Audit of the Child Support Enforcement Agency

A Report to the Governor and the Legislature of the State of Hawai‘i

Report No. 07-04
February 2007

THE AUDITOR
STATE OF HAWAI‘I

Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawai‘i 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.

4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.

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.

Hawai‘i’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

STATE OF HAWAI‘I

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OVERVIEW

Audit of the Child Support Enforcement Agency

Report No. 07-04, February 2007

Summary

This audit of the Child Support Enforcement Agency (CSEA) was conducted in response to Section 168.6, Act 160, Session Laws of Hawai'i 2006, which requested the Auditor to conduct a follow up report to the 2003 study entitled *Study of the Automated Child Support Enforcement System (KEIKI)*, and to further provide a comparison of the state of CSEA between 2003 and 2006. Our audit focused on CSEA's efforts to improve its strategic focus, responsiveness, and performance; selected management controls over human resources and customer services; and information technology systems and projects.

Due to impairment to the personal independence of one of our staff auditors during the audit, however, our findings and conclusions relative to human resources and customer service are limited. In accordance with government auditing standards, the personal impairment was mitigated by removing the affected individual from the engagement. As the impairment was limited to one auditor, it did not impact the remaining auditors' ability to maintain objectivity and impartiality in their findings and conclusions.

Our audit found that while CSEA has made improvements and addressed a number of recommendations from our past reports, a critical piece remains missing—strategic leadership. The agency has not shed its reactive approach to improving its operations in favor of a results-oriented management culture. The agency continues to lack clear direction, lags other states in applying available technology to increase efficiency, and has not addressed long-standing problems in managing its support payment trust fund. As a result, existing resources and opportunities are underutilized and the agency lacks the means to account for its achievements.

We found that a three-year effort to develop a strategic plan resulted in an incomplete document focused on compliance rather than a process for organizational change and improved performance. Moreover, the plan lacks benchmarks and performance indicators to monitor progress and provide accountability.

The agency's automated child support enforcement system, KEIKI, one of the state's most critical computer systems impacting human services, lacks a plan to coordinate information technology projects and to address known systemic problems. Information technology projects funded by the Legislature are not tied to measurable goals or outcomes, raising questions as to their ultimate impact. Further, unused capacity and unreliable data impair the agency's ability to take full advantage of the system. In addition, CSEA's clients should be better protected from the effects of disasters with the potential to seriously disrupt the agency's ability to maintain services.

Lagging other states in innovation and performance, CSEA can improve by more aggressive use of automation and more focused deployment of its existing resources. The agency has historically underperformed in federal incentive measures, ranking near the bottom nationally in three out of five categories, limiting the amount of federal incentive revenues earned. In FFY2004-05 alone, CSEA earned $1.4 million in federal incentive revenues but missed out on an additional $528,000 had it met maximum performance thresholds in all five categories. The unearned potential revenues would have been tripled to $1.5 million due to a 66 percent federal match. Despite poor performance, CSEA has not taken efforts to systematically analyze the causes and instead discredits the federal performance measurement system. Additionally, CSEA has not aggressively pursued the use of automated child support enforcement tools to improve efficiency that other states have had success with.

Finally, we found that the agency's ability to properly account for support payments continues to be a problem area. The agency's failure to implement past audit recommendations contributes to its inability to accurately account for a $3.0 million gap between support payments held in trust and the cash available to disburse these payments to their owners as of June 30, 2006. The agency's own figures and estimates contradict its claim to be properly reconciling support payment accounts, as the $3.0 million gap includes approximately $1.8 million that CSEA will never recoup and approximately $348,000 that CSEA is unable to identify. The agency's longstanding practice of using moneys received in trust to cover costs and losses incurred in managing support payments will result in the agency's inability to pay support payments and may cause an unplanned liability for the State.

Recommendations and Response

Our recommendations regarding the strategic planning process and managing for results include the involvement of CSEA management in the process and the use of measurable goals and outcomes. Other recommendations included development of an information technology plan to support the CSEA's strategic plan, increased use of technology to improve efficiency and effectiveness, and creation of a system to measure and report the results of technology projects. We also recommended that the CSEA develop contingency plans that would enable it to continue operations in the event of a major disaster. We further recommend that CSEA establish a routine process for identifying and closing eligible cases. Finally, with respect to the child support payment trust fund, we recommend that the agency take steps to rectify accounting problems identified in past audits.

In its response to our draft report, the Department of the Attorney General disputed the findings and objected to the issuance of the report but also agreed with many of the recommendations.

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Audit of the Child Support Enforcement Agency

A Report to the Governor and the Legislature of the State of Hawai‘i

Submitted by

THE AUDITOR
STATE OF HAWAI‘I

Report No. 07-04
February 2007

Foreword

This is a report on the audit of the Child Support Enforcement Agency of the Department of the Attorney General. We conducted this audit pursuant to Section 168.6, Act 160, Session Laws of Hawai‘i 2006, which directed the Auditor to conduct a follow up report to the 2003 *Study of the Automated Child Support Enforcement System (KEIKI)* and compare the agency between 2003 and 2006.

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.

Marion M. Higa
State Auditor

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Chapter 1

Introduction

This audit of the Child Support Enforcement Agency (CSEA) of the Department of the Attorney General was initiated under Act 160, Session Laws of Hawai‘i, Regular Session of 2006, Section 168.6, requesting that we follow up our 2003 *Study of the Automated Child Support Enforcement System (KEIKI)*. Specifically, the Legislature asked that our report include, but not be limited to:

- Recommendations that have been implemented since the 2003 study;
- Recommendations that have yet to be implemented;
- Additional recommendations; and
- A comparison of the current state of the Child Support Enforcement Agency between 2003 and 2006.

Our work was also performed pursuant to Section 23-4, Hawai‘i Revised Statutes (HRS), which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all departments, offices, and agencies of the State and its political subdivisions.

Background

The Hawai‘i Child Support Enforcement Agency, a division of the Department of the Attorney General, is responsible for establishing a system for receiving, disbursing, and enforcing court-ordered child support. “Child support” means payments for the necessary support and maintenance of a dependent child as required by law. Typically, a court or administrative agency issues an order that the parent who does not have custody of a child (the noncustodial parent) must pay child support to or on behalf of the child, or to the parent or guardian having custody of the child (the custodial parent).

Federal child support enforcement efforts

The United States Congress took its first step towards child support enforcement in 1950 when it required states to notify law enforcement when welfare benefits were furnished to children abandoned by one or both parents. In 1975, Title IV-D of the Social Security Act was amended to create the child support enforcement program, with administrative responsibility assigned to the states under federal guidance and major financial support. Title IV-D also authorized states to help non-public assistance families and establish paternity of children born out of wedlock. Congressional action during the 1980s and 1990s significantly enhanced child support enforcement capabilities. States, for example, were required to establish nationally networked automated enforcement systems and to implement an array of enforcement methods, including license suspension, payroll withholdings, and tax refund intercepts.

Hawai‘i's child support enforcement program

In Hawai‘i, the CSEA administers the child support enforcement program under Chapter 576D, HRS. This includes locating absent parents, establishing paternity, collecting and disbursing child support payments, and distributing and enforcing child support orders. The primary purpose of the program was initially to recover from non-custodial parents welfare benefits the state paid to their children. However, since non-welfare custodial parents also became eligible for assistance to help them remain self-sufficient, non-welfare families now make up much of the agency's caseload. As of June 2006, approximately 19,000 non-welfare cases represent 16 percent of the agency's total caseload of 120,000.

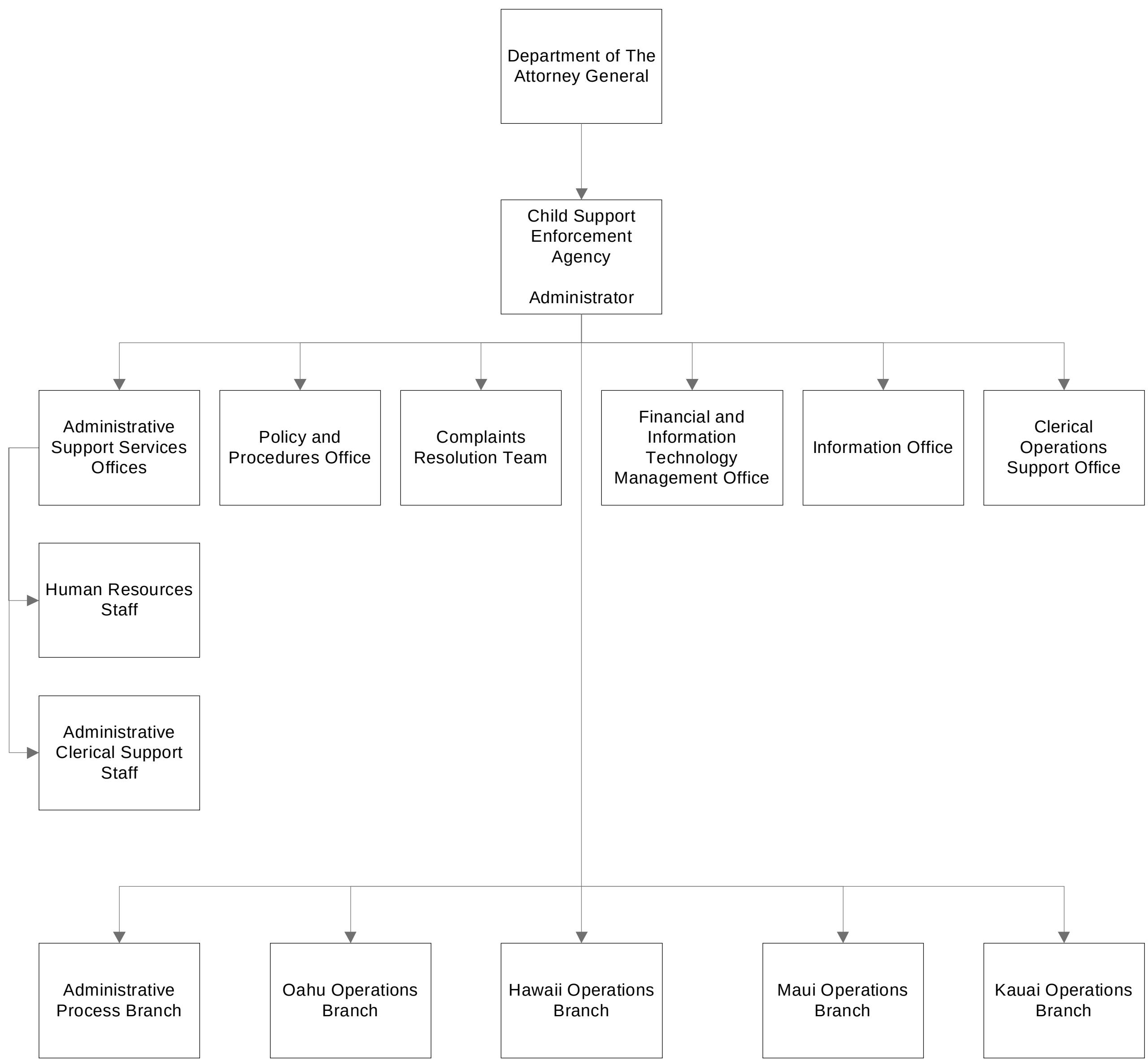
The agency has been a division of the Department of the Attorney General since July 1987, subsequent to a transfer from the Department of Social Services and Housing (now known as the Department of Human Services). In October 1998, the agency also acquired the employee reporting program from the Department of Labor and Industrial Relations. This program processes information received from employers on newly hired employees and uses it to find persons who owe child support.

The agency's stated mission is "to promote the well-being of children and the self-sufficiency of families through the timely and accurate delivery of child support services, while providing excellence in customer care." According to its recently developed strategic plan, the agency has established the following focus areas to advance its mission: improving performance; providing quality customer service; exploiting system capabilities; internal training; and community outreach and education.

Organization and interactions with other agencies

The CSEA is headquartered in the state government building at Kapolei and maintains branch offices on Hawai‘i, Kaua‘i, and Maui. An organizational reorganization was implemented in April 2006 to improve efficiency and effectiveness by assigning case management to multi-disciplinary teams and holding the teams accountable for their handling of permanently assigned cases. Exhibit 1.1 provides an overview of the organizational structure of the agency.

Exhibit 1.1
Child Support Enforcement Agency Organizational Chart



Source: Child Support Enforcement Agency

The agency has two advisory bodies intended to assist the administrator in setting strategic directions and guidance. The CSEA Advisory Council is a 14-member group, primarily made up of stakeholder representatives including legislators, managers from other state agencies, and a family court judge. The Executive Steering Committee consists of ten top agency managers and staff, working primarily on improving the agency's operations.

An important part of the child support enforcement process is the Child Support Hearings Office. The office was created to provide a streamlined administrative process for establishing, modifying, and terminating child support orders and to relieve the overburdened family courts. Although independent from the agency (its administrator reports directly to the attorney general), the office is joined with the agency fiscally and geographically.

The agency coordinates its efforts with a number of other county, state, and federal agencies. The major interfaces include the state Department of Human Services for coordination of welfare payments to children with custodial or foster parents, the county family support services for establishing paternity, and the state Department of Taxation and the Internal Revenue Service for tax refund intercepts.

Major functions

By state law, the agency is mandated to obtain or enforce child support for children on whose behalf: a) public assistance payments have been made; b) foster care payments have been made; or c) the child's custodian applies for agency assistance in enforcing child support.

The agency mainly handles three basic types of child support cases:

- Public assistance cases, which involve welfare payments made on behalf of children which then become a liability to the non-custodial parent, owed to the State.
- Non-assistance cases which typically include former public assistance recipients and custodial parents who applied for services that go beyond collection and disbursements.
- "B" cases, which in most cases only involve collection and disbursements of child support and are not included in reports to the federal oversight agency.

While court ordered child support obligations as part of a divorce are common and in many cases reasonably straightforward, most child support cases are substantially more complex, especially when the parties live in or have moved to other states. The agency determines, for example, paternity for children born out of wedlock and establishes child support orders administratively or with the family courts. In addition, a significant amount of the agency's efforts go into revising support orders, monitoring case activity, or updating case records for changes affecting the support process. Finally, locating delinquent support debtors and enforcing their obligations has been the focus of many of the increasingly sophisticated automated capabilities implemented since 1991. The other major functions of collecting, disbursing, and enforcing child support orders are described below.

Collection and disbursement – The CSEA processes about 1,800 payments from non-custodial parents and mails 3,000 to 5,000 checks to custodial parents each workday. Exhibit 1.2 shows the total and source of the amounts collected over the past four years.

Exhibit 1.2
Child Support Collection by Source FY2002-03 Through FY2005-06

	FY2002-03	FY2003-04	FY2004-05	FY2005-06
Federal Tax Refund Intercepts	$7,812,956	$9,177,645	$8,281,954	$9,073,020
State Tax Refund Intercepts	1,646,454	1,814,868	1,602,702	1,702,600
Unemployment Benefits Intercepts	1,395,282	1,426,043	869,897	884,712
Received From Other States	3,934,423	3,864,950	3,938,166	3,850,629
Wages Withheld	67,532,757	69,764,127	72,231,777	75,132,957
Direct Payments	17,128,691	17,290,958	18,631,597	19,193,587
Total	**$99,450,563**	**$103,338,591**	**$105,556,093**	**$109,837,505**

Source: Child Support Enforcement Agency

Enforcement – If a parent responsible for child support is delinquent or disputes the obligation, the agency can, if necessary, use statutory powers to enforce compliance. The agency has the power to order genetic testing, attach income tax refunds, seize and forfeit property, deny passports, suspend licenses (such as professional, driver, fishing, and weapons licenses), and freeze/cease accounts held with banks, brokers, and mutual funds.

Funding

The agency relies on both state general funds and federal funds to support its operations. Generally, 66 percent of its operating costs are federally funded. In addition, the agency receives incentive payments from the federal government for meeting established performance goals. For example, the agency can receive as much as $1.96 million under a federal incentive program with funding tied to meeting or exceeding set performance standards. Exhibit 1.3 shows appropriations for FY2002-03 through FY2005-06.

