
Follow-Up Management Audit of the Child Support Enforcement Agency

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

Report No. 00-06
February 2000



THE AUDITOR
STATE OF HAWAII

Office of the Auditor

The missions of the Office of the 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* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
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5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds are existing funds meet legislative criteria.
7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.
8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.
9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the 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 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.



THE AUDITOR

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OVERVIEW

Follow-Up Management Audit of the Child Support Enforcement Agency

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Summary

Hawaii's Child Support Enforcement Agency is a division of the Department of the Attorney General charged with enforcing child support orders (generally issued by family courts). The agency collects support payments from noncustodial parents and disburses the collected amounts to state government and federal government and custodial parents. As requested by the Legislature in Senate Concurrent Resolution No. 86 of the Regular Session of 1999, we conducted a follow-up management audit of the agency.

The agency has about 190 full time appropriated positions. Total appropriations for the agency were about \$17.5 million in FY 1999-00. The agency reported child support collections of over \$91.7 million for FY 1998-99. Of this amount, the State of Hawaii kept over \$4.5 million as reimbursements for welfare expenditures. An additional \$10.5 million were remitted to the federal government, leaving \$76.7 million for distribution to custodial parents.

We found that the agency has failed to address longstanding weaknesses in its financial management and has not implemented recommendations of previous audits pertaining to financial management. Bank accounts are not reconciled and accurately reported and accounting for interest earnings is improper. The agency has failed to resolve unidentified cash receipts and maintain adequate safeguards over assets.

We also found that the agency's leadership lacks a well-defined mission and a coherent strategy for addressing the agency's problems. Unless the agency reexamines its mission, functions, and operations from the ground up and establishes effective management controls, it is unlikely to improve its financial management and address other major deficiencies. Failing to improve causes waste and elicits complaints from clients. The deficiencies include (a) inadequate data cleanup, training, and maintenance for the agency's automated systems; (b) weak personnel management, including failure to implement an agency reorganization; and (c) the inability to respond effectively to the needs of its clients (custodial and noncustodial parents).

The agency's leadership has not acknowledged inclusion of customer service and satisfaction as part of its mission. Processing of incoming correspondence (including inquiries and complaints) is woefully inadequate. It can take a document up to seven weeks to reach the intended worker, or worse, be lost. We also found that agency leadership has not moved aggressively to make better use of available resources.

Bad data—erroneous information stored in agency computer records—lead to such problems as KEIKI (the agency's new computer system) generating duplicate records or erroneously initiating or suspending activities, contributing to client



frustration and complaints. Furthermore, our consultant rated the KEIKI system's reliability risk "high" because of concerns about significant deficiencies in the system's accuracy of processing and untimely processing of data.

The agency lacks formal controls and benchmark measures for staff productivity. Without analyzing current staff's productivity, the agency is unable to determine and justify appropriate staffing levels. Loose control over overtime by the attorney general's office, coupled with the child support agency's inadequate internal overtime procedures, may have fostered overtime abuse and resulted in lower productivity. Overtime expenditures increased from about \$45,000 in FY1996-97 to about \$440,000 in FY1998-99.

The agency is difficult to reach by phone when its clients need case information or to resolve problems. Our audit work included attempting to reach an agency representative 60 times through the agency's service number during a two-week period. Only one in six (17 percent) of these attempts were successful.

Recommendations and Response

Our audit report makes many recommendations for improvement in the agency's financial management. Other recommendations to the agency include developing a formal mission statement and a strategy; improving the use of agency resources; making a concerted effort to correct bad data in a systematic manner; and developing a strategic plan for the computer system. We also recommend reorganization, performance benchmarks, training, and compliance with the overtime policies and procedures of the Department of the Attorney General. Also, the child support agency should develop an effective customer service function and consider the feasibility of using an experienced contractor for handling public contact customer service functions, possibly on a temporary basis.

The Department of the Attorney General agreed with the majority of our recommendations and commented that it has already begun to work on some of them. Yet it feels that our report presents an unbalanced and incomplete picture of the agency and disagreed with some of our findings and conclusions.

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Submitted by

THE AUDITOR
STATE OF HAWAII

Report No. 00-06
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Foreword

This report was prepared in response to Senate Concurrent Resolution No. 86 of the Regular Session of 1999. Expressing concern about complaints against the Child Support Enforcement Agency by its clients, the resolution requested that the State Auditor conduct a follow-up management audit of the agency.

We wish to express our appreciation for the cooperation and assistance extended to us by officials and staff of the Department of the Attorney General, including the Child Support Enforcement Agency, and by others whom we contacted during the course of the audit.

We also wish to acknowledge the work of the consulting firm of Grant Thornton LLP. We engaged the firm to assist us in determining the validity and reliability of the agency's computer generated data.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

This audit of the Child Support Enforcement Agency of the Department of the Attorney General was undertaken in response to Senate Concurrent Resolution No. 86, Regular Session of 1999. The resolution expressed the legislators' concerns about continuing complaints from the agency's clients—custodial and noncustodial parents—of overcharging and errors in record keeping. The complaints had continued despite the reported improvements made following our November 1992 *Management Audit of the Child Support Enforcement Agency* (Report No. 92-22) and *Financial Audit of the Department of the Attorney General* (Report No. 92-21).

Background on the Agency

Hawaii's Child Support Enforcement Agency is a division of the Department of the Attorney General charged with enforcing child support orders (generally issued by family courts). The agency collects support payments from noncustodial parents and disburses the collected amounts to state and federal government and to custodial parents.

“Child support” means payment for the necessary support and maintenance of a dependent child as required by law. Typically, a court or administrative agency issues an order establishing that a parent who does not have custody of the child (the *noncustodial parent*) owes child support to or on behalf of a child, or to the parent, guardian, or other person having custody of a child (the *custodial parent*). In some cases, the payment goes directly to a government agency as “reimbursement” for welfare benefits received by the child.

History of program

Established under Chapter 576D, Hawaii Revised Statutes, Hawaii's child support agency has been under the Department of the Attorney General since July 1987, when it was transferred from the Department of Social Services and Housing (now Department of Human Services). In October 1998, the child support agency also took over the new-employee reporting program from the Department of Labor and Industrial Relations. This program uses employer reports of newly hired employees to find persons who owe child support.

The child support agency's activities are part of a federal-state cooperative program of child support enforcement. Congress created the program in 1975 under Title IV-D of the Social Security Act and placed its administration under the U.S. Department of Health and Human Services.

The program's primary purpose is twofold: (1) to recover from noncustodial parents public assistance benefits paid by the government for their dependent children (under programs such as Aid to Families with Dependent Children or Temporary Assistance to Needy Families) and (2) to help nonwelfare custodial parents remain self-sufficient by assisting them with the collection of child support. While the emphasis of the program at first was on recovering welfare expenditures, nonwelfare clients now make up much of the caseload of Hawaii's child support agency. As of July 1999, the 52,468 nonwelfare cases made up 59 percent of the agency's total caseload of 89,065. About 10,000 of the nonwelfare cases receive no services other than collection and disbursement, so-called bookkeeping cases.

Federal and state legislative actions have strengthened the enforcement capabilities of the program over the years. Child support agencies now have the power to garnish wages; intercept tax refunds; suspend professional, drivers, and other licenses; and use expedited legal processes in pursuit of noncomplying parents required to provide child support.

Functions and activities

The child support agency has several functions as described below.

- *Collection and disbursement.* Under state law, the agency must receive and disburse child support payments when required to do so by a child support order. This requirement exists in almost all cases. The agency acts as a clearinghouse for the vast majority of child support payments. However, Act 300, Session Laws of Hawaii 1999, allows parents to opt out of using the agency as an intermediary and to instead settle their child support obligations directly.
- *Investigation/enforcement.* The agency locates and contacts parents responsible for child support who fail to comply. If necessary, the agency uses statutory powers to enforce compliance. Traditional and recent enforcement tools include submission to genetic testing to establish paternity; seizure of income tax refunds; seizure and forfeiture of property; denial of passports; suspension of licenses such as professional, driver, and fishing licenses; and freezing or seizing accounts held with banks, brokers, and mutual funds.
- *Coordination.* The agency coordinates its activities with other states' child support enforcement agencies in cooperation with the Office of Child Support Enforcement of the U.S. Department of Health and Human Services.

- *Adjudication-related activities.* The agency assists with activities involving the Office of Child Support Hearings and the courts. The hearings office was created to streamline administrative processes relating to child support orders and to relieve the overburdened family courts. It is independent from the child support agency and its administrator reports directly to the attorney general. The agency initiates proposed orders in consultation with parents for administrative hearings and certifies account balances for court hearings.

Staffing, funding, and collections

At the time of our audit, the child support agency had 190 full time appropriated positions. This is a 24 percent increase from the FY1995-96 level of 153 positions. Total appropriations for the agency have increased from \$16.5 million in FY1995-96 to about \$17.5 million in FY1999-00.

Generally, the federal government reimburses 66 percent of operating costs of the child support agency to the State. Special projects may receive higher levels of reimbursement, such as the agency's automated information system, which was 90 percent federally funded. The agency also receives incentive payments from the federal government for collecting child support payments. Consequently, total federal funds have represented about 90 percent of the agency's revenues in recent years, with the remainder coming from the state general fund.

Exhibit 1.1 shows the agency's staffing and appropriations for FY1995-96 through FY1999-00.

The agency reported child support collections of over \$87.6 million for FY1997-98 and over \$91.7 million for FY1998-99. Exhibit 1.2 breaks down collections by source. The State kept over \$4.5 million of the collections for FY1998-99 as reimbursement for welfare expenditures, more than double the amount the agency received in general fund appropriations for that fiscal year. An additional \$10.5 million were remitted to the federal government, leaving \$76.7 million for distribution to custodial parents.

Organization

The child support agency is organized into three functional branches and four geographical branches as shown in the unofficial organizational chart developed by the agency (see Exhibit 1.3). The Administrative Process Branch, which manages the child support cases, and the Collections Branch, which collects and disburses child support payments, serve the entire state. Most of the Oahu operations were moved from Iwilei, near downtown Honolulu, to their current location in Kapolei in January 1999.

Exhibit 1.1**Appropriated Positions and Funds by Source, Child Support Enforcement Agency
FY1995-96 through FY1999-00**

	FY1995-96	FY1996-97	FY1997-98	FY1998-99	FY1999-00*
Positions	153	153	148	170	190
Appropriations by source:					
General	\$1,548,948	\$1,554,922	\$1,396,334	\$1,732,263	\$1,654,284
Fund					
Federal	12,652,515	12,728,697	12,438,663	12,923,418	13,197,573
Trust**	2,300,000	2,652,825	2,424,620	2,424,620	2,654,987
Total	\$16,501,463	\$16,936,444	\$16,259,617	\$17,080,301	\$17,506,844
% of total federally funded	91%	91%	91%	90%	91%

*Projection

**Trust funds are federal incentives accounted for in a trust fund.

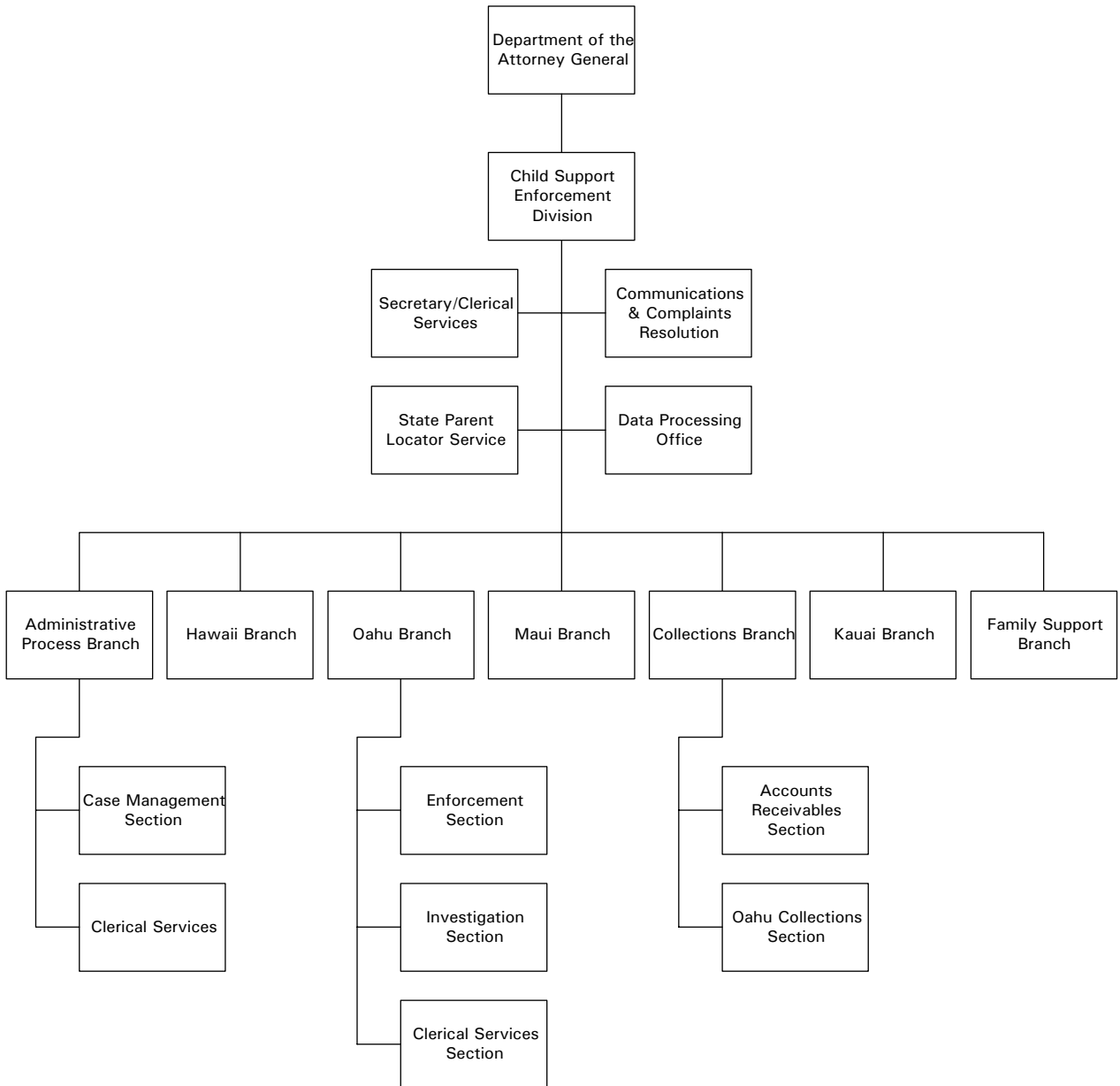
Source: General and supplemental appropriation acts for FY1995-96 through FY1998-99 and *Executive Biennium Operating Budget Worksheets* for FY1999-00**Exhibit 1.2****Child Support Collected by Category, FY1997-98 and FY1998-99**

	FY1997-1998	FY1998-1999
Federal tax refund intercept	\$ 4,077,353	\$ 7,017,650
State tax refund intercept	1,475,683	1,070,059
Unemployment compensation intercept	1,895,859	1,091,261
Income withholding	60,701,281	58,210,854
Direct payments from parents	10,616,141	20,305,705
Collections from other states	3,633,645	4,078,642
Collections for other states	5,226,255	--
Total	<u>\$87,626,217</u>	<u>\$91,774,171</u>
Collections for other states*		\$ 6,110,825

*The Child Support Enforcement Agency has reported overstated FY1998-99 total collections because collections for other states had been double counted. We show the correct total for FY1998-99 above. However, we did not determine whether the FY1997-98 collections were similarly overstated and we used the collection amounts reported by the agency.

Source: Form OCSE-34, Quarterly Report of Collections and the agency's internal reports

Exhibit 1.3
Child Support Enforcement Agency Organization Chart



Source: Child Support Enforcement Agency, June 30, 1999

The agency coordinates its efforts with a number of other agencies—county, state, and federal. Major links include the state Department of Human Services for issues involving welfare payments to children with custodial or foster parents, and the state Department of Taxation and U.S. Internal Revenue Service for tax refund intercepts. In addition, except for Maui, the county governments provide family support services (primarily establishing paternity) under cooperative agreements with the child support agency.

The child support agency’s administrator reports to the attorney general, and is supported by an assistant administrator, who also serves as the chief financial officer, and seven branch managers.

Recent developments

The child support agency has received much attention from public officials and the media, primarily for alleged shortcomings in processing child support payments and poor agency response to clients’ problems. Outcries about unaddressed problems reached a peak following the July 6, 1998 implementation of the agency’s new computer system, KEIKI.

For example, in FY1998-99, the state Ombudsman’s office received a record number of over 700 complaints about the agency, up 343 percent from the previous year (see Exhibit 1.4). Complaints against the agency had been constant for the prior three years at about 160.

**Exhibit 1.4
Complaints Against the Child Support Enforcement Agency
Received by Ombudsman, FY1995-96 Through FY1998-99**

	FY1995-96	FY1996-97	FY1997-98	FY1998-99*
# of complaints	167	157	159	704
% change		-6%	+ 1%	+ 343%

*to June 10, 1999
Source: Office of the Ombudsman

The new computer system was mandated by the federal government with an October 1995 deadline, but Congress extended the deadline to October 1997 because only a few states were able to meet it. Congress later postponed sanctions for states meeting required benchmarks by August

1998. Hawaii's child support agency avoided penalties for failing to meet deadlines when it obtained a conditional certification of its system in November 1998. It expects to receive full certification in fall 1999.

