

MINUTES

CENTRAL PAYMENT CENTER OVERSIGHT COMMISSION

September 10, 2001
Room 526-S—Statehouse

Members Present

Kathleen L. Sloan, Court Trustee for the Tenth Judicial District, Johnson County,
Chairperson
David King, Chief Judge of the First Judicial District, Atchison and Leavenworth
Counties, Vice Chair
Representative Ward Loyd
Representative Marti Crow
Senator Jean Schodorf
Sharon Fletcher, Clerk of the District Court, Geary County
Lisa Heidel, Payroll Representative, Cessna Aircraft, Wichita
Mitch Miller, Dynamic Computers, Topeka
Dana McKnight, Shawnee County, Custodial Parent
Robert Peterson, Shawnee County, Non-custodial Parent
Natalie Haag, Chief Counsel/Director of Governmental Affairs, Governor's Appointee
Derek Sontag, Representing the State Treasurer's Office
Amy Bertrand, General Counsel, Office of Judicial Administration
Ray Dalton, Director of Accounting and Administrative Operations, Kansas Department
of Social and Rehabilitation Services, Central Receivables Unit Manager
Jim Robertson, Director of Child Support Enforcement, Kansas Department of Social
and Rehabilitation Services, Director of the Title IV-D Division
Don Atwell, Project Director, Kansas Payment Center

Members Absent

Senator Greta Goodwin

Staff Present

Rae Anne Davis, Kansas Legislative Research Department
Jerry Ann Donaldson, Kansas Legislative Research Department
Mike Corrigan, Office of the Revisor of Statutes
Ken Wilke, Office of the Revisor of Statutes
Dee Ann Woodson, Committee Secretary

Conferees

Jim Robertson, Director of Child Support Enforcement
Amy Waddle, Payment Processing Administrator for the Office of Judicial Administration
Don Atwell, Project Director, Kansas Payment Center

Monday, September 10, 2001

The temporary Chairperson of the Commission, Representative Ward Loyd, called the meeting to order at 10:00 a.m. by introducing himself, and asked that each member of the Commission introduce themselves and make any relevant comments. He stated that two dates had been assigned to the Commission by the Legislative Coordinating Council (LCC), and that the second date had not yet been scheduled. Representative Loyd commented that additional days could be requested if the Commission deemed it necessary. He explained the role of the staff and encouraged the members to utilize them if they needed additional information or data regarding the topics of study and discussion. He asked the staff to give a presentation regarding the establishment of this Commission and its responsibility.

Jerry Ann Donaldson, Principal Analyst, Kansas Legislative Research Department, gave an overview of 2001 HB 2508 which establishes the Kansas Payment Center (KPC) as a central unit for the collection and dissemination of child support payments. She outlined the provisions of the bill regarding federal mandates, time limits, contract issues, standardized forms and records, unmatched funds, opt out provisions, sunset clause, and the repeal of a proviso in 2001 SB 57 which amended Section 130 of 2001 SB 57. She also explained the duties of the Central Payment Center Oversight Commission and differentiated between the voting members and the *ex officio* members (Attachment 1).

The Commission toured the KPC, recessed for lunch at noon, and reconvened at 1:30 p.m.

Representative Loyd explained to the Commission that it needed to elect a Chairperson and a Vice Chairperson from the voting members on the Commission, and that *ex officio* members were not eligible to vote or hold those offices. *He opened the floor for nominations and Senator Schodorf nominated Kathleen Sloan for the position of Chairperson. Derek Sontag seconded the motion. There being no other nominations from the floor, Representative Loyd closed the nominations. Vote was taken, and it passed unanimously.*

Representative Loyd turned the meeting over to the newly elected Chairperson, Kathleen Sloan. She opened the floor for nominations for the Vice Chairperson position, *Representative Loyd nominated Judge David King. Natalie Haag seconded the nomination, and made a motion to close the nominations and elect Judge King as Vice Chair. Derek Sontag seconded the motion, and the motion carried unanimously.*

Chairperson Sloan asked Jim Robertson, Director of Child Support Enforcement (CSE), Kansas Department of Social and Rehabilitation Services, to provide an overview of the KPC's development and operations (see Attachment 2). Mr. Robertson introduced some key managers in the program who have extensive experience with the inner-workings of the

KPC. He said that his position on the Commission was as the Kansas IV-D Director, which refers to Title IV-D of the Federal Social Security Act. Mr. Robertson explained that this was the federal law which requires all states to establish a child support enforcement program which must satisfy numerous specific mandates as a condition of receiving federal funding for CSE programs and for public assistance.

