

**ARKANSAS BUDGET SYSTEM  
AGENCY PROGRAM COMMENTARY  
2001 - 2003**

The Arkansas Office of Child Support Enforcement is responsible for locating absent parents, establishing paternity, establishing orders for child support, collecting, distributing the funds collected to the appropriate case and disbursing the child support funds, and enforcing payment of support orders. Funding for this appropriation consists of a combination of Federal reimbursement, fees for collection services, and the State Central Services Fund. Total Base Level for the agency is \$55,060,888 in FY02 and \$55,677,883 in FY03, with 837 positions authorized for each year. Base level includes a 2.6% payplan increase each year over FY01 Budgeted Levels, with a corresponding increase in matching amounts.

Change Level 01

The Personal Responsibility and Work Reconciliation Act (PRWORA) commonly known as the Welfare Reform Act of 1997, required a work group to study the medical support issue. As a result, proposed recommendations will be incorporated into new Federal and State Legislation requiring the Arkansas Office of Child Support Enforcement to seek medical support orders where appropriate and to enforce these orders. This Change Level also seeks to accommodate a significant increase in the caseload of the agency. Additionally, the remaining contracts for child support services will be dissolved and those operations will be transitioned to State services July 1, 2001. The medical support issue, the caseload increase and the final transition of contract offices to State services will require an additional fifty positions in legal and support personnel. Finally, the agency will have a no cost change level by transferring the contingency appropriation and funds budgeted in the current biennium (FY 1999-FY 2000) into our base level budget which will provide appropriation and funding for the change level.

	<u><b>FY 2002</b></u>	<u><b>FY 2003</b></u>
Change Level 01	2,275,620	2,275,620
Contingency Approp/Funds	<u>&lt;2,275,620&gt;</u>	<u>&lt;2,275,620&gt;</u>
Total Change Level Cost	0	0

<b>AGENCY</b> DFA-Division Of Revenue - Office of Child Support Enforcement	<b>DIRECTOR</b>  Dick Barclay	<b>AGENCY PROGRAM COMMENTARY BR21</b>	<b>PAGE</b>  <b>25</b>
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DEPARTMENT OF FINANCE AND ADMINISTRATION  
REVENUE DIVISION  
OFFICE OF CHILD SUPPORT ENFORCEMENT  
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 1998

Assets				Liabilities			Total Equity
Cash and Investments	Fixed	Other	Total	Current	Long-Term	Total	
\$ 14,756,563	\$ 3,605,246	\$ 2,160,338	\$ 20,522,147	\$ 1,565,995	\$ 522,390	\$ 2,088,385	\$ 18,433,762

Revenues					Expenditures					Other Sources (Uses)
Intergovernmental	Federal	Licenses and Fees	Other	Total	Salaries and Matching	Grants and Aid	Capital	Other Operating	Total	
\$ 3,911,137	\$ 22,859,014	\$ 0	\$ 114,591,309	\$ 141,361,460	\$ 9,638,460	\$ 0	\$ 461,958	\$ 131,501,893	\$ 141,602,311	\$ (154,680)

Findings

Recommendations

1. COUNTERFEIT CHECKS - The Agency was notified by its bank on July 30, 1999 that two (2) checks had been presented for redemption that were believed to be counterfeit. Agency personnel inspected the questioned checks and verified that they had not been issued by the Agency. The counterfeit checks were represented to have been for child support payments. The bank had detected a total of eleven (11) counterfeit checks, amounting to \$4,510.00, by the close of audit fieldwork. The Agency has incurred no loss as a result of the counterfeit checks, and the Federal Bureau of Investigation has been advised of the illegal act. The Agency has also strengthened procedures to more readily assure that any additional instances of counterfeit checks being presented for redemption will be detected before payment is made.
2. UNAUTHORIZED DISBURSEMENTS - The Agency reported that it had conducted an internal audit of the records of the contractor for child support services in the 16th Judicial District. The internal audit determined that the contractor, Mr. T. J. Hiveley, former Prosecuting Attorney for the district, had billed costs totaling \$1,163,533.13 during the period of January, 1995 to March 31, 1998. The Agency paid the contractor based upon the billings. The internal audit also determined that allowable costs totaled \$1,075,438.93, and the remaining amount of \$88,094.20 was unauthorized and disallowed. We have reviewed the work of the internal audit and concur in its findings. The disallowed costs were found to be largely a result of unsupported claims for reimbursement. A summary of the costs billed by the contractor and the costs determined to be allowable and disallowed is presented at Schedule 2 of this audit report. The amounts determined to be disallowed are summarized by period and category as follows:

( ) Noted in previous year's audit report.

