance Report
Prior Day

Business Date: 06/29/2012

Bank: JPMorgan Chase Bank, N.A. (OH) Currency: US Dollar

Account Number: 713442937 LAST UPDATE: 03:54 NY TIME 06/30/2012
Account Name: STATE OF WEST VIRGINIA

Summary:	LEDGER	SAME DAY	NEXT DAY	2012
OPENING	4,617,394.45	4,614,037.53	3,556.92	
CREDITS (1)	394.67	0.00	50.00	
DEBITS (0)	0.00	0.00	0.00	
CLOSING	4,617,789.12	4,614,037.53	3,606.92	

Summary of Other Balances

OPENING ON 07/02/2012	:	4,617,644.45
TOTAL FLOAT	:	3,951.59
AGGREGATE FLOAT ADJUSTMENT	:	200.00
CLOSING BALANCE - 3+ DAYS FLT	:	0.00
TOTAL LOCK BOX CREDITS	:	394.67
PREVIOUS MONTH	:	4,487,606.22
AVERAGE THIS MONTH	:	4,576,679.48
YEAR-TO-DATE	:	4,321,648.29

Pink indicates problem with deposit

MANUAL PROCESSING ACCOUNT
DEPOSIT 6/29/2012
Purple indicates unable to find posting

PAGE ____ OF ____

PAYMENTS POSTED TO OSCAR

LINE NO.	DATE OF DEPOSIT	CASE NUMBER	CASE NAME	DATE POSTED	AMOUNT POSTED	*TYPE OF PAYMENT POSTED	CHECK REPLACEMENT NO.	Source	COMMENT
4	6/29/12	63692	Medina, Rhonda	6/29/12	\$50.00	Repay			
5	6/29/12	322948	Bowers, Beth	6/29/12	\$25.00	current cs			
6	6/29/12	361603	Hurley, Amanda	6/29/12	\$25.00	family interest			
7	6/29/12	78369	Devlin, Deanna	6/29/12	\$50.00	family arrears			
8	6/29/12	24747656103	Kidd, Kelley	6/29/12	\$15.76	current cs			
9	6/29/12	24747656103	Kidd, Kelley	6/29/12	\$31.55	state arrears			
10	6/29/12	16138738704	Braham, Ruth	6/29/12	\$197.36	current cs			
11	6/29/12								
12	6/29/12								
13	6/29/12								
14	6/29/12								
15	6/29/12								
16	6/29/12								
17	6/29/12								
18	6/29/12								
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20	6/29/12								
21	6/29/12								
22	6/29/12								
23	6/29/12								
24	6/29/12								
25	6/29/12								
26	6/29/12								
27	6/29/12								
28	6/29/12								
29	6/29/12								
30	6/29/12								
			TOTAL POSTED		\$394.67				



STATE OF WEST VIRGINIA
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Rocco S. Fucillo
Cabinet Secretary

Finding 3: Unsupported transfers totaling \$1,557,064.

The DHHR would once again like to reaffirm that the monies intercepted by the Tax Department from taxpayers who owe arrearages for outstanding child support and deposited by the Tax Department into Fund 5075 have indeed been disposed of properly. The amount of tax intercept monies that are due to custodial parents are paid to each parent in accordance with court orders and in compliance with the Code of Federal Regulations at 45 CFR 302.51 (Distribution of support collections) and 45 CFR 304.26 (Determination of Federal share of collections). The "Condition" statement within the finding mentions an audit trail and lack of documentation, which is not completely accurate as it relates to the proper allocation of the monies. While the tax intercept [dollars] might lose their identity after transferring out of Fund 5075, the fact that the Online Statewide Collections and Receipts System tracks those tax intercepts [by amount] and provides an audit trail with respect to whether the custodial parent received the money (proper disposition) should prove as sufficient evidence towards our compliance with the aforementioned regulations.

The DHHR utilizes an outside bank account to make the payment to the custodial parent as it relates to the tax intercept monies we receive from the Tax Department. The DHHR began the process of using funds already deposited within the outside bank account instead of the actual tax intercept dollars; subsequently, we would reclassify the intercept dollars and transfer the monies from Fund 5075 to Funds 5360, 5094, 8722, 5065, 5072 or 5362. The DHHR began this process because the Tax Department deposits those monies into Fund 5075 and the DHHR was under the assumption that we were not permitted to transfer money out of Fund 5075 and into an outside bank account. With respect to the auditors concern over the identity of the tax intercept monies and related recommendation in prior correspondence that the DHHR deposit the tax intercept monies into our outside bank account, the DHHR has recently learned that this would in fact be permissible by the State Auditor's Office, the State Treasurer's Office and the Tax Department. The DHHR has already begun discussions with the State Auditor's Office and the Tax Department with respect to these efforts, whereby instead of the Tax Department depositing the tax intercept monies into Fund 5075, they will submit a paper warrant to the Bureau for Child Support Enforcement for deposit into the outside bank account.



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Finding 4

Recordkeeping & Collection Procedures for BCSE Accounts Receivables

CONDITION (as stated by the Audit)

Due to variety of circumstances incurred in administering the support enforcement program, the BCSE accumulates accounts receivables due primarily from caretakers, non-custodial parents and employers of non-custodial parents. In regards to these receivables, we noted the following:

- (1) BCSE records do not sufficiently document and track receivables owed to BCSE; and
- (2) BCSE repayment procedures do not fully employ adequate measures permissible under Federal and State laws and guidelines to effectively recoup receivables.

Our conclusions are based on the following:

- The BCSE was unable to provide us with an accounts receivable report. Therefore, we could not secure a list of debtors, we could not establish the age of the receivables, nor could we efficiently determine the total amount of receivables due BCSE for any given point in time;
- The BCSE does not currently have a centralized method of tracking and preserving all signed repayment agreements.
- The source deemed to be most complete in regards to outstanding receivables was the Central Auditing Unit's (CAU) database. However, this database does not contain all relevant information as noted in the repayment agreement;
- The BCSE does not currently use all of the collection methods available to it permitted by either Federal code or West Virginia code to recoup overpayments. Such available methods not in use by BCSE include:

- Obtaining upfront permission from the CT during the initial application process whereas the CT agrees to allow the BCSE to recoup any overpayments made to the CT from subsequent BCSE receipts of support monies for the case;
- In lieu of such upfront permission, assuming such permission is granted by default when no response is received within a reasonable time after a third letter has been mailed to the CT asking for permission recoup overpayments made to the CT;
- Issuing an income withholding (wage garnishment order) to the CT's employer to recoup the amount of an overpayment if certain other avenues of collection have been tried and prove to be ineffective or not applicable. Since this is not an attempt to divert support payments, the CT's permission is not required;

BCSE Response:

The BCSE agrees that it is unable to provide a comprehensive and fully current report on outstanding receivables. The Bureau agrees that it lacks a fully coordinated effective system for managing and documenting the debts owed to the agency. This task is completed in significant part by manual processes, not in an integrated accounts receivable bookkeeping system. NSF related debts are handled by different staff using a different data base than are debts owed by caretakers. The BCSE is able to provide such information in piecemeal fashion i.e. the agency has a working record of individual debts but lacks the capacity to provide an overall report.

The repayment agreement procedure applies to caretaker debts and not to efforts to recover funds from failed remittances that are based on bad checks or the reversal of a remittance by the IRS. A different process applies to debts owed to the Bureau based on a failed receipt. A civil action against an employer is the most common method used to secure payment from an employer who has not cooperated in satisfying a debt caused by a payment that was returned for non-sufficient funds.

• *The BCSE does not currently have a centralized method of tracking and preserving all signed repayment agreements.*

BCSE Response: The Bureau agrees that it does not have a centralized method of tracking and preserving all signed repayment agreements. The Bureau does not believe that there is a need or reason for the central office to have either the original or a copy of each of these agreements. The signed agreement is part of the case record

housed in the local office to which the caretaker's case is assigned. The Repayment Agreement is included in the imaged record associated with the caretaker's case. The existence of a signed agreement is noted in the OSCAR system.

If there is a need for court action regarding an agreement, the matter would proceed in the county with jurisdiction over a civil action between the Bureau and the caretaker. The document with the original signature would be required to institute such action. Legal action to secure the debt owed to the Bureau is sometimes addressed in the context of the Family Court that has jurisdiction over the caretaker's support order.

• ***The source deemed to be most complete in regards to outstanding receivables was the Central Auditing Unit's (CAU) database. However, this database does not contain all relevant information as noted in the repayment agreement.***

BCSE Response: The CAU database is the Central Audit Unit's internal system for managing the records related to requests for and the completion of manual changes to case financials records. While completed financial reviews do include a finding as to whether a case involves a caretaker repay debt, it does not contain any documentation concerning debts owed to the Bureau based on failed receipts or IRS reversals of receipts. It contains only information regarding debts determined to be owed by caretakers. It does not include any information regarding the collections and credits that have been applied to caretaker repayment debts.

Caretaker repayment debts are maintained in the OSCAR system in repay record (RPAY). The OSCAR system does not contain the repayment agreement itself, since this is a hard copy signed contract between the Bureau and the debtor. These are maintained in paper and/or imaged format.

• ***The BCSE does not currently use all of the collection methods available to it permitted by either Federal code or West Virginia code to recoup overpayments. Such available methods not in use by BCSE include:***

BCSE Response: The Bureau agrees that it does not routinely use every possible remedy that is available to it to recover debts owed by caretakers. Specific responses are made in regard to specific remedies that are referenced.

○ ***Obtaining upfront permission from the CT during the initial application process whereas the CT agrees to allow the BCSE to recoup any overpayments made to the CT from subsequent BCSE receipts of support monies for the case;***

BCSE Response: The BCSE long-form application for services includes a statement of rights and responsibilities that is signed by caretakers that states that the CT has the responsibility to repay amounts received in error, but it does not specifically authorize recoupment from current support. Amending the long-form application for services

would only reach a small percentage of cases, because most BCSE cases are opened on referrals from the IV-A agency or by a referral from the Circuit Clerks which is a two page application that does not contain this language. Neither of the latter processes provides the Bureau with anything that can be construed as consent.

Further, OCSE PIQ-03-02 states that when the IV-D agency seeks to obtain consent for recoupment of an overpayment as part of the application process, the applicant must be advised that “the consent is optional” and that IV-D services cannot be conditioned on a consent to recoupment. Further, the BCSE asserts that it has made a current support is one of the largest sources of income for low-income households with children.

○ *Issuing an income withholding (wage garnishment order) to the CT’s employer to recoup the amount of an overpayment if certain other avenues of collection have been tried and prove to be ineffective or not applicable. Since this is not an attempt to divert support payments, the CT’s permission is not required;*

BCSE Response: The Bureau is currently developing OSCAR functionality that will allow it to implement procedures to recover overpayments to caretakers by an income withholding to the debtor’s employer.

● *The BCSE does not have adequate procedures to determine if repayment debt is owed.*

BCSE Response: Every financial audit of a case includes a “caretaker accounting”. The BCSE accounting processes implemented by the CAU incorporates detailed procedures for determining if a caretaker has been overpaid and whether the overpayment results in a debt to the Bureau. The Bureau does not agree with the statement that it “does not have adequate procedures to determine if repayment debt is owed.” The BCSE also has records of all account receivable debts that are based on a failed or reversed receipt.

W. Va. Code §48-14-404, as amended, states in part:

“...If no arrearage exists with which to offset the overpayment or the arrearage is not sufficient to offset the overpayment and the obligee does not enter into a repayment agreement with the Bureau for Child Support Enforcement, the Bureau for Child Support Enforcement may issue an income withholding to the obligee’s employer to recoup the amount of the overpayment....” (Emphasis Added)

Bureau Response: The Bureau is in the processing of developing the system functionality that will allow this process to be implemented.

CAUSE (as stated by the Audit)

According to the CFO for BCSE any possible BCSE repayment policy would be too “unwieldy” due to the high volume of BCSE overpayments and the complexity of the laws regarding the determination and collection of repayment debt. We were also told by the BCSE Assistant General Consul that the BCSE does not use wage garnishments for overpaid CTs (reverse income withholdings) as a repayment method due to the complexity the process would present in programming the OSCAR system to perform this task.

BCSE Response: The BCSE has a repayment policy; it routinely determines whether a repayment debt is owed; it has OSCAR functionality for managing repayments although it is less than an optimal form of automated support for this activity; the Bureau has a procedure and forms for notifying caretakers that an overpayment has occurred; the BCSE regularly notifies caretakers of repayment debts; the BCSE has secured fully repayment of many caretaker repayment debts.

The Bureau also has a current initiative to develop OSCAR programming to manage income withholdings against caretakers to recover overpayments. The Bureau acknowledges that its existing policy has some gaps and a revision of the repayment policy is currently in process and will be finalized in connection with the implementation of new system functionality governing the recovery of debts owed by caretakers.

The Bureau notes that the process for recovering overpayments to caretakers by income withholding is a totally different process than a “reverse income withholdings”. The latter is provided for §48-11-107 covering “Modification resulting in reduction and overpayment of support.” This provision covers debts owed by a caretaker to an obligor when a modification of a support order results in a judgment to the obligor for debt that has been overpaid to the caretaker. This is the process commonly referred to as a “reverse income withholding”.

EFFECT (as stated by the audit)

The BCSE’s has no practical method of determining how much money is owed either to the State or to the State’s public assistance programs in the form of BCSE receivables that have resulted during BCSE’s operation of the State’s support enforcement program. Therefore, any rationale estimation as to the potential cost to the State in uncollectable receivables resulting from BCSE’s operation of enforcement program cannot be reasonably calculated. However, some indication of the significance is given by the fact that in March 2008, the BCSE wrote off as uncollectable approximately \$1.87 million in receivables that originated within a three-year period of 1995 through 1997. This, in turn, necessitated a Legislative annual appropriation of \$300,000 each year from fiscal year 2009 through fiscal year 2013 in order to off-set the costs of the write-offs.

Although, we cannot in any efficient manner determine the amount of outstanding receivables, we believe the lack of comprehensive collection procedures has increased the amount of receivables that

have remained uncollected. Resulting write-offs of such uncollected debt has increased, and will further increase, the cost to the State in running the State's support enforcement program.