Hawaii's program diverted significant resources to meet these deadlines. Agency officials assert that the rush to complete the KEIKI system may have contributed to unanticipated outcomes. These caused an overwhelming demand for assistance from its clients. The agency's inability to respond fueled an increase in complaints.

While the volume of complaints still strains the agency's resources, it is declining from levels experienced during the first half of FY 1998-99. However, new enforcement programs and the automated enforcement capabilities of the new computer system are likely to continue a high demand for information and assistance from the public. Under the previous system, for example, delinquencies were often not actively pursued, for years in some cases. Now, delinquency collections efforts are substantially automated. Consequently, more affected parties need added information and assistance, especially when amounts are disputed.

The impact of KEIKI on the agency's operations is significant as it caused dramatic changes to many familiar processes used for years. Also, some employees' functions changed as automated activities replaced manual tasks.

The agency continues to expand its recently established enforcement capabilities. For example, almost 1,000 individuals are being pursued for the suspension of one or more licenses. At least 40 professional licenses have actually been suspended. Contractors (8), attorneys (5), and mortgage solicitors (5) represent the majority of the suspended professional licensees.

Previous Audits

We have conducted many audits of the Child Support Enforcement Agency. The most recent audits include the following:

1. Report No. 92-21, *Financial Audit of the Department of the Attorney General*. This report pointed out a deplorable lack of internal controls, including the inability to reconcile the child support agency's checking accounts. Further, we reported that unidentified payments were not investigated in a timely manner and excess interest earnings were not transferred to the general fund. Our recommendations included that the agency prepare monthly bank reconciliations, resolve all unidentified child support payments, and transfer excess interest earnings to the general fund.

2. Report No. 92-22, *Management Audit of the Child Support Enforcement Agency*. In this report, we criticized the agency for having weak internal controls and management controls. We found that the agency takes needed action primarily when complaints are received. Our recommendations included that the agency hire a certified public accountant to be its controller, reconcile client accounts, protect its records from unwarranted alterations, and give priority attention to agency reorganization and employee reclassification.
3. Report No. 95-18, *Follow-Up Report on a Financial Audit of the Department of the Attorney General and a Management Audit of the Child Support Enforcement Agency*. This report concluded that although progress was being made, problems still persisted, causing client complaints. A reorganization and reclassification plan had been made a priority but had not been approved.
4. Report No. 98-12, *Audit of the Implementation of the Child Support Enforcement Agency's Information System*. In this report, we found fault with the overly ambitious initial scope of the information system project, inadequate technical resources assigned to the project, and the agency's ineffective management controls. Our recommendations included completing a support and maintenance plan.

Objectives of the Audit

1. Determine the extent to which findings and recommendations from our previous audits of the Child Support Enforcement Agency have been addressed.
2. Determine whether the agency's new information system is being implemented effectively.
3. Assess the agency's effectiveness in managing complaints.
4. Assess certain management controls over the agency's human resources.
5. Make recommendations as appropriate.

Scope and Methodology

We examined the agency's efforts in addressing previous audit findings and implementing previous audit recommendations. The audits included our 1992 financial audit and management audit (Reports No. 92-21 and No. 92-22 respectively) and our 1998 audit of the agency's implementation of its information system (Report No. 98-12). Since the

information system was in the development stage at the time of our last audit, the present audit assessed the agency's success in implementing that system and its impact on the agency's operations.

We also addressed concerns raised in S.C.R. No. 86 and by legislators, that primarily questioned continuing complaints about the agency's apparent inability to satisfactorily process and account for child support payments. Another focus was certain management controls over human resources, including strategic planning, overtime management, productivity management, and reorganization management.

The audit work focused on program and fiscal operations from November 1992 to the present, with special attention to activities during and after the conversion to KEIKI, the new computer system. Audit procedures included interviews, observations, and document reviews.

We focused heavily on the agency's operations on Oahu, where client financial transactions and data processing are centralized. Although we did not visit the neighbor island branches, we did contact those branches for certain information.

Government auditing standards require us to determine the validity and reliability of computer generated data that are significant to our findings. We engaged the consulting firm of Grant Thornton LLP to assist us in performing this task. The consultants reported that overall confidence in the reliability of the agency's computer system is low to moderate. While systems controls were judged adequate by the consultants, they found several weaknesses that could compromise data integrity. They found a higher than desired risk that data in the system is unreliable. This higher than desired risk level negatively affects the overall confidence in the system's reliability. Ultimately, we included KEIKI-generated data only for our background information, and did not rely on such data to support our findings and recommendations. Nevertheless, Chapter 2 does include aspects of the consultant's findings.

During our audit, we took certain samples to obtain evidence. These samples included the following:

- To help us determine what became of some of the old child support payments listed in the agency's "suspense research" reports but no longer listed in its most recent unidentified payments report: We judgmentally selected a total of seven old payments from July 31, 1996, June 30, 1997, and June 30, 1998 suspense research reports and traced them to the agency's KFRI (previous computer system) client case ledger.

- To help us assess the agency's management of overtime (including the existence of irregularities and the adequacy of overtime justifications, authorizations, documentation, calculations, and coding): We judgmentally selected records for 24 agency employees with high overtime (20 from Oahu and 4 from the neighbor islands).
- To help us assess the agency's responsiveness to its clients: We selected a nonstatistical random sample of 30 files from the agency administration's complaint file (a total of 26 complaints after dropping 4 routine requests from the sample).

In addition, to help us assess the agency's responsiveness to its clients, we made 60 calls to the agency's telephone line from September 2 through September 16, 1999 at subjectively selected points of time during the agency's business hours.

We also conducted a customer satisfaction survey to obtain a user perspective of the agency's responsiveness. We used statistical sampling to select names and addresses from the agency's records for two surveys, one tailored for custodial parents, the other for noncustodial parents. We mailed questionnaires to 419 custodial parents and 431 noncustodial parents, and received 63 (15 percent) and 37 (9 percent) responses, respectively. Of the total 850 surveys mailed, 120 (14 percent) were returned by the U.S. Postal Service as undeliverable for such reasons as "forwarding order expired," "not deliverable as addressed," "not in custody" (when addressed to a correctional institution), "addressee deceased," and "no mail receptacle." The survey response rate was not sufficient for us to estimate scientifically the degree to which the responses were representative of *all* custodial and noncustodial parents. Our report simply records and discusses responses that we did receive. Detailed survey results are included in Appendix A and Appendix B of the report.

Our work was conducted from May 1999 through December 1999 in accordance with generally accepted government auditing standards.

Chapter 2

The Lack of a Coherent Strategy Has Impaired the Child Support Enforcement Agency's Ability to Solve Its Problems

This chapter assesses the Child Support Enforcement Agency's follow-through on previous audits' findings and recommendations, and its management of key areas of finances, planning, automation, personnel, and customer service. We found that the agency continues its long history of failure to implement improvements recommended in previous audits and attempts to address its problems in a piecemeal fashion.

Summary of Findings

1. The Child Support Enforcement Agency has failed to address longstanding weaknesses in its financial management and has not implemented recommendations of previous audits pertaining to financial management. Bank accounts are not reconciled and accurately reported and accounting for interest earnings is improper. The agency has failed to resolve unidentified cash receipts and maintain adequate safeguards over assets.
2. The agency's leadership lacks a well-defined mission and a coherent strategy for addressing the agency's problems. Unless the agency reexamines its mission, functions, and operations from the ground up and establishes effective management controls, it is unlikely to improve its financial management and address other major deficiencies. Failing to improve causes waste and elicits complaints from clients. The deficiencies include: (a) inadequate data cleanup, training, and maintenance for its automated systems; (b) weak personnel management, including failure to implement an agency reorganization; and (c) the inability to respond effectively to clients' needs.

Financial Management Continues To Be Weak

The Child Support Enforcement Agency has persistently failed to address weaknesses in its financial management and to implement recommendations from previous audit reports. The same problems remain unresolved.

The agency has failed to reconcile bank accounts, report accurate account balances, and resolve unidentified payments. The agency has also

engaged in improper accounting practices that violate state law and departed from generally accepted accounting principles. It has not maintained adequate safeguards to prevent assets from losses caused by errors and irregularities.

Bank accounts are not reconciled

The agency has never reconciled a checking account that was used for transactions totaling over \$90 million. Two other accounts have also not been adequately reconciled. This renders the agency's statutorily required reports to the Department of Accounting and General Services inaccurate and raises serious questions about the agency's ability to properly account for the child support payments with which it is entrusted.

A bank reconciliation is a necessary accounting procedure to identify any differences between the balance of an account reported by a bank and the balance recorded on the agency's books. Timely, usually monthly, preparation of a bank reconciliation gives assurance that all deposits are properly recorded, checks issued are properly cashed for the correct amount, and any errors detected can be promptly addressed and corrected.

The agency's failure to reconcile its bank accounts potentially constitutes a material weakness in its internal controls. It exposes child support payments to the risk of undetected errors and irregularities and may have prevented the detection of a significant bank error. Reconciling bank accounts can avert improper disbursement of or credit for child support payments and can identify erroneous refunds. This helps reduce disagreements about account balances between the agency and clients, and inquiries and complaints.

The agency has not assigned clear responsibility for bank reconciliations and updated job descriptions accordingly. The most recent reconciliations were performed by the agency accountant, whose position description does not include this responsibility. The bank reconciliation responsibility is included in the position descriptions for the Collections Branch supervisor, the Oahu collection section supervisor, and the accounts receivable section supervisor. The agency accountant has been busy working on KEIKI, the new computer system, and multiple other assignments, such as federal financial reporting and financial complaints resolution. As a result, the agency accountant does not have adequate time to perform monthly bank reconciliations.

Active accounts are not or are only partially reconciled

The agency is authorized by law to maintain checking accounts outside the state treasury for the purpose of depositing child support payments received and disbursing payments to custodial parents.

Two accounts are active: the first and most active is for transactions pertaining to KEIKI; the other is for transactions pertaining to the agency's previous but now superseded KFRI computer system. The KFRI account is expected to eventually become inactive.

The high volume KEIKI account has seen over \$90 million in transactions volume for FY1998-99. As of June 30, 1999, it held a balance of approximately \$4.7 million. This account has never been reconciled. The agency accountant did not obtain the necessary accounting reports needed for a bank reconciliation until September 1999, although these reports were available from KEIKI. Given the magnitude of the cash flows through this bank account, the lack of a bank reconciliation represents a material weakness in the agency's financial controls and makes the agency's fiscal accountability questionable.

A reconciliation would likely have uncovered a bank error of over \$57,000. During our audit work, we noticed that the bank statements for the high volume KEIKI account did not reflect any interest earnings for the entire FY1998-99. In response to our inquiry, the bank confirmed that approximately \$57,680 should have been credited to the account for FY1998-99. The agency was unaware of this.

The second active account, pertaining to transactions for the now obsolete KFRI system, is expected to eventually become inactive. The account had transactions of about \$4 to \$6 million for FY1998-99 and a balance of approximately \$6.7 million on June 30, 1999. The June 1998 bank reconciliation showed a \$18,401 unreconciled difference, which was recognized as a cash shortage by the attorney general department's prior independent audits. This cash shortage issue remains unresolved. The agency accountant explains that the unreconciled difference is probably due to voided checks still included in the outstanding check listing.

Without a correct listing of outstanding checks, an accurate bank reconciliation is impossible. Moreover, although timely reconciliations were recommended, the agency's reconciliation of this second account for FY1998-99 was not completed until September 1999, almost three months after the fiscal year end.

Inactive old bank account remains unreconciled

The agency's oldest, and now inactive, bank account was taken over from the predecessor agencies in an unreconciled condition. The agency spent \$8.2 million from FY1994-95 to FY1996-97 on an unsuccessful and incomplete attempt to reconcile clients' subsidiary ledgers, which was necessary to reconcile the entire old account and prepare case information for conversion to a new computer system. However, the agency has not persevered to complete the project. As a result, the agency does not know the disposition of over \$300,000 of child support payments dating as far

back as FY1986-87. The passage of time makes resolving discrepancies more difficult. The agency needs to permanently resolve this lingering problem.

When the Department of Attorney General took over the child support enforcement responsibilities in 1987, it assumed a bank account and related subsidiary ledgers previously maintained by the Judiciary and the Department of Human Services. These ledgers are books of subsidiary accounts to which debits and credits are posted. According to agency personnel, the predecessor agencies had not reconciled this bank account to the child support subsidiary ledgers while the account was under their control. Therefore, when the responsibility of collecting and disbursing child support payments was transferred to the Department of the Attorney General, the agency was unable to reconcile the cash balances to the individual subsidiary ledgers. Consequently, a reconciliation for the bank account cannot be accurately performed without correct balance information. In an attempt to correct the problem, the agency inactivated the account and opened a new checking account (the KFRI account discussed above) in September 1991. However, the inactive account still showed an unreconciled balance of \$311,665.11 on June 30, 1999.

In March 1995, the agency contracted a consulting firm to reconcile existing child support client accounts and to prepare existing and other necessary case information for conversion to the new statewide comprehensive automated child support enforcement system (KEIKI). The scope of work included financial reconciliation of old client accounts (phase 1) and the old bank account (phase 2), data gathering and verification, case closure, obtaining applications, data conversion, and customer services.

However, the reconciliation of the old bank account was never done due to the lack of additional funds. The agency paid the consulting firm a total of \$8.2 million from FY1994-95 to FY1996-97. Despite the large spending for the contract, the success of the project was questionable when a sampling test showed that 20 percent of the reconciled client accounts were inaccurate. Moreover, the data provided by the consultant in December 1995 became outdated with the installation of KEIKI in July 1998. The agency has taken no further steps to resolve this unreconciled bank account.

As a result of this unreconciled account, the agency does not know whether parents received payments or cashed disbursed payments. The agency lacks control over possible errors in payments until it finishes an accurate bank reconciliation based on correct balances for the child support subsidiary ledgers.

Account balances reported to the Department of Accounting and General Services are inaccurate

The agency includes the unreconciled bank balances described above in statutorily required quarterly reports to the Department of Accounting and General Services, under Section 40-81, HRS. These reports are inaccurate and possibly materially misstated.

The balance of the second bank account (KFRI account) reported for June 30, 1998, differed from the reconciled book balance by \$289,076. The agency did not perform a bank reconciliation before the quarterly reporting deadline, and instead reported its unreconciled book balances.

Reports to the attorney general's fiscal office did not include reconciliations as recommended by the independent auditors and therefore impaired departmental review and oversight. The agency did not attach bank reconciliations to account balance reports submitted to the attorney general's fiscal office, as recommended by the independent financial auditors. Consequently, the attorney general's fiscal office cannot adequately scrutinize and ensure that the proper balances are being reported to the Department of Accounting and General Services. The fiscal office should be comparing reported account balances against bank reconciliations.

Similarly, agency reports based on the activities in the KEIKI bank account, which has transactions of over \$90 million a year, are not accurate because reconciliations are not performed. The agency uses the ending account balance carried over from the prior quarter as the beginning account balance for the subsequent quarter. This is not a reliable balance because its initial calculation was based on *estimated* disbursements. These disbursements are basically "plug-in" figures to the agency's account balance reports. Subsequent deposit amounts are taken from the bank statement, unadjusted. In other words, deposits in transit are not properly identified and reconciled.

The agency's failure to report accurate reconciled account balances misrepresents funds held outside of the State Treasury and is a possible material financial misstatement.

Accounting for interest earnings is improper

The agency may have improperly used interest earnings for purposes not authorized by law and has commingled state and federal funds in violation of legislative intent and accounting principles. These practices cause account balances to be misstated and impair departmental and legislative scrutiny.

Section 576D-10, HRS, provides for interest earnings to be used for costs related to maintenance and operation of the account, with the balance to be transferred to the general fund. However, we found that the agency had improperly used interest earnings from its checking accounts. The agency deposited net interest earnings in two transfers (\$867,108 and \$59,444) to its own trust account in FY1994-95 and FY1995-96, respectively. The first amount was a lump sum amount of interest earnings accumulated through June 1995, and the second amount was for FY1995-96.

Commingling of trust account funds prevents accounting for their use

Commingling the interest earnings with funds from federal sources deposited in the same trust account makes it difficult for the attorney general's fiscal office to trace and identify the source of funds for expenditures.

The attorney general's fiscal office cannot verify that the first transfer of \$867,108 was used solely for a contract to reconcile old child support subsidiary ledgers. Expenditures from the trust account were made not only for the reconciliation contract but for computer systems (hardware and software), general expenses, payroll, and others. If any part of the transferred interest earnings was used for other than the reconciliation contract, the agency violated Section 576D-10, HRS. The other transfer of \$59,444 in interest earnings to the trust account was used for general operating expenses, which clearly violates Section 576D-10, HRS.

The trust account was established as a temporary deposit account during the 1993 legislative session specifically to account for federal incentive payments for the agency's role in collecting child support payments. The agency's practice of depositing excess interest earnings into the trust account and expending the commingled funds does not conform to the original purpose of this trust fund. Moreover, commingling funds has misrepresented the true financial position of the trust account and also prevents legislative scrutiny of interest earnings that would otherwise be available to finance other state programs.

The most recent assistant administrator, who functioned also as a chief financial officer/controller, acknowledged that both he and the current accountant lacked understanding of fund accounting. Therefore, they heavily relied on the former accountant. The former accountant believed that the use of interest earnings for the computer systems contract was justified, in light of the applicable law, because the new computer systems were designed to account for cash collections into the bank accounts and disbursements from the accounts. However, we believe this interpretation of Section 576D-10, HRS was overreaching.

