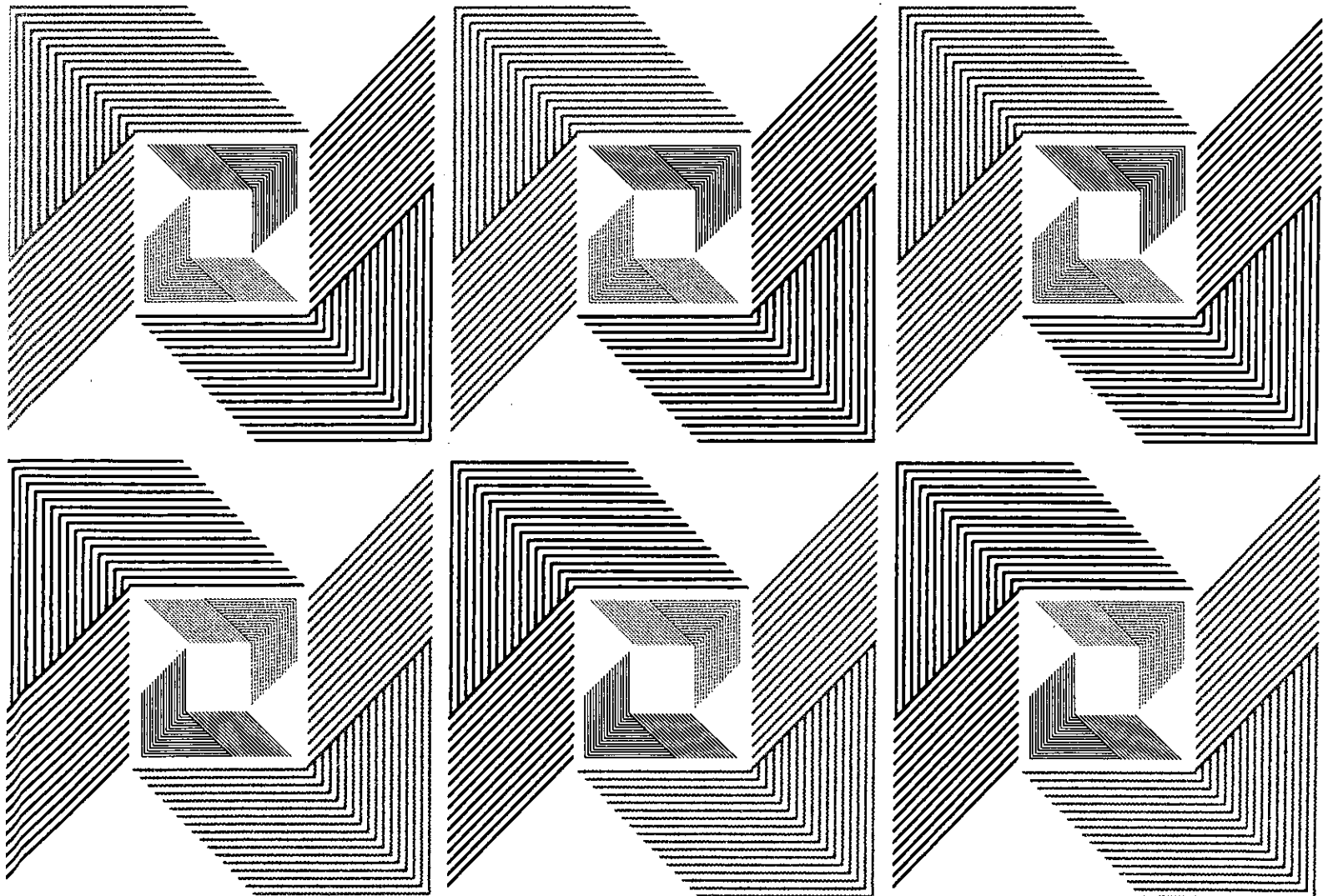


Report No. 89-23
December 1989

OPERATIONS AUDIT OF THE CHILD SUPPORT PAYMENT PROCESS

A REPORT TO THE GOVERNOR AND THE LEGISLATURE OF THE STATE OF HAWAII



SUBMITTED BY THE LEGISLATIVE AUDITOR OF THE STATE OF HAWAII

THE OFFICE OF THE LEGISLATIVE AUDITOR

The missions of the Office of the Legislative Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. *Sunset evaluations* are conducted of professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with a schedule and criteria established by statute.
4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Legislative Auditor as to its probable effects.
5. *Health insurance analyses* are conducted on bills which propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Legislative Auditor for an assessment of the social and financial impact of the proposed measures.
6. *Special studies* are conducted when they are requested by both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Legislative Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Legislative Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



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OVERVIEW

OPERATIONS AUDIT OF THE CHILD SUPPORT PAYMENT PROCESS

Honolulu, Hawaii

December 1989

Summary

Congress passed the Child Support and Establishment of Paternity Act of 1974 to cut the cost of welfare by giving states incentives to collect support payments from welfare fathers. The program today serves both welfare and non-welfare families. In 1975, the Legislature created Hawaii's Child Support Enforcement Agency (CSEA) to collect and distribute payments from parents required by law to support their children. The agency is now housed in the Department of the Attorney General, with a staff of 117 permanent and 56 temporary positions.

This audit was undertaken because the Office of the Ombudsman received continuing complaints about the collection and distribution of child support

payments by the CSEA. Delays in payments can cause families frustration and distress. Regular, timely financial support is needed for a stable home environment.

The operations of the agency have a significant impact. In 1988, the CSEA distributed over \$15 million in child support payments. As of September 1989, it had 62,861 cases statewide, and it disbursed an average of 9,100 checks each month. The agency does not systematically collect information on payment processing times or compile statistics on complaints. A review of sample cases found payment processing times that ranged from one day to several months. Complaints continue to occur.

