

PERFORMANCE AUDIT

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF SOCIAL SERVICES**

CHILD SUPPORT ENFORCEMENT SECTION

APRIL 2000

Office of the State Auditor



Ralph Campbell, Jr.
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.osa.state.nc.us>

AUDITOR'S TRANSMITTAL

April 25, 2000

The Honorable James B. Hunt, Jr., Governor
Dr. H. David Bruton, Secretary
Department of Health and Human Services
Judge Thomas W. Ross, Director
Administrative Office of the Courts
Members of the North Carolina General Assembly

Ladies and Gentlemen:

We are pleased to submit this performance audit of the *Department of Health and Human Services, Division of Social Services, Child Support Enforcement Section*.

This report consists of an executive summary, operational findings and recommendations, and program overview. The objectives of the audit were to examine the processes surrounding the implementation of the CCO and to identify breakdowns that occurred. We also assessed the effectiveness of the CCO, the integrity of DHHS' Automated Collection and Tracking System, and the effectiveness of the client services call center. Lastly, we examined compliance with standard information technology practices, as well as standard accounting practices, examining the feasibility of using electronic benefits transfer and/or electronic funds transfer for the collection and disbursement of child support payments. The Secretary of the Department of Health and Human Services and the Director of the Administrative Office of the Courts have reviewed a draft copy of this report. Their written comments are included as Appendix C and Appendix D, respectively.

We wish to express our appreciation to Secretary Bruton, Judge Ross and their staffs for the courtesy, cooperation, and assistance provided us during this effort.

Respectfully submitted,

A handwritten signature in black ink that reads "Ralph Campbell, Jr." in a cursive style.

Ralph Campbell, Jr.
State Auditor



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EXECUTIVE SUMMARY

Program Description

The North Carolina Child Support Enforcement Section, located within the Division of Social Services (Division), in the Department of Health and Human Services (DHHS) has the responsibility for assisting the citizens of North Carolina in the collection of child support payments under GS 110-128-142.2. The program, established in 1975 by the federal government, has undergone many changes to improve efforts in collecting child support.

Each state is required to operate a Child Support Enforcement Program meeting federal requirements to be eligible for the Temporary Assistance to Needy Families (TANF, formerly AFDC) block grant. In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193), considered the most sweeping crackdown on non-paying parents in history. This law contains a performance bonus to reward states for a comprehensive child support enforcement program including a centralized collections and disbursements unit and a state-wide central registry of child support orders.

In 1997, the North Carolina General Assembly passed legislation implementing the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. G.S. 110-139(f) established the State Child Support Collection and Disbursement Unit with an effective date of October 1, 1999. In July 1999, legislation required the State Child Support Collections and Disbursement Unit collect support payments for cases formerly handled by the Clerks of Superior Court. The mandated statewide child support computer system, Automated Collection and Tracking System (ACTS), was implemented by DHHS in 1997. The mandated centralized collection and disbursement unit was implemented October 1, 1999.

Audit Scope and Methodology

This performance audit examines the operations of DHHS' Child Support Enforcement Section (CSE) within Division of Social Services and the Child Support Centralized Collection Operation (CCO). To achieve the audit objectives, we employed various auditing techniques which adhere to the generally accepted standards as promulgated in *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives

At the request of the General Assembly's Joint Select Committee on Information Technology, we identified specific objectives relative to the centralized child support collection and disbursement system, referred to throughout the report as the Centralized Collections Operation (CCO). The performance audit focuses on (1) efforts put forth to implement a centralized child support collection/distribution system in North Carolina and identifying breakdowns that occurred; (2) the effectiveness of the centralized child support collection/distribution system; (3) the integrity of DHHS' Automated Collection and Tracking System (ACTS); (4) the effectiveness of the child support client services call center function; (5) determining if SMI is following standard information system practices; (6) determining if DHHS is following standard accounting practices and the feasibility of using electronic benefits transfer or electronic funds transfer for the child support system; and (7) the overall effectiveness of the Child Support Enforcement function.

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Conclusions in Brief

- Delays in beginning the project, inadequate planning, inadequate staffing levels and equipment at the CCO, and limited system testing negatively affected the implementation of the CCO. Also, problems in converting Clerk of Superior Court cases to ACTS, untimely notification to participants and employers, checks mailed to the CCO prior to its beginning operations, and misdirected checks negatively affected the CCO implementation.
- During the early stages of operation, the CCO was less than effective in processing and distributing child support payments. We found that there were 35,258 emergency checks, totaling \$7,026,485, issued to custodial parents because of unidentified and misapplied payments at the CCO. The problems at the CCO have improved to the point that only three emergency checks were issued in March 2000. We also found that SMI was not complying with contract requirements regarding address changes and additional correspondence sent to the CCO. As a result, numerous address changes and correspondence have not been forwarded to the local CSE offices and/or the Clerks of Superior Court.
- The integrity of the Automated Collection and Tracking System (ACTS) was compromised due to missing and incorrect data entered during the conversion of Clerk of Court cases to ACTS. These problems resulted in misapplied payments, many of which the State is having to recover. Also, the distribution of future payments (payments made in excess of the current amount due) is not automated causing a minimum of a 2-day delay in processing. Both the case conversion and future payment functions are outsourced. A potential saving between \$117,404 and \$426,864 could be recognized in the first year if DHHS provides these services in-house.
- DHHS' temporary fix of the call center is adversely affecting State operated local CSE offices. DHHS continues to reassign CSE agents from local offices to work at the call center causing the agents' casework to suffer. In addition, the CSE Client Services Unit, which operates the call center, lacks the resources to be effective. Finally, the lack of written, specific Client Services policies and procedures could impact the efficiency and effectiveness of operations.
- SMI does not have adequate controls in place to ensure the physical safeguarding of the facility, nor are there adequate controls over program access. SMI is not in compliance with several contract requirements, including establishing a 'hot site'¹, sufficient disaster recovery plan, and documenting system changes.
- DHHS is not requiring SMI to adhere to the State's Daily Deposit Act, which has cost the State between \$10,000 and \$12,000 in lost interest from implementation to February 2000. We found it would be cost beneficial to use electronic funds transfer for employers and bank drafts or direct deposits for individuals to collect and/or disburse child support payments. However, it would be cost prohibitive to use the EBT (electronic benefits transfer) card when compared to the cost of paper checks or direct deposit.
- The current enforcement structure, which is divided between local CSE offices and Clerks of Superior Court, would be more effective if the entire function were administered by CSE. Services between the two agencies are inconsistent, with the local CSE offices better equipped to coordinate child support cases and to locate absent parents. To effectively handle the Clerks' cases in addition to the IV-D cases, local CSE offices will need additional staff . . . approximately 299 more agents to establish a statewide caseload average of 425 per agent. The approximate cost to

¹ A "hot site" is a fully operational off-site data processing facility equipped with both hardware and system software configured to the client's specifications to be used in the event of a disaster, usually available within twenty-four hours.

EXECUTIVE SUMMARY

the State would be \$4,628,334, with federal funds picking up the remainder of the estimated \$13,612,747 salary costs.

