

**Joint Legislative Committee on Performance
Evaluation and Expenditure Review (PEER)**

Report to
the Mississippi Legislature



Analysis of the Potential for Further Privatization of Mississippi's Child Support Enforcement Services

In an effort to improve child support enforcement efforts, many states have turned to the private sector for assistance. At the time of this review, the Mississippi Department of Human Services (MDHS) had contracts with private sector firms to operate the state's child support call center and to provide various components of other child support enforcement services. PEER analyzed the potential for saving the state dollars and improving service quality through further privatization of child support enforcement services at MDHS.

In order to make a fully informed privatization decision, a government entity must be able to compare its own costs and performance in providing a service to cost and performance levels being offered by the private sector for providing the service. When making the determination to privatize a service, a government entity should conduct an analysis such as a "make-versus-buy" analysis of the service in order to make a fully informed decision prior to contracting. The decision must be based on a clear definition of the service being considered for privatization, including specification of the quantity (outputs) and quality (outcomes) of service expected, as well as a determination of the change in costs to the government over a multi-year period that would result from outsourcing the service. Also, the analysis should factor in important non-cost-related issues, such as management issues and service quality and control issues.

PEER found that MDHS's Division of Child Support Enforcement does not maintain cost data at the service level and does not sufficiently analyze its child support enforcement performance data, both of which are necessary to making fully informed decisions regarding the privatization of child support enforcement services. Without cost data at the service level, the division is not in a position to make an informed privatization decision. While the division maintains and reports federally mandated performance data, it has not sufficiently analyzed the data to identify and address, where feasible, the sources of performance problems, including determining whether the problems could better be addressed internally or externally.

To maximize the potential for success of its future privatization efforts, the Division of Child Support Enforcement should collect proper data for a make-versus-buy analysis, improve data collection and reporting, determine whether factors affecting enforcement efforts are external or internal, and work within legal constraints. The division should also immediately begin following best practices for privatization of child support enforcement such as those put forth by the U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement. The report contains information on implementing such best practices.

January 3, 2013

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms, with one Senator and one Representative appointed from each of the U. S. Congressional Districts and three at-large members appointed from each house. Committee officers are elected by the membership, with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

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The Mississippi Legislature

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Honorable Phil Bryant, Governor
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Honorable Philip Gunn, Speaker of the House
Members of the Mississippi State Legislature

On January 3, 2013, the PEER Committee authorized release of the report entitled **Analysis of the Potential for Further Privatization of Mississippi's Child Support Enforcement Services.**

A handwritten signature in black ink, appearing to read "Gary Jackson", with a long horizontal flourish extending to the right.

Senator Gary Jackson, Chair

This report does not recommend increased funding or additional staff.

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Analysis of the Potential for Further Privatization of Mississippi's Child Support Enforcement Services

Executive Summary

Introduction

In an effort to improve child support enforcement efforts, several states, including Mississippi, have turned to the private sector for assistance. *Privatization* is government's use of for-profit and not-for-profit organizations to perform publicly funded activities.

As of May 30, 2012, private sector firms provided various child support enforcement services, including the operation of selected local child support offices, in forty-four states and in the District of Columbia. No state has fully privatized its entire child support enforcement program. At the time of this review, the Mississippi Department of Human Services (MDHS) had contracts with private sector firms to operate the state's child support call center and to provide various components of other child support services.

In response to a legislative request, the PEER Committee analyzed the potential for saving the state dollars and improving service quality through further privatization of child support enforcement services at MDHS. The legislator who requested this review asked whether documented evidence exists of the success of private sector firms in providing child support enforcement services in other states, and if so, whether any such documented successes could be replicated in Mississippi.

Background

The child support enforcement program is a federally mandated program operated by the states for the primary purpose of enhancing the well-being of children in single-parent households by assisting them in obtaining financial and medical support. By securing such assistance from non-custodial parents, the program also helps to reduce dependency on public benefits such as Temporary Assistance for Needy Families and the Supplemental Nutrition Assistance Program.

MISS. CODE ANN. §43-19-31 et seq. (1972) requires the Department of Human Services to operate a child support unit (established by the department as the Division of Child Support Enforcement [DCSE]) fulfilling federal requirements. The division carries out its child support enforcement responsibilities by carrying out activities in six key service areas: establishment of paternity, establishment of support orders, collections (e. g., issuance of income withholding orders), receipting and disbursement of child support payments, enforcement of orders, and customer service.

Privatization Experience in Other States and in Mississippi

States privatize child support enforcement for a variety of reasons, such as compensating for a lack of expertise, increasing cost-effectiveness, improving customer service, increasing efficiency, complying with new mandates, and addressing performance issues. As of May 30, 2012, states' most frequently privatized child support enforcement service was operation of the state disbursement unit--i. e., the entity responsible for the receipt of child support payments and the timely disbursement of payments to custodial parents.

As of July 1, 2012, MDHS had seven contracts with six private sector firms to perform various duties related to child support enforcement, including a contract with a temporary staffing agency to provide up to 100 temporary personnel to serve in various capacities in DCSE. Only one of the seven contracts, the contract with YoungWilliams, is for the full privatization of a DCSE service--i. e., the Customer Service Call Center.

Little independent research exists on the effectiveness of privatizing child support enforcement services in reducing service costs or improving service quality. The independent research that does exist indicates mixed results, with examples of both the private sector and the public sector providing more efficient and effective child support enforcement services.

Information and Analysis Needed to Make a Privatization Decision

In order to make a fully informed privatization decision, a government entity must be able to compare its own costs and performance in providing a service to cost and performance levels being offered by the private sector for providing the service. When making the determination to privatize a service, a government entity should conduct an analysis such as a "make-versus-buy" analysis of the

service in order to make a fully informed decision prior to contracting.⁷

A decision to make or buy a service must be based on a clear definition of the service being considered for privatization, including specification of the quantity (outputs) and quality (outcomes) of service expected, as well as a determination of the change in costs to the government over a multi-year period that would result from outsourcing the service. Also, the analysis should factor important non-cost-related issues, such as management issues and service quality and control issues, into the make-versus-buy decision.

PEER found that DCSE does not maintain cost data at the service level and does not sufficiently analyze its child support enforcement performance data, both of which are necessary to making fully informed decisions regarding the privatization of child support enforcement services. Without cost data at the service level, DCSE is not in a position to make an informed privatization decision. While DCSE maintains and reports federally mandated performance data, DCSE has not sufficiently analyzed the data to identify and address, where feasible, the sources of performance problems, including determining whether the problems could better be addressed internally or externally.

Case Study of the Make-versus-Buy Analysis of the Central Receipting and Disbursement Unit

The Central Receipting and Disbursement Unit (CRDU) is Mississippi's state disbursement unit. The CRDU receipts, processes, and disburses more than six million child support payments each year.

While DCSE does not maintain all of the data needed to make a fully informed privatization decision regarding the CRDU, based on a cost comparison alone (based on the private sector contract costs of operating Kansas's state disbursement unit), PEER estimates that it would cost MDHS approximately \$2.9 million more annually to privatize its CRDU than to continue providing the service in-house. Therefore, even though PEER continues to receive unsolicited complaints from both custodial and non-custodial parents regarding the processing of child

⁷PEER's discussion of the elements of a make-versus-buy analysis on pages 16 through 20 of the report is based on an article published in the August 2004 issue of the *Government Finance Review* entitled "Make or Buy? Using Cost Analysis to Decide Whether to Outsource Public Services," by R. Gregory Michel. The article was adapted from *Cost Analysis and Activity-Based Costing for Government (GFOA Budgeting Series)* by R. Gregory Michel, published by the Government Finance Officers Association of the United States and Canada, Chicago, Illinois, 2004.

support payments, Mississippi's CRDU might not be a good candidate for privatization given the significant cost differential.

Implications for Further Privatization of Child Support Enforcement Services

To maximize the potential for success of its future privatization efforts, DCSE should collect proper data for a make-versus-buy analysis, improve data collection and reporting, determine whether factors affecting enforcement efforts are external or internal, and work within legal constraints.

DCSE should also immediately begin following best practices for privatization of child support enforcement such as those put forth by the U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, in *A Guide to Developing Public-Private Partnerships in Child Support Enforcement* (1996). These include:

- designing a privatized system;
- establishing a framework for privatization;
- creating an effective request for proposals process;
- creating an effective contract; and,
- creating public-private partnerships.

Pages 40 through 46 of the report provide details on each of these best practices.

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Analysis of the Potential for Further Privatization of Mississippi's Child Support Enforcement Services

Introduction

Authority

In response to a legislative request, the PEER Committee analyzed the potential for saving the state dollars and improving service quality through further privatization of child support enforcement services at the Mississippi Department of Human Services (MDHS).

PEER conducted the review pursuant to the authority granted by MISS. CODE ANN. Section 5-3-57 et seq. (1972). The Committee acted in accordance with MISS. CODE ANN. Section 5-3-51 et seq.

Problem Statement

While the U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement (hereafter referred to as OCSE) reports significant progress in the success of child support enforcement programs in increasing the amount of child support collected and distributed since the program's inception in 1975, further progress needs to be made. According to data compiled by OCSE, in FFY 2010, on average, states only collected 62% of child support owed on current cases (55% in Mississippi) and child support arrearage amounts due nationwide totaled approximately \$110 billion (approximately \$994 million in Mississippi).

In an effort to improve child support enforcement, several states, including Mississippi, have turned to the private sector for assistance. As of May 30, 2012, private sector firms provided various child support enforcement services, including the operation of selected local child support offices, in forty-four states and the District of Columbia. No state has fully privatized its entire child support enforcement program. At the time of this review, MDHS had contracts with private sector firms to operate the state's child support call center and to provide various components of other child support services.

The legislator who requested this review asked whether documented evidence exists of the success of private sector firms in providing child support enforcement services in other states, and if so, whether any such documented successes could be replicated in Mississippi.

Purpose and Scope

The primary purpose of this review is to determine which services currently being performed in-house by the Mississippi Department of Human Services' Division of Child Support Enforcement (DCSE), if any, would have a high probability of being performed more efficiently and effectively by the private sector, based on the privatization experience of other states in comparison to the efficiency and effectiveness of providing these services in-house.

PEER sought to answer the following questions:

- What is privatization?
- Why do states privatize child support enforcement?
- What has been privatized in other states and in Mississippi?
- What results have states' privatization efforts yielded?
- What information and analysis is needed to make a privatization decision?
- Does DCSE collect the information needed for conducting a make-versus-buy analysis of each of its services?
- What did PEER learn from its attempt to conduct a make-versus-buy analysis of the Central Receiving and Disbursement Unit (CRDU)?
- What steps should DCSE take to maximize the potential for success of its future privatization efforts?
- What immediate measures should DCSE take to ensure efficiency, effectiveness, and accountability in contracting?

