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*Serving Children and Families*

AMBER E. GILLUM  
ACTING STATE DIRECTOR

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GOVERNOR

September 5, 2014

Dear Members of the General Assembly:

Pursuant to the requirements of Proviso 38.18, the South Carolina Department of Social Services submits its status report on the Child Support Enforcement System.

The Department and its staff are appreciative of the continuing support provided by the General Assembly for this crucial project.

Should you have any questions, please contact William Bray, Director of Fiscal and Governmental Affairs at (803) 898-7225.

Sincerely,



Amber E. Gillum  
Acting State Director

AEG:ms

Enclosure

Department of Social Services  
Response to Budget Proviso 38.18

H. 4701

General Appropriations Bill for Fiscal Year 2014-2015

PART IB

August, 2014

Budget Proviso Language

**38.18.** *“(DSS: Child Support Enforcement System) From the funds appropriated in Part IA, Section 38(F), the Department of Social Services shall prepare a detailed report on the status of the Child Support Enforcement System. The report shall include, but not be limited to, actions currently being undertaken to become compliant with federal government requirements; the cost required to meet minimum federal guidelines; total funds spent so far on the system; the amount of fines assessed by the federal government associated with non-compliance; how much has been spent to satisfy actions taken by the state judicial system; and how much has been spent related to actions taken by any other entity which may have altered the amount required for meeting minimum federal guidelines. The report shall be submitted to the General Assembly by August thirty-first of the current fiscal year.”*

In response to Proviso 13.27 in the FY 2007-2008 Appropriations Act, the Department of Social Services provided a detailed timeline of the events leading to the contract between the State and Saber Software Corporation to develop, implement and maintain the federally mandated statewide Child Support Enforcement System (CSES) and the Family Court Case Management System (FCCMS). Saber was then purchased by Electronic Data Systems (EDS), and is now a business unit of Hewlett-Packard's Enterprise Solutions Group, and will be referred to as HP in this and future updates.

In response to Proviso 26.25 in the FY 2008-2009 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 13.27.

In response to Proviso 26.23 in the FY 2009-2010 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.25.

In response to Proviso 26.20 in the FY 2010-2011 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.23.

In response to Proviso 26.20 in the FY 2011-2012 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.20.

In response to Proviso 26.19 in the FY 2012-2013 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.20.

In response to Proviso 38.18 in the FY 2013-2014 Appropriations Act, the Department of Social Services updated the detailed timeline with the significant events that occurred since the submission of the response to Proviso 26.19.

The following represents an update to the seven previous submissions and is filed in response to Proviso 38.18 of the FY 2014-2015 Appropriations Act, updating the detailed timeline with the significant events that occurred since the submission of the response to Proviso 38.18.

The Department's previous reports are attached for reference purposes.

1. What actions are currently being undertaken to become compliant with federal government requirements?

In the Budget Proviso 38.18 for H. 3710 General Appropriations for State Fiscal Year 2013 – 2014, the Department of Social Services detailed the failures of Hewlett Packard (HP) to meet the contract schedule and other contractual responsibilities agreed to under the third contract extension (Record of Negotiations Six (RON 6)). On July 10, 2013, the State sent a letter to HP notifying the company that the State was terminating the contract for cause.

A Contract Controversy hearing before the Chief Procurement Officer began on October 21, 2013 and lasted for 47 days of testimony. Written closing arguments were delivered to the Chief Procurement Officer by the State and HP on July 18, 2014. The Chief Procurement Officer will issue his decision approximately 60 to 90 days from July 18, 2014.

During this same period, the State and HP have been participating in a facilitated mediation process in an effort to settle the contract controversy. Negotiation discussions have been slowed pending the outcome of the State's assessment of the HP system and direction from the USDHHS Office of Child Support Enforcement (OCSE).