BCSE Response: The BCSE agrees that it lacks a comprehensive system for reporting its total outstanding receivables. The Bureau working with MIS is currently developing system functionality that will allow it to better manage its accounts receivables and which will also be able to provide reports concerning the type and reasons for debts, the age of debts, the amounts recovered, etc.

RECOMMENDATION (as stated by the Audit):

We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and §48-14-404, as amended. We also recommend BCSE employ those collection methods permitted by the Federal Office of Child Support Enforcement's Action Transmittal 97-13 and clarified in their Policy Interpretation Question PIQ-02-01. Finally, we recommend the BCSE implement a comprehensive procedure that ensures appropriate record keeping.

BCSE Response: The Bureau has implemented the provisions in §48-14-404 regarding the offsetting of caretaker overpayment debt against remaining arrears owed to the caretaker. The Bureau is working with MIS to develop the system functionality that will allow it to implement the income withholding provision authorized in this Section. The BCSE is currently testing a new feature which will alert it when a payment is made by an entity which has repeatedly tendered NSF checks. The functionality will allow for timely suspension of disbursements to prevent a receivable from occurring in the first place.

The BCSE does not believe that it is feasible to implement a procedure to recover caretaker debt by withholding it from future collections of support. First, the process would require an affirmative consent of the debtor. The Bureau already obtains signed "repayment agreements" from caretakers who agree to cooperate in repaying their debts. Secondly, the process would require the Bureau to set aside automated financial processing in affected cases and do extensive manual manipulation of receipts in order to intercept a portion of future support receipts received for the caretaker's case. This investment of resources to accomplish this would greatly impair the ability of Bureau staff to maintain efficient and timely disbursement of large amounts of support to other caretakers and divert efforts from expanding its collection efforts for additional families.

Finally, the Bureau notes that the Deficit Reduction Act of 2005 very substantially changed the federal statute and the federal regulations regarding the distribution of child support. That law required states to pass on greater amounts of support that had previously been retained by States to recover TANF benefits paid to families. Recovery of overpayments to caretakers by taking a part of their future support benefits would certainly be in conflict with the spirit of the Deficit Reduction Act if not in conflict with the requirements of the law itself.



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Rocco S. Fucillo
Cabinet Secretary

Finding 5: Inadequate Documentation Policies

Condition: In addition to financial records documenting the collection and disbursement of child and spousal support, there are additional documents generated in a typical support case. The BCSE relies upon supporting documents maintained in electronic format. During, our audit period the BCSE implemented an electronic scanning system and for a portion of this audit period had to rely upon hard copy case records to perform their duties. Case file records generated include, but are not limited to, the following:

- Applications requesting child support services;
- Court Orders ruling on child support cases;
- Correspondence to and from caretakers (CTs) and non-custodial parents (NCPs) regarding decisions rendered and either actions taken or actions that may be taken in regards to a case;
- Correspondence to and from employers of NCPs regarding current or possible future wage garnishment of NCPs as a means to secure support obligations;
- Information and completed forms maintained in either the Online Support, Collections, and Reporting (OSCAR) system, the FormQUEST system, and other information systems maintained by the BCSE.

In 26 of the 115 cases we tested for proper and complete documentation, we noted one or more instances where documents either were missing, incomplete, or unauthorized. Also, we noted instances in which notations of actions taken were not made to case files. Assuming our test results for our sample are reflective of the entire population of approximately 281,000 closed and current support cases, we estimated approximately 60,000 cases will have at least one pertinent document not included in the case files.

Cause: Upon the request for a missing document, we were informed the only document available in most cases must be reprinted and doesn't represent the

finished/final copy including any necessary signatures or endorsements by a caseworker or other BCSE personnel. Upon communication with the BCSE, we were informed that upon a case narrative's creation within the OSCAR system if the document is not noted as being necessary per the scanning policies or per the documentation retention policy it will not be maintained. This would include notices of actions taken, and form letters sent to various parties related to the case. In reference to the forms prepared using the FormQUEST system, the BCSE does not currently retain all authorized FormQUEST documents in their case files, they rely upon the finalized unsigned documents.

Effect: When certain relevant case documents are not retained, information supporting the proper completion of tasks related to administering a case cannot be determined. These forms and documents offer evidence of those steps taken by BCSE staff and others in administering child support cases are systematic, rational and in accord with Federal and State laws and guidelines. This, in turn, limits the effectiveness of audits and management oversight of caseworker performance. Also, failure to have a well-defined document retention policy contributed to a lack of consistency in the documents retained in the case files noted by us during the audit when comparing the files maintained by the various BCSE caseworkers.

Recommendation: We recommend the BCSE comply with W.V. Code §48-18-105, as amended, and the Code of Federal Regulations Title 45 Section 302.15 and ensure the BCSE implement adequate documentation policies and internal controls governing the maintenance, administration, and monitoring of these case files. Also, we recommend the BCSE ensure all computerized systems relied upon to serve as a case system of record include the final authorized version of any documents generated. Finally, we recommend the BCSE review their document retention schedule to reflect the addition of new information systems since this schedule was last revised in November of 2005.

BUREAU Response to Condition:

BUREAU FOR CHILD SUPPORT RESPONSE This Finding is based on WV Code §48-18-105 which relates to the general duties and powers of the Bureau for Child Support Enforcement, specifically paragraph (16) which provides that the Bureau shall adopt standards for record keeping. The Finding seems to be based on a lack of understanding of the overall context in which the Bureau carries out its duties and its methods for documenting the work that is performed in particular cases. The Finding does not seem to recognize that an overwhelming majority of case work takes place in a

virtual environment and that the documentation and tracking of this work is also maintained **only** in an electronic format. It also seems to reflect a lack of understanding as to when certain records are relevant to a case and also the inability to identify documents that were clearly in the case record. Following is a description of the overall context in which the Bureau's case processing activities occur.

The Bureau strongly disagrees that it lacks a sufficient record of required documents related to case processing. The Bureau concedes that there no doubt isolated instances in which it is missing a copy of externally generated record that should be in its imaged case record. This does not constitute a condition of "Inadequate Documentation Policies". The Bureau's system of record keeping is described as follows:

OSCAR RECORDS: The Bureau implements all of its case processing activities in an automated case processing system known as OSCAR (Online Support Collections and Reporting). This is a federally certified system. The data that the system maintains is the basis for the State's federal data and financial reporting regarding all aspects of the child support program's operations. The OSCAR record is the official case file for the Bureau's cases.

The OSCAR system has functionality that allows the agency to take all required actions in case processing and produces any relevant forms related to each transaction. In addition to the actions taken by individuals in the case processing environment, the OSCAR system itself automatically generates numerous automated transactions. Some of these transactions result in documents that are generated from a central location and mailed to the addressed party. Other automated transactions are communicated electronically to the addressed entity.

The OSCAR system tracks each action taken on a case identifying the action, the date the action is taken and the individual taking the action. The tracking detail identifies whether a case transaction was taken by a person or by an automated function. Form generation is tracked on the TRFO screen in each case. In the few instances where a manual action must be taken in a case, this action is noted in a narrative section of the OSCAR record. The date and identity of a person making a narrative is automatically recorded. The tracking documentation of transactions and narratives in OSCAR cannot be changed by case processing staff as to what, when and who took a particular action. The Bureau's case data is subject to an annual data reliability audit in which federal auditors review the data that is reported from the OSCAR system against source documents to assure that the Bureau reports its data accurate and reliably. This audit involves very strict scrutiny of the Bureau's case processing activities. For example, if the Bureau

reports that a child was born of a marriage, it has to supply the documentation that the mother was in fact legally married at the relevant time.

The federal funding agency annually awards incentive funding to the nation's 56 child support agencies based on the outcome of this audit. All 56 child support programs compete for a share of a fixed amount of federal funds. The share is based on each program's outcome on five federal performance standards and whether the state passes the audit of its data related to each performance standard. Because each program is competing for a share of fixed pot, the federal audit has to be very exacting in its review of each program's data reporting. The Bureau has passed the data reliability audit conducted by the Office of Child Support Enforcement on each of the five performance measures for all years in the past ten years. The Bureau is confident that the data in the OSCAR system in complete and reliable documentation of its processing activities in individual cases.

FORM QUEST In addition to the OSCAR system in which transactions and forms are generated, the Bureau has an auxiliary system for modifying the content of a standard child support form and also to print most of the forms generated through OSCAR functions. The OSCAR system is a mainframe-based computer system. Until 2009, any change to an OSCAR form involved lengthy and expensive delays as the work could be done only by computer programmers. For example, if there was a change to a Code cite due to a change in the law, this might affect dozens of different forms and require a lengthy set of technical changes. The Form Quest system was implemented in early 2009. Form Quest allows the Bureau to update its forms quickly and less expensively.

In addition to providing the Bureau with a method to update its standard forms, the Form Quest system also allows individuals taking an action in the OSCAR system to make changes to the document associated with that transaction. This feature addressed one of the long-standing criticisms of the OSCAR system—that it lacked flexibility to allow a standard form to be changed in any way (except by handwritten changes) to meet the unique circumstances of a particular situation. Form Quest allows the user to make changes to a standard form related to a particular transaction and documents that change in the tracking record.

IMAGED/ELECTRONIC RECORDS In addition to the OSCAR system and the ancillary Form Quest system which maintain the bulk of the Bureau's case processing records, the Bureau must maintain certain documents that are not part of the OSCAR record. Examples of such documents are completed

applications for Bureau services, information obtained from parties for computing the child support formula, court orders, birth certificates, certain communications from employers, responses to locate inquiries, and written communications from parties to a case.

Historically, the Bureau maintained these records in a hard copy folder maintained in file cabinets. At any particular time, the Bureau would have upwards of 200,000 hard copy files in its local offices, including about 130,000 active record folders and 60,000 closed records on a schedule to be sent to be archived with a private vendor. Many of these folders were quite voluminous –the average folder was about three inches thick but it was not uncommon for folders for cases which had involved numerous legal proceedings to be more than a foot thick. These folders of records were physically transferred between county offices as parties moved from county to county. The folder could be available to only a single person at any one time.

In 2010, the Bureau implemented a document imaging and management system into which it moved all hard-copy documents relating to each case. This change involved scanning all hard-copy documents in a case folder into an electronic record. The imaging process included a protocol for identifying each document and for organizing all the electronic documents in each case in a specified manner.

As part of the imaging process, Bureau staff was given explicit directions as to what documents were required to be imaged. At the same time, staff was directed to discard and not image certain documents from case folders if the document had no relevance to the case. For example, an unsigned copy of an order that was prepared by the BCSE attorney that was sent to the Court and later signed and entered was to be discarded as the unsigned copy had become a meaningless document.

Hard copy records were imaged on site in the various local offices with an intense level of training, oversight and support from designated central office staff. Management of the imaging project was assigned to an Assistant General Counsel and to a Regional Manager whose position was upgraded to a more senior status for the duration of this initiative. The time of these two individuals was devoted to the imaging project for nearly a year. In addition, much of the time of the Director of Field Operations and a trainer were devoted to the imaging project during the same period.

At this time, the Bureau has successfully moved nearly 90% of hard copy documents into an electronic environment. New documents received at

local offices are immediately scanned into the imaging system and directed to the case owner for incorporation into the electronic case file. These records are organized so that they can be retrieved easily by anyone having access to the imaged record system. Several different users can access a record simultaneously. Records cannot be misplaced or lost. Transfer of records between offices can occur immediately and cheaply. (A copy of the Taxonomy for the organization of imaged case records is attached.)

HARD COPY RECORDS As part of the imaging project, the Bureau had to decide which, if any, records, it should maintain in hard-copy form in addition to having an imaged/electronic copy of the document. A few documents that would be either difficult or expensive to obtain if a future hard-copy was needed were designated as records that were to be maintained in a hard copy folder. An example of such a record is a certified copy of a birth certificate from another state. At this time, many BCSE cases have no associated hard copy record.

Bureau Response: This is a totally incorrect statement. The Bureau's "State Plan" for operating the child support program is covered in 45 CFR Part 302. The State Plan must be approved by the federal agency annually in order for the IV-D program to receive "any" federal funding. One of the specific Requirements in §302.15 is a Requirement that the State Plan addresses the duties of the IV-D program with regard to "Reports and Maintenance of Records". The regulation specifies that the State Plan shall provide that: (a) the IV-D agency will maintain records necessary for the proper and efficient operation of the plan. The regulation goes on to detail a lengthy list of the kinds of records that the IV-D program must maintain.

As to case records other than those maintained in the OSCAR system, the agency has clear written instructions to staff regarding the duty to maintain documents. The Bureau has a formal written document retention policy. The Bureau's Document Retention Policy is contained in Appendix C of the BCSE policy manual which is available to all BCSE staff online. This document currently shows as having been most recently issued by DW-17, 2005-8 with a date of 11/2005. The retention of records is also covered in the BCSE Policy Manual section on Case Closure, Section 10000.40 addressing the retention and purging of files. (A copy of the Bureau's record retention policy is attached.) The Bureau does have a draft revision of its document retention policy that has not been officially promulgated. The Bureau's draft revisions to the policy on document retention are not relevant to the audit.

Additionally, all newly hired case processing staff is required to participate in four weeks of classroom training that is conducted in the Bureau's Training Unit. The requirements and procedures for record management are taught in the "document management" segment of the Module II training. This includes content as to how to image and organize electronic records from paper documents as well as the maintenance of certain documents in a paper folder. Document retention is also covered in the Training on Case Closure. In addition to the classroom training, each case worker receives an expansive set of training materials in hard-copy format. When a worker completes a Module of the training program, the worker is tested on the material that was covered. These test results are maintained in a formal system by the Training Unit and a copy of the test results with comments from the training staff is sent to the worker's supervisor.

Bureau Response to Statement of Cause

This is covered in the response above to the Condition. Basically, the audit misunderstands the nature of an automated child support system which is required by the federal funding agency to be the official record of the case.

Bureau Response to the Statement of Cause

The Bureau has moved its case processing work into a virtual environment for both efficiency and safety purposes. The documents in the electronic systems are protected from floods and fires. The virtual environment also allows work on a case to occur from any location at which a worker has access to a computer that meets the security requirements of the State's mainframe system on which OSCAR is housed. These documents are in the form required by the federal funding agency and satisfy all relevant legal requirements.

As noted in the description of OSCAR, various forms are generated automatically and printed and mailed from a central location in the state. There is no possibility for these documents to be signed and copied. Further, most of the documents generated by case workers do not require the worker to "sign" them in the traditional sense of manually affixing their name to the document. The identity and contact information for the worker are automatically added to the document by the system transaction.