Method

In conducting fieldwork, PEER:

- reviewed federal and state law and applicable policies and procedures concerning DCSE operations;
- interviewed staff of:
 - the Division of Child Support Enforcement;

- the U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement (OCSE);
- other state child support enforcement offices; and,
- the National Conference of State Legislatures;
- researched the literature on child support enforcement, privatization (including how to make and implement privatization decisions), the privatization of child support enforcement; and,
- analyzed records, data, and performance reports maintained by DCSE and the federal OCSE.

Background

Purpose of a State Child Support Enforcement Program

The child support enforcement program is a federally mandated program operated by the states for the primary purpose of enhancing the well-being of children in single-parent households by assisting them in obtaining financial and medical support. By securing such assistance from non-custodial parents, the program also helps to reduce dependency on public benefits such as Temporary Assistance for Needy Families and the Supplemental Nutrition Assistance Program.

Congress established the child support enforcement program within the federal Department of Health and Human Services in 1975 (Title IV-D of the Social Security Act). The purpose and mission of the program is to:

. . .enhance the well-being of children by assuring that assistance in obtaining support, including financial and medical, is available to children through locating parents, establishing paternity, establishing support obligations, and monitoring and enforcing those obligations.

The 1996 federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, P.L. 104-193), which replaced the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) block grant to states program, made substantial changes to the child support enforcement program. PRWORA mandated that for states to be eligible for the TANF block grants, they must operate their child support enforcement programs in a manner that meets federal requirements with respect to a national new hire reporting system, paternity establishment, uniform interstate child support laws, computerized statewide collections, establishment of a centralized state disbursement unit, and penalties for parents who do not pay their required child support obligation amounts. The purpose of such enforcement measures is to increase the amount of child support paid to single-parent households, thereby helping to reduce their dependency on public benefits such as Temporary Assistance for Needy Families and the Supplemental Nutrition Assistance Program.

42 U.S.C. 654 requires that a state plan for child and spousal support must:

. . .provide for the establishment or designation of a single and separate

organizational unit, which meets such staffing and organizational requirements as the Secretary may by regulation prescribe, within the State to administer the plan.

Most states (thirty-three in FY 2010, including Mississippi) have created child support enforcement units within their departments of social/human services. While several states have established free-standing departments of child support enforcement, others have established child support enforcement units in the offices of the attorney general and various other departments, including justice, finance and administration, and revenue.

Mississippi's Child Support Enforcement Program

In Mississippi, the Department of Human Services' Division of Child Support Enforcement is responsible for the state's child support enforcement program.

MISS. CODE ANN. §43-19-31 et seq. (1972) requires the Department of Human Services to operate a child support unit (established by the department as the Division of Child Support Enforcement) fulfilling the requirements in PRWORA.

As shown in Exhibit 1 on page 6, the division carries out its child support enforcement responsibilities by carrying out activities in six key service areas: establishment of paternity, establishment of support orders, collections (e.g., issuance of income withholding orders), receipting and disbursement of child support payments, enforcement of orders, and customer service.

As of June 30, 2012, DCSE had a staff of 427 full-time equivalent positions operating out of the department's central office in Jackson and eighty-four local offices (one in each county except for Bolivar and Chickasaw counties, which each have two local child support enforcement offices). In FY 2012, the division expended approximately \$33.6 million. The majority of funding (82%) for DCSE is provided by the federal government (\$27.6 million in FY 2012), with the remainder (18%, or \$6 million in FY 2012) appropriated from state general funds.

Exhibit 1: Mississippi Child Support Enforcement Activities, by Key Service Area

General Service Category	Activities
Establishment of Paternity	<ul style="list-style-type: none"> • investigating, including determining the location of alleged non-custodial parent • genetic testing • obtaining voluntary signed acknowledgement of paternity through the A Simple Acknowledgement of Paternity (ASAP) program • filing a petition to establish paternity with the appropriate court with jurisdiction over the matter in those cases where paternity cannot be voluntarily established
Establishment of Support Orders (including order review and modification)	<ul style="list-style-type: none"> • helping the client to file a petition in court to obtain a legally enforceable order for child support (including an order for medical support, when possible) • periodically reviewing existing child support orders in IV-D cases to determine if the order: <ul style="list-style-type: none"> - is in accordance with the state guidelines for setting child support obligations - contains provisions for health insurance coverage - meets the criteria for seeking a modification
Collections	<ul style="list-style-type: none"> • locating non-custodial parents by searching federal and contractual databases discussed in Exhibit 3, page 13 • identifying assets of the non-custodial parent to determine his or her ability to pay through memoranda of understanding with financial institutions and searches of contractual databases discussed in Exhibit 3, page 13 • issuing income withholding orders • taking current child support out of a noncustodial parent's unemployment check • collaborating with other states to collect child support
Disbursement (Central Receiving and Disbursement Unit)	<ul style="list-style-type: none"> • receiving child support payments from non-custodial parents • disbursing child support payments to custodial parents

General Service Category	Activities
Enforcement of Orders	<ul style="list-style-type: none"> • promoting compliance with court-ordered support obligations by operating the Mississippi Access and Visitation Program (MAV-P), which is designed for noncustodial parents to have access to visit their children as specified in a court order or divorce decree • initiating appropriate enforcement actions for non-payment of child support, including: <ul style="list-style-type: none"> - taking past due support out of any refund due to the non-custodial parent from the Internal Revenue Service or Mississippi Department of Revenue - initiating contempt action by taking a non-custodial parent who is not paying in accordance with his or her order for child support back to court for non-compliance with the order, which action could result in the court ordering the non-custodial parent to be incarcerated - reporting noncustodial parents who are delinquent in their child support to the credit bureau - following federal requirements to initiate license revocation procedures for non-custodial parents who are two months behind in making child support payments (includes drivers, occupational and professional, and other state-issued licenses, such as licenses to hunt and fish) - revoking the passport (or denying the application for one) of a non-custodial parent with child support arrears of \$2,500 or more
Customer Service Call Center	<ul style="list-style-type: none"> • answering child support calls statewide and resolving customer questions and complaints

SOURCE: MDHS and PEER analysis

Privatization Experience in Other States and in Mississippi

This chapter answers the following questions:

- What is privatization?
- Why do states privatize child support enforcement?
- What has been privatized in other states and in Mississippi?
- What results have states' privatization efforts yielded?

What is privatization?

***Privatization* is government's use of for-profit and not-for-profit organizations to perform publicly funded activities.**

Privatization refers to a government's use of private organizations, both for-profit and not-for-profit, to perform publicly funded activities. The most common form of privatization is contracting out, which typically involves efforts to obtain competition among private bidders to perform the specified government activities. (For a more detailed discussion of government's use of privatization, see PEER Committee Report #286, *The Privatization Potential of Mississippi's State Programs and Services* at www.peer.state.ms.us.)

Why do states privatize child support enforcement?

States privatize child support enforcement for a variety of reasons, such as compensating for a lack of expertise, increasing cost-effectiveness, improving customer service, increasing efficiency, complying with new mandates, and addressing performance issues.

Historically, state governments have chosen to privatize selected child support enforcement activities in order to:

- compensate for a lack of government expertise in a specific service area (e. g., genetic testing to establish paternity);
- obtain services of an acceptable quality at a lower cost or higher quality at a competitive cost;

- improve customer service (private sector firms claim that this is an area in which they have developed expertise);
- quickly add capacity for handling an increase in the child support enforcement caseload and thereby bring the caseload of public child support enforcement staff to a manageable level, while providing the flexibility to eliminate the additional capacity if needs change;
- meet new child support enforcement program mandates (e. g., technology-intensive systems to centralize state case registries and implement enforcement techniques such as automatic income withholding);
- address performance issues, whether geographic-based (e. g., the challenge of handling heavy child support caseloads in large urban jurisdictions) or process-based (e. g., problems with collections, establishing paternity, establishing support orders), thereby helping to increase performance incentives paid to states by the federal government (see page 22), based on the state's efficiency/effectiveness in collecting child support (or to avoid penalties); or,
- allow the public entity responsible for child support enforcement to focus its resources on program oversight and public policy responsibilities.

According to promotional materials compiled by private sector firms offering child support enforcement services, these firms claim the ability to increase the efficiency and effectiveness of a state's child support enforcement services by quickly identifying and solving problems in a state's child support enforcement operations. They attribute this claimed ability to their experience and knowledge of best practices and lessons learned through their child support service contracts in other states. The firms assert that their flexibility allows them to incorporate technological improvements and innovations quickly into their processes and deploy resources (both equipment and personnel) to meet service delivery goals and improve their responsiveness to customers. Private sector firms also argue that for certain types of child support enforcement services, such as the operation of payment and call centers, through the economies of scale gained by serving multiple states, they are able to offer more cost-effective and comprehensive services (e. g., twenty-four-hour access) than individual state governments. (These assertions have not been verified by PEER or other independent researchers. See page 14.)

What has been privatized in other states and in Mississippi?

As of July 1, 2012, forty-four states (including Mississippi) and the District of Columbia had privatized at least one child support enforcement service.

Privatization in Other States

As shown in Exhibit 2 on page 11, according to research and analysis conducted by PEER and the National Conference of State Legislatures, forty-four states and the District of Columbia had privatized at least one child support enforcement service, including the privatization of selected local child support enforcement offices. As of July 1, 2012, the most frequently privatized child support enforcement service was operation of the state disbursement unit--i. e., the entity responsible for the receipt of child support payments and the timely disbursement of payments to custodial parents. While thirty-one states have privatized that service, Mississippi has not.

Privatization in Mississippi

As shown in Exhibit 3, page 13, as of May 30, 2012, MDHS had seven contracts with six private sector firms to perform various duties related to child support enforcement, including a contract with a temporary staffing agency to provide up to 100 temporary personnel to serve in various capacities in DCSE. Only one of the seven contracts, the contract with YoungWilliams, is for the full privatization of a DCSE service--i. e., the Customer Service Call Center.