\_\_\_ The auditee has indicated the finding has been or will be corrected.

DEPARTMENT OF FINANCE AND ADMINISTRATION  
REVENUE DIVISION  
OFFICE OF CHILD SUPPORT ENFORCEMENT  
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 1998

Findings

Recommendations

2. UNAUTHORIZED DISBURSEMENTS (Continued)

Description	Total	Year Ended December 31,			Three Months Ended
		1995	1996	1997	March 31, 1998
Personnel costs	\$ 21,566.05	\$ 412.33	\$ 4,253.09	\$ 15.39	\$ 16,885.24
Travel	343.48	(134.37)	294.74	152.31	30.80
Supplies	6,923.15	137.22	1,841.34	2,575.51	2,369.08
Communications	17,981.86	(160.22)	4,683.72	12,822.85	635.51
Law enforcement	32,152.31	5,921.26	2,964.00	20,413.50	2,853.55
Equipment	5,132.80	267.60	1,651.12	3,214.08	
Building expense	570.71	163.06		244.59	163.06
Other	3,423.84	415.00	1,896.36	647.24	465.24
<b>Totals</b>	<b>\$88,094.20</b>	<b>\$7,021.88</b>	<b>\$17,584.37</b>	<b>\$40,085.47</b>	<b>\$23,402.48</b>

The Agency related that it has provided documentation and the completed results of the internal audit to the Federal Bureau of Investigation (FBI), as requested by that office.

3. CASH RECEIPTS - Review of the internal controls over cash receipts revealed that there were no standard procedures in the field offices for the receiving of cash to assure that all cash received was properly recorded and deposited timely. Additionally, our tests of controls at the field offices revealed numerous weaknesses in the internal controls over cash receipts. In response to discussions with Agency management during the audit, the Agency changed its procedures for accepting cash payments effective September 1, 1999. Child support and court fee payments are no longer being received in the field offices. These receipts must now be mailed to the Agency's clearinghouse lock box for recording and depositing. The Agency also began closing the local bank accounts that had been established for depositing the payments received at the field offices.

3. Monitor the cash receipting process to assure it is working adequately and that strong internal controls at the central clearing house remain in place.

( ) Noted in previous year's audit report.

\_\_\_ The auditee has indicated the finding has been or will be corrected.

DEPARTMENT OF FINANCE AND ADMINISTRATION  
REVENUE DIVISION  
OFFICE OF CHILD SUPPORT ENFORCEMENT  
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 1998

Findings (Continued)

4. CASH FUND LEDGER - (The Agency did not maintain a journal which summarized cash fund financial activity by revenue and expenditures category, or provide backup of the data on electronic media appropriate for preparation of financial statements in accordance with pronouncements of the Governmental Accounting Standards Board [GASB]). Review of the records for transactions of the cash fund also revealed that some disbursements had been recorded in error as deposits. Due to the volume of the transactions of the cash fund, agency personnel were requested to review and summarize the activity for presentation in the financial statements. Review of their work determined that disbursements totaling \$548,129.33 could not be readily classified.
5. ACCOUNTS RECEIVABLE - (The Agency did not maintain an adequate accounts receivable system for accounting for amounts due the Agency for recipient overpayments, reimbursements due from noncustodial parents for court costs and blood tests and for returned checks as required by Part II, Chapter 21.2 of the State Accounting Procedures Manual.) The Agency has developed a method to accumulate amounts owed the Agency, however, the records supporting the totals for the respective kinds of receivables, including any allowances for uncollectible accounts, did not lend themselves to audit testing. Therefore, no amount has been recorded in the financial statements for these receivables. Generally accepted accounting principles require that accounts be recognized as income in the year earned and that a corresponding asset be recorded.

Recommendations (Continued)

4. Maintain a journal to summarize revenue and expenditure activity of the Child Support Enforcement Cash Fund and provide for backup of all ledger activity on electronic media. Summarized activity should be reconciled to bank transactions to provide for proper documentation and assure good internal control.
5. Review the current procedures for recording amounts due the Agency and improve the source documentation references that support the recording and subsequent disposition of individual accounts receivables. The accounts receivable system should also provide an aging of receivables and a method to determine those accounts that are uncollectible.

Audited by Division of Legislative Audit  
SA1662498

( ) Noted in previous year's audit report.

