



**DIVISION OF CHILD SUPPORT ENFORCEMENT MANAGEMENT AND
OVERSIGHT OF CHILD SUPPORT ENFORCEMENT ACTIONS**

**From The Office Of State Auditor
Claire McCaskill**

Improvements are needed in child support collection efforts.

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PERFORMANCE AUDIT



Office of
Missouri State Auditor
Claire McCaskill

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More aggressive enforcement actions could improve child support collections

Missouri collected no more than 20 percent of the child support owed to 538,000 custodial parents and their children from fiscal years 1996 to 2001, leaving over \$1 billion uncollected. While the support collected by the state's Division of Child Support Enforcement (division) has been comparable to the national average, auditors found several weaknesses affecting the state's ability to increase collections.

The auditors analyzed cases in which custodial parents relied on the state to collect child support under Title IV-D of the federal Social Security Act. According to the division, Missouri disbursed about \$400 million in 2001 to children receiving IV-D services.

Some enforcement ineffective; others not used

Division data showed only 29 percent of computerized enforcement actions helped collect more child support. Auditors also found the division did not take all available enforcement actions to collect support in 43 percent of sampled cases. In these cases, auditors found computerized enforcement actions often occurred, but not manual enforcement actions, such as suspending drivers' licenses of delinquent, non-custodial parents. For example, the division suspended drivers' licenses in only 1 of 17 eligible cases found in the audit sample. (See page 6)

License suspensions not intensely pursued

The division can seek suspension of professional or recreational (fishing and hunting) licenses from non-custodial parents who owe the lesser of three months support or \$2,500. However, since a 1998 computer system update, the division has not suspended any professional licenses and suspended only 8 recreational licenses. The division has not matched data with the Department of Economic Development (for professional licenses) since 1998 and has never matched data with the Department of Conservation (for recreational licenses). Auditors conducted both matches and found delinquent, non-custodial parents who could lose such licenses. For example, auditors found 9 professionally licensed parents who owed \$1.2 million in support, including a licensed doctor who owed \$300,000. Auditors also found a parent with a recreational license who owed \$37,611 in support. (See page 7)

In addition, the division's limited use of drivers' license suspensions did produce collections. A July 2001 division report showed 18,774 delinquent, non-custodial parents who could lose their drivers' licenses. Division staff threatened about 26 percent of these

YELLOW SHEET

parents with license suspension, and obtained payment agreements in 23 percent of these cases. These agreements yielded \$2 million in the last six months of 2001. (See page 8)

Checking tax returns could help find missing non-custodial parents

The division identified 176,279 cases with no address or employer information for the delinquent, non-custodial parents. Auditors, through the Department of Revenue, checked recent income tax returns on 101 delinquent parents and found address and employer information in 15 cases. Division staff said they do not check income tax returns since they already electronically record address and employer information from the State Directory of New Hires. Nonetheless, audit tests showed income tax information as another resource to locate delinquent parents. (See page 8)

More use of private contractor could increase collections

When parents do not receive the child support owed to them, they often turn to the state for welfare benefits. While the state pays these parents assistance, the parents give the state the right to collect future support. This assignment allows the state to collect the unpaid support and keep up to the welfare amount it is paying the custodial parent.

This simplified, hypothetical example explains the above scenario: Consider a mother who did not receive \$100 a month in child support for 3 months. She can apply to the state for financial assistance through welfare and let the state try to collect the support. The state could decide to pay her \$50 per month in welfare benefits and then try to collect the unpaid child support. If the state can collect the full \$400 owed - the past due amount (\$300 for three months) and the current month's support (\$100) - the mother receives the first \$250 and the state could keep \$150 (the welfare amount for 3 months).

The state hired a private contractor to help recover the money it spent on welfare. The state's portion of this uncollected amount could be as much as \$236 million going back to 1977 when the state started collecting child support. However, restrictive state guidelines only allow the contractor to handle a small percentage of these cases. During a 14-month period, the state documented referring only 688 of about 5,700 cases eligible for contractor collection. (See pages 5, 10 and 18)

In addition, while the division limits the types of cases the Missouri contractor can handle, other states, such as Illinois, have private contractors collect both current and past-due support. (See pages 11 and 18)

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ABBREVIATIONS

IV-D Title IV-D of the federal Social Security Act
TANF Temporary Assistance to Needy Families



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Missouri State Auditor

Honorable Bob Holden, Governor
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Over half a million Missouri children and their custodial parents rely on the state to collect child support payments. When this support is not collected, custodial parents often turn to the state for welfare assistance to meet their needs. To determine the extent to which the state is collecting child support and welfare benefits owed to the state, we focused on the effectiveness of the Division of Child Support Enforcement's (the division) management and oversight in collecting child support payments owed to custodial parents and the state.

The division has not collected over \$1 billion in child support payments currently owed to custodial parents since federal fiscal year 1996. This has occurred because the division has not used available enforcement tools to collect current and past due payments. Further, division officials have not effectively used their contractor to collect past due child support owed to the state. In addition, division officials did not (1) ensure paternity and support orders were established for many cases, and (2) enforce medical support orders for dependent children. These problems have been exacerbated by division officials continuing to allow serious impediments to effective child support case management. As a result of inadequate oversight of child support enforcement efforts, division officials have deprived dependent children of much needed support and the state of approximately \$236 million in revenue.

We have included recommendations to improve the management and oversight of division efforts to collect current and past due child support.

We conducted our work in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such tests of the procedures and records as were considered appropriate under the circumstances.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire C. McCaskill
State Auditor

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RESULTS AND RECOMMENDATIONS

Management and Oversight of Child Support Collection Efforts Were Not Effective

The Division of Child Support Enforcement¹ (division) has not collected over \$1 billion in child support payments owed to custodial parents since federal fiscal year 1996. This situation occurred because the division has collected no more than 20 percent of child support owed to custodial parents for each of the federal fiscal years 1996 through 2001. Although Missouri child support collections are similar to the national average, several factors affected the state's ability to increase collections:

- Enforcement actions have not been effective or were not taken.
- License suspensions have not been aggressively pursued.
- Data matches with other agencies have not always been done.
- Collection of welfare benefits owed to the state has not been ensured.

In addition, officials did not establish paternity and/or orders of support for many open cases, or secure health insurance for dependent children with orders for medical support. These problems have been compounded because officials have not addressed serious impediments to effective case management. Innovative action to reduce caseloads at one field office, and using a contractor, have helped collect support owed to custodial parents and the state. However, officials have not replicated the caseload reduction actions or expanded the contractor's role in collecting child support. Unless division officials act to increase child support collections and welfare benefits owed to the state, they have deprived dependent children of much needed support and the state of approximately \$236 million in revenue.

Background

Approximately 538,000 children and their custodial parents rely on the state to collect child support on their behalf. Missouri's child support enforcement program began in 1977 under an executive order, and the division was created in 1986. To assist these children and parents, the division establishes paternity, financial and medical support orders; monitors and enforces compliance with these orders; reviews and modifies support orders; and collects and disburses child support paid by the non-custodial parent to the custodial parents. The division is also responsible for locating non-custodial parents, when required.

A IV-D case involves the custodial parent receiving welfare benefits or applying for child support services pursuant to Title IV-D of the federal Social Security Act. Division personnel establish case files for custodial parents and track data on each case. Information on parents is also kept on file to help establish paternity and child support orders, and enforce child support orders, if necessary. Division personnel also track information on employers, insurance availability, and addresses. Child support payments are received and disbursed through the Family Support Payment Center. In addition to paper documents in case files, all case records (collections and disbursements included) are maintained on a computerized case management

¹ The Division of Child Support Enforcement is a division of the Department of Social Services.

and tracking system known as the Missouri Automated Child Support System (computerized system).

When non-custodial parents do not make child support payments, technicians can take administrative actions to enforce compliance with orders of support. Automatic and manual actions include income withholding, real and personal property liens, state and federal income tax refund interceptions, unemployment compensation and workers' compensation benefits interceptions, and referral to consumer reporting agencies. The computerized system notifies technicians through an electronic message—called an alert—when an automated enforcement action occurs. The system also alerts technicians to cases suitable for other manual actions, but it does not specify the needed action. The system also does not alert technicians to verify insurance availability for medical support orders. Automatic enforcement actions are documented on case records by the computerized system, as are most manual actions involving system generated forms and letters. Also, the computerized system automatically records new address and employment information when non-custodial parents are located. If technicians cannot locate the non-custodial parent or cannot secure payment, the computerized system tracks the amount of child support owed to the custodial parent. The unpaid amount is considered "past-due support."

Technicians can take other administrative actions to collect payments, which are not tracked by the computerized system. For example, technicians initiate action to deny passports to non-custodial parents or suspend recreational, driver's and professional licenses. If these actions are not effective, technicians can refer cases to prosecuting attorneys for civil or criminal actions.