FINDINGS

The Child Support Enforcement Agency has made some progress in improving the collection and distribution process. However, the long-term reliability of the payment processing operations remains in question because the agency has a combination of problems that include (1) a need to complete the process of integrating and automating operations; (2) a lack of adequate operational control to minimize errors and inconsistencies that cause delays; and (3) difficulties in recruiting and retaining staff to fill established positions.

RECOMMENDATIONS

The agency should complete conversion of its manual ledgers

and work with the Department of Human Services to improve the processing of pass-through payments. The agency should also initiate a follow-up to the earlier review of the system by the Information and Communication Services Division of the Department of Budget and Finance.

The agency should develop appropriate management information on its processing times, adequate written procedures, and timely and appropriate training for its staff.

To solve its staffing problems, the agency should continue to explore short-term measures, such as emergency hires and increased advertising, to fill vacant positions. But it should also look to the long term by developing an appropriate classification structure.

RESPONSE

The attorney general says that the report identifies the major problems in the collection and distribution of child support payments. The staffing problem is of serious concern. Efforts to improve the process are being implemented or will be initiated according to the recommendations of the report.

The Department of Human Services concurs with the recommendation to work closely with the CSEA to improve the processing of pass-through payments.

**OPERATIONS AUDIT OF THE
CHILD SUPPORT PAYMENT PROCESS**



A Report to the Governor and the Legislature of the State of Hawaii

Submitted by

**Legislative Auditor of the State of Hawaii
Honolulu, Hawaii**

**Report No. 89-23
December 1989**

FOREWORD

The Child Support Enforcement Agency is responsible for collecting and distributing child support payments from parents who are required to provide financial support for their children. This audit was undertaken because of continuing complaints about delays by the agency in making child support payments. This report examines the problems causing the delays and makes recommendations for improvements.

We wish to express our appreciation for the cooperation extended to us by the Department of the Attorney General, especially the staff at the Child Support Enforcement Agency; the Department of Human Services; the federal Office of Child Support Enforcement; the Office of the Ombudsman; and other public and private individuals we contacted during the course of the audit.

Newton Sue
Acting Legislative Auditor
State of Hawaii

December 1989

TABLE OF CONTENTS

<i>Chapter</i>		<i>Page</i>
1	INTRODUCTION	1
	Objectives	1
	Scope of Methodology	1
	Organization of the Report	2
2	BACKGROUND	3
	Overview of the Child Support Enforcement Program	3
	Case Processing	6
3	COLLECTION AND DISTRIBUTION OPERATIONS	7
	Summary of Findings	7
	CSEA's Payment Processing Difficulties	7
	Automation Difficulties	9
	Operational Control	10
	Staffing Concerns	12
	Concluding Observations	13
	Recommendations	13
	NOTES	15
	RESPONSES OF THE AFFECTED AGENCIES....	17

LIST OF TABLES

<i>Table</i>	<i>Page</i>
2.1 Child Support Enforcement Agency Active Cases, September 1989	4

LIST OF FIGURES

<i>Figure</i>	<i>Page</i>
2.1 Department of the Attorney General, Child Support Enforcement Division, Organizational Chart	5

Chapter 1

INTRODUCTION

This audit was undertaken because the Office of the Ombudsman received continuing complaints about the collection and distribution of child support payments by the Child Support Enforcement Agency (CSEA) of the Department of the Attorney General. The agency collects, records, and distributes child support payments from parents required to provide financial support for their children.

The Office of the Legislative Auditor conducted this audit of the CSEA's collection and distribution process because of the persistent nature of the complaints and the serious impact that payment delays have on the lives of many families.

Objectives

The objective of this audit is to assess the efficiency and effectiveness of the child support collection and distribution process. Specific objectives are:

1. To identify major problems in the collection and distribution of child support payments.
2. To determine the causes of the problems.
3. To review the measures taken by the CSEA to remedy the causes of the problems and to ascertain whether the measures are appropriate, adequate, and effective.
4. To make recommendations for improving the process.

Scope and Methodology

The audit focused on the collection and distribution function of the CSEA. Other functions were reviewed only as they affected collection and distribution. A financial audit was not performed on agency financial records nor was an assessment performed of compliance with applicable laws and regulations. The latter is done periodically by federal auditors of the Office of Child Support Enforcement.

The audit centered on the operations of the collections branch, which includes a central, statewide accounts receivable section and an Oahu collection section. The Department of Human Services' procedures for processing payments to welfare recipients were also reviewed.

Information was gathered through interviews with collections branch staff and agency administrators on Oahu, review of agency files, and observation of operations. Additional information was obtained from libraries, the Department of Human Services, and such sources as the National Conference of State Legislatures and the National Child Support Enforcement Reference Center. The audit was conducted between February and April 1989 and August and September 1989.

A random sample of child support cases was selected and reviewed to obtain examples of payment processing times, but no attempt was made to project the findings of the sample to the entire child support enforcement caseload. Reliability of computer data was not tested.

Organization of the Report

This report consists of three chapters. Chapter 1 is this introductory chapter. Chapter 2 provides background information on the child support enforcement program. Chapter 3 contains our assessment of the collection and distribution operations.

Chapter 2

BACKGROUND

This chapter provides background information on the child support enforcement program and the collection and distribution process.

Overview of the Child Support Enforcement Program

The child support enforcement program is an intergovernmental operation of the federal, state, and county governments. Child support enforcement agencies (also known as IV-D agencies) exist in all 50 states, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. These agencies were created largely in response to federal legislation passed in the mid-1970s to improve state efforts to enforce child support.

Federal oversight of the program is the responsibility of the Office of Child Support Enforcement. Although federal law establishes guidelines, each jurisdiction has some flexibility to design and operate its own program.

Historical development. During the early 1970s, there was growing concern about the escalating costs of the federal welfare program--Aid to Families with Dependent Children (AFDC)--which by fiscal year 1973 cost \$7.6 billion. In reviewing alternatives for reducing the cost of the program, a congressional study found that 80 percent of the children in this program had absent parents.¹ Few of these parents ever paid support, although almost one-third of the children were covered by support orders or agreements. A RAND Corporation study concluded that states were not aggressively

collecting from fathers of children on welfare even though many of those fathers could afford to pay child support.

