



North Carolina Department of Health and Human Services  
Office of the Controller

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Laketha M. Miller  
Controller

March 28, 2013

**TO:** County DSS Directors  
Child Support Enforcement Agency Directors

**SUBJECT:** Child Support Enforcement Contracted Workers

It has come to our attention that there may be some misunderstanding regarding language issued by the DHHS Controller's Office in a letter titled "Guidance on Child Support Enforcement Fiscal Issues" dated February 25, 2010. The language regarding contracted Child Support Enforcement (CSE) workers in DSS owned space appears to have been misinterpreted and it appears some additional clarification is needed. The letter states:

***Contracted CSE Workers Housed in DSS Owned Space*** - *When contracted workers are housed in DSS owned or leased space, the workers should be reported on the DSS-1571 Part I showing the appropriate FTEs and zero (0) salaries and benefits. This will apportion the appropriate amount of overhead costs to the CSE funding source. The contract cost will then be reported on the DSS-1571 Part II. Information related to contracted workers may be found in Section III-A of the DSS Fiscal Manual located at <http://info.dhhs.state.nc.us/olm/manuals/ooc/fsc/man/>.*

The above paragraph refers to workers who are hired by the county DSS through a temporary agency. The county has a relationship with these workers in that they are able to accept or reject the worker provided and the county staff assigns work and supervises the work of this worker.

It appears some counties have misinterpreted the above paragraph to mean that if they are providing leased space to an independent contractor, it is permissible to report the employees of said independent contractor on the DSS-1571, thus drawing overhead for those employees. **This practice is not allowable unless the county DSS can demonstrate that some level of supervision was provided to these contracted employees.** The employees of an independent contractor have no contractual relationship with the county. The relationship exists between the county and the contractor itself. As such, the contractor is solely responsible for the hiring and firing of these employees, the work performed by them and their supervision. There is a distinct difference between this contractual relationship and that of the workers addressed by the February 25, 2010 letter.

It is imperative that counties immediately cease reporting independent contract agency employees on the DSS 1571 Part I. Contract costs for these vendors should continue to be reported on the DSS 1571 using Part II Application Code 450 as referenced in the DSS Fiscal Manual, Section III-D Title IV-D Child Support Enforcement Program. Counties may certainly negotiate with a contract provider on issues of leased space and adjust contracts accordingly. However, it is not permissible to claim employees of independent contractors on the DSS-1571.

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The DHHS Controller's Office in conjunction with the Division of Social Services is conducting a financial analysis of the situation and how these costs are being reported by counties. Further communication will be forthcoming regarding any potential corrections that are needed in this State Fiscal Year.

If you have any questions regarding the above information, please contact your Business Liaison or County Administration Accounting Unit at (919) 527-6150.

Sincerely,



Laketha M. Miller



Sherry S. Bradsher, Director  
Division of Social Services

cc: DSS Local Business Liaisons  
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