Specific Findings

IMPLEMENTATION BREAKDOWNS

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The number of estimated transactions included in the request for proposal was not clearly stated.	8
DHHS stopped processing child support payments prior to CCO implementation.	9
Checks were being issued for one dollar or less prior to January 2000.	10
DHHS failed to adequately notify child support clients in a timely manner.	10

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A complete copy of this report can be found at www.osa.state.nc.us, "Audits," "Performance Audits," "List of All Performance Audits." It is Report #187.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

North Carolina GS 147-64 empowers the State Auditor with authority to conduct performance audits of any State agency or program. Performance audits are reviews of activities and operations to determine whether resources are being used economically, efficiently, and effectively.

This performance audit examines the operations of the Child Support Enforcement Section (CSE) of the Department of Health and Human Services' (DHHS) Division of Social Services (Division) and the Centralized Child Support Payments Collection and Disbursement Operations. The General Assembly's Joint Select Committee on Information Technology requested this audit. The Committee identified specific objectives relative to the centralized child support collection and distribution system, referred to throughout the report as the Centralized Collections Operation (CCO). Additional objectives were identified during the survey phase of the audit. The audit objectives were to:

- Review efforts put forth to implement a centralized child support collection/distribution system in North Carolina and identify breakdowns that occurred;
- Evaluate the effectiveness of the centralized child support collection/distribution system;
- Determine the integrity of DHHS' Automated Collection and Tracking System (ACTS);
- Determine the effectiveness of the child support client services call center function;
- Determine if SMI is following standard information system practices;
- Determine if DHHS is following standard accounting practices and examine the feasibility of using electronic benefits transfer or electronic funds transfer for the child support system; and
- Examine the overall effectiveness of the child support enforcement function.

During the period December 1999 through March 2000, we conducted the on-site fieldwork for the audit. To achieve the audit objectives, we employed various auditing techniques which adhere to the generally accepted auditing standards as promulgated in *Government Auditing Standards* issued by the Comptroller General of the United States. These techniques included:

- Review of existing General Statutes, North Carolina Administrative Code, and Federal Laws as they related to the Child Support Enforcement Section;
- Review of policies and procedures in the Child Support Enforcement Section;
- Site visits to 15 Clerk of Superior Court offices;
- Site visits to local Child Support Enforcement Offices--eight locally operated, four state operated and three privately operated;
- Review of existing studies and reports conducted on child support issues;
- Examination of organizational charts and job descriptions;
- Analyses of a sample of expenditures;
- Examination of the automated collection and tracking system (ACTS) used by the Child Support Enforcement Program;
- Review of the contract between DHHS and Systems and Methods, Inc.;
- Review of controls over the child support centralized collections operation;
- In-depth interviews with 157 DHHS, Division, and CSE staff, as well as with persons external to the DHHS;
- Survey of 100 North Carolina Clerks of Superior Court;
- Survey of child support offices in other states;
- Survey of 197 local child support employees; and
- Telephone survey of 68 child support payors, 82 child support payees, and 11 employers.

This report contains the results of the audit as well as specific recommendations aimed at improving the operations of the Child Support Enforcement Section in terms of economy,

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

efficiency, and effectiveness. Because of the test nature and other inherent limitations of an audit, together with the limitations of any system of internal and management controls, this audit would not necessarily disclose all weaknesses in the system or lack of compliance. Also, projection of any of the results contained in this report to future periods is subject to the risk that procedures may become inadequate due to changes in conditions and/or personnel, or that the effectiveness of the design and operation of the procedures may deteriorate.

There are a number of terms relating to child support that will be used throughout the report.

For the convenience of the reader, we have listed those terms and a brief definition in Table 1 below.

TABLE 1	
List of Child Support Terms	
TERM	DEFINITION
Automated Collection and Tracking System (ACTS)	North Carolina Child Support Enforcement computer system performs all functions required by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. ACTS functions include posting, allocating, distribution/ disbursement, and check posting.
AFDC	Aid to Families with Dependent Children
Case Number	A unique number assigned to the participants in a child support case. The case number is associated with all parties to the case: non-custodial parent, custodial parent and dependent(s).
CCO - Centralized Collections Operation	The centralized collection unit for child support enforcement in North Carolina, run by a private contractor, Systems & Methods, Inc.
Child Support Enforcement Section (CSE)	The State agency responsible for the administration of the child support program in North Carolina; located within the Department of Health and Human Services, Division of Social Services.
Custodial Parent (CP)	Parent with custody of the child(ren) in a child support case. Also known as the client or payee.
Docket Number	Identifies the county where the court order for child support was entered and the court file number assigned to the order.
IV-D Case	Refers to Title IV-D of the Social Security Act of 1975, which established state child support programs. Cases are family support cases that include current or former recipients of AFDC/TANF, IV-E Foster Care referrals, Non Public Assistance Cases (where an individual has applied to the State or local Child Support Enforcement agency for support establishment and enforcement services), and Medical Assistance Only cases. The local CSE office handles these cases.
Master Participant Indicator (MPI) Number	Unique number that identifies each participant in the child support system. ACTS assigns this number.
Non-Custodial Parent (NCP)	The parent that does not have custody of the child. Also known as the absent parent or payor.
Non-IV-D Case	Cases where an order for child support has been issued by a court; no application for IV-D services has been filed; assistance is requested for collection and enforcement of child support payments. These cases are handled by Clerks of Superior Court.
Participant	The mother, father or child(ren) in a child support order.
Proration	A procedure whereby payments from the non-custodial parent with multiple child support cases in North Carolina, if payments are not sufficient to cover all cases, are divided among all of the payor's child support cases depending on obligation amounts and account balances.
Purge Payment	A payment made to satisfy a contempt order entered by the court.
Support Enforcement System (SES)	AOC maintains this computer system which is used by all Clerks of Superior Court. The system provides case financial information for enforcement use.
Systems & Methods, Inc. (SMI)	Contractor responsible for the operation of the State's centralized child support collection process.
TANF	Temporary Assistance to Needy Families
Transaction	Equals one child support payment; a check could represent several transactions.
Source: Compiled by the Office of the State Auditor from various reports, documents, and conversations.	

FINDINGS AND RECOMMENDATIONS

Objective: *To review efforts put forth to implement a centralized child support collection/distribution system in North Carolina and identify breakdowns that occurred.*

To accomplish this objective, we examined the processes used to implement the Centralized Collections Operation (CCO) and interviewed personnel from the various entities involved in the implementation and operation of the CCO. We reviewed reports, contracts and laws related to the implementation of CCO, and observed the operational process at the CCO.

Conclusion: Delays in beginning the project, inadequate planning, inadequate staffing levels and equipment at the CCO, and limited system testing negatively affected the implementation of the CCO. Also, problems in converting Clerk of Superior Court cases, untimely notification to participants and employers, checks mailed to the CCO prior to its beginning operations, and misdirected checks negatively affected the CCO implementation. Below we outline, by entity involved, specific actions occurring during implementation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES ACTIONS

DHHS DELAYED DEVELOPMENT OF THE CENTRALIZED COLLECTIONS AND DISBURSEMENTS PROCESS.