In response to these concerns, Congress passed the Child Support and Establishment of Paternity Act of 1974, or Title IV-D of the Social Security Act. The purpose of the program was to cut the cost of welfare by giving states incentives to pursue support payments from delinquent fathers. Those states achieving federal approval would be reimbursed 75 percent of their administrative costs for child support enforcement. Furthermore, states could keep a share of the child support monies collected on behalf of AFDC families as reimbursement for their welfare costs. States not meeting federal standards would lose 5 percent of federal participation in their AFDC programs.

The new law required families applying for welfare to assign their support payments to the state and to cooperate in locating absent fathers. Non-welfare families could also apply for collection services for a small fee. In 1976, IV-D agencies collected a total of \$280 million in child support from AFDC parents owing child support and \$323 million from non-AFDC parents. By fiscal year 1983, AFDC collections rose to \$880.2 million and non-AFDC collections to \$1.1 billion.²

Subsequent changes to federal legislation. The Child Support Enforcement Amendments of 1984 changed some aspects of the program and added new requirements. The legislation reiterated federal intent that states serve both AFDC and non-AFDC clients. Federal financial incentives that had been established for AFDC

collections were extended to non-AFDC collections to encourage states to pursue these cases.

Another change was a \$50 "pass-through" payment provision that gave a family on welfare the first \$50 collected in monthly child support in addition to the welfare payment. The remainder of the child support payment is reimbursed to the state and federal governments for welfare costs.

Mandatory procedures were added to strengthen state enforcement efforts, including the imposition of liens against real and personal property and mandatory wage withholding for delinquent support payments. The 1984 amendments also reduced the federal share for administrative costs for the program from 70 percent to 68 percent in fiscal years 1988 and 1989 and to 66 percent from fiscal year 1990 on.

After the 1984 amendments, total collections continued to increase, and by fiscal year 1987, AFDC collections amounted to \$1.4 billion, and non-AFDC collections amounted to \$2.6 billion.³

The latest changes occurred with the Family Support Act of 1988, which amended many child support enforcement requirements. Among the changes were mandatory wage withholding of child support payments for all new and modified child support orders, and federal time limits for distributing child support payments.

Hawaii's Child Support Enforcement Program. Chapter 576D, *Hawaii Revised Statutes*, establishes the State's child support enforcement program administered by the Child Support Enforcement Agency (CSEA). The agency was created in 1975 and was placed in the Department of Social Services and Housing, now the Department of Human Services (DHS). Act 332, *Session Laws of Hawaii* 1986, took CSEA out of the DHS and placed it within the Department of the Attorney General. At the same time, certain child support functions of the Judiciary were transferred to the agency.

The CSEA had 62,861 active cases statewide as of September 1989. The vast majority were non-AFDC cases. About a quarter were AFDC cases. In 1988, the agency distributed over \$15 million in child support payments and expended \$4.4 million to administer the program. Table 2.1 provides a breakdown of the agency's active cases.

Table 2.1. Child Support Enforcement Agency Active Cases, September 1989

<u>Payee Status</u>	<u>Payors</u>	<u>Percent</u>
AFDC	15,999	25
Non-AFDC	41,283	66
URESAs*	3,542	6
Others	<u>2,037</u>	<u>3</u>
Total	<u>62,861</u>	<u>100</u>

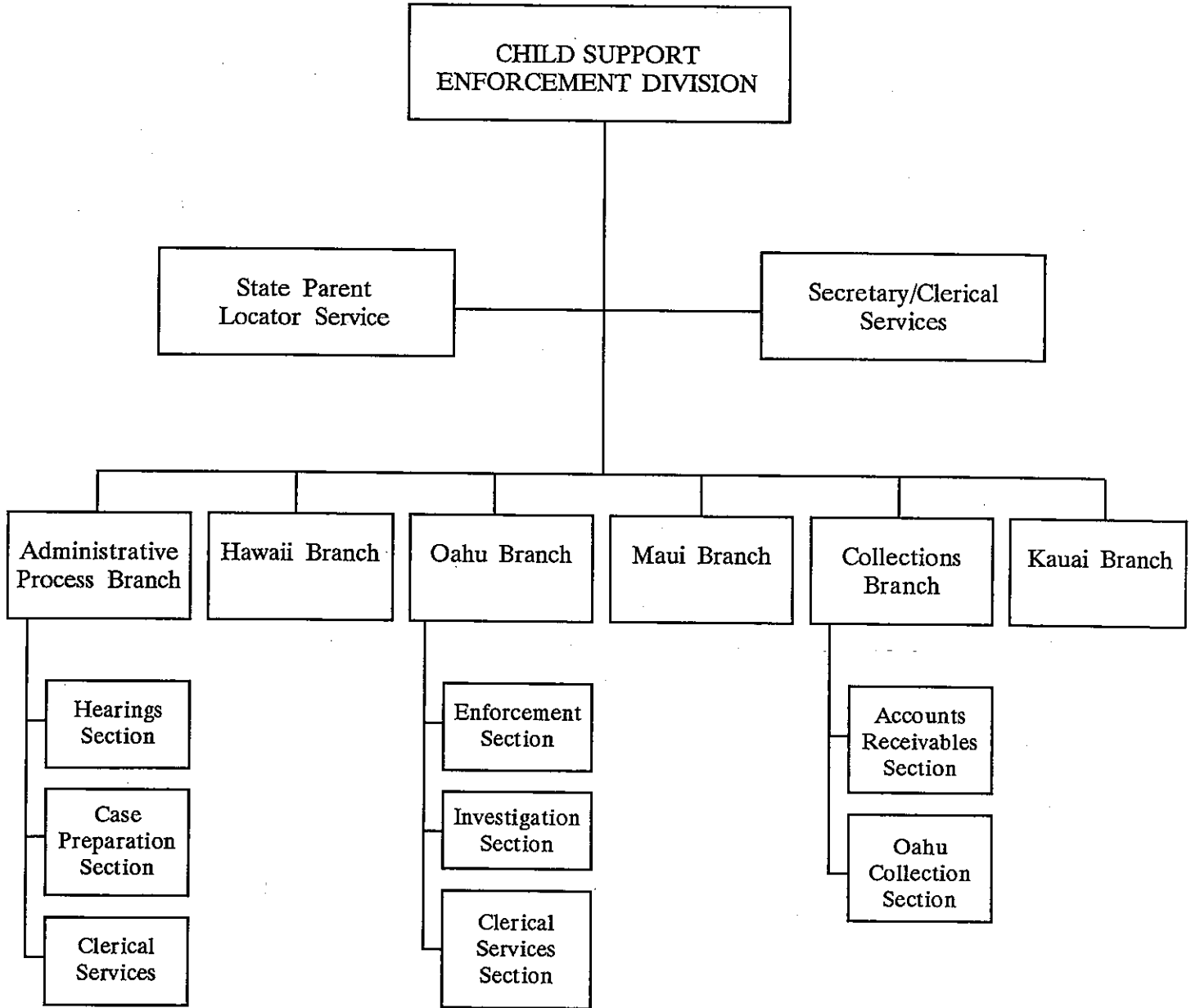
Source: Child Support Enforcement Agency, Program HM56Q25 Report, September 16, 1989.