For those cases where non-custodial parents do not make child support payments or the division is unable to collect support, custodial parents may request welfare assistance such as Temporary Aid to Needy Families (TANF)² or Medicaid.³ In TANF and Medicaid cases, custodial parents assign the right to future support to the state while the state pays them assistance. This assignment entitles the state to recover the unpaid, or past due support, up to the welfare amount received by the custodial parent. Assigned support ultimately collected by the state, which exceeds the custodial parent's welfare amount, is disbursed to the family. If technicians cannot collect welfare benefits owed to the state, these cases can be referred to a contractor for further collection efforts.

Methodology

We conducted five probability samples of IV-D cases to determine (1) the effectiveness of division efforts to collect child support payments owed to custodial parents and the state, (2) whether paternity had been established properly and timely, and (3) whether orders for medical support for dependent children have been enforced in accordance with established procedures

² TANF replaced the former federal program of Aid to Families with Dependent Children and is administered by the Division of Family Services. TANF recipients receive cash assistance based on established criteria of income levels, family size, and other factors.

³ A health care program under the Social Security Act, financed jointly by the state and federal government. Eligibility for Medicaid is determined by the Department of Social Services, Division of Family Services.

and federal law. We also judgmentally selected cases to determine if orders for financial support had been properly and timely established. Other testing included matching samples of non-custodial parents with other state agency databases to identify delinquent parent assets and locate parents not found by division personnel.

To determine whether certain factors hampered division personnel's efforts to effectively manage cases, we conducted focus sessions with technicians and supervisors in St. Louis, Kansas City, and Rolla. Forty three individuals attended these sessions and discussed caseloads, utilization of reports, workday interruptions, and training adequacy. We also met with personnel at one field office to discuss how employees overcame obstacles to effective case management.⁴

Efforts to collect child support payments have not been successful

The division has collected no more than 20 percent of child support owed to custodial parents for each of the fiscal years 1996 through 2001, which is about the same as the national average. Uncollected child support increases the amount past due. As a result, past due child support owed to custodial parents and the state increased from \$1.1 billion at the end of federal fiscal year 1996 to approximately \$1.8 billion at the end of federal fiscal year 2001, or about 60 percent, for IV-D cases in these years. Amounts owed to custodial parents and the state increased to \$2 billion, as of June 30, 2002, with over one-half of this amount going uncollected since 1996.⁵ Of the \$2 billion, approximately \$1.3 billion is owed to custodial parents by non-custodial parents for the current and prior fiscal years, but the division has not assessed the collectibility. Table 1.1 depicts the amounts collected and the percent of the total owed.

Table 1.1: Child Support Payment Owed and Collected Compared to the National Average Collected (dollars in millions)

Federal Fiscal Year	Owed			Total Collected	Percent Collected	
	Current	Past Due	Total		Missouri	National Average
1996	\$318	\$1,124	\$1,442	\$285	20	21
1997	357	1,246	1,603	326	20	21
1998 ¹						
1999	533	1,800	2,333	330	14	16
2000	534	1,876	2,410	398	17	17
2001	564	1,801	2,365	471	20	17

¹Conversion to new computerized system took place in 1998 and according to department personnel, data for that year is not reliable.

Source: Prepared by SAO based on data reported to the federal Office of Child Support Enforcement.

In addition to the \$1.3 billion owed to custodial parents, \$688 million is owed to the state for TANF benefits paid to custodial parents for the current and prior federal fiscal years, according to division records. If collected, approximately \$236 million would be available to the state

\$236 million is owed to the state

⁴ See Appendix I, page 21, for additional information on methodology.

⁵ See Appendix II, page 24, for additional information on amounts owed and distributed.

while about \$452 million would be remitted to the federal government, according to division personnel.

Enforcement actions have not been effective or were not taken

A division report showed 51 percent of the 257,053 enforcement actions taken on 159,869 cases between December 2001 and March 2002 did not result in a collection of any unpaid child support owed to custodial parents. Division personnel track payment compliance through the "Payor Non Compliance" report, which lists unpaid child support payments during the current and/or prior three-month period. This report documents most enforcement actions taken by the computerized system. However, manual enforcement actions, such as driver's license suspension, are not included on this report. On the other hand, the report disclosed only 29 percent of enforcement actions were likely to result in a collection. They included (1) income withholding (25 percent), (2) liens on property (3 percent), and (3) civil/criminal charges of non-support (1 percent).

Our review of a probability sample of 104 cases disclosed the division did not take all available enforcement action to collect past due support on 43 percent, or 45 sampled cases. Based on our analysis, we estimate the number of cases where all available action had not been taken, ranges from 91,156 to 134,830 cases, based on probability of 90 percent and a study population of 260,256 cases. The study population had past-due support totaling approximately \$2 billion. Past due support on the 45 cases averaged \$9,800 and totaled approximately \$443,000, or nearly half of the total owed for the 104 cases sampled. The computerized system and enforcement technicians initiate enforcement actions. Our review of the 104 sample cases disclosed automated enforcement actions were done most of the time. However, for the 45 of the sampled cases, we found manual enforcement actions had not been done. For example, 17 cases were eligible for driver's license suspension. However, we found only one case in which license suspension action had been taken.⁶

Discussions with technicians responsible for the 45 cases disclosed several reasons why available enforcement actions were not taken. For example, technicians responsible for 19 cases stated action did not occur due to an oversight or lack of time to pursue manual actions. In addition, technicians responsible for 18 cases stated they did not know what to do, and their comments indicated they lacked sufficient knowledge of division policies and procedures. Reasons cited for not acting on the remaining 8 cases included (1) technicians work cases only through alerts or phone calls, (2) conversion errors from the old computer system, (3) non-cooperative custodial parent, and (4) supervisor instructions.

⁶ See Appendixes III and IV, pages 25 and 26, for criteria for enforcement actions.

License suspensions have not been aggressively pursued

Since 1998, the division has not suspended any professional or occupational licenses of delinquent non-custodial parents; and suspended only eight hunting and fishing licenses and approximately 3,850 drivers' licenses. The division also has not completed data matches with the Department of Economic Development since 1998, and has never done data matches with the Department of Conservation. These matches would alert technicians of professional, occupational or recreational licenses eligible for suspension.

Technicians also have online access to the Department of Revenue records to identify parents owing child support that appear on the Potential License Suspension report⁷ with a valid driver's license. According to division policy, suspension of drivers' licenses, recreational licenses, or professional/occupational licenses are available enforcement actions once non-custodial parents owe the lesser of three months of child support or \$2,500.

In June 2002, we provided the Department of Economic Development with 415 cases—297 of these cases each had past-due support exceeding \$100,000. Of the 297 cases, we matched 9 cases having past due support totaling \$1.2 million. One of those cases involved a doctor owing over \$300,000.

Our review of a probability sample of 104 cases disclosed 16 percent, or 17 cases, met the division's criteria for license suspension. Based on our analysis, we estimate the number of cases meeting that criteria ranges from 27,827 to 61,168 cases, based on probability of 90 percent and a study population of 260,256 cases where past due support is owed. Of the 17 sample cases eligible for license suspension, we found 1 individual who had purchased hunting or fishing licenses for 2002. This case had past-due support totaling approximately \$37,611. We also found 5 cases, where driver's license suspension was an option, that matched online records of operators' licenses. Unpaid support on these five cases totaled \$67,000.

Technicians can track cases eligible for license suspension using a quarterly eligibility report. This report is sent to field offices, where technicians review the cases and take manual action to suspend licenses after they confirm eligibility. Technicians may, at their discretion, choose to pursue license suspension. Since license suspension is a manual enforcement remedy requiring pre-suspension notification to the delinquent parent, enforcement action in this area has occurred solely by technician initiative. However, our discussions with focus groups at three locations showed many of the technicians do not use driver's license suspension as an enforcement tool because they don't have time to review the report, if they receive it at all. Some technicians also called license suspension a waste of time and ineffective, while others said delinquent parents will drive anyway. When we asked one enforcement technician why he did not use license suspension for a particular case, he said the process is not an efficient use of his time.

⁷ This report is generated quarterly and identifies cases meeting financial criteria for license suspension.

The division's License Suspension Activity report⁸ for July to December 2001 disclosed technicians have limited the use of license suspensions as an enforcement tool. For example, the July eligibility report showed 18,774 were eligible for suspension. However, personnel only notified 4,892 individuals, or 26 percent, of their intent to suspend the person's driver's license. The report showed:

- Payment agreements were reached with 23 percent, or 1,113 of the 4,892 individuals notified of the intent to suspend. Those agreements yielded about \$2 million in collections during the last six months of 2001, or an average of \$1,780 per case.
- Payment agreements were not reached with 39 percent, or 1,898 of the individuals notified, and drivers' licenses were suspended.

Limited action
produced \$2
million in results

The activity report did not document the disposition of the remaining 1,881 cases, or 38 percent of the 4,892 individuals that had been notified of the intent to suspend. It also did not document the disposition of the remaining 13,882, or 74 percent of the total cases reported as eligible for suspension.