Exhibit 1.3
Appropriated Positions and Funds by Source, FY2002-03 Through FY2005-06

	FY2002-03	FY2003-04	FY2004-05	FY2005-06
Positions	194	194	194	210
Appropriations:				
General Fund	$1,675,395	$3,105,599	$1,905,599	$2,217,344
Federal Funds	13,492,082	16,406,623	14,106,623	14,820,203
Trust Fund*	2,645,228	2,703,228	2,703,228	2,742,353
Total	**$17,812,705**	**$22,215,450**	**$18,715,450**	**$19,779,900**

*The trust fund is used primarily to account for federal incentive moneys

Source: Session Laws of Hawai‘i 2002 through 2005

Previous Audits

We have conducted several management audits and one study of the agency's operations over the years, the most recent being in 1998, 2000, and 2003. Additionally, a FY2004 financial audit of the Department of the Attorney General revealed problems with the agency's checking account for the receipt and disbursement of support payments, resulting in a qualified opinion. The general theme of our reports indicates a longstanding lack of sound financial management, planning, and strategic direction and the agency's lack of progress in adopting a client-focused process. In addition, we have found significant flaws in the planning and implementation of automated systems, specifically the KEIKI system developed in response to a federal requirement. Recommendations made in the past include the following:

- In Report No. 98-12, *Audit of the Implementation of the Child Support Enforcement Agency's Information System,* we recommended that the agency complete a plan for a maintenance and support structure for its automated system, and review positions that can be transferred or eliminated due to the more efficient system and reduced work processes.

- Report No. 00-06, *Follow-up Management Audit of the Child Support Enforcement Agency,* recommended addressing financial management shortcomings and developing a mission statement and strategy to improve the use of agency resources. We also recommended developing a strategic plan for the computer system and implementing a systematic effort to correct erroneous data in the computer system. We urged the agency to develop an effective customer service function and to consider the feasibility of outsourcing some of these functions.

- In our unnumbered Report, *Study of the Automated Child Support Enforcement System (KEIKI), January 2003,* we pointed to the need for a strategic plan to provide a road map to eliminate the three root causes of many of the agency's problems: 1) lack of focus on strategic definition, 2) lack of full exploitation of system capabilities, and 3) training deficiencies. The report included an action plan with specific recommended steps, completion dates, and cost estimates. The action plan provided for committees to initiate and oversee system and customer service improvements, a strategic plan and best practices-oriented decision support system, and a training program for agency staff.

Objectives of the Audit

At the inception of our audit process, we evaluated management controls designed to ensure that the agency reaches its goals economically, efficiently, and effectively. Based on that risk assessment, we selected the following objectives for our audit:

1. Evaluate the Child Support Enforcement Agency's efforts to improve its strategic focus, responsiveness, and performance.

2. Assess select management controls over the agency's human resources and customer services.

3. Evaluate the agency's implementation of the recommendations of the January 2003 *Study of the Automated Child Support Enforcement System (KEIKI).*

4. Make recommendations as appropriate.

Scope and Methodology

We evaluated the sufficiency of selected management controls, including those relating to strategic planning, performance enhancement, and financial management. We also assessed the agency's efforts in implementing the recommendations of our 2003 *Study of the Automated Child Support Enforcement System (KEIKI).*

Our audit work primarily focused on agency activities between 2003 and the present. However, we included reviews of documents and data from earlier periods where needed for historical perspective and trends.

Audit procedures included interviews of agency managers and staff, observations of processes and activities, and reviews of documents. We examined planning documents, policies and procedures, reports, and other documents relevant to our audit objectives. State and federal laws, regulations, and other compliance requirements significant to our objectives were reviewed and the agency's compliance assessed. Site visits at the agency's headquarters on O'ahu and its Maui office were made to observe work processes, interview staff, and review documents. Personnel of other agencies, within the state and nationwide, were interviewed to obtain information and documents needed to achieve our audit objectives.

We were unable, however, to review agency records containing personal information. The attorney general informed us that state law prevented disclosure of such information to the Office of the Auditor. Personal information is contained in case files and computer records. While some of our work did not depend on such access and we were able to use alternative procedures in some cases, the limitation did impair our ability to perform some audit tasks, especially those designed to assess the accuracy and reliability of the agency's database.

Further, during the course of our audit, it came to our attention that one of our auditing staff had engaged in an activity that constituted a personal independence impairment with respect to this audit engagement. Generally accepted government auditing standards require an audit organization and all individual auditors to be free, both in fact and appearance, from personal impairments of independence and that appropriate, timely measures be taken if independence is impaired. Such measures can include reporting the impairment, taking mitigating steps to remove the impairment, or withdrawing from the audit engagement.

We determined that the impairment was limited to one individual audit staff and did not impact the remaining auditors' ability to maintain objectivity and impartiality in their findings and conclusions. Thus, in accordance with generally accepted government auditing standards, the personal impairment was mitigated by immediately removing the impaired audit staff from this audit engagement. We were, therefore, not required to withdraw from the audit engagement; however, all work performed by the impaired staff member has been discounted and has not been relied upon to support any findings or conclusions contained in this report. Since the impaired audit staff performed audit work related to human resources and customer services, our findings and conclusions related to these matters are necessarily limited and do not fully address our audit objectives.

The audit was conducted from June 2006 through October 2006 according to generally accepted government auditing standards.

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Chapter 2

Ad Hoc Improvement Efforts Lack Strategic Direction and Hinder Long-term Success

While the leadership of the Department of the Attorney General and the Child Support Enforcement Agency (CSEA) has emphasized implementing recommendations of our 2003 report *Study of the Automated Child Support Enforcement System (KEIKI)*, the agency has not shed its reactive approach to improving operations in favor of a results-oriented management culture. CSEA continues to lack clear direction, lags other states in applying available technology to increase effectiveness and efficiency, and has not addressed long-standing problems in managing its trust fund for support payments. As a result, existing resources and opportunities are underutilized and the agency lacks the means to account for its achievements.

Summary of Findings

1. Reactive management deprives the agency of direction and accountability.

2. The agency has been slow to adopt measures to improve deployment of existing resources.

3. Problems with the agency's support payment trust fund persist.

The 2006 Legislature asked us to follow up on the status of recommended changes from our January 2003 *Study of the Automated Child Support Enforcement System (KEIKI)*. The agency provided us with a status report on these recommendations, which is shown in Appendix A. We added references to our audit findings where exceptions were noted or clarifications needed to complement the agency's response.

Overall, the agency has undertaken significant efforts to implement recommendations made in our 2003 report, facilitated by the Legislature's appropriation of $3.5 million for that purpose. The agency initiated several information technology projects to improve its KEIKI system. In addition, the agency has installed an interactive voice system with automated response capabilities to client inquiries and created a dedicated call center with 16 authorized positions which began operations during the first half of FY2006-07.

While indirect indications for improvement can be found in declining numbers of complaints to the Ombudsman, an assessment of the agency's success in making the best use of its resources is more elusive. When the KEIKI system became operational, complaints soared from 159 in FY1997-98 to 730 in FY1998-99. These complaints dropped by about half to 386 in FY 2001-02, then to below pre-KEIKI levels with 110 complaints in FY2005-06. However, the effect of individual improvements and its relevance to the agency's overall mission is not readily discerned. Lacking coherent analysis and planning for improvement projects and the agency as a whole, CSEA is unable to provide information on the exact nature of the problems these projects are to solve and the outcomes to be delivered. As a result, the agency lacks the capability to demonstrate the relationship of its actions to outcomes achieved.

During the audit, we became aware of a personal impairment to the independence of an individual member of the audit team. As discussed in the scope and methodology section of Chapter 1 of this report and as provided by generally accepted government auditing standards, the impairment was mitigated by removing the individual audit staff and related work from the project. Consequently, this report does not address some of our original audit objectives, primarily those relating to human resources and customer service.

Reactive Management Deprives the Agency of Direction and Accountability

We found that the agency's management continues to display the characteristics described in our 2000 and 2003 reports:

> 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.

A three-year effort in developing a strategic plan has resulted in an incomplete document that is focused on compliance rather than organizational change and improved performance. The plan reflects the agency's penchant for reactive, top-down management and fails to provide a proactive forward-looking guide to sharpening the agency's focus and operations. The plan lacks benchmarks and performance indicators to monitor progress and provide accountability, and also fails to address data reliability, which is essential to the agency's success.

The agency's strategic plan fails to provide clear directions

The strategic plan developed in response to our previous recommendations reflects the agency's continued failure to tackle a culture of crisis management. The document is incomplete and lacks essential elements for an effective guide to action and a basis for accountability. In addition, agency management has missed an opportunity to use the strategic planning process to systematically re-evaluate its organizational culture and operations. Instead, the plan resembles a checklist effort to ensure compliance with federal goals and audit recommendations. It does not demonstrate that management understands the agency's current position, goals, or strategies to achieve those goals. Furthermore, the planning process did not include potential contributors, including key employees and most Advisory Council members.

The agency developed a strategic plan to address prior Auditor recommendations

In response to our 2003 study, the agency developed a strategic plan under the oversight of its newly formed advisory council. The CSEA Advisory Council was established to guide the agency in matters including planning, and consists of senior management and various external stakeholders. In one of its early meetings in July 2003, the council prioritized issues for inclusion in the strategic plan and established a strategic planning sub-committee to lead the planning efforts. In subsequent meetings (October 2003 and January, May, and July 2004), the sub-committee presented its approach to the strategic planning process and its proposal for the agency's mission and vision statements. In September 2005, the sub-committee presented a draft strategic plan at the council meeting and comments were solicited. After receiving and incorporating only one substantive suggested change regarding the strategic plan (to include a summary matrix), the sub-committee presented a final draft to the Advisory Council at its May 2006 meeting, where the council finalized its *CSEA Strategic Plan 2005 – 2009*.

On the surface, the agency made great strides in developing a strategic plan; however, closer scrutiny reveals that the planning process was mostly an exercise in compliance. Although council meetings were frequently held, discussions pertaining to the strategic plan were intermittent and yielded questionable results.

Top-down planning process did not include important stakeholders

While the agency has described and portrayed its planning efforts as a collaborative process, in reality it was primarily a one-man show. The agency's former administrator, who chaired the Advisory Council's strategic planning sub-committee, essentially wrote the plan with limited input from other sub-committee members. While its creation was a laudable concept, the strategic planning sub-committee's application left a lot to be desired. The former administrator contends that the planning process was conducted through ongoing informal consultations among sub-committee members with everyone contributing to writing the strategic plan; however, this conflicts with the recollection of other members. Of the sub-committee's four non-chair members, three recalled varying levels of meetings and all confirmed that the former administrator wrote the plan by himself.

The Advisory Council meeting minutes also show little council contribution to the planning process beyond an initial brainstorming session. The agency's former administrator distributed a draft strategic plan on September 7, 2005, and asked the council for feedback. At subsequent meetings (November 9, 2005, and January 17, 2006), the former administrator continued to encourage feedback but reiterated that none had been received from the council regarding the plan. The first deputy attorney general, who chairs the Advisory Council, did review and discuss the strategic plan with the attorney general, and together they made some changes and recommendations. However, the most significant recommendation was to include a matrix summary, which merely presents existing information in a more reader-friendly format. From distribution of the agency's draft strategic plan on September 7, 2005 to its finalization on May 26, 2006, council meeting minutes show no substantive discussions regarding the strategic plan.

Development of the strategic plan did not involve many of the agency's operational managers and staff. Several key agency managers attested that they had no involvement in the planning process. At least two top managers had not even seen the agency's strategic plan until June 2006, a month after its finalization.

The strategic planning guides we consulted for this audit echoed a common theme: that the goal of strategic planning should not be an event to produce a document, but should be the starting point of a systematic improvement process that should involve and permeate the entire organization as well as its major stakeholders. Despite the appearance of being an inclusive process, the development of the CSEA strategic plan was more of an exclusive event.

The Advisory Council's role in agency planning is unclear

In assessing CSEA's Advisory Council's contribution to developing a strategic plan, we found only minimal guidance for and involvement in the process. Our 2003 *Study of the Automated Child Support Enforcement System (KEIKI)* recommended the creation of a council to provide leadership and strategic directions, including the establishment of a charter and a mission for itself. While the agency assembled a group of well qualified individuals, the lack of a charter and a mission had impaired the council's effectiveness.

The council consists of an accomplished and diverse group of members representing the Child Support Enforcement Agency, the departments of the Attorney General and Human Services, the Association for Children for Enforcement of Support, the Hawai'i State Judiciary Family Courts, the Hawai'i State Legislature, and a private consultant. The council began its planning process with promise, holding a brainstorming session regarding critical agency issues, and establishing the strategic planning sub-committee. Since then, however, council participation has been mostly limited to receiving updates on the planning process. The council has not provided the guidance or feedback needed to ensure that the agency's strategic plan considered all stakeholders and addressed all key issues. In fact, several important agency priorities identified during the council's initial brainstorming session were not clearly addressed in the final strategic plan. For example, two council members deemed data reliability critical but the issue is not addressed in the approved plan.

Guides to strategic planning, such as *Strategic Planning for Public and Non-profit Organizations*, written by John M. Bryson, emphasize the importance of sponsorship and leadership to ensure that a plan is successfully developed and implemented. Bodies in other states with functions similar to the Advisory Council's play a major part in outlining the long-term expectations for their agencies and assist in the development and implementation of strategies needed to meet those expectations.

Hawai'i's Advisory Council does provide guidance to the agency in matters beyond planning; however, strategic planning should be a priority. If incorporated into its mission, the council can play a more pro-active role in the strategic planning process and in directing positive, long-term improvements. A flawed planning process coupled with limited guidance from the Advisory Council, has led to a strategic plan that lacks focus on measurable goals and objectives.

The agency's plan confuses compliance with a long-term blueprint for action

We found that the agency's strategic plan compares unfavorably with plans of similar agencies in other states as it provides little insight into where the agency is headed and lacks important components recommended by best practices guides. Essentially, the plan mirrors the federal strategic plan and seeks to ensure audit recommendations are addressed, but lacks any indication that the agency has assessed its strengths, weaknesses, opportunities, and challenges; or established measurable goals, including a baseline for its current performance and benchmarks for desirable outcomes.

Vague goals are inherently difficult to achieve

Our 2003 study specifically addressed the need to move from a compliance-driven strategy to one of clearly defined goals and objectives. The agency's current plan reflects, in the former administrator's words, "the big picture" – vaguely stated goals that provide little guidance for the agency's units and staff to formulate their action plans. Examples of the agency's stated goals and objectives include: "Improve required performance;" "Establish clear priorities for arrears collections, based on success rates of existing processes; maximizing available resources and collection tools;" and "Determine the resources necessary to exceed the current performance goals." No details are provided regarding how the achievement of these goals and objectives will be measured or determined.

In contrast, an example from the strategic plan of the California child support enforcement agency provides measurable goals and objectives that enable assessment:

> **Goal:** Improve the performance of California's Child Support Services Program
>
> **Objective:** Increase the statewide percentage of cases with arrearage collections to 57 percent by FFY2006, 58 percent by FFY2007, 59 percent in FFY2008, and 60 percent by FFY2009.

The Hawai'i strategic plan also includes several unfunded goals and objectives without strategies for acquiring funding. When questioned about the lack of funding, the former administrator justified the inclusion of such goals by saying he saw the plan as a "wish list" of goals and objectives the agency "hoped" to achieve.

Lacking performance measures, the agency's strategies provide no means for assessment

In addition to failing to set clearly defined goals and objectives in its strategic plan, agency management has not adopted previous audit recommendations to establish benchmarks for measuring staff performance and progress towards predetermined goals. Performance measures are critical for evaluating whether an agency is accomplishing its goals, but the CSEA has shown itself averse to such accountability.

An integral part of strategic planning is the establishment and identification of outcomes; current service levels (baselines); and desired service levels (benchmarks) stated in objectively quantifiable measures. Such measures define the performance to be achieved and the means for monitoring performance and accounting for results. Together with strategic planning, performance measures form a continuous process of managing for results.