* URESA (Uniform Reciprocal Enforcement of Support Act) cases are out-of-state cases.

The CSEA is the largest division in the Department of the Attorney General with a staff of 117 permanent and 56 temporary positions. In addition to the division director and administrative support staff, there is a state parent locator service office and five branches--one branch in each county and a central collections branch on Oahu. A new administrative process branch was created in 1988 that will eventually take over many of the child support cases now processed through the Family Court.⁴ Cooperative agreements with offices of the county corporation counsels and county attorneys help the agency establish paternity. Figure 2.1 is the organizational structure of the agency.

FIGURE 2.1

STATE OF HAWAII
DEPARTMENT OF THE ATTORNEY GENERAL
CHILD SUPPORT ENFORCEMENT DIVISION



Case Processing

The following sections provide an overview of case processing and describe Hawaii's collection and distribution process.

Overview of case processing. The federal Office of Child Support Enforcement has developed guidelines to help states design and implement a case processing system.⁵ There are five functions in the system: intake, locate, establishment, enforcement, and collection/distribution.

Intake. The intake function establishes the official child support case. A request for services may be initiated by the agency administering the AFDC program, by an application from a non-public assistance custodian, or by a child support agency in another state.

Locate. The locate function is the process of finding the absent parent in order to begin action on the case.

Establishment. After an absent parent is located, paternity may need to be established, a financial assessment made, and a support order obtained through the court or through an administrative process.

Enforcement. The enforcement function secures child support payments as required by law. When non-judicial attempts fail, legal action may be initiated.

Collection and distribution. Child support payments are received from the parent and distributed to the client. Payments must be accurately recorded and distributed. Payments are also monitored to determine whether they are being made in a timely manner. It is the collection and distribution function that is the focus of this report.

Hawaii's collection and distribution process. The CSEA handles all collections and also distributes payments to non-AFDC clients. The

DHS distributes payments to AFDC clients. All payments are collected by cashiers in the central collections branch on Oahu and by cashiers in the neighbor island branches. Payments may be made to the agency in person or by mail.

When payments are received they must be matched to their cases and then to the appropriate obligation (the amount of support ordered by the court). Some cases have more than one obligation. Payments that cannot be identified or that do not have sufficient case information are put in a separate computer listing. After payments are matched, a record is made on ledgers in the automated cash receipts system. At the end of the workday, this information is transferred to the main computer. Agency procedures call for non-AFDC checks to be automatically cut the same night they are entered in the system. Checks of \$1,500 or more are still manually cut. The following morning, the checks are reviewed and then mailed out.

Disbursements to AFDC recipients are handled differently. AFDC recipients are eligible for a pass-through payment of up to \$50 if the agency receives monies owed on time. Each month, CSEA provides DHS with two computer tapes listing payments received from absent parents. DHS distributes pass-through payments on the 8th working day of the following month. For example, a payment received on time in January is processed around the 8th working day of February. A second distribution occurs around the 12th working day of the month for timely payments that for some reason were not processed. Any payments that must be distributed after the two pass-through runs can be processed manually by DHS within 10 days.

CSEA reviews a listing of the checks cut by DHS and informs DHS of any errors. DHS makes the changes and mails the checks.

Chapter 3

COLLECTION AND DISTRIBUTION OPERATIONS

Summary of Findings

The Child Support Enforcement Agency (CSEA) has made some progress in improving the collection and distribution process. However, the long-term reliability of the payment processing operations remains in question because the agency has a combination of problems. These include:

- 1. A need to complete the process of integrating and automating operations.*
- 2. A lack of adequate operational control to minimize errors and inconsistencies that cause delays.*
- 3. An inability to recruit and retain staff to fill all established positions.*

CSEA's Payment Processing Difficulties

The impetus for this operations audit was the continuing complaints received by the Office of the Ombudsman about the agency's processing of child support payments. Of the 56 complaints filed between January 1988 and July 1989 that the ombudsman found to be justified, more than half, or 57 percent, related to delays in the processing of payments.¹

"Delay" is a relative term and difficult to quantify. For some families, a processing interval of one day between the time a payment is received by the agency and the time it is distributed will

constitute a delay. For other families, longer processing intervals are tolerable. Whatever the perception or situation, all payments should be processed consistently, efficiently, and accurately.