Colorado study finds license suspension an effective enforcement tool

A recently released report concluded suspending a license motivated persons to pay support who would be disadvantaged without it.⁹ The study, conducted by the Center for Policy Research, explored the short- and long-term impact of driver's license suspension on child support collections, including the effects of repeated suspensions for parents who owe child support. The study found drivers' license suspension in Colorado generated additional revenues for every case analyzed. It also showed repeated suspensions were an incentive for many obligors who were suspended, complied, and became delinquent again.

The report noted intervention does not lose its effect, and multiple subsequent suspensions generate revenue. It also stated "monitoring clearly generates child support revenues and enhances the effectiveness of the driver's license remedy." The results of this study confirm some individuals only respond to the continual threat of being caught and monitoring is an effective way to produce behavioral changes.

Data matches with other agencies are not always done

We conducted two tests to determine if we could locate non-custodial parents not found by the division. In one test, division personnel identified a universe of 176,279 cases with no address or

⁸ The License Suspension Activity report is generated semi-annually and documents the number of licenses suspended, notices of intent mailed, payment agreements obtained and collections due to license suspension activity during the six months covered by the report.

⁹ "Colorado Multiple Initiatives Grant , Achieving Excellence in Child Support Program Operations, A Collection of Research and Design Reports, Longer Term Evaluation of Colorado's Driver's License Suspension" and "The Effects of Repeated Driver's License Suspensions Among Parents Who Owe Child Support" dated September 2000, prepared under a grant from the federal Office of Child Support Enforcement.

employer, or both, for the non-custodial parent or the alleged father.¹⁰ We requested the Department of Revenue determine whether a probability sample of 101 of these individuals filed tax returns in 2000 or 2001, whether address and employment information had been included, and if so, whether address and employment information agreed with division records. Revenue personnel provided information disclosing 15 percent, or 15 individuals in sample cases filed tax returns in 2000 and/or 2001 reporting income and addresses in Missouri. Based on our analysis, we estimate the number of cases ranges from 16,542 to 38,679 where tax returns were filed, based on a probability of 90 percent and the study population of 176,279 cases. Sample cases, where tax returns had been filed, included cases in which the non-custodial parents reported employment income, but the division could not locate an employer for these parents and cases in which non-wage income had been reported, but the source had not been identified by the division.

In reviewing a draft of this report, an official commented the division already obtains address and employment information from the Department of Revenue. That occurs when the division intercepts a non-custodial parent's state income tax refund. The division also obtains employment information from the State Directory of New Hires, which is sent in by employers to the Department of Revenue. The division disputes the claim that employment information obtained from tax returns is more current than that which is contained in its computerized system. We believe there may be many instances in which Department of Revenue information may be the only information that is available. Therefore, it is advisable to have that agency conduct income tax matches to help locate delinquent parents.

In a second test, we matched 502 cases to state vendor listings to ascertain whether any non-custodial parents in our samples had done business with the state or were state employees. We found 2 of 297 cases with past-due support of \$100,000 or more, had done business with the state in fiscal year 2002. One of 104 cases with past-due support had done business with the state in fiscal year 2002. However, an income withholding order was in place to collect unpaid support. Therefore, further enforcement action is not needed. None of the 101 cases where non-custodial parents could not be located were identified as doing business with the state as a vendor. None of the individuals included in the 502 cases were included on the state's payroll.

Additional funds available at the Department of Corrections

Department of Corrections personnel provide a monthly listing of offenders with inmate account balances to division personnel so they can collect current or past-due child support payments. However, we found corrections personnel had not provided information on approximately \$1 million which had been seized from over 5,000 offenders who had escaped from custody since 1995. We requested corrections personnel provide information on escaped offenders with seized funds of \$200 or more. We then had division personnel match those accounts with all child support cases. Of the 1,594 inmates with balances over \$200, 1,441 had valid social security numbers. Of the 1,441 offenders, 466 owed child support. Those 466 inmates had approximately \$254,000 in that account and the inmates owe approximately

\$241,000 available at Corrections
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¹⁰ This study population included paternity, establishment and enforcement cases.

\$241,000 in child support. The division director was not aware that corrections personnel were not providing all inmate account balances to the division each month and he stated he would take action to collect these funds.

Restrictive use of contractor limits collections

The division continues to allow non-custodial parents to owe the state \$688 million in welfare benefits paid to custodial parents because of past due child support. Our review of collection procedures disclosed only a small portion of that debt is being turned over to a contractor for further collection efforts. In addition, technicians did not refer all eligible cases for collection of welfare benefits to the contractor.

As of December 31, 2001, a quarterly report showed \$36.3 million in IV-D cases eligible to be referred to the contractor for collection. The report included 5,748 cases and averaged \$6,309 per case. For 936 of these cases, the amounts owed ranged from \$10,000 to \$25,000 and totaled approximately \$14 million, or 39 percent, of the total eligible for collection.

Division policy restricts the number of cases that can be referred to the contractor for further collection efforts. Cases transferred to the contractor must meet all of the following criteria:

Policy restricts cases referred

- A support order must exist.
- The custodial parents/dependent children are not receiving TANF benefits.
- The case cannot be an interstate case, a foster care case, or a case assigned to one of seven special functions prosecuting attorney offices.
- The IV-D, non-TANF services are not being provided, therefore the case is inactive.
- The non-custodial parent is not deceased, is not incarcerated, and is not receiving TANF or Supplemental Security Income.
- The case is open for collection of permanently-assigned arrearages only, and these arrearages equal or exceed \$500.
- A payment has not been received within the past six months (excluding federal and state income tax refund intercepts).
- The case has no active prosecuting attorney or staff attorney referral for enforcement action.
- The case has not been in the contractor's caseload in the last year.

The computerized system identifies cases meeting primary criteria for referral to the contractor and generates an "eligibility report" of cases identified. Because the computerized system cannot determine all possible criteria, a technician must review cases on the report and determine if all referral criteria is present.

According to a division official, the 5,748 cases reported on the December 2001 quarterly report represent the average number of cases typically appearing on the quarterly eligibility reports. However, for a 14-month period between January 2001 and February 2002, field technicians documented only submitting 688 IV-D cases to central office for referral to the contractor. We found the majority of these cases had been referred to the contractor for further collection efforts.

However, 37, or 5 percent, of the 688 cases had not been referred as of May 2002 to the contractor for further collection efforts. These cases represented approximately \$150,000 in welfare benefits owed to the state that the contractor could not take action to collect. The division official responsible for this area did not know why these cases had not been provided to the contractor, but stated he would notify the contractor regarding these cases.

As part of our test, we discussed referrals and use of the quarterly report with 26 field office managers and focus groups. We found 6 managers had not submitted any IV-D cases to central office for referral to the contractor for the 14-month test period. The managers offered various reasons for not submitting cases. For example, one office manager stated no cases had been referred to the contractor because the cases included on the quarterly report "were questionable" and could be worked in the office. Another manager of two offices said the report is reviewed and eligible cases are sent, but did not explain why they sent no cases. Our discussions with 18 focus group enforcement technicians disclosed 5 use the quarterly report little or very little. In addition, six technicians said they either did not receive the report, did not use it, or seldom use it.

Current procedures call for each field office to receive the quarterly report. This report lists IV-D cases identified by the computerized system as eligible for referral to the contractor for further collection. Division procedures require field office personnel to confirm referral eligibility of the cases in the report. If eligible, field personnel are to (1) electronically notify central office personnel of new referred cases, (2) complete a transfer form documenting the case file transfer, and (3) send the transfer form and case file to central office personnel for storage while the contractor works the case. Field staff responsibilities for a case end upon transfer of the electronic case record to the contractor and the physical case file to central office. Upon receiving the physical case file, division procedures require central office personnel to accept the electronic case record transfer, sign and return the transfer form to the field office, electronically transfer all eligible cases to the contractor, and store the physical case files. Central office personnel said they re-review eligible cases confirmed by field offices before sending them to the contractor to verify circumstances have not changed.¹¹

We also found controls over physical case files forwarded to central office are not adequate because division personnel had lost or misplaced case files that central office should have had on hand. For example, our review of a probability sample of 102 cases disclosed 11 percent, or 11 sample cases that should have been on hand at the central office could not be located. Based on our analysis, we estimate the number of cases that could not be located ranged from 671 to 2,243 cases, based on probability of 90 percent and a study population of 12,159 cases. The division official responsible for case files did not dispute the test results and stated, based on his experience, a rate of 11 percent is probably low.

Other states use commercial collection companies

Other states have used commercial collection companies to collect child support payments. For example, in fiscal years 2001 and 2002, Illinois contracted with 15

¹¹ Examples of changing circumstances causing ineligibility include the non-custodial parent receiving TANF benefits and the non-custodial parent being incarcerated.

commercial companies to collect current and past-due support. Missouri currently contracts with one of the 15 companies. We contacted this company to ascertain its success rate for collecting support payments.¹² A company representative provided documentation showing for state fiscal years 2001 and 2002 (through March), his company had the highest amount of collections among the 15 companies. Also, from May 2001 through March 2002, the company collected, on average, seven payments per month of \$1,000, or more. Total collections of \$1,000 payments, or more, during the 11 months totaled \$323,132, for an average of \$29,376 per month.¹³

The Illinois child support agency currently contracts with 13 vendors, in federal fiscal year 2003, to collect both current and past-due support and are paid based on collections made. Commissions on current support collected are paid by the state and all collections go to the family. The vendor can collect on both current and past-due support. Contractor performance determines the number of cases and debt amount a contractor is assigned to collect. As a result, when a contractor does not collect any payments on a case in the first six months, the case is given to a different contractor.