Managing for results is intended to permeate most aspects of an agency, beginning with strategic planning and linking to the agency's annual plans and budgets. While the strategic plan defines the expected performance outcomes, an equally important component, performance measures, are needed to provide feedback to keep a plan on target and provide accountability to stakeholders and taxpayers.

Our comparison of the draft strategic plan submitted to the Advisory Council in September 2005 with the plan finalized in May 2006, shows no significant changes. The only conspicuous difference between the draft and final plan was the omission of the "strategy" section in the final plan. Among other things, the strategy section had discussed the need for and value of measurable improvement outcomes. When questioned about the omission of performance measures, the former administrator explained that "he would not want to put the agency out there," essentially seeking to avoid the risk of being held accountable for failing to meet goals and objectives.

Poor planning perpetuates KEIKI inaccuracies and vulnerability

KEIKI is the name of the Child Support Enforcement Agency's automated system that supports its major processes including initiating cases, establishing support orders and paternity, locating parents, enforcement, case management, and child support collections and disbursements. KEIKI has been designated as one of the State's most critical computer systems impacting human services. However, despite KEIKI's importance, the agency has not created an information technology (IT) strategic plan, as part of its overall strategic plan, to address known systemic problems with KEIKI or to proactively protect the system. The agency's IT planning should include well defined goals and objectives, providing the means to account for results, mitigate persistent and possibly extensive erroneous and missing data in the KEIKI data base, and address the critical need for mitigating the effects of disasters.

Enhancements to automated systems lack focus and foster skepticism

The agency has not implemented an IT strategic plan recommended in our 2003 study. As part of that study, we recommended that the CSEA executive steering committee, which is made up of the agency's senior staff, clearly define a mission and charter for the KEIKI steering committee that included the development of an executive support information strategy. However, management has been unable to produce a mission or charter so the KEIKI steering committee, comprised of functional leaders and their IT counterparts, has continued to focus only on day-to-day operational issues. Without an information technology strategy, the agency is unable to align IT projects with agency goals; prioritize IT projects; or to analyze the costs, benefits, or impact of IT projects. Ultimately, the agency's undertaking of poorly planned IT projects has led to justifiable legislative concerns and uncertainty regarding future funding.

Generally accepted information technology standards state that IT strategic planning is required to properly manage and direct all IT resources in line with an organization's strategies and priorities. An IT strategic plan should include a budget of resources, funding sources, a sourcing strategy, an acquisition strategy, and legal and regulatory requirements. It should also establish performance measures and provide a mechanism for measuring outcomes against performance measures or expectations.

In 2003, despite legislators' skepticism regarding the CSEA's requests for additional funds based on its inadequate justification for funds and unsatisfactory information regarding past results or achievements, \$3.5 million was appropriated to the CSEA to address KEIKI deficiencies identified in our 2003 study. Of the \$3.5 million, \$1.2 million was from the state general fund and \$2.3 million (66 percent) was from federal matching funds. According to the agency, this was a last minute request with no specific projects in mind. Subsequent to legislative approval, the moneys were committed to five separate projects:

- Documentation and Data Modeling (\$880,000) – to provide KEIKI tools to aid programmers in updating or changing KEIKI.

- Decision Support System (\$1,300,000) – is expected to assist agency management in decision-making, strategic planning, effectiveness and performance measurement. (This project is still in progress.)

- Network Infrastructure and Desktop Computer Upgrade ($750,000) – to provide a more stable environment for staff and reduce daily help desk calls.

- KEIKI Mainframe Tuning ($170,000) – for improved system availability by eliminating downtime, reducing the batch processing time, and improving response time.

- Archive, Retrieve and Purge ($400,000) – is expected to improve system performance by freeing up storage space for current active cases. (This project is still in progress.)

Although these projects appear to have provided some benefits, the limited information available from the agency indicates that their overall impact on, or improvement to, agency operations has been minimal, so far. The ability to demonstrate project results and to link those results to agency strategies and goals is key to accountability. For example, if the agency could demonstrate that its IT projects had enhanced client service by enabling staff to handle more cases and client queries that would be a meaningful outcome which could be reflected in future agency funding requests. However, without clear guiding strategies, objective goals, or measures, the agency is unable to account for project results; hence the value of undertaking these projects must be questioned. One of the agency's top managers conceded that the IT projects, funded with the 2003 appropriation of $3.5 million, were poorly planned and had no major impact on operations.

This inability to demonstrate returns on previous investments likely impedes the agency's ability to obtain funding for proposed projects as indicated by its lack of success with project funding requests in its 2006 budget. Originally, the agency's request included an additional $3 million for IT improvements, $2.5 million for KEIKI enhancements, including a KEIKI data integrity study, and $500,000 for an electronic file conversion. Only $750,000 for KEIKI enhancements remained after the executive budget review, while the $500,000 for document imaging was removed altogether from the final budget package submitted to the Legislature. The Legislature's unease with the lack of information resulted in its denying CSEA's already severely reduced request. The agency's inability to demonstrate its achievements for previously approved projects and the dearth of information on outcomes for proposed funding request were clearly factors in its ultimate failure to obtain any additional funding for important system improvements.

Questionable data has resulted in waste and customer complaints

Persistent problems with erroneous and missing information continue to plague KEIKI, resulting in operational problems for the agency. According to the U.S. Government Accountability Office, missing and erroneous data contribute significantly to undistributed support payments, nationwide. Such data integrity issues can cause problems such as inaccurate reporting or inability to locate non-custodial parents and make child support disbursements. The agency's lack of decisive action and its limited focus on data cleanup efforts have resulted in unknown quantities of errors and no viable plan to rectify the situation. Since the KEIKI system is vital to CSEA's ability to meet the needs of its clients, addressing problems with its data integrity and effectiveness warrants a high priority.

The agency's information system is subject to periodic federal audits, and no major deficiencies were identified by the federal data reliability audits for FY2002-03 through FY2004-05. However, it should be noted that federal data reliability audits do not review all KEIKI data; rather they focus only on information relative to determining federal performance indicators. As such, assessing other reliability issues, such as missing addresses and missing social security numbers, although critical to the delivery of child support services to the people of Hawai‘i, is outside the scope of these federal audits.

Furthermore, results of past federal audits show that the agency has a history of data integrity and reporting problems, some of which may never have been resolved. In FFY1999-2000, federal auditors reported that the number of open cases had been overstated due to a problem with the interface between CSEA and the Department of Human Services' Temporary Assistance for Need Families' computerized system which created a redundant duplicate for every case opened in KEIKI. Data integrity errors that inadvertently deleted children's names from cases, attributed to the 1998 conversion to the KEIKI system were cited in the same report and the audit report for the subsequent year. To address these problems, the federal auditors recommended that CSEA perform a 100 percent cleanup review of KEIKI's case data; however, the agency responded that it lacked the resources to do so. In FFY2002-03, federal auditors similarly recommended that CSEA work with the state Department of Health to improve the adequacy of vital records data. The agency responded that discussions with the vital records agency were in progress.

We found that data errors and omissions are not limited to the past, but still affect operations and client services today. Missing social security numbers and address information continue to make it difficult to locate non-custodial parents and deliver payments to custodial parents. As of June 30, 2006, the agency was holding 7,800 payments, totaling approximately $1.1 million, due to bad addresses or missing data. Clients of the agency are inconvenienced when collection amounts are incorrect or when payments are not received. Such errors and omissions cause additional work for agency staff who are tasked with correcting them and dealing with irate customers.

The CSEA reports show that duplicate information such as multiple employer names with the same federal identification number and individuals with two or more social security numbers exist in KEIKI. Many of the 1,044 employers identified as possible duplicate accounts have yet to be corrected and remain in the KEIKI data base. Three hundred and nine social security numbers are on record as assigned to more than one individual.

Another potential impact of questionable data relates to the new decision support system (DSS). The DSS is a management tool that will be populated with data from the KEIKI system. The agency anticipates that DSS reports will assist in management decision-making, strategic planning, and performance measurement. However, if source data from KEIKI is incorrect, then information generated by DSS will also be faulty. As a result, critical decisions may be based on inaccurate data.

We were unable to assess the true extent of erroneous or missing system data due to confidentiality issues cited by the agency. State laws prohibit the agency from revealing identifying client information to us, thereby limiting our access to the KEIKI system, case files, and related reports. We were forced to rely on other means of assessing data integrity, including reviewing past federal data reliability audits, redacted KEIKI error reports, and agency responses to our specific data queries.

Furthermore, CSEA was unable to provide us with detailed information on reliability and accuracy of data within KEIKI. Despite our requests, the agency did not provide us information regarding how many duplicate case records exist and the data that is available raises significant questions about the completeness and accuracy of vital information. For example, of the agency's 120,007 open cases on June 30, 2006, 19,100 (15.9 percent) lack social security numbers and 28,332 (23.6 percent) lack addresses for non-custodial parents. Other state child support enforcement agencies, such as those in Indiana, New Hampshire, North Dakota, Vermont, and Washington report significantly lower rates of missing social security numbers and addresses compared with Hawai'i. For instance, Vermont reported only 1.9 percent of its caseload lacks social security numbers and 5.9 percent lacks addresses for non-custodial parents.

While CSEA has addressed deficiencies reported in federal audits, the agency still does not have a systematic process to correct persistent errors or eliminate missing data in the KEIKI system. The agency did not provide us evidence of internal controls such as written policies and procedures to prevent, detect, or correct data errors. Specifically, efforts to prevent erroneous data from being entered in the first place are limited to informal spot checks, counseling, and retraining. There are no quality assurance procedures over manually entered data to track errors, monitor performance, or take corrective action. Without a systematically developed strategic plan that addresses KEIKI's data integrity problems, this long-standing and systemic problem will persist.

Lacking disaster planning raises risk of major service disruption

The agency's KEIKI system has been designated as one of the State's most critical computer systems with zero tolerance for unavailability or "downtime." Yet the agency has not acted proactively to develop measures to avoid or mitigate such an occurrence in case of a significant disaster or disruptive event. This is inconsistent with federal requirements. Guidelines issued by the federal Office of Child Support mandate disaster planning that provide detailed actions to be taken in the event of a major disaster, either natural or man-made. In fact, CSEA has a written policy calling for a disaster preparedness plan but the agency has not acted on it. As a result, a very vulnerable section of Hawai‘i's population, its children, could be deprived of resources for food, shelter, and medical care.

Hawai‘i is prone to natural disasters such as hurricanes, tsunamis, floods, and earthquakes. Such disasters may cause extended disruption to critical government services. For example, in the aftermath of Hurricane Katrina, the State of Louisiana experienced significant disruptions to its support payments distribution. The state has since made electronic disbursement of child support payments mandatory.

Man-made disasters also pose a threat to Hawai‘i. Hawai‘i's strategic location makes it a prime target for terrorism attacks. Events like the Oklahoma City Federal Building bombing, the World Trade Center attack, or even the burning of the entrance of the Department of Health building in Honolulu are examples of events that could cause major disruption. If staff were prevented from entering the state data center or the agency's Kapolei facility, critical child support processing would be impacted. For example, the State of Virginia treasury building was closed for two days following an Anthrax scare in 2001. During the closure, 19,000 child support payments totaling $2.2 million were not processed, resulting in many anxious calls to the agency. Virginia has since increased its efforts to replace paper checks with electronic direct deposit payments.

Other threats such as an influenza or avian flu pandemic or electrical power failures can seriously disrupt CSEA's services. The federal government's National Strategy for Pandemic Influenza predicts that organizations could face employee absences of up to 40 percent. The Child Support Enforcement Agency has many manual processes that depend upon the availability of staff to be completed. Although the state data center has backup electrical power, the Kapolei State Office building lacks emergency power for the agency's phone system, computer servers, personal computers, and envelope stuffing equipment. Any lengthy outage would disrupt services and could delay child support disbursements.

The agency relies and depends on the Department of Accounting and General Services' Information and Communication Services Division (ICSD) for emergency business continuity planning, but ICSD's plans cover only the communications network and operations of the KEIKI computer application. To date, ICSD has been unable to obtain funding to provide adequate backup facilities for statewide critical computer applications such as KEIKI. Because there is no backup site, a consultant hired to conduct a business impact analysis for the State recommended that CSEA develop and test its own temporary operating procedures for disasters.

Child Support and Enforcement Agency management, however, has not developed contingency plans for disaster preparedness, disaster recovery, service continuity, or business restoration for either the Kapolei headquarters or branch locations on the neighbor islands. This does not conform to the agency's own Information Security Systems Policy, which states that "the data processing section is responsible for developing and coordinating disaster recovery plans for all branches in the event of a short-term loss or the destruction of the agency's information systems processing function."

Generally underperforming in national comparisons, CSEA has sought additional resources from the Legislature to improve its operations, but has been slow to follow other states' lead in maximizing the use of existing resources. Similarly, staff use and service can be improved if available enhancements to automated processes are utilized.

The Agency Has Been Slow To Improve Deployment of Existing Resources

The Child Support Enforcement Agency is in need of proactive and results-oriented leadership. The agency's leadership has a history of citing a lack of funding or staffing for most of its problems, but has not made the necessary investment of time and effort to understand and assess the reasons for its struggles. According to national statistics, the agency lags most other states in critical operational measures, resulting in up to $8.7 million in available federal incentive funds lost since FFY2000-01. The agency's leaders need to look beyond excuses and toward solutions such as exploiting available technological tools to improving the delivery of program services.

The agency has historically underperformed in federal incentive measures

The Hawai'i Child Support Enforcement Agency languishes near the bottom on several federal incentive measures, limiting its ability to fulfill its mission "to promote the well-being of children and self-sufficiency of families, through the timely and accurate delivery of child support services, while providing excellence in customer care."

The Child Support Performance and Incentive Act (CSPIA) of 1998 established incentive payments based on five measures: paternity establishment, support order establishment, current collections, arrearage collections, and cost effectiveness. Previously, incentives were paid solely for cost effectiveness and states received a base amount regardless of performance. The CSPIA sought to establish performance standards that rewarded high-performing states and encouraged low performers. An Incentive Funding Work Group comprised of 26 representatives from state, local, and federal offices identified these five areas as valid measures to gauge states' progress in meeting key goals. The first four measures are represented as percentages, while cost effectiveness is simply dollars collected divided by dollars expended. Each measure has a minimum performance level that must be reached to begin earning incentives. The incentive funds earned increase with improving performance until a ceiling amount is reached.

While the agency has become a top performer in establishing paternity, which involves ensuring the father has been identified for every child born, this success has not translated into becoming a leader in establishing child support enforcement orders. Currently, 42 of every 100 IV-D cases the agency services do not have support orders in place.

The step from establishing paternity to establishing an order is a logical succession and is positively correlated in other states. Our analysis of national FFY2004-05 data showed paternity establishment and order establishment are in fact positively correlated. Additionally, administrators from top ranked states in order establishment, including

Washington and Alaska, have attributed their success to their high paternity establishment rate. In contrast, Hawai‘i’s high paternity rate has not resulted in a high order establishment rate. Agency management could not explain this anomaly; their best guess is it might be related to missing data in the KEIKI computer system.

Collections of current and past due amounts are rated separately. From FFY2000-01 through FFY2004-05, Hawai‘i’s collection rate of current support collections inched from 51 percent to 55 percent of amounts owed. During the same period, the agency continued collecting on around 40 percent of its delinquent cases which places it at the bottom of the national rankings. Comparing cost efficiency—dollars collected for every dollar spent—shows the agency in a more favorable light, even reaching top ranking in FFY2003-04. However, that top ranking is the result of a significant, one-time refund of service fees received in that year, skewing the statistic. This explains the agency’s return to the middle of the field in FFY2004-05. Exhibit 2.1 summarizes a five-year comparison of the agency’s performance and national ranking.