The federal Personal Responsibility and Work Opportunity Reconciliation Act requiring the establishment of a centralized collections process for child support payments was passed in 1996. This act also required states to:

- Establish a national new hire reporting system to track delinquent parents across state lines;
- Streamline the legal process of paternity establishment;
- Make interstate child support laws uniform;
- **Computerize state-wide collections by establishing a central registry of child support orders and centralizing collections and disbursement units;**
- Implement tougher child support enforcement techniques such as seizing assets, revoking drivers and professional licenses;
- Prioritize distribution of child support arrears for families no longer receiving assistance; and
- Establish access and visitation programs to increase non-custodial parent's involvement in their children's lives.

When this act was passed, DHHS began work on complying with the various requirements. DHHS determined that the automated collection and tracking system (ACTS), which would support the centralized collections operation, had to be in place before CCO operations could begin. ACTS was implemented in September 1997 and received Federal certification in January 1998, thereby resulting in delaying the planning of the CCO until April 1998.

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TABLE 2
Centralized Collections Implementation Timeline

1990	DHHS began work on ACTS
8/96	Welfare Reform Act passed by Congress.
8/97	House Bill 301 transferred some child support responsibility from Clerks to DHHS with a one year sunset clause.
9/97	Final phase of ACTS went live.
10/97	New Hire Registry established
11/97	State Case Registry Project initiated
1/98	Federal Certification Review for ACTS.
4/98	Centralized Collections Steering Committee established.
6/98	Sunset clause on HB 301 removed
9/98	RFP for CCO published on the Internet.
10/98	State Case Registry Completed
11/98	Contract award announced.
1/99	Contract with SMI executed.
3/99	General design developed and approved.
4/99	Detail design developed and approved. Amendment 1 added.
6/99	AOC case conversion project initiated.
7/99	Amendment 2 added to contract House Bill 302 required that DHHS assume all responsibility for collecting and distributing Clerks' cases Outreach campaign initiated.
8/99	Coding, testing, and equipment installation. AOC case conversion completed.
9/99	Testing and out-of-state payment pilot.
9/24/99	CCO began live operations.
Source: Data compiled during audit.	

In the meantime, State legislation passed in 1997 transferred some child support collection and disbursement responsibilities from the Clerks of Superior Court (Clerks) to DHHS. Yet, it was uncertain if all Clerks' cases would be **collected** by DHHS. It was not until July 1999 that legislation was passed that mandated DHHS assume this function. Table 2 shows a timeline of major events in the implementation of the Centralized Collections Operation.

The Federal Welfare Reform Act mandated that the CCO be implemented by October 1, 1999, or states would face federal sanctions. In January 1998, DHHS made the decision to proceed with development and implementation to avoid federal sanctions of approximately \$379,000,000. In April 1998, DHHS established a CCO Steering Committee to oversee this project. A Request for Proposals was issued in September 1998. Two vendors were judged to meet the technical specifications, with the lower cost vendor, Systems & Methods, Inc., (SMI) chosen in November 1998. SMI actually began work in January 1999. SMI was aware of the short time frame for development and implementation, but had said in its proposal that it could meet the deadline. Due to the short timeframe, limited testing was conducted and the system went online with known problems. (See discussion on page 12.)

We concur with DHHS' decision to develop and implement ACTS and the State Case Registry before beginning the CCO project. Given the significant sanctions the State would have faced if the CCO had not been

implemented by October 1, 1999, we also concur with this action.

THE NUMBER OF ESTIMATED TRANSACTIONS INCLUDED IN THE REQUEST FOR PROPOSAL (RFP) WAS NOT CLEARLY STATED.

In April 1998 DHHS established the Centralized Collections Operation (CCO) Steering Committee. This Committee was responsible for developing the RFP, reviewing the proposals, and awarding the contract. As part of the RFP development, the Committee had to provide information on the anticipated volume of child support payments to assist the bidder in determining costs.

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The RFP stated **transactions at full implementation would be 383,000 per month**, the actual number of transactions processed for FY1997-98. This figure did not take into account the anticipated 10% growth rate in transactions, which the data showed as the historic trend. This growth rate was noted in the text of the RFP, however. DHHS had anticipated that the bidders would use all information provided to determine the expected number of monthly transactions.

Review of SMI's technical proposal shows that it used the 383,000 per month figure and **did not adjust for growth**. Adjusting for growth, the estimated number of transactions at implementation should have been 463,430 per month, as shown in Table 3. This represents a 21% difference (80,430 transactions per month) over the number used by SMI. Therefore, the anticipated volume the contractor used to determine processing requirements and costs was understated. We should note that the DHHS RFP review team did not question the projections used by SMI in its proposal.

TABLE 3 Total Child Support Transactions for North Carolina			
	Number of Transactions		
	Annual	Monthly	Daily ³
Estimate included in RFP ¹	4,596,000	383,000	17,677
Estimate reflecting the 10% annual growth for FY1999-00 ²	5,561,160	463,430	21,389
Difference between RFP and RFP with 10% growth	965,160	80,430	3,712
Source: 1. DHHS Request for Proposal for CCO 2. Auditor Calculated (10% for FY1998-99 and 10% for FY1999-00) 3. Based on a 260 day year			

We determined that the CCO is actually processing approximately 7.8% fewer transactions than would have been anticipated using the 10% growth factor. The projected annual volume based on actual transactions (between October 1999 and February 2000) would be 5,128,500 or 427,375 transactions per month versus 463,430 projected using the 10% growth factor mentioned in the RFP.

This was an initial start up problem and does not affect the CCO at this time.

DHHS STOPPED PROCESSING CHILD SUPPORT PAYMENTS PRIOR TO CCO IMPLEMENTATION.

Before implementation of the CCO, DHHS was responsible for processing some IV-D child support payments. These payments were for any IV-D support payments not required to be collected by the Clerks. We identified 320 checks, equating to 672 transactions², dated between 9/1/99 and 9/17/99 totaling \$58,755 that DHHS forwarded to the CCO for processing. DHHS decided to use these payments to test the CCO system. However, many of these checks had multiple transactions which added to the backlog CCO had to deal with at implementation, thus causing some custodial parents not to get support checks for up to three weeks.

This was an initial start up problem and does not affect the CCO at this time.

² On average there are 2.1 transactions per check received at the CCO.

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CHECKS WERE BEING ISSUED FOR ONE DOLLAR OR LESS PRIOR TO JANUARY 2000.

Each night an electronic file downloads all the transactions processed at the CCO to ACTS, the system that issues checks to custodial parents. When the CCO began operations, there were no dollar thresholds built into the system. This allowed checks to be issued when there was a balance in the account regardless of the amount. Between October 1, 1999 and January 16, 2000, 5,096 checks were issued for \$1.00 or less, in effect costing DHHS at least \$5,096 in unnecessary processing costs. Effective January 17, 2000 a threshold was implemented that prevents checks under \$10.00 from being automatically processed.