Kansas officials have contracted for most child support collection efforts. They have 21 contractors organized by geographic areas covering most of the state. Officials started privatization efforts seven years ago. The vendors collect both current and past-due support which, according to the Kansas official, allowed the state to cut staff. The state originally paid vendors a percentage of collections. On January 1, 2002, state officials changed the compensation to a flat rate, which is expected to save about \$2 million this year.

Nebraska's contractor handles 40 to 50 percent of the state's caseload, which includes collections and establishing paternity and support orders. The contractor collects current support and past-due support and is paid on a percentage of collections. The commission on current collections is paid from state funds. State personnel stated the contractor has made good use of technology. The contract, in place since 1992, has worked well and will continue, a Nebraska official said.

Both Arkansas and Iowa had contractors, but ended the contracts when problems occurred. Arkansas found fraud in its privatization program, according to state officials. Iowa's contractor only handled income withholding orders and medical support orders and Iowa officials decided centralizing those functions would be more cost-effective.

Performance of essential division services have not been ensured

The division has not ensured the timely establishment of paternity, securing of support orders and enforcement of medical support orders for health insurance. Establishing paternity and

¹² Missouri contracts with the vendor to collect only past-due support owed to the state. Illinois contracts with the vendor to collect current support owed to families as well as past-due support owed to custodial parents and the state.

¹³ Illinois tracks \$1,000 collections because the vendor receives a bonus, or incentive, when collections of lump sum payments of at least \$1,000 are made.

securing a support order must occur before custodial parents receive child support payments and most enforcement tools are useful.

Establishing paternity has not been ensured

Division data showed 48,673 IV-D cases requiring paternity determination had been open an average of 3.9 years as of August 2001. Our review of a probability sample of 104 cases disclosed technicians did not follow required guidelines, which delayed or halted the paternity establishment process for 39 percent, or 41 sampled cases.

Paternity cases remained open nearly 4 years

Based on our analysis, we estimate the number of cases where technicians did not follow required guidelines ranged from 15,272 to 23,330 cases, based on probability of 90 percent and a study population of 48,673. Errors included failure to (1) refer the uncooperative custodial parent for sanctions, (2) request additional information from the mother, (3) contact the alleged father when he was located, (4) offer voluntary establishment of paternity, and (5) order genetic testing after locating the alleged father or when he did not respond to initial contact.

Federal regulations mandate child support enforcement agencies adhere to strict timeframes in all cases needing support order establishment, including determining paternity.¹⁴ Within 90 days of locating the alleged or non-custodial parent, division personnel must:

- establish a support order, and, if necessary, paternity;
- complete service of process necessary to begin proceedings to establish a support order and, if necessary, paternity;¹⁵ or
- document unsuccessful attempts to serve process in accordance with the state's guidelines defining diligent efforts.

Discussions with paternity technicians responsible for the 41 sample cases where case management errors halted or significantly delayed paternity establishment, disclosed they (1) did not know why required actions were not taken on 16 cases, (2) did not follow division policy or lacked adequate training to act appropriately on 15 cases, and (3) noted time constraints and excessively high caseloads on 9 cases. In addition, the explanation given by a paternity technician, on another case, contradicted information recorded on the computerized system.

We found in 55 percent, or 11 of 20 sample cases, paternity technicians had not notified the Division of Family Services—the responsible division for determining Medicaid eligibility—when custodial parents had been uncooperative. Instead, three relied on electronically recording the information on the computer system shared with, and accessible by, Division of Family Services personnel, while eight failed to send notification. State and federal laws require a custodial parent who receives TANF or Medicaid-only benefits to cooperate in

¹⁴ 45 CFR 303.4(d) and 303.101(b)(2)(i).

¹⁵ Service of process is the delivery of legal documents notifying a party of an allegation and subsequent proposed legal action.

establishing paternity unless there is "good cause" not to cooperate.¹⁶ Division policy states when the custodial parent is uncooperative without good cause, sanctions by another agency may be appropriate and the paternity technician is required to mail notification to the Division of Family Services.

Orders of support have not been established on many cases

On September 30, 2001, the division reported approximately 57,289 IV-D cases, or 15 percent of 386,360 IV-D cases, did not have a support order established for one or more dependents. Our review of 60 cases disclosed division personnel had not established support orders for 17 of these cases, or 28 percent. Discussions with 17 technicians disclosed:

- Over half of the technicians contacted (9 of 17), did not know why a support order had not been established.
- Three technicians cited high caseloads did not allow time to establish the support orders. Establishment technicians contacted said they handled an average of 617 cases and spend nearly two hours per day taking phone calls from parents.
- Five provided various explanations such as one technician waited for a copy of an out-of-state order, which had been established in Kansas on June 15, 2001. The non-custodial parent had been located in April 2001, but personnel did not electronically record the Kansas order until March 4, 2002. Once recorded, enforcement and collection efforts could begin, but substantially later than the 90-day deadline. Another technician did not establish an order because the non-custodial parent's address had been shown as a homeless shelter.

Division technicians are required to establish a support order, or start the necessary proceedings, within 90 days of locating the non-custodial parent. Personnel should use the administrative procedures to the extent possible before referring a case to a prosecuting attorney.

Medical support orders for health insurance have not been enforced

Division records showed approximately 203,341 cases had a medical support order¹⁷ to provide health insurance, as of September 2001. Our review of a probability sample of 102 cases disclosed 88 percent, or 92 sample case had not had health insurance coverage established. Based on our analysis, we estimate the number of cases without health insurance coverage established ranged from 166,003 to 189,247 cases, based on probability of 90 percent and a study population of 203,341. Our review of that sample also disclosed 25 percent, or 25 sample cases where technicians failed to follow division policy in obtaining health insurance for dependents. Based on our analysis, we estimate the number of cases in the study population of 203,341 where technicians failed to follow that policy, ranged from 35,890 to 66,119 cases, based on probability of 90 percent.

¹⁶ Some examples of good cause include: the threat of physical or emotional harm to the child or custodial parent, adoption proceedings are underway, or the applicant is a documented domestic violence victim.

¹⁷ Medical support orders are established to provide a means of paying medical care or health insurance.

Technicians failed to (1) verify insurance availability with the obligated party's employer, (2) send the employer the health insurance questionnaire and enrollment order, or (3) ensure dependants were insured by recording insurance information on the computerized system. Discussions with enforcement technicians disclosed:

- On 12 cases technicians did not follow division policy or lacked adequate training in appropriate actions.
- On five cases, technicians did not know why the proper action did not occur.
- For five cases, either the technician did not record case action and insurance information on the computerized system, or explanations contradicted computerized information.
- For three cases, technicians cited excessive caseloads which left no time to perform all required actions.

During our review of the 102 sample cases, the computerized system showed 64 cases of an employed non-custodial parent. However, the system listed multiple active employers for 14 of these cases; including one case showing five current employers. Unless division personnel verify current employment and update the records after a job change, there is no assurance listed employers are correct, health insurance is available, or still in force when records show it had been provided.

Federal and state laws¹⁸ require the division to enforce the health insurance coverage required by the support order and provide insurance information to the custodial parent and the Medicaid agency. Once a medical support order is established, if the obligor does not provide proof of insurance coverage, division policy requires the technician confirm availability of health insurance coverage with the employer.

Without medical insurance, custodial parents and children often turn to the state for Medicaid assistance. For example, children were receiving Medicaid benefits in 62 percent, or 63 of 102 sampled cases. Based on our analysis, we estimate the number of cases where children were receiving these benefits ranges from 108,134 to 141,985, based on probability of 90 percent and a study population of 203,341 cases having an order to provide health insurance. For the remaining 38 percent of the study population, children had not received Medicaid benefits.

Further analysis of sampled cases, disclosed 12 percent, or 12 sampled cases, where children were enrolled in health insurance provided by a parent. However, children in 8 of these cases with insurance also received Medicaid benefits. When children receiving Medicaid are provided health insurance, policy requires technicians to mail notification to the Division of Medical Services (medical services). However, technicians did not always mail notification to medical services personnel that dependents had insurance coverage (3 of 8 cases).

¹⁸ 45 CFR Part 303 and Chapter 454, RSMo 2000.

Not all support orders include medical support

Division records showed approximately 55,000 child support orders do not include a medical support order, as of June 2002.¹⁹ As a result, the non-custodial parents of at least 55,000 children in these IV-D cases had not been required to provide any medical support. Because federal regulations do not require it, the division's policy is to modify orders to add medical support only upon request by a party to the order, unless the technician knows employer-related health insurance is available.