Exhibit 2.1
Hawai‘i CSEA’s Performance by Incentive Category Using Percentage Measures and National Ranking, FFY2000-01 Through FFY2004-05

	FFY2000-01		FFY2001-02		FFY2002-03		FFY2003-04		FFY2004-05	
	%	National Ranking	%	National Ranking	%	National Ranking	%	National Ranking	%	National Ranking
Paternity Establishment*	101	5th out of 24	81	17th out of 25	101	5th out of 31	88	17th out of 29	98	10th out of 29
Order Establishment**	58	42nd	59	46th	60	46th	59	47th	58	50th
Current Collections**	51	36th	51	36th	51	42nd	53	41st	55	37th
Arrearage Collections**	36	53rd	37	53rd	40	53rd	43	53rd	41	54th
Cost Effectiveness**	$6.16	5th	$6.53	5th	$5.08	18th	$8.70	1st	$4.39	34th

*Ranking limited to states where paternity establishment is calculated by total IV-D or statewide cases. It is possible to exceed 100% because current year cases are divided by cases for the prior year.

**Ranking among 54 child support enforcement jurisdictions included in federal statistics.

Source: Office of Child Support Enforcement, FFY2000-01 through FFY2004-05 annual reports

Ad hoc approach to improvement inhibits incentive revenues

The agency's low performance cost the state on average $1.7 million per year, and there is no systematic process for analysis and improvement. Under the federal incentive program the Hawai'i agency can earn $1.96 million per year. However, once spent, the incentives are eligible for a 66 percent federal matching grant, effectively tripling the incentive moneys. A five-year history of incentives available and earned by the agency is shown in Exhibit 2.2.

Exhibit 2.2
Hawai'i CSEA Incentive Payments FFY2000-01 Through FFY2004-05

	Available Incentive Funds	Actual Incentives Received	Percentage Received	Unearned Potential Incentives	66% Federal Match	Total Available Incentives and Federal Match Not Earned
FFY2000-01	$1,960,000	$1,339,583	68%	($620,417)	($1,240,834)	($1,861,251)
FFY2001-02	$1,960,000	$973,201	50%	($986,799)	($1,973,598)	($2,960,397)
FFY2002-03	$1,960,000	$1,588,312	81%	($371,688)	($743,376)	($1,115,064)
FFY2003-04	$1,960,000	$1,566,788	80%	($393,212)	($786,424)	($1,179,636)
FFY2004-05	$1,960,000	$1,431,973	73%	($528,027)	($1,056,054)	($1,584,081)
Total Available Incentives	$9,800,000	$6,899,857	70%	($2,900,143)	($5,800,286)	($8,700,429)
Five-Year Average	$1,960,000	$1,379,971	70%	($580,029)	($1,160,057)	($1,740,086)

Source: Office of Child Support Enforcement FFY2000-01 through FFY2004-05 Reports to Congress

While no state has earned 100 percent of available incentive funding, Hawai'i's Child Support Enforcement Agency's use of this important funding source has been sub-par. In FFY2004-05, leading states such as Pennsylvania and North Dakota received up to 95 percent of available incentives, compared with Hawai'i's 73 percent**.** The 22 percent performance gap between Hawai'i and top rated states translates to $430,000 per year in lost incentives for FFY2004-05 and $2.4 million over the five-year period. Adding the 66 percent matching federal funding available, the loss expands to $1.3 million for FFY2004-05 and $7.2 million for the five-year period.

Furthermore, the agency's performance places it at risk for losing additional funding because its order establishment and arrears collection rates are barely meeting the federal minimum threshold (50 percent and 40 percent, respectively). Child support agencies receive only 60 percent and 50 percent of their potential share of incentive revenues at the minimum threshold; however, once below the minimum threshold, agencies receive zero incentive funds.

Currently, the agency does not have a systematic approach for addressing its lackluster performance. KEIKI, the agency's automated computer system, is unable to provide reports needed for management decision-making such as identifying low performing functions to pinpoint problem areas. As a result, management lacks data to identify causes for its low performing measures. For example, the agency could not provide us with reports describing the characteristics of non-custodial parents whose cases commonly fall into arrears.

Automated systems in other states such as Vermont and Washington have vastly superior capabilities to identify problem areas and address them. These states attribute their success to strong analytical support or an automated decision support system (DSS). Recently, the Hawai'i Child Support Enforcement Agency purchased a DSS similar to that used in Vermont. Unfortunately, the system will not be fully operational until FY2007-08 and previously cited data integrity issues may limit the agency's ability to realize the DSS's full potential.

The impact of these other states' systems is reflected in the amount of incentive funds they received in FY2005-06. Vermont received 86 percent of available incentive funding while Washington received 88 percent. If Hawai'i performed at the same levels as Vermont and Washington, it would have received approximately $254,000 and $293,000 of additional funding per year, respectively.

Incentive funding is a critical funding source, covering between 30 and 50 percent of the CSEA's total administrative expenditures. A reduction in incentive funding would negatively impact the agency because 30 current positions are funded with incentive moneys. Although the 66 percent federal match expires on October 1, 2007, the agency will continue to leave untapped at least $500,000 per year in incentives if it stays on its current path.

The agency has not been as successful as other states in closing obsolete cases

Obsolete cases depress incentive program performance and inflate caseloads for agency caseworkers. Regulations issued by the federal Office of Child Support Enforcement in 1999 allow states to close child support cases that meet specific criteria. The federal Department of Health and Human Services Office of the Inspector General encourage the use of these criteria because states can concentrate resources on cases with a greater likelihood of success, maximize federal incentive funding, and reduce data management demands.

Compared with other states, the Hawai‘i Child Support Enforcement Agency underutilizes the case closure regulations. State child support enforcement agencies are required to use an automated closure process based on 12 criteria the federal oversight agency has established for that purpose. While CSEA reported to us that it closes 100 percent of eligible cases, we found that this assertion is based on the agency’s primary reliance on its automated process for identifying cases that should be closed. We found, however, that the computer system does not identify all eligible cases. Missing or inaccurate data can prevent otherwise eligible cases from being closed. As we did not have access to case files, we were unable to determine the prevalence of obsolete cases amongst the agency’s approximately 120,000 cases. We found several indicators, however, that suggest that the number of unidentified obsolete cases could be considerable. First, an internal review of 6,000 open cases meeting one of the 12 closure criteria showed that 4,000 of these cases were eligible for closure but had not been identified as such by the automated process. Second, closure rates at other states are significantly higher than CSEA’s. Minnesota, North Dakota, and Vermont, all top performing states in child support enforcement, report FFY2004-05 closure rates averaging around 20 percent compared with Hawai‘i’s 11 percent. These states aggressively used the closure criteria and federal guidelines to reach beyond the automated process to more effectively manage case closures and actively monitor and close eligible cases rather than relying on their systems. The Pennsylvania Child Support Enforcement Agency also conducted several projects to close cases not identified by its automated system.

Attitudes hinder improvement

While CSEA has made progress in improving its services, its leadership has a tendency to present its performance statistics as “not as bad as they look” while providing little information on its grasp of core problems and progress on addressing them. We found that agency performance has been reported using selective comparisons highlighting favorable outcomes while discounting or omitting unfavorable ones. The agency needs to develop relevant performance measures that accurately reflect its achievements.

For example, a letter from the Department of the Attorney General to the Office of the Auditor dated September 22, 2006, emphasized a significant 61 percent increase in incentive funding earned between

FFY2001-02 and FFY2003-04. However, Exhibit 2.2 tells a different story as incentive funding rose a mere 7 percent from $1.3 million in FFY2000-01 to $1.4 million in FY2004-05. Additionally, the dramatic swing in incentive funding cited in the letter occurred primarily because the agency fell below the minimum threshold for arrears collections in both FFY2000-01 and FFY2001-02, making it ineligible for any incentive funds in that category during FFY2002-03. Once the agency recovered the minimum standard in FY2002-03, it again became eligible for 50 percent of incentive funding related to arrears collections. Such selective use of data from the agency's year of worst performance, a year in which it was penalized for its low performance, as the basis for touting agency improvement and success is questionable.

In testimony to the 2006 Legislature, the agency was quick to point out that it ranked first in the nation in cost effectiveness in FFY2003-04. However, the agency failed to mention that the exceptional ranking was due to a significant refund of overcharges relating to several prior years but recorded in FFY2003-04, therefore distorting the agency's effectiveness rating for that year.

The department's September letter to us also criticized the federal performance measures as not representative of the agency's achievements and offered alternative measures intended to show the agency in a more favorable light. Upon closer scrutiny we found these measures lead to the same conclusion that the agency compares poorly nationally. For example, Hawai'i's $80.8 million in distributed child support for FFY2004-05 represent a 21 percent increase since FFY2000-01. However, when divided by the number of the agency's IV-D cases, we found that it paid out $827 per case in FY2003-04, ranking in the bottom seven nationally, 40 percent below the national average of $1,379.

The agency's high caseload is frequently cited to explain its low performance. While its five-year average caseload at 460 cases per worker is above the national average of 266, we found that a high caseload is not an obstacle to superior performance. For example, during FFY2004-05, Idaho reported 619 cases per full time employee, yet established support orders in 79 percent of its cases, collected on 56 percent of amounts currently owed in child support, collected on 55 percent of support cases in arrears, and reported a $5.58 in cost effectiveness—all performance levels exceeding those of Hawai'i. When we compared federal incentive program performance to caseload for all child enforcement agencies in the nation, we found no correlation between caseload and performance.

Slow adoption and implementation of automation wastes resources and impairs service

CSEA has been slow to use automated tools to improve efficiency and effectiveness. The lack of systematic IT planning has resulted in a "shotgun" approach to automation projects with prolonged timeframes or lack of funding. Electronic funds transfer (EFT) has only begun to be offered to custodial parents for electronic deposit of payments. The agency's "enhanced website" does not offer individual client information such as collection receipts, payment information, hearing schedule dates, etc. Other automated tools such as electronic interfaces for new hire information from employers and electronic forms (e-forms) for paternity information have not been completed. Electronic imaging for paper forms can free up storage space and provide instant access to information throughout the state, but CSEA's proposal to acquire this technology was not adequately justified to obtain funding. Other states have been more aggressive in applying automation in their child support agencies and have improved efficiency and effectiveness and saved money.

Increased use of electronic funds transfer could reduce costs and free-up resources

The agency has not aggressively promoted the use of electronic funds transfer (EFT), so far only offering it for receipt and payment of child support benefits on a voluntary basis. Electronic funds transfer allows employers to submit employee withholdings; non-custodial parents to submit payments; and custodial parents to receive benefits directly from or to their bank accounts. The agency currently collects approximately 40 percent of its total dollars via EFT, but distributes only 18 percent of payments this way because it has only recently begun to offer electronic payments to all custodial parents.

The agency still manually processes approximately 3,200 paper checks, collections and payments, each business day. This labor-intensive process requires dedicated staff and equipment to open envelopes, post collections, and process outgoing checks. The agency also receives checks that are returned by the bank because of insufficient funds; encounters employers who do not submit funds they have withheld; and has disbursement checks returned as undeliverable due to incorrect addresses. The labor-intensive manual processes to handle these problems could be greatly minimized through increased use of EFT, and have been largely eliminated in states that require substantially all support transactions to be made electronically.

The experience of other states confirms the positive effect of EFT use on agency resources. For example, the State of Connecticut reports that processing direct deposits cost 17 cents per payment compared with about 61 cents for producing and mailing a paper check. The State of Colorado estimates the cost of mailing a single check at one dollar while electronic disbursements cost ten cents for each transaction. The State of New York reports $4.5 million in savings since FY1993 when it began receiving funds electronically from employers who withheld wages for child support payments.

If acceptance of EFT is slow, the agency should take action to mandate its use based on the numerous related benefits. According to the National Conference of State Legislatures, the following 15 states have mandated use of EFT and debit cards: Georgia, Iowa, Massachusetts, Michigan, Minnesota (direct deposit), Missouri, Nebraska, Nevada, New Jersey, New York, North Dakota, Pennsylvania, South Dakota, Tennessee, and West Virginia.

An alternative medium for transmitting payments to custodial parents is through the use of debit or cash-value cards. This option does not require the recipient to have a bank account, which is a prerequisite for EFT. The agency has not begun to consider the use of these cards because there is a concern regarding the loss of ability to intercept payments if there is a problem such as a bounced collections check. However, if a majority of employer and non-custodial parent collections were made electronically, the problem of bounced checks would be less likely to occur. As of February 2006, 27 of the other 54 state and territorial child support agencies had implemented debit cards. Some states have been able to implement debit cards at little or no cost.

Lack of project planning and prioritization impedes agency use of available technologies

Other technologies could improve the agency’s operations. Electronic interfaces with the Department of Health and hospitals for paternity data and with employers for new hire data could be used to eliminate manual intervention and resulting data entry errors. Document imaging technology could reduce paper handling and storage costs. However, there is a lack of focus on these technologies because the agency does not have an IT plan with prioritized projects, and there are no requirements, definitions, or cost/benefit analyses that could be used to justify funding.

The Child Support Enforcement Agency receives from the Hawai‘i Department of Health approximately 6,000 Voluntary Establishment of Paternity forms per year signed by natural parents. The handwritten information on these forms must be manually re-entered by agency staff into the CSEA database for paternity establishment statistics. The agency should work with hospitals and the health department to have both Voluntary Establishment of Paternity information and birth certificate information, which overlap, entered electronically at the hospital and transmitted to both the health department and the agency.

To assist in enforcing child support orders, federal law requires all employers to report to state government "new hire" (new employee) information so that money can be collected from newly employed non-custodial parents who owe child support. The agency receives new employee income withholding forms (federal W-4 forms) from employers by fax and mail. Three agency staff members check these forms for accuracy of information, legibility, and completeness before manually entering their information into a database. Approximately 350 W-4 forms are processed daily. As of November 2006, the agency's entering of new hire data was two weeks backlogged, preventing immediate matches and collection initiation, and diminishing the value of the data. An electronic interface with employers or an interactive website could easily reduce the manual data entry process and eliminate the potential for data entry errors.

Although basic data related to cases are contained in the KEIKI automated computer system, most agency case files remain paper-based and kept in central storage areas at each island branch. On O'ahu, for example, for a caseworker to access any one of 83,000 case files, a request form must be submitted to seek immediate (requires supervisor signature), next day, or three-day delivery. Each day, approximately 70-130 case files are requested or returned for filing in large, movable files.

The agency could benefit from implementing electronic imaging to store, retrieve, and manipulate case file documents using a computer. Electronic document management application software ensures digitally stored information is properly distributed, used, stored, retrieved, protected, and preserved according to established policies and procedures. States such as Florida, Vermont, and Washington have implemented electronic imaging to support their child support enforcement agencies. Florida plans to eliminate the requirement that certain court documents be in "hard copy" only, thus allowing documents to be transferred electronically. Vermont has experienced improved customer service and efficiency through the electronic delivery of documents and simultaneous access by multiple workers. Washington digitizes all child support documents so case workers do not have to physically handle original paper documents. Those workers also feel safer from biological threats and can access any child support documents from any location across the state at the touch of a keyboard.

The agency's lack of focus on IT innovations prevents it from reaping the full benefits from the above automated tools despite the fact that it is aware of and considering all of these tools. The agency-wide strategic plan does mention the automated tools described above (electronic interfaces, e-forms, and document imaging); however, as previously noted, the plan does not provide the details necessary to carry out and implement such innovations. Currently, staff members are assigned to work on these efforts on an "as available" basis with no timeframes and related funding has not been approved because of a lack of justification resulting from poor project planning and cost/benefit analyses. Without a detailed systems plan or a prioritization of information technology projects, the agency is unlikely to capitalize on available automated tools and will continue to waste time and money.

Problems With the Agency's Support Payment Trust Fund Persist

The agency's inability to properly account for support payments continues to be a problem area. A primary function of the agency is to receive and disburse child support payments; however, support payments received may be held and not immediately disbursed for a variety of reasons. The agency classifies amounts kept on hold into four groups:

- "Unidentified" holds are payments received with insufficient information to match them to the intended recipient;
- "Allocation" holds are primarily advance payments and amounts intercepted from income tax refunds, intercepted amounts are subject to challenge and will be disbursed when applicable protest periods expire;
- "Distribution" holds are mainly amounts flagged to correct overpayments of public assistance; and
- "Disbursement" holds are primarily checks returned as undeliverable.

Exhibit 2.3 shows the amounts and number of payments held as of June 30, 2006.