Apparently, the last assistant administrator, who recently left, lacked the accounting qualifications necessary for the position. The assistant administrator position was created during the 1993 legislative session based on our previous audit recommendation that the agency hire a certified public accountant (CPA) to design, install, and maintain an adequate financial management system and an appropriate staff plan. However, the last assistant administrator was not a CPA, and the agency's recent newspaper advertisements for the position still did not require a candidate to be a CPA. We believe that the department should hire a person of adequate qualifications, including the understanding of fund accounting, to perform this important work.

Finally, the use of the trust account itself raises a question. Accounting for federal incentive moneys in the expendable trust fund instead of depositing them as revenues to the general fund has been controversial. Independent financial audits of the attorney general's department have repeatedly described this practice as a departure from generally accepted accounting principles because no trust agreement is in place. The independent auditors recommended instead using a special revenue fund to account for federal incentive moneys.

The agency should verify its use of the \$867,108 in interest earned, to the extent possible, and transfer balances to the general fund unless justifiable reasons preclude such transfers. The other interest earnings of \$59,444 transferred to the trust account, clearly in violation of Section 576D-10, HRS, should be transferred back to the general fund immediately.

Excess interest earnings have not been transferred to the general fund

For FY1996-97 through FY1998-99, the agency has not complied with Section 576D-10, requiring the transfer of interest realized from the agency bank accounts in excess of related expenditures for maintenance and operation.

The amount of \$213,292 in interest earnings (net of bank charges) has been accumulated in the agency's bank accounts from FY1996-97 through FY1998-99. This amount has not been used to pay for maintenance or operations of the accounts as required by Section 576D-10. In addition, we found that over \$57,000 in unrecorded interest earnings will be credited to this agency account because a bank error discovered by our audit was rectified.

Unidentified support payments are not resolved

Unidentified support payments result when payments received by the agency cannot be readily matched to a case because of insufficient information. A listing of unidentified payments is used to match payments with a case after further research or the payment is returned to

the sender. However, some payments are impossible to identify and will eventually be treated as ownerless property. The agency is faltering in maintaining control over these unidentified support payments.

Our 1992 financial audit recommended that the agency take immediate steps to investigate and resolve child support payments in a suspense account then used to account for unidentified payments. Our 1995 follow-up found that the backlog in the suspense account had been cleared up. Since then, however, payments that could not be matched to cases have increased again both in total dollar amount and number of unmatched payments.

Prior to the KEIKI system, a contractor handled all cash receipts through a lockbox arrangement. Lockbox services were used for receiving and processing high volumes of payments, typically mailed to a dedicated post office box. The contractor relieved the agency from having to process and reconcile cash receipts and deposit the receipts.

For unidentified payments, the agency's lockbox contractor maintained a "suspense research report" up to June 30, 1998, the contract expiration date. With the implementation of KEIKI, the agency replaced the suspense research report with an "unidentified payments report," generated by the new system. We found that the agency has not adequately managed the old and new reports.

The agency cannot adequately explain the seven-fold increase in unidentified payments in FY1997-98 shown in Exhibit 2.1. Payments that cannot be matched to a case are not returned to the sender in a timely manner. Furthermore, the agency has not been filing escheat reports since FY1994-95 as required by law, and its current policy to escheat ownerless cash payments after 18 months is unreasonably long. ("Escheat" means the State's taking of title or interest of property presumed abandoned.)

Efforts to match payments are inadequate

Despite an alarming increase in unidentified payments, the agency has not acted aggressively to control the problem. Exhibit 2.1 shows the large increases in unidentified payments over the past two years. Agency management has not analyzed the substantial increase in unidentified payments for FY1997-98 and FY1998-99, following implementation of KEIKI.

The agency's policies and procedures, now "built in" to KEIKI (available on line), define "unidentified payment" as a payment without sufficient information to be posted to a specific personal identification number (PIN) or to a specific case. Data conversion errors resulted in multiple PIN numbers (discussed in more detail later in this report) and contributed

**Exhibit 2.1
Historical Trends of Unidentified Support Payments**

Fiscal Year End (Date/Year)	Total unidentified payment amounts	Percent fluctuation in total amount	Number of payments	Percent fluctuation in number of payments
FY1995-96 (7/31/96)	\$12,615.33*		28	
FY1996-97 (6/30/97)	\$12,991.73*	+ 3%	71	+ 154%
FY1997-98 (6/30/98)	\$91,630.19**	+ 605%	192	+ 170%
FY1998-99 (6/30/99)	\$173,480.56**	+ 89%	757	+ 331%

Source: *Child Support Enforcement Agency suspense research report maintained by the lockbox contractor
**KEIKI unidentified payments report

to one third of unidentified payments. Despite this alarming condition, the agency has not acted aggressively to remedy the problem even after 14 months since the system conversion.

Unidentified payments may result in custodial parents not receiving payments and noncustodial parents not receiving credit for their payments. The current 90-day holding period of inaction on a payment is unacceptable to many clients and results in inquiries and complaints. Agency resources are wasted because unidentified payments require more time to research than those that can be matched and processed.

The agency's built-in procedures for monitoring unidentified payments state that KEIKI will refund a payment if it is unidentified for more than a specified number of days and the payor's address is known. This specified holding period was increased from 30 days (under the lockbox contract) to 45 days (at KEIKI implementation in July 1998) then to 90 days (since September 1998). No federal guidelines or uniform rules for handling unidentified payments exist, so the time period is left to each state's discretion. As a contrasting example, Montana's holding period is one week.

Our review of the suspense research report found that the agency's efforts to return unmatched payments where the sender's name and address are known have been inadequate. We identified at least nine payments held

for more than 30 days (criteria for refund before KEIKI) that were refunded to senders just before the data conversion from KFRI to KEIKI. Since the senders' addresses were available, those payments should have been returned in a timely manner. The oldest payments were in the suspense report for over 15 months. We also identified five other payments from our sampling that should have been refunded much earlier.

We believe that unidentified payments should be returned to payors sooner. The agency recognized 90 days as a reasonable time for research and accounting for advance payments prior to court order establishment. However, we note that this is three times longer than what was allowed for the lockbox contractor. This lengthy period will probably result in complaints from both custodial and noncustodial parents. The agency says that cashiers cannot spend adequate time for research and analysis of unidentified payments. The agency should sufficiently research those payments, and fix the multiple PIN number problem and other deficiencies in the unidentified payments report. Otherwise, the 90-day holding period is not meaningful and should be reduced to a more acceptable level.

Deficient reports hinder resolution

Inadequate reports and conversion problems hinder monitoring and resolving unidentified payment problems.

The KEIKI system does not generate any separate report for payments refunded to the sender after the 90-day holding period. This indicates that no person at the agency, except for the system itself, is monitoring proper processing of refunds. A cashier expressed a concern that the computer system will wrongly generate tasks when data inputted, such as dates, are incorrect or incomplete. Lacking a separate report for refunded payments, the agency has no effective tool to monitor refunds for appropriateness.

Furthermore, conversion problems contribute to deficiencies in reports KEIKI does produce. When the unidentified payment data were converted from the old computer system, the batch processing date was erroneously defaulted as the payment receipt date. The lack of the actual payment receipt date impairs the usefulness of the current unidentified payment reports for reconciliation efforts. The erroneous date affects the system's determination in taking action for researching, refunding, and escheating. Consequently, the use of the unidentified payment report for research is limited and decreases the agency's ability to process payments.

Policy on escheat needs revision

The agency does not initiate the escheat process for unidentifiable amounts in a timely manner. Escheat, the process of the State taking title or interest of abandoned property, applies when payments received by the agency cannot be matched to a case and lack the information needed to

return them to the sender. For example, postal money order payments may not have identifying information such as case or payor's name and return address. Such amounts are considered ownerless or unclaimed property and subject to escheat. The escheat process provided by state law allows the State's taking of property deemed ownerless, including unreturnable child support payments. As a result, unresolvable balances can be removed from agency records instead of accumulating indefinitely and causing unnecessary record keeping.

The agency has violated Section 523A-17, HRS, requiring the filing of an escheat report on an annual basis to the state director of finance. The agency last filed such a report in 1995 (for unidentifiable payments up to 1994). Moreover, possible gaps in the agency's records may make compliance with Section 523A-17 impossible. The agency's June 30, 1998 suspense account report contains no payments older than November 1996. The agency could not provide us with records of old suspense accounts for the prior periods of FY1994-95 and FY1995-96.

The agency's escheating procedure specifies that unidentified payments are forfeited to the State if they remain unidentified for more than 180 days (6 months). The former agency accountant and current Oahu Branch supervisor have indicated that this procedure is outdated and the holding period should be 18 months to be consistent with an extension of the holding period for refunding unidentified payments under the lockbox contract from 30 days to the current 90 days. However, such an 18-month holding time would be unreasonably long and not in accordance with Section 523A-13, HRS. This section states that intangible property held for the owner by a governmental entity that remains unclaimed for more than one year is presumed abandoned. The agency should establish a more reasonable holding time in accordance with the law.

Moreover, the agency bypassed the attorney general's office and filed its escheat reports directly with the Unclaimed Property Branch of the Department of Budget and Finance. The attorney general's office has no policy for annual escheating procedures or filing escheat reports through its office prior to filing with the Department of Budget and Finance. The attorney general's office believes that the Child Support Enforcement Agency is responsible for overseeing and maintaining the unidentified payments and escheating child support unidentified payments, which have no financial impact on the attorney general's department. However, we believe the involvement of the attorney general's office in the escheat process as the overseeing department is appropriate and important for verification of accuracy and completeness of escheat reports. For proper internal controls, the attorney general's Administrative Services Office should establish and enforce the escheating policy and procedure for the agency to file annual escheat reports through the attorney general's office.

Safeguards over assets are inadequate

We found that the agency's internal control over assets continues to be weak. The agency's inadequate safeguarding of cash provides opportunities for theft, fraud, or misuse of the moneys collected for needy children. This condition involving significant cash amounts, coupled with the agency's failure to perform bank reconciliations, as noted above, constitutes a material weakness in the agency's internal control structure.

Management has a duty to develop and maintain a structure of internal controls. The structure as a whole includes all measures and procedures that enable an agency to operate in accordance with management's plans and policies. A primary purpose of an internal control structure is to protect and safeguard resources and assets against waste, fraud, or inefficient use.

Controls over cash need improvement

The agency's internal controls for cash collections, deposits, and disbursements are inadequate. As a result, up to \$700,000 for child support is exposed to risks of theft, fraud, accident, or robbery every day.

Every morning an agency clerical employee picks up about 1,500 checks mailed to a designated post office box at the downtown Honolulu post office and transports them to the agency's Kapolei office in a privately owned compact car. Daily average cash collections are estimated to be \$350,000. Except when on sick or vacation leave, this employee always performs the courier service. Since the mail containing checks is in an unlocked plastic tray or bin, this condition creates an opportunity for theft and fraudulent activities. The very routine makes the courier vulnerable to those with criminal intent.

The lack of log-in procedures for opened mail containing checks creates another theft opportunity for the following positions: (1) clerical staff who hand-deliver checks to the Cashiering Section, (2) cashier clerks who sort out checks, and (3) posting cashiers who post check information into computer system.

At day's end, pending next day pick-up by the bank's armored car, processed cash receipts in a plastic bin are brought to the office of either the Administrative Process Branch chief or the Oahu Branch supervisor because: (1) the Collections Branch's safe is too small to hold the bin, and (2) only those two offices can be secured (locked) from floor to ceiling. The processed cash receipts in the plastic bin are located on the office floor and are at risk because the supervisor is not always present. As a better security measure, we recommend that the agency install a larger safe at the Collections Branch to secure the plastic bin.

Child support disbursement checks are also in jeopardy of theft, fraud, or robbery. Approximately 1,500 child support checks of an estimated \$350,000 in value, printed at the Information and Communications Services Division of the Department of Accounting and General Services, are picked up by the same employee responsible for mail pickup as part of the daily routine.

Since the accounting clerk who verifies child support checks delivered from the Information and Communication Services Division does not physically count all the checks against the total number of checks in the audit control worksheet, anybody—from the clerical employee who performs courier service, to accounting section staff who hand-deliver those checks to the Clerical Section, to clerical staff who prepare checks for mailing—could potentially engage in theft and fraudulent activities.

Moreover, errors or irregularities may not be detected when supervisors' monitoring of transactions is inadequate. The lack of bank reconciliations compounds this risk. We found that agency supervisors do not closely verify check postings, deposits, and disbursements. Unless there are problems, cashiers complete check posting and depositing processes and account clerks complete disbursement process. To strengthen internal controls over assets, supervisors should routinely spot check transactions to ensure accuracy, completeness, and timeliness and serve as a deterrent against any theft or fraud.

Segregation of duties is inadequate

A lack of segregation of some employees' duties and inadequate oversight are other examples of weak internal controls. The duties of at least one employee afford the opportunity to commit and conceal irregularities.

The agency accountant who has been assigned the task of preparing bank reconciliations also has oversight responsibilities over the custody of cash. He is authorized to make cash adjustments to child support client accounts and can sign checks of over \$1,500. A basic premise of internal controls is that no one employee should have access to both physical assets and related accounting records. This is emphasized by Section 302.20, Title 45 of the Code of Federal Regulations (CFR). Under the federal code, the state Title IV-D agency (an agency that receives federal reimbursements for welfare expenditures) must maintain administrative methods that assure persons responsible for cash receipts of child support do not participate in accounting or operating functions that would permit the concealing and misuse of support receipts in the accounting records.

To improve the agency's internal control structure, reconciliations should be performed by individuals who do not have access to the child support subsidiary ledgers and the bank accounts. If complete segregation of

duties is not possible, compensating controls should be instituted, such as independent reviews by the attorney general's fiscal office.

Some employees have uncontrolled access to computer records

The agency's deficient controls over access to its computer records present another example of inadequate safeguards over its assets. Unreasonable levels of access to computer records enable staff to create cases and change client and financial information. Coupled with weak financial management controls, the uncontrolled access to computer records by certain employees provides further opportunities for fraud that would not be detected.

The agency staff's ability to modify KEIKI computer records depends on the level of access defined for that employee. For each screen of information, the computer system may allow staff to (1) modify data, (2) only add data, or (3) only read and not change data. Supervisors establish the access level for staff for each particular screen.

Some of the agency's staff have had unreasonable levels of access to computer records. The agency's financial staff had the ability to create and modify case and financial information in the system. Investigators, clerks, and legal assistants can also add new cases. If prone to commit fraud, the staff employees could create a case for a fictitious person to receive child support payments. The Oahu branch supervisor has access to screens of financial information that no one else can access, not even the agency administrator. This creates an odd situation where the administrator must request approval from the branch supervisor to even view those particular screens or generate reports based on that financial information.

Combined with the agency's other weak internal controls, the high level of access to sensitive computer data makes detection of fraud even more unlikely or difficult. Agency bank accounts have never been fully reconciled, which means that the agency does not accurately know the location of every dollar it has received. In a worst case scenario, these unknown dollar amounts could be fed into fictitious cases that have been created. Employees with access to computer records could easily modify financial information without detection. The agency's computer systems contractor reports that changes to particular information are recorded by the computer and logged into an audit log. However, the contractor estimated that the log contains over 8 million records, and the agency lacks the resources to adequately audit the log.

The agency recently eliminated financial staff's ability to create cases. However, other employees still can add cases that are not related to their responsibilities. In addition, the Oahu branch supervisor retains unrestricted access to records.

Addressing Financial Management and Other Weaknesses Will Require a Strategy

The Child Support Enforcement Agency lacks a clear and complete definition of its mission and an effective strategy for addressing its long-standing weaknesses and those emerging from computer automation.

The agency's leadership has allowed itself to function too much at the mercy of changing events for several years, particularly while the new KEIKI system was being developed, installed, and refined to meet statutory requirements. This reactive leadership has contributed to the agency's continuance of a long history of failing to resolve weaknesses in its management controls and its failure to take advantage of opportunities to improve its operations, services, and the use of its resources.

Agency leadership needs to take greater initiative by thoroughly reexamining the agency's purpose, functions, and operations and establishing effective management strategies based on an appropriately defined mission. Unless this occurs, the agency is unlikely to improve its financial management and address other deficiencies that cause waste and elicit complaints from clients. These deficiencies include: (a) inadequate data cleanup, training, and maintenance for automated systems; (b) weak personnel management including failure to implement a reorganization; and (c) the inability to respond effectively to clients' needs.

A clearer mission and strategic planning process are needed

The agency's leadership has not acknowledged inclusion of customer service and satisfaction as part of its mission. This stands in the way of developing effective strategies for tackling problems aggressively.

The agency's current mission is unclear and incomplete because its leadership feels that the agency is not mandated nor funded to be responsive to its clients. It expects the Legislature to define its mission to include customer services, if this is desired.

However, customer service is an inherent part of all government service. Federal agencies and at least one state-level department have been successful in embracing and emphasizing customer service and satisfaction. In other states, leading child support enforcement programs include the goal of customer satisfaction in their mission statements and strategic plans and have developed specialized customer service programs. Some states contract with experienced private sector operators to enhance customer service and satisfaction.

The Federal Benchmarking Consortium, in several reports on best practices in consumer service, concluded that good government service includes ensuring customer satisfaction. These reports list specific customer needs that leading organizations should address:

- A direct line of communication;
- A single person to contact over time;
- Timely responsiveness; and
- Consistency in problem solving.

The consortium's report provides detailed guidelines for creating a customer-oriented organization.

A clear and complete mission statement is critical for developing a vision of where the agency should be and strategies for improving its performance. The agency should take the initiative in clarifying its mission in consultation with the appropriate stakeholders, such as legislators. Further, the agency should consider using or adapting existing models, such as guidelines issued by the Federal Benchmarking Consortium, to establish a strategic planning process that includes the means to measure success.

