

# OVERVIEW

THE AUDITOR  
STATE OF HAWAII

## Management Audit of the Child Support Enforcement Agency

### Summary

Hawaii's Child Support Enforcement Agency, a division of the Department of the Attorney General, has a history of program fragmentation, poor management, and inadequate staffing. Since 1980, every audit of the program has identified serious deficiencies. The agency failed a 1988 federal audit and as a result faces up to \$750,000 in fines. During 1990-1992, the agency was the third largest source of complaints to the Ombudsman and a source of concern to legislators. Despite the efforts of many dedicated staff, the program continues to be plagued by problems.

The Child Support Enforcement Agency's primary function is a fiduciary one of collecting payments on behalf of others and disbursing these payments correctly. The impetus for establishing Hawaii's child support program came from a 1975 federal law that focused on services to families receiving welfare assistance. The Congress has since amended the law to expand enforcement services to non-welfare families.

We found the agency has neglected its fiduciary responsibilities. It does not appear to understand the importance of financial management and gives it a very low priority. The agency's internal controls are so weak that at any given point it does not know how much money it has, how much it has collected, or how much it has disbursed. We believe the system is not salvageable. These problems are compounded by inadequate staffing—both in numbers and kind—for financial functions.

We also found that the agency had serious bottlenecks in processing cases. Management controls for ensuring appropriate and timely action on cases are virtually nonexistent. Needed actions are taken primarily when clients complain. The current administrator has proposed several initiatives which may have promise for improving agency operations. The most important proposals are to reorganize staff into teams and to reclassify staff positions.

During the audit, we observed that many parents are neither aware of nor understand the legal requirements imposed on the agency. As a result, staff spend many hours answering telephone and written inquiries instead of processing cases.

The agency is in the process of procuring a new electronic data processing system which is expected to alleviate some of its problems. We examined the

work the agency has done so far and found the process was on track and following industry standard acquisition practices. The only risk has been the agency's desire to implement a first-ever imaging capability with the new system.

---

## Recommendations and Response

We recommend that the Child Support Enforcement Agency recruit a high level certified public accountant to be its controller. The controller should be the deputy to the administrator of the agency and responsible for designing and installing an adequate financial management system and an appropriate staffing plan.

As part of ensuring its fiduciary responsibilities, the agency should continue its efforts to reconcile client accounts and review the security of its records and protect them from unwarranted alterations.

The agency's new electronic data processing system is expected to be operating in late 1994 at the earliest. In the interim, the agency could make improvements to its case management process. We recommend that the agency establish management controls over its case processing by improving its aging report and by training and requiring staff to use automated calendaring. We further recommend that the agency give priority attention to its reorganization and reclassification of personnel. We also recommend that the agency develop informational videos to inform parents about the complexities of child support enforcement.

The department responded that it agrees with our recommendations to improve the agency's financial management by recruiting a controller and reconciling client accounts. The department reports that the agency has added some review steps as an interim security measure until its new computer system becomes fully operational. However, the department still appears not to understand the seriousness of the agency's lack of internal controls over its bank accounts. The department agreed that the agency has experienced difficulty in delivering services. It did not respond to our suggestions to improve the aging report and make better use of automated calendaring. The department agrees that reorganization and reclassification would be central to improved operations, but these improvements are not expected to be completed until mid-1994. The department reports the agency is in the process of completing an informational video.

---

**Marion M. Higa**  
**State Auditor**  
**State of Hawaii**  
Office of the Auditor  
465 South King Street, Room 500  
Honolulu, Hawaii 96813  
(808) 587-0800  
FAX (808) 587-0830