Exhibit 2.3
Support Payments on Hold as of June 30, 2006

	Amount on Hold	Number of Receipts on Hold
Unidentified	$ 100,696.83	525
Allocation	$ 4,527,297.90	15,801
Distribution	$ 1,093,805.44	6,201
Disbursement	$ 1,312,316.44	10,209
Total	**$ 7,034,116.61**	**32,736**

Source: Child Support Enforcement Agency

The agency's failure to implement past audit recommendations has contributed to its inability to accurately account for a $3 million gap between support payments held in trust and the cash available to disburse these payments to their owners. In addition, non-compliant accounting practices and a passive stance towards a steadily growing problem with amounts lost from the trust account resulted in understated expenses. Furthermore, the agency's longstanding practice of using moneys received in trust to cover costs and losses incurred in managing support payments will result in the agency's inability to pay support payments and may cause an unplanned liability for the State.

Ignored expenses have resulted in a deficit in funds owed

As of June 30, 2006, agency records show available funds of approximately $4 million in cash to cover $7 million in support payments received and owed to custodial parents but held for administrative reasons. The difference of $3 million consists mostly of amounts receivable, however, an estimated $1.9 million is not recoverable and permanently lost, not including $348,000 the agency cannot account for, as illustrated in Exhibit 2.4.

Exhibit 2.4
Deficit Between Support Payments Owed and Cash Available as of June 30, 2006

	Balance	Estimated Percent Recoverable	Estimated Uncollectable Amounts
Amounts received and owed	$7,034,117		
IRS fees (state share)	(513,510)	0%	($510,000)
IRS adjustments	(964,480)	28%	(690,000)
Checks returned NSF	(383,881)	71%	(110,000)
Overpayments to custodial parents	(759,803)	28%	(550,000)
Unidentified difference	(348,431)		
Cash available	**$4,064,012**		
Estimated deficit			**($1,860,000)**

Source: Child Support Enforcement Agency

When the agency receives a payment from a non-custodial parent on behalf of a child entitled to support, the federal government requires those funds to be remitted to the custodial parent within 48 hours. This short turnaround time creates some challenges for the agency. For example, if a non-custodial parent's check was deemed to have "non-sufficient funds" and rejected by the bank, this would likely occur after the 48-hour period and disbursement of funds to the custodial parent. Similarly, a support payment received through Internal Revenue Service (IRS) tax refund intercept could be subsequently adjusted downward by the IRS, reducing the amount that should have gone towards child support. This adjustment can occur after the agency has made a disbursement to the custodial parent. In both cases, the agency is left empty-handed if it is unable to recoup the disbursed amounts from the custodial parent. Although this is an inherently difficult situation, the agency is not accounting for these amounts properly or taking necessary steps to replenish the trust account for the amounts lost.

The agency's handling of IRS fees is especially disconcerting. The IRS charges a fee for all support payments made via tax refund intercept. The agency must pay this fee but receives a federal reimbursement for only 66 percent of the fee, leaving the agency responsible for the remainder. However, the agency has not reimbursed the fund despite this being recommended by auditors as far back as 1996. These fees, which have been accumulating since 1993 and totaled $513,510 as of June 30, 2006, are reported as a reconciling item in the agency's reconciliation between its child support payment bank account and the subsidiary ledger for amounts on hold.

Unrecoverable costs and losses are eroding the cash available to pay support payments received but not paid. The agency is currently able to ignore this growing problem due to a "float" created by checks issued but not cashed, which totals about $3 million as of June 30, 2006. This reactive management of funds held in trust contrasts unfavorably with measures taken by other states to ensure the integrity of trust funds is maintained. Furthermore, as the agency makes progress in reducing amounts on hold with the increasing use of electronic transfers instead of payments by check, its surplus of cash will diminish. Allowed to continue, this will eventually cause the agency to have insufficient cash on hand to pay the current amounts owed to custodial parents.

The agency has cited a lack of budgeted funds for covering the fees and bad debt expenses as a reason for not addressing the cash deficit but has not pursued available measures to close the gap. Other states use a number of measures to cover these costs. Such measures include covering the costs from the agency's operating fund, seeking appropriations from the Legislature, retaining part of state welfare payments recovered, installing software to reduce the risk of overpayments, and using contractors who pay a referral fee for the right to collect on returned checks. One agency reports that authorized releases from taxpayers (whose income tax refunds were intercepted) in return for lower interest charges have reduced losses from IRS adjustments. Aggressive measures to reduce uncollected balances have dramatically reduced the balances requiring collection efforts in other states. For example, North Dakota, a state with a comparable volume of collections, reports a balance of checks returned for insufficient funds of less than $10,000, compared with over $380,000 in Hawai‘i.

CSEA can improve its control over the trust fund deficit by identifying the factors contributing to the deficit and adopting appropriate measures used in other states, including, if needed, raising revenues to replenish the account. At a minimum, the agency should use interest it earns on the balance of support payments it holds in trust to reduce its deficit.

Unresolved reconciliation issues hinder transparency

Despite efforts to reconcile checking accounts used for support payments, the agency is still unable to account for all funds. In 1987, the Department of the Attorney General inherited child support enforcement responsibilities along with unreconciled cash accounts and subsidiary ledgers and records that were incomplete or missing in many instances. During the 1990s the agency spent considerable time and money towards researching and reconciling differences but was ultimately unsuccessful. The agency currently reconciles its book cash balance to the bank balance.

CSEA's financial auditors faulted the agency for not reconciling the balance of cash on hand with the subsidiary ledger accounts for support payments on hold. An attempt at such a reconciliation was unsuccessful—marred by errors and significant unexplained fluctuations in the "unidentified difference" between reporting periods. The agency was at a loss to explain an almost $1 million "unidentified difference" as of June 30, 2005. This unexplained amount fell to $348,431 as of June 30, 2006 (see Exhibit 2.5 below), but lacking a thorough reconciliation, there is no assurance that the reduction is a bona fide improvement and that transactions were accurately recorded in the related counterbalancing accounts for cash and amounts on hold. With approximately $110 million in receipts and disbursements in FY2005-06, it is imperative that the agency resolve these issues. Otherwise, it cannot demonstrate control over the risk of undetected thefts, errors, or omissions.

Exhibit 2.5
Changes to KEIKI Operating Account Deficit and Unexplained Amount Between June 30, 2005 and 2006

	6/30/05	6/30/06
Cash on Hand	$4,229,658	$4,064,012
Amounts Received and Owed	(7,783,189)	(7,034,117)
Difference	(3,553,531)	(2,970,105)
Identified Reconciling Items	2,553,734	2,621,674
Unexplained Difference	**$ 999,797**	**$ 348,431**

Source: Child Support Enforcement Agency

Earned interest continues to be improperly diverted

The agency earned $265,984 in interest on the balance of its support payments trust account during FY2005-06. Net of bank fees and charges, this provided a $149,266 surplus. Following long-standing practice, the surplus interest was transferred to an account used by the agency to deposit federal incentive funds, where it was co-mingled with the federal moneys and used to cover general operating costs. We found two problems with this practice: 1) co-mingling funds from different sources violates generally accepted accounting principles, and 2) it violates the spirit, if not the letter, of state laws.

In our 2000 management audit report, we criticized the agency for co-mingling funds received from different sources in one account. This practice obscures accountability for funds that have restrictions on the purposes for which they can be spent. Our 2000 audit also faulted the agency for diverting interest earnings by not transferring these earnings to the general fund. The Legislature has since authorized the agency to retain interest earned; however, according to Section 576D-10, HRS, its uses are limited: 1) for related costs of the maintenance and operations of the account; and 2) to improve the CSEA's ability to promptly disburse payments to the custodial parent.

The agency justifies its continued practice of using interest income for operating expenses by arguing that this promotes improving its ability to pay promptly. We find this argument self-serving and flawed, as the agency can use federal incentive funds for a wide variety of operational uses. As a result, by co-mingling the diverted earned interest funds with funds from federal sources, the agency cannot demonstrate compliance with the limitations of Section 576D-10, HRS. The agency should track earned interest separately and use it to make the trust account whole instead.

Conclusion

The Child Support Enforcement Agency has been the subject of many audits and studies, suffering much criticism over the years. While the agency has made some improvements and many specific findings have been addressed, a critical piece remains missing—strategic leadership. As evidenced by past planning failures, the agency is unable to deliver needed services currently while looking for better ways of delivering those services in the future. As a result, the agency is likely to continue underperforming in national measures and miss out on improvement opportunities, all at the expense of Hawai'i's children.

Recommendations

With regard to strategic planning:

The Child Support Enforcement Agency management should:

Adopt a strategic planning process that follows best practices in managing for results. The process should identify and consider the involvement of all stakeholders; identify and evaluate the agency's strengths, weaknesses, opportunities, and challenges; develop measurable goals and objectives; create strategies for accomplishing those goals and objectives; and assign responsibility and define measures for the achievement of goals and objectives.

The Advisory Council should:

1. Establish its mission and role with respect to agency planning.

2. Reevaluate the agency's strategic plan and the process used to develop the plan and compare it to best practices noted above.

3. Provide the agency with closer oversight to ensure it implements strategic planning into all levels of the organization.

With regard to planning for technology improvements:

The Child Support Enforcement Agency should:

1. Include data reliability as a priority strategy in its planning and develop policies and procedures for quality assurance to improve the reliability of information in the KEIKI system.

2. Increase the use of available electronic interfaces to reduce the amount of manual data entry.

3. Obtain funding to implement the data integrity project to improve integrity of the KEIKI database.

4. Provide adequate training to data entry staff to minimize errors.

5. Dedicate resources to clean up data in the KEIKI database.

6. Expand the KEIKI Steering Committee's focus to developing, planning, and monitoring the agency's strategic implementation of new technologies. This was recommended in the 2003 study report.

7. Develop a formal information technology (IT) strategic plan that is aligned with the overall agency strategic plan.

8. Include cost-benefit analyses with expected outcomes for each proposed IT project and perform post-project analyses to measure the actual outcomes for all IT projects.

9. Develop, implement, and periodically test business contingency plans for all branch locations.

10. Formalize its agreement with the Department of Accounting and General Services' ICSD for disaster recovery services through the use of a service level agreement.

11. Identify, evaluate, and incorporate in the agency's IT plan strategies to maximize the use of electronic funds transfers (EFT) for both child support collections and disbursements and to eliminate to the degree possible the need to receive and disburse support payments by paper checks.

12. Consider developing and implementing a debit or cash-value card system for custodial parents who don't have bank accounts.

With regard to improving its use of existing resources:

The Child Support Enforcement Agency should:

1. Establish a routine process to identify cases eligible for closure and take steps needed to pursue case closures more aggressively.

2. As part of its strategic plan, the agency should identify and evaluate opportunities to use technology and to free staff for more productive purposes, including taking the steps necessary to enable CSEA to

mandate the payment and receipt of child support payments by electronic means.

With regard to accounting for the child support payment trust fund:

The Child Support Enforcement Agency should:

1. Establish a reconciliation process to account for the difference between cash available and the KEIKI subsidiary accounts representing support payments the agency owes.

2. Review all reconciling amounts and determine whether they are expected to be collected, setting up an allowance for and expensing those that are not collectable.

3. Develop strategies to restore to the KEIKI trust account balance non-recoverable expenses, such as IRS fees—including establishing a fee system for services.

4. Account for interest earned on child support payment funds in a separate account and ensure those funds are used as statutorily directed.

Issues for Further Study

The State has a number of computer systems operated through its central computing facility which have been deemed critical—with potentially catastrophic effects in case of prolonged disruption. The Child Support Enforcement Agency's KEIKI system has been rated amongst the most significant of these systems (which also include the state payroll and public assistance systems). We found indications that these other systems may be as vulnerable as the agency's to failure in a disaster due to inadequate planning. Such planning is a requirement for federal agencies. Because an assessment of the extent of the risk potential was outside our audit objectives, further studies would be needed to determine the exposure and potential harm of major disruptions, the adequacy of existing plans and improvements, if any, that could or should be made.

Appendix A
Summary of 2003 Study Recommendations and Agency Actions Taken

Report Title: **Study of the Automated Child Support Enforcement System (KEIKI)**
Report No.: January 2003

RECOMMENDATIONS	ACTIONS TAKEN	AUDITOR COMMENTS:
1.1 Establish an Agency Strategic Plan.	The Department of the Attorney General has established an advisory council to guide the actions of the Child Support Enforcement Agency (CSEA) and to assist the CSEA's executive committee in its leadership and strategic planning process. The advisory council includes representatives from the attorney general's office, Legislature, courts, the Department of Human Services, and the CSEA. The advisory council has met several times since it was created in July 2003, and has focused on the establishment of a comprehensive strategic plan. We project that a clearly defined strategic plan for the CSEA will be completed by the end of fiscal year 2003. **Status Update: A strategic plan was completed and submitted to the Advisory Council. The strategic plan covers the period 2005 through 2009 to coincide with the Federal Office of Child Support Enforcement's plan for the same period.** **Date Completed: The strategic plan was completed in late 2005 and received final approval from the Advisory Council in May 26, 2006.**	While a plan was produced, the process is far from complete. We found that the document is incomplete and the steps necessary to implement the improvement process expected to arise from the plan have not been taken. See report pp. 13-17.
1.2 Establish an executive steering committee.	The CSEA has established an executive steering committee, which includes the senior staff of the agency. Each branch of the agency is represented including branch heads from the neighbor islands. The KEIKI steering committee, responsible for resolving issues related to the KEIKI system, was established in March 2000. The advisory council also established a customer services committee, a legislative committee, and a training committee consisting of members from the advisory council. **Completed: The CSEA's Executive Committee meets once each month as does the KEIKI Steering Committee. The Advisory Council chaired by the First Deputy Attorney General met once each quarter, and more recently, on a monthly basis.** **Impact: The Executive Committee addresses directives from the Advisory Council and other policy matters which guide the operations of the agency. The KEIKI Steering Committee addresses specific operational and system issues pertinent to child support enforcement. The coordinated effort allows for improved communication and follow-up between the Advisory Council and the agency.**	The KEIKI Steering Committee primarily focuses on operational issues and needs to provide a more strategic function, including the development of an IT strategic planning process. See report page 17.

RECOMMENDATIONS	ACTIONS TAKEN	AUDITOR COMMENTS:
1.3 As part of the strategic plan and the customer service committee, proactively manage customer service.	The strategic planning process established by the advisory council includes customer services as one of its priorities and will solicit input from case participants as well as employees who are in direct contact with the agency's customers. The CSEA has already established additional positions from which telephone calls can be answered and has increased its call response rate. **Status Update: Attached is a summary of a customer survey on services provided by the agency.** **Date Completed: Completed on December 27, 2005.**	
1.4 Reorganize and establish cross-functional teams in operations.	The CSEA has submitted a divisional re-organizational plan, which calls for the establishment of three cross-functional teams. These teams are located in the O'ahu branch, which handles over 80 percent of the agency's cases. Each team will be represented by all classifications of caseworkers from the least to the most experienced, thus providing the customer with a wider range of expertise. **Status Update: Three teams were established at the Oahu Branch. Each team consists of employees of different classifications from CTIIs to Investigators. Each team is assigned an alphabetical series of cases based on their last names. The number of cases distributed to each team and alphabets assigned were based on weighted averages of names/cases currently in our system.** **Date Completed: The teams were implemented on April 03, 2006.**	

RECOMMENDATIONS	ACTIONS TAKEN	AUDITOR COMMENTS:
1.5 As part of agency's strategic plan, create self-assessment (quality control) procedures to monitor performance.	As part of the strategic plan, by-product reports will be periodically generated by the KEIKI system, which identify: correctness of data input, financial reconciliation of child support payments and disbursements, and timely enforcement activities. Quality control over customer response rates will be monitored by the new voice response unit system scheduled for implementation at the end of this calendar year. The advisory council will review these reports periodically. **Status Update: A self-assessment report is attached for your review. This report shows the results of all payments and disbursements and the timeliness of the turn-around time. The agency is required by federal and state law to disburse child support payments within two-business days from receipt of such payments.** **Quality control over customer response rates are monitored by the new IVR system and are captured on the attached monthly summary reports for January 2006 through June 2006. Among other statistical information the report summarizes the response rates for those callers who ask to speak with a caseworker directly. The following response rate results are shown:** **6/06 = 74.7%** **5/06 = 81.1%** **4/06 = 75.6%** **3/06 = 70.7 %** **2/06 = 70.9%** **1/06 = 77.9%** **Date Completed:**	

RECOMMENDATIONS	ACTIONS TAKEN	AUDITOR COMMENTS:
1.6 Identify a decision support system capable of supporting executive management in making informed decisions.	The CSEA is drafting the request for proposal to acquire a decision support system (DSS). To benefit from other states' best practices, the CSEA has also solicited assistance from the child support enforcement agency in the State of Vermont whose decision support system is highly recommended by the federal Office of Child Support Enforcement. The DSS will begin with a data mining capability allowing the DSS to extract data that need to be analyzed. Once extracted and analyzed, the DSS will be able to provide reports necessary for executive management decisions. **Status Update: A contract to develop the DSS was awarded to Policy Studies Inc. and the project kicked off in July 2005. Iteration I of the DSS was completed in January 2006. The goal of Iteration I was to develop the DSS to include the auditable reporting information of the Form OCSE-157 (Office of Child Support Enforcement Annual Data Report). Iteration II of the DSS is currently under development and scheduled for completion in November 2006. Iteration II will focus on the financial areas of the child support program. There are also plans for Iterations III and IV; however, details for these phases have not yet been determined.** **Date Completed:** In Progress	Data errors and missing data may impact the effectiveness of this system. See report page 20.