This was an initial start up problem and does not affect the CCO at this time.

DHHS FAILED TO ADEQUATELY NOTIFY CHILD SUPPORT CLIENTS IN A TIMELY MANNER.

When DHHS assumed the responsibility for the centralized collections of child support payments, it developed an outreach plan to notify affected parties. The plan included posters, brochures, public service announcements, as well as three separate notices mailed to custodial parents, non-custodial parents, and employers.

However, several outreach plan projects were not distributed as scheduled, thereby adversely affecting the implementation of the CCO. Specifically,

- Numerous notices to custodial and non-custodial parents were returned as undeliverable. We were unable to quantify this problem since SMI did not track returned mail.
- Initial mailing of bills/coupons to non-IV-D payors with payments due dates of September 15-30, 1999 were not mailed until September 30, 1999. This resulted in the CCO receiving payments without coupons, making many of them unidentifiable.
- A programming error left 6,000 non-IV-D payors in a "hold mailings" status from October 12, 1999 to March 1, 2000. Therefore, 14.6% of the non-IV-D payors did not receive bills/coupons for four months. This resulted in the CCO receiving payments without coupons, making many of them unidentifiable.
- A programming error, which omitted the second line of the street address, resulted in 286 monthly mailings having incomplete addressees making many undeliverable. This resulted in the CCO receiving payments without coupons, making many of them unidentifiable. (Programming was not corrected as of March 8, 2000.)

During telephone interviews, we asked custodial parents and non-custodial parents about notification of the centralizing of payments and receipt of coupons/billing statements. Only 20% of these participants in our sample of 149 received their coupons timely. Of the respondents, 15% did not receive notification of the centralization of payments. Another 11% said they never received a coupon or billing statement, and 33% said they received coupons or billing statements after the due date. (See Appendix B, page 67 for interview results.)

As part of the CCO awareness campaign, employers were to be mailed three notices, an employer instruction packet, and a remittance document. Employers were also to participate in an employer teleconference at various sites throughout the State. Delays in receiving instruction packets, remittance documents, and web site instructions failed to give employers

FINDINGS AND RECOMMENDATIONS

sufficient time to prepare their payroll systems for conversion to the new system and added to the CCO start-up problems. Specifically,:

- Each of the three employer notices was mailed late.
- Employer Instruction Packets were mailed between September 13 and 17, 1999; employers were to begin mailing in payments on September 24, 1999. According to DHHS personnel, the Steering Committee decided not to send out information too early so that distributed information would be current. Packet distribution was delayed because the Steering Committee, DHHS Public Affairs, and the printer could not come to a consensus on color and content.
- Notices of the Employer Statewide Teleconference, held September 21, 1999, were mailed between September 13 and 17, 1999. Hurricane Floyd caused some teleconference sites to be cancelled. However, the delay in notifying employers of the teleconferences contributed to a poor employer turnout in the rest of the State.
- Employers remittance documents were mailed on September 27 and 28; however, remittances were to begin September 24, 1999.
- A web site for employers on remittance documents scheduled to be up on September 1, 1999 was not up until the week of September 24, 1999.

Results of telephone interviews with employers are contained in Appendix B, page 67.

Lastly, the CCO Steering Committee amended the contract with Systems and Methods, Inc. on April 9, 1999, to include the outreach plan for the CCO. In mid-May 1999, the DHHS Public Affairs Office was informed of the outreach program and became involved in the project. Since the Public Affairs Office was not originally included in the outreach plan as required by DHHS policy, the contract with Systems and Methods, Inc. was not in compliance with DHHS policy.

RECOMMENDATION

DHHS should take steps to ensure that future notifications to affected parties of Centralized Collections Operation changes are distributed in a timely manner. Additionally, returned mail should be tracked by the CCO and attempts made to find more accurate addresses. Finally, DHHS should more closely monitor programming changes to ensure that they are made in a timely manner.

SYSTEMS AND METHODS INC. (SMI) ACTIONS

SMI STAFFING LEVELS WERE NOT ADEQUATE FOR THE CCO START-UP.

As discussed earlier, SMI based its proposal on expectations of approximately 18,000 transactions daily. Thus, the initial staffing of 32 employees, including management, was designed to handle only between 15,000 and 18,000 transactions. As operations began, however, the number of current daily transactions and the checks forwarded by DHHS and the Clerks of Superior Court was closer to 22,000, or 11% more than anticipated. As noted above, DHHS forwarded 320 checks it had been holding to the CCO at start-up. Additionally, Clerks also forwarded a number of unprocessed checks to the CCO. (See discussion on page

FINDINGS AND RECOMMENDATIONS

17) Further complicating the situation was the fact that the equipment being used by SMI was only able to process 350 pieces of mail per hour, not the 500 anticipated in SMI's proposal.³

For these reasons, transaction processing quickly fell behind. SMI increased staffing to 164 employees by the end of October 1999, adding a second shift on October 2 and a third shift on October 12, to keep up with the workload. To help alleviate the backlog and get checks to the custodial parents as soon as possible, DHHS, county CSE offices, Clerks of Court and AOC assigned a total of 414 employees (working a total of 3,642 hours at a cost of \$159,286) to work at the CCO from October 7, 1999 to January 31, 2000. SMI presently has 116 employees and, as of November 5, 1999, has reduced operations to two shifts daily, Monday through Saturday. Exhibit 1 on the next page graphically shows the transaction volume and number of staff for the period September 24, 1999 through December 31, 1999.

A continuing problem for SMI is the high employee turnover at the CCO. The turnover rate for permanent employees since implementation has been 56%. When we factor in the number of temporary employees that SMI has used, the turnover rate jumps to 185%. Such high turnover has an adverse affect on operations since each employee must be trained and go through a learning stage before becoming proficient. Consequently, much of management's time has been spent in training, rather than in assuring that daily operations are running smoothly.

RECOMMENDATION

SMI should maintain adequate staffing levels to cover workloads and identify ways to retain staff. DHHS should closely monitor the staffing situation at the CCO and assist SMI in establishing and maintaining adequately trained staff.