The following examples illustrate delays that have generated recent complaints:

On May 2, 1989, a parent complained about not receiving any payments during April 1989. CSEA found a check had been received on April 6, but it could not explain the reason for the delay. Payment was sent on May 5.

A welfare recipient complained on June 5, 1989, that she had not been receiving pass-through payments. CSEA reviewed the case and found undistributed payments owing for January, April, and May 1989. CSEA could not explain the reason for the delay.

During the first quarter of 1989, CSEA received an average of 14,500 payments per month, amounting to about \$2.1 million. It disbursed an average of 9,100 checks each month. Since the agency does not monitor payment processing times or compile statistics on the number and nature of complaints it receives, the frequency and extent of delays is not known. However, complaints continue to occur.

Delays in payment processing can cause families frustration and distress. Of particular concern is the impact on children. A study on single parent families during the 1970s concluded that "good psychological adjustment among children was significantly associated with adequate, stable child support."² Children

receiving regular financial support were much more likely to remain in the same home and the same school.

New federal regulations established under the Family Support Act of 1988 emphasize timely processing for both AFDC and non-AFDC clients. The regulations establish time frames for processing payments. Future federal audits of state child support agencies will determine whether states are meeting these time frames.³

Review of sample cases. A random sample of 50 child support cases was reviewed to obtain examples of actual payment processing times.⁴ Of the 50 cases, 26 had payments posted during 1989. An analysis of payments made to 20 non-AFDC clients between January 1989 and August 1989 indicates that payment processing times ranged from one day to several weeks.

In January, it took an average of five and a half days to process a payment to non-AFDC clients in the sample group. By August, processing times were down to an average of two and a half days. A new automatic check-writing program seems to have improved the processing of payments to the non-AFDC clients in the sample group, although most payments did not meet the agency's 24-hour turnaround goal.

Welfare clients suffered longer delays. Of the six AFDC cases in the sample, five had payments that were undistributed for months. For example, payments were received for one case in April, May, and June, but as of the end of August, no distributions had been made. Normally, payments were processed in anywhere from two to six weeks. Payments received in June were a particular problem. None of the June payments in the sample group had been distributed by late August.

Causes for delays. Agency administrators identified several causes for processing delays. Not all of these are under CSEA's control.

Backlogs due to heavy payments on certain days. The flow of payments is not even. Peak days usually coincide with pay periods. During July 1989 the Oahu cashiers received a one-day high of 943 checks mailed in at the start of the month and a low of 65 checks just before the middle of the month. Generally, about 200 to 300 checks are received on an average day.

Difficulties matching checks with the appropriate cases and obligations. Payments must be matched to the right case and the appropriate obligation. Some cases have more than one obligation and require extra care and time. If a payment is matched to the wrong obligation, errors in payment distribution may occur.

Lack of information. Sometimes payments are received for a case that does not have a child support order on file. Without appropriate documentation, checks cannot be released to the custodial parents. The collections branch maintains a daily listing of payments held in suspense because an obligation or a child support case has not been established. Unidentified payments are also included in the listing. The cashiers periodically review the list to see whether new information will justify distributing the payment. No additional followup is done within the agency. At the end of August, over 800 payments were held in suspense.

Delays in identifying welfare clients. Responsibilities for collecting and distributing monies for welfare recipients is split between two agencies. CSEA collects payments, and DHS distributes the first \$50 of the collected amount to the recipient each month. When an AFDC client goes off welfare, CSEA then assumes responsibility for both functions. Close coordination between the two agencies is essential in order to avoid errors and delays in distribution. Time lags in coordinating responsibilities can cause errors in payment distribution.

Computer breakdowns. Implementation of new computer programs during the first half of 1989 resulted in periodic breakdowns. During late July and early August 1989, computer difficulties prevented the automatic check-writing program from operating properly for a week and a half.

Automation Difficulties

The CSEA is in the final phases of automating its cashiering functions. An automated cash receipts system installed in April 1989 generates receipts automatically and speeds up the recording of payments. An automatic check-writing program that produces checks for non-welfare clients now makes it possible to process checks within 24 hours after payment is received.⁵

In spite of improvements, the agency is still having difficulty automating its functions. It also has problems processing payments to AFDC clients.

Reorganization and transition of functions. Problems with delays in the distribution of child support checks have been of long standing, although through the years some of the reasons have changed. Prior to July 1986, both the DHS and the Judiciary were involved in collecting and distributing child support checks. The Judiciary's court cashiers distributed checks to non-welfare custodial parents, while DHS's fiscal office distributed the pass-through payments to AFDC recipients.

In January 1985, a study by the Pacific Consulting Group concluded that program fragmentation was one major source of problems in case processing. The study recommended consolidating the Judiciary and DHS functions and automating the Judiciary accounting system.

In 1986, statutory changes consolidated the child support collection and distribution function within the CSEA. A year later, the agency itself was transferred to the Department of the

Attorney General. The responsibility for distributing the pass-through payments to AFDC recipients was left with DHS.

Difficulties automating cashiering function. When the cashiering functions of the courts were transferred to the CSEA in 1986, the agency was faced with merging the Judiciary's manual accounting system with the DHS's automated system. The CSEA had numerous problems completing this task. Contract bidding and negotiations were sometimes long and time consuming. New programs had bugs that periodically caused delays in payment processing. Conversion of the manual ledgers to the automated child support enforcement system was slow and is still incomplete.

The agency has had to automate its functions with limited computer resources of its own. Until late 1988 it depended on DHS for computer support. The Information and Communication Services Division (ICSD) of the Department of Budget and Finance also provided support and was contracted to develop the automatic check-writing program. The CSEA has slowly acquired its own computer support staff and now has four programmers, two control clerks, and one computer technician.

Another problem complicating the agency's automation efforts is that the computer programs were written by different people over the years. The set of programs that store and process child support records and payments is written in at least six different programming languages. Documentation for some of the programs is inadequate and must be redeveloped. As a result, the effects of changing existing programs or adding new programs cannot always be anticipated and may cause disruptions in operations. The agency has contracted with a private firm to help develop documentation for its programs to meet federal certification requirements.