Exhibit 2: States' Privatization of Child Support Enforcement, by General Service Category, as of May 30, 2012

State	Establish Paternity		Establish Support Orders		Collections Employer Services Wage Withholding**	Disbursement State Disbursement Unit	Enforcement		Customer Service Customer Service "Call" Center	Full Service Child Support Office (state has at least one privatized local office)
	Paternity Establishment and Voluntary Acknowledge- ment*	Hearing Officer Services	Medical Support Consortium	Medical Support Consortium			New Hire Reporting	Child Support Lien Network		
Alabama						✓		✓		
Alaska										
Arizona						✓		✓		
Arkansas				✓		✓		✓		
California						✓		✓		
Colorado				✓		✓		✓		✓
Connecticut						✓		✓		
Delaware						✓		✓		
Dist. of Col.						✓				
Florida						✓		✓		
Georgia				✓		✓		✓		
Hawaii										
Idaho						✓				
Illinois						✓		✓		
Indiana						✓				
Iowa						✓		✓		
Kansas						✓			✓	✓
Kentucky	✓					✓				
Louisiana	✓					✓		✓	✓	
Maine										
Maryland						✓		✓		✓
Massachusetts						✓				
Michigan						✓			✓	
Minnesota						✓		✓		
Mississippi						✓			✓	
Missouri				✓		✓		✓		
Montana										
Nebraska										
Nevada									✓	✓
New Hampshire						✓		✓		
New Jersey	✓			✓		✓		✓		

Exhibit 2: States' Privatization of Child Support Enforcement, by General Service Category, as of May 30, 2012

State	Establish Paternity		Establish Support Orders		Collections	Disbursement	Enforcement			Customer Service	Full Service
	Paternity Establishment and Voluntary Paternity Acknowledgement*	Hearing Officer Services	Medical Support Consortium	Employer Services Wage Withholding**	State Disbursement Unit	New Hire Reporting	Child Support Lien Network	Interstate Data Exchange Consortium	Customer Service "Call" Center	Child Support Office (state has at least one privatized local office)	
New Mexico						✓	✓	✓	✓		
New York					✓						
North Carolina					✓	✓		✓		✓	
North Dakota							✓				
Ohio	✓				✓						
Oklahoma					✓		✓	✓		✓	
Oregon											
Pennsylvania					✓		✓	✓			
Rhode Island					✓		✓				
South Carolina								✓			
South Dakota	✓						✓	✓			
Tennessee							✓	✓		✓	
Texas						✓	✓	✓			
Utah			✓								
Vermont							✓				
Virginia	✓						✓	✓	✓	✓	
Washington							✓				
West Virginia							✓	✓		✓	
Wisconsin							✓		✓		
Wyoming	✓						✓			✓	
Total # of States with Service Privatized	7	1	5	1	31	26	26	15	10	10	

Shading = no child support enforcement service privatized

* While most states, including Mississippi, contract for the genetic testing component of paternity establishment, the states listed in this column contract for paternity establishment services in addition to genetic testing, such as the establishment of a voluntary paternal acknowledgement program.

** This service verifies and updates employer contact information and follows up on income withholding orders to ensure that child support payments are correctly and consistently deducted from employee wages.

SOURCE: PEER analysis of data provided by the National Conference of State Legislatures and from the website of YoungWilliams Child Support Services.

Exhibit 3: Active DCSE Contracts with the Private Sector as of July 1, 2012, By Company, Scope of Work, Contract Fees, and Contract Term

Company	Scope of Work	Contract Fees	Contract Term
ACS State & Local Solutions, Inc.	Provide Electronic Benefit Transfer system for the delivery of MDHS public assistance benefits and services, including but not limited to the electronic transfer of child support payments	not to exceed \$13,125,000	4/15/2010-1/31/2016
DNA Diagnostics Center Inc.	Test genetic material in order to establish paternity (\$35 maximum per individual test)	\$1.5 million maximum	7/1/2012 - 6/30/2013 with renewal option through 6/30/2014
LexisNexis	Provide access to Lexis Nexis Accurint for Government Services, a direct connection to current public records including but not limited to bankruptcy reports, business credit searches, civil courts searches, concealed weapons permit searches, corporation filings searches, criminal records searches and reports, marriage/divorce searches, motor vehicle searches and reports, driving record reports, property deed searches	\$2,850 monthly minimum, with 3% automatic increases at the end of the initial 12 month term and any renewal terms	8/1/2009 - 7/31/2010, with automatic annual 12 month renewals
LexisNexis	Provide information for use in locating non-custodial parents through the LexisNexis person locator batch services for government agencies	Fee charged per successful match	4/1/2012-3/31/2013, with automatic annual 12 month renewals
Stellarware Corporation	Operate and manage the Mississippi State Directory of New Hires (the directory of newly hired and re-hired employees mandated in state and federal law) that will interface with the Mississippi Enforcement and Tracking Support System (METSS)	\$93,564	7/1/2011-6/30/2012
Tempstaff, Inc.	Provide up to 100 temporary personnel to serve in the following capacities in the Division of Child Support Enforcement: 10 project managers, 20 project officers, 40 paralegals, and 30 clerical/administrative assistants	\$2 million	11/1/2011 - 10/31/2012, with option to renew at one-year intervals for two more years
YoungWilliams, P C	Provide a statewide child support call center to handle all incoming calls from child support clients throughout the state and work to resolve all client inquiries in a timely manner	not to exceed \$8.4 million	1/1/2011 - 12/31/2012, with option to renew at one year intervals for 3 years

SOURCE: Transparency Mississippi website (<https://www.transparency.mississippi.gov/>) and MDHS.

What results have states' privatization efforts yielded?

Little independent research exists on the effectiveness of privatizing child support enforcement services in reducing service costs or improving service quality. The independent research that does exist indicates mixed results, with examples of both the private sector and the public sector providing more efficient and effective child support enforcement services.

Little independent research exists comparing private and public sector provision of child support enforcement services and the independent research that does exist is dated and reports mixed results.

To obtain recent research on the privatization of child support enforcement, PEER contacted the National Conference of State Legislatures, the Child Support Directors Association, the national and regional offices of the OCSE, the National Association of Attorneys General, the Center on Budget and Policy Priorities, and the Center for Law and Social Policy. Staff from these organizations either were not aware of any recent studies regarding the privatization of child support enforcement, directed PEER to individual states, or directed PEER to studies from the 1990s.

For example, *Child Support Enforcement: Early Results on Comparability of Privatized and Public Offices*, a 1996 report by the U. S. Government Accountability Office (GAO) on full-service privatization of local child support enforcement offices, concluded that of the three privatized offices that GAO examined for performance, two did as well as the publicly operated offices to which they were compared and one performed significantly better.¹ However, with respect to the four privatized offices that GAO examined for cost-effectiveness, two did better than their public counterparts, one was “about as cost-effective as its public counterpart,” and in the fourth case, the public office was 52 percent more cost-effective than the comparable privatized office reviewed by GAO.

The success of Mississippi's own experience with privatizing child support enforcement services has been mixed. In the 1990s, MDHS contracted with a private company, MAXIMUS, to operate its local child support enforcement offices in Hinds and Warren counties. While the department concluded that MAXIMUS had increased child support collections by 25% and had improved paternity establishment, customer service, employee training, and staff development in the two pilot offices, PEER determined that these reported results were not

¹ In the study cited, GAO (at that time, the U. S. General Accounting Office) measured performance based on the offices' success in locating noncustodial parents, establishing paternity and support orders, and collecting support owed.

externally verifiable. In 2000, PEER staff conducted its own comparison of the performance of MAXIMUS in the two pilot offices to the performance of DCSE local offices in the remaining eighty counties and found that for the period of FY 1996 through FY 2000, the local offices operated by DCSE had:

- higher average collections per case;
- lower average expenditures per case; and,
- lower costs per dollar collected.

Also, as noted on page 13, while Mississippi has an active contract with the private sector to operate its customer service call center for child support enforcement, the performance indicator built into this contract is inadequate to measure the success of the contract in reducing costs or improving service quality. According to MDHS staff, the department entered into the call center contract in order to reduce the workload of DCSE staff and to improve customer service, as a large number of incoming calls remained unanswered. Pursuant to these objectives, the department only included one performance measure in its call center contract:

On a monthly basis, Independent Contractor shall answer a minimum of 90% of all incoming calls which do not hang up within 60 seconds of receipt of the call and enter documentation from said calls into METSS.

This measure is insufficient to determine whether the private sector call center is resolving caller questions and concerns more efficiently and effectively than was the case when public sector employees were responsible for handling the calls. The extent to which PEER receives unsolicited calls from citizens alleging DCSE's failure to resolve their child support complaints (see discussion on page 31) indicates that the call center is not able to address the concerns of all customers.

Information and Analysis Needed to Make a Privatization Decision

This chapter answers the following questions:

- What information and analysis are needed to make a privatization decision?
- Does DCSE collect the information needed for a make-versus-buy analysis of each of its services?

What information and analysis are needed to make a privatization decision?

In order to make a fully informed privatization decision, a government entity must be able to compare its own costs and performance in providing a service to cost and performance levels being offered by the private sector for providing the service.

Before a government entity decides to privatize a service, it should first assess its costs and performance in providing that service, then attempt to measure its performance and costs against comparable performance and costs within the private sector. While a true “make-versus-buy”² analysis determines the costs of outsourcing a service by soliciting competitive bids for the service from external service providers, PEER intended to use existing service contracts from other states that had already privatized the service being analyzed for further privatization potential as a surrogate for obtaining competitive bids for such services in Mississippi.

One goal of all efforts to provide any government service should be to provide the service with the highest level of productivity and quality at a reasonable cost. As noted by PSI (Policy Studies, Inc.), a consulting firm founded in 1984 with an initial specialization in child support enforcement:

. . .it is important to keep in mind that privatization does not mean that the . . . government gives up its legally mandated functions or its fiduciary responsibilities to citizens. Government ultimately remains accountable and responsible for the privatized service. A contract with a private vendor is merely the mechanism by which services are delivered.

² The purpose of a *make-versus-buy* analysis is to determine whether an entity should produce a good or service in-house or outsource production of the good or service to an external supplier.

When making the determination to privatize a service, a government entity should conduct an analysis such as a “make-versus-buy” analysis of the service in order to make a fully informed decision prior to contracting.

What are the critical components of a make-versus-buy analysis?

A decision to make or buy a service must be based on a clear definition of the service being considered for privatization, including specification of the quantity (outputs) and quality (outcomes) of service expected, as well as a determination of the change in costs to the government over a multi-year period that would result from outsourcing the service. Also, the analysis should factor important non-cost-related issues, such as management issues and service quality and control issues, into the make-versus-buy decision.