\_\_\_ The auditee has indicated the finding has been or will be corrected.

ARKANSAS BUDGET SYSTEM  
 EMPLOYMENT SUMMARY  
 AS REQUIRED BY ACT 358 OF 1993  
 (A.C.A 19-4-307)

AGENCY TITLE      634 - CHILD SUPPORT ENFORCEMENT

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	MALE	FEMALE	TOTAL	PERCENTAGE OF TOTAL
WHITE EMPLOYEES	<u>62</u>	<u>343</u>	<u>405</u>	<u>66%</u>
BLACK EMPLOYEES	<u>18</u>	<u>186</u>	<u>204</u>	<u>33%</u>
EMPLOYEES OF OTHER RACIAL MINORITIES	<u>0</u>	<u>2</u>	<u>2</u>	<u>0%</u>
TOTAL EMPLOYED AS OF      08/05/00			<u>206</u>	<u>34%</u>
DATE			TOTAL MINORITIES	
			<u>611</u>	<u>100%</u>
			TOTAL EMPLOYEES	

  
 Dick Barclay  
 AGENCY DIRECTOR

\* PERCENTAGE TOTALS MAY NOT ADD DUE TO ROUNDING

# STATE AGENCY PUBLICATIONS

2001-2003 Biennium

Act 1276 of 1999

**AGENCY:** DF&A - DOR - Office of Child Support Enforcement      **AGENCY # :** 332

NAME OF PUBLICATION	STATUTORY AUTHORIZATION	PUBLICATION REQUIRED FOR GOVERNOR AND/OR GENERAL ASSEMBLY ONLY	NUMBER OF COPIES PUBLISHED	REASON(S) FOR CONTINUED PUBLICATION AND DISTRIBUTION
Paternity Acknowledgement Form	20-18-408 (2) (3)		15,000	Federal and State law require Hospital based Paternity Acknowledgement Program and issuance of a form and information.
Voluntary Paternity Acknowledgement Program of AR	20-18-408 (2) (3)		15,000	Federal and State law require Hospital based Paternity Acknowledgement Program and issuance of a form and information.
Give Your Child a Gift that Lasts a Lifetime	20-18-408 (2) (3)		7,000 to 8000	Federal and State law require Hospital based Paternity Acknowledgement Program and issuance of a form and information.
				30

**ARKANSAS BUDGET SYSTEM  
ANALYSIS OF BUDGET REQUEST  
2001 - 2003**

The Office of Child Support Enforcement is responsible for locating absent parents, establishing paternity, establishing orders for child support, collecting and disbursing support, and enforcing payment of support. Funding for this appropriation consists of a combination of federal reimbursement, fees for collection services, and the State Central Services Fund. The Personal Responsibility and Work Reconciliation Act (PRWORA) commonly known as the Welfare Reform Act of 1997 required a work group to study the medical support issue. As a result, proposed recommendations will be incorporated into new Federal and State Legislation requiring the Arkansas Office of Child Support Enforcement to seek medical support orders where appropriate and to enforce these orders.

Base Level for the agency is \$55,060,888 in FY02 and \$55,677,883 in FY03. Base Level includes a payplan increase of 2.6% each year over the 2001 fiscal year salary levels for all incumbents plus appropriate Personal Services Matching costs. Base level positions, which were authorized by the 82nd General Assembly for the Career Ladder Incentive Program (CLIP), are reflected at the maximum authorized classification with additional appropriation only in accordance with CLIP guidelines. Base Level includes 132 classified contingency pool positions that were established for the 1999-2001 biennium and utilized to address the needs from contract assumption and rising case load.

The change level requests for the agency include:

- ◆ 50 additional positions needed for increasing caseload due to the new requirement on enforcement of medical support orders and the final transition of the contract offices to State services. Salary and Personal Service Matching costs for these positions is requested at \$1,434,644 in FY02 and \$1,468,090 in FY03.
- ◆ The Career Ladder Incentive Program (CLIP) requests reflected on three (3) Attorney Specialist and one (1) Payroll Officer positions provide appropriate job classifications that may be utilized to promote classified employees.
- ◆ Operating Expenses of \$740,976 in FY02 and \$707,530 in FY03 will accommodate increased costs associated with the new positions.
- ◆ Capital Outlay of \$100,000 in FY02 and \$100,000 in FY03 is requested to provide furnishings and equipment necessary for the 50 new positions.
- ◆ A reduction in Data Processing in the amount of (\$2,275,620) each year will cover all change level requests mentioned above in their entirety, giving the Agency a zero change level.