The agency's administrator informed us that efforts to develop a strategic plan for the agency are currently under way. However, we feel that such a plan will fail unless the issue of clarifying the agency's mission is addressed.

Managers were preoccupied with certification of the computer system

The decision by agency leadership to give top priority to meeting federal program requirements, including a new computer system, deprived the agency of effective operational leadership in other areas. This has been a major reason for the agency's lack of progress in addressing long-standing and newly developing weaknesses in management controls.

The agency administrator, with justified pride, points to the installation of the new KEIKI system as the agency's outstanding achievement during his three-year tenure. This system was required by the federal government and in meeting its requirements, the agency averted substantial federal financial penalties.

This achievement, however, came at the price of diverting the focus of key managers away from performing important managerial functions to that of developing KEIKI. In addition, the agency staff became overwhelmed by unexpected and unplanned-for effects of the automated enforcement and administrative capabilities of KEIKI.

For example, KEIKI takes certain actions automatically, such as pursuing delinquent child support payments. It mails periodic statements to parents owing money and initiates collection actions, including intercepting tax refunds. These capabilities, non-existent in the previous computer system, resulted in a flood of inquiries and complaints from clients for which the

agency was not prepared. While the volume of these client responses has declined, it is not expected to decrease to levels of past years because of the higher enforcement activity level of KEIKI.

The computer also automatically assigns tasks to be performed by agency staff. For example, KEIKI prompts a worker to resolve mismatch of a person's name and social security number or to prepare for a hearing.

All these new capabilities have fundamentally changed operational processes within the agency. However, management has yet to systematically reexamine its entire operation to align the organization more effectively with its new KEIKI capabilities and functions. Systematic efforts to ensure that management is making the best possible use of its resources are lacking. The basic approach has been, in effect, "let's see what KEIKI will do and then decide what changes are needed."

Overall plan is needed to address inefficient work processes

The agency's processing of incoming correspondence (including inquiries and complaints) is woefully inadequate. For example, correspondence is inaccurately routed, wastefully processed, and cannot be monitored to ensure that the required action is taken in response to each piece of correspondence. These deficiencies in turn contribute to more complaints.

The deficiencies are compounded by substantial backlogs and lost documents. As a result, processing information and responding to clients is not timely, and essential activities, such as hearings, are delayed. The repercussions of these problems on customer satisfaction are discussed later in this report.

The agency's administrator recognizes that the agency needs to do a better job in improving existing work processes, including correspondence-handling, broadening the overly specialized skill set of case workers, and establishing accountability. Some of these deficiencies were pointed out in our 1992 management audit of the agency.

Incoming correspondence is initially sorted and routed by clerical staff, many with entry-level skills. One unit supervisor reported that about one third of this supervisor's incoming correspondence had been erroneously routed. Another supervisor estimated 20 percent. The agency continues to rely on highly specialized staff, requiring correspondence to be routed from worker to worker without tracking it and accounting for performing the requested tasks. In our 1992 report, we recommended that the agency develop child support specialists who can handle multiple tasks on the same case. Other states have been moving towards developing employees who can handle and respond to multiple aspects of a case.

Given the existing backlogs, it can take a document up to seven weeks to reach the intended worker, or worse, be lost. We identified one case where documentation was mailed to the agency four times, twice by certified mail, and disappeared. It took the frustrated client 18 months to have the agency's records corrected, and this only after the case was finally assigned to the complaint resolution team.

Experts, including the U.S. General Accounting Office, recommend that an organization upgrading its major systems should consider reengineering its operational processes as part of the systems design. More than a year after KEIKI was up and running, the Child Support Enforcement Agency is "making great progress, piecemeal" according to one of its managers. However, it has not started an agency-wide systematic effort to develop long-range strategies to improve services and focus its leadership towards better use of its resources.

The agency needs to thoroughly reexamine its operational processes, define the optimal skill sets of its staff, and determine how these can be most effectively used together with its automated systems. This reexamination should include an assessment of case assignment to specific groups or individuals that can take care of and be responsible for all actions affecting a case. This examination should be part of an overall strategic planning process.

A strategic plan would be no quick fix but could provide the agency and its stakeholders with a blueprint for setting priorities, allocating resources, and establishing benchmarks for monitoring improvements. It is particularly important that all levels of the organization be involved in the strategic planning process and that a top to bottom commitment be obtained. It may help to obtain the assistance of an outside expert to initiate and coordinate the process if in-house resources are not adequate for the task.

Agency can make better use of its resources

While agency leadership may be correct in stating that the program is underfunded and understaffed, it has not moved aggressively, as other states have done, to make better use of available resources. The agency's fiscal dearth is hardly unique when compared with other states. Also, the agency has presented questionable information to the Legislature concerning its caseloads.

The agency feels hindered by inadequate staffing and funding levels. This complaint has been part of testimony to the Legislature. While national studies support the contention that the agency may be underfunded and understaffed and that increased funding improves the effectiveness of child support enforcement programs, Hawaii's program is not alone in

this position. National statistics and comparisons with similar-size state programs place Hawaii's levels of performance and expenditures per case near average.

In January 1999, the then attorney general testified that the agency's actual caseloads exceeded 1,000 cases per child support caseworker, compared to about 350 to 400 average caseloads of comparable states nationally, and that caseloads over 500 exceed acceptable levels. We found this testimony questionable. We computed caseloads using the formula for national caseload statistics. We estimated Hawaii's current caseload to be between approximately 350 (when vacant and approved but not filled positions are included in the computation) and 400 cases per full time employee. Even adding some 15,000 essentially inactive cases that the agency may have considered active in January 1999, caseloads would still probably not exceed the 400s.

The agency has been less aggressive than other jurisdictions in taking advantage of opportunities to improve its operations. We found, for example, that other states use electronic funds transfer technology for direct deposits of wage withholdings. Also, sure pay (automatic bill payments from personal bank accounts) and pay by telephone are used to facilitate payment of child support. Electronic funds transfers reduce errors and unidentifiable amounts and save about two thirds of the time needed to record payments. Electronic transfers can also decrease the volume of inquiries and complaints. Potentially, as much as 40 percent of cashier time could be saved if the agency takes full advantage of electronic transfers. In addition, by eliminating the time needed for processing and mailing a check, the payments would be available for distribution more quickly, particularly where the sender is located on the mainland. Although the agency informed clients as far back as January 1999 that an electronic funds transfer capability was being designed, nothing concrete has been done to acquire this capability.

Other jurisdictions also offer direct deposits to recipients of support payments, saving the agencies the cost of producing and mailing checks and providing custodial parents more rapid access to support payments.

The agency failed to plan for cleaning up bad computer data and for system support and maintenance

The agency needs a strategy for making the best use of its new KEIKI system. Currently, the system support and maintenance has been diminished because of poor or fragmented planning. Bad data have hurt agency operations. Training has been inadequate. Users have circumvented system controls, and the agency must continue to rely on costly contractors.

The consultants we engaged to evaluate the reliability of KEIKI data found that inadequate training and circumvented systems controls are major factors for a low to moderate confidence rating for data reliability.

Bad data hurt agency operations

Bad data—erroneous information stored in agency computer records—cause KEIKI to generate duplicate records or to erroneously initiate or suspend activities, contributing to client frustration and complaints.

The agency's problems with bad data originated from its old computer system, KFRI. In switching to KEIKI, the data from KFRI had to be transferred to KEIKI. Because the format for storing data differed between the two systems, the data transferred had to be converted to KEIKI's format. Incompatibilities between the two systems' formats caused some conversion errors (bad data).

In addition, KFRI's records also contained substantial amounts of inaccurate data, empty fields, and old data that were not updated. This also affected the accuracy of KEIKI records upon conversion.

KEIKI's automated actions require accurate data to ensure that the actions are correct. If bad data are not corrected, the computer will act upon erroneous data and consequently cause undesired outcomes, along with client inquiries and complaints.

Undesired outcomes include duplicate records. The KFRI system was case-based with each data record describing one case involving two persons, the custodial and noncustodial parent. The KEIKI system is person-based with each record containing only one party. During the conversion, more than one KEIKI record with multiple personal identification numbers may have been created for a person who was listed in more than one case in KFRI. As a result, some clients were subjected to multiple mailings of notices or their accounts showed incorrect balances when the wrong record was updated with payment information.

Other undesired outcomes include erroneous actions initiated automatically by KEIKI, based on erroneous data base information. Missing information, such as the lack of certification of continuing school attendance, could result in an erroneous KEIKI action, such as termination of services for a child who is over 18 but still in school. Again, complaints against the agency would follow. In fact, in a number of cases KEIKI notified parents erroneously that child support payment would be terminated because the agency failed to request from parents proof of continuing schooling. Processing errors attributable to duplicate records also caused KEIKI to send two payment demand letters to the same person.

Additional undesirable outcomes involve erroneously held-up support payments when bad data confuse the computer system. KEIKI has the ability to complete missing information by searching for and obtaining data from other sources such as the Department of Human Service's

HAWI computer system. For data that cannot be easily resolved, the computer suspends processing of the case and places the case into a “hold” file. No further processing occurs for those “held” cases until the agency assigns someone to manually resolve the data errors. When agency staff experience backlogs, such resolutions may be delayed for several days. Because financial processing is also suspended, held cases prevent support payments from being issued, causing financial hardship to custodial parents and again, increased inquiries and complaints.

A customer satisfaction survey we conducted brought to light other examples of bad data: undeliverable addresses and possibly obsolete records. Upon our request, the agency provided us with the names and addresses of all custodial and noncustodial parents in open cases, approximately 136,000 records, from the KEIKI database. From these, we randomly selected 850 parents to receive our survey questionnaires. One questionnaire went to 419 custodial parents and another slightly different questionnaire went to 431 noncustodial parents. Of the 850 surveys mailed, 120 (14 percent) were returned as undeliverable, suggesting that approximately 19,000 (14 percent) of the agency's 136,000 address records were bad. We also received several completed questionnaires in which respondents informed us that their situation had changed and that they were no longer custodial or noncustodial parents, although KEIKI still identified them as such.

No plan for clean-up of bad data

The agency has had no strategy for thoroughly cleaning up the bad data in KEIKI. The agency recently hired a data processing manager whose responsibilities include developing a plan for the organization of the agency's data processing section. Part of the plan will be to identify and address data errors resulting from the conversion. The agency administrator and the agency's quality assurance contractor are also working on incorporating the correction of conversion errors into an agency strategic plan that reportedly is being developed. Currently, the agency uses a case by case method of addressing and correcting bad data, generally in response to complaints or incidental discovery of errors.

Until the data errors are corrected, the agency will continue to receive complaints. In July 1998 when the system first became operational statewide, the agency converted almost 100,000 records from the old system. Approximately 600 cases were suspended due to various problems with the differences in case structures between the two computer systems. After the conversion, the responsibility fell upon the agency to implement “clean up” efforts to correct the data. In April 1999, the agency's quality assurance contractor reported that the number of “held” cases grew to 1,452 cases, of which 610 were attributed to conversion problems. The quality assurance contractor also indicated that each “held” case affects the custodial parent, noncustodial parent, child, and

other cases associated with these parties. This translates to almost 6,000 individuals with "held" cases. While some of the "held" cases may be caused by other problems such as data mismatch or user misuse of the system, conversion errors still exist. The agency's contractor runs a program once a week that identifies and merges duplicate records. The public continues to be affected as no activity occurs for "held" cases.

Other states with information systems for child support enforcement stated that data conversion requires assigning appropriate personnel resources. Hawaii's KEIKI implementation contractor and its KEIKI quality assurance contractor support this approach to resolving the data errors. The implementation contractor stated that automated methods of correcting the data have reached their limits and the most feasible method would be to assign agency personnel to manually research and correct the errors.

No support and maintenance plan

The agency has also inadequately planned for the support and maintenance of KEIKI. Our 1998 *Audit of the Implementation of the Child Support Enforcement Agency's Information System*, Report 98-12, recommended that the agency develop a support and maintenance plan from a detailed assessment of its needs. The plan would include an evaluation of the data processing organizational structure to best serve the agency, maintain and support the system, accommodate future enhancements, and efficiently allocate responsibilities. Although the agency has 10 authorized positions to fill for data processing personnel and recently hired a data processing manager, it has not performed a detailed assessment or developed a support and maintenance plan.

The agency continues to rely on costly contractors for its maintenance needs. The current contract with the KEIKI implementation contractor ended on October 1, 1999 and was replaced by a new contract with the same contractor. The new contract costs \$1,842,245, of which 33 percent or \$612,330 will be the State's obligation and the rest will be federally funded.

Other than the guidance of its implementation contractor, the agency has limited system support. Backup support for KEIKI from the State's Information and Communication Services Division is less than what other state agencies receive. The division provides specified levels of security and backup support for "production systems" only. However, the division does not consider KEIKI a "production system" because it has not met the division's measure of system stability. While KEIKI is still being revised, other departments such as the Department of Human Services and the Department of Taxation have major computer systems that meet the division's policies. As a consequence, while KEIKI may be a priority for the public, the division devotes less resources and priority to KEIKI than

to other state agency computer systems. To maintain the appropriate levels of security, backup support, and controls to ensure system integrity, the agency's contractor must compensate for the division's limited role, which likely results in increased contract costs.

Training is inadequate

User training for KEIKI has been inadequate. The contractor trained agency staff in using the KEIKI system from late May to June 1998. However, KEIKI was not processing the full range of cases at that time. Staff later found that the training did not prepare them for the statewide operation of KEIKI.

The majority of agency staff whom we interviewed indicated that they needed more or better training on how to use KEIKI. Several users added that they often do not know how KEIKI works or how to use it. Furthermore, a staff survey conducted by the agency indicated an overwhelming preference for more training over other measures of improvement.

Inadequate user training has resulted in staff not using KEIKI as intended. KEIKI uses case information to initiate and complete certain tasks automatically. For example, if a noncustodial parent's record is missing an address, KEIKI obtains the address from other computer systems such as the Department of Taxation's or the Department of Human Services'. However, for tasks that it cannot complete automatically, KEIKI creates tasks for agency staff to complete and tracks task completion. The list of uncompleted tasks stood at 12,000 during the first month of statewide operation, and has grown to as high as 300,000.

This enormous backlog of uncompleted tasks results from system users who do not complete or properly record their completion of each task. The agency ran a program that examined the 300,000 assigned tasks and determined that approximately 150,000 tasks had been completed and could be eliminated from the list of uncompleted tasks. This demonstrated that users had completed 150,000 tasks by a method that the computer was not able to track. Circumventing the computer's normal method of operating not only creates erroneous reports, but also affects the integrity of the data.

Users' circumvention of computer controls jeopardizes data integrity. KEIKI automatically searches and updates noncustodial parents' addresses that are marked "bad." We found one user who marked the address field as "bad" to stop KEIKI from sending out payments to a custodial parent because the child support order had changed. However, KEIKI was not updated. Instead of changing the order information in

KEIKI, the user changed the address field that would lead KEIKI to automatically search for new addresses and possibly update a good address with a bad address.

The lack of training and users' circumvention of controls are major factors affecting the reliability of KEIKI data, according to our consultants. Grant Thornton LLP assisted us with a review of KEIKI's application and general controls and with assessing the reliability of its data. They found application and general controls adequate but rated their confidence in data reliability as low to moderate. The consultants noted that although the system had proper checks and balances, users bypassing these controls increased the system's vulnerability to errors as discussed in more detail below.

Data integrity may be compromised

Our consultant, Grant Thornton LLP, assessed the KEIKI system in two areas: reliability risk and systems controls.

The reliability risk is of great significance. The importance of KEIKI to agency operations makes a "low" rating of reliability risk desirable. This would signify a low risk that reliability of the system is compromised. However, the consultant rated the KEIKI system's reliability risk "high" because of concerns about significant deficiencies in the system's accuracy of processing and untimely processing of data. The consultant examined all the tasks that had been assigned by the system and that were in the system as of a particular day, almost 200,000 tasks, and found that 59 percent had not been responded to in over 120 days. There were over 163,000 additional tasks not assigned for action and 66 percent of these tasks were over 120 days old. The consultant also identified serious "red flags" that could perpetuate a reliability risk rating of "high." These red flags include: (1) users bypassing controls; (2) employee turnover; (3) lack of user training; (4) high programming maintenance; and (5) incomplete documentation.

Our consultant's assessment of systems controls, on the other hand, resulted in an overall rating of "adequate." While several areas were rated to be "strong," some weaknesses that could potentially compromise data integrity were identified.

A "strong" rating reflects a system where all phases of general and applications controls are sound. An "adequate" rating means that for the most part, controls are sound with a few inconsistencies or omissions. A "weak" rating reflects serious inconsistencies or omissions to the extent that system controls are inadequate.

The consultant found controls over source code, database, backups, and audit trails to be strong. The consultant also found physical security,

separation of duties, access control, updates to data, and computer generated transactions to be adequate. However, several practices detract from the effectiveness of system controls to the extent of diminishing the overall assessment to adequate, as they are significant enough to potentially compromise data integrity. Such practices include assigning systems programming functions to the contractor, laxness in the use of user IDs and passwords, and allowing "super users" (users who have virtually unlimited access to computer records) to exist.

Planning and management of personnel needs improvement

Agency management has failed to carry out a reorganization although it was supposed to be a high priority. Management's lack of knowledge and skills to expedite reorganization, and unknown factors of KEIKI, have deterred reorganization. Confusion, frustration, and unanswered questions about duties and responsibilities remain among employees. Outdated position descriptions that do not accurately reflect the work actually performed contribute to low employee morale. Incomplete and outdated policies and procedures create uncertainty and inconsistency among employees. Poor overtime management fosters abuse and compromises staff's productivity. The lack of systematic measurements makes it difficult for management to effectively monitor productivity.