According to an article adapted from a publication of the Government Finance Officers Association (GFOA)³, the decision to perform a service in-house or outsource that service to an external provider is commonly referred to as the “make-versus-buy” decision. The cost component of the GFOA make-versus-buy model involves four basic steps:

- (1) *Define the service in terms of quantity and quality*--The government entity should clearly define what service is being considered for outsourcing. A vague or incorrect definition could result in an incorrect calculation of in-house costs. This necessitates:
 - specifying the quality and quantity of service expected; and,
 - specifying expected output and outcomes.
- (2) *Determine net present value of the in-house costs that would be saved or avoided by outsourcing*--To do so:
 - calculate total government costs that would either be avoided or saved (either eliminated immediately or after a brief period of transition) over a multi-year period by outsourcing, including all direct and indirect costs.
- (3) *Determine net present value of net costs of outsourcing the activity or service*--Calculate the total costs of outsourcing the service over a multi-year period, including the contractor’s bid price,⁴ the government’s

³ PEER’s discussion of the elements of a make-versus-buy analysis is based on an article published in the August 2004 issue of the *Government Finance Review* entitled “Make or Buy? Using Cost Analysis to Decide Whether to Outsource Public Services,” by R. Gregory Michel. The article was adapted from *Cost Analysis and Activity-Based Costing for Government (GFOA Budgeting Series)* by R. Gregory Michel, published by the Government Finance Officers Association of the United States and Canada, Chicago, Illinois, 2004.

⁴ As noted previously, because it was not practical to solicit competitive bids for a hypothetical service contract with the private sector, PEER intended to use existing service contracts from other

contract administration costs, and the government's transition costs. Subtract any new revenue resulting from outsourcing.

- (4) *Compare cost savings from outsourcing to the costs of outsourcing*--Calculate the difference between the costs saved by outsourcing a service and the costs incurred. If the costs saved are significantly greater than the costs incurred, then outsourcing may make financial sense.

The GFOA make-versus-buy model emphasizes two points in its calculations:

- a differential cost perspective; and,
- the fact that this analysis should cover a multi-year period and discount future cash flows to their present value.

GFOA states that the analysis should also factor non-cost-related issues into the make-versus-buy decision (see page 19).

Differential Cost Perspective

In utilizing GFOA's make-versus-buy model of analysis, it is important to view the change in costs that government would incur due to privatizing a service as opposed to a strict comparison of total operational costs incurred by the agency to the total cost of utilizing a private contractor. Total costs may include fixed costs, which are costs that cannot be avoided by privatizing a service. Utilizing a differential cost perspective avoids giving the appearance that the government would incur fewer costs by outsourcing a service when in actuality it would incur more. The GFOA "Make or Buy?" article presents the following example:

For example, let's say that a private waste hauler offers to provide waste collection services to the City of Unionsville for \$550,000 per year. As it stands, the total cost of providing waste collection services is \$750,000 per year. Thus, it appears that the city could save \$200,000 per year by hiring the private hauler. However, a closer look at the city's fixed costs reveals that it is committed to spending much of the \$750,000 whether or not it switches to a private hauler. More than half of this amount is personnel costs, which the city cannot avoid because of a "no-layoff" policy and the fact that the truck drivers perform

states that had already privatized the service being analyzed for further privatization potential as a surrogate for obtaining competitive bids for such services in Mississippi.

other responsibilities. Likewise, the city is committed to \$50,000 per year in debt service payments for the facilities used to store and maintain its garbage trucks.

In a make-versus-buy analysis, government agencies should also avoid the inclusion of costs that have already occurred and would remain a cost to the government regardless of whether it privatized a service. These costs are considered sunk costs and including them could lead to poor privatizing decisions in the make-versus-buy calculations.

Covering a Multi-Year Period and Discounting Future Cash Flows

The government entity should compare costs over a multi-year period in order to determine whether privatizing would generate savings for the agency in the long term. Also, to ensure that future costs and benefits are weighted appropriately, future cash flows should be discounted to their present value.

Consideration of Non-Cost-Related Issues

According to the GFOA make-versus-buy model, if cost savings are significant, privatizing *might* make sense. The decision of whether to privatize is not purely driven by financial costs. Other factors to consider, as recommended by the National Advisory Council on State and Local Budgeting, include:

- *The degree of uncertainty of the underlying assumptions in the financial cost analysis.* To address the uncertainty, some governments require that the estimated cost avoidance from privatizing exceed the costs of providing the service in-house by at least 10%. Three methods for conducting an analysis to address the issue of uncertainty are:
 - recalculate the results under pessimistic, optimistic, and expected scenarios;
 - recalculate the result many times by testing each assumption over a wide range of values; and,
 - calculate a probability distribution for the results of the analysis;
- *Opportunity costs*-i. e., the lost opportunity of using an asset or resource in any way other than the chosen alternative;
- *Service quality and control issues*, including:

- safety and reliability;
- ability to control service levels and who receives the service;
- ability of the government to make internal changes to improve its own performance;
- ability to change the delivery mechanism in the future; and,
- risk of contractual nonperformance and default;
- *Management issues*, including:
 - the quality of monitoring, reporting, and performance evaluation systems;
 - public access to information; and,
 - ability to generate or sustain competition in service delivery;
- *Financial issues*, including:
 - impact on outstanding debt; and,
 - grant eligibility;
- *Impact on stakeholders*, including government employees, customers, and taxpayers; and,
- *Statutory and regulatory issues*, including:
 - impact on federal and state legal and regulatory requirements; and,
 - liability.

Does DCSE collect the information needed for conducting a make-versus-buy analysis of each of its services?

DCSE does not maintain cost data at the service level and does not sufficiently analyze its child support enforcement performance data, both of which are necessary to making fully informed decisions regarding the privatization of child support enforcement services.

As noted in the previous section, the decision of whether to perform a service in-house or contract with a private entity to provide the service should be based on an objective analysis such as the “make-versus-buy” analysis recommended by GFOA. PEER identified deficiencies in the following information necessary to conduct such an analysis at the division service level:

- data on the cost of providing each child support enforcement service; and,
- analysis of child support enforcement performance data sufficient to identify the extent and causes of performance problems.

Lack of Cost Data at the Service Level

Without cost data at the service level, DCSE is not in a position to make an informed privatization decision.

Whether considering outsourcing a service or simply trying to improve its own internal efficiencies, it is important for DCSE to know the costs of providing each of its child support enforcement services. While MDHS maintains expenditure data for the Division of Child Support Enforcement, DCSE does not maintain cost data by child support enforcement service, other than for the already privatized Customer Service Call Center.

As discussed in the next chapter, while PEER was able to estimate the costs of operating one additional DCSE service area--the CRDU (because it is a discrete unit within DCSE)--without cost data, it is not possible to make an informed privatization decision.

Insufficient Analysis of Performance Data to Identify the Extent and Causes of Performance Problems

While DCSE maintains and reports federally mandated performance data, DCSE has not sufficiently analyzed the data to identify and address, where feasible, the sources of performance problems, including determining whether the problems could better be addressed internally or externally.

While DCSE maintains and reports federally mandated performance data and the federal government did not penalize the state for its performance on these measures during the five-year period ending September 30, 2012, the state could increase the amount of incentive funds that it receives from the federal government by improving its performance on federal indicators. However, DCSE does not sufficiently analyze its performance data to identify the sources and causes of performance problems in order to make such improvements. Until the causes of DCSE performance problems are understood, including the critical determination of whether the causes are internal or external to MDHS, the department is not in a position to know whether the problems could be addressed through contracts with the private sector.

Mississippi's Performance on Federal Indicators

Although Mississippi was not penalized for its performance on federal indicators during the five-year period reviewed by PEER, in FFY 2010 Mississippi ranked last nationally in the percentage of child support cases having support orders.

The Child Support Performance and Incentive Act of 1998 (45 CFR 305.2) mandated measurement of the states' child support enforcement program performance on the following five indicators:

- paternity establishment percentage;
- percent of cases with orders;
- amount collected on current cases as a percentage of amount owed;
- percentage of arrearage cases paying toward arrears; and,
- cost-effectiveness ratio (dollars collected divided by dollars expended).

The federal child support enforcement incentive system is based on states' performance in all five of these areas. As shown in Exhibit 4, page 24, while Mississippi received incentive payments for Federal Fiscal Years 2009 and 2010, PEER estimates that the state could have received

from 28% to 35% more incentive money for three of these indicators if it had performed better.

The federal child support enforcement penalty system only addresses state performance in three of the five performance areas: paternity establishment, establishment of support orders, and current collections. States may also be penalized if their data used to compute incentive measures is found to be incomplete or unreliable or if they are not in compliance with certain requirements. In the five-year period reviewed by PEER (i. e., the period ending September 30, 2012), DCSE was not assessed any penalties.

As shown in Exhibit 5, page 24, in FFY 2010, the state's poorest performance was on the federal indicator of the percent of cases with support orders. In FFY 2010, Mississippi ranked last nationally in support order establishment, with only 56.9% of its active cases having support orders, significantly below the national average of 80%. This is significant because a child cannot receive the benefits of financial support without a support order in place.

Deficiencies in DCSE's Analysis of Performance Problems

Deficiencies in DCSE's sampling methodology for its annual self-assessment may be preventing the division from gaining a full understanding of the extent and nature of its performance problems. Further, DCSE does not sufficiently analyze available performance data to identify causes of performance problems.

The Personal Responsibility and Reconciliation Act of 1996 (45 CFR 305.63) establishes standards for determining whether a state is in substantial compliance with IV-D requirements. These standards specify timeframes for carrying out the various steps in the child support enforcement process (e. g., ninety calendar days to establish an order of support from the date that the noncustodial parent has been located) and specify allowable minimum rates of compliance, ranging from 75% to 90% (see the Appendix, page 47, for federal timeliness standards). The regulations require each state to conduct an annual self-assessment of its compliance with these standards by selecting a sample of cases and checking each case for compliance with the federal timeliness standards.

Exhibit 4: Percentage of Available Performance Incentive Payments Received by Mississippi in FFY 2009 and FFY 2010, by Federal Performance Indicator

Federal Performance Indicator	% of Available FFY 2009 Performance Incentive Payments Received*	% of Available FFY 2010 Performance Incentive Payments Received
Paternity establishment percentage	100%	100%
Percent of cases with orders	66%	68%
Amount collected on current cases as a percentage of amount owed	66%	65%
Percentage of arrearage cases paying toward arrears	72%	70%
Cost-effectiveness ratio	100%	100%

*In FFY 2009, the most recent year for which federally reported actual incentive payment data is available by state, Mississippi received a total of \$3,909,441 in incentive payments.