RECOMMENDATIONS	ACTIONS TAKEN	AUDITOR COMMENTS:
2.1 Replace the current Voice Response Unit (VRU) system.	The CSEA purchased and implemented a new VRU system in December 2003. The new VRU is interactive with the KEIKI system and will have the ability to provide more case information to the agency's customers. **Completed** **Impact:** The VRU system significantly improved the agency's customer service capabilities as described below: • Incoming lines increased from 24 (old VRU) to 48 (new VRU). A busy signal was often returned to callers from the old VRU. The new VRU is capable of handling all calls. • The new VRU offers the option of voice recognition or dial tone communication. The old VRU only offered dial tone communication. • The new VRU accurately reports payments, allocations, and disbursements of the last two months to qualified callers. The old VRU had problems with accuracy in the data. • The new VRU reports enforcement actions and hearings information. The old VRU did not offer this functionality. • The new VRU allows qualified callers to request for certain forms (financial summaries, etc). The old VRU did not offer this functionality. • The new VRU has a General Information section to help callers with questions. This section is much more detailed than the section on the old VRU. • The new VRU routes employers to an Employer hotline which did not previously exist. • The new VRU gives management the function of call monitoring and recording, which aids in decision making. This was not available on the old VRU. • The new VRU provides Management reports on demand which assists with decision making.	A new VRU system has been installed. Due to a personal independence impairment of a member of the audit team, we are unable to provide an assessment of the system. However, agency statistics indicate that significant numbers of calls still do not result in a satisfactory result.
2.2 Utilize Tasking IDs within KEIKI.	The Keiki Steering Committee is currently reviewing all system tasking IDs. The committee has found that many of these tasking IDs are unnecessary and time-consuming. As part of the system enhancement effort, the committee will identify those tasks that are necessary for casework to progress through the automate process. **Status Update:** Each functional area of the agency has been working with its IT counterpart to evaluate the unnecessary tasking IDs generated by KEIKI. These task IDs have either been updated to complete or been eliminated. **Date Completed:** This is an on-going process.	

RECOMMENDATIONS	ACTIONS TAKEN	AUDITOR COMMENTS:
2.3 Investigate greater use of the Internet.	In March 2003, the CSEA sent two of its technology staff to a customer service web seminar sponsored by the Federal Office of Child Support Enforcement. This training provided the CSEA staff with information to analyze, design, develop and implement a customer service web site. CSEA has also contacted and coordinated its web site layout with the State's ICSD public access group. **Status Update:** CSEA released the agency's redesigned website in April 2006. The new website is located at **www.hawaii.gov/ag/csea**. The new website includes updated information regarding the child support program and downloadable forms. In addition to providing up-to-date information, the new website was designed to alleviate telephone, correspondence and walk-in customer service inquiries. The agency is also exploring the opportunities for additional enhancements to CSEA web services such as online access to child support payment information for custodial and non-custodial parents via the Internet. **Date Completed:** CSEA's efforts to enhance Internet services will continue into the future.	

RECOMMENDATIONS	ACTIONS TAKEN	AUDITOR COMMENTS:
2.4 Increase system availability by upgrading system technology.	In October 2003, the CSEA migrated from the DHS mainframe to the State's mainframe. By doing so, the CSEA was able to increase its processing capacity and gained access to high-density tape drives. Initial results have been positive with nightly batch jobs taking three hours instead of eight hours to complete, reducing CSEA's downtime. **Status Update**: **In addition to the October 2003 mainframe migration, the agency engaged in three information technology projects designed to cohesively improve KEIKI system performance. Ultimately, the goal of these projects was to maximize the availability of the KEIKI system so that customer service levels would not be affected due to poor system performance. The three projects are described below:** • **First, the Network Project was initiated to upgrade the network infrastructure and desktop/server environment. As a result of the Network Project, a reliable network and desktop computing environment was created.** • **Second, the KEIKI Mainframe Tuning Project was initiated to maximize KEIKI system availability and improve the efficiency of KEIKI developmental processes. The solutions implemented via this project virtually eliminated the occurrence of batch process overruns that were highly emphasized in the 2003 audit report.** • **Third, the Archive/Retrieve/Purge Project was initiated to develop an effective data management system that also contributes towards improving the performance of the KEIKI system.** **There have been remarkable improvements in the availability of the KEIKI system which are results of the projects described above. Unexpected system downtime has virtually been eliminated.** **Date Completed:** The project milestones of the Network and KEIKI Mainframe Tuning Projects were completed in 2006. The ARP Project is scheduled for completion in late 2006. However, CSEA's efforts to maintain an efficient computing environment will continue into the future.	

RECOMMENDATIONS	ACTIONS TAKEN	AUDITOR COMMENTS:
3.1 Develop a training organization and plan.	The CSEA's re-organizational plan, once approved, includes a qualified trainer position to develop and provide a more comprehensive training program. Training topics will include child support enforcement, KEIKI systems, and customer service delivery. **Status Update: The training program currently used by the agency is coordinated by the designated training coordinator. Higher-level and more experienced staff is used to provide enforcement, KEIKI usage, and customer service training on an as needed basis and when new employees are hire. Training is also delivered in this manner as employees are upgraded to higher positions which require a higher-level of knowledge.** **Date Completed: July, 2004.**	A personal independence impairment of a member of the audit team prevents us from reporting on an assessment of the agency's training program.
3.2 Centralize documentation.	The CSEA has completed drafting the scope of work and evaluation criteria for system documentation, which is included in the request for proposal. The RFP will provide the CSEA with data modeling, data dictionaries, system document software applications, a KEIKI version control system and programming. **Status Update:** The Documentation and Data Modeling System Project has provided various tools (i.e., N2O, CHART, tRelational) to assist CSEA programmers and contractors with managing KEIKI development processes. In addition, technical information of the various programming areas of the KEIKI system has been incorporated into a centralized repository to facilitate information management, ease of access, knowledge sharing and transfer. **Date Completed:** The DDMS Project is projected to be completed in July 2006.	This project has yielded some benefits. However, having failed to do forward-looking cost and benefit analyses, the agency is unable to demonstrate the outcomes of this project. See report page 19.
3.3 Develop user groups for defined areas.	As part of the training program, user groups will be developed to provide the agency with input regarding customer services as well as casework feedback. The construction of teams at the branch level will provide the baseline for all customer service needs and enforcement activities. **Status Update: The agency is currently working with DHRD to provide a training needs assessment which includes not only operational training, but out-service training.** **Date Completed:**	

Response of the Affected Agency

Comments on Agency Response

Our audit was conducted from June 2006 through October 2006. We held an exit conference on December 18, 2006, with the Department of the Attorney General to discuss our findings and conclusions. On December 29, 2006, we transmitted a draft of this report to the Department of the Attorney General. A copy of the transmittal letter to the department is included as Attachment 1. The department's response is included as Attachment 2.

In its response, the department claimed that our audit is "flawed due to the improper actions of an important member of the audit team," proceeding to disclose the specific nature of these actions. While regrettable, the omission of work of an audit team member as a result of impaired independence does not automatically diminish the fairness and accuracy of the findings and conclusions remaining in our audit report. Our decisions and actions were guided by, and fully comply with, the generally accepted government auditing standards as promulgated by the U.S. Government Accountability Office, to which our office subscribes. We chose not to disclose the specific circumstances leading to the impairment because they are not relevant to the report.

A further consideration was whether disclosure as demanded by the Attorney General might infringe on the affected staff's privacy rights. After preliminary consultation with the Office of Information Practices (OIP), we determined that disclosure might do so but in the meanwhile, have sought a formal opinion from OIP. We, therefore, redacted the disclosures in the department's response attached to this report as we await a formal opinion on the matter. We further note that the issue and our mitigating actions, as well as the resulting limitations to the scope of our audit, are presented in detail in both chapters of our report.

On the substance of the report, the department's response criticizes us for being heavily reliant on past audits and for not giving CSEA credit for addressing problems identified in these past audits. This comment may stem from a misunderstanding of the purpose of performance audits, which involve identifying existing weaknesses in managerial controls that impact the agency's ability to meet its own objectives. Consequently and consistent with all of our audits, this report includes previously reported issues that remain unresolved, as well as newly identified issues. Our report does in fact give CSEA credit for making improvements and efforts to implement previous audit recommendations. However, one of the major points we seek to convey is that improvement requires more than implementing recommended actions: CSEA also needs a change in its management culture. For example, the department and CSEA herald the creation of a strategic plan, as recommended in previous reports. However, our current audit reveals that CSEA's resulting strategic plan represents an example of a document generation exercise, while the agency continues to lack a systematic, results-driven improvement process.

The department further accuses our report of bias and lack of fairness. After a careful review of the department's comments, we found that some minor changes and clarifications were warranted, none of which affected our overall findings and conclusions. The department attempts to build the case that by containing allegedly inaccurate findings and by overlooking or discounting CSEA improvements, our report is biased toward finding fault. However, the department's arguments against our findings are built on either data that we did not have access to (either not provided or dated subsequent to our fieldwork), or the selective use of information to paint a complimentary picture. Additionally, CSEA successes touted by the department are often diminished when all relevant factors are considered.

The department's critical response to our findings related to CSEA strategic planning efforts is filled with subjective arguments, sometimes based on events or data occurring or available subsequent to our fieldwork. For example, to support its recent issuance of CSEA's first ever strategic plan, the department explains that "it is important to note, which the audit does not, that 2006 was the first year that the Federal Department of Health and Human Services came out with a strategic plan for the Child Support Program." However, the department either chose not to mention or is unaware that the federal Office of Child Support Enforcement actually wrote its first strategic plan in 1995-1996 as a piloted program under the federal Government Performance and Results Act. This was followed by a second strategic plan that covered the years 2000-2004.

Another example of the department using after-the-fact data or piecemeal information involves our finding critical of CSEA's strategic planning process. The department's response first confirms our finding by stating "we agree that the planning process should have been more inclusive at the front end," but then it criticizes our audit's alleged failure to note efforts made by CSEA during the "fall of 2006" to correct the apparent error. What bears noting is that we made several attempts to obtain information relative to CSEA's strategic planning efforts up through the end of our audit fieldwork in October 2006, and even into November 2006, but received no response or updates. The bottom line is that the agency spent nearly three years developing a strategic plan, finalizing it in May 2006, only to realize that it should have included more of its own staff. If this realization and related corrective action took place near or subsequent to the conclusion of our audit then we commend CSEA's efforts; however, this only supports our conclusion.

The department's response is also critical of our finding that the strategic planning process excluded most Advisory Council members. Our finding is based on interviews with three of the four non-chair members of the council's strategic planning subcommittee, who all confirmed that the subcommittee chair wrote the plan himself. The department discredits our finding primarily based on the assertions of the fourth non-chair member that we were unable to contact, despite repeated attempts by our staff. Apparently, the department feels the recounting of this fourth non-chair member should discredit the others. Essentially, the department bases the Advisory Council's active role in planning on its input through the strategic planning subcommittee; then bases the subcommittee's active role in developing the plan on one member's recollection, which is contradicted by three others'.

The department further responds to our audit finding that CSEA's planning efforts excluded important stakeholders by stating "it is incorrect (for the audit) to suggest that the strategic plan itself should have undergone significant amendments based on the review by the Advisory Council." What we do plainly state is "from the distribution of the agency's draft strategic plan on September 7, 2005 to its finalization on May 26, 2006, council meeting minutes show no substantive discussions regarding the strategic plan" and during interim meetings "the former administrator continued to encourage feedback but reiterated that none had been received from the council regarding the plan." This is just another example of the department's selective use of excerpts from our report to distort its meaning and discredit it.

The department's response related to information technology (IT) confirms CSEA's inability to understand and address the focus of our current audit's findings, which is consistent with prior audits—"without an IT strategy, CSEA is unable to align IT projects with agency goals; prioritize IT projects; or to analyze the costs, benefits, or impact of IT projects." The department again criticizes our report with only select information combined with information that was not available to us during the audit. When discussing five IT projects funded by the Legislature, our report states that limited project information available from CSEA indicated that the overall impact on operations has been minimal. Our finding is based on CSEA's failure to pre-establish measurable project goals that are linked to larger, operational goals, and the agency's inability to demonstrate actual project results' impact on operations. This was *confirmed* with an agency senior manager involved with the projects, not *based solely* on the comments of one manager as the department claims.

The department's response further attempts to discredit our report by attaching a list of each project detailing associated technical and operational benefits—exactly the information we requested from CSEA during our audit but never received. The department's attachment further confirms its lack of understanding of our finding since without establishing goals or benefits prior to the undertaking of IT projects, there is no way to objectively determine whether the benefits achieved met, exceeded, or fell short of expectations, or even if they were the intended benefits. Further, the technical and operational benefits cited by the department are still not translated into objective, measurable operational benefits.

Relating to federal performance measures, the department again assembles an argument that presents a fragmented but one-sided picture. The department's response states that "incentive payments received for arrears collections demonstrates both real progress by the agency and real inaccuracy in the audit report." The department notes that CSEA has succeeded in raising its percentage of arrears collection over the last two years above the minimum performance threshold. The department is extremely critical of our audit for not praising CSEA's efforts, concluding that our audit "is wholly and inaccurately one-sided, again apparently evidencing bias." Taking a look at the complete picture, however, provides a much less flattering image. As illustrated in Exhibit 2.1 on page 25 of our report, CSEA did in fact increase its arrears collection from 36 percent in FFY2001 to 41 percent in FFY2005; however, CSEA's national ranking in this category dropped from 53rd to 54th (out of 54 national jurisdictions) during that same period. While increasing arrears collections is a step in the right direction, we find it difficult to praise CSEA for meeting "minimum" performance thresholds, especially considering that it dropped from second worst to worst in the nation.

Regarding CSEA's proper expensing of IRS fees in the support payment trust account, we have modified our report to reflect the department's correction. However, the fact remains that the IRS fees listed in the trust account reconciliation is not a proper reconciling item in that it will never clear and will only increase over time. This is the larger, and ignored point of our audit—due to unaddressed 'reconciling' items that will never be recaptured, such as the IRS fees, by CSEA's own estimation there is a deficit of $1.86 million between support payments owed and cash available as of June 30, 2006. Relating to CSEA's treatment of interest earned on the trust account, Generally Accepted Accounting Principles (GAAP) require that funds restricted in spending be accounted for separately. The spending of trust account interest is restricted by state law, whereas reimbursements from the federal government are not bound by the same restrictions. Therefore, these funds should not be commingled. Additionally, consistent with prior audits, the federal reimbursements should be accounted for in a separate special fund.