The agency failed to develop a reorganization and reclassification plan

Administrative Directive No. 90-01, the policy and procedures for making changes in organization in the executive branch, affirms that the task of organizing is a fundamental administrative responsibility. The directive requires each department to make every effort to clearly define objectives, delegate authority, pinpoint accountability, maintain clear lines of command, develop effective communication channels, and establish a logical division of work. Management of the child support agency failed to fulfill the fundamental requirement of organization.

Except for some efforts by the former program administrator and several minor reorganization plans carried out in recent years, the agency has not implemented a reorganization to address deficiencies in chain of command, organizational structure, position classifications and descriptions, and the ability to provide employees with a career path. Most of these deficiencies were pointed out in our 1992 *Management Audit of the Child Support Enforcement Agency* (Report No. 92-22), and the agency expressed a commitment to a reorganization in its response to the report.

A reorganization plan proposed by the former agency administrator was rejected by the attorney general's office because it lacked some fundamental elements of a reorganization plan and primarily sought a

reclassification for the incumbents. Therefore, this reorganization plan—which had been reported by the agency as a priority at the time of our 1995 follow-up—was never implemented.

Under the new administrator, some reorganization effort was made from late 1996 through early 1998 to discuss changes in workflow due to KEIKI and welfare reform requirements. However, management deferred the realigning of its organizational structure due to “unknown” factors of KEIKI until it actually operated. These factors included the following: what KEIKI could do; how it would function; how fast it would be; and how it would impact case processing. We believe, however, that these factors should have been addressed at the system design and planning phase to reduce the negative impact on the staff’s workflow and job responsibilities.

Although the attorney general’s office has continuously urged agency management to develop a reorganization and offered assistance, management failed to develop a solid plan as late as 15 months after KEIKI began operating. Currently, management is still brainstorming a reorganization plan that has not progressed beyond the conceptual stage. Key managers diverted time and effort to the KEIKI project, which has contributed to the delay in planning a reorganization.

In the meantime, the current organization structure suffers from the duplication of jobs and inefficient use of human resources. Staff’s confusion about their duties and responsibilities negatively affects morale. Our interviews with selected employees revealed their frustration about management’s inadequate effort to reorganize and reclassify. Low morale exists because of the disparity between salaries and actual duties assigned. Employee frustration also results from disparity between different classifications that perform similar duties.

Section 14-4-7 of Title 14, State of Hawaii Personnel Rules, requires each department to insure that the duties and responsibilities assigned to each of its positions are accurately reflected in an official position description. Redescriptions must be submitted on a timely basis when making significant changes in the duties and responsibilities of a position. We found that the agency’s position descriptions had not been updated since 1987 until the attorney general’s office assigned a personnel management specialist to the agency in 1996. Currently, about 50 percent of position descriptions are outdated. Moreover, changes in staff duties and responsibilities resulting from KEIKI require updating again.

At least one key manager feels that the agency lacks the knowledge and skills at management level needed to carry out an effective reorganization. The personnel function within the agency is also weak. The only personnel management specialist, assisted by a personnel clerk, is already busy filling vacancies, establishing new positions, updating position

descriptions, investigating grievances, and handling other personnel matters. It may be necessary to hire experts or transfer personnel from the attorney general's office to draft a reorganization plan and work on position descriptions.

The administrator, who also believes an entire reorganization is impossible, is pursuing another minor reorganization in the administration area by redescribing three investigator III positions in order to hire a few accountants for resolving bank reconciliation issues and by transferring one investigator III position from the Oahu Branch to strengthen systems training. While this "bits and pieces" approach described by the administrator may help improve the agency's financial and human resources management, it will not be a complete solution to fundamental organizational and operational problems.

As a part of an overall strategic plan, the agency should plan and implement reorganization. To properly realign work flow and job responsibilities with changes from the new computer system, and to operate the program at the highest level, the attorney general's office should aggressively take initiative in leading the agency's reorganization by reassessing current organization and by identifying needs, structure, functions, positions, types of personnel, reclassifications, and support infrastructure.

Standards and benchmarks for measuring productivity could enhance management control

The agency lacks formal controls and benchmark measures for staff productivity. Supervisors informally keep some statistics such as batch counts, number of calls, numbers of hearings, and number of cases processed. However, agency management has not established sufficient and accurate standards to evaluate performance and identify strengths and weaknesses in processes and productivity at unit and individual levels. Without analyzing current staff's productivity, the agency is unable to determine and justify appropriate staffing levels. The lack of productivity standards may result in inefficiency and lower morale.

In contrast, other states use performance standards and measures. States like Oregon, Florida, Arizona, and Montana have adopted the new federal performance criteria (issued by the Office of Child Support Enforcement, U.S. Department of Health and Human Services, effective October 1, 1999) to gauge performance retrospectively and set performance expectations for the future. Arizona has used the required federal performance criteria to develop performance measurements at the individual, unit, and agency level.

The federal performance criteria include:

- Paternity establishment percentage;
- Number of cases with orders;
- Number of cases receiving payments;
- Number of cases receiving payments on arrears; and
- Ratio of collections to costs.

A study of performance criteria by the National Conference of State Legislatures indicates that many child support directors in the nation have been using criteria like these for internal evaluations for many years. Montana established its own performance indicators in 1994 and has increased collections by 142 percent since then. The indicators are broadly applied to all aspects of Montana's program operations including human resources management. The evaluation includes: (1) strategic plan; (2) position descriptions; (3) safety plan; (4) effective communication; (5) performance appraisal; and (6) reports.

Agency management needs to establish strategic organization goals and objectives and suitable performance measures to track progress toward achieving these goals and objectives. Such an effort is unlikely to succeed without the solid commitment and participation of the entire staff, from top management to line level employees. Clear communication of expectations and achievements is also necessary.

Incomplete procedure manuals cause confusion

Confusion and misunderstanding due to incomplete policy and procedures manuals affect employees' morale and operational efficiency and effectiveness. Moreover, these deficiencies contribute to errors and inconsistencies in responding to the public, and cause repeated inquiries and complaints. We found that the agency's policies and procedures, which are now built into KEIKI for on-line reference, are incomplete and not properly updated.

The agency's policies and procedures are also communicated through an e-mail bulletin. However, changes to policies and procedures are fragmented, difficult to understand, and too numerous to keep up with, according to employees who depend on the information for guidance. Moreover, there is no formal process for making changes to the KEIKI policies and procedures. Changes may cause inconsistent processes for dealing with similar issues, resulting again in customer complaints. Some employees identified the lack of consistent, updated, written procedures as an obstacle to boosting morale. They described changes through e-mail as "Band-Aids" to problems. Another employee indicated that with nothing in writing specifically stating who does what, supervisors are free to make decisions that best benefit themselves.

The agency should establish clear, updated, written policies and procedures to improve its program operations and enhance employees' morale.

Overtime is poorly managed

Loose control over overtime by the attorney general's office, coupled with the child support agency's inadequate internal overtime procedures, may have fostered overtime abuse and resulted in lower productivity. Neither the agency nor the attorney general's office could properly compare actual overtime worked by individual workers against approved overtime, or properly evaluate whether the actual overtime was within the acceptable level.

The agency's overtime expenditures increased from about \$45,000 to about \$300,000 from FY1996-97 to FY1997-98, and increased further to about \$440,000 in FY1998-99. The \$440,000 represented 71 percent of all overtime paid by the attorney general's department that year. According to the department and the agency, this "ballooning" overtime is primarily attributable to the KEIKI implementation and to: (1) meeting federal mandates, (2) handling backlogs created by KEIKI, and (3) handling backlogs caused by working the daytime customer service shift. Over 90 percent of these overtime expenditures were incurred by the Oahu Branch, which processes 70 percent of the agency's total caseload.

Despite the magnitude of overtime expenditures, the attorney general's office has not been closely reviewing the agency's use of overtime. The department allowed the agency to request overtime until the funds appropriated for vacant positions ran out. As of June 30, 1999, the agency had 32 vacant positions for which approximately \$900,000 have been budgeted. For FY1998-99, the fund limits for the agency's quarterly overtime requests were up to \$100,000 except for \$200,000 for the second quarter.

The attorney general's office holds the agency management responsible for determining overtime needs and monitoring the performance of the staff working overtime. However, agency management approved overtime orally and in a casual manner. The need for overtime is not closely monitored by specific tasks and not based on written requests from section supervisors.

For FY1998-99, the agency's quarterly overtime requests submitted to the attorney general's office lacked detailed justifications and descriptions of overtime work and tasks required. They did not list individual names, hours, and dates as required by the overtime procedures in the department's General Office Manual. Moreover, overtime job completion reported in a D-55 form (individual timesheet) also lacked detailed justifications and descriptions of actual overtime worked. Neither the

agency nor attorney general's office could properly monitor actual overtime worked by individual workers through comparison of the approved overtime request with the D-55 form. The agency cannot give assurance that overtime work produced the expected output or that overtime was worked for tasks approved for overtime.

In addition, the agency has no formal written policies and procedures to delegate the authority to approve individual timesheets when the agency administrator or assistant administrator is absent. The agency accountant signed and approved the timesheets without formal authority, and the Oahu Branch supervisor signs timesheets while both the administrator and assistant administrator are absent. The agency should establish formal written policies and procedures for proper delegation of authority.

Only a single supervisor is present after hours to monitor overtime work for as many as 51 employees at the Oahu Branch, and there is no supervision at neighbor island branches. Under these conditions, there is little control over overtime abuse by the agency staff. Poor overtime management creates an opportunity for abuse, that is, overtime requested so staff can earn extra money or complete work that should be done during regular working hours. Such conditions and opportunities will result in lower productivity.

Our analysis of overtime worked demonstrates the agency's limited control over staff productivity. We found that during FY1998-99, the agency allowed staff to take sick leave, vacation leave, or both on the same day or during the same week that staff also earned overtime. Twenty-one percent of the employees in our sample took sick or vacation leave on the same day they worked overtime. Twenty-nine percent of our sample took leave during the same week they worked overtime. It is not cost effective to pay an employee overtime, if, due to vacation or illness, work could not be accomplished during normal working hours.

Agency managers lack effective tools to properly assess the efficiency and effectiveness of their staff. Since the agency section supervisors do not receive any overtime expenditure reports—available at the attorney general's office—they cannot monitor individual staff's overtime over a certain time period. Some supervisors do keep statistics on their staff's work and compare staff productivity. However, this is less meaningful than matching productivity against predetermined standards. In establishing productivity standards and measurements to properly evaluate staff's performance, management should consider the impact of overtime.

Section 80-4, HRS, requires that the department be responsible for the proper administration of regular and overtime work hours. An August 23, 1999 memorandum from the attorney general's office to division supervisors informed them that all previous approvals for overtime were

rescinded, effective immediately. All overtime requests in the department, including the child support agency, are now subject to the attorney general's review and approval and must be submitted prior to the date of the actual overtime. The request must also include employees' names, date of overtime, number of hours, and a detailed justification.

Customer service is not meeting the needs of clients and is replete with waste

The customer service function of the child support agency is highly inadequate in responding to and addressing its clients' inquiries and problems. The agency's inefficient and ineffective customer service wastes resources.

The agency's activities have a significant impact on clients' financial well-being. Over \$90 million in support payments were processed in FY1998-99. Over half of the custodial parents responding to our customer service survey reported that child support is an important source of income or their only source. Recently enhanced enforcement capabilities can seriously impair a noncustodial parent's possessions or ability to earn a living.

Financial impact and sound client relations make it essential that the agency have an effective process to record information, to respond to inquiries and complaints received from clients, and to resolve or explain any real or perceived discrepancy between its records and those of clients. Our survey of custodial and noncustodial parents revealed perceptions that the agency needs to resolve. Examples include:

- A person who was listed in the agency's records as a custodial parent but who believed this listing was incorrect and observed, "I'm 69 years old. My children are all gone, my baby is 32 years old";
- Another person who was listed as a custodial parent but who claimed, "I pay child support \$60 a month";
- A person who was listed as a noncustodial parent but who said, "I have full custody of my daughter"; and
- Another person who was listed as a noncustodial parent but who said, "My child support payments . . . ended about ten years ago. My name and address should not be included in any active files. I was assured that this would be taken care of. Obviously it has not."

However, we determined that the agency continues to be difficult to reach by phone when its clients need case information or to resolve problems. In addition, the agency does not respond in a timely manner to clients' correspondence and does not always act upon, or even loses, documents

mailed to the agency. Further, many problems require unnecessary multiple contacts with the agency, resulting in wasted staff time, duplicated effort, and again, client complaints.

The agency is not accessible to its clients

The agency has continued its tradition of apparent indifference to clients' complaints about its inaccessible phone system that is far from user friendly. The agency handles only a fraction of those attempting to make voice contact.

The state Ombudsman reported in 1992 that the biggest problem of the agency's clients was that they could not speak to someone at the agency. In 1999, the Ombudsman found that the problem had worsened, since complaints had increased more than fourfold in the past fiscal year, compared with FY1997-98. The Ombudsman's observations were confirmed by our audit work that included our repeated calls to the child support agency's telephone number and a customer satisfaction survey.

We tested the agency's accessibility by telephone. We attempted to reach an agency representative 60 times through the agency's service number during two weeks from September 2 through September 16, 1999. Only one in six (17 percent) of these attempts were successful. This is in line with the agency's own monitoring reports. However, these monitoring reports also show that a 17 percent success rate is a significant improvement over its 3 percent in the early months of FY1998-99.

During our test, we noted that the automated telephone system is not user friendly. None of the various menu selections tell the caller that pressing "0" would transfer the call to the line answered by representatives. Instead a first-time caller wanting to reach a representative is subjected to over four minutes of fast-paced information on services and limitations of the agency, only to return to the main menu.

When we reviewed 26 randomly selected complaints files, we found that seven complaints referred to the difficulties of contacting someone at the agency. Over two thirds of custodial parents responding to our survey indicated that the agency is not easy to contact. Numerous comments made in response to our survey and made in complaints we reviewed indicate that the telephone system is not perceived as user friendly. For example:

No one answers the phone, and I have been trying for at least two weeks daily. This is ridiculous, because you can't even get information regarding your case.

...it would be a really nice option to be able to talk to someone. There is no option for an operator...

Main problems are: (1) contacting personnel by phone – have never been able to do this, must go to office in person.

Clients living on the mainland are particularly affected, as they do not have the option of visiting the agency office personally.

The agency is not responsive to its clients

In the words of one of its critics, the agency has “a moat and drawbridge mentality” because its leadership does not see being responsive to clients as part of its mandate. As a result, the agency has not acted decisively to reduce complaints from frustrated clients who cannot get problems resolved.

Some major sources of client complaints include:

- Not receiving responses to written correspondence at all or not receiving responses in a timely manner;
- Documentation or information is not acted upon or is lost;
- Promised actions are not carried out; and
- Inability to work with a single contact and/or receiving inconsistent, even incorrect information from agency workers on successive contacts.

According to the agency's management, the agency's mandate is to enforce, collect, and distribute child support. The agency is looking to the Legislature to redefine its mission to include mandating responsiveness to clients should the Legislature so desire.

Agency managers basically take the position that it is up to clients to resolve their problems and that if the agency acts in error, the client may not have tried hard enough to get in touch with the agency to prevent that error. The existing customer service, consisting primarily of walk-in counters, and six telephone lines answering the service number, resembles a function added as an afterthought. Customer service is not listed in the agency's functional statement, although up to 40 percent of staff time is devoted to customer service. Job descriptions of employees do not include the widely loathed tasks of answering phone calls and working at walk-in counters, which takes up as much as half of their day. Most branch employees at clerk III level and above are assigned to these tasks.

Agency staff are mostly specialists with a narrow field of expertise, such as legal assistants, investigators, cashiers, or account clerks. A lack of cross training and specialized customer service training leaves highly specialized employees ill-equipped to respond to the broad spectrum of

inquiries they face. Often, they find it hard even to correctly identify the cause of a client's problem. Problems beyond an employee's expertise are referred to someone with the requisite knowledge. However, these referrals are, like other written inquiries, at the low end of the priority spectrum. Some referrals will face delays from backlogs and erroneous routings. If the required actions involve more than one specialty, additional delays can be expected. Further, since the agency does not assign cases to individuals or teams, the same problem may be referred to different individuals at successive contacts, a possible cause for complaints about inconsistencies in agency responses.

The inability to resolve problems at first contact, and not having specific employees or teams assigned to work all aspects of a case, causes duplicated and wasted staff time. Although all client contacts are supposed to be logged on KEIKI to avoid duplicated research, we have been informed that it is not uncommon to find as many as four employees responding to the same client on successive occasions about the same problem and spending time to research, then referring the problem to someone else.

According to agency staff, many complaints result from the client's ignorance of the agency's limited ability to amend court orders and other jurisdictional issues. For example, changes to custody can only be made by a court. While we confirmed the existence of such cases, we also noted that other causes demonstrate the agency's poor response to client needs. For example, the Ombudsman finds that most people will understand why the child support agency cannot help, if an effort is made to explain properly. Furthermore, while Hawaii's agency has done little to offer a client assistance beyond the agency's ability to help, other states provide resources that go further, such as information on and help with pursuing a case *pro se* (representing oneself without a lawyer). The state of Washington, for example, operates a self-help center providing information and resources as well as coordinating legal assistance through public and private organizations.