The Executive Recommendation provides for the Agency Request with adjustments in the requested CLIP levels on the three (3) Attorney Specialist and one (1) Payroll Officer positions.

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF BUDGET REQUEST	PAGE
<b>Name: DFA - Revenue - Office of Child Support Enforcement</b>  <b>Code: 634</b>	<b>Name: Office of Child Support Enforcement</b>  <b>Code: 120</b>	<b>Name: Child Support Enforcement</b>  <b>Code: MCE</b>	<b>BR20</b>	<b>31</b>

ARKANSAS BUDGET SYSTEM

CHARACTER TITLE	-----EXPENDITURES-----			-----01-02 FISCAL YEAR-----			-----02-03 FISCAL YEAR-----			-----RECOMMENDATIONS-----			
	99-00	00-01	00-01	01-02		02-03		02-03		EXECUTIVE		LEGISLATIVE	
	ACTUAL	BUDGETED	AUTHORIZED APPRO	BASE	CHANGE LEVEL	TOTAL REQUEST	BASE	CHANGE LEVEL	TOTAL REQUEST	01-02	02-03	01-02	02-03
REGULAR SALARIES	12,392,957	19,174,863	14,971,553	20,088,030	1,088,722	21,176,752	20,610,311	1,117,040	21,727,351	21,176,752	21,727,351		
NUMBER OF POSITIONS	702	837	837	837	50	887	837	50	887	887	887		
EXTRA HELP	99,785	100,000	100,000	100,000	0	100,000	100,000	0	100,000	100,000	100,000		
NUMBER OF POSITIONS	15	15	15	15	0	15	15	0	15	15	15		
PERSONAL SERV MATCHING	4,133,076	5,969,154	4,666,556	6,136,631	345,922	6,482,553	6,231,345	351,050	6,582,395	6,482,552	6,582,394		
OVERTIME	9,997	0	0	0	0	0	0	0	0	0	0		
OPERATING EXPENSES	6,083,151	7,328,124	8,314,412	7,328,124	740,976	8,069,100	7,328,124	707,530	8,035,654	8,069,100	8,035,654		
CONF FEES & TRAVEL	45,002	100,000	100,000	100,000	0	100,000	100,000	0	100,000	100,000	100,000		
PROF FEES & SERVICES	5,735,319	2,000,000	4,327,500	2,000,000	0	2,000,000	2,000,000	0	2,000,000	2,000,000	2,000,000		
CAPITAL OUTLAY	477,632	260,000	260,000	0	100,000	100,000	0	100,000	100,000	100,000	100,000		
DATA PROCESSING	16,301,480	19,308,103	17,032,483	19,308,103	-2,275,620	17,032,483	19,308,103	-2,275,620	17,032,483	17,032,483	17,032,483		
CONTINGENCY	0	0	2,275,620	0	0	0	0	0	0	0	0		
<b>TOTAL</b>	<b>45,278,399</b>	<b>54,240,244</b>	<b>52,048,124</b>	<b>55,060,888</b>	<b>0</b>	<b>55,060,888</b>	<b>55,677,883</b>	<b>0</b>	<b>55,677,883</b>	<b>55,060,887</b>	<b>55,677,882</b>		
<b>PROPOSED FUNDING SOURCES</b>			*****										
FUND BALANCES	281,612	3,042,753	*****	3,000,000		3,000,000	2,974,699		2,974,699	3,000,000	2,974,699		
GENERAL REVENUES			*****										
SPECIAL REVENUES			*****										
FEDERAL FUNDS	20,367,047	29,500,000	*****	29,500,000		29,500,000	29,500,000		29,500,000	29,500,000	29,500,000		
STATE CENTRAL SERVICES FUND	14,123,491	13,014,933	*****	13,014,933		13,014,933	13,014,933		13,014,933	13,014,933	13,014,933		
NON-REVENUE RECEIPTS	13,549,002	11,682,558	*****	12,520,654		12,520,654	13,136,959		13,136,959	12,520,654	13,136,959		
CASH FUNDS			*****										
OTHER			*****										
<b>TOTAL FUNDING</b>	<b>48,321,152</b>	<b>57,240,244</b>	<b>*****</b>	<b>58,035,587</b>		<b>58,035,587</b>	<b>58,626,591</b>		<b>58,626,591</b>	<b>58,035,587</b>	<b>58,626,591</b>		
EXCESS APPRO/ (FUNDING)	( 3,042,753)	( 3,000,000)	*****	( 2,974,699)		( 2,974,699)	( 2,948,708)		( 2,948,708)	( 2,974,709)	( 2,948,709)		
<b>TOTAL</b>	<b>45,278,399</b>	<b>54,240,244</b>	<b>*****</b>	<b>55,060,888</b>		<b>55,060,888</b>	<b>55,677,883</b>		<b>55,677,883</b>	<b>55,060,887</b>	<b>55,677,882</b>		

