

93.563

**CHILD SUPPORT ENFORCEMENT**

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**State Project/Program: Child Support Enforcement**

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**U. S. Department of Health and Human Services**

**Federal Authorization:** Social Security Act, Title IV-D, as amended, Public Laws 94-46, 94-88, 94-365, 95-30, 95-59, 95-171, 95-598, 96-178, 96-265, 96-272, 96-611, 97-35, 97-248, 98-369, 98-378, 100-485, and 101-508; 15 U.S.C. 1673; 26 U.S.C. 6103(I); 26 U.S.C. 6305; 26 U.S.C. 6402(c); 29 U.S.C. 49b; 42 U.S.C. 651-667; 42 U.S.C. 1310; 42 U.S.C. 1315.

**N. C. Department of Health and Human Services  
Division of Social Services**

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**Address Confirmation Letters To:**

SFY 2021 audit confirmation reports for payments made to Counties, Local Management Entities (LMEs), Managed Care Organizations (MCOs), Boards of Education, Councils of Government, District Health Departments and DHSR Grant Subrecipients will be available by mid-October at the following web address: <https://www.ncdhhs.gov/about/administrative-offices/office-controller/audit-confirmation-reports> At this site, click on the link entitled “Audit Confirmation Reports (State Fiscal Year 2020-2021)”. Additionally, audit confirmation reports for Nongovernmental entities receiving financial assistance from DHHS are found at the same website except select “[Non-Governmental Audit Confirmation Reports \(State Fiscal Years 2019-2021\)](#)”.

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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

This compliance supplement must be used in conjunction with the OMB 2021 Compliance Supplement which will be issued in the summer. This includes “Part 3 - Compliance Requirements,” for the types that apply, “Part 6 - Internal Control,” and “Part 4 - Agency Program” requirements if the Agency issued guidance for a specific program. The OMB Compliance Supplement is Section A of the State Compliance Supplement.

## **I. PROGRAM OBJECTIVES**

The objectives of the Child Support Program (CS, or Title IV-D) are to: (1) locate non-custodial parents, (2) establish paternity, (3) obtain child, spousal and medical support, (4) distribute support payments, and (5) enforce the support obligations owed by non-custodial parents for their children.

## **II. PROGRAM PROCEDURES**

### **Administration and Services**

The Child Support Program is administered at the Federal level by the Office of Child Support Enforcement (OCSE), Administration for Children and Families (ACF), a component of the Department of Health and Human Services (HHS). Funding is provided to the 50 States, the District of Columbia, Puerto Rico, the Virgin Islands and Guam, based on a State Plan and amendments, as required by changes in statutes, rules, regulations, interpretations, and court decisions, submitted to and approved by OCSE.

In 1975, Federal law required that all states establish programs to aid in the establishment and collection of child support to ensure that both parents support their children. North Carolina established a program that is State administered. All local child support offices are county operated (often located in county Departments of Social Services). All counties adhere to identical program operations and use the same automated system mandated by OCSE. North Carolina Child Support Services offers assistance in the areas of location of non-custodial parents, paternity establishment, establishment of support obligations, collection and distribution of support, and enforcement of support obligations. Some methods of enforcing support obligations are through wage withholding, contempt orders, placing liens on assets, or tax intercept of federal and State refunds. A description of federal requirements and any State requirements are communicated to counties through the child support manual in the child support computer system, ACTS (Automated Collection and Tracking System).

The child support program is an open-ended entitlement program that allows the State to be funded at a specified percentage, Federal financial participation (FFP), for eligible program costs. Federal financial participation is 66 percent of the administrative costs incurred by the State pursuant to an approved Title IV-D State Plan, available on a reimbursement basis. This includes costs incurred by certain court and law enforcement officials pursuant to cooperative agreements with the IV-D agency. Incentive payments are made to states from the Federal Office of Child Support Enforcement based on performance.

Services are available to anyone who is responsible for a child, regardless of income. Families who receive Temporary Assistance for Needy Families (TANF) are automatically referred to the local child support enforcement office. Families not on public assistance may apply for services by completing an “Application for Child Support Services” (DSS-4451) and paying an application fee at a local child support agency. (42 CFR 433.146, 45 CFR 302.32(a), and 302.33(a), 42 USC 608(a) ((3). Eligibility criteria is located in the Policy and Procedures Manual in ACTS which can be accessed at the State Central Office, any local IV-D office, or on the web at: <https://policies.ncdhhs.gov/divisional/social-services/child-support/policy-manual>

State child support agencies are required to conduct self-reviews of their programs per 42 USC 654. (15) and 45 CFR part 308 on an annual basis. These self-assessments are based on data and calculations extracted from their automated child support systems concerning the levels of accomplishment (and rates of improvement) with respect to applicable performance indicators (including paternity and establishment percentages). Additionally, the State performs monitoring activities based on criteria in the State monitoring plan. See link to monitoring plan at: <https://www.ncdhhs.gov/divisions/social-services/county-staff-information/monitoring>

### **Source of Governing Requirements**

Code of Federal Regulations (CFR) found at:

<http://www.gpo.gov/fdsys/browse/collectionCfr.action?collectionCode=CFR>

United States Code (USC) accessible at: <http://www.law.cornell.edu/uscode/text/42/654>.