Hawaii's agency does have a complaint resolution team. However, this team primarily handles "elevated complaints." Such complaints typically follow a client's unsuccessful attempts, sometimes over a number of years, to resolve a problem through the regular agency process. When the complaint finally is addressed to the agency administrator personally or to state or federal public officials, including the Ombudsman's office, governor's office, legislators, and federal delegates, it is assigned to the agency's complaint resolution team. Thus, the complaint resolution team is primarily addressing the symptoms of poor customer service, rather than the cause.

The complaint resolution team relies heavily on staff at the branch level for resolving problems (the level at which the client's concerns should be handled in the first place). At times the team has to respond to up to eight separate referrals for the same complainant. This occurs when a client uses a "shotgun" approach and mails complaints to numerous officials, as in one case, where the client sent letters to the governor, the attorney general, all four congressional delegates, a congressional delegate of another state, and First Lady Ms. Hillary Rodham Clinton, resulting in at least seven referrals plus a number of follow-ups when the agency did not respond in a timely manner. The frustration leading to this "shotgun" complaint started with the client's inability to get through to the agency for a case update. Substantial clerical staff time goes into preparing responses to such multiple referrals, in addition to the research needed to resolve the problem.

An ineffective customer service wastes resources

A report on best practices in resolving customer complaints by the Federal Benchmarking Consortium found that "...complaints can be costly. Repeated hand-offs increase costs and waste precious resources. When complaints are not promptly resolved, frustrated customers seek redress in different agencies or at different parts or levels of the same agency, resulting in duplicate effort and compounding costs." The same report confirmed that resolving complaints at first contact reduces costs by at least 50 percent.

Almost 70 percent of the custodial parents responding to our survey reported that it takes multiple contacts to resolve a specific problem with the agency, some over 10 times. Frustrated clients are prone to use "shotgun" methods in sending complaints to as many as eight officials in the hope of getting the help they could not obtain through normal first-contact channels.

Child support enforcement programs in other states, especially those recognized for having exemplary programs, surpass Hawaii in customer service. Their capabilities include:

- Dedicated customer service functions, some run by private enterprise contractors;
- Staff trained to handle, and responsible for handling, all aspects of a case; and
- Staff assigned to be a single contact for responding to clients.

At least one agency has a policy requiring responses to client inquiries within a 24-hour period and provide services and information to assist clients on matters outside the scope of child support enforcement. Client

satisfaction is incorporated in mission statements and strategic plans as a priority and is measured and tracked with surveys or follow-up questionnaires.

Summary of Status of Previous Recommendations

Exhibit 2.2 summarizes pertinent recommendations from our previous audits concerning the Child Support Enforcement Agency and our current findings on their disposition.

**Exhibit 2.2
Summary of Status of Pertinent Recommendations from Our Previous Audits**

<i>Financial Audit of the Department of the Attorney General, Report No. 92-21</i>	Current follow-up findings
1. <input type="checkbox"/> Establish and maintain a check register or other record to record cash deposits to and disbursements from child support checking accounts. Bank reconciliations should be prepared on a monthly basis.	While accounting records have been established, internal control problems persist. In our 1995 follow-up, we reported that bank balances were reconciled monthly. However, we found that, again, the agency’s active bank accounts are not or are only partially reconciled.
2. <input type="checkbox"/> Take immediate steps to investigate and resolve all child support payments maintained in the suspense account.	The child support agency replaced the suspense account with an unidentified payment listing. These unidentified payments have not been resolved in a timely manner.
3. <input type="checkbox"/> Report to the Department of Accounting and General Services child support checking accounts as required by Section 40-81, HRS.	Checking account balances are reported to the Department of Accounting and General Services as required. However, these account balances are inaccurate.
4. <input type="checkbox"/> Deposit the balance of child support agency’s trust fund and federal incentive payments to the general fund.	Trust fund balance was not transferred, but Legislature authorized use of the funds by appropriation. This meets intent of recommendation.
5. <input type="checkbox"/> Comply with Section 576D-10, HRS and deposit excess interest earnings into the state general fund.	While we concluded in our 1995 follow-up that projected reconciliation costs would be greater than interest earned, the agency has since improperly used interest earnings for expenditures other than account maintenance.

Exhibit 2.2
Summary of Status of Pertinent Recommendations from Our Previous Audits
(continued)

<i>Financial Audit of the Department of the Attorney General, Report No. 92-21 (cont.)</i>	Current follow-up findings
<p>6. <input type="checkbox"/> Establish formal procedures and timetables for auctioning or otherwise disposing of forfeited non-cash assets. (This recommendation was directed at other divisions of the Department of the Attorney General. However, the child support agency has recently begun to collect substantial amounts from this activity).</p>	<p>In 1995, we reported that draft procedural guidelines are being followed and quarterly auctions are being held under a contract with an auctioneer. Currently, the Collection Unit of the attorney general's Civil Recovery Division handles child support enforcement cases.</p>
<i>Management Audit of the Child Support Enforcement Agency, Report No. 92-22</i>	Current follow-up findings
<p>1. <input type="checkbox"/> Recruit a certified public accountant to be a controller and assistant administrator to design and install an adequate financial management system and an appropriate staffing plan.</p> <p>2. <input type="checkbox"/> Continue efforts to reconcile client accounts.</p> <p>3. <input type="checkbox"/> Review the security of computerized records and protect them from unwarranted alterations. (This pertains to some staff having "god code" to the computer system.)</p> <p>4. <input type="checkbox"/> Establish management controls over case processing, including an aging report, training, and automated calendaring.</p> <p>5. <input type="checkbox"/> Give reorganization and personnel reclassification priority attention.</p> <p>6. <input type="checkbox"/> Consider developing informational videos to inform parents about the complexities of child support enforcement.</p>	<p>The agency's assistant administrator position was filled with experienced accountants to perform the controller function. However, not all were CPAs, and a CPA designation is not required of candidates in a current recruiting effort for the position.</p> <p>The agency hired a contractor to reconcile client accounts in 1995. However, the reliability of that reconciliation was questionable and many accounts remain unreconciled.</p> <p>Concerns about unnecessarily broad access to the computer system are again an issue after our 1995 follow-up found that security had been improved.</p> <p>The new KEIKI system has improved some controls but insufficient training remains a problem.</p> <p>The agency has not carried out a reorganization plan although it had committed to a reorganization as a high priority and seemed ready to act during our 1995 follow-up.</p> <p>The agency has produced a 20-minute video explaining the services available. However, it is too technical for general use. Videos may not be an effective medium to address client concerns.</p>

Exhibit 2.2

**Summary of Status of Pertinent Recommendations from Our Previous Audits
(continued)**

<i>Audit of the Implementation of the Child Support Enforcement Agency's Information System, Report No. 98-12</i>	Current follow-up findings
<p>1. The child support agency should complete a support and maintenance plan which should include:</p> <ul style="list-style-type: none"> a. <input type="checkbox"/> An evaluation of the agency's data processing organizational structure to maintain and support the system, accommodate modifications and efficiently allocate responsibilities; and b. <input type="checkbox"/> An analysis of positions that can be transferred or eliminated due to the more efficient system and reduced work processes. <p>2. The Information and Communication Services Division should be given greater involvement in the implementation of the system.</p>	<p>The agency failed to follow this recommendation and faces added expenses and inefficient work processes as a result.</p> <p>In August 1999, a data processing manager was hired who has been assigned to develop an organizational structure.</p> <p>In October 1998, the agency's quality assurance contractor performed an operational assessment of the agency. Most of the resulting recommendations have not been implemented.</p> <p>The agency deferred the realigning of its organizational structure due to unknown factors of KEIKI until it actually operated. Changes in staff duties and responsibilities resulting from KEIKI require redescrptions and reclassifications.</p> <p>The division did not have the staff for significantly increased involvement in the implementation of KEIKI but has been part of the process.</p>

Issues for Further Study

During our audit, we identified several significant issues that were not directly related to the audit objectives but in our judgment warrant further study. These issues include the agency's efforts to position itself to receive the greatest possible amount in federal reimbursements; the hardships caused to noncustodial parents because of difficulties receiving credit for support payments made outside the agency's system; and the agency's inoperative security equipment.

Agency has not been aggressive in maximizing federal reimbursements

The child support agency has been less aggressive than other states in reducing the impact of cases ineligible for federal reimbursement. The financial consequences of these cases will increase under new rules for federal incentive payments.

The federal government reimburses the State about two thirds of the cost of administering cases under Title IV-D of the Social Security Act. Title IV-D cases are those that involve current or past welfare recipients and those for which the child support agency has received an application for services. State law and court orders provide for certain cases to come under the agency's jurisdiction automatically. As a result, these cases are excluded from federal reimbursement because the client never applied for the agency's services. Non-Title-IV-D cases make up about 11 percent of the agency's total caseload but they account for 30 percent of collections.

Changes to the federal incentive program will place Hawaii at a disadvantage in competing with other states for the allocation of incentive funds. Effective October 1, 1999, the incentive allocations will be based on performance criteria including a cost/collection ratio. The cost/collection ratio is negatively affected by the exclusion of non-IV-D cases from the incentive computations because collections for these cases are higher than average. This favors states with fewer non-IV-D cases than Hawaii.

Hawaii's child support agency could follow the lead of other states that have taken steps to increase the ratio of these cases to total cases. Such steps may include working with legislators to make necessary changes to the Hawaii Revised Statutes to require an application before services are initiated and working with courts to facilitate and encourage applications for services at the time child support orders are first issued. We have neither determined the likely effects of these or other measures to increase the ratio of non-IV-D cases, nor evaluated their feasibility.

Process for obtaining credit for direct support payments causes hardship to noncustodial parents

The agency's success in stepped up enforcement activities has increased the number of noncustodial parents claiming credit for payments they made directly to the custodial parent and not recorded on the agency's records. There are many reasons for making such direct payments, including good faith attempts to assist financially before a case at the agency had been established.

In the past, the agency would accept proof of payment, such as cancelled checks if the custodial parent did not object (some states still use that practice). Currently, the only way to get credit for direct payments is through a notarized statement from the custodial parent that the obligations have been paid or through court proceedings. Given the often acrimonious relationship between ex-spouses, the opportunity to receive the same amount twice, and the cost and time involving court proceedings, the process for receiving credit seems to be unduly obstructive for the noncustodial parent. This problem has just recently become the subject of increased attention nationally and a number of solutions are being discussed. We have not determined what, if any, expedited processes or other alternatives might help to address it.

Security scanner at walk-in facility is inoperative

A metal detector located at the entrance to the walk-in facility of the Oahu Branch has never been plugged in for five or six years and is used more as a "psychological deterrent" for potentially hostile clients. Agency personnel explained that the equipment was installed at the former administrator's directive in response to some shooting incidents without determining necessary policies, procedures, and resources. Some employees we interviewed expressed a concern about the agency's inadequate safety measures while they work their walk-in service shift.

Although a panic button is located under the desk of each interview booth, it may not be as effective as the metal detector. The metal detector will restrict the entry of the person with a weapon into the walk-in area; therefore, it will reduce the risks of attack and bodily harm.

While we did not visit the agency's neighbor island branches, our telephone interviews and document review raise concern about inconsistent safety measures at the branches. Unlike the Oahu Branch, none of the neighbor island branches has a panic button or state law enforcement officer on site. Only the Kauai Branch has a hard plastic window over the service counter (since 1991) and both the Kauai and Hawaii branches have secured access doors to the office space. However, the Maui Branch staff are exposed to a potentially volatile situation due to a lack of security and safety barriers. The office's location with other attorney general sections and the public's access to the interior bathroom make securing the office door impossible. In addition, the service counter

is not high enough to avoid physical attack. The Maui staff have been very uncomfortable and unhappy about this vulnerable situation for many years.

The worst incident filed by the agency took place, in fact, at this Maui Branch. Fortunately, a legal assistant who tried to intervene during a violent confrontation between parties attending a hearing was not injured. Besides this Maui case, the agency has filed other incident reports regarding terroristic threats or harassment by child support clients. Some of them resulted in a restraining order and a criminal conviction.

Chapter XIV of the General Office Manual of the Department of the Attorney General clarifies that the department has the fundamental obligation to safeguard the health, safety, and welfare of all employees during their working hours and to provide safe, healthy, and clean working conditions. The chapter further specifies that the agency administrator is responsible for furnishing a working place free from recognized hazards that are causing or likely to cause death or serious physical harm. The agency administrator submitted proposed security procedures several times to the attorney general's office for review (most recently in April 1999); however, he has not yet received a response. The proposed security measures include the policies and procedures pertaining to the use of the metal detector and a hand scanner for physical search at the Oahu Branch. The agency should also include the neighbor island branches in considering these security policies and procedures. The agency should ensure a reasonable security level that is consistent among all the branches in light of the State's legal authority and liabilities.

Recommendations

1. To improve financial management, the Child Support Enforcement Agency should:
 - a. Resolve obstacles to reconciliations of bank accounts;
 - b. Attach a copy of bank reconciliations to account balances reports submitted to the attorney general fiscal office and ensure balances are accurately reported to the Department of Accounting and General Services;
 - c. Discontinue commingling of interest earnings with federal funds. Adhere to state law and generally accepted accounting practices in recording and using interest earnings;
 - d. To the extent possible, clarify the use of \$867,108 in interest earned prior to 1992. Transfer \$59,444 in interest to the state

- general fund immediately. Transfer all other accumulated interest earnings to the general fund unless justifiable reasons for not doing so can be established;
- e. Return unidentified payments to sender faster than 90 days until multiple personal identification numbers have been eliminated. Correct data errors causing unidentified payment reports by replacing batch dates with actual transaction dates;
 - f. Develop reports to allow monitoring unidentified payment refund activity;
 - g. Follow escheating procedures in accordance with Chapter 523A, HRS and establish a more reasonable holding period to comply with Chapter 523A-13, HRS;
 - h. Provide appropriate safeguards over assets, including installing safe storage for cash and checks while awaiting transfer and spot checks of transactions by supervisors;
 - i. Address the lack of segregation of the agency accountant's duties; and
 - j. Modify access to computer records to minimize the risk of loss through undetected unauthorized alterations.
2. To address the lack of leadership strategies and deficiencies causing waste and complaints from clients, the agency should:
- a. Formalize the agency's mission. Perform a thorough assessment of the current processes, organization, and controls to evaluate their contribution to the agency's mission. Develop a formal mission statement and a strategy, including, if appropriate, a work process reengineering plan, to guide the organization towards achieving its mission, using benchmarks to measure progress. Consider acquiring appropriate expert advice and emulating successful models from other states for this task;
 - b. Improve the use of its resources. More aggressively exploit its technological capabilities and improve work processes both within the agency and in concert with stakeholders. Specifically, establish and encourage the use of payments and direct deposits by electronic transfer to the maximum extent possible;
 - c. Make a concerted effort to correct bad data in a systematic manner, dedicating staff to the conversion;

- d. As part of an overall strategic plan, develop a strategic plan for its computer system to maximize its organizational structure to make optimal use of the KEIKI system and provide adequate support for systems maintenance. This plan should also address the need for adequate user training;
- e. As part of an overall strategic plan, plan and implement a reorganization addressing optimal organizational structure, functions, needed employee types, positions, classifications, and needed support infrastructure for employees. In addition, develop a system of performance benchmarks for organizational units and individuals which define expectations, allow measuring results and positive recognition of results and progress. As part of the support infrastructure for employees, improve training and establish clear written policies and procedures;
- f. Comply with overtime provisions of Department of the Attorney General policies and procedures;
- g. As part of an overall strategic plan, develop an effective customer service function. The plan should address the development and training of broadly experienced workers, focus on resolving problems at first contact, assign accountability for responding to and resolving client problems, and aim to make the agency a more user friendly organization; and
- h. Consider the feasibility of using an experienced contractor for handling public contact customer service functions, possibly on a temporary basis.

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Appendix A

**RESULTS OF OUR SURVEY
OF CUSTODIAL PARENTS CONCERNING SERVICES
RECEIVED FROM THE CHILD SUPPORT ENFORCEMENT AGENCY (CSEA)**

GENERAL VIEWS ON RESPONDENT'S STATUS:

The records of the Child Support Enforcement Agency indicate that you are a custodial parent. Is this correct? If you answered "No," please explain.			
Number of YES responses	Percentage of YES responses	Number of NO responses	Percentage of NO responses
62	87.3	9	12.7
Explanations of respondents who answered "No":			
I'm 69 years old. My children are all gone, my baby is 32 years old.			
My grandchildren move with their parent in the mainland.			
Haven't been for at least 10 years.			
I have never received child support, but I am the sole parent for my sons who are 29 and 27 years old. I went to court but never received a penny for 29 years. Please take my name off the list.			
I was a custodial parent, my sons now take care of them selves. My sons were not supported by their father when they were growing up. The courts could not collect the money for my sons.			
I pay child support for my two children that don't live with me.			
Child lives with father. Joint custody with me. I pay child support.			
My husband and I are sharing custody and costs.			
I pay child support \$60.00 a month.			

