

Department of Social Services

Response to Budget Proviso 38.17

H. 3701

General Appropriations Bill for Fiscal Year 2015-2016

PART IB

August, 2015

Budget Proviso Language

**38.17.** *“(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.”*

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

As part of the contract settlement with Hewlett Packard (HP) in January of 2015, the contract to deliver a federally compliant Child Support System was transferred to Xerox Corporation. As this contract requires federal approval, the SC Department of Social Services (DSS) worked with the federal Office of Child Support Enforcement (OCSE) to gain the necessary contract approvals to initiate a new project with Xerox. Among other documents, DSS staff completed and submitted the required System Feasibility Studies, GAP Analysis documents and Cost Benefit Analysis information to support the Xerox project.

Conditional federal approval of the Xerox contract was granted by OCSE on July 10, 2015. This conditional approval allows DSS to begin project work with Xerox. The effective date of the Xerox contract is August 5, 2015, and DSS has recently started working with Xerox to begin the planning phase of the project.

As of the date of this report, final contract approval is pending OCSE's complete review of all contract documents.

Through the new project, Xerox will work with DSS to transfer and implement the Delaware Child Support system in South Carolina. Xerox will also implement a Family Court Case Management System (FCCMS) to be used by County Clerks of Court throughout the state. The performance period of the Xerox contract is 4 years with implementation scheduled for both systems in 2019.

Federal project funding for the Child Support Enforcement System is also conditionally approved effective July 10, 2015. Final funding approval will be granted in concert with final contract approval. DSS has submitted an updated Advance Planning Document (APD) to OCSE to secure funding for the federal 2016 fiscal year.

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

The estimated cost to complete the Xerox project and implement a federally compliant Child Support System is included in the table below:

| Cost Category                                  | SFY       | Amount        | Federal       | State        |
|--|-----------|---------------|---------------|--------------|
| CSES estimated development and deployment cost | 2016-2019 | \$130,300,249 | \$85,998,164  | \$44,302,084 |
| CSES estimated maintenance and operations cost | 2019-2021 | \$58,073,414  | \$38,328,453  | \$19,744,961 |
| Total CSES                                     |           | \$188,373,662 | \$124,326,617 | \$64,047,045 |

Implementation of the FCCMS is not required to meet federal certification guidelines, but costs are included here for reference.

| Cost Category                                   | SFY       | Amount       | Federal | State        |
|---|-----------|--------------|---------|--------------|
| FCCMS estimated development cost                | 2016-2019 | \$7,343,519  | \$0     | \$7,343,519  |
| FCCMS estimated maintenance and operations cost | 2019-2021 | \$3,902,856  | \$0     | \$3,902,856  |
| Total FCCMS                                     |           | \$11,246,374 | \$0     | \$11,246,374 |

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.

| Expenditures   | SFY       | Amount        | Federal      | State        |
|--|-----------|---------------|--------------|--------------|
| Expenditures for prior Unisys development effort                         | 1992-1999 | \$34,696,802  | \$28,917,718 | \$5,779,084  |
| Project Expenditures for prior State planning and procurement activities | 2000-2005 | \$9,695,038   | \$6,428,101  | \$3,266,937  |
| 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 | \$73,893,323  | \$48,769,593 | \$25,123,730 |
| CSES expenditures for recovery and assessment activities                 | 2014-2015 | \$9,306,572   | \$6,142,338  | \$3,164,235  |
| Total CSES   |           | \$134,481,258 | \$94,804,835 | \$39,676,423 |
| FCCMS expenditures for prior planning and procurement activities         | 2006-2007 | \$579,028     | \$0          | \$579,028    |
| FCCMS expenditures for prior project development activities *            | 2008-2013 | \$9,013,097   | \$0          | \$9,013,097  |
| FCCMS expenditures for recovery and assessment activities                | 2014-2015 | \$728,787     | \$0          | \$728,787    |
| Total FCCMS  |           | \$10,320,912  | \$0          | \$10,320,912 |

\* Corrected from SFY 2014 Response, SFY2013 expenditures had been incorrectly overstated.

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

For federal fiscal years (FFY) 1998-2015, the total amount of funding assessed in federal penalties is \$135,439,052, which has been incurred as follows:

| Penalties Assessed |             |          |                      |
|--------------------|-------------|----------|----------------------|
| FFY 1998           | \$893,628   | FFY 2007 | \$6,756,475          |
| FFY 1999           | \$1,714,073 | FFY 2008 | \$7,330,080          |
| FFY 2000           | \$3,788,805 | FFY 2009 | \$9,180,717          |
| FFY 2001           | \$5,317,626 | FFY 2010 | \$10,494,344         |
| FFY 2002           | \$8,162,687 | FFY 2011 | \$10,699,976         |
| FFY 2003           | \$7,880,498 | FFY 2012 | \$11,022,245         |
| FFY 2004           | \$7,568,561 | FFY 2013 | \$11,144,481         |
| FFY 2005           | \$6,911,858 | FFY 2014 | \$8,117,023          |
| FFY 2006           | \$6,859,309 | FFY 2015 | \$11,596,666         |
| <b>Total</b>       |             |          | <b>\$135,439,052</b> |

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 \$36,510,978 in federal penalties incurred due to schedule extensions through FFY13. As part of the January 2015 Settlement Agreement, HP paid the State an additional \$44,083,000. Total payments by vendors is \$98,227,939.

Other than when paid with funds from Unisys and HP, 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. 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 substantively the same as the August 31, 2007 response to Proviso 13.27 which states:

"The state judicial system has not imposed costs on this project. The state's executive management for the project includes representation from the Budget and Control Board, the Governor's Office, the Chief Justice of the Supreme Court, a representative of the Clerks of Court, and the director of DSS. This broad-based management group determined that it was best for the state and appropriate for this project to address not only federal certification requirements, but also the FCCMS, because of the unique and strong dependencies between DSS and the Family Courts in child support proceedings, and in order to completely support the business practices of South Carolina's Child Support Enforcement program and the Family Courts. As a result, the FCCMS was added to the RFP developed in 2004."

Proviso 38.26 of the 2014-2015 Appropriations Act disbanded the committee responsible for executive management of the CFS project and assigned complete management responsibility for the project to the Executive Director of DSS.

As part of the DSS settlement with HP in January of 2015, the FCCMS component of the project was included to ensure contract and business process continuity.

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.