February 14, 2013

DEAR COUNTY DIRECTOR OF SOCIAL SERVICES

DEAR COUNTY CHILD SUPPORT MANAGERS, SUPERVISORS

SUBJECT: FFY2011 DATA RELIABILITY AUDIT REPORT - AWARD/SETTLEMENT
SFY2013 REVISED INCENTIVE ESTIMATES
SFY2014 INCENTIVE ESTIMATES

I am pleased to let you know that the Child Support Program met all performance standards for the FFY2011 Data Reliability Audit. Standards were met at a 100% rate for 6 of the 8 categories and at a rate of 95% for 2 categories. Therefore, North Carolina is no longer subject to a financial penalty for the FFY2010 Data Reliability Audit. In addition, the Paternity Establishment Percentage (PEP) rate attained was 100%, exceeding the minimum level of 90%. Thank you for all your hard work in helping achieve these significant accomplishments.

North Carolina received the annual Notice of Grant Award letter for FFY2011 which indicates a total incentive grant award of $14.7 million. Of this FFY2011 award, $12.9 million has already been advanced to counties. That along with an adjustment for the FFY2010 negative award, results in a net award of $165,930. The net award amount ($165,930) will be distributed among all counties in an annual settlement process during SFY2013.

To assist you in planning for the remainder of SFY2013, provided on the following page is the actual amount of incentives paid to date as of January 31, 2013, and the projected amount of incentives through June 30, 2013. For SFY2013, these payments may be significantly lower than originally budgeted in February 2012. Payments will be made the first month of each quarter. Payments are dependent upon collections in ACTS; and thus, more than one payment per quarter may be required to transmit the projected amounts.

Incentive projections for SFY2014 are also included. Please be reminded that these payments are projections based not only on North Carolina’s Child Support Program meeting the standards for the data reliability audit and meeting certain levels of performance, but also the program’s incentive measures and collections as compared to those of other state’s. As a result, these payments are subject to change. The estimated payments are in line with the goal of moving toward a pay after performance methodology. Smaller payments are advanced and a larger settlement paid after performance is validated.

Thank you for your patience and continued cooperation. If you have any questions, you may contact me at daisie.blue@dhhs.nc.gov, or 919.855.4402.

Sincerely,
Daisie B. Blue, Chief

CSE-01-2013

cc: Sherry Bradsher
    Jack Rogers
    Kathy Sommese
This page is a sample of an attachment which would have been provided to an individual county.

*Revised incentive projections as of February 4, 2013*

**Sample County**

<table>
<thead>
<tr>
<th>State Fiscal Year 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual incentives advanced/paid through January 31, 2013</td>
<td>$1,000</td>
</tr>
<tr>
<td>Projected incentives to be advanced/paid for the remainder of state fiscal year 2013 – February 1 through June 30, 2013</td>
<td>$2,000</td>
</tr>
<tr>
<td>Scheduled settlement payment for federal fiscal year 2011</td>
<td>$500</td>
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<tr>
<td><strong>Total projected payments July 2012-June 2013</strong></td>
<td><strong>$3,500</strong></td>
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</table>

<table>
<thead>
<tr>
<th>State Fiscal Year 2014</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total projected payments July 1, 2013-June 30, 2014</strong></td>
<td><strong>$4,500</strong></td>
</tr>
</tbody>
</table>

*Counties for which actual incentives advanced for SFY 2013 included adjustments for FFY 2009 overpayments or corrections for SFY 2012*