Mr. Robertson shared with the Commission members the background of the CSE Program and its responsibilities of locating persons who owe support, establishing paternity, child support, and medical support orders and to enforcing those orders. He said that CSE became involved with centralized payment processing when Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). The Act, commonly referred to as "Welfare Reform," requires all states to develop a centralized unit for the collection and disbursement of support payments in all IV-D (SRS) cases and in non-IV-D (private, non-SRS) cases with an income withholding order established after October 1997. He told the Commission that Congress enacted this law to help relieve businesses from some of the expense and hardship caused by responding to hundreds and thousands of legal actions requiring them to withhold income to satisfy support orders.

Mr. Robertson explained the penalties that states could incur by not having centralized payment processing in place by October 1, 1999. He told the Commission that Kansas was penalized 1 percent of program administrative costs because its program was not in place by the October 1, 1999 deadline. He added that they were able to implement the program and qualify for a rebate for federal fiscal year 2000. Mr. Robertson elaborated that failure to continue to operate the KPC would put Kansas at risk for having its Child Support Enforcement (CSE Title IV-D) State Plan found out of compliance which could cause the federal government to suspend all Title IV-D funding plus possible sanctions against the Temporary Assistance to Families (TANF) block grant.

Mr. Robertson spoke to the Commission about the planning and coordination between the SRS and Office of Judicial Administration (OJA) personnel in order to complete the mandate. He talked about contracting for services, and shared that the amended contract with Tier Technologies for the three-year period amounted to approximately \$21 million, and that much of this cost is eligible for 66 percent federal financial participation. He spoke about the implementation and some of the problems encountered including the unidentified payments. He further related the mail process and testing that was done during implementation.

The post implementation process was also described by Mr. Robertson. Problem solution efforts and automation enhancements brought about by SRS, OJA, and Tier were described. He shared with the Commission that during the "ultimate crisis period," procedures were developed between SRS and Tier to issue emergency checks to payees experiencing financial difficulties due to delayed payments, and there was over \$750,000 in emergency payments made during that time. He explained Amendment #3, which amends the contract, was negotiated and adopted by SRS and Tier on June 29, 2001, in order to comply with requirements of HB 2508 to alter the KPC contract. He concluded by saying that the KPC has made significant improvements on services provided to their customers, and that there is ongoing efforts for future development and enhancement of KPC operations.

General questions and discussion followed. Commission members asked how Kansas compares to other states on unidentified payments or held disbursements, and the number of vendors that originally had expressed an interest in setting up a system for Kansas.

Representative Loyd asked Mr. Robertson whether this could have been handled by an in-house centralized payment center through the Internet system with large employers. Mr. Robertson replied that the idea was considered, but it was impractical because of the various computer systems in the offices of the district court clerks. Representative Loyd related that constituents had complained that even though they were able to find out when the KPC received money and when a check was cut, it would take over a week to receive the support check. He questioned the three-day mail time and one-day processing. Mr. Robertson reminded the members that the checks are mailed from the printer and postal service in St. Louis, and how long it takes to get a check delivered by mail could depend on time of day and day of week that it is mailed.

Discussion continued regarding several instances of delayed payments, and Representative Loyd asked if Tier had looked at finding a printer/ mailing center closer to Kansas that would be capable of more rapid delivery. Don Atwell, KPC Project Director, said that Tier had looked at a printer in Kansas City, but they could not guarantee that the checks could be printed the same day they received the data to process.