SOURCE: OCSE FY 2009 Annual Report Table 38.

Exhibit 5: Mississippi's FFY 2010 Performance on Federal Child Support Enforcement Performance Indicators

Performance Indicator	Mississippi	National Average	Mississippi Ranking
IV-D Paternity Establishment Percentage*	90.2%	98.9%	24**
Percent of Cases with Support Orders	56.9%	80.0%	54 (last)
Percent of Current Collections	55.3%	62.0%	45
Percent of Arrearage Collections	59.7%	62.0%	34
Cost Effectiveness Ratio	5.74	4.88	17

*The U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement allows states to choose whether to report their paternity establishment data for all child support cases or only for IV-D cases.

**In FFY 2010, twenty-six states reported paternity establishment data for IV-D cases only, as did Mississippi; therefore Mississippi's ranked 24th of 26 for the percentage of cases with IV-D paternity establishment in FFY 2010.

SOURCE: FFY 2010 Preliminary Report: Office of Child Support Enforcement.

In conducting the annual self-assessment audit, federal law requires states to either sample all child support enforcement cases or conduct sampling that:

- maintains a minimum confidence level of ninety percent for each criterion;
- selects a statistically valid sample of cases from the universe of cases; and,
- in its design assures that no portion of the case universe is omitted from the sample selection process.

PEER found that rather than sampling cases from the statewide universe of child support cases, each year MDHS's Compliance Unit predetermines the local child support enforcement offices from which it will draw its case sample. Audit staff said that they try to select local offices of different sizes and in different areas of the state and that they rotate the offices selected from year to year. For its FFY 2011 audit, the unit selected cases from local offices in nineteen of the state's eighty-two counties.

Because MDHS does not select its case sample from the statewide universe of cases, the results cannot be used to draw a conclusion as to compliance with the standards statewide. Because of its artificially constrained sample, DCSE may be failing to identify procedural weaknesses that could help to explain the magnitude and causes of previously described statewide performance problems shown on page 24.

PEER's Analysis of Variations in Performance Data by Local Office

While DCSE does not routinely analyze federal performance indicators by local office, PEER believes there is a need for such analysis, as there is wide variation in performance of local offices with no clear explanation for the variation.

PEER reviewed federal performance data for the indicator of the percentage of cases with support orders by local child support office in order to determine whether performance problems were statewide or isolated at a few local offices that might be candidates for privatization as a result of their performance problems.

As shown in Exhibit 6, page 26, PEER's analysis showed that in FFY 2009 and FFY 2010 there was wide variation among local offices in the percentage of cases with support orders. In FFY 2010, twenty offices performed close to the national average of 80% (the Grenada County office, for example, exceeded the national average with 85% of its cases having support orders), while eleven local offices performed significantly below the national average,

with only 36% of child support cases in the Warren County office having support orders.

The past two years of available data for the percentage of cases with support orders show that while the majority of local offices were within 20%⁵ of the national average, thirteen offices in FFY 2009 and eleven offices in FFY 2010 were performing at least 30% below the national average.

Exhibit 6: Local Office Performance on the Federal Indicator of Percentage of Child Support Cases with Support Orders for FFY 2009 and FFY 2010

Performance Level	Number of Local Offices	
	FFY 2009	FFY 2010
At or above the national average*	5	7
Below the national average:		
70%-79% establishment	23	20
60%-69% establishment	26	33
50%-59% establishment	17	13
Below 50% establishment	<u>13</u>	<u>11</u>
Subtotal, below the national average	<u>79</u>	<u>77</u>
Total	84	84

* The national average was 79% in FFY 2009 and 80% in FFY 2010.

SOURCE: PEER analysis of DCSE data.

As shown in Exhibit 7 on page 27, in FFY 2010, of the eleven local offices that had established support orders in less than 50% of their child support cases, the Warren County office had the lowest percentage of cases with support orders (36%), followed by the Madison County office (37%) and the Hinds and Rankin county offices (39% each). In terms of the number of child support cases without orders, the Hinds County office had the largest number of cases without support orders (38,867), followed by the Harrison County office (18,565) and the Jackson County office (13,673).

⁵ It is not a requirement that states fall within a certain range of the national average. PEER provides this information for comparison purposes only.

Exhibit 7: Local Child Support Offices with Less than 50% of Cases with Support Orders Established in FFY 2010

Local Office	FFY 2010 Percentage of Cases with Support Orders Established	FFY 2010 Percentage of Cases without Support Orders	Estimated FFY 2010 Number of Cases without Support Orders
Hancock	41%	59%	4,173
Harrison	45%	55%	18,565
Hinds	39%	61%	38,867
Humphreys	49%	51%	2,396
Jackson	46%	54%	13,673
Jones	40%	60%	9,059
Madison	37%	63%	6,676
Pearl River	41%	59%	5,275
Rankin	39%	61%	8,879
Warren	36%	64%	8,058
Yazoo	44%	56%	5,680
TOTAL			121,301

SOURCE: PEER analysis of DCSE data.

When PEER attempted to identify the possible causes of local office problems in establishing support orders through analysis of FFY 2011 data, no clear pattern emerged that would explain all low performing offices. Two possible explanations that PEER considered for poorly performing county offices were:

- excessive caseloads per child support workers; and,
- backlogged courts.

However, neither of these explanations statistically accounted for the variation in performance in establishing support orders at the level of the local child support office. For example, with a slightly higher average caseload per worker, the Tunica County office (2,245 cases per worker) was able to establish support orders for 73% of its

cases, while the Hinds County office (2,110 cases per worker) was able to establish support orders for 41% of its cases.⁶ Similarly, the degree to which the local court was able to dispose of its child support caseload within the fiscal year did not statistically explain variations in the percentage of cases with support orders by local office.

In a further effort to understand the cause of local office performance problems, PEER examined DCSE self-assessment data, but due to the previously discussed problem with the sampling methodology for this data source (see discussion on page 23), it offered no statistically valid analysis of the cause of local office problems in establishing support orders.

As discussed in the chapter beginning on page 36, ideally DCSE would address these information and analysis issues before proceeding with privatization decisions. Should DCSE elect to proceed with privatization decisions in the absence of such information and analysis, it should at least write clear, detailed contracts with precise performance benchmarks as discussed on page 44, in order to hold the contractor responsible for performance improvements at a reasonable cost.

⁶ PEER notes that for all states and U. S. territories included in OCSE's unaudited incentive performance measure reports for FFY 2010, the number of child support cases per FTE averaged approximately 321 (Mississippi's statewide caseload per FTE was 731.61). Only three states (Idaho, Rhode Island, and South Carolina) reported higher caseloads than Mississippi in FFY 2010.

Case Study of the Make-versus-Buy Analysis of the CRDU

Despite the lack of complete cost and performance data for DCSE's services, PEER attempted to conduct a make-versus-buy analysis for the CRDU, the one service area where PEER was able to estimate costs because of the fact that the unit is a discrete component of DCSE (unlike the other services, which are primarily the responsibility of child support enforcement officers assigned to the local offices). This chapter answers the following question:

- What did PEER learn from its attempt to conduct a make-versus-buy analysis of the CRDU?

What did PEER learn from its attempt to conduct a make-versus-buy analysis of the CRDU?

While DCSE does not maintain all of the data needed to make a fully informed privatization decision regarding the CRDU, based on a cost comparison alone, PEER estimates that it would cost MDHS approximately \$2.9 million more annually to privatize its CRDU than to continue providing the service in-house. Therefore, even though PEER continues to receive unsolicited complaints from both custodial and non-custodial parents regarding the processing of child support payments, Mississippi's CRDU might not be a good candidate for privatization given the significant cost differential.

PEER determined that the CRDU might not be a good candidate for privatization based on cost savings alone, as discussed in this section. However, as previously noted, it is of critical importance to include performance data in a make-versus-buy decision, as a higher private sector cost could be justified by improved performance.

The following sections describe the CRDU's services, what costs could be avoided by privatizing the CRDU, what costs could be incurred by privatizing the CRDU, and how the estimated costs of privatizing the CRDU compare to the estimated savings.

What services does the Central Receipting and Disbursement Unit (CRDU) provide?

The CRDU receipts, processes, and disburses in excess of six million child support payments annually, but does not collect statistically reliable data measuring the speed or accuracy of its processing of these payments.

As discussed on page 17, the first step in conducting a make-versus-buy analysis is to define clearly the service that is being considered for outsourcing, including the quantity and quality of the service being considered. The following sections discuss these components of the CRDU.

Service Definition

As noted on page 4, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Section 454B of the Social Security Act, requires that MDHS establish and operate a state disbursement unit for the collection (receipting) and disbursement of child support payments.

DCSE's state disbursement unit is referred to as the Central Receipting and Disbursement Unit (CRDU). The CRDU receipts child support payments made via cash, check, money order, or automatic withholding order through a payer's employer. The CRDU receives these payments via U. S. mail, in person (payments made at the county offices or at the walk-in window at the MDHS state office in Jackson), or electronic funds transfer through the Mississippi Enforcement Tracking of Support System (METSS), the state's child support accounting system. The CRDU's primary method for disbursing child support payments is via debit cards issued to custodial parents (98% of payments are disbursed in this manner). The CRDU also disburses payments by check, electronic funds transfer, or direct deposit.

According to DCSE policies and procedures, METSS is responsible for compliance with all federal financial system requirements for noncustodial parent billing, payment processing and adjustments, allocation and distribution, tax offset processing, and generation of various notices sent to relevant parties regarding the amount of child support collected.

Service Quantity

In FY 2012, the CRDU receipted 2.5 million child support payments and disbursed 3.8 million payments.

Service Quality

According to Section 454B of the Social Security Act, provided that the state disbursement unit (SDU) has

sufficient information identifying the payee, the SDU should distribute all amounts payable within two business days after receipt from either an employer or other source of periodic income.

MDHS's Division of Program Compliance periodically reviews selected child support payments for compliance with the two-day distribution requirement. While the internal auditors have found cases of non-compliance and notified the CRDU of such, because the auditors do not draw a representative random sample of payments for review, they cannot conclude as to the CRDU's compliance with the two-day distribution requirement in a statistically valid way.