Unfinished conversion of the manual ledgers. An important part of automating the cashiering

function is the conversion of manual records. In 1987, a private firm was hired to convert the files but could not complete the task. Approximately 3,000 manual ledgers remain.⁶ These cases are said to be among the most complex, some involving extensive research and numerous changes from welfare to non-welfare status. Agency staff has worked on conversion on a piecemeal basis. According to administrators, the unconverted accounts have hampered the agency in the handling of complaints, tax intercepts, and certification of accounts.⁷

Processing of pass-through payments. The processing of payments to AFDC clients requires coordination between DHS and CSEA because one agency collects the payments and the other distributes them. CSEA assumes the distribution responsibility when a client goes off welfare. If changes in a recipient's status are not communicated, errors in distribution can occur. For example, a client who goes off welfare and is entitled to the full amount of the child support check may be sent a \$50 pass-through payment instead.

To speed the exchange of information, a computer interface was installed that allows the CSEA and DHS computers to exchange certain kinds of information, and in May of 1989, paperwork between the two agencies was stopped.

However, the processing of the pass-through payments still remains troublesome. In July, for example, the computer generated only 900 of the usual 1,400 pass-through payments. A few weeks later, the original 900 checks were mistakenly generated again along with the missing 500 checks. CSEA voided the second set of 1,400 checks without identifying the 500 cases that had not received payments. The agency was still trying to resolve the problem in late September.

ICSD systems review. The ICSD performed a systems review of the child support enforcement

system and on the basis of its recommendations helped the CSEA install new procedures in March 1989. A steering committee was formed to review, evaluate, and guide the agency's data-processing projects, and a committee was created to represent user interests to the data-processing staff and steering committee. The agency also established procedures for resolving problems, requesting maintenance, and making technical changes. No follow-up review has assessed how well the new procedures are working.

Operational Control

In any organization, operational control is needed to ensure that specific tasks are carried out effectively and efficiently. The CSEA lacks adequate operational control to minimize errors and inconsistencies in payment processing. To improve operations, the agency needs adequate management information, current written procedures, and appropriate staff training.

Importance of accurate case information. Discrepancies or errors in the computer files can affect the timeliness of payments and other operations and services. In some instances, the agency's computer files contained erroneous data and incomplete information that complicated and delayed payment processing.

"Bad" data. An example of the effects of bad data occurred during the shutdown of the computer in July 1989. A docket number incorrectly inputted on one case caused the entire distribution program to shut down. This in turn prevented the automatic check writer from operating. It took almost two weeks to find the problem case and the docket number. Meanwhile, the number of checks being distributed was drastically reduced.

Incomplete or inaccurate data. Incomplete or inaccurate data on accounts or case records create payment processing problems. Sometimes, the causes are not entirely within the agency's control:

-
- . If the child support agency does not receive a copy of a new support order from attorneys or clients, it cannot distribute a payment to a client;
 - . If it does not receive copies of changes to an order, the computer will generate charges to an account as directed by the old support order; and
 - . If there is no report to the agency of direct child support payments between an absent parent and a custodial parent, the computer will continue to charge a delinquency against the absent parent's account.

Nevertheless, delays or errors by the agency in entering these and other changes to cases will adversely affect payment processing.

For example, account records are used as the basis for account statements and to generate delinquency lists for enforcement action. Old data and errors in the computer files can generate "erroneous" balances.⁸ These balances have led to disputes over federal and state tax intercepts that the agency uses to collect delinquent accounts. Disputes over tax intercept notices were the source of the second most common complaint filed against the agency with the Ombudsman's Office. In 1988, CSEA notified over 8,000 payors that their tax returns could be intercepted by the Internal Revenue Service unless they could prove that the agency's records were in error. Hundreds of payors requested a review, creating a backlog of work for the agency's collections and enforcement staff.

Erroneous balances also create disputes over statements of accounts. In June 1989, CSEA sent out account statements to absent parents. The agency received hundreds of calls and letters from payors who disputed the amounts. Collections as well as enforcement staff had to answer the calls and letters.⁹

The number of requests for account reviews for tax intercepts and account statements could have been reduced through adequate controls. Disputes over inaccuracies in agency records--whether or not they were caused by the agency--hamper the payment processing function by taking staff time and causing additional work. They also reduce the integrity of the system and frustrate the clients.

Management information. The agency needs better management information. It does not systematically collect information on payment processing times and generally finds problems only when clients complain. Although it has a process for following up on individual complaints, it does not regularly collect statistics on the nature or number of complaints.

Information of this kind would help the agency analyze and monitor its processing operations. The agency could measure the impact of changes and improve operations in very specific ways. Most important, it could identify problems in operations before clients complain.

Written procedures. The agency has an outdated procedures manual and relies on informational memoranda to communicate policy and procedures. Within the collections branch itself, current written procedures exist only for certain functions. This can increase the potential for errors and create stressful working conditions since there is no certainty that functions are being performed consistently, efficiently, and correctly.

The branch periodically rotates staff members to different functions. Other agency staff have access to the financial ledgers when they need to make changes in the files. Written procedures are therefore necessary to ensure continuity and to limit verbal explanations.

Training. Inadequate training can contribute to productivity and performance problems. Collections branch staff have no formal training

program. Training is done by immediate supervisors "on the job." New staff members are usually put on phone or counter duty as part of their initial training. Functions with no written procedures have to be communicated orally. Formal training courses on the use of computers are given occasionally but not according to any predetermined schedule.

The agency has recognized its training weaknesses and has recently completed a formal assessment of its training needs. It now must develop an agency-wide training program.

Staffing Concerns

The agency's operations have been hampered by its inability to recruit and retain staff.