GENERAL VIEWS ON HOW LONG RESPONDENTS HAVE BEEN USING THE SERVICES OF THE CHILD SUPPORT ENFORCEMENT AGENCY:

Length of service	Percentage	Cumulative Percentage
6 months or less	8.1	8.1
7 to 12 months	3.2	11.3
Over 12 months but less than 3 years	17.7	29.0
3 to 5 years	21.0	50.0
More than 5 years	45.2	95.2
Did not answer	4.8	100.0

GENERAL VIEWS ON THE NUMBER OF SEPARATE PROBLEMS RESPONDENTS RESOLVED WITH THE CHILD SUPPORT ENFORCEMENT AGENCY DURING THE TIME THEY HAD BEEN USING CSEA SERVICES:

Number of problems	Percentage	Cumulative Percentage
None	20.0	20.0
1 to 5	56.4	76.4
6 to 10	14.5	90.9
11 to 20	1.8	92.7
More than 20	5.5	98.2
Did not answer	1.8	100.0

Appendix A

GENERAL VIEWS ON THE NUMBER OF TIMES RESPONDENTS HAD TO CONTACT CSEA TO HAVE A SINGLE PROBLEM TAKEN CARE OF. (TYPES OF CONTACTS INCLUDED ARE LETTERS, PHONE CALLS, AND PERSONAL VISITS. RESPONDENTS WHO HAD MORE THAN ONE PROBLEM WERE ASKED TO ESTIMATE THE AVERAGE NUMBER OF TIMES THEY HAD TO CONTACT CSEA TO RESOLVE EACH PROBLEM.):

Times contacted CSEA	Percentage	Cumulative Percentage
No problems that required contact with CSEA	19.4	19.4
One time	8.1	27.4
2 to 5 times	41.9	69.4
6 to 10 times	9.7	79.0
Over 10 times	17.7	96.8
Did not answer	3.2	100.0

GENERAL VIEWS ON THE SIGNIFICANCE OF CHILD SUPPORT PAYMENTS TO THE RESPONDENT'S SITUATION:

Significance of child support payment:	Percentage	Cumulative Percentage
I receive Temporary Assistance for Needy Families (TANF).	11.3	11.3
Child support is my only source of income.	1.6	12.9
Child support is important supplemental income to me.	50.0	62.9
Child support is not a major source of my income.	29.0	91.9
Did not answer.	8.1	100.0

GENERAL VIEWS ON THE CAUSE OF PROBLEMS WITH RECEIVING CHILD SUPPORT PAYMENTS FROM THE CHILD SUPPORT ENFORCEMENT AGENCY:

Cause:	Percentage	Cumulative Percentage	No.
CSEA made late payment(s) to me.	10.7	10.7	12
CSEA paid incorrect amounts to me.	5.4	16.1	6
CSEA received payments from the non-custodial parent but did not pay them out to me.	7.1	23.2	8
CSEA was not doing enough to enforce the child support order.	17.9	41.1	20
The noncustodial parent was not cooperative.	17.0	58.1	19
CSEA could not find documents or paperwork that I sent.	9.8	67.9	11
CSEA failed to process a change affecting child support due to me.	5.4	73.3	6
I caused the problem but needed CSEA's help to resolve it.	0	73.3	0
Other.	26.8	100.1*	30

GENERAL VIEWS ON HOW RESPONDENTS LEARNED WHAT THEY NEEDED TO DEAL WITH THE CHILD SUPPORT PROCESS:

Source of Information	Percentage of Respondents	Cumulative Percentage	No.
From information received from CSEA.	16.7	16.7	16
From my attorney.	12.5	29.2	12
From family members or friends.	15.6	44.8	15
From my own research.	28.1	72.9	27
I don't know enough to understand how CSEA works.	13.5	86.4	13
Other.	13.5	99.9*	13

*Cumulative percentage does not add up to 100 percent because of rounding.

GENERAL VIEWS ON THE EFFECTIVENESS OF THE CHILD SUPPORT ENFORCEMENT AGENCY:

Respondents' ratings to the following statements (in percentages):	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
CSEA sends child support payments on time.*	10.0	28.3	30.0	8.3	15.0
CSEA sends child support payments accurately.	14.5	29.1	36.4	9.1	10.9
If a problem arises, I can easily get in touch with CSEA.	5.3	5.3	21.1	12.3	56.1
CSEA personnel are helpful in resolving problems.	1.8	20.0	41.8	14.5	21.8
CSEA personnel resolve problems quickly.	1.8	10.7	35.7	17.9	33.9
CSEA personnel resolve problems accurately.	1.8	14.3	50.0	5.4	28.6
CSEA's business hours are convenient for me.	3.5	28.1	36.8	14.0	17.5
CSEA's location is convenient for me.	10.5	21.1	36.8	12.3	19.3

*8.3 percent did not answer so total is 91.7 not 100.0.

GENERAL VIEWS ON THE QUALITY OF SERVICES IN CALENDAR YEAR 1999 COMPARED TO PREVIOUS YEARS:

	Yes	No	Did Not Answer
Percentage of respondents who used services in years previous to 1999:	75.8	19.4	4.8

Type quality of service compared (in percentages):	Service was better in 1999	Service was same in 1999	Service was better in years previous	No opinion
Making child support payments on time.	15.9	43.2	11.4	29.5
Sending child support payments accurately.	20.9	41.9	9.3	27.9
Being easy to get in touch with.	6.5	28.3	32.6	32.6
Being helpful in resolving problems.	10.9	34.8	19.6	34.8
Resolving problems quickly.	13.0	28.3	26.1	32.6
Resolving problems accurately.	10.9	34.8	15.2	39.1
Having convenient business hours.	17.0	38.3	10.6	34.0
Having a convenient location.	23.4	29.8	17.0	29.8

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Appendix B

**RESULTS OF OUR SURVEY
OF NONCUSTODIAL PARENTS CONCERNING SERVICES
RECEIVED FROM THE CHILD SUPPORT ENFORCEMENT AGENCY (CSEA)**

GENERAL VIEWS ON RESPONDENT'S STATUS:

The records of the Child Support Enforcement Agency indicate that you are a noncustodial parent. Is this correct? If you answered "No," please explain.			
Number of YES responses	Percentage of YES responses	Number of NO responses	Percentage of NO responses
36	78.3	10	21.7
Explanations of respondents who answered "No":			
My wife and I are back together. I have not received child support for approximately six years now since my children are adults and we are no longer entitled to this. Please take my name off your mailing list--how many more like me are receiving this survey--wasted taxpayer money!			
Joint custody. Equal time shared as much as possible depending on child's schedule and mothers.			
All children are 30 yr. of age and older.			
Have 2 kids--sole custody.			
I have full custody of my daughter.			
Dear Ms. Higa, A year or two ago, I received some correspondence regarding child support. I wrote back informing CSEA that my child support payments had ended about ten years ago and that my name and address should not be included in any active files. I was assured that this would be taken care of. Obviously it has not. I am requesting through your office that CSEA update their files to remove my name and address from their active files data base. It is likely that there are numerous other individuals who should also have their status changed to inactive, or totally removed from CSEA rosters. Thank you for your attention to this request.			
I have had custody of my daughter for 5 years I have never received a penny from my ex. The fact that I am still on some list typlifies the actions of this agency--I paid in full all charges & my children are 30 years old. I tried for years to straighten this out but was too poor to resolve anything--My pleas were ignored and now when it has all been paid I'm still on some stupid list my irritation is great please leave me alone!			
I'm the parent responsible now and am also the guardian.			
I was randomly selected by your for this questionnaire but I do no recieve aid or child support payments. My husband lives in the home for the past five years. We had a brief separation for 1 month in 1995. I recieved aid for 1 month at that time and it must be the reason I am still in your records. Please remove my name from your files.			
Don't know yet do you!?			

GENERAL VIEWS ON HOW LONG RESPONDENTS HAVE BEEN PAYING CHILD SUPPORT THROUGH THE CHILD SUPPORT ENFORCEMENT AGENCY:

Length of service	Percentage	Cumulative Percentage
6 months or less	5.4	5.4
7 to 12 months	10.8	16.2
Over 12 months but less than 3 years	16.2	32.4
3 to 5 years	16.2	48.6
More than 5 years	37.8	86.5
Did not answer	13.5	100.0

Appendix B

GENERAL VIEWS ON THE NUMBER OF SEPARATE PROBLEMS RESPONDENTS RESOLVED WITH THE CHILD SUPPORT ENFORCEMENT AGENCY DURING THE TIME THEY HAD BEEN PAYING CHILD SUPPORT:

Number of problems	Percentage	Cumulative Percentage
None	37.8	37.8
1 to 5	35.1	73.0
6 to 10	8.1	81.1
11 to 20	0	81.1
More than 20	5.4	86.5
Did not answer	13.5	100.0

GENERAL VIEWS ON THE NUMBER OF TIMES RESPONDENTS HAD TO CONTACT CSEA TO HAVE A SINGLE PROBLEM TAKEN CARE OF (TYPES OF CONTACTS INCLUDED ARE LETTERS, PHONE CALLS, AND PERSONAL VISITS. RESPONDENTS WHO HAD MORE THAN ONE PROBLEM WERE ASKED TO ESTIMATE THE AVERAGE NUMBER OF TIMES THEY HAD TO CONTACT CSEA TO RESOLVE EACH PROBLEM.):

Times contacted CSEA	Percentage	Cumulative Percentage
No problems that required contact with CSEA	29.7	29.7
One time	8.1	37.8
2 to 5 times	27.0	64.9
6 to 10 times	13.5	78.4
Over 10 times	8.1	86.5
Did not answer	13.5	100.0

GENERAL VIEWS ON HOW RESPONDENT'S CHILD SUPPORT PAYMENT IS SENT TO CSEA:

Method of delivery:	Percentage	Cumulative Percentage
I pay by check.	24.3	24.3
Payment is deducted automatically from my pay.	43.2	67.5
Payment is deducted automatically from my pension.	18.9	86.4
Other method of paying child support.	13.5	100.0

GENERAL VIEWS ON THE CAUSE OF PROBLEMS WHEN CHILD SUPPORT ENFORCEMENT AGENCY HANDLES CHILD SUPPORT PAYMENTS:

Cause:	Percentage	Cumulative Percentage	No.
I paid all amounts due but CSEA is still demanding more money from me or withholding more money from me.	24.2	24.2	8
CSEA could not find documents or paperwork that I sent.	12.1	36.3	4
CSEA failed to process a change in my child support obligations.	18.2	54.5	6
CSEA's records showed an incorrect amount due.	21.2	75.7	7
I caused the problem but needed CSEA's help to resolve it.	6.1	81.8	2
Other.	18.2	100.0	6

GENERAL VIEWS ON HOW RESPONDENTS LEARNED WHAT THEY NEEDED TO DEAL WITH THE CHILD SUPPORT PROCESS:

Source of Information	Percentage of Respondents	Cumulative Percentage	No.
From information received from CSEA.	35.7	35.7	15
From my attorney.	14.3	50.0	6
From family members or friends.	9.5	59.5	4
From my own research.	21.4	80.9	9
I don't know enough to understand how CSEA works.	19.1	100.0	8

GENERAL VIEWS ON THE EFFECTIVENESS OF THE CHILD SUPPORT ENFORCEMENT AGENCY:

Respondents' ratings to the following statements (in percentages):	Strongly Agree	Agree	No Opinion	Disagree	Strongly Disagree
CSEA sends child support payments on time.	8.8	17.6	26.5	8.8	11.8
CSEA sends child support payments accurately.	14.8	25.9	37.0	7.4	11.1
If a problem arises, I can easily get in touch with CSEA.	7.4	14.8	14.8	25.9	33.3
CSEA personnel are helpful in resolving problems.	14.3	14.3	32.1	7.1	28.6
CSEA personnel resolve problems quickly.	3.7	11.1	29.6	22.2	29.6
CSEA personnel resolve problems accurately.	3.6	21.4	35.7	14.3	21.4
CSEA's business hours are convenient for me.	7.1	21.4	25.0	28.6	14.3
CSEA's location is convenient for me.	11.1	25.9	22.2	22.2	14.8

GENERAL VIEWS ON THE QUALITY OF SERVICES IN CALENDAR YEAR 1999 COMPARED TO PREVIOUS YEARS:

	Yes	No	Did Not Answer
Percentage of respondents who used services in years previous to 1999:	59.5	18.9	21.6

Type quality of service compared (in percentages):	Service was better in 1999	Service was same in 1999	Service was better in years previous	No opinion
Sending child support payments on time.	10.0	30.0	20.0	40.0
Sending child support payments accurately.	10.0	45.0	10.0	35.0
Being easy to get in touch with.	10.0	35.0	25.0	30.0
Being helpful in resolving problems.	10.0	30.0	20.0	40.0
Resolving problems quickly.	5.0	30.0	25.0	40.0
Resolving problems accurately.	5.0	35.0	15.0	45.0
Having convenient business hours.	10.0	30.0	20.0	40.0
Having a convenient location.	10.0	35.0	15.0	40.0

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Response of the Affected Agency

Comments on Agency Response

We transmitted a draft of this report to the Department of the Attorney General on January 18, 2000. A copy of the transmittal letter to the department is included as Attachment 1. The response from the department is included as Attachment 2.

The department agreed with the majority of our findings and recommendations and reported that work has already begun on some of the recommendations. Yet it feels that our report presents an unbalanced and incomplete picture of the agency.

The department also had some disagreements with our recommendations. One involves our recommendation that the child support agency discontinue commingling of interest earnings with federal funds, and adhere to state law and generally accepted accounting practices in recording and using interest earnings. Another disagreement involves our recommendation that the child support agency clarify, to the extent possible, the use of \$867,108 in interest earned prior to 1992; transfer \$59,444 in interest to the state general fund immediately; and transfer all other accumulated interest earnings to the general fund unless justifiable reasons for not doing so can be established.

After reviewing the department's letter, we stand by the two recommendations and the findings that underlie them. The department states that it does not agree that the child support agency is in violation of Section 576D-10, Hawaii Revised Statutes. The department refers to allegations in a lawsuit against the agency on a "related issue"; to the regular reporting to the Legislature of the uses of interest earned; to annual reviews by the independent financial auditor; to the independent auditors' conclusion in an FY1997-98 report that certain interest income earned was properly reported on a form that the agency uses to report net expenditures to the federal government; and to the independent auditors' conclusion that expenditures claimed with the federal government must be offset by interest income attributable to Title IV-D activities. However, the department does not establish a clear, precise, and logical connection between each of these assertions or between these assertions and its opposition to our findings on compliance with Section 576D-10, Hawaii Revised Statutes, or to our two recommendations.

Another disagreement involves our recommendation that the child support agency modify access to computer records to minimize the risk of loss through undetected unauthorized alterations. The department says it

“does not fully agree” with the audit finding on which this recommendation is based. Specifically, the department says that no employee of the child support agency has “uncontrolled access to computer records” and notes that the system audit trails were rated “strong” by our (the State Auditor’s) consultant.

We stand by our recommendation and the findings. Our report does say that our consultant found that controls over audit trails were “strong.” However, strong audit trails are sometimes not sufficient to minimize losses from undetected unauthorized alterations. While in a broad sense the child support agency may exercise *some* control over access to its computer records, a valid definition of “uncontrolled” is “outside of the controlled environment.” By this definition, we believe that our conclusion that “some employees have uncontrolled access to computer records” remains sound.

However, we are pleased that despite its lack of full agreement, the department says that in deference to our recommendation, it will perform a thorough review of associated policies, procedures, and security levels.

The department also disagrees with our report’s finding that the child support agency and a previous attorney general presented misleading information to the Legislature that exaggerated its caseloads. However, we stand by the essence of our finding. On January 7, 1999 before the Senate Committee on Ways and Means, the then attorney general presented a case-per-caseworker figure of 1,000 that we believe was unsupportable. However, for purposes of clarity, we modified slightly the discussion of caseload that appeared in our draft report.

Finally, the department’s response discusses disagreement with comments made in our report on customer service, development of the KEIKI system, and reorganization and training. However, we stand by our work and the conclusions reached in the findings of our report.

We made some additional editorial changes to the draft report for purposes of accuracy, clarity, and form.

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor
(808) 587-0800
FAX: (808) 587-0830

January 18, 2000

COPY

The Honorable Earl I. Anzai
Attorney General
Department of the Attorney General
Hale Auhau
425 Queen Street
Honolulu, Hawaii 96813

Dear Mr. Anzai:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Follow-Up Management Audit of the Child Support Enforcement Agency*. We ask that you telephone us by Thursday, January 20, 2000, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Wednesday, January 26, 2000.

The Governor and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures

BENJAMIN J. CAYETANO
GOVERNOR



EARL I. ANZAI
ATTORNEY GENERAL

MICHAEL L. MEANEY
ADMINISTRATOR

**STATE OF HAWAII
DEPARTMENT OF THE ATTORNEY GENERAL
CHILD SUPPORT ENFORCEMENT AGENCY**

STATE ADMINISTRATION OFFICE • 601 KAMOKILA BLVD., SUITE 207 • KAPOLEI, HAWAII 96707
Oahu (808) 587-4250 • Toll free (888) 317-9081 • FAX: (808) 692-7134

January 26, 2000

Ms. Marion M. Higa
State Auditor
Office of the Auditor
State of Hawaii
465 South King Street, Room 500
Honolulu, Hawaii 96813

RECEIVED
JAN 26 2 10 PM '00
OFC. OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

The Child Support Enforcement Agency (CSEA) acknowledges the receipt of the draft copy of your report entitled "Follow-Up Management Audit of the Child Support Enforcement Agency" and we appreciate the opportunity to comment on its findings. The CSEA agrees with the majority of the findings and recommendations (to be discussed separately in Attachment 1 to this letter) contained in the report but offers the following comments to specific areas of the report.

1 CURRENT STATUS

While acknowledging the reported purpose of the report, and certainly not denying that improvements can be made to the program, we nonetheless feel that the report presents an unbalanced and incomplete picture of the agency.

The CSEA is collecting and disbursing more money to children and families and is providing services to more clients than at any point in its brief history. In FY 1989 the CSEA collected and disbursed approximately \$25 million in support money; ten years later the CSEA collected and disbursed approximately \$91.7 million. In FY 1989 the CSEA serviced approximately 46,190 cases while in FY 1999 the CSEA serviced approximately 89,492 cases – and that number has grown since July 1, 1999 to 94,963 cases.