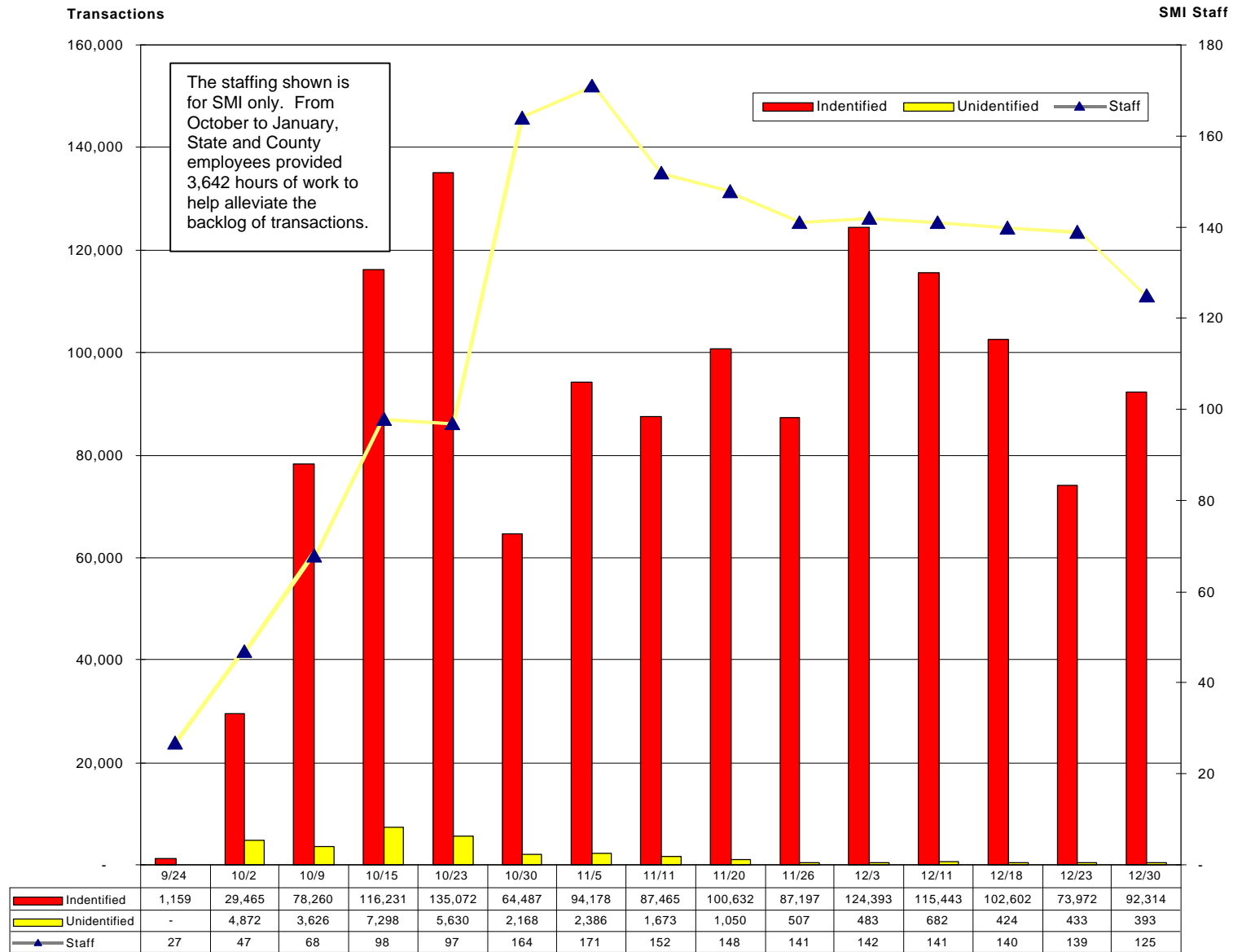
THERE WAS INADEQUATE TESTING OF THE CCO SYSTEM PRIOR TO IMPLEMENTATION.

As shown in Table 2, page 8, SMI had only eight months from the date the contract was signed until DHHS required the system to be functional. Therefore, only limited testing was conducted. Examination of records shows that the tests that were conducted were not well designed. To simulate the processing of payments by the CCO, one of the tests involved nonnegotiable test checks and supporting documentation for 1997 payments. These "clean" documents (documents not requiring any special handling) were sealed in envelopes and run through the CCO process. Approximately 2,000 to 3,000 thousand envelopes were processed.

³ SMI's technical proposal stated ". . .An operator can process from 500-1,200 transactions per hour depending upon the type of work and amount of preparation required prior to scanning."

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EXHIBIT 1
CCO Weekly Transactions and Staff Volume 9/24/99 - 12/31/99



Source: SMI

FINDINGS AND RECOMMENDATIONS

Since the test checks were uniform in nature, the simulation did not test the system's ability to handle the variety of payment instruments that the CCO would be processing. For example, checks with dark colored backgrounds were later found to be a problem because they sometimes produce an image too dark to read when scanned. This problem could have been discovered earlier with more comprehensive testing. Additionally, the CCO system was never stress tested to determine its maximum processing capability. This information could have enabled the CCO to predict the transaction processing shortfall during the first weeks of live processing.

RECOMMENDATION

The lack of adequate testing was an implementation problem. However, DHHS should require SMI to conduct adequate testing prior to implementing any future major modifications at the CCO.

SMI DID NOT HAVE ADEQUATE EQUIPMENT TO PROCESS WORK VOLUME DURING CCO START UP.

As reported above, the capabilities of SMI's scanning equipment were tested using "clean" payment documentation. There was no allowance for pre-opened mail or heavily designed checks. Neither did the test situation allow time to review for misdirected checks. Based on the start-up test (the only testing done), it was estimated that 500 documents could be scanned per hour. However, once operations began, it was found that under actual conditions, only 350 documents could be scanned per hour.

Additionally, the actual volume of work to be processed was significantly above what had been anticipated. Therefore, SMI did not have the necessary amount of equipment to process the volume. Since beginning operations, SMI has increased its equipment inventory substantially through purchase or lease of \$242,298 of additional equipment. Much of this equipment has been mail scanning equipment, as shown in Table 4.

TABLE 4 Mail Scan Equipment			
QUANTITY		Description	% of Increase in Equipment
10/1/99	After 10/1/99		
7	13	Compaq Proliant 800 Server	86%
6	12	Panasonic Page Scanner	100%
6	12	Buic 1500 Check Scanner	100%
3	4	Ultra 200 Mail Extractor	33%
Source: Systems & Methods, Inc.			

RECOMMENDATION

DHHS should closely monitor transaction volume, SMI staffing levels, and equipment levels to ensure timely processing of child support payments.

THE CENTRALIZED COLLECTIONS OPERATIONS TRAINING PLANS DO NOT COMPLY WITH THE MASTER AGREEMENT BETWEEN THE STATE AND THE VENDOR.

The RFP for the Centralized Collections for Child Support Enforcement specifically outlines requirements for training of CCO staff. The RFP calls for SMI to include plans for the

FINDINGS AND RECOMMENDATIONS

"development of an on-line help system which is available at the screen or field level." At the time of the audit, no such system has been integrated into the CCO database, nor are there any existing workplans for this requirement. SMI management has provided staff with written procedural guidelines. Plans are to integrate an on-line help system into the new Debit Maker software used by staff. Lack of an active on-line help system could prevent CCO staff from providing timely assistance to customers and hinder effective performance of duties.

RECOMMENDATION

DHHS should closely monitor contractor compliance with the terms of the contract for the CCO. SMI management should continue efforts to integrate the on-line help system as soon as possible to ensure staff understanding of procedures, thereby increasing efficiency and effectiveness of operations.

CASE CONVERSION PROCESS ACTIONS

CLERK CASES WERE CONVERTED WITH MISSING OR INCORRECT DEMOGRAPHIC INFORMATION.