Making a copy of all OSCAR generated documents would totally defeat the purpose of having an automated case processing system. Documents that are filed with the Court that require a signature are copied and/or imaged.

It would greatly reduce the efficiency and the productivity of Bureau staff without creating any added value for the customer or for the State if the Bureau required that all documents be printed and manually signed and a copy placed in a hard copy folder/imaged case record. The OSCAR system has a proven history of creating its own internal tracking detail. Any form produced by this system can be reprinted as necessary. The system does not allow any changes to be made to a reprinted form.

The BCSE agrees that the lack of complete and accurate documentation would have a severe adverse impact on its ability to administer the child support program in accordance with the relevant federal and state laws and regulations. However, the Bureau unequivocally disagrees with the statements in this section of the draft report. The Bureau has a well-defined document retention policy; the document retention policy is readily available to all BCSE staff in an online format; staff are trained on the document retention policy; the document retention policy is routinely implemented in the maintenance of case files; the supervisors and managers of program operations routinely review the quality of the staff's work which necessarily involves the determination of whether relevant documents are in the case record; the Bureau's automated case processing system tracks each form that is generated by the OSCAR system identifying the date and person taking the action; and the relevant hard-copy documents have been transferred into an electronic format where in records are clearly organized and easily retrievable.

Bureau Response to Audit Recommendation

The Bureau asserts that it is in full compliance with the requirements of the WV Code §48-15-105 regarding case documentation. The Bureau believes that the Recommendation reflects a lack of understanding on the part of audit staff as to how case processing is carried out in an automated case processing system. This lack of understanding as to the basic processes used by the BCSE to implement the child support program in an automated electronic-based case processing system was the basis for most of the statements made in this Finding. This applies equally to the specific issues noted in the Condition Statement, the Cause of the Condition, the Effect of the Condition, and the Recommendation that has resulted. The Bureau has a pending revision of its document retention policy which was last revised in November, 2005.

Document Group

Document Type

Admin Enforcement

Redirect
IWO

Admin Modification

MOD-Proposed Order
MOD1 Info-Statement
MOD10 Instructions
MOD11 Pet Modif
MOD2 Review-Check
MOD3 Mod Request
MOD4 Requested Meeting
MOD5 Notice Meeting
MOD6 Complete Review
MOD7 Notice Filing
MOD8 Obj-to-Order
MOD9 Filing Letter

Admin Pat

Affidavit
Order

Appeals

Briefs to Supreme Court
Petition for Appeal to Supreme Court
Supreme Court Orders
Writs of Prohibition

Application

Aff of UP
Application
Birth Certificates
Death Certificates (incl. obituaries)
Identification
Direct Deposit Forms
Disclaimer

Document Group

Document Type

Legal Enforcement

AAS
Suggestion
Writ Execution
Abstract Execution
Abstract Judgment
Abstract Order
Aff of Arrears
FCR/CSLN
Bond
Job Contact
PSOC
Recission Sugg
Recission Writ
Release Lien

License Suspension

Compliance LSD7
Compliance LSD8
Failure LSD6
Failure LSD9
Lawyer LSD11
Notice LSD2
Order LSD13
Order LSD5
Order REINST
Petition LSD4
Pymt Agmt LSD3
Suspend Ltr LSD10
Warning Letter LSD1
Warning LSD99 (b)

Attachment

Application

Domestic Viol Aff
Assignment of Rights
Pat Question
Paternity Affidavit
Non-OSCAR Pat Affs
Release of Info

Bankruptcy

APEM Bankruptcy
NCP Bankruptcy
CT Bankruptcy

BCSE Pleadings

Admin Modification
Answers/Responses
Appeals/Reconsiderations
Briefs/Memo of Law
Enforcement
Deceased Parties
Discovery
Employer Suit
Establish CS/Paternity
License Suspension
Petition Modification
Proof of Service and Notice
Subpoena
URESA

Back Scan File

Application
Correspondence
Financial
Legal

Correspondence

Genetic Testing
Governmental Inquiry & Response
Obligor Hardship
To/From Obligor or Obligor
To/From Employer

Medical

Affidavit of Medical Arrears
NM/SN
MED1 response

Moving Child

MC1
MC2
MC3
MC4
MC5
MC6
MC7

Non BCSE Pleadings

Suits vs. Employers
Answers/Responses
Appeals/Reconsiderations
Briefs/Memo of Law
Enforcement
Petition Modification
Establish CS/Paternity
Answers/Responses
Discovery
Divorce
Proof of Service and Notice

NSF check

NSF check complaints
NSF Check letters
NSF check Orders
NSF evidence

Correspondence	To/From Others
	To/From Attorney
	LOCATE
	Returned Mail
	Obligor Billing/Obligee Statement (b)

Fair hearing	Pre-hearing decision
	Request
	Tax

Financial Disclosure by Parties	Mom Financial/Income Information
	Dad Financial/Income Information

Financial	ARREARAGE CERTIFICATION STATEMENT
	ART2 Court
	ART2 FSUM
	ART2 to Party (not used in litigation)
	ART2 Rope
	ART2 SOL
	CAO-25 / NSI / APDS
	Check & EFT Pull Requests
	Forgive Overpayment
	Lost Check Affidavits
	Manual Chk Requests
	Completed MISC20
	MPO Forms
	ART2 to Party (not used in litigation)
	OSA Payment History
Payment Research	
Resolve check form	
PF2 email	
Proof of Payments	
Tax	

Orders	Adoption Orders
	Attorney Notes/Worksheet
	Family Court Orders
	Circuit Court Orders
	Sup Ct Recusal
	Guardianship Orders
	OOS Court Orders
Property Settlement Agreements	
Temporary Form Orders	

Repayment	Agreement (signed) collection
	Letters
	motions/orders
	Repay Billing (b)

UIFSA -Initiating	Determine Controlling Order
	INITIAL PACKET
	Trans #3
Correspondence to/from OOSA	

UIFSA -Responding	Determine Controlling Order
	INITIAL PACKET
	Trans #1
	Trans #2
	Trans #3
Correspondence to/from OOSA	

Tax (b)

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APPENDIX C

DW-17 2005-8 (11/2005)

General Retention Schedule

Name of Document	Retention Period for Keeping Records In the Office	Retention Period for Keeping Records At Archive
Action Transmittals and Federal Directives	By Central Office Until Updated	None
Applications for Employment	1 Year	4 Years
Attendance Records: Individual Attendance Reports Sign-In Forms Leave Requests	1 Year	4 Years
Bad Check Letters	1 Year after resolution	None
Case Records	1 Year in Local Office after closure	Additional 9 Years then destroy
Division of Personnel Registers	1 Year	None
Dockets	3 Years	
Equipment Inventory	Until subsequent inventory or update	N/A
Federal Audit Material	1 Year after completion of audit	4 Years
Individual Personnel Files	1 Year after separation	None
Intake Register/Contact Log	3 Years	None
Interstate Register/Responding/Initiating	3 Years	
Out-of-State Limited Service Requests	1 Year after completion of requested service	None
Parental Kidnapping/Child Custody Records	1 Year	2 Years
Personnel Policies and Procedures	Until Changed or Updated	N/A
Policy Manuals and Memorandums	Until Changed or Updated or Until No Longer Applies	At least 15 Years

Procurement Records: Requisitions, Purchase Orders, Receiving Reports, Invoices/Statements, and related correspondence	1 Year	4 Years
Receipt Book	5 years	
Revolving Fund Requisitions	1 Year	4 Years
Self Assessment Review/Reports	1 Year	4 Years
Travel Expense Account Settlements	1 Year	N/A

Retention Schedule (Case File Contents)

Document Description	Retention Period (Case File)
Abstracts	Permanent Record
Affidavit of Arrears	Permanent Record
Affidavit of Accrued Support	Permanent Record
Application Forms	Permanent Record
Arrearage Computation Sheets (old CAO-25's)	Permanent Record
Attorney Letters	Permanent Record
Bankruptcy Records	Permanent Record
Birth Certificates	Permanent Record
Blood Test Results	Permanent Record
Court Orders	Permanent Record
ES-AP-1	Permanent Record
Fair Hearing, Administrative Hearing, Complaint Requests/Documentation/Results	Permanent Record
Finalized MISC-20	Permanent Record
Income Withholding Notices	Permanent Record
Interstate Correspondence	Permanent Record
Liens	Permanent Record
Locate/Verification Documents	3 Years
Marriage Certificates	Permanent Record
Moving Child forms	Permanent Record

Noncustodial Parent's Check Copies	Permanent Record
Noncustodial Parent/Caretaker Letters	Permanent Record
Noncustodial Parent/Caretaker Financial Records (earnings/income records/asset records, etc.)	Permanent Record
Paternity Acknowledgments	Permanent Record
Paternity Questionnaire	Permanent Record
Pleadings	Permanent Record
Recording Logs (old PLS-2)	Permanent Record
Repayment Agreement/Supporting Documentation	Until Paid in Full

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STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

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Rocco S. Fucillo
Cabinet Secretary

Finding 6 - Inadequate Monitoring of PSI Contract

The BCSE agrees in part and disagrees in part with the findings in this section. The contract reviewed in the audit terminated in mid-February 2012. The BCSE issued an emergency contract for PSI to provide continued services for Clay County for the last half of the month of February 2012. The BCSE transferred all Clay County operations to state control effective March 1, 2012. Services for Kanawha County only were bid through the Request for Quotation process and a new contract was awarded, effective February 15, 2012. The new contract is for a one-year period. The successful bidder was Policy Studies, Inc. On April 30, 2012, Policy Studies was acquired by one of its competitors, Maximus. Policy Studies is currently operating as a subsidiary of Maximus.

The BCSE acknowledges that under the previous contract, it did not demand and PSI did not provide documents including a balance sheet, monthly income statement, annual audit report, and quarterly fixed asset report as required by the contract. The BCSE asserts that the failure to obtain these documents did not impair the operations of the Kanawha/Clay county offices. The contract which required the documents has expired. A new contract took effect in mid-February 2012. The new contract does not include a requirement to provide these documents unless specifically demanded by the BCSE, with the exception of a monthly income statement.

The BCSE acknowledges that it has not sent an Alert Letter to the Vendor since 2007. The issues existing with the Vendor did not rise to the level of failure to provide services. The BCSE had noted that in some areas, the offices staffed with state government employees are outperforming the privatized office and has been exploring the cost effectiveness of returning the operations to direct state control. The state resumed control of the Clay County office on March 1, 2012. An RFQ was issued by the Department of Administration's Purchasing Division, and a new contract was awarded for Kanawha County alone February 15, 2012. In light of the continued privatization of the Kanawha County office, the BCSE has determined that it is necessary to devote additional staff resources to contract monitoring. Accordingly, a vacant position has been re-assigned to the appropriate central office unit and is in the process of being filled.

The BCSE disagrees with the Finding "We noted during SFY 2010, BCSE overpaid two PSI invoices resulting in a total overpayment of \$50,662." The invoices in question were not overpaid. As described more fully in the "Cause" section of the finding, the payment of the questioned \$49,806 was due to a discrepancy in the interpretation of "rounding" in the written contract. While it would not have been the BCSE's intention to pay an incentive in this circumstance, the payment was made in accordance with the contract language. The BCSE was the drafter of the contract and therefore all disputed terms would be interpreted in favor of the Vendor. The alleged overpayment was not brought to the attention of the BCSE until more than two years after payment date. Even if the BCSE agreed with the finding, it was too late to

take corrective action by the time it was identified by the Audit. It is not anticipated that this problem would occur again, as the new contract for the privatized office does not contain any vendor incentives. With respect to the \$856 claimed overpayment, as explained during the course of the Audit, during the course of the performance of the contract, it was discovered that it was too difficult to calculate the cost/benefit incentive/penalty on a FFY basis, and so it was calculated on a SFY basis. The BCSE agrees with the statements in the Cause section that it had not maintained documentation for the incentives/penalties.

The BCSE disagrees with the statement that base compensation information was not provided. BCSE affirmatively states that all information requested by the audit staff with respect to base compensation was in fact provided.

Finding as stated by audit: We also noted documentation related to the data and methods used to calculate one incentive and one penalty assessed for FFY 2008 and two penalties and one incentive payment assessed for FFY 2007 were not maintained and could not be provided by BCSE. Finally, we noted the "Total Penalties Due" row heading on the FFY 2009 PSI invoice was omitted; whereas such a row heading was included on the 2008 and 2007 invoices. If in fact no penalties were due, we believe the invoice should have contained a row heading with \$0.00 entered accordingly.

BCSE response: It is not anticipated that this type of concern would recur, as the previous contract has expired. The new contract does not contain any incentives. It also does not contain any routine penalties. Additionally, the BCSE will devote additional staff resources to monitoring this contract. A vacant position has been re-assigned to the appropriate unit and is in the process of being filled.



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Finding 7: Lack of Adequate Adjustment Processes

Condition: Among other duties, the BCSE Disbursement Unit (DU) is responsible for adjustments necessary to correct case balances in the accounting records within BCSE's OSCAR system for each individual case. The adjustment process often requires the DU to stop or intercept support disbursements. Depending on the method employed in order to carry out disbursements for any given case, this may involve stopping an electronic disbursement or it may involve manually pulling a check in order to prevent an erroneous payment. In many of these instances, the case's accounting records have previously been debited for the amount of the adjustment reducing case balances to the desired amount. Less often, in order to perform an adjustment, the DU authorizes the State Disbursement Unit¹ to prepare checks written by the BCSE payable to the BCSE. In doing so, entries are effectuated within the OSCAR system and the bank's accounting system that debit and credit cases to accomplish the necessary adjustment.

We noted the following exceptions related to the BCSE's adjustment process as follows:

- The DU does not currently have comprehensive written procedures governing the process of pulling checks or the process of writing checks payable to the BCSE from the BCSE in order to accomplish an adjustment to a case.
- Adjustments effectuated by the preparation of checks payable to the BCSE from the BCSE creates, in effect, an artificial disbursement booked in the accounting records.
- When adjustments are either performed by pulling checks written to a caretaker (CT), or checks are written by the BCSE payable to the BSCE, it is necessary to subsequently void these checks. Rather than deface the checks and maintain them in the records, the BCSE's procedure calls for shredding these checks. However, the DU did not maintain copies of these shredded checks.