For FY 1999 the agency recouped, for the benefit of the state general fund and federal treasury, over \$9 million of funds previously expended to welfare recipients. Finally, the CSEA earns approximately \$2 million per year in federal incentive funds, based on its *performance*.

The report does not discuss the complexities of the child support program and the difficulties of collecting that support, as evidenced by a national collection rate of just over 20 percent. Nor does the report acknowledge the sheer size of the program; a caseload size of 95,000. Additionally, the report overlooks the vast array of federal and state laws, rules and requirements that the agency must implement and adhere to. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 alone made sweeping, mandatory changes to the program that will take years to fully implement.¹ The report only superficially acknowledges the hardships imposed upon the agency by a federally mandated computerization program over the past seven years as well as the increased demand for personalized, customer service.

Lastly, the CSEA is somewhat concerned by the overall “negativity” of the report and its effect on the morale of the agency’s dedicated state employees who have performed their best under highly difficult and trying circumstances. For example, the report includes a customer satisfaction survey despite acknowledging that the response rate was “not sufficient for us to estimate scientifically the degree to which the responses were representative of *all* custodial and non-custodial parents”. While we realize that complaints and inquiries are still higher than we would like them to be, to imply that a program that collects and distributes over \$91 million does not have many satisfied customers does a serious disservice to our employees.

2. CUSTOMER SERVICE

The follow-up audit report misrepresents the agency’s position on customer service. The CSEA’s **primary mission** as mandated by law (Ch. 576-D, H.R.S.) is to establish, collect, disburse and enforce child support orders. Because the CSEA is a public service agency, there exists an unstated but implicit mission of providing customer service to the agency’s case participants. CSEA has always acknowledged its duty to provide quality customer service. As currently staffed, however, the CSEA is unable to both meet the increased demand for customer service and perform its functional child support work.

Customer service, including telephone, face-to-face response and correspondence is currently provided by employees who have primary duties in other areas: Investigators, Support Enforcement Officers, Legal Assistants, Unit Supervisors.

¹ By way of example, the CSEA had to implement several complex and unique programs over the past three years in addition to its existing programs and enforcement efforts. These include (1) taking over the responsibility for the *Hawaii New Hire Reporting System* from the Department of Labor and Industrial Relations; (2) the design, development and implementation of a *License Suspension Program*; (3) a *Financial Institution Data Match Program*, requiring the coordination and exchange of account information with every Financial Institution in the State; (4) development and implementation of an *In-Hospital Paternity Establishment Program*, which provides the opportunity for fathers to acknowledge paternity or legal fatherhood at the time of birth in every birthing facility in the state; (5) Development of a *Hawaii State Case Registry*; and (6) finalizing and implementing a centralized *Statewide Disbursement Unit*.

Thus, the irony of the situation is that the more customer service the agency provides, the demand for even more customer service increases. This is due to the fact that the child support processing is not being addressed and backlogs in the actual work continue to grow because the caseworkers are spending the bulk of their time providing customer service.

CSEA has advised the Legislature the only way to break this cycle is to develop a dedicated customer service unit to deal directly with the customer and thus, free up the caseworkers to process the cases. The department will be offering a specific plan to the Legislature this session. Additionally, the agency is exploring the options provided by emerging technologies to provide additional customer service through the Internet and Electronic Fund Transfer systems, and has already begun to upgrade its telephone Voice Response Unit. Although the report is critical of the agency's customer responsiveness it neglects to note that the only way to improve it is through significant investment of resources.

3. FINANCIAL MANAGEMENT

The Child Support Enforcement Agency agrees that the highest priority must be given to complete a reconciliation of active and inactive bank accounts. As pointed out in your audit, however, the magnitude of this reconciliation goes back as far as the transition of child support payments and disbursements between the Judiciary and the Department of Human Services and the Child Support Enforcement Agency. While the first account created during this transition is currently inactive, individual disbursement transactions and payment balance transfers did occur and must be identified on a case-by-case basis before final closure. This original account, whose current balance includes \$52,000 in accrued interest and \$266,000 in time certificates, may have to be accepted as unreconcilable due to the age of its transactions, and funds transferred to the State Treasury.

Most recently, the CSEA has filled the Assistant Administrator and Chief Financial Officer position with a manager who holds a Masters in Business Administration with a degree in Accounting, and over 25 years of financial accounting experience. All indications are strong that he will be able to lead the financial team to a positive outcome.

The agency does not agree that CSEA is in violation of 576D-10. A lawsuit against the agency on a related issue has been filed alleging that interest earned pursuant to that statute should be provided to custodial parents in those instances where payment is not forwarded to them within forty eight hours after receipt. It is the position of the agency that it is in compliance with the statute and notes that uses of interest earned has been regularly reported to the Legislature and has been subject to annual review by the independent, financial auditor.

In their "Schedule of Findings and Questioned Costs" report for Fiscal Year Ended June 30, 1998, the Independent Auditors concluded that interest income earned under the Title IV-D Program was properly reported on Form ACF-396, a form used by the CSEA to report net expenditures to the Federal Government. Their report concludes that expenditures claimed with the Federal government must be offset by the interest income attributable to Title IV-D activities.²

4. AUTOMATION (THE KEIKI SYSTEM) AND ADDITIONAL TECHNOLOGICAL IMPROVEMENTS

Contrary to common belief, the KEIKI system is not a single computer program. Rather it is hundreds of complex and unique programs working in harmony over a vast array of functional areas including case management, financial management, orders management, enforcement drivers, locate functions, scheduling and reporting.

The KEIKI system, which went online July 6, 1998, met federal requirements and was granted "certification" in November 1998. The KEIKI system manages over \$370,000 and over 1,500 child support checks on a daily basis. We are pleased to note that the Audit Report declares the system to be "strong" and "adequate" with no "weak" areas. The Information Technology Branch (ITB) of CSEA manages and administers the KEIKI system with the assistance of a private contractor. The CSEA will need to establish and hire approximately ten (10) more systems analysts to eliminate the need for a private contractor.

The ITB staff uses embedded audit trails to administer the multiple user logon and passwords necessary to enter the KEIKI system and to manage and track changes to case data entered by the user staff. We concur with the Auditor's consultant who found these "audit trails to be strong".

The CSEA has made a concerted and systematic effort to clean up bad data. The Audit Report confirms this clean up on page 32 stating "automated methods of correcting the data have reached their limits..." Presently, CSEA staff is correcting errors that KEIKI system is unable to resolve. We note that a backlog does exist in this area. The ITB staff is currently updating a support and maintenance plan for the KEIKI system. CSEA includes this system plan in its annual Advance Planning Document Update (APDU) to the Federal Government. The current plan prioritizes over one thousand enhancement requests to improve CSEA operations as well as to comply with new federal requirements.

² Reference "Schedule of Findings And Questioned Costs" 98-4, page 48, of the Financial Audit of the Department Of The Attorney General, State of Hawaii, Fiscal Year Ended June 30, 1988, issued by the Independent Public Accounting Firm of Ohata, Chun, Yuen.

5. PREOCCUPATION WITH THE DEVELOPMENT OF KEIKI

On Page 26 of the report, the following statement appears:

“The decision by agency leadership to give top priority to meeting federal program requirements, including a new computer system, deprived the agency of the effective operational leadership in other areas. This has been a major reason for the agency’s lack of progress in addressing long-standing and newly developing weaknesses in management controls.”

The inclusion of this statement in the Audit Report displays a lack of understanding of the Title IV-D, Child Support Enforcement Program. The statement implies that agency leadership was free to decide upon a course of action and, that simply was not the case.

Under Title IV-D of the Social Security Act of 1975 and its attendant Code of Federal Regulations, 45 C.F.R. Ch. III, the Hawaii CSEA must develop and maintain a State Plan, to be approved by the Governor of the State, that insures adherence to all federally mandated program requirements. If the state does not maintain compliance with that State Plan, it is subject to (1) loss of all program funding (currently, sixty six percent (66%) of all operational costs are funded by the federal government) *and* (2) loss of a significant portion of the State’s Welfare Block grant awarded annually to the Department of Human Services. Further, failure to design, develop and implement the Automated Child Support Enforcement System (KEIKI) by the federal deadlines, would have resulted in significant federal fines (currently states such as California, Nevada and Michigan, who have not completed their systems development, are subject to millions of dollars annually in federal fines) and potential reimbursement of Federal Funding for the systems development (the federal government paid ninety percent (90%) of the entire cost for the KEIKI System, including all contractor fees, hardware and communications costs) *in addition to* the above-described penalties associated with being out of compliance with the State Plan.

Furthermore, the agency was contractually bound to provide significant state resources (i.e. key staff) to the development effort. Had this not occurred, the development vendor could have held the state in breach of contract, thus subjecting it to additional financial maladies. However, the Hawaii CSEA did meet its responsibilities and was able to implement the system and avoid the disastrous consequences of failure.

6. CASELOAD SIZE AND RATIOS

The CSEA disagrees with the report's finding that it and the then Attorney General "presented misleading information to the Legislature that exaggerated its caseloads". During a Joint Informational Briefing on Child Support held on January 19, 1999 the Attorney General was attempting to convey to the Legislators a realistic picture of the situation rather than use a caseworker to caseload formula that does not reflect the actual situation. The Attorney General did not overstate the caseload size by 15,000 obsolete cases as alleged, because those 15,814 cases were in fact still active cases at the time of the testimony. Additionally, the caseload size was presented in the context of the actual 99,000 cases that were converted from the old system to the new KEIKI system. Furthermore, it was fully explained during oral testimony that the CSEA was not counting logistical personnel who do not provide hands-on case processing nor was it including the staff of the County Corporation Counsels' Family Support Divisions who only provide Paternity Establishment services to the agency by way of contract. Rather, the Attorney General was attempting to show the Legislators that approximately 100 personnel who perform actual case processing duties were responsible for approximately 100,000 cases.

By way of follow-up letter, the CSEA provided revised and more accurate ratio estimates to the Legislature as circumstances changed. Regardless of which formula is used, it cannot be disputed that the Hawaii program exceeds the national average of 373 cases per caseworker³ and that the agency has been and continues to be understaffed.

7. REORGANIZATION AND TRAINING

CSEA disagrees with the audit's inference that nothing has been done in regard to reorganization and reengineering. In 1996 the agency began an aggressive effort to reorganize. This effort involved management and line staff alike. Work flowcharts were developed for each functional area and processes were reviewed with the KEIKI system developer. Unfortunately, it quickly became clear that not enough information was available at that time as to specifically how the new system would affect workflow and position requirements. Additionally, this was an intense period in the system development process and there simply was insufficient time to devote large numbers of key personnel to this time-consuming effort. Furthermore, there have been numerous "minor" reorganization efforts over the past few years. These efforts provide the building blocks for a full reorganization and have been critical to implementing new federally mandated programs.

³ Turetsky, Vicki, Senior Staff Attorney for the Center for Law and Social Policy, "You Get What You Pay For", Child Support Quarterly, Fall 1998.

The reorganization of an agency of this size and complexity is not an easy task. This issue is yet another example of the competing priorities constantly facing the CSEA. In view of those competing priorities, the agency concurs with the recommendation to consider engaging outside assistance in this area.

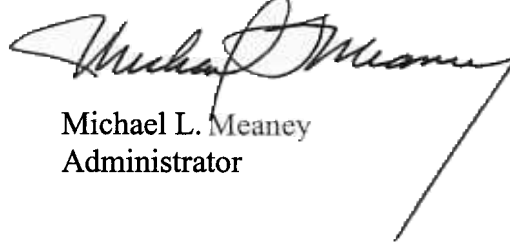
8. CONCLUSION

The very nature of the child support enforcement business makes the CSEA an easy target for criticism, both deserved and undeserved. This is true for the child support enforcement programs throughout the United States.

For the first time in many years the CSEA is in a position to begin making significant progress at addressing problems that have plagued it since its inception in 1987. However, many of the report's recommendations and suggestions for improvement, particularly in the area of customer service and responsiveness, will require additional state investment into the program.

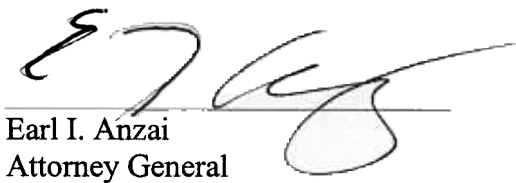
Again, we thank you for the opportunity to submit our comments.

Very truly yours,



Michael L. Meaney
Administrator

APPROVED:



Earl I. Anzai
Attorney General

MLM:sgl

Attachment

ATTACHMENT 1

RESPONSE TO AUDIT RECOMMENDATIONS

- 1 To improve financial management, the Child Support Enforcement Agency should:

- a. Resolve obstacles to reconciliations of bank accounts;

Response: CSEA concurs with this recommendation. Please see Section 4 of our cover letter for additional discussion.

- b. Attach a copy of bank reconciliations to account balances reports submitted to the attorney general fiscal office and ensure balances are accurately reported to the Department of Accounting and General Services;

Response: CSEA concurs with this recommendation. Please see Section 4 of our cover letter for additional discussion.

Discontinue commingling of interest earnings with federal funds. Adhere to state law and generally accepted accounting practices in recording and using interest earnings:

Response: CSEA does not agree with this finding. Please see Section 4 of our cover letter for additional discussion.

- d. To the extent possible, clarify the use of \$867,108 in interest earned prior to 1992. Transfer \$59,444 in interest to the state general fund immediately. Transfer all other accumulated interest earnings to the general fund unless justifiable reasons for not doing so can be established;

Response: CSEA does not agree with this finding. Please see Section 4 of our cover letter for additional discussion.

- e. Return unidentified payments to sender faster than 90 days until multiple personal identification numbers have been eliminated. Correct data errors causing unidentified payment reports by replacing batch dates with actual transaction dates;

Response: CSEA concurs with this recommendation and is currently exploring a programmatic solution to the stated problem.

- f. Develop reports to allow monitoring unidentified payment refund activity;

Response: CSEA notes that it already has developed reports to allow monitoring unidentified payment refund activity.

- g. Follow escheating procedures in accordance with Chapter 523A, HRS and establish a more reasonable holding period to comply with Chapter 523A-13, HRS;

Response: CSEA concurs with this recommendation. Please see Section 4 of our cover letter for additional discussion.

- h. Provide appropriate safeguards over assets, including installing safe storage for cash and checks while awaiting transfer and spot checks of transactions by supervisors.

Response: CSEA concurs with this recommendation and will revise current practices and procedures as appropriate.

Address the lack of segregation of the agency account's duties; and

Response: CSEA concurs with this recommendation and will revise current practices and procedures as appropriate.

- j. Modify access to computer records to minimize the risk of loss through undetected unauthorized alterations.

Response: CSEA does not fully agree with the audit finding that serves as the basis for this recommendation. No CSEA employee has "uncontrolled access to computer records" and the system audit trails, rated "strong" by the auditor's consultant, is sufficient to minimize the risk of loss through undetected unauthorized alterations. The Agency will, however, in due deference to this recommendation, perform a thorough review of all associated policies, procedures and current security levels.

- 2. To address the lack of leadership strategies and deficiencies causing waste and complaints from clients, the agency should:

- a. Formalize the agency's mission. Perform a thorough assessment of the current processes, organization, and controls to evaluate their contribution to the agency's mission. Develop a formal mission statement and a strategy,

including, if appropriate, a work process-reengineering plan, to guide the organization towards achieving its mission, using benchmarks to measure progress. Consider acquiring appropriate expert advice and emulating successful models from other states for this task;

Response: CSEA concurs with this recommendation and notes that work on the majority of these suggestions has already begun. Performance measurements were instituted on October 1, 1999.

- b. Improve the use of its resources. More aggressively exploit its technological capabilities and improve work processes both within the agency and in concert with stakeholders. Specifically, establish and encourage the use of payments and direct deposits by electronic transfer to the maximum extent possible;

Response: CSEA concurs with this recommendation and notes that Electronic Fund Transfer will be implemented this year and that the agency is currently exploring additional Internet options.

- c. Make a concerted effort to correct bad data in a systematic manner, dedicating staff to the conversion;

Response: CSEA concurs with this recommendation.

- d. As part of an overall strategic plan, develop a strategic plan for its computer system to maximize its organizational structure to make optimal use of the KEIKI system and provide adequate support for systems maintenance. This plan should also address the need for adequate user training;

Response: CSEA concurs with this recommendation. Please see Section 4 of our cover letter for additional discussion.

- e. As part of an overall strategic plan, plan and implement a reorganization addressing optimal organizational structure, functions, needed employee types, positions, classifications and needed support infrastructure for employees. In addition, develop a system of performance benchmarks for organizational units and individuals, which define expectations, allow measuring results and positive recognition of results and progress. As part of the support infrastructure for employees, improve training and establish clear written policies and procedures;

Response: CSEA concurs with this recommendation and notes that an internal training plan has been developed and procedures will be revised for the timely updating of the online Policies and Procedures Manual. Please see section 7 of our cover letter for additional discussion.

- f. Comply with overtime provisions of Department of the Attorney General policies and procedures;

Response: CSEA concurs with this recommendation and notes that it revised its overtime procedures to comply with appropriate policy provisions in August 1999.

- g. As part of an overall strategic plan, develop an effective customer service function. The plan should address the development and training of broadly experienced workers, focus on resolving problems at first contact, assign accountability for responding to and resolving client problems, and aim to make the agency a more user friendly organization; and

Response: CSEA concurs with this recommendation and notes that a proposal will be presented during the current Legislative session. Please see Section 2 of our cover letter for additional discussion.

- h. Consider the feasibility of using an experienced contractor for handling public contact customer service functions, possibly on a temporary basis.

Response. The Department and the CSEA will consider this recommendation.