States are required to adopt and adhere to their own statutes and regulations for program implementation, consistent with the requirements of Title IV-D.

The Child Support Services Program is authorized under Title IV-D of the Social Security Act, as amended, and is codified at 42 USC 651 through 669. Implementing program regulations are published at 45 CFR parts 301 through 308. In addition, with regard to eligibility and other provisions, this program is closely related to programs authorized under other titles of the Social Security Act, including the Temporary Assistance to Needy Families (TANF) program (CFDA 93.558), the Medicaid program (CFDA 93.778), and the Foster Care (Title IV-E) program (CFDA 93.658).

The Child Support Services Program is subject to 45 CFR part 74 (in lieu of the HHS implementation of the A-102 Common Rule), as specified in 45 CFR section 74.1(a)(3), and to Office of Management and Budget Circular A-87 (as implemented in “Cost Principles and Procedures for Developing Cost Allocation Plans and Indirect Cost Rates for Agreements with the Federal Government”, HHS Publication ASMB C-10, available on the Internet at <https://rates.psc.gov>. This program is also subject to 45 CFR part 95.

### **III. COMPLIANCE REQUIREMENTS**

Noted below in the following matrix are the types of compliance requirements that are applicable to the federal program. These Types are determined by the federal agency, noted as “Y,” on the “Matrix of Compliance Requirements” located in Part 2 of the OMB 2021 Compliance Supplement; however, the State Agency may have added the Type and

this is noted by “Y.” If the State determines that the federal requirement does not apply at the local level or if the State modifies the federal requirements, this is noted in the supplement under the type of compliance requirement. If the federal and/or State agencies have determined that the type is not applicable, it is noted by “N.”

If the Matrix indicates “Y,” the auditor must determine if a particular type of compliance requirement has a direct and material effect on the federal program for the auditee. For each such compliance requirement subject to the audit, the auditor must use the OMB 2021 Compliance Supplement, Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and Part 4 (which includes any program-specific requirements) to perform the audit.

If there is no program listed on the “Matrix” in Part 2 or Part 4, the State has determined the Type that is applicable. If a Type is determined to be direct and material, the auditor should refer to the requirements found in Part 3 and listed in this supplement.

CC	A	B	C	E	F	G	H	I	J	L	M	N
Cross Cutting Requirements	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	N

**CROSSCUTTING REQUIREMENTS**

The compliance requirements in the Division of Social Services “Crosscutting Requirements” in Section D (DSS-0) are applicable to this grant.

**A. ACTIVITIES ALLOWED OR UNALLOWED**

Allowed activities are found in 45 CFR 304.20, 304.21, 304.22, and 304.24, as well as 45 CFR 302.34, and 302.35. Allowed expenditures are included for enforcement services, locations, establishment of paternity and support, administration of the local child support programs, establishment of agreements with other state and local agencies and private providers, purchase of equipment, and development of a cost allocation plan and systems which are necessary for fiscal program accountability. Unallowed activities are found in 45 CFR 303.20, 303.31, and 303.107, as well as 45 CFR 304.20, 304.21, 304.23 and 309.155. Unallowed activities include but are not limited to, construction and major renovations, expenditures which have been

reimbursed by fees collected, medical support enforcement activities performed under cooperative agreements in accordance with section 1912(a) (2) of the ACT, expenditures for jailing of parents in child support enforcement cases, costs of counsel for indigent defendants in IV-D actions, and costs of guardians ad litem in IV-D actions.

## **B. ALLOWABLE COSTS/COST PRINCIPLES**

In support of its claims under Title IV-D of the Social Security Act, a local agency must have an approved cost allocation plan on file with the Department of Health and Human Services. (45 CFR 304.10-22)

Costs not allowed include construction and major renovations, costs of counsel for indigent defendants in IV-D actions, and cost of guardian's ad litem in IV-D actions. (45CFR 304.23)

Determination of allowable or unallowable activities (cost) and the monthly reporting of cost are found in the DSS Fiscal Manual, Section II – Determination of Allowable/Unallowable Cost, and Section III – Developing Cost on the DSS-1571 Report.

**NC DSS Fiscal Manual** can be found in each local DSS office, CSS office, or online at: <https://policies.ncdhhs.gov/departamental/policies-manuals/section-ii-budget-and-finance/manuals/dss-fiscal-manual>

All grantees that expend State funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the cost principles described in the N. C. Administrative Code at 09 NCAC 03M .0201.

## **C. CASH MANAGEMENT**

Although local offices operate on a reimbursement basis, Federal IV-D Incentive funds are passed through to local political subdivision of the State. Any Incentive funds unexpended at the end of the Fiscal Year, must be carried forward by the local political subdivision for future reinvestment in the local IV-D program.