Clerk of Court cases had to be converted into the ACTS system prior to CCO implementation since ACTS would be distributing all child support payments. DHHS hired Corr Services to convert 74,601 Clerks' cases (as of June 14, 1999), affecting 257,629 participants, into ACTS. Corr was to compare these cases with existing cases in ACTS to find matches for participants and avoid issuing multiple MPI numbers (master participant indicators)⁴. Due to missing and incorrect data in the Clerks' cases, it was difficult to identify matching participants. Therefore, multiple MPI numbers were issued. After the conversion process, Corr Services reviewed converted cases to eliminate 15 multiple MPI numbers. We noted two instances of multiple MPI numbers in the sample we examined in March, 2000. We also noted 113 misapplied payments, totaling \$16,391, due to non-IV-D case conversion errors. (See pages 19-22 for additional information on misapplied payments.)

State Case Registry (SCR) policies require that each case record has the participant's name and social security number **OR** race, sex, and date of birth. This demographic data assists in matching participants. At June 14, 1999, there were 84,961 participants (33%) that did not meet SCR requirements during the conversion process. Table 5 on the next page shows the number of participants and types of missing and/or incorrect data included in case records. Review of the SES data base revealed that some Clerks repeatedly used the same social security number for numerous participants. For example, Mecklenburg had 3,202 participants with social security number 121-21-2121 and Cumberland had 944 participants with the federal identification number of the attorney of record as the social security number. (This was in accordance with rules that existed prior to October 1, 1999.)

⁴ MPI numbers are issued to participants to identify all child support cases associated with a specific participant. The MPI number links multiple child support cases to one non-custodial parent allowing the payment to be split equitably between the different cases.

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TABLE 5 Instances of Identified Missing or Incorrect Data in Converted Cases As of June 14, 1999									
Type	Number Not Meeting SCR	Instances of Missing data				Instances of Incorrect data			
		Sex	Race	DOB	SS#	SS#	DOB = 1998	DOB = 1999	Invalid Address
Payor	18,189	3,153	31,090	27,588	25,253	227	81	123	N/A
Client	26,224	10,637	34,621	35,953	31,035	1,906	180	165	2,495
Children	40,548	5,099	47,639	5,241	73,686	3,247	0	0	N/A
Total	*84,961	18,889	113,350	68,782	129,974	5,380	261	288	2,495
*This table shows identified instances of missing or incorrect data; therefore, the column totals will not equal the number of participants not meeting SCR requirements.									
Source: DHHS									

AOC issues a monthly exception report to Clerks showing missing data only. As a result, the number of cases missing data has been reduced 80% from 79,440 cases in March 1999 to 15,590 cases as of February 2000. However, incorrect data is not included in the exception report and very little effort is being made to identify these types of errors.

RECOMMENDATION

DHHS should determine which cases have incorrect demographic data and add those cases to the exception report for the Clerks of Superior Court to investigate and resolve. The Clerks should make every effort to provide valid demographic data on participants to avoid the issuance of multiple MPI numbers.

EXPIRED CASES WERE INAPPROPRIATELY CONVERTED INTO ACTS.

An expired case (otherwise known as a zero balance case) occurs when the child is emancipated (aged out) and there is no arrears balance owed. Clerks must get a court order to delete cases from the SES system. This was not done prior to the case conversion process resulting in Corr Services converting 5,362 expired cases into ACTS. Bills/coupons are being mailed to these payors even though they do not owe any child support. It costs the State \$2,638 per month (total cost from implementation of CCO \$15,828) for printing and mailing these bill/coupons. DHHS and AOC are working to correct this situation. DHHS is working to eliminate these cases on the "payor name feed file" so bills/coupons will not be mailed to the payor. AOC mailed an exception report on April 3, 2000 to each Clerk of Superior Court with instructions to have the cases deleted.

RECOMMENDATION

DHHS should closely monitor the deletion of these expired cases. The Clerks should make the identification and deletion of these cases a priority.

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CLERKS OF SUPERIOR COURT ACTIONS

SOME CLERKS OF COURT STOPPED PROCESSING CHILD SUPPORT PAYMENTS PRIOR TO CCO IMPLEMENTATION.

The CCO officially began operations on September 24, 1999. Clerks should have processed child support payments until that time and only forwarded payments received after September 24, 1999 to the CCO for processing. Examination of records showed that some Clerks of Superior Court stopped processing child support payments before that date. Some sixty-five Clerks offices forwarded 484 checks and money orders, equating to 940 transactions⁵, dated prior to September 18, 1999 to the CCO for processing. Twenty-six counties affected by the floods from Hurricane Floyd accounted for some of the payments dated in late September. Hurricane Floyd also caused delays in mail service resulting in numerous checks delivered to the CCO at the same time once mail services resumed. Other instances noted included:

- 21 money orders (totaling \$1,470) from the same non-custodial parent dated 9/23/97 to 2/10/98 forwarded to the CCO, and
- 25 checks and money orders dated between June and August, 1999 (\$3,862) forwarded to the CCO for processing.

Table 6 on the next page lists the number of payments, by county, forwarded to the CCO that should have been processed by the Clerks. These checks and money orders contributed to the backlog of work that accumulated at the time of CCO implementation.

Additionally, examination of SMI's records showed 512 "misdirected" checks totaling \$177,473. The Clerks were required to endorse and forward all child support payments they received from implementation date through December 31, 1999.⁶ Due to the sheer volume of checks passing through the Clerks' offices, some checks unrelated to child support were sent to the CCO. These misdirected checks resulted in misapplied payments and refunds. In total, we noted 996 checks forwarded to the CCO that should have been handled by the Clerks of Superior Court.

This was an initial start up problem and does not affect the CCO at this time.

⁵ On average there is 2.1 transactions per check.

⁶ As of January 1, 2000 the Clerks of Superior Court were directed to stop forwarding child support checks to the CCO, instead the Clerks return them to the sender with directions to mail the payment directly to the CCO.

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TABLE 6								
Checks and Money Orders Forwarded to CCO by Clerks								
Counties in blue were Hurricane Floyd disaster counties.								
County	# of Payments	Total Amount	County	# of Payments	Total Amount	County	# of Payments	Total Amount
Alamance	2	\$272.80	Gates	1	114.91	Onslow	3	368.57
Alexander	1	55.00	Granville	1	200.45	Orange	2	157.00
Ashe	1	40.00	Greene	5	453.93	Pender	3	150.00
Avery	1	374.01	Guilford	16	1,528.31	Person	1	110.31
Beaufort	4	403.07	Halifax	6	821.77	Pitt	2	496.00
Bladen	1	120.00	Harnett	14	2,275.01	Polk	1	117.00
Buncombe	14	2,592.47	Haywood	2	525.00	Randolph	3	185.85
Burke	4	295.75	Henderson	2	425.00	Richmond	6	488.70
Cabarrus	9	752.08	Hoke	2	70.38	Robeson	5	411.23
Caldwell	2	164.00	Iredell	1	192.00	Rockingham	1	125.00
Carteret	5	925.76	Jackson	1	209.00	Rowan	3	206.34
Catawba	8	555.50	Johnston	4	460.81	Rutherford	1	61.00
Columbus	2	562.38	Jones	1	\$55.00	Sampson	3	668.78
Craven	53	9,378.55	Lee	21	1,470.00	Scotland	1	92.30
Cumberland	12	1,545.62	Lenoir	11	2,031.43	Stanly	2	175.45
Currituck	1	4.62	Macon	1	200.00	Stokes	1	326.00
Durham	10	1,044.85	Martin	14	1,846.86	Transylvania	1	127.62
Edgecombe	119	22,132.32	McDowell	1	30.00	Union	2	100.00
Forsyth	3	481.74	Mecklenburg	19	2,755.83	Wake	45	5,944.38
Franklin	3	181.43	Nash	3	488.30	Warren	6	1,479.69
Gaston	4	344.08	New Hanover	4	754.23	Washington	1	135.50
			Northampton	1	78.00	Yancey	1	350.41
						TOTALS	484	\$71,489.38
Source: Systems & Methods, Inc.								