¹ The State Disbursement Unit (SDU) is the contracted entity authorized by BCSE to deposit and disburse child and spousal support funds. During our audit period, JPMC Bank was the SDU. However, subsequent to the audit period JPMC contracted with SMI to perform some functions related to the disbursement and receipt of support funds.

BCSE Response: This statement of condition confuses the duties of various program operation units located in the Bureau's central office in Charleston. First, the records are not "the bank's accounting records". This Finding relates to individual case financial records that are maintained by the Bureau in the OSCAR system.

OSCAR case financial records are subject to manual adjustment to the balance for a variety of reasons. The authority to change the balances in a financial record is performed primarily by the staff and supervisors in the Central Adjustment Unit (CAU). A few other staff has an OSCAR role that allows system entries that affect case balances. For example, the Tax Offset Coordinator has role authority to post a debit to a case balance when notice is received that the IRS has reversed funds in a tax intercept that the Bureau has posted to the balances in a case.

The Disbursement Unit (DU) is not responsible for making adjustments to case balances. The Disbursement Unit's staff does not have the computer access that would allow them to make changes to case balances. Federal regulations specifically provide that staff with cash handling duties is not to have authority for accounting functions. 45 CFR §302.20 provides: *"The State plan shall provide that the following requirements and criteria to separate the cash handling and accounting functions are in effect....The IV-D agency will maintain methods of administration designed to assure that persons responsible for handling case receipts of support do not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse of support receipts..."*

The stopping or the interception of a disbursement that has issued does not itself change or automatically affect the case balances in a case. If a case's balances have been credited with the funds represented in a recalled disbursement, any needed change to the balances in the case in which the disbursement was made must be done by a request to the Adjustment Unit. An adjustment to the case's balances would be required if the disbursed funds applied to balances incorrectly, the disbursement was made to the incorrect party in the particular case, or if the funds should have been applied to a different case altogether.

BCSE Response: The BCSE agrees that the Disbursement Unit does not have written procedures governing the adjustment process because the Disbursement Unit does not have responsibility for adjustments to case financial records. The Bureau and the CAU have extensive written policies and procedures and related training materials governing manual adjustments to case balances. This was noted in the written description of the Central Audit Unit prepared by the Legislative audit staff. That document states “The CAU also has written procedures they follow as noted in the CD D:\5T Practical Review 1-16-08.pdf.”

The Disbursement Unit does in fact have written procedures governing its routine disbursement related duties. Most of these procedures have been in place for many years as they occur in the OSCAR environment and are covered in detail in the OSCAR training materials. The Disbursement Unit has a Desk Guide for its staff that covers each of the standard transactions that relate to implementing disbursements of funds that are held by the agency. Even many of the disbursement related activities that occur infrequently are covered by a written procedure. The Bureau concedes that there may be truly unique circumstances involving a disbursement for which there is no written procedure. This kind of situation would be handled by the unit manager in consultation with senior management and legal counsel as relevant.

BCSE Response: The Bureau does on a regular basis pull checks or reverse electronic disbursements for a variety of reasons. These transactions may be to a caretaker or a non-custodial parent or to an employer or other source of income. It is not unusual for this process to be triggered by a court order that specifies how the Bureau is to dispose of funds that are in its possession. The interruption of a disbursement does not result in nor constitute an adjustment to the case balances. The transactions that are pulled are reversed or coded in the OSCAR system as an incomplete disbursement.

In an overnight batch job, the OSCAR system communicates with the Bureau’s banking agent that a particular disbursement has been coded as invalidated. The Bureau’s bank will not pay funds on a transaction that is coded as being reversed, redeposited, or subject to a stop payment, etc. If the interrupted disbursement transaction is paper check that is returned to the Bureau, the

details regarding the item are logged into a database and the negotiable is shredded after the relevant coding has been completed in the OSCAR system. Additionally, the Bureau has online access to its banking records that allows it to see the status of any disbursement that is made from the Bureau's bank account. The Bureau considered its log of returned checks, the OSCAR detail related to the returned item, and the agency's banking records as sufficient documentation that a disbursement initiated by a check was not completed. However, at the recommendation of the auditors, the Bureau now also scans these items into an electronic record before they are physically destroyed.

BCSE Response: The Bureau acknowledges that the OSCAR system is unwieldy in its capabilities as regards to clearing certain items that have moved to disbursement status where there has been a determination that the disbursement should not be completed. This occurs most frequently in "Moving Child" situations where the bureau is collecting support for a child and receives information that the child has moved to a different caretaker. When such information is received, the Bureau suspends disbursements to the case that the child has left and initiates a legal procedure to move the order/obligation to a case for the caretaker who now has custody of the child. This means that receipts continue to allocate to the case from which the child has moved triggering the disbursement function. This creates a pending disbursement. (This suspension of disbursements is necessary in order to prevent the change from affecting the financial record of any other case in which the obligated party is paying support as a suspend at the receipt allocation level would cause all funds to go to any other case in which the obligor has a financial record.)

When the legal process is completed that confirms where the support obligation belongs, a manual adjustment is required to correct the original case's financial record and to move the funds to the new caretaker's case. This process does require that the pending disbursements be issued in the name of the caretaker in the original case and then pulled and voided. The OSCAR financial system is based on technology that is 25 years old. It lacks the flexibility that the Bureau needs to fully address all conceivable financial transactions in a more expeditious manner while maintaining the security that is required. Replacement of the OSCAR system is estimated as a cost of 60 to 70 million dollars. The Bureau has made a request to MIS to determine if the OSCAR system can be modified in any way to reduce the necessity for

using the current process which requires that a disbursement be written, recalled, and voided.

Some receipts that are held in allocation status do necessitate that the Bureau to write a check to itself to clear its financial records. A held receipt means that a receipt has been posted to a case but has not yet applied to the case balances. When a payer has a history of remitting payments that are returned for insufficient funds (checks, fraudulent credit card payments, fraudulent electronic payments), the Bureau holds the receipt to make sure that is based on real money before it allows the funds to apply to case balances.

If a held payment is in fact returned as not payable, the “receipt” that the Bureau has posted in the case has to be cleared from the OSCAR system by writing a disbursement to the Bureau itself. This transaction is necessary to clear both the case financial record so subsequent valid payments can apply to balances and also to assure that the Bureau’s federal financial reporting can be done accurately. The Bureau has recently implemented a process with its receipt processing vendor that will allow suspect receipts to be negotiated but not actually posted to the OSCAR system until there is confirmation that the remittance is valid. This process will reduce but will not totally eliminate the need for the Bureau to write disbursements to itself to clear its financial records.

CAUSE

Due to staff changeover and vacancies left unfilled within the DU, standard operating procedures (SOPs) have yet to be completed. Although, some SOPs have been completed.

BCSE Response: The Disbursement Unit was fully staffed with the same individuals during the entire course of the Legislative Audit. There were severe vacancy issues in both the Receipts Unit and the CAU during the course of the audit. The Distribution Unit has detailed written procedures.

The OCSAR database and accounting system will not permit the performance of certain adjustments to case accounts unless the process results in corresponding disbursement transactions—even though no such disbursements are warranted.

BCSE Response: The Bureau acknowledges that the OSCAR system is unwieldy in its capabilities as regards to clearing certain items

that have moved to disbursement status where there has been a determination that the disbursement should not be completed. This occurs most frequently in "Moving Child" situations where the bureau is collecting support for a child and receives information that the child has moved to a different caretaker. When such information is received, the Bureau suspends disbursements to the case that the child has left and initiates a legal procedure to move the order/obligation to a case for the caretaker who now has custody of the child. This means that receipts continue to allocate to the case from which the child has moved triggering the disbursement function. This creates a pending disbursement. (This suspension of disbursements is necessary in order to prevent the change from affecting the financial record of any other case in which the obligated party is paying support as a suspend at the receipt allocation level would cause all funds to go to any other case in which the obligor has a financial record.)

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Previously, checks written or pulled as a result of the adjustment process were retained by BCSE; however, the process of shredding checks was instituted in January 2008. According to BCSE personnel, the shredding of checks was initiated in order to minimize the amount of documentation retained. The checks were not scanned or copied prior to their destruction. After our inquiries regarding the lack of documentation available related to such checks, the BCSE began scanning and maintaining copies of voided checks prior to their destruction during the fall of 2011.

BCSE Response: As noted, the Bureau now images voided checks in addition to its other documentation activities associated with these transactions which include a log and two signatures of employees witnessing the destruction of the check.

EFFECT

The lack of detailed and comprehensive written procedures regarding the performance of adjustments increases the risk that errors may occur. Also, the lack of such procedures is a detriment in training new employees involved in the adjustment process.

BCSE Response: The Bureau has detailed and comprehensive written procedures regarding manual adjustments to case balances. Additionally newly hired Adjustments workers participate in four separate week-long trainings before they are permitted to do the more complicated financial reviews and adjustments. The CAU has six supervisors and a senior level manager to provide hands-on training to new staff as well as

oversee and review the processing of adjustments to case balances by all CAU staff.

Case balances cannot be adjusted unless artificial disbursements are performed in order to initiate the process. Such limitations results in inefficiencies and, more importantly, increases the risk that someone involved in the process could fraudulently divert such disbursements for his or her personal use. The risk is further compounded when the process requires either pulling checks or writing checks payable to the BCSE. During state fiscal year 2009, the amount of pulled checks totaled approximately \$580,000.00 and checks written to BCSE by BCSE in order to adjust case balances totaled approximately \$1,800.

BCSE Response: This is not an accurate statement. Very few adjustments to case balances result in an artificial disbursement. Many of the recalled disbursements were items subject to electronic transfer rather than by paper check. Even if all the \$580,000 in pulled disbursements were paper checks, that represents less than 3/100's of a percent of the total funds processed by the Bureau in a year. The Bureau agrees that the process it uses in some limited instances to correct and/or clear its financial records are inefficient in that it must make an artificial disbursement. This process involves multiple units whose staff has different access authority to the OSCAR system in order to prevent fraud.

In addition, errors made in the adjustment process could result in the need to establish a repayment agreement with a client in order to collect an overpayment made and this, in turn, increases the risk of uncollectable debts resulting in losses to the state.

BCSE Response: Errors made in the adjustment process are almost never the basis for an overpayment to a client. Repayment issues are addressed in the response to Finding 3.

Lastly, checks were not voided and then scanned or copied prior to their destruction. Therefore, we could not perform audit tests to provide assurance that such checks were not converted to personal use.

BCSE Response: The Bureau agrees that in the past, it did not maintain a copy of each voided check. The Bureau notes that its

banking records are the ultimate source for confirming exactly what occurred with respect to each disbursement that was initiated from the account.

Recommendation:

We recommend the BCSE comply with W.V. Code §48-18-105, as amended. We recommend the BCSE develop and document detailed and comprehensive procedures covering all facets of the adjustment process. We recommend the BCSE coordinate with DHHR-MIS to implement an adjustment process within the OSCAR system that eliminates the need to create faux disbursements in order to accomplish some account adjustments. Finally, we recommend such checks be properly voided and these checks either be maintained, or such checks be scanned prior to their destruction.

Bureau Response: The Bureau believes that it is in compliance with W.V Code §48-18-105, as amended. The Bureau has detailed and comprehensive procedures in place covering the process for completing manual adjustments to case financial records. The Bureau will consult with DHHR-MIS to determine if there are possible changes to the OSCAR system that would reduce or eliminate the need for the agency to create artificial disbursements that it has to recall and void. The Bureau has already implemented a procedure to make a copy of voided checks before their destruction by scanning them into its imaged document system.



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Bureau for Child Support Enforcement
350 Capitol Street, Room 147
Charleston, West Virginia 25301-3703
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Earl Ray Tomblin
Governor

Rocco S. Fucillo
Cabinet Secretary

Finding 8- Funds Not Seized

The BCSE does not agree with this finding.

The BCSE has numerous resources available for the collection of support. These collection methods vary from those that are fully automated to those that require significant staff time. The BCSE has determined from a cost/benefit standpoint that methods which require significant staff time should only be used when the expected collection is significant or when less costly alternatives are not available or have been exhausted.

Seizure of assets held by a person other than the debtor himself/herself is a court-based process which is governed by West Virginia Code §§38-5-9 through 19, 48-14-201 through 211, and in some cases, Articles 3 and 4 of Chapter 38. Substantially more debtor notice is required to file a Suggestion, and the process requires documents that must be reviewed and signed by an attorney, rather than by paraprofessional staff. In addition, the Bureau must pay the filing and service of process fees required for court actions.

The completion of most Suggestions requires a court hearing involving the use of the scarce resources of both the BCSE attorney and the Family Court Judge. The entire process typically takes several months and potentially might take substantially longer. When the account seizure process is used, it often results in little or no collections. Funds that are in an account on the date the request for a Suggestion is sent to the Circuit Clerk are often no longer available in the account when the seizure is actually perfected. Thus, seizure of financial institution accounts involves a significant amount of staff time, and even when successful, does not result in immediate collection of funds. Furthermore, in many cases, an existing income withholding order or the use of other administrative remedies may result in full payment of the support arrears before the Suggestion process is completed.

WV Code §48-18-105 gives the BCSE the power to adopt standards to carry out its functions. The BCSE has met this statutory expectation by developing reasonable criteria for account seizures which consider the efficient use of taxpayer money through allocation of staff resources and payment of court costs. The BCSE aggressively pursues the collection of support through all available means, including the seizure of financial accounts. All BCSE Child Support Specialists throughout the state are authorized to pursue account seizures. In addition, the BCSE created a specialized position in the central office to focus on this type of collection to increase the number of seizures and to provide a knowledge resource for the staff. The BCSE has adopted reasonable, flexible standards designed to maximize the collection of support, while maintaining a reasonable cost. As explained to audit staff, there is only a guideline for priorities and not a policy prohibiting collections. This concern for resource use is the primary reason for creating procedures which are intended to maximize the cost/benefit return upon use of time and money.

With respect to the specific cases cited in the audit, the BCSE states that it acted appropriately in not attempting to seize the accounts. As itemized below, in all of the cases cited, the BCSE would have little or no expectation of seizing any money or else the BCSE was able to collect the arrears through more efficient means. The reasonableness is demonstrated in part by the fact that the BCSE has already collected more than the questioned \$4180.75 by successful use of other available remedies in the specified cases.