Caseloads, interruptions, training and turnover hamper effective case management

Discussions with six focus groups, made up of supervisors and technicians in St. Louis, Rolla, and Kansas City, disclosed the following impediments to effective case management.

Technicians experience heavy caseloads

Focus group discussions with technicians and supervisors disclosed heavy caseloads limit the time technicians spend on individual cases. These technicians worked for the division for 6 years, on average, and managed an average of 654 cases. Division data confirmed technicians have high caseloads. For example, in September 2000, division data showed technicians managed 633 cases on average. One year later, as of September 2001, the average caseload increased 5 percent to 664 cases.

Average caseload exceeds 600 cases

This average caseload exceeds the 300 to 400 caseload size recommended in a September 2000 contracted study presented by a division advisory committee. The Department of Social Services (department) contracted²⁰ this study, in part, to develop caseload standards for the department based on the actual employee duties in each program area, consistent with existing professional caseload standards. The contractor observed caseload activities for about 10 percent of division technicians at various child support field offices and reviewed ways to improve operations. As part of its analysis, the contractor cited a study done in Virginia,²¹ which concluded lower caseloads resulted in higher collection rates and reduced collection costs. The contractor also suggested the division explore ways to satisfy customer inquiries relative to case status through less expensive or labor-intensive methods; considering if increased staffing would raise collections and better serve clients.

In response to the committee's recommendations, division officials said they decided to hire additional personnel to reduce technician caseloads. Because of the cost involved, officials decided to spread the increase over a four-year period and requested an additional \$4.4 million for fiscal year 2002. The additional funding would cover 120

¹⁹ This issue applies to judicial or out of state orders only. All administratively established orders of support include medical support provisions.

²⁰ The director of the Department of Social Services engaged the National Comprehensive Service Corporation to study ways to reduce caseloads and increase efficiency at several divisions within the department.

²¹ "Virginia Staffing Demonstration Summary Report", dated August 2000.

more personnel, or 25 percent of the additional employees needed to reduce caseloads to about 400 cases. The governor did not approve the budget request, according to division personnel, and officials plan to resubmit the budget request for fiscal year 2003.

Interruptions adversely affects productivity

Focus group discussions disclosed technicians experience constant work day interruptions. For example, technicians stated, for about two hours a day, they must take phone calls from custodial parents usually complaining about not receiving child support payments or inquiring about case status. Technicians and supervisors said the high volume of phone calls adversely affects productivity. Technicians also stated clients sometimes call Jefferson City customer service representatives to resolve concerns. However, rather than trying to resolve the problem, Jefferson City personnel refer calls to the technician for resolution. These technicians believe customer service representatives in Jefferson City should handle these calls, because it takes time away from case management duties. Technicians also said spending up to an hour a day, at times, responding to client mail about case activity decreases case management time.

The September 2000 study also addressed work hours available to technicians and time spent on customer service. The contractor analyzed time available to work cases for about 10 percent of division technicians, after factoring out time spent in training and performing administrative activities. Based on a 40-hour week and 20 working days per month, the contractor determined technicians spent approximately 1.75 hours, or 22 percent, of the work day on administrative duties and training, which left about 6.25 hours, or about 78 percent of their time, to work cases. The contractor also made efficiency and effectiveness observations and determined customer service consumed a portion of the workday. For example, the contractor found enforcement technicians spent an average of about one hour on customer service each day. This calculation plus administrative duties, left 5 work hours for case management duties.

Technicians believe improvements in training are needed

Focus group discussions disclosed inadequate and untimely training for technicians. For example, technicians and supervisors stated they had to wait three to six months to receive initial training. By the time they went to case management training, they had already received on-the-job training from field office staff. Other technicians called the training "unrealistic" because it provided only "ideal" situations to work through. In addition, a newly promoted supervisor stated she had not been trained to provide training and another supervisor stated some technicians do not receive training for six to seven months. Although she is an experienced supervisor, "they" should tell her she is expected to train new technicians. Additional comments included:

- Training does not address how to work a case, only how to enforce an order.
- There needs to be quicker training for new employees with more "hands-on" help.
- There needs to be training videos to provide new hires more timely training.
- Poor training adversely affects work performance.

- Supervisors do not share training received.
- New personnel learn quickly they cannot go to the supervisor for answers.
- Field offices need in-house training.

Training unit personnel acknowledged the division's training program has not met technician needs and the division lacks a method to test training effectiveness. For example, technicians only received limited training on the complex computerized system technicians use. Staff must also receive support for training from local offices. Training personnel stated the training unit is currently improving the training program. Training unit personnel also stated because trainee evaluations have lacked quality feedback on training effectiveness, they are developing another evaluation to better track training impact. The division director acknowledged training has not been considered a priority for several years due to a shortage of resources and personnel within the division. The director also partly blamed inadequate training for the current enforcement and collection problems. He also stated program managers and some office managers have been reluctant to accept changes regarding training and other issues.

Reducing caseloads at one location and using a commercial company has improved collections

The Hillsboro office manager stated reducing caseloads and providing personal computers to technicians has had positive results. Total collections and the percentage of paying cases has steadily improved, and employee morale is high, according to the manager. Division records for this office show a 3.2 percentage increase of paying cases from fiscal years 1999 to 2000 compared to the statewide increase of 3.4 percent. Hillsboro nearly doubled to 6.2 percent from fiscal years 2000 to 2001, while the state decreased to 2.7 percent. This office's focus group participants said they reduced caseload sizes by placing special emphasis on 'cleaning up' cases. For example, they set time aside each day to work on updating cases, correcting unpaid support owed by non-custodial parents and closing cases when needed. Office personnel said management supported team efforts, which started in 1997 and substantially completed in 2000. All employees at this office have personal computers, which the manager said contributed to increased efficiency in working cases.

The division's contractor collected \$4.9 million in fiscal year 2001 and \$6.2 million in fiscal year 2002. These collections represent welfare benefits owed to the state on IV-D cases and do not include past-due support owed to custodial parents, which the contractor is not allowed to collect under the current contract. Between May 2001 and March 2002, the contractor collected 323 payments of \$1,000 or more, resulting in nearly \$1 million of collections. Contractor personnel stated, with few exceptions, they are bound by the same laws and regulations as the division. The contractor uses a variety of enforcement techniques including income withholding, license suspension, bank liens, credit bureau reporting and garnishments. For example, contractor officials said the threat of license suspension motivates many non-custodial parents to start paying. As a result, the contractor has suspended only 728 drivers' licenses since contracting with the state in 1998. Contractor personnel said they could also successfully handle all of the division's child support collection efforts, especially since the company is already organized to collect child support in another state.

Division officials have considered expanding the role of the division's contractor in collecting child support payments, according to a division official. For example, in a November 2001 memorandum, division officials recommended continued use of the contractor to collect welfare benefits owed to the state. The memorandum also recommended the division consider contracting out the collection of current child support payments. They recommended contracting out collection efforts for Jackson County, St. Louis County, and St. Louis City. As of September 30, 2002, contract negotiations were underway to negotiate a new contract to continue the contractor efforts to collect welfare benefits owed to the state. Once this contract is awarded, officials will consider the feasibility of contracting for the collection of current support for the metropolitan areas, according to the division official.

Conclusions

While over \$1 billion in child support has not been collected since 1996, a total of over \$2 billion is currently owed to custodial parents and the state and will likely increase unless division officials take more aggressive action to collect child support payments. Officials implemented an updated computerized system to aid technicians in case management in 1998, but most enforcement actions have not resulted in collections above the national average. Harsher actions, such as license suspensions have been used sparingly, but the limited use has produced payment agreements and resulted in collections. Also, officials have not performed some data matches with other agencies to help locate non-custodial parents and start collection processes.

Approximately \$688 million of the \$2 billion represents welfare assistance provided to custodial parents and owed to the state. If collected, \$236 million would be available to the state. Division officials' use of a commercial collection company to collect welfare payments owed to the state has been successful. However, restrictive criteria only allows the contractor to collect on a small percentage of those cases. In addition, when cases are eligible for contractor referral, officials have not ensured all eligible cases are referred. Also, case files containing confidential personal information, some of which have been lost or misplaced, no longer need to be forwarded to central office while the contractor works on referred cases.

Failure to ensure paternity is established and support orders are secured in a timely manner, and health insurance has been obtained, has burdened custodial parents and children relying on the state to collect child support. Heavy caseloads, inadequate training, disregard of division policy, and constant interruptions are factors adversely affecting the division staff's ability to collect child support payments and accomplish other critical tasks. Officials' attempts to increase staffing to reduce caseloads will most likely continue to fail given current state budget problems.

Reducing technician caseloads at one field office has improved collections and increased employee morale. Although use of a commercial contractor has resulted in collection of welfare benefits owed to the state, division officials have not considered referring all cases to the contractor where welfare benefits are owed to the state. In addition, officials have not formally considered referring cases with current support due. Contracting out may be a more viable solution to long-term division inefficiencies or the dim prospect of obtaining more state funds during tight budget times.