FINDINGS AND RECOMMENDATIONS

Objective: *To evaluate the effectiveness of the centralized child support collection/distribution system.*

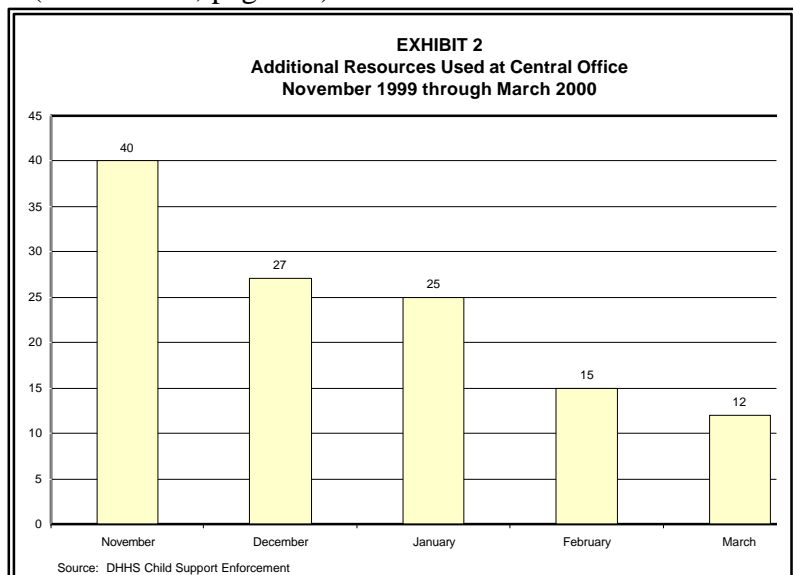
To accomplish this objective, we examined the processes and procedures at the CCO, reviewed contract requirements for compliance, reviewed reports to determine the number of transactions processed at the CCO, examined the data from the CCO system regarding address changes and correspondence, and interviewed CCO employees regarding their job functions.

Conclusion: During the early stages of operation, the CCO was less than effective in processing and distributing child support payments. We found that there were 35,258 emergency checks, totaling \$7,026,485, issued to custodial parents because of unidentified and misapplied payments at the CCO. The problems at the CCO have improved to the point that only three emergency checks were issued in March 2000. We also found that SMI was not complying with contract requirements regarding address changes and additional correspondence sent to the CCO. As a result, numerous address changes and correspondence have not been forwarded to the local CSE offices and/or the Clerks of Superior Court.

UNIDENTIFIED OR MISAPPLIED PAYMENTS CONTINUE TO NECESSITATE THE ISSUANCE OF EMERGENCY PAYMENTS.

From September 24, 1999 to February 29, 2000, SMI processed 2,161,979 transactions totaling \$244,226,593. Of these, 2,509 transactions (less than 1%) totaling \$546,772 have been identified as posted to the incorrect account. Of these, 68% of the number misapplied can be attributed to errors by SMI. (See Table 9, page 22.) Review of SMI records indicated that 197 (\$160,498) transactions were posted to “unidentified” when adequate information was included with the check to post to the proper account. We should note that there may be more misapplied payments that have yet to be identified. According to DHHS personnel, emergency payments were made to many of these custodial parents due to the misapplied postings and unidentified payments.

Once DHHS management realized there was a problem, they shifted resources to assist in resolving the problem.



FINDINGS AND RECOMMENDATIONS

Exhibit 2 on the previous page shows the number of state employees assigned to the DHHS central office to handle emergency payments (448 hrs at a cost of \$143,594), unidentified payments, (6,508 hrs, \$396,680), and misapplied payments (576 hrs, \$17,155). In total, DHHS committed an additional 7,532 hours at a cost of \$557,429.

DHHS issued 35,261 emergency checks between September 24, 1999 and February 29, 2000. These checks were necessary because custodial parents were not receiving their child support checks due to unidentified or misapplied payments. As can be seen in Table 7, the number of emergency checks has been greatly reduced since the beginning of this program. However, emergency checks are still being issued because of posting errors or the lack of identifying documentation. Three emergency payments totaling \$4,680 were issued on March 4, 2000.

The procedure for recoupment is to withhold 10% of current child support payments and 100% of subsequent payments applied to arrears until the balance of the recoupment account equals zero. This practice, while necessary, also causes hardships to families since their support payments are reduced. Besides recouping emergency payments, misapplied payments also had to be recouped. Of the misapplied payments which have now been identified, 1,026 transactions (\$250,412) had to be recouped from the custodial parents because the money did not belong to them.

The contract specifies that SMI has 48 hours on direct payors and 5 days on employer checks to post funds to the proper account. If SMI cannot identify transactions within that period, then they are turned over to the Child Support Enforcement Unit (CSE) for review and identification. Table 8 shows the status of unidentified payments that have been forwarded to CSE. No further work is being conducted by CSE on payments listed as "Payments Truly Unidentified". DHHS is considering renegotiating the terms of the contract to allow SMI to retain all unidentified payments until a step-by-step process is completed. After that process, SMI will turn over to CSE all payments remaining unidentified. CSE will not make any further attempts to identify the funds, but will put the amounts in the State's escheat account until someone claims it.

TABLE 7 Emergency Payments and Recoupments by Month As of March 14, 2000				
Month	Emergency Payments		Recouped	Outstanding
	Number of Checks	Dollars		
October	31,315	\$5,618,549	\$ 3,345,419	\$2,273,130
November	2,808	981,567	2,234,456	1,020,241
December	1,056	396,371	243,194	1,173,418
January	62	22,945	134,095	1,062,268
February	17	7,053	143,094	926,227
March	3	4,680	38,451	892,456
Total	35,261	\$7,031,165	\$ 6,138,709	
Source DHHS-Child Support Enforcement				

TABLE 8 Status of Unidentified Child Support Transactions March 3, 2000											
Month Payment Received	Total Unidentified		Payments Needing Research		Payment Under Research		Payment Truly Unidentified		Total Remaining Unidentified		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Percent
October	26,157	\$1,800,000	0	\$0	11	\$1,081	197	\$22,701	208	\$23,782	0.80%
November	12,554	2,600,000	0	0	12	1,349	96	8,984	108	10,333	0.86%
December	2,562	428,354	0	0	12	1,478	76	10,536	88	12,014	3.43%
January	2,145	355,465	0	0	61	16,297	98	10,941	159	27,238	7.41%
February	2,790	497,967	46	8,460	282	57,679	150	24,671	478	90,810	17.13%
March	200	39,380	142	28,154	7	2,699	1	235	150	31,088	75.00%
Total	46,408	\$5,721,166	188	\$ 36,614	385	\$ 80,583	618	\$78,068	1,191	\$195,265	2.57%
Source: DHHS – Controller's Office											

FINDINGS AND RECOMMENDATIONS

RECOMMENDATION

DHHS should closely monitor the status of unidentified and misapplied payments. All efforts to properly identify and credit child support payments should be exhausted before funds are placed in the State's escheat account. DHHS and SMI should continue to work to reduce misapplied and unidentified transactions.