Case 1: The financial institution account balance of \$511.00 was provided to the BCSE on 6/15/2010, but the information was specifically stated to be the balance as of 10/1/2009 and was therefore approximately nine months old when received. Additional match information received four days later on 6/19/2010 indicates the account balance was \$72 as of 1/1/2010. This delayed reporting appears to be an anomaly, as other matches in this case (and throughout the OSCAR system) are within the expected response time. It would not be prudent to assume that any balance of a significant amount existed on 6/15/2010; and therefore it was a reasonable and appropriate use of resources to not pursue account seizure. Prior to receiving the next match on 9/5/2010 (which showed an account balance of \$99) the BCSE was able to successfully implement income withholding from the obligor's earnings. Of the \$5631.54 arrears owed as of 5/31/2010, the BCSE has now collected all but \$367.76 (which figure actually includes some interest that accrued in the interim).

Case 2: The matched account information specifically stated that there was an additional account holder. Seizure of jointly held accounts typically results in a court hearing to resolve the additional party's ownership rights with respect to the account. Attempted seizure of the \$438.00 account would have been a poor use of staff resources at that time. In April 2012, the BCSE reviewed the case for all enforcement remedies and determined that the financial institution account balance had increased significantly and that other enforcement remedies have not been successful. The BCSE initiated a Suggestion at that time.

Case 3: The matched account information specifically stated that there was an additional account holder. Seizure of jointly held accounts typically results in a court hearing to resolve the additional party's ownership rights with respect to the account. Seizure of a jointly held account with \$1,068 in funds would have been within the staff's discretion to pursue or not pursue. Note that several days prior to receipt of the matched account information, the BCSE was notified that the obligor's employment had ended several weeks earlier, which increases the likelihood that the joint account holder could successfully claim full ownership of the funds. The BCSE has successfully collected a portion of the stated arrears through income withholding. The present day arrears as stated by the Finding include more recently accrued arrears that did not exist on the date the cited match information was received. New financial institution accounts have been located in 2012 with significantly higher balances and are being considered for account seizure.

Case 4: On the date the financial institution account information was received, the case had an income withholding in place which was collecting the current support and arrears. The financial institution account balance was only \$594 and the previous quarter showed a negative balance. Based on the information available on that date, it appears unlikely that any significant amount of support would have been collected from an attempt to seize the account.

Case 5: The obligor in this case is a recipient of Supplemental Security Income benefits. Federal law prohibits the seizure of SSI benefits from an obligor's financial institution account. This account could not be seized.

Case 6: On the date the financial account information was received (12/9/2009); this case had an income withholding in place to collect current support and arrears. The arrears balance

reached \$0 on April 26, 2010. This is the same time frame that the seizure of the account would have taken, but with a substantially more efficient use of staff time. Pursuing an account seizure would have been entirely a waste of resources. The arrears listed in the Finding as "collections foregone" have accrued in recent months and did not exist at the time the bank account information was received.

The BCSE is concerned that the Finding represents an attempt to substitute or impose impractical processes upon the agency, in place of allowing the agency to use its experience and lawful discretion.



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Rocco S. Fucillo
Cabinet Secretary

Finding 9 - Inadequate Procedures Governing the Enforcement of Liens

The BCSE agrees that it has not always released liens in a timely manner. The BCSE does not agree with other statements contained in the findings.

The BCSE has the authority to impose liens upon real and personal property in order to assist in the collection of overdue support. Liens may be based upon a judgment from a court or may be based upon an "Affidavit of Accrued Support". The BCSE routinely uses liens for the enforcement of support simultaneously with other collection methods. The BCSE maintains a complete record of all liens it files. The OSCAR system tracks the amount, the filing date, the county recorded, the book and page number and the release date. Copies of filed lien documents are scanned into the electronic file (or if the file has not yet been converted to a scanned file, the document is retained in the paper file). The BCSE can identify the lien status of its entire caseload through ad hoc reports.

Liens for overdue support may represent money owed to the State of West Virginia or may represent money owed to an individual obligee. The BCSE has the authority to release liens tied to debt owed to the State of West Virginia. When the BCSE is acting as the responding state in a Uniform Interstate Family Support Act matter, it is authorized by the UIFSA documents to take legal actions on behalf of other states and the relevant support obligees, which includes lien releases. West Virginia law does not specifically give the BCSE the authority to release a lien owed to a support obligee. Therefore, a lien release solely executed by the BCSE might not remove the 'cloud' from the subject property. Accordingly, when the lien is in favor of an individual obligee, the BCSE assists the support obligee in releasing his/her lien. If the obligee is non-cooperative or unavailable, the BCSE requests that a court appoint a special commissioner to sign the appropriate release document as a substitute for the obligee. The BCSE records all release documents in the OSCAR system and retains either a scanned or paper copy of the release document.

The BCSE has historically relied on the annual case reviews, financial reviews, case closure reviews, and customer inquiries to identify liens which need to be released. The OSCAR system does not presently have an alert message that immediately prompts a worker to pursue a lien release when the arrears balance reaches zero. Workers performing case reviews have sometimes failed to identify that a lien needs to be released. The need to release a lien is more difficult to discern in those cases where the obligor's balances reached zero but the obligor has accrued a further support arrearage on the date of a case review. There is a special alert message that warns a worker who is closing a case that there is a lien in place. The BCSE has not used its ad hoc reporting capacity to identify cases in which a lien needs to be released.

The BCSE is willing to enhance the OSCAR system to add an alert message that notifies workers that a lien is still outstanding in a case where arrears have been paid. The BCSE is willing to develop an ad hoc report to identify existing cases in which a lien needs to be released.

With respect to the eight liens cited in the Findings, the BCSE agrees that seven should have had more prompt action to release the lien. The BCSE disagrees with the Finding for Lien number 5. The BCSE promptly pursued release of the lien following the determination that no arrears were owed. The BCSE took prompt action to obtain a special release when the caretaker failed to cooperate. The lien was released as promptly as the legal process will allow. The BCSE is following up to release the remaining liens.



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Finding 10: Inadequate Monitoring of BB&T accounts.

The Bureau for Child Support Enforcement (BCSE) does not agree in total with this finding. The transition from Branch Banking & Trust (BB&T), our previous lockbox vendor, to JPMorganChase (JPMC), our current lockbox vendor, required that money be left in our BB&T account to pay outstanding items when presented (checks written but not yet cleared.) When the contract with BB&T expired, the need for a new contract was not necessary as the account was reduced to checking account (DDA) status and contracted lockbox services were no longer being performed. The account relationship between BB&T and BCSE was evidenced by a Business Account Agreement, Resolution Agreement and Signature Card. Although interest earned on DDA balances subsequent to the contract's expiration was not evidenced in writing, BB&T agreed to continue the variable account rate structure in effect in May 2005; Target Federal Funds Rate less 30 basis points. Although a debit block was thought to have been placed on this account which had minimal activity, BCSE agrees more frequent monitoring should have been in place. BCSE subsequently terminated its account relationship with BB&T and transferred all balances to JPMC, the current lock box vendor.

BB&T

RESOLUTION AND AGREEMENT FOR DEPOSIT ACCOUNT

WV DEPARTMENT OF HUMAN SERVICES
BUREAU OF CHILD SUPPORT ENFORCEMENT ACCOUNT

556000771

Name of Organization _____

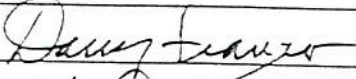

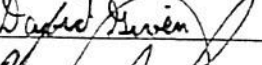

EIN _____

- | | | |
|--|--|---|
| <input type="checkbox"/> Corporation | <input checked="" type="checkbox"/> Government Entity | <input type="checkbox"/> Sole Proprietorship |
| <input type="checkbox"/> Unincorporated Association | <input type="checkbox"/> Partnership | <input type="checkbox"/> Non-Profit Corporation |
| <input type="checkbox"/> Limited Liability Corporation | <input type="checkbox"/> Limited Liability Partnership | <input type="checkbox"/> Other |

I, the undersigned, hereby certify to BB&T that I am the Secretary/Assistant Secretary (or as applicable, Proprietor, Authorized Partner, Authorized Manager or other Authorized Person) of the above named Organization duly organized and existing under the laws of the State of WEST VIRGINIA; and that the following is a true copy of resolutions duly adopted by the Organization at a meeting held on _____, and that such resolutions are in full force and effect and have not been amended or rescinded:

RESOLVED, that BB&T, is hereby designated as a depository institution for the Organization and that deposit account(s) be opened and maintained with BB&T subject to its deposit account agreement and any other applicable rules, regulations and fee schedule for such accounts; and

FURTHER RESOLVED, that any ONE of the following persons (a "Designated Individual"), be hereby authorized, on behalf of the Organization, to execute any application, signature card or any other documentation required by BB&T to open said accounts and to take whatever other actions or enter into whatever other agreements relating to the accounts that BB&T requires; to sign checks, drafts, notes, bills, time deposits, instruments or other orders for the payment or withdrawal of money from said accounts; to endorse checks, instruments, bills, drafts, certificates of deposit, bonds, or other instruments, owned or held by the Organization for deposit or for collection by BB&T; to accept drafts, acceptances, and other instruments payable at BB&T; and to waive presentment, demand, protest, and notice of protest or dishonor of any check, note, bill, draft, or other instrument made, drawn or endorsed by the Organization:

Authorized Signature	Printed/Typed Name	Title
_____	SECRETARY DEPARTMENT OF HEALTH AND HUMAN RESOURCES	SECRETARY
	Danny Franco	Asst. Sec. for Finance
	Warren D. Keifer	Director of Accounting
	David Given	Director Cash Management Division
	H.M. Fadden, Jr.	Chief Financial Officer, CSE

Received By <u>DANIEL LANIER</u>	FOR BANK USE ONLY	
Profit Center <u>2722170</u>	Date _____	State <u>WV</u>
EIN <u>556000771</u>	Bank No. <u>702</u>	
Acct # _____	Acct # <u>5270537784</u>	Acct # _____
Acct # _____	Acct # _____	Acct # _____
Acct # _____	Acct # _____	Acct # _____
Acct # _____	Acct # _____	Acct # _____

Complete Applicable Section on Reverse

Attachment

Finding #10

Forward To:
Records Management
M/C 100-99-15-11

BUSINESS ACCOUNT AGREEMENT

ONE VALLEY BANK, NATIONAL ASSOCIATION
P.O. BOX 1793
CHARLESTON, WV 25326

ACCOUNT TITLE
NAME WV DEPT OF HUMAN SERVICES
BUREAU FOR CHILD SUPPORT ENFORCEMENT

RECEIVED
MAR 16 2000

- SOLE PROPRIETORSHIP
- CORPORATION - FOR PROFIT
- CORPORATION - NOT FOR PROFIT
- PARTNERSHIP
- LIMITED LIABILITY COMPANY

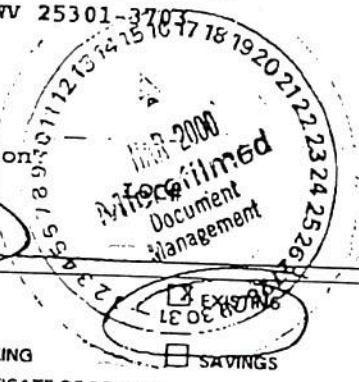
ACCOUNT # 9993049 **5270537792**

ACCOUNT OWNER(S) NAME & ADDRESS
WV DEPT OF HUMAN SERVICES
BUREAU FOR CHILD SUPPORT ENFORCEMENT
DIAMOND BUILDING
350 CAPITOL BUILDING
CHARLESTON WV 25301-3703

Identification: **55554**
Cycle: **29**

TYPE OF ACCOUNT
 NEW
 CHECKING
 CERTIFICATE OF DEPOSIT
 SAVINGS

PRODUCT:
 This is a Temporary account agreement.



Number of signatures required for withdrawal _____

Reason for new Agmt: **NEW SIGNERS**

FACSIMILE SIGNATURE(S) ALLOWED? YES NO

SIGNATURE(S) - THE UNDERSIGNED AGREE(S) TO THE TERMS STATED ON PAGES 1, 2 AND 3 OF THIS AGREEMENT, AND ACKNOWLEDGE(S) RECEIPT OF A COMPLETED COPY ON TODAY'S DATE. THE UNDERSIGNED ALSO ACKNOWLEDGE(S) RECEIPT OF A COPY OF AND AGREE(S) TO THE TERMS OF THE FOLLOWING DISCLOSURE(S):

Funds Availability Disclosure

The signatures below serve as further acknowledgment that each of the undersigned was encouraged to read, and was given a reasonable opportunity to read, the terms set forth in this agreement and the accompanying disclosures.

(1) [Signature]
SSN # _____ Other _____

(2) Susan J. Harrah
SSN # _____ Other _____

(3) [Signature]
SSN # _____ Other _____

(4) [Signature]
SSN # _____ Other _____

CHANGED BY MDA DATE 02/16/2000

INITIAL DEPOSIT \$
 CASH CHECK _____

AUTHORIZATION DATED _____
 BUSINESS _____
 COUNTY AND STATE OF ORGANIZATION _____

TELEPHONE #'S 304-558-0904
304-348-3780

PREVIOUS BANK _____
 ALL NEW ACCOUNTS WILL BE VERIFIED THROUGH _____

BACKUP WITHHOLDING CERTIFICATIONS

TIN: 55-6000771

TAXPAYER I.D. NUMBER - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

BACKUP WITHHOLDING - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

EXEMPT RECIPIENTS - I am an exempt recipient under the Internal Revenue Service Regulations.

A separate W-B has been completed in the case of a non-resident alien.

SIGNATURE: I certify under penalties of perjury the statements checked in this section.

X [Signature] 02/16/2000
(Date)

KIM SPURLOCK

MAR 14 2000

CD-CIF DEPT

Prepared by: MICHELLE D ATWOOD

TERMS AND CONDITIONS OF YOUR ACCOUNT

AGREEMENT - This document, along with any other documents we give you pertaining to your account(s), is a contract that establishes rules which control your account(s) with us. Please read this carefully. If you sign the agreement or open or continue to have your account with us, you agree to these rules. You will receive a separate schedule of rates, qualifying balances, and fees if they are not included in this document. If you have any questions, please call us.