The State completed an assessment of the CFS Project artifacts that were left as of the contract termination date of July 10, 2013. One of the artifacts assessed was the application code. The purpose of the assessment was to determine the level of completeness of the artifacts assessed and to create a list of items that would be the basis to determine the work necessary to implement a statewide CSES and FCCMS. The Recovery and Assessment Phase Master Report is an assimilation of detailed reports from the nine assessment tracks that were conducted. The report was submitted to OCSE on July 17, 2014. The report concludes that many of the plans and processes can be adapted for reuse; however, the CSES application code has deficiencies that will require modification and code re-write. In summary, the report concludes the following:

While the correction and completion of the HP products is a significant effort, there are additional considerations that affect the delivery of a certifiable solution. Ongoing technological change has broadened stakeholder expectations regarding application ease-of-use and functional capabilities. Likewise, the business of child support has evolved and any acceptable solution should provide sufficient flexibility to reflect changes in policies and practices.

While these findings show it is plausible to use the HP application as the foundation of a certifiable child support solution, doing so may not be practical. During the upcoming Planning and Proof of Concept Phase, new discoveries may show that alternate solutions are more viable.

The CFS Project Team is currently taking the information obtained during the assessment and performing planning activities that will result in a detailed project schedule and budget for completing the statewide implementation of CSES. On July 3, 2014 the CFS Project Team submitted a funding request document to OCSE for review and approval requesting federal financial participation in the costs of performing the Planning and Proof of Concept Phase.

2. What is the cost required to meet minimum federal guidelines:

Federal guidelines determine whether the State produces a certifiable CSES, but do not include a state's business practices nor appropriate business model.

The table below shows CFS Project costs actually incurred through June 30, 2014, the latest expenditure figures available at the writing of this document.

The funds expended under the HP contract to develop CSES was \$83,068,665 (\$31,795,784 in State General Funds), and the cost required to develop FCCMS was \$9,833,381 (all State General Funds). These costs covered project management and oversight, and system development during the term of the HP engagement.

As noted in the response to item 1, above, the CFS Project completed recovery and assessment activities and are currently performing planning activities that will result in a detailed project schedule and budget for completing the statewide implementation of CSES. The cost of this recovery and assessment for CSES for SFY2014 was \$5,496,782 (\$1,868,906 in State General Funds), and the recovery and assessment for FCCMS for SFY2014 was \$415,680 (all State General Funds). Other State funding only expenses total \$3,662,997.

Future costs to complete and deploy the CSES and FCCMS will be available at the January-February 2015 timeframe and will be based upon the outcome of either a mediated settlement with HP or a CPO decision on the contract controversy.

| Cost Category   | SFY       | Amount               | Federal             | State               |
|---|-----------|----------------------|---------------------|---------------------|
| CSES expenditures for prior planning and procurement activities       | 2006-2007 | \$6,889,523          | \$4,547,085         | \$2,342,438         |
| CSES expenditures for prior project development activities            | 2008-2013 | \$83,068,665         | \$51,272,881        | \$31,795,784        |
| CSES expenditures for recovery and assessment activities              | 2014      | \$5,496,782          | \$3,627,876         | \$1,868,906         |
| <b>Total CSES</b>   |           | <b>\$95,454,970</b>  | <b>\$59,447,843</b> | <b>\$36,007,127</b> |
| FCCMS expenditures for prior planning and procurement activities      | 2006-2007 | \$579,028            | \$0                 | \$579,028           |
| FCCMS expenditures for prior project development activities           | 2008-2013 | \$9,833,381          | \$0                 | \$9,833,381         |
| FCCMS expenditures for recovery and assessment activities             | 2014      | \$415,680            | \$0                 | \$415,680           |
| <b>Total FCCMS</b>  |           | <b>\$10,828,089</b>  | <b>\$0</b>          | <b>\$10,828,089</b> |
| State Only expenditures for recovery and assessment activities        | 2014      | \$3,662,997          | \$0                 | \$3,662,997         |
| <b>Total for CSES, FCCMS and State Only</b>                           |           | <b>\$109,946,056</b> | <b>\$59,447,843</b> | <b>\$50,498,213</b> |
| Note: SFY2013 was adjusted Non-reimbursed FFP, see expenditure sheet. |           |                      |                     |                     |