**Audit Objective:** Determine reinvestment of Incentive Funds

**Suggested Audit Procedure:** Determine the total amount of Federal IV-D Incentives awarded to the local agency from the spreadsheet posted by the NC DSS at: <https://files.nc.gov/ncdhhs/documents/files/dss/budget/IV-D-Incentives-Awarded-SFY21.xls>. Reconcile IV-D Incentive expenditures to the IV-D Incentive revenues and verify any un-spent funds have been carried forward and are available for future reinvestment in the IV-D Program.

## **G. MATCHING, LEVEL OF EFFORT, EARMARKING**

**Matching:** The county is required to pay 34% of the administrative costs. The costs are 66% federal and 34% per 42 USC 655(a) (2) (C), and 45 CFR 304.20(c) and 304.30.

**Level of Effort:** Federal Incentive grant awards received by the State are passed through to local political subdivisions of the State, which provide child support program

services. These funds must be reinvested in the child support program. These funds must be used to supplement, not supplant, other funds used by the State or its local political subdivisions to carry out IV-D program activities.

Earmarking: 100% of Incentive grant funds passed through to the local agency just must be spent per the rules of reinvestment found in 45 CFR 305.35, or on line in Action Transmittal AT-01-01, page 64: <https://www.acf.hhs.gov/css/policy-guidance/final-rule-incentives-penalties-and-audit>

Copies of base amounts and reporting procedures will be found in each County DSS Agency, Stand-Alone Child Support Enforcement office, as well as the State's central office.

## H. PERIOD OF PERFORMANCE

1. *State programs* – This program operates on a cash accounting basis and each year's funding and accounting is discrete; i.e., there is no carry-forward of unobligated funds (with the exception of incentive payments). To be eligible for Federal funding, claims must be submitted to ACF within two years after the calendar quarter in which the State made the expenditure. This limitation does not apply to any claim for an adjustment to prior year costs or resulting from a court-ordered retroactive adjustment (45 CFR sections 95.7, 95.13, and 95.19).
2. *Tribal programs* – A tribe or tribal organization must obligate its Federal title IV-D grant funds no later than the last day of the funding period (equivalent to the Federal fiscal year) for which they were awarded (obligation period) or the funds must be returned to ACF. Unless an extension is granted by ACF, valid obligations must be liquidated no later than the last day of the 12-month period immediately following the obligation period or the funds must be returned to ACF (45 CFR sections 309.135(b), (c), and (e)).

## I. PROCUREMENT AND SUSPENSION AND DEBARMENT

Per compliance supplement the State's policies or laws should be used for procurement, these are found in North Carolina General Statutes Chapter 143 Article 8 or at the following internet address: <http://www.ncleg.net/gascripts/statutes/Statutes.asp>.

All grantees that expend federal funds (received either directly from a federal agency or passed through the N. C. Department of Health and Human Services) are required to conform with federal agency codifications of the grants management common rule accessible on the Internet at <http://www.whitehouse.gov/omb/>.

All grantees that expend state funds (including federal funds passed through the N. C. Department of Health and Human Services) are required to comply with the procurement standards described in the North Carolina General Statutes and the North Carolina Administrative Code, which are identified in the State of North Carolina Agency Purchasing Manual accessible on the Internet at [http://www.pandc.nc.gov/documents/Procurement\\_Manual\\_5\\_8\\_2013\\_interactive.pdf](http://www.pandc.nc.gov/documents/Procurement_Manual_5_8_2013_interactive.pdf).

## J. PROGRAM INCOME

Program income is derived from fees for services performed and must be deducted from program outlays in accordance to A-102 Common Rule, and OMB Circular A-110. The Deficit Reduction Act (DRA) of 2005, Public Law 109-171, Section 7310 requires a mandatory annual fee for successful child support collection for a family that has never received TANF. Paternity Test fees may also be collected. These fees are specifically reported on the DSS-1571. Program Income generated by contracted services performed or provided by the agency is credited against allowable CSE expenditures in developing costs submitted on the monthly 1571 report.

Instructions for preparing the form are found in Section III: Developing Cost on the DSS-1571 Report, also reference Section III-D Title IV-D Child Support Enforcement Program. The DSS Fiscal Manual can be found in each local DSS Office, child support office, or on line at <https://policies.ncdhhs.gov/divisional/social-services/child-support/policy-manual>

**Audit Objective:** Determine program income collected is reflected on the monthly 1571 report.

**Suggested Audit Procedure:** Sample receipts, revenue lines and contracts to determine Program Income and verify that it is reported as a specific revenue or is applied as an offset against program expenditures in the development of costs submitted for Federal Financial Participation on the monthly 1571 report.

## M. SUBRECIPIENT MONITORING

Subrecipients are monitored by the DSS Child Support staff and DSS Budget Office in accordance to the NC Local County Social Service Agencies Monitoring Plan, found at: <https://www.ncdhhs.gov/divisions/social-services/county-staff-information/monitoring>  
An additional State compliance requirement passed to the subrecipient is incentive grant awards that are to be reinvested in the child support program. Pursuant to the Deficit Reduction Act of 2005 (DRA) effective October 1, 2007, incentive funds may not be used to obtain federal matching funds.

<https://www.acf.hhs.gov/archive/css/policy-guidance/revisions-expenditure-reporting-instructions-fy-2009-and-2010> .