DEPT 016 DEPARTMENT OF FINANCE AND ADMINISTRATION  
 AGY 634 DFA-REVENUE-OFFICE OF CHILD SUPPORT ENFORCEMENT  
 APPRO 120 DFA REVENUE -- OFFICE OF CHILD SUPPORT ENFORCEMENT  
 FUND HCE CHILD SUPPORT ENFORCEMENT-(634)

Appropriation was established through the authority of the Overtime Holding Account.

APPROPRIATION SUMMARY

Various Maintenance and General Operation line items may be greater than the authorized appropriation amounts due to reclassification transfers processed in FY01.

BR 215

Actual and/or Budget Expenditures may exceed the authorized amounts due to Special Language Transfer Authority from the Professional Fees & Services and Contingency line items to any other line item authorized for operations.

FY01 Budgeted exceeds FY01 Authorized in various line items due to a transfer from the Miscellaneous Federal Grant Holding Account.

ARKANSAS BUDGET SYSTEM

PROGRAM/SERVICE INFORMATION LIST

RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19										
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	EXPENDITURES		2001 - 03 BIENNIUM REQUESTS						RECOMMENDATIONS															
					ACTUAL	BUDGETED	FY 2001 - 02			FY 2002 - 03			EXECUTIVE		LEGISLATIVE													
					99-00	00-01	REQUEST			REQUEST			2001-02	2002-03	2001-02	2002-03												
00		MCE	634 120	B	45,278,399 702	54,240,244 837	55,060,888 837			55,677,883 837			55,060,888 837	55,677,883 837														
01		MCE	634 120 050 CENTRAL OFFICE	C01			0 50			0 50			50	50														
<p>This change request seeks eight (8) additional Attorney Specialists/Attorneys, fourteen (14) Investigator IIs/Investigator Is, eight (8) Legal Secretaries, and twenty (20) Child Support Technicians/Document Examiners IIs, for a total of fifty (50) positions for the Arkansas Office of Child Support Enforcement. The increase is necessary due to a significant increase in caseload, Federal requirement to enforce medical support orders and the transitioning of remaining contracts for child support services to State provided services July 1, 2001. The Agency requests the transfer of the contingency appropriation and funding of the current biennium to be used as an appropriation and funding mechanism for this change level. The transfer will make this a no cost change level.</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: center;"><u>SFY 2002</u></td> <td style="text-align: center;"><u>SFY 2003</u></td> </tr> <tr> <td style="text-align: right;">Change Level Cost</td> <td style="text-align: center;">2,275,620</td> <td style="text-align: center;">2,275,620</td> </tr> <tr> <td style="text-align: right;">Contingency Transfer</td> <td style="text-align: center;"><u>&lt;2,275,620&gt;</u></td> <td style="text-align: center;"><u>&lt;2,275,620&gt;</u></td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </table>																		<u>SFY 2002</u>	<u>SFY 2003</u>	Change Level Cost	2,275,620	2,275,620	Contingency Transfer	<u>&lt;2,275,620&gt;</u>	<u>&lt;2,275,620&gt;</u>	TOTAL	0	0
	<u>SFY 2002</u>	<u>SFY 2003</u>																										
Change Level Cost	2,275,620	2,275,620																										
Contingency Transfer	<u>&lt;2,275,620&gt;</u>	<u>&lt;2,275,620&gt;</u>																										
TOTAL	0	0																										
11		MCE	634 120 050 CENTRAL OFFICE	C09			0 0			0 0																		
<p>Request is for the Career Ladder Incentive Program (CLIP)</p>																												

PT 016 DEPARTMENT OF FINANCE AND ADMINISTRATION  
Y 634 DFA-REVENUE-OFFICE OF CHILD SUPPORT ENFORCEMENT  
PRO 120 DFA REVENUE -- OFFICE OF CHILD SUPPORT ENFORCEMENT  
ND MCE CHILD SUPPORT ENFORCEMENT-(634)

RANK BY APPROPRIATION  
BR 264