Recommendations

We recommend the Director of the Department of Social Services require division officials:

1. Use more effective penalties such as license suspensions to increase collections.
2. Perform data matches, as necessary, with all available databases to help locate delinquent parents
3. Institute procedures to ensure all eligible cases are referred to the contractor for collection.
4. Eliminate unnecessary movement of case files. When movement is necessary, ensure accountability by requiring all personnel to follow established procedures.
5. Create procedures to ensure timely establishment of paternity and support orders.
6. Ensure medical support orders are obtained for all children, existing orders are enforced, and employment and insurance verified on cases with multiple employers.
7. Evaluate and establish "best practice" alternatives to reduce caseloads and increase productive work time on cases.
8. Enhance the effectiveness and timeliness of training.
9. Perform a cost-benefit analysis on contracting out the collection of some or all current child support payments.
10. Revise guidelines to refer all past due support (i.e. arrears) to the contractor for collection.

Department of Social Services Comments

The Director of the Department of Social Services documented her comments in a letter dated October 30, 2002, which is reprinted without enclosures in Appendix VI, page 31. The enclosed attachments are available from our office upon request.

OBJECTIVE, SCOPE AND METHODOLOGY

This appendix describes our methodology to address the reporting objective.

Objective

Our objective was to determine whether Division of Child Support Enforcement (the division) officials provided effective management and oversight of division activities. Specific objectives included determining whether program officials have ensured (1) collection of child support payments owed to IV-D custodial parents and welfare benefits owed to the state, (2) establishment of paternity and orders of support for dependent children, (3) enforcement of medical support orders for dependent children, and (4) barriers to effective case management have been removed.

Scope and Methodology

To determine factors adversely affecting division efforts to collect current child support payments owed to IV-D custodial parents, as well as past due support, or arrears, we conducted tests to determine (1) the extent selected enforcement actions had been used, (2) whether license suspension had been aggressively pursued, (3) whether we could locate non-custodial parents that the division could not locate, (4) whether any non-custodial parents in our sample matches were vendors that had done business with the state or were state employees, (5) whether additional funds were available at the Department of Corrections, and (6) whether procedures for referral of cases to the contractor were effective.

To determine whether adequate enforcement actions had been taken, we tested a probability sample of support orders having past due support. See Appendix V, page 27, for information on sample results. We also judgmentally selected an additional five cases to ensure our review included some cases with high dollar arrears. Arrears on these five cases ranged from \$101,000 to \$143,000 and averaged \$117,000. The results of these five cases cannot be generalized to the population of cases with arrears. We also reviewed division policy and procedures for enforcement of child support and applicable state and federal laws.

Next, we provided the Department of Economic Development with 415 cases with past due support—297 cases with arrears exceeding \$100,000, 17 cases eligible for license suspension from a sample of 104 cases with arrears, and 101 sample cases where division personnel could not locate the address or employer of the non-custodial parent. We also provided the 17 sample cases eligible for license suspension to the Department of Conservation for possible matches to hunting and fishing licenses and to the Department of Revenue for possible matches to drivers' licenses.

We also conducted data matches with other state agencies to try to locate non-custodial parents. We matched the 101 sample cases with state tax records in an attempt to locate these non-custodial parents or their employer. See Appendix V, page 27, for information on sample

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results. We also matched 502 cases—297 cases with arrears exceeding \$100,000, 104 sample cases eligible for license suspension, and 101 sample cases where division personnel could not locate the address or employer of the non-custodial parent with past due support—to records of vendors that had done business with the state and to state employee records.

We also requested Department of Corrections personnel provide information on inmate accounts seized from offenders that had escaped or absconded from supervision since 1995. We then had division personnel match those inmate accounts with balances over \$200 to division records.

To determine the effectiveness of procedures used to refer cases to the contractor for further collections of welfare benefits owed to the state, we reviewed 688 cases where 15 field offices had documented cases transferred. We also contacted 26 field office managers to determine procedures followed in referring cases to the contractor.

To determine whether adequate controls exist for physical case files forwarded to the central office, we contacted managers at the 26 field office locations to determine whether personnel were properly documenting the transfer of physical case files. We also sampled case files sent to central office to determine whether case files had been lost or misplaced. See Appendix V, page 27, for information on sampling results.

To determine the extent of the division's use of commercial collection companies to collect child support, we contacted five surrounding states (Arkansas, Kansas, Illinois, Iowa, and Nebraska).

To determine what factors adversely affected establishing paternity, orders of support for dependent children, and enforcement of medical orders, we used three methodologies. First, we sampled cases where paternity had not been established to determine why paternity had not been established. Second, we reviewed 60 cases from a study population of 57,289 IV-D cases where orders of support had not been established. The 60 cases reviewed were selected from an automated file of cases where an order of support had not been established for one or more dependents on the case. The results of this sample cannot be generalized to the population. Third, we sampled cases that had been identified by the division's automated systems having an order for medical support. See Appendix V, page 27, for information on sample results. We also reviewed applicable policies and procedures for these areas

To determine whether division personnel were hampered in their efforts to carry out effective case management, we conducted focus sessions in November 2001, with groups of technicians and supervisors in St. Louis, Kansas City, and Rolla. A total of 43 individuals attended these sessions. Topics such as caseloads, utilization of reports, interruptions during the workday, and adequacy of training were discussed.

We met with personnel at the Hillsboro field office to discuss how employees overcame obstacles to effective case management. We also contacted the division's contractor to determine contractor collections and manual enforcement actions taken.

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We performed work at the Division of Child Support Enforcement central office in Jefferson City and field offices in St. Louis, Kansas City, Rolla, and Hillsboro. We interviewed cognizant officials and personnel, and reviewed reports as well as other program documentation. We also conducted work at the Family Support Payment Center that collects and disburses child support payments to custodial parents, and at the contractor's facility. The contractor is responsible for collecting assigned support owed to the state.

We discussed sampling methodology with the director of the Division of Child Support Enforcement and he concurred with sampling approaches used. We did not assess the reliability of the division's data recorded on the computerized system.

We obtained written comments from the Director of the Department of Social Services and included the comments in Appendix VI. We conducted our work between July 2001 and June 2002.

CHILD SUPPORT PAYMENTS OWED AND DISTRIBUTED

This appendix depicts current and past due (arrear) child support owed to custodial parents and amounts distributed for the federal fiscal years indicated. Table II.1 differs from Table 1.1, page 5, which shows total child support owed and collected. Division personnel may not be able to distribute collections if a custodial parent cannot be located. Table II.1 shows the annual amount of current child support that is owed and has been distributed to custodial parents ranges from 43 percent to 56 percent. As a result, over \$1 billion of current child support has not been collected since 1996.

Table II.1: Child Support Payments Owed and Distributed (dollars in millions)

Federal Fiscal Year	Type of Support	Amount Owed	Amount¹ Distributed	Percent Distributed
1996	Current Support	\$ 318	\$ 176	55
	Arrears	<u>1,124</u>	<u>51</u>	5
	Totals	1,442	227	16
1997	Current Support	357	198	56
	Arrears	<u>1,246</u>	<u>57</u>	5
	Totals	1,603	255	16
1998 ²				
1999	Current Support	533	230	43
	Arrears	<u>1,800</u>	<u>91</u>	5
	Totals	2,333	321	14
2000	Current Support	534	255	48
	Arrears	<u>1,876</u>	<u>122</u>	7
	Totals	2,410	377	16
2001	Current Support	564	278	49
	Arrears	<u>1,801</u>	<u>132</u>	7
	Totals	2,365	410	17

¹ Does not include payments collected and on hold. As of September 30, 2001, department personnel had \$9.4 million on hold.

² Conversion to the new computerized system took place in 1998 and according to department personnel, data for that year is not reliable.

Source: Office of Child Support Enforcement federal forms 157 and 158.

ENFORCEMENT ACTIONS AVAILABLE VIA AUTOMATED SYSTEM

This appendix lists the enforcement actions available to division personnel working cases.