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

December 29, 2006

COPY

The Honorable Mark Bennett
Attorney General
Department of the Attorney General
Hale Auhau
425 Queen Street
Honolulu, Hawai`i 96813

Dear Attorney General Bennett:

Enclosed for your information are three copies, numbered 6 to 8, of our confidential draft report, *Audit of the Child Support Enforcement Agency.* We ask that you telephone us by Wednesday, January 3, 2007, 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 Tuesday, January 9, 2007.

The Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this confidential 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

Marion M. Higa
State Auditor

Enclosures

ATTACHMENT 2

LINDA LINGLE
GOVERNOR

MARK J. BENNETT
ATTORNEY GENERAL

LISA M. GINOZA
FIRST DEPUTY ATTORNEY GENERAL

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OFC. OF THE AUDITOR
STATE OF HAWAII

January 12, 2007

Ms. Marion M. Higa
State Auditor
State of Hawaii
Office of the Auditor
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917

Dear Ms. Higa,

This letter constitutes the response of the Department of the Attorney General to your draft report entitled, "Audit of the Child Support Enforcement Agency", dated December 29, 2006. Our response will address specific issues of concern that we have with the findings reported herein.

The Audit is Flawed due to the Improper Actions of an Important Member of the Audit Team

DURING THE COURSE OF YOUR AUDIT, ONE OF YOUR SENIOR AUDIT TEAM AUDITORS [redacted]. As the Auditor later acknowledged in writing, this was totally improper. As the Auditor indicated to me, this violated written ethical standards applicable to auditors. This auditor who [redacted] during the audit had significant audit responsibilities, including the parts of the audit relating to customer service and human resources.

I also believe that the description in the draft audit of what occurred is inadequate:

> "Further, during the course of our audit, it came to our attention that one of our auditing staff had engaged in an activity that constituted a personal independence impairment with respect to this audit engagement."

I believe that the State Auditor should fully and accurately describe the situation, rather than using the term: "Personal independence impairment."

General Comments on the Audit

We believe this audit relies far too heavily on the results of past audit efforts and imputes the same findings to the current audit report. This is hardly a fair approach when four years have elapsed since the last audit, and material improvements have been made. And yet despite this, we also believe this audit fails to appropriately credit the CSEA for fixing problems identified in previous audits.

Prior audit findings criticized the agency for lacking planning and sound financial management. There have been significant improvements in each of these areas, and yet, this report fails to appropriately acknowledge CSEA's progress. Indeed, it is ironic, that the improvements in the CSEA's financial management are so obvious, that the Hawaii Supreme Court has acknowledged this publicly, "The financial management of CSEA has improved significantly since the publication of the 2000 Audit," Kemp v. CSEA, 141 P.3d 1014, 1020 (2006), and yet the Auditor has not.

We note some highlights in CSEA performance that we believe are not appropriately acknowledged in the draft audit:

1) Customer service has significantly improved, as objectively measured;[1]
2) Distributed child support has increased from $66.5 million in FY 2000 to $83.5 million in FY 2005, an increase of almost 26%, despite the CSEA having one of the highest per employee caseloads in the nation;
3) The CSEA has continually done well in cost effectiveness, which measures the amount of child support collected against the costs of doing so;
4) IT has significantly improved, including reducing system downtime from 25-30 hours per month during business hours previously to virtually nothing now, eliminating manual processes to streamline Child Support Enforcement steps, and reducing by up to 80% the time necessary to back up the system;
5) No negative findings relating to the CSEA's financial management by the independent auditors;
6) The CSEA passing federal data reliability audits every year beginning with FY 2003;
7) Significant increases in electronic funds transfer utilization; and
8) Increased internet use by the CSEA.

[1] Unfortunately, because of the "personal independence impairment" of a senior staff member of the Auditor, there is no report on customer service in the Audit.

Audit Report's "Summary of Findings" (pp. 11-12)

On Page 12, under the summary of findings, the following statement is made: "Lacking coherent analysis and planning for improvement projects and the agency as a whole, CSEA is unable to provide information on the exact nature of the problems these projects are to solve and the outcomes to be delivered. As a result, the agency lacks the capability to demonstrate the relationship of its actions to outcomes achieved." We believe this statement is overly broad and lacking in specific discussion or analysis that would justify this conclusion.

On page 12, the audit finds: "Reactive management deprives the agency of direction and accountability." This statement is ironic. Over the past six years, there have been several Legislative Audits of the CSEA. In each of the audit reports there have been findings criticizing the information systems, lack of planning, and lack of sound financial management. It was essential to deal with these findings as a priority, which indeed CSEA sought to do over recent years. This audit improperly equates trying to deal with the very issues prior audits have identified as "reactive management."

Since the last audits, CSEA has developed its first *ever* strategic plan that was delivered in 2006 and guided by the Federal Government's strategic plan for child support. There have been dramatic improvements in the financial management of the agency, including a reconciliation of all funds in the agency's Trust fund and documentation as to funds that are being held. These are dramatic improvements regarding agency accountability. The fact that every aspect of accounting cannot be fully reconciled relates more to the fact that proper information on cases existent prior to the year 2000 continues to be unavailable. Also, the 2003 audit, focusing on the Keiki System, found the need for numerous changes to make the system more effective. There have been many positive changes to the Keiki system, including virtually eliminating material system downtime—something that is very significant and highlighted as a flaw in a prior audit--that are ignored in this audit. This is unfair.

Our agency, like others the Auditor audits and criticizes, can ill-afford not to react to the Auditor's audit findings. And yet, when we do, the Auditor accuses the Agency of being "reactive." Though we have accomplished much, the audit either ignores or acknowledges by "faint praise" our accomplishments. We believe that though we can and must improve, the audit is inappropriately imbalanced, failing to appropriately note our successes, while emphasizing only our shortcomings.

The best example is the audit's off-handed and totally inappropriate way of discounting improvements in customer service at the agency measured by the extraordinary decline in the number of complaints to the Ombudsman. The 2003 Audit discussed at *great length* the large number of complaints to the Ombudsman about CSEA, with the 2003 Audit emphasizing again and again how this indicated grave failings on the part of the Agency. We wrote to the Auditor in September of this year, that according to the Ombudsman's own statistics, complaints to the Ombudsman regarding CSEA had dropped 72% from FY 2000 to FY 06. The draft audit states that the declining numbers of complaints to the Ombudsman are merely "indirect indications for improvement."

This seems to suggest that when statistics demonstrate poor performance, the Auditor (as in 2003) will view them as direct evidence, but when those same, previously relied-upon statistics show improved performance, they are discounted by the Auditor. This unfortunately suggests a bias on the part of the Auditor toward finding fault, rather than recognizing improvement.

<u>Audit Report Regarding "Reactive Management" (pp.12-24)</u>

Regarding "The Agency Developed a Strategic Plan to Address Prior Auditor Recommendations"

The audit criticizes CSEA's strategic plan and the workings of the CSEA Advisory Council for not being, in essence, ideal models of what the audit envisions. First, the council did not exist prior to 2003 and the plan was only recently finally approved, both helping to build what will hopefully be a long-term foundation for the agency. Ideal models are rarely achieved, and certainly not in a few years. Further, the report seems to suggest that goals in the strategic plan and efforts by the council toward "compliance" are *not* good things. But, for any agency like CSEA, where federal benchmarks are set to measure the performance of the states -- and incentive funding levels are based on meeting those benchmarks -- compliance oftentimes is the road to "improved performance". Indeed, it is therefore doubly curious how the audit can suggest that the plan "lacks benchmarks and performance indicators," when the plan *specifically* includes targeted outcomes of increased percentages in the areas measured by the federal government.

It is important to note, which the audit does not, that 2006 was the <u>first year</u> that the Federal Department of Health and Human Services came out with a strategic plan for the Child Support Program. With this guidance from the federal agency with oversight of child support, states now have clearer direction on where their programs should be headed, and this is reflected in our strategic plan for our state. Importantly, and what the audit ignores, is that the national plan was a key guideline around which CSEA's strategic plan was built. Moreover, other states' plans were also reviewed in preparing CSEA's strategic plan.

Regarding: "Top Down Planning Process Excluded Important Stakeholders"

On page 13, the draft audit states that the top-down planning process excluded important stakeholders. We agree that the planning process should have been more inclusive at the front end. Proper inclusion of a broad cross-section of staff and administrators is an important issue which we have sought to emphasize and expand. However, the draft audit fails to note that in the fall of 2006, meetings were held with all CSEA employees, branch by branch and statewide, to discuss the plan directly with employees. During these meetings, we acknowledged that it would have been better to have had fuller in-put from employees on the front end, but informed employees that they could provide suggestions for revising the plan as part of the process of reviewing it within their respective branches. Employees were further advised that recommendations for amending the plan would be taken, as a comprehensive package, to the Advisory Council for consideration.

Pages 13-14 of the draft audit assert that the Advisory Council had little contribution into the strategic plan and that most Advisory Council members were "excluded" from the process. This is not accurate, as in fact the audit recognizes that the council formed a subcommittee in order to prepare the strategic plan. Moreover, and contrary to the audit's assertion, the sub-committee did have significant input into the strategic planning. The five member subcommittee, formed in July 2003, consisted of: the former Administrator as Chair; a member of the 2003 audit team; an administrative manager at CSEA; a member from the Department of Human Services; and a member representing the Association for Children for Enforcement of Support. I also attended the Advisory Council's meeting in July 2003 regarding strategic planning and during which the strategic planning subcommittee was formed. According to the subcommittee member from the Department of Human Services (who was not interviewed for the draft audit): at least four meetings were held; leading the initial drafting and work for the plan was the individual who had been on the team which conducted the 2003 audit; subcommittee members were given assignments, such as determining best practices in certain areas; planning material and responses were communicated between members; and overall, it was a good project with plenty of input from subcommittee members. It is unclear why this member was not interviewed.

The Advisory Council as a whole also had ample opportunity to address the strategic plan, including the draft plan which was disseminated to the council in September 2005 and continuing discussions soliciting input from council members. The fact that there were not significant changes is not surprising since the Council had delegated most of the work to the subcommittee, and 5 of the council's 14 members were on the subcommittee. Adding to this is that federal outcomes are prescribed by law. This fact can be verified by comparing the Hawaii strategic plan to the

Office of Child Support Enforcement (OCSE) strategic plan. The contents are consistent. Therefore, it is incorrect to suggest that the strategic plan itself should have undergone significant amendment based on the review by the Advisory Council.

In terms of the draft audit's criticism on p.14 that development of the strategic plan did not involve "many of the agency's operational managers and staff," it must be pointed out that, in addition to the former Administrator, the Advisory Council itself consisted of the Administrative Processing Branch chief, an administrative manager, the Maui branch chief, and the deputy assigned to advise CSEA.

Regarding: "The Advisory Council's Role in Agency Planning is Unclear"

On pages 14-15 there is a finding that the role of the Advisory Council is unclear. The report goes on to say that because the strategic plan does not provide full information on where the program is headed, that it does not compare favorably with other state plans or best practice guides. We believe this criticism also to be unfair. States prepare and implement strategic plans and implementation action plans in a variety of ways.

What happens most often is that the planning effort is truncated to focus on initiatives that are positively correlated to improvements in performance outcomes. For the Hawaii CSEA, the first strategic plan has been developed, with guidance from the National plan, and at the initiation and behest of the Advisory Council. Moreover, with regard to the draft audit's criticism that the plan itself "lacks focus on measureable goals and objectives," it appears the desire is to have specific numerical or other benchmarks. In addition to the federal objectives, which are addressed in the plan, each branch has also set forward on drafting action plans for their specific branches to focus on how to improve agency outcomes based on the goals set out in the strategic plan. Such action planning by each individual branch was part of the overall planning process anticipated and discussed at the Advisory Council. <u>See</u> minutes from the September 7, 2005 Advisory Council minutes. Further, preparation of action plans has been addressed as part of the statewide branch-by-branch meetings on the strategic plan, during Executive Committee meetings with branch heads and other management staff, and in meetings of the individual branches. The process is underway and we believe the draft audit should have recognized this as part of the planning process.

Regarding: "Lacking Performance Measures, the Agency's Strategies Provide no Means for Assessment"

On page 17, there is a finding that "poor planning perpetuates Keiki inaccuracies and vulnerability." It is hard to tell what this statement means. The Keiki System comprises the flow and business model of the program. In fact, many system functions are automated and are generated based on the amount of money owed by the non-custodial parents (NCP). Therefore, the system is clearly designed to support the Child Support Program. The system should be continually reviewed to gain efficiency. We believe it can better support Program Outcomes, and we plan to align system function and operation to closely support and monitor outcome results.

Regarding: "Enhancements to Automated Systems Lack Focus and Foster Skepticism"

On page 18, the finding states that automated systems lack focus and foster skepticism. This criticism is levied because there has not been an IT strategic plan developed based on the audit from 2003. While it is true that a *formal* IT strategic plan may not have been developed, it does not mean that the IT projects that have been undertaken lack focus.

The IT projects undertaken provided the following benefits: (1) flexibility in making program changes to Keiki (Documentation and Data Modeling) which is needed so that changes can be made in a timely manner to support order establishment, enforcement and collections; (2) the ability to analyze order and enforcement deficiencies(Decision Support System) which then allows staff effort to be focused on activities specifically related to enhancing program outcomes; (3) a stable computing environment (Network Infrastructure and Desktop Computer Upgrade), that does not crash is valuable to keep the system operational so that staff can accomplish their work; (4)improved system availability (KEIKI Mainframe Tuning) to keep the system operational; and (5) improving system functioning by cleaning and clearing storage space (Archive, Retrieval, and Purge).

The auditors also expressed skepticism on the potential effectiveness of the ongoing Decision Support System (DSS) project because of their concern of the data quality. This doubt apparently stems from the auditors' misunderstanding of the complete scope of the project. The first step in the DSS development process is to analyze data quality and to ensure systematic data cleanup, if necessary, based on collaborative efforts among the information technology staff and the functional leads. The DSS project is designed to accomplish the following:

Problems	Before	After
Lack of credible data - decision-makers unsure of decisions made because of unsurety of the data quality in the automated system.	1. Difficult to assess the quality of the data in the system. 2. Unsurety of reliability of information gleaned from the system.	1. First step in assuring quality of the system data. 2. More reliable reports and other information from the system.
1. Operational data not easily accessible and historical data will be less accessible after the archive/purge project completes. 2. Difficulty in getting information to make informed decisions to meet the performance measures and to achieve the agency' goals.	1. Reliance on overloaded information technology resources for reports. 2. Inability to obtain timely ad hoc reports.	1. Both management and operational staff have easy access to business intelligence and make queries for case management and customer service purposes. 2. Management able to do analysis of data to improve decisions and to proactively deal with issues.

The auditor's finding seems to be based on a comment by *one* of the management staff. This hardly seems sufficient documentation for such a finding. See the attached report (Attachment I) regarding the IT projects criticized in the audit report.

We also again note the following. At page 29, the 2003 audit stated:

> **"Scheduled and unscheduled KEIKI outages have materially affected staff's ability to process child support workflow**

through the system. Scheduled downtimes—which account for approximately 50 percent of total downtime—occur because of the extensive processing requirements for system backups, month-end processing, and certain management reports. As a result, system downtime often overlaps into working hours. As more data is added to the system from increasing case volumes and longer historical information on current cases, backup and reporting timeframes will continue to lengthen.

Downtime schedules and logs show that KEIKI is offline from 25 to 30 hours per month during business hours, depending on the particular office. This equates to an average downtime during working hours of 15 to 17 percent. Comparable mission-critical systems at other businesses and government agencies are typically offline less than 1 percent during working hours.

Areas that are highly dependent on KEIKI, such as collection and processing of incoming checks, are especially impacted by downtimes. Over 1,900 checks per day flow into the agency. Many of these must be processed and disbursed within 48 hours to meet federal regulations, but downtime prevents this goal from being reached at times. This situation is aggravated by the fact that much of the scheduled downtime is at the start of each month, coinciding with a peak time for collection of checks."

The draft audit fails to even acknowledge the fact that downtime has been essentially eliminated, while at the same time stating that "overall impact [of IT projects] on, or improvement to, agency operations has been minimal, so far." Draft Audit at 19.