This agreement is subject to applicable federal laws and the laws of the state of West Virginia (except to the extent that this agreement can and does vary such rules or laws). The body of state and federal law that governs our relationship with you, however, is too large and complex to be reproduced here. The purpose of this document is to:

- (1) summarize some laws that apply to common transactions;
- (2) establish rules to cover transactions or events which the law does not regulate;
- (3) establish rules for certain transactions or events which the law regulates but permits variation by agreement; and
- (4) give you disclosures of some of our policies which may affect your account or in which you may be interested.

If any provision of this document is found to be unenforceable according to its terms, all remaining provisions will continue in full force and effect. We may permit some variations from our standard agreement, but we must agree to any variation in writing either on the agreement for your account or in some other document.

As used in this document the words "we," "our," and "us" mean the financial institution and the words "you" and "your" mean the account holder(s) and anyone else with the authority to deposit, withdraw, or exercise control over the funds in the account. The headings in this document are for convenience or reference only and will not govern the interpretation of the provisions. Unless it would be inconsistent to do so, words and phrases used in this document should be construed so the singular includes the plural and the plural includes the singular.

LIABILITY - You agree, for yourself (and the person or entity you represent if you sign as a representative of another) to the terms of this account and the schedule of charges. You authorize us to deduct these charges directly from the account balance as accrued. You will pay any additional reasonable charges for services you request which are not covered by this agreement.

Each of you also agrees to be jointly and severally (individually) liable for any account shortage resulting from charges or overdrafts, whether caused by you or another with access to this account. This liability is due immediately, and can be deducted directly from the account balance whenever sufficient funds are available. You have no right to defer payment of this liability, and you are liable regardless of whether you signed the item or benefited from the charge or overdraft. This includes liability for our costs to collect the deficit.

DEPOSITS - We will give only provisional credit until collection is final for any items, other than cash, we accept for deposit (including items drawn "on us"). Actual credit for deposits of, or payable in, foreign currency will be at the exchange rate in effect on final collection in U.S. dollars. We are not responsible for transactions by mail or outside depository until we actually record them. We will treat and record all transactions received after our "daily cutoff time" on a business day we are open, or received on a day we are not open for business, as if initiated on the next following business day that we are open.

WITHDRAWALS - Unless clearly indicated otherwise on the account records, any of you, acting alone, who signs in the space designated for signatures on the agreement may withdraw or transfer all or any part of the account balance at any time. Each of you (until we receive written notice to the contrary) authorizes each other person signing the agreement to indorse any item payable to you or your order for deposit to this account or any other transaction with us. We may charge your account for a check even though payment was made before the date of the check, unless we have received written notice of the postdating in time to have a reasonable opportunity to act. We may refuse any withdrawal or transfer request which you

attempt on forms not approved by us, by any method we do not specifically permit, which is greater in number than the frequency permitted, or which is for an amount greater or less than any withdrawal limitations. Even if we honor a nonconforming request, we may treat continued abuse of the stated limitations (if any) as your act of closing the account. We will use the date the transaction is completed by us (as opposed to the date you initiate it) to apply the frequency limitations. The fact that we may honor withdrawal requests that overdraw the available account balance does not obligate us to do so later. See the funds availability policy disclosure for information about when you can withdraw funds you deposit. For those accounts for which our funds availability policy disclosure does not apply, you can ask us when you make a deposit when those funds will be available for withdrawal.

We may require not less than 7 days' notice in writing before each withdrawal from an interest-bearing account other than a time deposit, or from any other savings account as defined by Regulation D. Withdrawals from a time account prior to maturity or prior to any notice period may be restricted and may be subject to penalty. See your notice of penalty for early withdrawal.

ORGANIZATION ACCOUNTS - Earnings in the form of interest, dividends, or credits will be paid only on collected funds, unless otherwise provided by law or our policy. We may require the governing body of the legal entity opening the account to give us a separate authorization telling us who is authorized to act on its behalf. We will honor the authorization until we actually receive written notice of a change from the governing body of the legal entity.

STOP PAYMENTS - You must make any stop-payment order in the manner required by law and we must receive it in time to give us a reasonable opportunity to act on it before our stop-payment cutoff time. To be effective, your stop-payment order must precisely identify the number, date and amount of the item, and the payee.

You may stop payment on any item drawn on your account whether you sign the item or not, if you have an equal or greater right to withdraw from this account than the person who signed the item. A release of the stop-payment request may be made only by the person who initiated the stop-payment order.

Our stop-payment cutoff time is one hour after the opening of the next banking day after the banking day on which we receive the item. Additional limitations on our obligation to stop payment are provided by law (e.g., we paid the item in cash or we certified the item).

TELEPHONE TRANSFERS - A telephone transfer of funds from this account to another account with us, if otherwise arranged for or permitted, may be made by the same persons and under the same conditions generally applicable to withdrawals made in writing. Unless a different limitation is disclosed in writing, we restrict the number of transfers from a savings account to another account or to third parties, to a maximum of six per month (less the number of "preauthorized transfers" during the month). Other account transfer restrictions may be described elsewhere.

AMENDMENTS AND TERMINATION - We may change any term of this agreement. Rules governing changes in interest rates are provided separately. For other changes, we will give you reasonable notice in writing or by any other method permitted by law. Unless otherwise required by law, such notice may be accomplished by a posting in the lobby of our main bank for a period of at least fifteen (15) days. We may also close this account at any time upon reasonable notice to you and tender of the account balance personally or by mail. Notice from us to any one of you is notice to all of you.

STATEMENTS - You must examine your statement of account with "reasonable promptness." If you discover (or reasonably should have discovered) any unauthorized signatures or alterations, you must promptly notify us of the relevant facts. As between you and us, if you fail to do either of these duties, you will have to either share the loss with us, or bear the loss entirely yourself (depending on whether we used ordinary care and, if not, whether we substantially contributed to the loss). The loss could be not only with respect to items on the statement but other items with unauthorized signatures or alterations by the same wrongdoer.

42)

FURTHER RESOLVED, that any authority granted herein shall not be limited to the above named Designated Individuals, but shall extend to such additional or different individuals as are named as being so authorized in any written notification signed by any of the above Designated Individuals; and

FURTHER RESOLVED, that BB&T be and is hereby authorized to honor, receive, certify, pay or exchange any items bearing the signature of any one Designated Individual even though such payment may create an overdraft or even though such item may be drawn or endorsed to the order of any Designated Individual signing the same or tendered by such individual or a third party for exchange or cashing, or in payment of the individual obligation of such party, or for deposit to such individual's personal account and BB&T shall not be required or be under any obligation to inquire as to the circumstances of the issuance or use of any such item or the application or disposition of such item or the proceeds thereof; and, further, that BB&T is authorized to honor any instructions regarding withdrawals, orders for payment or transfer of the funds whether oral, by telephone or electronic means if such withdrawal, orders or transfer are initiated by a Designated Individual; and

FURTHER RESOLVED, that the signature or endorsement of any Designated Individual may be affixed to any check, draft or other order for the payment of money drawn in the Organization's name by stamp or other facsimile process, and any signature or endorsement of any such person so affixed shall be effective and may be relied upon by BB&T as a properly authorized original regardless of by whom or under what circumstances so affixed; and the Organization hereby indemnifies and holds BB&T harmless against any and all loss, cost, damage or expense suffered or incurred by BB&T arising out of or in any way related to the misuse or unlawful or unauthorized use by a person of such facsimile signature; and

FURTHER RESOLVED, that any Designated Individual is authorized to execute and deliver an electronic fund transfers agreement and to make transfers or withdrawals by electronic or telephonic means on behalf of the Organization; to obtain an access device (including but not limited to a card, code or other means of access) that may be used for the purpose of initiating electronic fund transfers; to establish and maintain a night depository agreement; to execute and deliver a wire transfer agreement; to enter into any agreement for the provision of Cash Management Services; to lease a safe deposit box; and to take whatever other actions or enter into whatever other agreements relating to the deposit accounts that BB&T requests.

FURTHER RESOLVED, that the Organization, shall from time to time hereafter, as changes to the Designated Individuals are made, immediately report and certify such changes to BB&T through submission of a new Resolution And Agreement For Deposit Account and signature card and BB&T shall be fully protected in relying on such certifications and shall be indemnified and saved harmless from any claims, demands, expenses, losses, or damages resulting from, or growing out of, honoring the signature of any Designated Individual so certified, or refusing to honor any signature not so certified; and

FURTHER RESOLVED, that all transactions by any officer or employee of this Organization on its behalf and in its name with BB&T prior to the delivery of this Resolution And Agreement For Deposit Account are hereby ratified and approved.

In Witness Whereof, I have hereunto subscribed my name and affixed the seal, if any, of this Entity, this _____ day of _____, Year _____

For Corporations including Non-Profit:

(Seal)

Secretary/Assistant Secretary

(Corporate Seal)

For All Other Entities:

For [Signature] Chief Financial Officer

(Seal)

(Seal)

(Seal)

(Proprietor, Authorized Partner, Authorized Manager, or other Authorized Person)

BB&T SIGNATURE CARD (WEST VIRGINIA)

NAME AND ADDRESS OF DEPOSITOR(S)

Full

WV DEPARTMENT OF HUMAN SERVICES
 BUREAU OF CHILD SUPPORT ENFORCEMENT ACCOUNT
 % HAL PENDELL
 350 CAPITOL STREET
 CHARLESTON WV 25301-1757

ACCOUNT NUMBER 5270537784	ACCT. OPENING DATE 4/1/74	REVISED CARD DATE 8/27/01
------------------------------	------------------------------	------------------------------

OWNERSHIP DESIGNATION: CHECK ONLY ONE BLOCK

Personal Accounts	Business Accounts	Other Accounts
<input type="checkbox"/> Individual	<input type="checkbox"/> Sole Proprietorship/DBA	<input type="checkbox"/> Estate
<input type="checkbox"/> Joint With Survivorship	<input type="checkbox"/> Partnership	<input type="checkbox"/> Trust (by written agreement)
<input type="checkbox"/> Payable on Death (p.o.d.)	<input type="checkbox"/> Corporation	<input type="checkbox"/> Bankruptcy
<input type="checkbox"/> Uniform Transfers to Minors	<input type="checkbox"/> Non-Profit Corporation	<input type="checkbox"/> Court Appointed Fiduciary
<input type="checkbox"/> Other _____	<input checked="" type="checkbox"/> Public Funds	<input type="checkbox"/> Lawyer's Trust Account
	<input type="checkbox"/> LLC (including LLP)	<input type="checkbox"/> Other _____

The undersigned hereby certify that: (1) the type of ownership designated is correct; (2) the "Bank Services Agreement", the "BB&T Interest Schedule", the "BB&T Financial Services Pricing Guide", or the "Commercial Bank Services Agreement" and the "BB&T Business Services Information Guide" as applicable, have been received; and (3) the undersigned agree to all of the terms and conditions contained in said brochures, all of which are incorporated herein by reference. Permission is hereby granted for the bank to verify any information on the undersigned including bank and credit references.

IN CERTIFICATION
 Under penalties of perjury, I certify by my signature below that: (1) The number shown on this form is my correct Social Security or Tax Identification Number, or I am waiting for a number to be issued to me and (2) I am NOT subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding. Depositor must cross out (2) above if the IRS has notified the depositor that the depositor is currently subject to backup withholding because of underreporting of interest or dividends.)

Check one only if applicable:
 Depositor is an exempt recipient of interest under the Internal Revenue Code.
 Depositor is exempt as a nonresident alien and has completed a Form W-8BEN. (All depositors must complete a separate W-8BEN form for this exemption.)
 Understand that if a taxpayer identification number is not provided to the bank within 60 days, the account will be closed.

PERSONAL ACCOUNTS

INDIVIDUAL ACCOUNT
Only one signer

I understand that the funds in the account belong to me and that upon my death the funds remaining in the account may be controlled by my will or estate and may be inherited by my heirs.

The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

Name: _____ Date: _____
 Signature of Depositor: _____

JOINT ACCOUNT WITH SURVIVORSHIP
All account owners must sign

I understand that BB&T may pay any or all of the funds in the account on the order of any one person named on the account. Upon the death of a party to the account, the deceased party's ownership in the unit passes to the surviving party or parties to the account.

The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

Name: _____ Date: _____
 Signature of Depositor: _____
 Name: _____ Date: _____
 Signature of Depositor: _____
 Name: _____ Date: _____
 Signature of Depositor: _____

PAYABLE ON DEATH ACCOUNT
p.o.d.

It is understood that by establishing a p.o.d. account that: (i) any one account owner may withdraw or transfer any or all of the funds in the account; (ii) any account owner may change or remove any beneficiary by written notice to the Bank; (iii) upon the death of any account owner, the funds shall belong to the remaining account owner(s); and (iv) upon the death of the last account owner, the funds shall be payable to the beneficiaries then living and, if none, to the estate of the last surviving account owner.
 The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

SSN: _____ Date: _____
 Signature of Depositor: _____
 SSN: _____ Date: _____
 Signature of Depositor: _____
 SSN: _____ Date: _____
 Signature of Depositor: _____
 Name of Beneficiary: _____ Relationship: _____ SSN: _____
 Address of Beneficiary: _____
 Date of Birth of Beneficiary: _____ Phone Number of Beneficiary: _____
 Name of Beneficiary: _____ Relationship: _____ SSN: _____
 Address of Beneficiary: _____
 Date of Birth of Beneficiary: _____ Phone Number of Beneficiary: _____
 Name of Beneficiary: _____ Relationship: _____ SSN: _____
 Address of Beneficiary: _____
 Date of Birth of Beneficiary: _____ Phone Number of Beneficiary: _____

UNIFORM TRANSFERS TO MINORS ACT ACCOUNT
Only one custodian and one minor permitted

I understand that the funds transferred into this account are being credited to this account in my name as custodian for the minor named below under the West Virginia Uniform Transfers to Minors Act. The gift of money to the minor named below is irrevocable and is made in accordance with and to include all provisions of said Act.
 The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

SSN: _____ Name of Minor: _____ Relationship: _____
 Address of Minor: _____ DOB: _____
 SSN: _____ Date: _____
 Signature of Custodian: _____

BUSINESS AND "OTHER" ACCOUNTS (Must Sign On Behalf Of Entity and in Individual Capacity)

The undersigned expressly authorize BB&T to obtain any consumer report and/or any other Personal or Business credit reports.