Table III.1: Remedies Available, Thresholds, and Type of Action

Remedy Description	Effective Year	Thresholds	Automatic/Manual
Federal Tax Intercept Aid Families Dependent Children	1996	\$150	Automatic
Federal Tax Intercept Non Aid Families Dependent Children	1996	\$500	Automatic
Consumer Reporting Agency	1996	\$1,000	Automatic
Order to Enroll Insurance/Administrative Order	1996	\$0	Automatic
Immediate Income Withhold/Administrative Order	1996	1 month delinquent	Automatic
Missouri State Tax Intercept	1996	\$25	Automatic
Administrative Lien Financial Institution	2000	\$500	Auto/Manual
Administrative Income Withholding Order - for Arrears Only	1996	\$150/1 month delinquent	Auto/Manual
Income Withholding/Administrative Order	1996	1 month delinquent	Auto/Manual
Civil Contempt ¹	1996	1 month delinquent	Manual
Criminal Non-Support Felony ¹	1996	1 month delinquent	Manual
Criminal Non-Support Misdemeanor ¹	1996	1 month delinquent	Manual
Lien on Decedent's Estate - Administrative Order	1996	\$100	Manual
Lien on Decedent's Estate - Judicial Order	1996	\$100	Manual
Administrative Order on Judicial Order	1996	1 month delinquent	Manual
Fraudulent Conveyance ¹	1996	1 month delinquent	Manual
Garnishment ¹	1996	1 month delinquent	Manual
Immediate Income Withholding/Judicial Order	1996	\$0	Manual
Uniform Interstate Family Support Act/Direct Immediate			
Income Withholding - Out of State Source	1997	1 month delinquent	Manual
Internal Revenue Service Full Collection	1996	\$750	Manual
Judicial Income Withholding Order - Arrears Only	1996	\$150	Manual
Income Withholding/Judicial Order	1996	1 month delinquent	Manual
Uniform Interstate Family Support Act/Direct Income			
Withholding Order - Out of State Source	1997	1 month delinquent	Manual
Administrative Income Withhold Order - Non-Employer ²	1996	\$25	N/A
Judicial Income Withhold Order – Non-Employer	1996	1 month delinquent	Manual
Levy and Execution (Judicial) ¹	1996	1 month delinquent	Manual
Lien on Lawsuit/Administrative Order	1996	\$100	Manual
Lien on Lawsuit/Judicial Order	1996	\$100	Manual
Delinquency Notice/Circuit Clerk	1996	1 month delinquent	Manual
Order to Enroll Insurance/Judicial Order	1996	\$0	Manual
Personal Property Lien/Administrative Order	1996	\$1,000	Manual
Personal Property Lien/Judicial Order	1996	\$1,000	Manual
Out of State Personal Property Lien/Administrative Order	2001	\$1,000	Manual
Registration of Foreign Order	1997	\$0	Manual
Registration of Foreign Order	1996	\$0	Manual
Real Property Lien/Administrative Order	1996	\$500	Manual
Real Property Lien/Judicial Order	1996	\$500	Manual
Out of State Real Property Lien/Administrative Order	2001	\$500	Manual
Income Withholding Order - Unemployment Compensation			
Benefits	1996	\$1	Manual
Income Withholding Order - Unemployment Compensation			
Benefit-Arrears Only	1997	\$1	Manual
U. S. Attorney Office Referral	1996	\$5,000	Manual
Voluntary Income Assignment/Administrative Order	1996	\$0	Manual
Voluntary Income Assignment/Judicial Order	1996	\$0	Manual
Worker's Compensation Lien	1996	\$100	Manual

¹ Requires referral to prosecuting or staff attorney for enforcement and no minimum arrears threshold.

² Not active at this time.

Source: Prepared by SAO based on Missouri Automated Child Support System information.

OTHER ENFORCEMENT ACTIONS

This appendix shows enforcement actions available to division personnel that are not displayed on the computerized system as an enforcement available remedy along with the enforcement actions shown on Appendix III. Table IV.1 displays the enforcement remedies, application, and thresholds for other enforcement actions.

Table IV.1: Other Enforcement Actions Taken by Division Personnel

Action	Manual or Automatic	Criteria
Suspension of driver's license	Manual	Lesser of \$2,500 or 3 months delinquency or failure to comply with subpoena
Suspension of recreational licenses	Manual	Lesser of \$2,500 or 3 months delinquency
Suspension of professional and occupational licenses ¹	Manual	Lesser of \$2,500 or 3 months delinquency
Referral to prosecuting attorney	Manual	All enforcement tools exhausted, employer does not honor income withholding order or 3 months delinquency
Referral to staff attorney	Manual	Non-custodial parent files bankruptcy
Interstate referrals	Manual	Non-custodial parent or custodial parent resides in another state.
Administrative offsets ²	Automatic	Various
Lottery intercepts	Automatic	\$50
Denial of passport	Automatic	\$5,000

¹ Division personnel do not have legal authority to suspend these licenses, therefore these cases must be referred to the local prosecuting attorney.

² Federal retirement intercepts, vendor payment intercepts and other miscellaneous payment intercepts.

Source: Prepared by SAO based on division policy and procedures manuals.

SAMPLE METHODOLOGY AND RESULTS

This appendix describes how we identified study populations and our sampling methodologies for five probability samples.

Audit Universe for Unpaid Support Orders

To measure the number of support orders where the division did not take available enforcement action to collect unpaid support, we reviewed a probability sample of 104 cases from a study population of 260,256 support orders, provided by the division, with unpaid support on March 19, 2002. We based sample size on a 90 percent confidence level with a 7 percent precision and an expected error rate of 25 percent. We also measured the number of support orders meeting the criteria for license suspension.

Based on the results of the sample, we estimate for 43 percent of the study population, or 112,611 support orders, available enforcement action had not been taken to collect unpaid support. Table V.1 displays sample results.

Table V.1: Available Enforcement Actions Not Taken

Category	Result
Sample size	104
Cases without enforcement action	45
Point estimate error rate	43.3%
Point estimate quantity	112,611
Upper limit error rate	51.8%
Upper limit quantity	134,830
Lower limit error rate	35.0%
Lower limit quantity	91,156

We estimate 16 percent of the study population, or 42,542 support orders, met the criteria for license suspension. Table V.2 displays sample results.

Table V.2: Cases Meeting Criteria for License Suspension

Category	Result
Sample size	104
Cases meeting criteria for license suspension	17
Point estimate error rate	16.3%
Point estimate quantity	42,542
Upper limit error rate	23.5%
Upper limit quantity	61,168
Lower limit error rate	10.7%
Lower limit quantity	27,827

Audit Universe for Match with State Tax Records

To measure the number of these absent parents filing state income tax returns in 2000 and/or 2001 showing Missouri addresses and reporting income, we reviewed a probability sample of 101 cases from a study population of 176,279 cases where the division could not locate the address or employment, or both, of absent parents as of June 2002. We based the sample size on a 90 percent confidence level with a 7 percent precision and an expected error rate of 25 percent.

Based on the results of the sample, we estimate 15 percent of the study population, or 26,180 absent parents, filed state income tax returns in 2000 and/or 2001 showing Missouri addresses and reporting income that the division had not identified. Table V.3 displays sample results.

Table V.3: Absent Parents Filing State Tax Returns

Category	Result
Sample size	101
Absent parents filing state tax returns	15
Point estimate error rate	14.8%
Point estimate quantity	26,180
Upper limit error rate	21.9%
Upper limit quantity	38,679
Lower limit error rate	9.4%
Lower limit quantity	16,542

Audit Universe for Central Office Case Files

To measure the number of case files that are missing, lost or cannot be located, we reviewed a probability sample of 102 cases from a study population of 12,159 cases in the contractor's caseload for March 2002. We based sample size on a 95 percent confidence level with a 5 percent precision and an expected error rate of 5 percent.

Based on the results of the sample, we estimate 11 percent of the study population, or 1,311 case files are missing, lost or cannot be located. Table V.4 displays sample results.

Table V.4: Missing or Lost Case Files

Category	Result
Sample size	102
Missing or lost case files	11
Point estimate error rate	10.8%
Point estimate quantity	1,311
Upper limit error rate	18.4%
Upper limit quantity	2,243
Lower limit error rate	5.5%
Lower limit quantity	671

Paternity Cases Audit Universe

To determine if the division followed established policy on cases requiring paternity determination, we reviewed a probability sample of 104 cases from a study population of 48,673 cases where paternity had not been established for one or more dependents as of August, 2001. We based sample size on a 90 percent confidence level with a 7 percent precision and an expected error rate of 25 percent.

Based on the results of the sample, we estimate for 39 percent of the study population, or 19,188 cases, technicians failed to follow required guidelines to establish paternity. Table V.5 displays sample results.

Table V.5: Cases with Errors in Case Management

Category	Result
Sample size	104
Cases with errors in case management	41
Point estimate error rate	39.4%
Point estimate quantity	19,188
Upper limit error rate	47.9%
Upper limit quantity	23,330
Lower limit error rate	31.4%
Lower limit quantity	15,272

Medical Support Audit Universe

To measure the number of cases where health insurance had been provided, we reviewed a probability sample of 102 cases from a study population of 203,341 cases that had an order to provide health insurance, as of September, 2001. We based sample size on a 90 percent confidence level with a 7 percent precision and an expected error rate of 25 percent. We also measured how many of these cases were receiving Medicaid benefits.

Based on the results of the sample, we estimate for 88 percent of the study population, or 179,419 cases, health insurance had not been provided. Table V.6 displays sample results.

Table V.6: Cases without Health Insurance

Category	Result
Sample size	102
Cases without health insurance	90
Point estimate error rate	88.2%
Point estimate quantity	179,419
Upper limit error rate	93.1%
Upper limit quantity	189,247
Lower limit error rate	81.6%
Lower limit quantity	166,003

APPENDIX V

We estimate for 25 percent of the study population, or 49,838 cases, technicians failed to follow division policy in obtaining health insurance for dependents. Table V.7 displays sample results.