Importance of adequate staffing. Research by the U.S. Department of Health and Human Services, the National Conference of State Legislatures, and the National Governor's Association (NGA) all show that adequate staffing is crucial for a successful child support enforcement program. A recent report of the NGA states:

Staffing requirements are a function of organizational structure, policies and procedures, work process flow and the degree of automation, among other factors. Staffing needs must be assessed within this overall context. By almost any measure, child support staffing will be shown to be, in many states, ripe for reexamination if not clearly inadequate.¹⁰

Programs with inadequate staff can expect to have problems that include increase in errors, low employee morale, and inadequate employee development.¹¹

The demands on the agency are increasing. The caseload has been growing steadily. In the first two quarters of 1989, the number of payments received has increased 14 percent. The federal

government has been pressuring states through new laws and regulations to step up efforts to enforce child support. During this period of increasing demands, the CSEA is operating with 63 percent of its authorized staff.

Staffing problems. The agency has had difficulty recruiting and retaining staff. Its current vacancy rate is 37 percent.¹² The vacancy rate for the collections branch (including neighbor island cashiers) is 46 percent.

Overtime occurs frequently. The collections branch staff on Oahu averaged five hours of overtime per week during fiscal year 1989.¹³ Even with overtime and the automation of cashiering, the collections staff has a backlog of correspondence and certifications of accounts.

Agency administrators point to a number of reasons for this problem. *First*, almost one-third are temporary positions which are difficult to fill. *Second*, the classification of some positions may be inappropriate. *Third*, there is little opportunity for collections branch staff to move upward in their careers.

In the collections branch, over half of the 31 positions are salary range (SR) 6 and SR 8 clerk and clerk typist positions. Cashiers are the highest ranked of the non-supervisory staff at SR 10 and SR 12. The work ranges from reviewing complex computerized financial ledgers and making computations to dealing with sometimes hostile clients on the phone and in person. Cashiers are also sometimes subpoenaed to testify in court in cases requiring certification of child support accounts.

Agency administrators recognize the problems but say they do not have the resources to resolve them. Short term measures such as emergency hires and increased advertising are being pursued.

Slow progress is being made in implementing long-term solutions such as review of position classifications. Agency supervisors have not

developed current position descriptions and many staff function with outdated or incomplete position descriptions. An extreme example is the supervisor position for the cashiering section of the collections branch. Three years after the cashiers were transferred from the Judiciary, a head cashier position has yet to be established. A regular cashier has been acting supervisor during this period.

Concluding Observations

The Child Support and Enforcement Agency has had to contend with major reorganizations, long-standing automation problems, increasing workload, and decreasing personnel. Although the agency has made improvements, it still has much to do to ensure the long-term reliability of its payment processing operations. The collection and distribution process is extremely complex. Even small errors and oversights can have major repercussions down the line. The agency must continually examine what it does and identify measures that will help it become more efficient and effective. Staffing is crucial. The recommendations that follow should provide a basis to initiate some needed improvements.

Recommendations

1. *The agency should make a more concerted effort to complete conversion of its manual ledgers and to work with the DHS to improve the processing of pass-through payments. The agency should also initiate a followup to the earlier ICSD systems review.*
2. *The agency should establish adequate operational control, including developing appropriate management information on its processing times, adequate written procedures, and timely and appropriate training for its staff.*
3. *The agency should continue to explore short-term measures to fill its vacant positions. It should also pursue long-term solutions to its staffing problem by developing position descriptions and working on an appropriate classification structure.*

NOTES

Chapter 2

1. Joseph I. Lieberman, *Child Support in America*, New Haven, Yale University Press, 1986, p. 6.
2. *Ibid.*, p. 9.
3. U.S. Department of Health and Human Services, Office of Child Support Enforcement, *Twelfth Annual Report to Congress*, Vol. I, 1988, pp. 7, 9.
4. The Department of the Attorney General will be reorganizing the Child Support Enforcement Agency and taking the administrative process branch out of the division.
5. U.S. Department of Health and Human Services, *A Guide For Designing and Implementing A Case Processing System For Child Support Enforcement*, U.S. Government Printing Office, April 1986.

Chapter 3

1. This number also includes partially justified complaints.
2. Joseph I. Lieberman, *Child Support in America*, New Haven, Yale University Press, 1986, p. 22.
3. The regulations will give states 15 days to process payments to non-AFDC clients. For AFDC clients, time frames will depend on the agency making the distribution and the payment amount. For example, in Hawaii the time frame is 20 days because the child support agency collects the payment and the welfare agency distributes it. Support payments of \$50 or more must be processed within 20 days, and payments of less than \$50 must be processed within 20 days after the end of the month.
4. The random sample was selected from a March 22, 1988, listing of child support cases to obtain examples of case processing times. The results of the sample are not meant to be projected to the entire population. Days were calculated by comparing the warrant date of the CSEA check with the received date of payment. The received date for cash, checks, and money orders was the actual date the agency received the payment. The received date of wage assignments was the date on the check (the day the money was withheld from the payor's salary). Weekends were also counted because checks could be written any day of the week. "One day processing" meant a check was received and processed on the same day. According to agency procedures, the checks would be mailed the following day.
5. "Delinquent Fathers Paid 25% More to Child Support," *Honolulu Star-Bulletin*, August 14, 1989.
6. Agency administrators say that all of the cases have been established in the computer system but that complete payment histories in about 3,000 cases have not yet been entered.
7. Testimony on the child support enforcement services budget, submitted by Warren Price, III, attorney general, and Mrs. Jeanne Carman, administrator, Child Support Enforcement Agency, to the Senate Committee on the Judiciary, February 2, 1989.