556000771 *James Vance* *Asst Sec* (Seal) *12/14/01*
 EIN/Tax ID Number Signature and Title Date
 556000771 *West Virginia Div of Child Support* (Seal) *12/14/01*
 Tax ID Number Signature and Title Date
David Davis *Asst. Sec. Management* (Seal) *12/14/01*
 Tax ID Number Signature and Title Date
Hal Pendell *CFO* (Seal) *12/10/2001*
 Tax ID Number Signature and Title Date

IDENTIFICATION (Primary Account Holder)

Type of ID _____ Issued By _____ ID No. _____ Home Phone No. (____) _____
 Employer: _____ Date of Birth: _____ Work Phone No. (____) _____
 Address as listed on ID: _____

IDENTIFICATION (Secondary Account Holder)

Type of ID _____ Issued By _____ ID No. _____ Home Phone No. (____) _____
 Employer: _____ Date of Birth: _____ Work Phone No. (____) _____
 Address as listed on ID: _____

Opened By: DANIEL LANIER Branch Location: 2722170

ADDRESS OF DEPOSITOR(S)
 FUR
 DEPARTMENT OF HUMAN SERVICES
 BUREAU OF CHILD SUPPORT ENFORCEMENT ACCOUNT
 HAL PENDELL
 150 CAPITOL STREET
 CHARLESTON WV 25301-1757

PAYABLE ON DEATH ACCOUNT
 p.o.d.

It is understood that by establishing a p.o.d. account that: (i) any one account owner may withdraw or transfer any or all of the funds in the account; (ii) any account owner may change or remove any beneficiary by written notice to the Bank; (iii) upon the death of any account owner, the funds shall belong to the remaining account owners; and (iv) upon the death of the last account owner, the funds shall be payable to the beneficiaries then living and, if none, to the estate of the last surviving account owner.
 The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

ACCOUNT NUMBER: 5290539992 ACCT. OPENING DATE: 4/1/74 REVISED CARD DATE: 8/27/01

OWNERSHIP DESIGNATION: CHECK ONLY ONE BLOCK

<u>Personal Accounts</u>	<u>Business Accounts</u>	<u>Other Accounts</u>
<input type="checkbox"/> Individual	<input type="checkbox"/> Sole Proprietorship/DBA	<input type="checkbox"/> Estate
<input type="checkbox"/> Joint With Survivorship	<input type="checkbox"/> Partnership	<input type="checkbox"/> Trust (by written agreement)
<input type="checkbox"/> Payable on Death (p.o.d.)	<input type="checkbox"/> Corporation	<input type="checkbox"/> Bankruptcy
<input type="checkbox"/> Uniform Transfers to Minors	<input type="checkbox"/> Non-Profit Corporation	<input type="checkbox"/> Court Appointed Fiduciary
<input type="checkbox"/> Other	<input checked="" type="checkbox"/> Public Funds	<input type="checkbox"/> Lawyers' Trust Account
	<input type="checkbox"/> LLC (including LLP)	<input type="checkbox"/> Other

I, the undersigned hereby certify that: (1) the type of ownership designated is correct; (2) the "Bank Services Agreement", the "BB&T Interest Schedule", the "BB&T Financial Services Pricing Guide", or the "Commercial Bank Services Agreement" and the "BB&T Business Services Information Guide" as applicable, have been received; and (3) the undersigned agree to all of the terms and conditions contained said brochures, all of which are incorporated herein by reference. Permission is hereby granted for the Bank to verify any information on the undersigned including bank and credit references.

CERTIFICATION
 I, the undersigned, under penalties of perjury, I certify by my signature below that: (1) The number shown on this form is my correct Social Security or Tax Identification Number, or I am waiting for a number to be issued to me and (2) I am NOT subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding. If the Internal Revenue Service must cross out (2) above if the IRS has notified the depositor that the depositor is presently subject to backup withholding because of underreporting of interest or dividends.)

Check one only if applicable:
 Depositor is an exempt recipient of interest under the Internal Revenue Code.
 Depositor is exempt as a nonresident alien and has completed a Form W-8BEN. (All depositors must complete a separate W-8BEN form for this exemption.)
 I understand that if a taxpayer identification number is not provided to the bank within 60 days, the account will be closed.

SSN: _____ Date: _____

Signature of Depositor: _____

SSN: _____ Date: _____

Signature of Depositor: _____

SSN: _____ Date: _____

Signature of Depositor: _____

Name of Beneficiary: _____ Relationship: _____ SSN: _____

Address of Beneficiary: _____

Date of Birth of Beneficiary: _____ Phone Number of Beneficiary: _____

Name of Beneficiary: _____ Relationship: _____ SSN: _____

Address of Beneficiary: _____

Date of Birth of Beneficiary: _____ Phone Number of Beneficiary: _____

Name of Beneficiary: _____ Relationship: _____ SSN: _____

Address of Beneficiary: _____

Date of Birth of Beneficiary: _____ Phone Number of Beneficiary: _____

UNIFORM TRANSFERS TO MINORS ACT ACCOUNT
 Only one custodian and one minor permitted

I understand that the funds transferred into this account are being credited to this account in my name as custodian for the minor named below under the West Virginia Uniform Transfers to Minors Act. The gift of money to the minor named below is irrevocable and is made in accordance with and to include all provisions of said Act.
 The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

SSN: _____ Name of Minor: _____ Relationship: _____

Address of Minor: _____ DOB: _____

SSN: _____ Date: _____

Signature of Custodian: _____

PERSONAL ACCOUNTS
 INDIVIDUAL ACCOUNT
 Only one signer

I understand that the funds in the account belong to me and that upon my death the funds remaining in the account may be controlled by my will or estate and may be inherited by my heirs.
 The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

 Date: _____

Signature of Depositor: _____

BUSINESS AND "OTHER" ACCOUNTS (Must Sign On Behalf Of Entity and in individual Capacity)

The undersigned expressly authorize BB&T to obtain any consumer report and/or any other Personal or Business credit reports.

55600771 [Signature] [Title] (Seal) 12/14/01
 EIN/Tax ID Number Signature (for Entity) Your Title Date

55600771 [Signature] [Title] (Seal) 12/14/01
 Tax ID Number Signature and Title Date

[Signature] [Title] (Seal) 12/14/01
 Tax ID Number Signature and Title Date

[Signature] [Title] (Seal) 12/10/2001
 Tax ID Number Signature and Title Date

JOINT ACCOUNT WITH SURVIVORSHIP
 All account owners must sign

I understand that BB&T may pay any or all of the funds in the account on the order of any one person on the account. Upon the death of a party to the account, the deceased party's ownership in the account passes to the surviving party or parties to the account.
 The Internal Revenue Service does not require your consent to any provision of this document other than the certification required to avoid backup withholding.

 Date: _____

Signature of Depositor: _____

 Date: _____

Signature of Depositor: _____

 Date: _____

Signature of Depositor: _____

IDENTIFICATION (Primary Account Holder)

Type of ID _____ issued By _____ ID No. _____ Home Phone No. (____) _____

Employer: _____ Date of Birth: _____ Work Phone No. (____) _____

Address as issued on ID: _____

IDENTIFICATION (Secondary Account Holder)

Type of ID _____ issued By _____ ID No. _____ Home Phone No. (____) _____

Employer: _____ Date of Birth: _____ Work Phone No. (____) _____

Address as issued on ID: _____

Opened By: DANIEL LANIER Branch Location: 2722170

STATE OF WEST VIRGINIA

Request for Proposal for Central Collection, Distribution and Tracking of Child Support Payments

Section 5 Cost Proposal

Optional Scanning Services

We also present optional Scanning services for the Agency's consideration as described in Section 2.2.3.A.5 of our Technical Proposal. The incremental cost for these services are presented separate from the cost schedules in Appendix A, and will apply only if the Agency selects these services.

Scanning Services: \$ per item	Year 1:	\$ 111,663
	Option Year 1:	\$ 111,456
	Option Year 2:	\$ 111,456
	Option Year 3:	\$ 111,456
	Option Year 4:	\$ 111,456

Account Rate Structure

The following table displays the proposed Account Rate Structure for the depository services proposed. These rates are presented in the Cost Proposal to separate cost information from the Technical solution.

Account Rate Structure		
Account Type	Proposed Rate Calculation	Current Rate
Interest Bearing Checking Account	90-Day T Bill Rate + 5 basis points	2.90% + .05% = 2.95%
Earnings Credit	90-Day T Bill Rate +10 basis points	2.90% + .10% = 3.0%
Sweep Account	Target Federal Funds Rate less 30 basis points	2.75%-.30%=2.45%

The Current Rate displayed above is the effective rate as of May 2005, and is provided for reference. Our proposed rates will be variable as described in the center column.

Summary of Cost Proposal

JPMorgan Chase has reviewed and priced each function specified in our Proposal, and has provided a cost-effective, yet realistic approach to providing the services proposed. Our Pricing approach reflects our determination to provide Central Payment Processing and Disbursement services at a fair value to the Agency.



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Earl Ray Tomblin
Governor

Bureau for Child Support Enforcement
350 Capitol Street, Room 147
Charleston, West Virginia 25301-3703
Telephone: (304) 558-0909 FAX: (304) 558-2445

Rocco S. Fucillo
Cabinet Secretary

Finding 11: Monitoring of State-Owned Vehicles.

The BCSE agrees in part with the findings relating to the monitoring of state-owned vehicles.

Detailed mileage logs were not maintained for the BCSE's vehicles.

In order to ensure only business use for these vehicles, the BCSE relied on vehicle odometer readings which are required to be entered into the gas pump card readers when gasoline is purchased using the state's ARI credit card. This information is reported to the BCSE along with their monthly billings. In order to comply with the DOA Legislative Rules, as of August 1, 2012, the BCSE will begin using the detailed mileage logs attached for all seven BCSE vehicles. The log tracks employee name, destination, purpose, date, mileage out, mileage in, and total miles.

The BCSE did not validate drivers' licenses prior to allowing employees to operate state-owned vehicles. On June 14, 2012, the BCSE was advised by the Fleet Management Office that the fuel card contract has been awarded to Wright Express Financial Services (memo attached). As part of this contract, each driver will have an individual PIN. The BCSE has determined that all employees may be potential drivers and will be issuing PIN's to all employees with driver's licenses. In order to comply with the legislative rule, as part of the application, we will be collecting and tracking employee name, job title and drivers license expiration.

One BCSE vehicle did not have the required State decal. In order to comply with the legislative rule, the BCSE will be using the available contract for the production and issuance of the state decal to attach to the subject vehicle.

2008 Dodge Grand Caravan - Navy Blue
Vin# 1D8HN44H78B176007
License # 77-796

Last Oil Change: Space# 7027
Last oil change - 05/03/2012 mileage 32,692 approx.
Next oil change - 36,000 approx.
State Inspection due: 1-Sep-12

<u>Employee</u>	<u>Destination</u>	<u>Purpose</u>	<u>Date</u>	<u>Mileage</u> <u>Out</u>	<u>Date</u>	<u>Mileage</u> <u>In</u>	<u>Total</u> <u>Mileage</u>
-----------------	--------------------	----------------	-------------	------------------------------	-------------	-----------------------------	--------------------------------

New Information on Van: New Gas Card August 2008 New Accident Form September 2009
3/23/12 damage reported on front driver's side fender.
4/20/2012 damage repaired New tire purchased 6/7/2012

PLEASE REMEMBER NOT TO PARK IN SPOTS MARKED "SMALL CAR ONLY"

Driver ID# 869485. You will need this # for gasoline purchase.

Note: Gas card is located in the glove compartment.

P-Card is also located in the glove compartment.

P-Card (\$50.00 Limit Card) Card# 274 08014720

At 50,000 miles
van needs
oil/filter change
check and fill all fluid level
check tire pressure
rotate tires

Client# 5R82-09
ARI VEH # 176007

Receipts:
Date Amount

Please make sure upon return of vehicle the gas tank is full and the inside of the vehicle is left clean.
Please let myself or Tommy Johnson know if needs washed or cleaned out inside.

Attachment
Finding #11



STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
FLEET MANAGEMENT OFFICE

EARL RAY TOMBLIN
GOVERNOR

ROSS TAYLOR
ACTING CABINET SECRETARY

M E M O R A N D U M

TO: All Agency Fleet Coordinators

FROM: Clay Chandler, Executive Director
Fleet Management Office
Department of Administration

A handwritten signature in black ink, appearing to be "Clay Chandler".

DATE: June 14, 2012

SUBJECT: Change in Fuel Card Provider

General:

The Fleet Management Office (FMO) fuel card contract has been awarded to Wright Express Financial Services (WEX).

Although the new contract with Wright Express Financial Services becomes effective on 18 June 2012, **there will be no interruption in fuel card service**. FMO intentionally requested a June contract start date with Wright Express Financial Services to effect a smooth transition from ARI to Wright Express Financial Services.

Organizations that are not currently using the ARI fuel card will be unaffected by the change in fuel card provider.

Organizations that are not currently using the ARI fuel card are encouraged to transition to the new **"no fee"** WEX fuel card by contacting FMO for transition instructions.

What's New:

There will be three new card designs under the new contract (Vehicle, Equipment, and Law Enforcement **[not shown]**). **Vehicle** cards will be issued for motor vehicles (sedans, vans, SUVs, trucks). **Equipment** cards will be issued for special-purpose equipment (ATV, marine, rail, generator, grounds maintenance, etc.), commercial rental vehicles, and as interim vehicle replacement cards pending receipt of a permanent card. **Law enforcement** cards will be issued to support investigative operations.



New cards will be issued to **replace all cards** previously issued under the existing contract with Automotive Resources International (ARI).

New Personal Identification Number (PIN) will be a six-digit, randomly generated number **will be issued to each driver/operator. Group PINs are not authorized under this contract.**

Agency Fleet Coordinator access to WEX Online with its robust administrator functionality, e.g., account maintenance, fuel card replacement, PIN replacement, driver information maintenance, transactional and accounts payable reports, and agency-specific alerts.

Drivers will have access to a new **Stranded Motorist** function through the use of a 1-800 number to alleviate forgotten PIN, damaged fuel card, etc.