### 3. What are the total funds spent so far on the system?

The total funds spent so far on the South Carolina automated systems project for CSES and FCCMS shown in the table below includes the previous development effort with Unisys Corporation and HP.

| Cost Category   | SFY       | Amount               | Federal             | State               |
|---|-----------|----------------------|---------------------|---------------------|
| Expenditures for prior Unisys development effort                          | 1992-1999 | \$34,696,802         | \$28,917,718        | \$5,779,084         |
| Expenditures for prior State planning and procurement activities *        | 2000-2007 | \$17,137,387         | \$10,956,587        | \$6,180,800         |
| Expenditures for prior HP development activities                          | 2008-2013 | \$92,902,046         | \$51,272,881        | \$41,629,164        |
| Expenditures to date for current State recovery and assessment activities | 2014      | \$9,575,459          | \$3,627,876         | \$5,947,583         |
| <b>Total Expenditures through SFY2014</b>                                 |           | <b>\$154,311,694</b> | <b>\$94,775,063</b> | <b>\$59,536,631</b> |
| * Corrected from SFY2012 and SFY2013 response                             |           |                      |                     |                     |

4. What is the amount of fines assessed by the federal government associated with non-compliance?

For federal fiscal years (FFY) 1998-2014, the total amount of funding assessed in federal penalties is \$123,842,386, which has been incurred as follows.

| Penalties Assessed |               |
|--------------------|---------------|
| FFY 1998           | \$893,628     |
| FFY 1999           | \$1,714,073   |
| FFY 2000           | \$3,788,805   |
| FFY 2001           | \$5,317,626   |
| FFY 2002           | \$8,162,687   |
| FFY 2003           | \$7,880,498   |
| FFY 2004           | \$7,568,561   |
| FFY 2005           | \$6,911,858   |
| FFY 2006           | \$6,859,309   |
| FFY 2007           | \$6,756,475   |
| FFY 2008           | \$7,330,080   |
| FFY 2009           | \$9,180,717   |
| FFY 2010           | \$10,494,344  |
| FFY 2011           | \$10,699,976  |
| FFY 2012           | \$11,022,245  |
| FFY 2013           | \$11,144,481  |
| FFY 2014           | \$8,117,023   |
| Total              | \$123,842,386 |

Under a 2001 settlement agreement with the State's first vendor for the Systems, Unisys Corporation, \$17,633,961 in settlement funds were used to offset penalties. Under the terms of contract amendments 3, 5, and 6 between HP and the State, HP paid federal penalties incurred due to schedule extensions through FFY13. The total amount paid in penalties to date by HP was \$33,356,912. HP's obligation to pay federal penalties beyond FFY 2013 will be determined as part of the contract controversy or mediated settlement agreement.

Other than when paid with funds from Unisys and HP, these penalties were paid with 100% State General Funds. The OCSE will continue to require penalty payments until the year in which the State submits its automated child support enforcement system for federal certification review. Once the State submits the request for federal certification review, OCSE does not assess the penalty for any succeeding year during which federal officials review the State's CSES for certification requirements; however, if the State's CSES fails to meet certification requirements, OCSE will impose the penalty for the review years. After certification is granted, the State will receive a rebate of 90% of the penalty for the year that the State's CSES was submitted for federal certification review.

5. How much has been spent to satisfy actions taken by the State judicial system?

The answer to this question remains the same as the 8/31/2008 response to Proviso 26.25.

6. How much has been spent related to actions taken by any other entity which may have altered the amount required for meeting minimum federal guidelines?

There are no costs beyond those listed in items 2 through 5.