Commission members asked whether consideration had been given to Internet transfers and electronic deposits. Don Atwell responded that the KPC is currently encouraging large companies to use electronic funds transfers (EFTs). Mr. Robertson said that it was part of Tier's contract to make a yearly effort to increase EFTs.

There being no further questions, Chairperson Sloan asked Amy Waddle, Payment Processing Administrator for the Office of Judicial Administration (OJA), to give her presentation to the Commission. Ms. Waddle introduced Virginia Taylor who is the OJA's Court Operations Manager at the KPC and was in attendance today. She talked about the duties of district court clerks in child support processing before the implementation of the KPC, during transition, and after the KPC conversion. She explained the various processes they went through in handling support checks and working with the 108 court locations across the state plus updating the SRS main computer at night before the KPC was implemented. She also shared some of the efforts they made in updating the records for the transition. Ms. Waddle said they did a lot of training of court clerks and staff, providing them with brochures to give out to the public during the transition period.

Ms. Waddle related that it was a difficult process to pull together 108 databases, because sometimes people had multiple ex-spouses across the state in different counties and were using different Social Security numbers which caused data integrity problems. She shared some of the other problem areas they encountered including the court order numbers or case numbers which are not unique between the different court locations which made it imperative that the county be associated with the individual numbers (Attachment 3).

General questions and discussion followed. Members discussed the certification of payment records for court purposes, expressed concern over the impact that the centralized payment system was going to have on the court trustee system and the court fees extracted,

discussed enforcement issues, and concern over the reliability and accuracy of records. Mr. Atwell said that they were looking into giving the courts access to secured information. Sharon Fletcher, Clerk of the District Court for Geary County, said that they consider KPC documents as accurate and official for court purposes.

Commission members discussed HB 2508's sunset provision for the KPC set for July 1, 2003. Jim Robertson explained that the Legislature would have to authorize the KPC to continue after that date.

Mitch Miller asked Amy Waddle if there was anything that the OJA could put in place to create an integrated computer system for the district courts. Ms. Waddle said that district courts would continue to use the KPC website to enter child support order information and that the OJA is working on a statewide case management system.

Rae Anne Davis, Senior Fiscal Analyst, Kansas Legislative Research Department, gave a presentation regarding the contractual agreement for the KPC. She explained the functions that were required of the KPC, and the contract term of three years with provision for three, one-year renewals. She outlined the changes required by HB 2508, and explained how SRS and Tier Technologies agreed to amend the contract in a document referred to as Amendment #3, dated June 29, 2001 (Attachment 4).

Several Commission members had questions regarding Amendment #3 and how the Commission can track the checks issued in error and fines levied to determine needed improvements to the system. Mr. Atwell said that Tier has a separate bank account to handle the penalties. Mr. Robertson explained that there is no automation available to show this information, and that the penalties are not always clear depending on the individual circumstances. He explained that there is a priority list of misapplied payments. Most misapplied payments are due to lack of information provided either by SRS or the payee. Monica Remillard, SRS Self Assessment Unit, added that those items require a manual research by individual case. Jamie Corkhill, Chief Counsel for CSE, said that SRS and Tier have been discussing various places where red flags should pop up on cases to determine if penalties should be assessed. Ms. Corkhill noted that SRS keeps track of the cases they have assessed penalties on, and over time will accumulate the kind of statistical information that will help refine those processing procedures. She added that the bulk of the information will come from individual reports explaining what happened in a particular case.

General discussion continued regarding the KPC. Representative Loyd asked if the Commission would hear any further presentations from the KPC. Don Atwell said that he had some statistical information to hand out, and would be glad to offer further explanation of the process or answer any other questions. Representative Loyd commented that he thought it was great that 98 percent of the funds are being processed correctly and only 2 percent are having problems. He stated that he still had some concerns regarding the suspense accounts and having as much as \$100,000 in a suspense fund at the end of the month. Mr. Atwell said he would be glad to go over the statistical handouts.

The Chair recessed the Commission for a 15-minute break and reconvened at 3:30 p.m.