Further, while not a federally mandated performance measure, the accuracy of processing child support payments (i.e., receipting and posting payments to the correct accounts in the correct amounts) is a critical component of the child support enforcement program. In 2008, after receiving a complaint by a noncustodial parent regarding the division's accounting for child support payments, PEER reviewed the division's process for receiving and accounting for such payments.⁷ However, PEER continues to receive unsolicited complaints from both custodial and non-custodial parents alleging incorrect posting of payments. While DCSE is not required to and does not collect performance data measuring the accuracy of payments processed, this is an important measure of the quality of a state disbursement unit, whether operated in-house (as is the CRDU) or via a contract with a private sector service provider.

What in-house costs could Mississippi avoid by privatizing CRDU services?

PEER estimates that DCSE could avoid approximately \$753,136 annually in CRDU costs by privatizing all CRDU services. However, as explained later in this report, MDHS could incur approximately \$3.7 million in costs annually to privatize the CRDU.

As noted on page 17, after defining the service considered for privatization, the next step in the “make-versus-buy” analysis requires calculation of total government costs that would be avoided or saved as a result of privatizing that service.

While MDHS does not maintain or report cost data at the service level within the Division of Child Support Enforcement, the department was able to identify the costs of the fifteen employees working in the CRDU during FY 2012 (i. e., salaries, fringe benefits, and travel) as well as

⁷See PEER Report #528, *The Division of Child Support Enforcement: An Operational Review of the Collection and Distribution of Child Support Payments*, at www.peer.state.ms.us

bank service charges associated with the CRDU. To estimate all other costs associated with operation of the CRDU (e. g., postage, utilities, administrative overhead), PEER calculated the percentage of total DCSE staff that the fifteen CRDU employees represented as of June 30, 2012 (3.5%) and applied this percentage to all other DCSE costs applicable to the CRDU. Because at least five years of cost data would be needed to project CRDU costs in future years and DCSE was only able to provide one year of CRDU cost data, it was not possible for PEER to conduct the CRDU cost comparison over a multi-year period as should be done in a true make-versus-buy analysis (see discussion on page 19).

Exhibit 8, below, details PEER’s estimate of total costs of the CRDU for FY 2012 (\$819,785) and identifies which of those costs MDHS could avoid by privatizing the CRDU (\$753,136). Costs that MDHS would continue to incur regardless of whether the CRDU is privatized include the costs of administrative overhead and building-related costs. Because the CRDU is housed in MDHS’s central office building in Jackson, presumably the costs of maintaining and operating the CRDU portion of the building would continue. Likewise, it is doubtful that any MDHS administrative staff would be terminated if 3.5% of DCSE staff were eliminated.

Exhibit 8: PEER’s Estimate of FY 2012 Costs of the CRDU and CRDU Costs that Could be Avoided by Privatizing

Cost Categories	Costs	In-House Costs That Could Be Avoided by Privatizing
Salaries and Wages	\$385,822	\$385,822
Retirement and Benefits	135,865	135,865
Travel	650	650
<i>Postage</i>	<i>23,768</i>	<i>23,768</i>
<i>Utilities</i>	<i>472</i>	<i>0</i>
<i>Floor Space Rental</i>	<i>5,064</i>	<i>0</i>
<i>Building Service and Repair</i>	<i>754</i>	<i>0</i>
<i>Telephone</i>	<i>2,774</i>	<i>2,774</i>
<i>Supplies</i>	<i>2,113</i>	<i>2,113</i>
Bank Service Charges	202,144	202,144
<i>Administrative Costs</i>	<i>\$60,359</i>	<i>\$0</i>
Total	\$819,785	\$753,136

Note: Italicized type indicates cost amounts that PEER estimated by applying the percentage of DCSE staff that are CRDU staff (3.5%) to total DCSE expenditures on these cost categories. Non-italicized type indicates actual amounts PEER obtained from the MDHS Division of Budgets and Accounting.

SOURCE: PEER analysis of MDHS data.

What costs could be incurred by privatizing the CRDU?

PEER determined that it could cost MDHS approximately \$3.7 million annually to privatize the CRDU. As noted previously in this report, the department could also avoid approximately \$753,136 annually in CRDU costs by privatizing all CRDU services.

As noted on page 17, the next step in a “make-versus-buy” analysis is to calculate the total costs of privatizing the services of the CRDU. These costs include the private contractor’s bid price, the government’s contract administration costs, and transition costs, minus any revenue that might be collected as a result of privatizing. The following discussion focuses on the first two elements of the estimated cost of privatizing the CRDU, as PEER has no estimate of possible transition costs and does not believe that new revenue would result from privatization of this service.

Estimated Contractor’s Costs

Based on the cost of privatizing state disbursement unit services in Kansas, PEER estimates that the cost of contracting for CRDU services in Mississippi would total approximately \$3.7 million annually.

Because DCSE has not recently solicited bids for privatizing the CRDU, the true private contractor’s costs that are required in a make-versus-buy decision were not available. In order to analyze the potential for privatization of Mississippi’s CRDU, PEER used contractor cost data for the Kansas Payment Center (KPC), the child support central receipting and disbursement unit for the state of Kansas, as a surrogate for actual contractor bids for the operation of Mississippi’s CRDU.

In using the Kansas contract as a surrogate, PEER notes that the KPC contract includes a service element that is not provided by Mississippi’s CRDU: an online child support payment system that can be utilized by individual payers. The implementation and ongoing support of this online system does add to the cost of the Kansas contract by an amount unknown to PEER. While MDHS is in the process of implementing online payment systems, it has not yet implemented such a system for the CRDU.

As shown in Exhibit 9, page 34, PEER calculated the cost per transaction of the KPC by dividing the total FY 2012 cost of the Kansas contract for operation of the KPC by the total number of transactions handled by the KPC in FY 2012. (Total transactions include both child support payment receipts and disbursements.) Based on this data, in FY 2012, Kansas contracted for KPC services at a total cost of approximately \$2.33 million, or \$0.57 per transaction. Using the KPC’s contractual cost per transaction of \$0.57 as a surrogate for bidding out the operation of Mississippi’s CRDU to a private contractor,

Mississippi's 6,370,279 CRDU transactions in FY 2012 would have cost approximately \$3,631,059.

Exhibit 9: FY 2012 Cost Data for the Kansas Payment Center (Privatized)

Total KPC Contract Cost	\$2,328,000
Total Transactions	4,110,373
Cost Per Transaction	\$0.57

NOTE: Costs per transaction are rounded.

SOURCE: PEER analysis of information obtained from the Kansas Department of Administration, Division of Purchases.

Estimated Costs of Contract Administration

Based on a formula used by the U. S. Office of Management and Budget for estimating the cost of administering a government contract, PEER estimates that the cost of administering a contract for CRDU services in Mississippi would total approximately \$64,404 annually.

Based on the contract administration staffing formula used by the U. S. Office of Management and Budget, PEER estimates that with fifteen employees providing CRDU services in FY 2012, one contract administration position would be needed to oversee a CRDU contract at an annual cost of approximately \$64,404, including fringe benefits.

As shown in Exhibit 10, below, estimated annual contractor and contract administration costs for privatizing the CRDU would total approximately \$3.7 million annually.

Exhibit 10: Estimated Annual Costs of Privatizing the CRDU

Cost Category	Estimated Annual Cost
Contractor	\$3,631,059
Contract Administration	\$64,404
Total	\$3,695,463

SOURCE: PEER analysis of data provided by MDHS and the Kansas Payment Center

How do the estimated costs of privatizing the CRDU compare to the estimated cost savings?

PEER estimates that based on contract costs of the KPC, it would cost MDHS approximately \$2.9 million more annually to privatize the CRDU than continuing to provide CRDU services in-house.

As shown in Exhibit 11, below, PEER estimates that the annual costs of privatizing the CRDU would exceed cost saving by approximately \$2.9 million. While the KPC does provide an additional service for this cost (the online payment option noted on page 33) and it is possible that the KPC processes payments more quickly and accurately than the CRDU, it is likely that these actual and possible additional benefits would not be worth the significant cost differential and could probably be achieved by DCSE at a much lower cost in-house.

Exhibit 11: Comparison of Costs Saved by Privatizing the CRDU to Cost of Privatizing the CRDU (based on the Contractual Cost of the Kansas Payment Center), Based on FY 2012 Costs

\$3,695,463	Total estimated cost to privatize Mississippi's CRDU, based on FY 2012 costs
<i>minus</i>	
\$753,136	Estimated cost that could be avoided by privatizing the CRDU (see Exhibit 8, page 32)
<i>equals</i>	
\$2,942,327	Net estimated cost of privatizing Mississippi's CRDU, based on FY 2012 costs

SOURCE: PEER analysis.

Implications for Further Privatization of Child Support Enforcement Services

This report does not identify additional DCSE services that would have a high probability of being successfully privatized. In most cases, the data necessary to make such a determination was unavailable. In the case of the CRDU, the available data indicated that the significant additional costs of privatization would outweigh the potential additional benefits.

However, PEER has identified steps that DCSE could take to maximize the success of future privatization efforts:

- collect proper data for conducting make-versus-buy analyses;
- improve data collection and reporting for purposes of management information, including informing a make-versus-buy decision;
- determine whether factors affecting enforcement efforts are external or internal;
- work within legal constraints,
- follow best practices for privatization of child support enforcement; and,
- ensure that any request for proposals includes quantitative requirements for cost reduction and/or performance improvement.

PEER acknowledges that some of these steps, particularly the first two, will necessitate dedication of substantial effort, time, and resources in order to be successful. Therefore, the second part of this chapter offers measures that DCSE should take in the immediate future to ensure that its contracts with the private sector ensure accountability for both cost (efficiency) and performance (effectiveness) and that sufficient resources (both time and staff) are committed to contract oversight.

This chapter answers the following questions:

- What steps should DCSE take to maximize the potential for success of its future privatization efforts?
- What immediate measures should DCSE take to ensure efficiency, effectiveness, and accountability in contracting?

What steps should DCSE take to maximize the potential for success of its future privatization efforts?

In order to prepare for future privatization decisions, DCSE should collect proper data for a make-versus-buy analysis, improve data collection and reporting, determine whether factors affecting enforcement efforts are external or internal, work within legal constraints, and follow best practices for privatization of child support enforcement.

Collect Cost Data Needed for Make-versus-Buy Analyses

As discussed in the previous chapters, DCSE currently lacks the necessary cost data required to perform a make-versus-buy analysis. In order to make privatization decisions in the future, the agency's accounting system should be used to track, allocate, and report costs at the service level.

Improve Performance Data Collection and Reporting for Purposes of Management Information, including Informing a Make-versus-Buy Decision

As discussed on page 23 of this report, DCSE does not utilize an appropriate sampling methodology for its annual self-assessment that ensures that every case has an equal chance of being selected. Because MDHS does not select its case sample from the statewide universe of cases, it may be getting a false picture of the extent to which local offices are meeting federal performance standards and may be failing to identify offices with performance problems that could possibly be addressed through a private sector contract.