It is difficult to conclude other than that the audit itself is improperly biased when: 1) the 2003 audit at great length criticized the CSEA for system downtime; 2) as we pointed out to the Auditor in writing in September 2006, this criticized downtime has been essentially eliminated; 3) the body of the draft audit never acknowledges this downtime elimination (much less complimenting the CSEA for it); and 4) the draft audit essentially claims no meaningful IT improvements have been made.

Regarding: "Questionable Data Has Resulted in Waste and Customer Complaint"

On page 20 there is a finding that questionable data has resulted in waste and customer complaints. The narrative on these findings indicate that GAO reports have indicated that missing and erroneous data contribute significantly to undistributed support payments.

Undistributed support payments, as indicated in this audit, total about $1,100,000. Collections for FY 2006 amount to $109,837,505. The current holds represent about 1% of the 2006 collections. Further, CSEA is constantly working to get clarifying information so that these holds can be released. There are unfortunately many custodial parents that move and do not provide CSEA with address forwarding information.

The auditors also indicated that the agency has no knowledge of the amount of duplicate cases in the system. This statement is not true because the agency does have a report listing all the duplicate cases. As of January 8, 2007, there are approximately 500 cases (i.e. 0.5% of the agency's IV-D case population based on the case count for Federal Fiscal Year 2005) that have the same combination of non-custodial and custodial parents. In addition, the agency has been working on correcting the problem.

There is also a statement that CSEA does not have addresses or Social Security numbers for a large number of non-custodial parents. This is not surprising as many cases are created through an interface with the Department of Human Services for Temporary Assistance for Needy Family cases. While we always *want* address and Social Security number information, it is not always available. In fact, that is one of the primary functions of CSEA, to locate the absent parent and establish the address and social security number so that financial and medical support orders can be established. Therefore, it is expected that there would be cases that lack this information.

On page 22, there is a statement that the agency lacks policies and procedures to prevent, detect, or correct data errors. There are, however, Keiki policies and procedures which assist in this purpose. While the Keiki Policies and Procedures should be updated, it is incorrect to say that they don't exist or are grossly inadequate.

Regarding: Lacking Disaster Planning Raises Risk of Major Service Disruption

The agency does not disagree with the need for disaster planning. System redundancy is critical to be able to recover from disasters. Efforts will continue to work with ICSD on a viable Disaster Recovery Plan. We will also attempt to secure funding from the Legislature to make Disaster Recovery possible.

<u>Audit Report: The Agency Has Been Slow to Improve Deployment of Existing Resources (pp. 24-33)</u>

The finding in this section is that because Hawaii's performance is low in some performance efforts, that there has been no attempt to improve by re-deploying existing resources or trying new strategies. This is inaccurate.

Examining the measure of paternity establishment shows that there has been a high level of success in that area due to a concerted effort by CSEA to improve. Just two years ago, paternity establishment figures were of great concern. However, the 2006 statistics show that Hawaii exceeded 100% performance on the paternity measure. Similar efforts are underway for order establishment and collections.

Indeed, the incentive payments received for arrears collections demonstrate both real progress by the Agency and real inaccuracy in the audit report. We first note that the federal method for measuring arrears collection is flawed. The federal method gives credit for every case in which *any* money is collected, rather than focusing on the total amount collected. Thus, far more credit is given for collecting one dollar each in one thousand individual cases, than in collecting one thousand dollars each in five hundred cases. Regardless, the CSEA set out to improve, because <u>it had been receiving zero incentive funds in this area.</u> And, the CSEA succeeded in raising its arrears collection threshold for the last two years above the minimum, so that rather than collecting *zero* in this category, we have collected 50% and 51% of the incentive monies available. Rather than both criticize the Agency for the low level and praise the Agency for its efforts to get to the 50% incentive level, the audit, page 29, is wholly and inaccurately one-sided, again apparently evidencing a bias.[2]

Regarding: "The agency Has Been Passive in Closing Obsolete Cases"

In truth, the finding should be that the Agency has not been as successful as it would have hoped, rather than that it has been *passive*. The Auditor is fully aware of the Agency's efforts and the position of the federal government. We are continuing to work on this issue.

Increased Use of Electronic Funds Transfer (EFT) Could Reduce Costs and Free-up Resources

The auditors cited that the agency sends out approximately 3,000 - 5000 paper checks each business day. The number is overstated. According to an internal accounting report as of

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[2] In testimony to the Legislature in 2006, we pointed out our excellent cost effectiveness ratios over several years, including one year when we were number one in the nation. The Audit improperly criticizes this testimony by claiming we failed to note that in the year we were first in the nation, a contributing factor was a significant refund of overcharges for *several* prior years. While this *was* a contributing factor, obviously if the overcharges had not been paid in the *prior* years, the cost effectiveness rankings for those years would have been even higher than they were.

December 31, 2006, the average number of paper checks disbursed per month is 32,824. This translates to 1,492 paper checks per business day, assuming there are 22 business days in a month. In January 2006, the agency's percentage of disbursements via the electronic fund transfer method (i.e. direct deposit) was 6%. However, since the first rollout of the direct deposit system,(August 31, 2006), the percentage has increased substantially. By the end of December 2006, the percentage of payments using EFT had increased to 30% of all disbursements. The agency believes that the upward trend will continue, as there are continuous efforts to make customers aware of the service.

Audit Report Regarding: Problems with the Agency's Trust Fund Persist

The auditors pointed out that the agency has not been expensing the IRS fees according to the government accounting principles. This statement is not correct. The agency has reported the IRS fees on the federal report, OCSE-396A, in a timely manner for reimbursement purposes. Because the IRS automatically deducts the fees from the total amount of income tax offset submitted to the agency, there is no *physical* invoice. In other words, it is not necessary for the agency to create an accounts payable in the State accounting system and to have it expensed simultaneously. However, during the year end financial audit the auditors will recognize the IRS fees as expenses by booking an adjustment entry.

In addition, the auditors suggest that the agency should pursue an initiative to reduce the cash shortfall. It was suggested that we seek an appropriation from the Legislature and/or use contractors to collect on returned checks.

In 2004, the agency made the attempt to get additional funding to make up for unrecoverable expenses such as the IRS adjustments, the IRS tax intercept fee, and the non-sufficient-fund checks from custodial parents, but the request was not successful. As to boosting the collection of returned checks, the agency has designated a full-time accountant for this responsibility.

The agency is also being criticized for having a substantial amount of unidentified difference on the bank reconciliation (i.e. $999,797 and $348,431 for SFYs 05 and 06, respectively) as shown on Exhibit 2.5. The Agency has further reviewed its internal records, and believes that it failed to fully take into account the category of uncollected "insufficient" funds prior to the KEIKI system. We believe it likely that taking that factor into account would significantly reduce what the report describes as the "unexplained difference." We would be happy to share our figures with the Auditor prior to the release of the final audit report. We do note, however, a problem with perfect reconciliation because of insufficient records predating the current automated system in certain categories

According to the auditors, the agency violates generally accepted accounting principles (GAAP) by co-mingling the interest income with the federal funds. GAAP requires funds to be segregated and independently accounted for only if they do not belong to the same business entity. The federal funds referred in the audit report represent the federal share of the TANF collection, which is authorized to be used for the agency's operations; they belong to the agency. There are records to keep track of both sources of revenue. In this situation, co-mingling the funds does not obscure accountability.

Additionally, the auditors brought up the fact that pursuant to HRS, Section 576D-10, there are only two ways for the agency to spend the interest earnings: 1) for related costs of the maintenance and operations of the bank account, or 2) to improve the CSEA's ability to promptly disburse payments to the custodial parent. The auditors apparently believe that the agency may not be in compliance with the statute by using the interest income for operating costs. To date, the agency has not used any of the interest to pay for operating expenditures other than the bank analysis fee and the IRS income tax offset fee, which are automatically deducted from the bank account.

Audit Recommendations

The audit report contains numerous recommendations as follows:

With regard to strategic planning: that the agency adopt a strategic planning process that is inclusive of stakeholders; identify agency's strengths and weaknesses, opportunities and challenges and so forth.

The agency agrees to continue to improve the strategic planning process and to continue its ongoing process of articulating outcomes and performance measures. It also agrees to be specific about what issues need to be addressed and what initiatives are being undertaken to address those issues and enhance outcomes.

Recommendations regarding the Advisory Council will be considered.

The agency agrees to clarify the role of the Advisory Council. We do not concur with increasing the oversight role of the Advisory Council. We believe that this would amount to transforming the council into a policy council which was not the intent.

Recommendations relative to Information Technology will be addressed as follows:

The agency agrees to: (1) adopt data reliability as a priority strategy; (2) improve training in an attempt to ensure that staff enter data correctly; (3) dedicate or obtain resources to clean up the Keiki system; (4) develop an Information Technology strategic plan; (5) to develop a plan for disaster recovery; and (6) continue to encourage families to use the Electronic Fund Transfer to receive fund distribution.

Improving the use of existing resources will be addressed as follows:

The agency agrees to develop a routine process to identify cases eligible for closure.

The Child Support Payment Trust Fund will be addressed as follows:

The agency agrees to establish a reconciliation process to account for the differences between the cash available and Keiki subsidiary accounts.

Very truly yours,

Mark J. Bennett
Attorney General

ATTACHMENT I
COST/BENEFIT SUMMARY OF CSEA INFORMATION TECHNOLOGY PROJECTS

Project	Cost	Technical Benefits	Operational Benefits
Network Infrastructure Upgrade and Desktop Refresh Project	$750,000	• Network equipment upgrades doubled or tripled data transmission speeds, depending on location. As a result, network congestion was minimized and data transmission capabilities increased.	• Reduced computer response time for CSEA staff. In the **CSEA Employee Satisfaction Survey for Information Systems** which was distributed to all CSEA staff, over 65% of CSEA staff indicated that the computer response time has improved since the completion of this project. As a result, staff productivity and quality of customer service have improved. In addition, the upgrades allow CSEA to introduce new customer services such as Direct Deposit and interactive Website services (i.e., presentation of case information).
		• Security features were implemented (i.e., patch controls, VPN tunnels, firewall rules, etc) for all network and computer equipment.	• The security features allow the agency to obtain compliance with federal security guidelines and provides accountability for system access. Without these enhancements, the agency would be in violation of Internal Revenue Service guidelines for information security and could be denied access to federal tax information that is vital to the administration of the child support program. CSEA passed an IRS Safegaurd Review in 2006 which examined the newly implemented security features.
		• Systems management tools provide CSEA IT staff with capability to perform systems monitoring and remote troubleshooting. As a result, technical issues can often be prevented and support for neighbor island offices is provided without requiring travel.	• Proactive systems monitoring by IT staff reduce the likelihood of technical problems with computers, servers and network equipment. Remote troubleshooing allows IT staff to support neighbor island offices, thus minimizing travel costs and time. In combination, these benefits minimize user downtime and increase staff productivity, thus improving the quality of customer service. In addition, travel expenses incurred for neighbor island support are experienced less than once a year.

Project	Cost	Technical Benefits	Operational Benefits
		• New desktop computers operate with increased processing capabilities compared to computers previously used by CSEA.	• Prior problems of restarting desktop computers 2-3 times a day due to inadequate processing capabilities were eliminated. In the **CSEA Employee Satisfaction Survey for Information Systems**, 100% of CSEA staff indicated that these problems have disappeared. This remediation can reclaim approximately 30 minutes of staff productivity each workday, or 10 work hours per month (based on 20 work days/month).
		• Software deployment tools allow IT staff to uniformly deploy software applications to all CSEA staff. As a result, deployment times were reduced by approximately 75%.	• Office automation tools (i.e., Microsoft Word, Microsoft Excel, Microsoft PowerPoint, Lotus Notes) are available to CSEA staff. As a result, CSEA staff are provided with tools to develop electronic working documents (i.e., accounting ledgers, payment reconciliations, etc) in lieu of manual recordkeeping. In the **CSEA Employee Satisfaction Survey for Information Systems**, over 97% of CSEA staff indicated that the Office automation tools can be helpful in their daily work; in addition, over 60% of CSEA staff indicated that the new email services are more effective than the retired email system.
		• The overall "health" of the CSEA information infrastructure has dramatically improved. This contributes to a reduction in Helpdesk calls by approximately 80%.	• The reduction in Helpdesk calls allows Helpdesk staff to address other tasks such as in-house training for new Office automation tools (i.e., Microsoft Word, Microsoft Excel, Lotus Notes).
KEIKI Mainframe Tuning Project	$170,000	• Mainframe and database configurations were tuned and optimized. As a result, KEIKI response time for technical staff was reduced from (up to) 10 minutes to less than 10 seconds.	• KEIKI response time (for displaying KEIKI screens during peak business hours) for CSEA line staff was reduced from 3 minutes to less than 30 seconds. This significant decrease in response time alleviates frustrations experienced by staff when trying to relay case information to customers. As a result, staff productivity, staff morale and customer service have improved.

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COST/BENEFIT SUMMARY OF CSEA INFORMATION TECHNOLOGY PROJECTS

Project	Cost	Technical Benefits	Operational Benefits
		• In combination with KEIKI Archive Retrieve and Purge Project, this project created a significant reduction in processing times for nightly batch jobs. Processing times for batch jobs were reduced from over 2 hours to less than 1/2 hour per program (this improvement applies to an average of 25 nightly jobs). Nightly database backups were reduced from 9 hours to less than 1 hour.	• Prior to 2004, it was a common occurrence for the KEIKI system to be unavailable for 25 to 30 hours per month during business hours (as cited in the 2003 audit) due to long batch processing times. During this era, CSEA customer service windows were closed and call-in customers were informed that the KEIKI system was unavailable. Since the KEIKI Mainframe Tuning Project, KEIKI unavailability during normal business hours have been virtually eliminated. In the **CSEA Employee Satisfaction Survey for Information Systems**, over 78% of CSEA staff thought that KEIKI unavailability occurred less than once a month. It should be noted that KEIKI logs indicate that KEIKI unavailability averages less than 1 hour each month during business hours.
KEIKI Archive, Retrieve and Purge Project	$400,000	• Data in KEIKI system was separated into "active" and "archive" files. Archive files were created for information that meets archive parameters (i.e., not viewed for a defined # of months). This separation of data reduces the amount of data that is analyzed by programs accessing "active" KEIKI data. • The separation of data contributes towards more efficient batch processing due to a reduction in the amount of data that is processed for "active" files. In combination with KEIKI Mainframe Tuning Project, batch processing was reduced from over 2 hours to less than 1/2 hour per program (this improvement applies to an average of 25 nightly jobs).	• In combination with the improvements realized by the KEIKI Mainframe Tuning Project, KEIKI screen refresh times were reduced for on-line access to child support case information from 3 minutes to less than 30 seconds. This significant decrease in response time alleviates frustrations experienced by staff when trying to relay case information to customers. As a result, this improves CSEA staff's ability to service customers efficiently. • Prior problems with KEIKI unavailability during morning business hours and report periods (i.e., month end, year end) have been nearly eliminated. As mentioned above, KEIKI logs indicate that KEIKI unavailability averages less than 1 hour each month during business hours.

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COST/BENEFIT SUMMARY OF CSEA INFORMATION TECHNOLOGY PROJECTS

Project	Cost	Technical Benefits	Operational Benefits
Documentation & Data Modeling Project	$880,000	• KEIKI developers have access to systems documentation as reference for programming efforts. System documentation allows system changes to be done quicker and with more accuracy. Project deliverables should also foster cross-training and backup coverage capabilities.	• Prior to the availability of systems documentation, CSEA functional leads expected that the resolution of KEIKI issues were difficult to fix and would be delayed as a result. Also, during periods of absence and turnover for IT staff assigned to support the functional area it allowed other programming staff to step in and be productive. As a result of the availability of systems documentation, KEIKI programming changes requested by CSEA functional leads can be addressed more completely and accurately than before the change.
		• Mainframe applications were introduced to provide change control management and programming accountability. As a result, various approvals and tracking information is required for migration of programs between development, test and production environments.	• Approvals from technical and functional leads are required to transition programming changes between development, testing and production stages. As a result, accountability of KEIKI programming has been established and documented for auditing purposes. The documentation was useful when CSEA underwent a review by the Federal Office of Child Support Enforcement in 2006.