Don Atwell, Project Director for Tier Technologies at the Kansas Payment Center, gave some personal background information including past experience with centralized

payment centers in other states. He said one of the things that makes Kansas more difficult is the actual maintenance of the court order data on the Kansas Payment Center's system. He added that all of the other states have either the reporting system or court system responsible for that data. Mr. Atwell stated that getting the data on the system accurately was a very challenging job. He said he came to his present position in Kansas during March on a part-time basis. The biggest things missing in the Kansas project were policies, procedures, and training. He explained that new employees are now trained for two weeks before they are on the phone by themselves. Mr. Atwell told of the various types of training the employees are given with handling the different types of transactions and subject matters.

Mr. Atwell reviewed the charts he provided the Commission members and answered their questions (Attachment 5). He said that 2 percent of the new payments coming into KPC are put into suspense status which amounts to about 3,200 transactions per month or 160 per day. He added that less than 1.5 per 1,000 are incorrectly posted. He explained that the number of transactions going into suspense seems to be about 60 to 40, and that the dollars are flipped. He also gave some examples of reasons for transactions being incorrectly posted. He went on to explain that the misapplied payments for June through August were mistakes made earlier in the process before the new procedures were implemented.

The Commission discussed the turnover in personnel at the KPC. Mr. Atwell explained that they consider it to now be at a normal level for that type of position. He explained the background checks new hires must pass.

Mr. Atwell explained the customer service charts which reflect the number of calls and time taken to handle those calls. He said the average talk time was 2 minutes and 34 seconds which included employer calls as well as individuals. He added that there were an average of eight representatives on the phone at one time, and there are a total of 14 representatives available to handle incoming calls. He reviewed the chart covering the suspense dollars, and noted that they have been reducing the number of these each month and are working on cleaning up the old suspense items that occurred when the system first was implemented.

Commission members asked what was done with money that the KPC did not know how to apply. Mr. Atwell gave an example of receiving a money order with no recipient or case number identified. He said that those are turned over to SRS, and after a period of time will be transferred to the State Treasurer's Office. A question was asked if they accepted cash payments, and he said they do accept cash but it is strongly discouraged because it is much more difficult to handle.

Chairperson Sloan and Representative Loyd asked Mr. Atwell what kind of records were available to identify held disbursements, unidentified payments, and the aging of suspense dollars. The Commission was concerned that these add up to a very large amount of money which is not being distributed. Mr. Atwell agreed to provide further data on this at the Commission's next meeting.

Mr. Atwell noted that there had always been held disbursements and suspense accounts. Monica Remillard, SRS, explained that the problem is primarily in locating correct addresses, and that they have a field person actively trying to find addresses. She stated

that most of the held money is due to lack of addresses, and until someone calls in and complains about not receiving their checks, the address cannot be corrected.

Chairperson Sloan said the members needed to discuss Commission expectations and set the date for the next meeting. She asked if they needed more information since they had all come from different backgrounds. She also pointed out that the Commission's first report is due February 1. Representative Loyd requested a copy of the contract amendment, and staff agreed to provide each member a copy of the amendment.

The Chairperson asked if anyone felt the Commission needed to have public hearings throughout the state. Representative Loyd told the Commission that one additional meeting to date had been authorized, and they would have to make a request to the Legislative Coordinating Council (LCC) for additional meeting dates. He suggested that they needed a little more time to go by before they will know how the KPC is doing and what recommendations might need to be made. Discussion continued as to the need of future meetings, public hearings, or possibly written comments solicited from the public in lieu of public hearings in order to know in what areas problems continue. Representative Loyd suggested a video conference with various sites around the state.

The next Commission meeting was set for Wednesday, October 24, during the evening for the public hearings via video conference, with the Commission meeting to be held during the day. The alternative dates of October 22 and 23 were set. The Chair asked the staff to circulate a sign-up sheet so members could write down their e-mail addresses for notification of the next meeting. Chairperson Sloan asked staff to provide each member with a copy of the list.

The Chairperson asked the staff to prepare a letter to the LCC requesting four additional meeting dates.

The meeting was adjourned at 4:40 p.m.

Prepared by Dee Woodson
Edited by Rae Anne Davis

Approved by Commission on:

October 24, 2001