Specific Instructions:

Agency Fleet Coordinators are required to complete the attached Excel Workbook and return to Fleet@wv.gov not later than **13 July 2012**:

Provide driver information using the Excel Driver worksheet. The information contained in the worksheet is mandatory and will be used to verify the driver/operator information when using the Stranded Motorist function. Note: WEX requires multiple, driver-specific, personally identifiable pieces of information to issue a one-use MasterCard number to rescue the driver. FMO's privacy policy is provided as a separate attachment to this memorandum.

Provide equipment card information using the Excel Equipment worksheet. The information contained in the worksheet is required to issue equipment cards to the agency.

Provide rental car card information using the Excel Rental Car worksheet. The information contained in the worksheet is required to issue equipment cards to the agency.

Provide law enforcement card information using the Excel Law Enforcement worksheet. The information contained in the worksheet is required to issue law enforcement cards to the agency.

Agency Fleet Coordinators are required to submit a copy of the attached DOA-FM-031, Fuel Card User Agreement to FMO for each driver/operator contained on the Excel Driver Worksheet not later than **July 25, 2012**.

Post fuel card training (**July 26**):

Agency Fleet Coordinators will execute and maintain the DOA-FM-031 for new employees, and obtain new DOA-FM-031 for all driver/operators not later than the last calendar day of the month following the driver/operator's birth month. A custom data field will be available to Agency Fleet Coordinators in WEX Online to maintain DOA-FM-031 Fuel Card User Agreement signature date to assist Agency Fleet Coordinators with reporting and compliance.

New fuel cards (all types) must be requested through the Fleet Management Office. Fuel cards will be mailed to FMO and subsequently released (maintaining physical control of the card) to the requesting agency.

Replacement fuel cards (all types) may be requested by the agency using WEX Online. Replacement fuel cards will be mailed to the Agency Fuel Card Administrator at the address on file in WEX Online.

Wright Express will not execute requests by phone (other than Stranded Motorist) that can be accomplished using WEX Online. Agency Fleet Coordinators will contact FMO for any assistance not available through WEX Online.

Training, Card, and PIN Issuance:

~~FMO will host mandatory training; issue fuel/equipment/law enforcement cards; and issue employee PINs (employee addressed and sealed envelopes) to Agency Fleet Coordinators at the conclusion of one of two training sessions on July 26, 2012 at Stonewall Jackson Resort.~~

~~Seats for each training session is limited and RSVP to Fleet@wv.gov is required. Training sessions are scheduled for 8:00 a.m.—12:00 p.m. and 1:00 p.m.—5:00 p.m. Each agency is encouraged to send a primary and alternate Fleet Coordinator to the training. Cards and PINs will be issued at the conclusion of each training session based on agency scheduled attendance. Late arrivals to the morning training session will be deferred to the afternoon training session. Agency participants are encouraged to bring a Wi-Fi capable laptop or iPad to access their agency's data during the training.~~

~~FMO will have a greeter stationed at the resort registration desk on July 26 to direct participants to the correct conference room.~~

~~FMO will fund and provide breakfast and lunch at the resort restaurant for training attendees. FMO has blocked 50 rooms at the resort on July 25 for attendees who desire to travel the day prior to training. Nightly room rate for the blocked rooms will be \$119 per night. Lodging costs will be the responsibility of the training participant's agency. Training participants desiring to reserve a room at the negotiated rate must reserve their room not later than June 27, 2012 and mention reservation code: FMO Fuel Card Training.~~

~~For questions, please e-mail Fleet@wv.gov or call (304) 558-2614.~~

CDC/ede



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Earl Ray Tomblin
Governor

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Rocco S. Fucillo
Cabinet Secretary

Finding 12:

PayConnexion receipts not adequately tracked.

The Bureau for Child Support Enforcement (BCSE) does not agree in total with this finding. Child Support payments originating from Pay Connection are received with adequate documentation to correctly allocate and disburse court ordered child support. These payments are received in electronic format at the State Distribution Unit (SDU) operated by Systems and Methods, Inc. (SMI). Electronic receipts from other sources are combined into a single digitally imaged cash letter (ICL) for transmission to JPMorganChase (JPMC) and into a separate electronic file for transmission to OSCAR. This process causes the original Pay Connection receipt file to lose its identity. BCSE agrees that requested documentation could not be provided due to Pay Connection's twelve month record retention. Pay Connection agreed to maintain two years of documentation on line and an additional five years off line. With regard to credit entries into BCSE's distribution account for reimbursable errors, BCSE agrees to request and separately document these credits with hard copy receipts cross referenced to the appropriate JPMC bank statement.



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Finding 13: Missing Documentation

Condition: The BCSE currently uses a process that included both optional and mandatory referrals. Optional referrals are those in which one (or both) parties requests the services of the BCSE using either an application printed from the Internet or one prepared with the help of the caseworker during an interview at a field offices. Mandatory referrals are those made by another state agency, such as the Bureau of Children and Families (BCF), in which one of the parties has received some type of assistance through the agency. In these cases, the state will refer the cases using interfaces between each agency's information systems. We have noted the following exceptions regarding this process below:

- We noted for 15 of the 320 cases tested were not supported by an application or referral.
- We noted after review, 35 of 248 IV-A¹ cases showed the case initiation date was significantly before the referral date per the RAPIDS system. When projected this equals approximately 18,132 cases in the OSCAR system.

The BCSE currently operates a State Disbursement Unit (SDU) as required by Federal Code that uses two bank accounts maintained with J.P. Morgan Chase (JPMC) to accept payments made by both employers and by private citizens. During this process, the BCSE will accept payments that are returned as Non-Sufficient Funds (NSF). During our test of NSF payments, we were unable to trace and identify one payment for \$90 to its respective bank statement.

Criteria: W.V. Code §48-18- 105, as amended, states in part:

"General duties and powers of the bureau for child support enforcement.

In carrying out the policies and procedures for enforcing the provisions of this chapter, the bureau shall have the following power and authority:

¹ IV-A cases refer to Temporary Assistance for Needy Families (TANF). These cases are referred by the Bureau of Children and Families (BCF) as a result of a TANF applicant having a need to establish a support order. It is required by WV law that the TANF applicant assign their support rights over to the state to allow for the state to recoup some of the cost of assistance.

.... (16) **To adopt standards for** staffing, record-keeping, reporting, intergovernmental cooperation, training, physical structures and time frames for case processing;.... (**Emphasis Added**)”

The Code of Federal Regulations Title 45, Part 303, Section 02, Subpart b states in part,

“For all cases referred to the IV-D agency or applying for services under § 302.33 of this chapter, the IV-D agency must, **within no more than 20 calendar days of receipt** of referral of a case or filing of an application for services under § 302.33, open a case by establishing a case record and, based on an assessment of the case to determine necessary action:” (**Emphasis Added**)

Cause:

We requested the BCSE provide us the missing applications noted above. We also informed them if no application was present that the underlying document to initiate the case along with the relevant code section should be made available for review. The BCSE did not send the necessary documents in the cases noted above.

In regard to referrals sent using the RAPIDS system that were noted as having a case initiation date prior to the referral date, the OSCAR system only maintains the most recent referral from the RAPIDS system and cases can be referred multiple times. We requested information from the BCF’s RAPIDS system as the information is not contained in the OSCAR system. DHHR-MIS was not able to provide us the necessary referrals as the RAPIDS system does not keep track of referral dates made to the OSCAR system. Confirmation dates are not equivalent to the referral dates. The documents relating to the \$90 payment could not be provided as a result of PayConnexion not maintaining the necessary documents.

Effect:

For those cases without an application, referral, or narrative, we are unable to determine if the case was properly initiated as required by Federal Code. Without documentation related to the deposit of funds, we are unable to determine if the funds were properly deposited.

Recommendation:

We recommend the BCSE comply with W.V. Code §48-18- 105, as amended, and ensure documentation necessary to determine if support orders and applications/referrals were inputted in a timely manner are maintained. Also, we recommend the BCSE comply with Title 45, Part 303, Section 02, Subpart b of the Code of Federal Regulations and ensure records are maintained documenting applications have been entered within 20 days as required.

BCSE Response:

Most of the explanation that the BCSE has made in response to Finding 4 which is “Inadequate Documentation Policies” applies equally to all aspects of Finding 13 which is “Missing Documentation”. Both findings cite the same section of the WV Code as the basis for the Finding. The OSCAR record is the Bureau’s primary case record. Only those documents generated outside the OSCAR system are maintained in an ancillary case record. Historically, this file was a hard-copy record but at this time, nearly all the Bureau’s case records have been transferred via document imaging into an electronic storage and file management system. The lengthy description of BCSE case processing that was provided in response to Finding 4.

Virtually all BCSE case processing work, other than court-related work, takes place in an electronic environment. OSCAR case processing uses standard forms; implements and documents many case transactions automatically with no worker involvement; identifies each action taken on a case, the date the action was taken, and the identity of the person taking the action; stores this documentation in the case record permanently; prevents subsequent changes or deletions to completed transactions and the related documentation; and allows a stored document to be reprinted as necessary. A paper copy of OSCAR generated documents is not needed or required in either a hard-copy form or in a separate electronic record.

The BCSE also disagrees with the specific findings as to missing applications or referrals in 15 cases and that 35 of the 248 IV-A referral cases showed a case initiation date earlier than the referral date in the RAPIDS system. Of the 15 cases without an application, five were foster care cases and Circuit Court orders placing the child in the legal custody of the state were provided, five were IV-A referral cases including one opened in 1989, one was a state registry case order which by definition does not contain an application for services, and one record had been archived and there was not time to retrieve a copy of the application. The Bureau concedes that it would likely have been unable to locate a copy of three applications for services, including one for a spousal case opened in 1994. The latter is the only open case for which the Bureau does not currently have satisfactory case-opening documentation in its record.

As to the 35 IV-A referral cases (and the additional IV-A referral cases noted above), the Bureau creates OSCAR cases in a specific OSCAR functionality that is not available unless a referral has been received from the RAPIDS system. Many IV-A cases open and close multiple times and the Bureau receives new referral information each time. The original OSCAR case is updated with the new IV-A date each time a caretaker’s IV-A case is changed. The transactions in the IV-A RAPIDS system do not change the case initiation date of the Bureau’s case in OSCAR.

The auditors were unwilling to accept the explanations of the technical staff with the Management Information Systems (MIS) agency regarding the automated communication processes that occur daily between the RAPIDS and the OSCAR systems that inform the Bureau as to the status of an OSCAR caretaker in the IV-A system. With additional time, the Bureau is totally confident that it would have been able to obtain a paper copy of the caretaker’s assignment of rights that is signed and provided to the IV-A agency.

The IV-A agency obtains an assignment of rights form each time a caretaker opens a TANF case. That signed form is part of the process by which the IV-A agency refers a case to the Bureau for opening a case in OSCAR. The Bureau did in fact provide a copy of this information with respect to one of the 35 cases that showed that IV-A obtained a signed assignment of rights that was dated prior to the case initiation date in OSCAR. The Bureau inquired if that particular documentation would be accepted as a date on which the IV-A agency made a referral but did not receive a response from the auditors as to whether this form would be accepted as authoritative documentation that the Bureau had a valid referral for the particular case at the time it opened the case.



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Finding 14: Inadequate Segregation of Controls

The Bureau for Child Support Enforcement (BCSE) does not agree in total with this finding. BCSE is required by the Code of Federal Regulations (45CFR) Section 302.32 to disburse certain categories of child support within two business days. Problematic child support payments received at the State Distribution Unit (SDU) were forwarded to the Central Office for resolution and then back to the SDU for processing when resolved. This process increased the amount of time required by the 45CFR to allocate and disburse child support receipts. Increased turnaround time creates the potential to impact BCSE's federal performance standards and reduce federal funding. In order to reduce this possibility, comply with the requirements of the 45CFR and maximize federal incentive funding, BCSE out stationed an employee at the SDU to assist with problem resolution at the point of occurrence. All employees functions that can be performed are controlled by the OSCAR role assigned. These roles cannot be unilaterally changed as a supervisor's approval and request to the OSCAR support group is necessary. Each deposit made into the Manual Processing Account by that employee was entered onto a spreadsheet at the end of each day and was subsequently reviewed by a supervisor and reconciled to the JPMorganChase account credit file as a control against perpetration and concealment of errors or irregularities. The out stationed position was eliminated April 16, 2012 and the employee reassigned to another unit. BCSE does not anticipate replacing this position.



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Finding 15: Special Handled Checks

The Bureau for Child Support Enforcement (BCSE) agrees that processing payables by "special handling" should be avoided unless circumstances justify such processing. In response to these findings;

- Twenty Workers Compensation checks totaling \$33,386.00---- These were time sensitive, whereby we had to present a check to the vendor. Therefore we feel "special handling" in this instance is warranted.
- Three Unemployment Compensation checks totaling \$2,552.00----These were time sensitive, whereby we had to present a check to the vendor. Therefore we feel "special handling" in this instance is warranted.
- Ten Payments to Contractors totaling \$69,973.00----These payments were to Express Services, Inc. (0000476350/0000379492.) In this instance the remit to address on the invoice was different than the address on the commitment document. Therefore, to avoid a delay in remitting payment to the vendor and risking a late fee, special handling was requested. In this instance we feel "special handling" was warranted.
- Thirty-one Association Dues or Professional Membership Fee checks totaling \$7,750.00--Initially, when DHHR agreed to pay attorney's bar dues the process was for remitting directly to the WV State Bar association. This process necessitated certifying documentation be attached to the remittance, thus requiring "special handling." Currently, DHHR requires it's attorney's to pay their dues and request an expense reimbursement. This revised process eliminated the need for special handling. However, we feel the "special handling" process was initially warranted.
- Eight Postal and Freight Checks totaling \$28,500.00---Postage for standalone postage meters must be loaded by the vendor. This vendor (Pittney Bowes) will not load postage until the United States Postal Service (USPS) has been paid. Vendor further requires the state warrant be made payable to the USPS but sent to them (vendor) so they may personally tender it to the USPS. This process requires "special handling." Therefore we feel "special handling" in this instance is warranted and unavoidable.
- Eight Computer Equipment and Supply checks totaling \$41,206---We attached identifying information so that the warrant would be posted correctly by the vendor. Therefore we feel "special handling" in this instance was warranted.
- One Book/Periodical Expenditure check in the amount of \$2,804.00---We attached identifying information so that the warrant would be posted correctly by the vendor. There we feel "special handling" in this instance is warranted.