In order to ensure that the annual assessments are yielding the information needed to improve performance where needed (including the possibility of improving performance through contracts with the private sector), in all future assessments, DCSE should select a representative random sample of cases from the caseload universe according to the methodology established by federal law (see page 25).

Determine Whether Factors Affecting Enforcement Efforts are External or Internal

In determining whether to privatize a service, DCSE should determine where its performance problems might be (in view of possibly improving them through privatization) and whether such problems are related to external or internal factors. External factors are those over which

neither the department nor a private sector contractor would have control. An example of an external factor would be a backlog of cases in the court system. Examples of internal factors would be inefficient work steps or misallocation of resources. Internal factors should first be addressed by MDHS to the extent possible before considering addressing the problems through privatization.

As discussed previously, in many cases MDHS does not have the management data to determine whether performance problems are external or internal. Until the causes of performance problems are understood, including the critical determination of whether the causes are internal or external to MDHS, the department is not in a position to know whether the problems could be addressed through contracts with the private sector.

DCSE should review local offices with similar caseload statistics and similar court disposition statistics yet highly disparate performance (e. g., a high percentage of cases with support orders established versus a low percentage) in order to determine possible explanations for the variation.

Work Within Legal Constraints

Under current state law, MDHS cannot privatize the entire DCSE.

State law prohibits the Department of Human Services from privatizing the entire Division of Child Support Enforcement, unless the Legislature passes a law in the future specifically authorizing the department to do so.

Specifically, MISS. CODE ANN. Section 43-1-3 (1972) prohibits MDHS from delegating, privatizing, or otherwise entering “into a contract with a private entity for the operation of any office, bureau or division of the department as defined in Section 7-17-11, without specific authority to do so by a general act of the Legislature.” MISS. CODE ANN. Section 7-17-11 (1972) mandates a common organizational nomenclature “for budgetary purposes and organizational hierarchy purposes.” This CODE section defines an “office”⁸ as the principal organization of an “agency,” a “bureau” as the principal organization of an “office,” and a “division” as the principal organization of a bureau.

Because child support enforcement is structured as its own division under the MDHS organizational structure in effect as of October 2012 and the Legislature has not passed a bill authorizing privatization of the division, MISS. CODE ANN. Section 43-1-3 (1972) prohibits MDHS

⁸ The CODE section also states “whenever the term ‘division’ or any other term appears to denote the principal organization of a department, it shall mean ‘office’ for the purposes of this section.”

from privatizing the entire Division of Child Support Enforcement.

State law does not, however, prohibit the MDHS from dividing its DCSE into more than one unit in order to privatize child support enforcement, but federal law prohibits this.

Under federal law, the child support enforcement program must be operated under a single and separate organizational unit.

Federal law requires that a state child support enforcement program be operated under a single and separate organizational unit. Federal law 42 U.S.C. 654 Sec. (3) states that:

A State plan for child and spousal support must provide for the establishment or designation of a single and separate organizational unit, which meets such staffing and organizational requirements as the Secretary may by regulation prescribe, within the State to administer the plan.

While this law does not specifically affect privatization, it may affect any potential reorganization that would divide the child support functions among other divisions. Therefore, the MDHS must consider this law if it decides to restructure the state's child support enforcement program.

Further, state law alone would not prohibit the department from privatizing any other organizational components of the division (e.g., the Central Receipting and Disbursement Unit), selected child support enforcement services (e. g., paternity establishment), or entire operations of individual local child support enforcement offices.

Under current state law, if the CRDU is privatized, it must be privatized with a financial institution.

MISS. CODE ANN. Section 43-19-31 (k) (1972) states that:

. . .the Central Receipting and Disbursement Unit shall be operated by the Department of Human Services or any financial institution having operations and qualified to do business in Mississippi, whose deposits are insured by the Federal Deposit Insurance Corporation.

Therefore, under current statutes, if DCSE privatizes its CRDU, it must be privatized with a financial institution.

Follow Best Practices for Privatization of Child Support Enforcement

In future privatization efforts, DCSE should follow best practices for privatization of child support enforcement such as those put forth by the U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement in *A Guide to Developing Public-Private Partnerships in Child Support Enforcement* (1996). The following section provides a discussion of those best practices.

What immediate measures should DCSE take to ensure efficiency, effectiveness, and accountability in contracting?

DCSE should follow best practices for the privatization of child support enforcement services, including ensuring that its requests for proposals and contracts for child support enforcement services comply with standards recommended by the U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement and that appropriate resources (both staff and time) are assigned to ensuring that contractors adhere to all terms of their contracts.

In the near future, should DCSE consider privatization of services, it should follow best practices for privatization of child support enforcement such as those put forth by the U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement. These include:

- designing a privatized system;
- establishing a framework for privatization;
- creating an effective request for proposals process;
- creating an effective contract; and,
- creating public-private partnerships.

Designing a Privatized System

Before issuing an RFP to privatize child support services, the Title IV-D agency (DCSE) should first design its privatized system by addressing the following questions:

- Which services will be contracted out?
- Who will be allowed to bid--just private firms, or public and nonprofit agencies as well?

- What are the roles and responsibilities of the contractor, the Title IV-D agency, and other public and private partners?
- What will happen to current public employees, equipment, and facilities?

Establishing a Framework for Privatization

As discussed in this section, the steps for establishing a privatization framework include:

- determining the type of service and length of contract;
- selecting an implementation strategy;
- determining how the system will operate; and,
- anticipating the impact on the agency.

Determining the Type of Service and Length of Contract

- Services such as location services, process serving, and blood testing are “off the shelf” services that can be purchased through short-term contracts.
- Services such as child support collections and payment processing usually require longer contracts of around three years because the provider must be able to recoup the initial investment in specialized equipment, staff training, and system development. A multi-year contract can be more attractive to potential contractors, create more competition, and drive down the costs of the contract.
- Full-service contracts are the longest--usually a minimum of three years, but often as long as five years--because they have the highest start-up costs and take the most time to become fully operational.

Selecting an Implementation Strategy

Implementation strategy options include:

- privatizing all at once;
- pilot testing first; or,
- implementing incrementally (e. g., geographically, by function, or by portion of caseload).

Determining How the System Will Operate

- Produce a map of the system showing which functions will be taken over by the contractor and how these relate to customer flow and the overall program goals.

- Identify the inputs and outcomes for these functions, including outcomes related to the state and federal performance requirements.
- Specify roles and responsibilities for the contractor, the Title IV-D agency, and other partners.

Anticipating the Impact on the Agency

- More resources might have to be devoted to facilitating competitive procurement.
- Managing and monitoring contracts are ongoing tasks.
- Establishing data system linkages with the contractor will be necessary.
- The agency must provide policy support and training to contractor staff.

Creating an Effective Request for Proposals Process

According to the *Guide*, the request for proposals (RFP) is the most effective method of soliciting bids and selecting a contractor for the procurement of child support enforcement services. A well-structured and well-written RFP must clearly communicate the purpose and goals of the child support enforcement program, promote lively competition among potential contractors, and generate high-quality proposals that can be rated objectively. The Title IV-D agency, in issuing an RFP, is seeking a partner to share the risks, rewards, and responsibilities of child support enforcement. With a carefully crafted RFP and a rigorous selection process, the agency should find the best possible partner. The RFP should focus as much as possible on results and as little as possible on process. Forcing a contractor to operate under the same constraints as government diminishes the main advantages of privatization: innovation, motivation, and flexibility. According to the *Guide*, there are twelve basic elements of a well-written RFP, as shown in Exhibit 12, page 43.

Exhibit 12: Elements of a Well-Written Request for Proposals for Privatization of Child Support Enforcement Services

Element	Description
Statement of Purpose	The nature and extent of the services to be privatized and the overall objectives of the contract
Background Information	Overview of the child support program (organization and operations); legislative mandates; caseload characteristics and relevant statistics (annual collections, number of payments processed monthly, etc.); relationships with other agencies; descriptions of facilities, automated systems, forms, etc., that contractor will use; an honest accounting of current problems and strengths
Scope of Work	Specific duties to be performed by the contractor and the expected outcomes. These include both program outcomes (more cases with support orders, etc.) and systems outcomes (trained staff, interagency coordination, improved automation, etc.). Also should include a detailed list of contractor and agency responsibilities, as well as those of partnering agencies.
Term of Contract	Length of contract and options for renewal
Deliverables	List and schedule of all products, reports, and plans to be delivered to the contracting agency
Outcome and Performance Standards	The outcome targets (amount of support to be collected, paternities established, etc.) and minimum performance standards expected of the contractor, including all federal and state standards. Methods for monitoring performance and process for implementing corrective actions.
Payments, Incentives, and Penalties	Terms of payment for adequate performance. Basis for incentives for superior performance and/or penalties for inadequate performance or lack of compliance.
General Contractual Conditions	Standard government contracting forms, certifications, and assurances.
Special Contractual Conditions	Requirements unique to this contract (for example, size of performance bond or requirement to hire current child support staff).
Requirements for Proposal Preparations	Required organization and content of technical proposal and bid; information to be submitted on bidder's technical and corporate qualifications and personnel.
Agency Contacts and RFP Schedule	Persons to contact for information on RFP and any restrictions on contacts; dates for submitting questions, pre-proposal conference, submission of proposal, etc.
Evaluation and Award Process	Procedures and criteria for evaluating technical proposal and bid and for making the contract award.

SOURCE: U. S. Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement

Developing and Overseeing an Outcome-Focused Contract

Once a contractor has been selected in accordance with best practices, DCSE should ensure that the contractor delivers services efficiently and effectively by developing and overseeing implementation of an outcome-focused contract.