Table V.7: Cases with Errors in Case Management

Category	Result
Sample size	102
Cases with errors in case management	25
Point estimate error rate	25.0%
Point estimate quantity	49,838
Upper limit error rate	32.5%
Upper limit quantity	66,119
Lower limit error rate	17.7%
Lower limit quantity	35,890

We estimate 62 percent of the study population, or 125,593 cases are receiving Medicaid benefits. Table V.8 displays sample results.

Table V.8: Cases Receiving Medicaid Benefits

Category	Result
Sample size	102
Cases receiving Medicaid benefits	63
Point estimate error rate	61.8%
Point estimate quantity	125,133
Upper limit error rate	69.8%
Upper limit quantity	141,985
Lower limit error rate	53.2%
Lower limit quantity	108,134

We estimate 38 percent of the study population, or 77,748 cases are not receiving Medicaid benefits. Table V.9 displays sample results.

Table V.9: Cases Not Receiving Medicaid Benefits

Category	Result
Sample size	102
Cases not receiving Medicaid benefits	39
Point estimate error rate	38.2%
Point estimate quantity	77,748
Upper limit error rate	46.8%
Upper limit quantity	95,207
Lower limit error rate	30.2%
Lower limit quantity	61,356

COMMENTS FROM THE DEPARTMENT OF SOCIAL SERVICES



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October 30, 2002

The Honorable Claire C. McCaskill
Missouri State Auditor
224 State Capitol
Jefferson City, MO 65101

Dear Ms. McCaskill,

I am writing to respond to your "Division of Child Support Enforcement Management and Oversight of Child Support Enforcement Actions" draft report dated October 16, 2002. I appreciate your and your staff's efforts in producing the report. The Division of Child Support Enforcement (DCSE) will use the report as a tool to help it continuously improve the delivery of services that ensure children's financial needs are supported by both of their parents.

DCSE experienced significant changes over the last six years, coinciding with the time period for which data was presented in your report. These changes resulted from two critical pieces of federal legislation —The Family Support Act and the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA).

The Family Support Act required DCSE to establish an automated case management and payment processing system. Developing and implementing the Missouri Automated Child Support System (MACSS) was a major undertaking and completely shifted how DCSE and its partners do business. DCSE transitioned from separate automated systems maintained by circuit clerks, prosecuting attorneys and all DCSE offices to one single, statewide-automated system shared by these partners. DCSE received federal certification of MACSS in October 1998. Today, the automated system manages program and financial information for Missouri's 386,000 IV-D child support cases, including the collection and disbursement of over \$400 million annually to support children receiving IV-D services.

The complexity of MACCS implementation was compounded with the passage of PRWORA, commonly known as welfare reform. This legislation contained comprehensive child support enforcement provisions, including a requirement that states distribute child support collections with a 'family first' approach. The significant benefit is that families who formerly received public assistance now receive their child support money sooner and generally before the state receives any money it is due. Specifically, the law requires those families no longer receiving assistance to have priority in the distribution of child support arrears. In state fiscal year (SFY) 01, 58% of Missouri's child

10/30/02

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services provided on a nondiscriminatory basis

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support cases were for families currently or previously on cash public assistance. Paying families first and the state last directly benefits children and helps relieve the custodial parent's financial burdens. In Missouri, 88% of child support collected is distributed to families while 12% of collections are retained by the state. Nationally, 87% is distributed to families while 13% is retained.

While this is the right approach, national and state trends demonstrate a negative financial impact on state government as a result of federal distribution rules mandated by PRWORA and the reduction in the number of families on Temporary Assistance to Needy Families (TANF), a phenomenon also resulting from PRWORA. Historically, the collection of child support assigned to the government for families on cash public assistance provided revenues for state IV-D programs to be self-sufficient. While Missouri continues to set new records for total IV-D collections each year, the volume of retained collections has dropped significantly due to the success of welfare reform. Missouri's TANF-based collections peaked in SFY 96 at \$71.6 million, but by SFY 02, the TANF-based collections had fallen to the SFY 92 level (\$50.0 million). No longer able to remain self-funding, DCSE has competed with all other state government entities for General Revenue funds. DCSE continues to seek additional efficiencies to optimize this situation.

Among other PRWORA requirements, the law established a federal case registry and national directory of new hires to track delinquent parents across state lines. States were also required to establish a centralized collection and disbursement unit, referred to as SDU. Establishing such a unit meant that all collections and disbursements previously managed by circuit clerks, including IV-D and non IV-D collections, would be managed by DCSE.

In August 2002, Missouri received praise from an audit supervisor at the federal Office of Child Support Enforcement. He stated, " We found that the SDU properly handled collections received, accounted for those collections, and disbursed the checks to the proper payee. We also determined that collection information at the SDU was integrated with the State's automated child support system (MACSS) to facilitate distribution. Safeguards were in place to address situations such as unidentified collections, improper payments, and uncashed checks. Based on our review, we believe that Missouri's SDU has implemented the appropriate procedures and internal controls to provide reasonable assurance that all collections are properly safeguarded, accounted for and disbursed. We noted no material weakness at this time." In addition, the United States Department of Health and Human Services recently granted full system certification to DCSE for meeting all of the new child support requirements. DCSE was the ninth child support program in the country to achieve full federal certification.

In addition to the acclaim received for advancement in these facets of the program, DCSE recently won the Governor's award for Quality and Productivity; and was nominated for the prestigious Missouri Team Quality Award, administered by the Excellence in Missouri Foundation. DCSE was recognized for reducing dollars collected and not yet distributed to recipients due to an incorrect address, other case or system problem by 58% within six months.

Having analyzed the significance of the federal legislation in terms of how child support services would be delivered and how the organization would transform its operations, DCSE defined implementation of MACSS and PRWORA changes, as its foremost priority for several years. It was the agency's decision to steadfastly focus on retooling the organization, understanding that the long-term benefits would outweigh the short-term consequences. We were pleased that despite these challenges, several critical performance measures continued to improve. In SFY 02, DCSE collected \$446.6

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million for families receiving IV-D services. It has increased collections 42% between federal fiscal year (FFY) 95 and 00. The average collection per technician increased 45% between SFY 95 and 00.

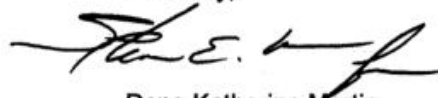
One of the consequences that occurred during the height of implementation of the federal mandated changes was a dip in some of the division's performance data as highlighted in your report. Having successfully completed the conversion to MACSS, established the Family Support Payment Center and received full federal certifications, DCSE is well equipped to move forward. Over the last year, many of its performance measures have turned the curve and are headed in the right direction again. In fact, Missouri trends are similar to national trends in most categories because all states were struggling to implement federal requirements during the same time period. For example:

- Both Missouri and national data demonstrate a 42% collection rate for child support cases in FFY 00.
- Missouri increased the number of cases with child support orders by 13% while the national increase was 9% from FFY 1993 to 2000. In FFY 00, 74% of DCSE's cases had an order for support; the national average for that year was 62%. Missouri ranks 19 out of 54 states and territories in this category.
- In FFY 01 Missouri collected 20% of the total support due while the national average was 17% for the same period.

The enclosed charts illustrate the trend in DCSE's performance. These are measures the agency focuses on to monitor its program. As you can see, DCSE's performance is equal to national performance in several areas, surpassing the national average in a few and below in a couple. The department draws the conclusion that DCSE is better prepared than most states to exceed the national average in areas where the division will focus its attention and resources. Your audit report is timely as DCSE sets its priorities to achieve these goals.

Thank you again for your recommendations. DCSE has positioned itself to take full advantage of technology, and despite lean budget times, is making diligent efforts to efficiently serve families. DCSE is working with my office to apply the Governor's recommended Missouri's Results Initiative, a system improvement methodology, to improve the percent of paying cases. DCSE also is in the process of rebidding a contract for private collection of child support owed to the state. At the time a new contract is awarded at the end of this year, DCSE will implement improvement to its computer-generated report that lists cases for potential referral. The new report will improve front-line state staff's ability to identify and submit appropriate cases to a vendor. Finally, DCSE is taking other suggestions offered in your report under careful advisement. If you have any questions about this response, please call me at 573-751-4815.

Sincerely,



Dana Katherine Martin
Director

DKM/SJW

Enclosures:

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1. DCSE Program Timeline
2. Collection Rate, Cases with Orders, Total Cases: A National/State Comparison
3. DCSE Collections and Caseloads
4. Amount of Distributed and Retained Collections in Missouri
5. DCSE Collections by Case Type
6. DCSE Collections and Expenditures
7. Collections by Distribution and Retention: A National/State Comparison
8. DCSE Budget vs. TANF Collections
9. Percent of Cases with Support Orders: A National/State Comparison
10. Caseload Trends: A National/State Comparison
11. Established and Acknowledged Paternities Per Year: A National/State Comparison
12. DCSE Credit Bureau Referrals and License Suspension Actions
13. DCSE Orders to Withhold
14. DCSE Lien Actions
15. DCSE Tax Refund Intercept History

cc: Gary Bailey, Director DCSE
Kirk R. Boyer, Director of Audits