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8. "Erroneous" is used here to describe balances that are inaccurate because the agency made a mistake or because clients did not provide accurate or timely information.
 9. The statement form also contributed to problems with the June statements. The agency has stopped sending any more statements until it redesigns its forms.
 10. National Governor's Association, "Staffing Deficiencies in the Child Support Enforcement Program," *Capitol Ideas*, January 1, 1989, p. 1.
 11. U.S. Department of Health and Human Services, *Resource Balancing*, March 1986, p. 1.
 12. The rate is based on the July 31, 1989, vacancy report of the Department of the Attorney General. It does not include emergency hires. The percentage was obtained by dividing the total number of vacancies (59) by the total number of positions (159) allocated in the agency budget for fiscal year 1989.
 13. The collections branch recorded over 7,300 hours of overtime in fiscal year 1989. During that period, 27 of its positions were filled at some point.

RESPONSES OF THE AFFECTED AGENCIES

COMMENTS ON AGENCY RESPONSES

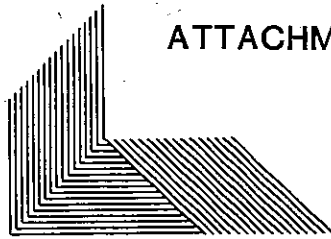
We transmitted a preliminary draft of this report to the Department of the Attorney General and the Department of Human Services on October 25, 1989. A copy of the transmittal letter to the Department of the Attorney General is included as Attachment 1 of this section. A similar letter was sent to the Department of Human Services. The response from the Department of the Attorney General is included as Attachment 2. The response from the Department of Human Services is included as Attachment 3.

The Attorney General responds that the report identifies the major problems in the collection and distribution of child support payments by the Child Support Enforcement Agency. In particular, the staffing problem is of grave concern. He says that efforts to improve the process are already being implemented or will be initiated according to the recommendations in the report.

The Department of Human Services concurs with our recommendation to work closely with the Child Support Enforcement Agency in improving the processing of pass-through payments.

ATTACHMENT 1

THE OFFICE OF THE AUDITOR
STATE OF HAWAII
465 S. KING STREET, RM. 500
HONOLULU, HAWAII 96813



C O P Y

October 25, 1989

The Honorable Warren Price, III
The Attorney General
Department of the Attorney General
State Capitol Building
Honolulu, Hawaii 96813

Dear Mr. Attorney General:

Enclosed are four copies, Nos. 4 to 7, of our preliminary report on the *Operations Audit of the Child Support Payment Process*.

Should you wish to comment on the recommendations in the report, we ask that you submit your comments to our office by November 13, 1989, for inclusion in the final report.

The Governor, the presiding officers of the two houses of the Legislature, and the Department of Human Services have been provided copies of this preliminary report.

Since the report is not in final form and changes may be made, access to this report should be restricted to those individuals whom you might wish to call upon to assist you in reviewing the report. Public release of the report will be made solely by our office and only after the report is published in its final form.

We appreciate the assistance and cooperation extended to us by your staff.

Sincerely,


Newton Sue
Acting Legislative Auditor

Enclosures

ATTACHMENT 2

JOHN WAIHEE
GOVERNOR



WARREN PRICE, III
ATTORNEY GENERAL

CORINNE K. A. WATANABE
FIRST DEPUTY ATTORNEY GENERAL

STATE OF HAWAII
DEPARTMENT OF THE ATTORNEY GENERAL
STATE CAPITOL
HONOLULU, HAWAII 96813
(808) 548-4740
FAX (808) 523-0814

November 14, 1989

Mr. Newton Sue
Acting Legislative Auditor
The Office of the Auditor
State of Hawaii
465 South King Street, Room 500
Honolulu, Hawaii 96813

RECEIVED
Nov 14 5 10 PM '89
OFF. OF THE AUDITOR
STATE OF HAWAII

Dear Mr. Sue:

Thank you for affording us the opportunity to review and to submit our comments on the preliminary report on the Operations Audit of the Child Support Payment Process.

The report identifies the major problems in the collection and distribution of child support payments handled by the Child Support Enforcement Division (CSED), and in general, I concur with the findings of this report. A number of problems addressed in the report have already been identified and efforts to improve the process are already being implemented or will be initiated via the recommendations provided.

One major problem identified that is also of grave concern to me is the staffing problem at CSED. It is my belief that the lack of a stable workforce, primarily due to temporary positions, has affected CSED's operations.

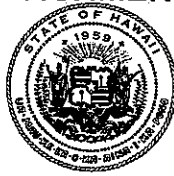
On behalf of the Department of the Attorney General, I commend your staff for their thoroughness in preparing this report.

Very truly yours,

Warren Price, III
Attorney General

WP/CN:jmy
8396I

ATTACHMENT 3



WINONA E. RUBIN
DIRECTOR

ALFRED K. SUGA
DEPUTY DIRECTOR

MERWYN S. JONES
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES
P. O. Box 339
Honolulu, Hawaii 96809

November 20, 1989

RECEIVED

Nov 22 11 21 AM '89

MEMORANDUM

OFFICE OF THE AUDITOR
STATE OF HAWAII

TO: Newton Sue, Acting Legislative Auditor
Office of the Auditor

FROM: Winona E. Rubin, Director

SUBJECT: OPERATIONS AUDIT OF THE CHILD SUPPORT PAYMENT PROCESS:
A REPORT TO THE GOVERNOR AND THE LEGISLATURE OF THE
STATE OF HAWAII

This is in response to your letter dated October 25, 1989 requesting our review and comment on the preliminary draft of the report.

The report provides a good overview of the child support collection and distribution process. This Department concurs with your recommendation that the CSEA "work with the DHS to improve the processing of pass-through payments." We are cognizant of the hardships experienced by families when payments are not received timely. Similarly, when there is a problem with the CSEA collection or distribution of child support or pass-through payments the Department's staff are affected as the staff must respond to complaints and inquiries. The IVA and IVD Programs are interdependent and staff from both programs must work closely together. Staff from the Department's Program Development, Systems Operation, and Information System offices work with CSEA staff to improve the automated interface and pass-through payment systems on an on-going basis.

Thank you for the opportunity to review the audit findings and to submit comments.

A handwritten signature in cursive script, reading "Winona E. Rubin".

Director