According to best practices identified by the OCSE, unlike many human services efforts, child support enforcement has measurable outputs and outcomes that can be specified in a contract. In general, the overall goal of privatizing child support enforcement services is to increase collections. The rate of paternity establishment, the percentage of caseloads with support orders, and the percentage of parents with support orders who pay support are all intermediate outcomes that contribute to the overall goal of increasing collections. Child support enforcement agencies such as DCSE should encourage contractors to demonstrate results in line with program goals by including in the contract:

Outcome-focused performance measures, including measures:

- that comply with current state and federal standards for case management;
- that are appropriate to the service;
- that are state-specific and already used to assess outcomes and performance in other jurisdictions;
- of customer satisfaction (satisfaction of both custodial and non-custodial parents);

A payment and incentive system that:

- promotes an overall increase in the outcomes of interest--for example, collections;
- motivates the contractor to increase performance on critical factors;
- prompts the contractor to provide high-quality services at a reasonable cost to the state;

An appropriate balance of risks between the agency and the contractor, including contract provisions that:

- reduce the public's risk--e. g., performance bonds, reduced payments for failure to meet benchmarks, power to terminate contract, and unilateral extensions;
- reduce the contractor's risk by defining and ensuring that both parties fulfill responsibilities, guaranteeing a minimum workload for the contractor, and ensuring that quality standards included in the contract have been negotiated to the satisfaction of both the contracting agency and the contractor;

Contingency plans to prevent disruption of services, including:

- development of backup service capability;
- utilization of contingency contracts and partial contracts.

Creating Public-Private Partnerships

According to the *Guide*, as interest in privatizing child support enforcement functions increases, there must also be a heightened interest in developing solid public-private partnerships between child support enforcement agencies and the private sector. This partnership must include a public sector that engages the private sector with prudent decisionmaking, confidence, and trust. It must also include a private sector not just interested in profits, that does not just focus energies on the easiest or most profitable cases, and that does not oversell services in order to win contracts. The following are guidelines for creating strong public-private partnerships for child support enforcement.

The partnership must be goal-directed and outcome-focused.

- The ultimate goal is to improve the lives of children by seeing that they receive adequate financial and medical support from their parents.
- Specific goals should be developed for each contracted service.
- Both parties should work collaboratively to fulfill responsibilities set forth in the contract to ensure that goals are met.

The Title IV-D agency must assume the role of senior partner.

- Because the Title IV-D agency is responsible for the provision of child support services in its jurisdiction, the agency is ultimately responsible for the results, no matter how many service and enforcement functions are privatized; therefore, there cannot be an equal partnership between the public and private sector.

Each partner must contribute something different to the relationship.

- The Title IV-D agency brings stability, authority, legitimacy, strategic vision for the joint effort, leadership, and good contract management skills.
- The private contractor brings technology, innovative management solutions, commitment to customer service, and dedication to quality.

Each side must gain certain rewards from the partnership.

- The public agency's rewards are improved program performance, cost efficiencies, and public recognition for a job well done.
- The private contractor's rewards are reasonable profit and opportunity to expand the business.

All partners must share credit and blame for program outcomes.

- In a true partnership, both sectors view positive and negative results as a reflection of their joint efforts and share the responsibility accordingly.

The Title IV-D agency must create a level playing field when competition is used to select service providers.

- Seek the best possible partner, with all qualified providers having a fair shot.
- Create a contract bidding process that is fair.

The partners must work constantly to maintain and improve their relationship.

- Constant communication and frequent feedback should be encouraged.
- Have regular meetings to address problems.

Both parties must recognize that the relationship is temporary.

- As circumstances change, so do the needs of the agency. For example, a private company that is excellent at processing and distributing support checks to custodial parents may no longer be the best partner if the Title IV-D agency decides to distribute funds electronically or if another firm can do this better and more inexpensively.
- While the private sector's bottom line is about profits and losses, the public agency is about getting the best service for the customer at the best price.

Appendix: Federal Performance Standards for the Child Support Enforcement Program as Compiled by the Division of Child Support Enforcement

1. An application and pamphlet for child support services must be provided on the day it is requested, if requested in person, or within five working days if requested by phone or mail.
2. A child support case is considered open on the day the application and fee or a referral is received in the child support office.
3. Within three working days of receiving the application or a referral, a child support case record must be established.
4. Within twenty calendar days of receiving an application or a referral, a case assessment must be completed to determine the services to be provided and the next appropriate action to be taken on the case.
5. Within seventy-five calendar days of determining that location services are necessary, all appropriate location sources must be utilized, including local, state, and federal.
6. When attempts to locate the non-custodial parent are not successful, location efforts must be repeated quarterly or when new location information is received, whichever comes first.
7. Service of process must be completed within ninety calendar days of location or if service is unsuccessful, attempts to service must be documented and repeated every three months as long as sufficient evidence of address exists.
8. Within ninety calendar days of locating the alleged father or non-custodial parent, establish a support order or complete service of process to begin the proceedings necessary to establish a support order and, if necessary, paternity (or document unsuccessful attempt to serve process). The actions to establish support orders must be completed from the date of service of process to the time of disposition within the following timeframes: 75 percent in 6 months and 90 percent in 12 months.
9. Within 2 calendar days of the date an immediate income withholding order is entered or of verifying the employer/payor (or any subsequent employer/payor), the non-custodial parent's employer/payor must be served with the order.
10. When a Notice of Delinquency/Petition to Stay Service is required to enforce an income withholding order, within sixty calendar days of the date of the arrearage equals the amount of the support obligation for one month, the income withholding order must be served on the non-custodial parent's employer/payor. If the Petition to Stay Service is filed timely, this timeframe is not applicable.
11. For enforcement actions not requiring service of process, within thirty calendar days of identifying the delinquency or of locating the non-custodial parent, take the appropriate enforcement actions.
12. For enforcement actions requiring service of process, service must be completed and enforcement action taken within sixty calendar days of identifying the delinquency. Unsuccessful service of process must be documented and repeated every three months as long as sufficient address information exists.

SOURCE: MDHS's Division of Child Support Enforcement.

Agency Response



STATE OF MISSISSIPPI
Phil Bryant, Governor
DEPARTMENT OF HUMAN SERVICES
Richard A. Berry
Executive Director



December 21, 2012

Dr. Max K. Arinder, Executive Director
Performance Evaluation and Expenditure Review Committee
Post Office Box 1204
Jackson, Mississippi 39215-1204

Dr. Arinder:

The Mississippi Department of Human Services (MDHS) acknowledges receipt of the Performance Evaluation and Expenditure Review (PEER) report entitled *Analysis of the Potential for Further Privatization of Mississippi's Child Support Enforcement Services*. The PEER review's focus in the area of the Division of Child Support Enforcement (DCSE) has also been a primary area being addressed by my administration at the beginning of my appointment to the position of Executive Director in January 2012. Therefore, MDHS has reviewed the final PEER report and recognizes there are opportunities to further enhance the many steps being implemented by the agency.

Steps taken by MDHS to ensure Child Support services in Mississippi are provided at an optimum level include:

Technology

Upgrades to terminals began in August 2012 and continue to increase the availability of technology to the Child Support Enforcement staff statewide.

Elimination of Temporary Staff Contract

Effective September 30, 2012, MDHS eliminated a contract for temporary staff. The agency absorbed the staff loss by utilizing MDHS Call Center capacity at no additional cost.

MDHS Call Center Enhancements

The agency has placed more emphasis on customer service by identifying and maximizing ongoing processes in the MDHS Call Center. There are no additional costs associated with this

project however the agency has identified excess capacity to assist with the case load “clean-up” necessary to accommodate the paperless case record system.

Document Imaging and Paperless Case Records

Effective October 1, 2012, all county, regional and state offices have implemented the document imaging and paperless case record system. The counties are eliminating the need for paper and reducing the tremendous costs associated with copying and printing documents. This also allows for a more efficient case information “look-up” system and provides the ability for consolidated case record documentation.

Consolidation and Streamlining Services

The agency requested and received approval by the Governor and State Legislature during the 2012 Legislative Session to reorganize the Divisions of Economic Assistance and Child Support Enforcement. The agency also received approval for reorganization from the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Child Support Enforcement (OCSE) as well as the Mississippi State Personnel Board (SPB).

The reorganization was effective October 1, 2012 and combined the State level management of the two divisions. Positions that were no longer required due to services being duplicated were identified and retrained to assist in those areas with greater need. The Deputy Administrator for Programs within the Executive Director’s Office provides administrative oversight for the programs offered. To provide a more efficient and result oriented process, the State and Regional Offices for Economic Assistance and Child Support Enforcement were consolidated into the Division of Field Operations. This division provides specific support to the Supplemental Nutrition Assistance Program (SNAP formerly the Food Stamp Program), the Temporary Assistance for Needy Families (TANF) and Child Support Enforcement Programs. The office of Family Foundation and Support provides assistance in the areas of family preservation, child support collections and legal services for Child Support Enforcement.

Additional staffing was not necessary for this reorganization and the county offices now report to one common Regional Director. This provides continuity of operation and streamlining of administration to ensure maximum efficiency and a quicker response time to customer service issues in the county. Prior to the change there was one Child Support Regional Director and one Economic Assistance Regional Director (SNAP and TANF) in each of the respective regions. Also, the consolidation of all administrative staff on the state office level has resulted in one person in charge of each of the units within the programs. For example the Policy Director now provides supervision to all staff working in the area of Child Support, TANF or SNAP policy. This allows for a uniform approach for the state and more consistency in federal policy interpretation for staff and clients while eliminating duplicated services. The focus is on

providing the best program services possible. There is also additional emphasis on family related issues such as: Fatherhood Initiatives, Healthy Marriage, Access and Visitation as well as the Healthy Teens for a Better Mississippi.

Central Receipting and Disbursement Unit

The PEER review indicates there is a lack of data concerning the MDHS Central Receipting and Disbursement Unit (CRDU) to make an informed privatization decision. The agency recognizes quality data is strategic for efforts to effect positive change within any administrative process. The steps taken by MDHS to date are beginning to provide the information needed to address any deficiencies as well as data to support all future efforts and decisions.

As part of the reorganization approval request sent to our federal partners at OCSE prior to the October 2012 implementation, MDHS requested technical assistance. The U.S. Commissioner of the Office of Child Support Enforcement, Vicki Turetsky, visited the state and has provided access to the OCSE regional staff in Atlanta, Georgia to assist as needed. The agency is also working with our partners to identify any areas that may be improved.

Summary

The PEER review indicates there are many positive areas in the Mississippi Child Support Enforcement process as well as areas for improvement. There is also an indication by the report that the agency should develop systems to capture more detailed data in an effort to make decisions concerning the CRDU. In both instances the agency agrees and continues to move forward to address all areas of this program as well as all programs administered by the agency.

On behalf of MDHS, I would like to thank your staff associated with the review for their professionalism and willingness to work with the MDHS staff. Again, MDHS is committed to finding opportunities to more effectively and efficiently serve the citizens of the State of Mississippi.

Sincerely,

Handwritten signature of John Davis in cursive, with the initials "DA" written to the right.

for Richard A. Berry, Executive Director
Mississippi Department of Human Services

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