ADDRESS CHANGES ARE NOT BEING PROCESSED.

The contract with SMI requires address changes and other correspondence included with payments be forwarded within two business days to either the local CSE or Clerk. As part of the contract terms, SMI was to automate the forwarding process; however, a DHHS programming error in which data that identifies the type of case was omitted from the "payor name feed file" has prevented this.

SMI has been imaging all address changes and correspondence obtained since the implementation of the CCO. Current procedures are that if the change data is not written on a payment, it is sent to DHHS for IV-D cases or AOC for non-IV-D. DHHS and AOC then forward the documents to the proper location. Information such as an address change written on the back of a coupon is imaged but not forwarded. We learned that these changes have not been made in ACTS. SMI's image file contains 17,529 images of address changes or correspondence. However, there is no way to identify which items have been forwarded and which have not.

SMI and DHHS are working to correct this problem by including the critical data and automating the notification process. Modification was completed and the notification process was on-line March 27, 2000. This will affect all change data received after that time. SMI has not determined what action will be taken on the 17,529 images already in the file since there is no way to determine which items have been forwarded previously.

RECOMMENDATION

DHHS should closely monitor the automation process for handling address changes and additional correspondence. DHHS and SMI should immediately devise a plan for reviewing the images already in the file and determining which changes have been made and which need to be forwarded for processing.

FINDINGS AND RECOMMENDATIONS

OBJECTIVE: To determine the integrity of DHHS' Automated Collection and Tracking System (ACTS).

To accomplish this objective, we reviewed the conversion contract, interviewed personnel involved with case conversion, reviewed the processes and procedures for non-IV-D future payments, and reviewed computer case files.

Conclusion: The integrity of the Automated Collection and Tracking System (ACTS) was compromised due to missing and incorrect data entered during the conversion of Clerk of Court cases to ACTS. These problems resulted in misapplied payments, many of which the State is having to recover. Also, the distribution of future payments (payments made in excess of the current amount due) is not automated causing a minimum of a 2-day delay in processing. Both the case conversion and future payment functions are outsourced. A potential saving between \$117,404 and \$426,864 could be recognized in the first year if DHHS provides these services in-house.

MISSING AND INCORRECT DEMOGRAPHIC DATA COMPROMISES THE INTEGRITY OF ACTS.

TABLE 9			
Errors Leading to Misapplied Payments			
Entity	Reasons	Misapplied Payment	
		Number	Amount
SMI	Payment posted to incorrect account; Incorrect amount posted.	1,702	\$390,810
DHHS	Payment posted to incorrect account; Incorrect amount posted.	300	\$56,996
Clerk of Courts	Case set up incorrectly; No case set up; Payment should not have been sent; Not enough information sent with payment; Incorrect docket number submitted.	241	\$48,815
Corr Services	Non IV-D case conversion error.	113	\$16,391
Employer	Sent incorrect information.	51	\$10,269
Payor	Sent incorrect information.	66	\$12,666
Local CSE	Case set up incorrectly; No case set up; Entered case with wrong docket number; Entered incorrect order information; Case should have been closed but was not; Requested an adjustment in error.	24	\$5,409
Combination		7	\$4,248
Unknown		5	\$1,168
Total		2,509	\$546,772
Source: DHHS, DSS- Child Support Enforcement			

The data contained in ACTS constitute the official records of child support payments. CSE uses this information to determine when enforcement actions are needed. The payment history in ACTS is used in court appearances as evidence for non-support. Since the CCO began operations, there have been instances where non-custodial parents were cited for non-payment but were able to provide cancelled checks in court showing that the CCO did, in fact, receive their payments. However, the ACTS payments history did not reflect the payment. Clerks and local CSE employees feel they are losing

credibility in court due to the CCO improperly posting child support payments.

Table 9 shows the types of errors that attributed to payments being misapplied and the entity responsible as identified after research by CSE. As previously reported, DHHS and SMI have

FINDINGS AND RECOMMENDATIONS

identified 2,509 misapplied payments as of the end of February 2000.

In an attempt to quantify the magnitude of this problem, we sampled 1,000 cases involving 2,027 participants. We noted numerous instances of missing or incorrect demographic data on payors and clients, as summarized in Table 10. Using statistical sampling techniques, we were able to project the number of errors that could be expected in the entire population of 910,605 items. Based on the error rate found in the sample, we project that ACTS contains 88,050 errors, +/- 5%.

The lack of proper demographic data has resulted in misapplied payments and participants being issued multiple MPI numbers.

TABLE 10 Sample Results of Participants Not Meeting State Case Registry Requirements		
Category Of Error	Number of Errors in the Sample	Projected Errors
Missing social security number and birth date	167	75,023
Missing social security number and unknown placed in race and sex	2	898
Missing social security number and birth date and unknown placed in race and sex	17	7,637
Missing social security number and birth date is after January 1, 1995	10	4,492
Total Errors Noted in Sample	196	88,050
Source: ACTS Database		

RECOMMENDATION

DHHS should identify cases with incorrect data and make correcting this information a priority. Additionally, DHHS should continue to work with the contractor to improve methods for identifying and posting payments properly.

THERE ARE DELAYS IN DISBURSING FUTURE PAYMENTS TO NON-IV-D CLIENTS.

“Future payments” are amounts paid in excess of the required current support order amount. The Automated Collections and Tracking Systems (ACTS) is not programmed to distribute these payments automatically since federal regulations did not allow distribution of future payments for IV-D cases. Table 11 shows non-IV-D future undistributed balances for the end of each month. DHHS has hired Corr Services to provide case maintenance and new case initiation, and to process future payments received for non-IV-D cases. Corr Services reviews the undistributed list, identifies non-IV-D future payments, and notifies ACTS personnel to process a check. This process results in at least a two-day delay in processing future payments.

TABLE 11 Undistributed Non-IV-D Future Payments	
End of	Amount
October	\$111,610
November	\$572,694
December	\$185,752
January	\$102,535
February	\$192,471
Source: DHHS – Child Support Enforcement	

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TABLE 12 Case Maintenance, Initiation, and Other Related Cost Analysis State Employees Versus Contracted Services				
	State Employees		Contracted Services	
	Annual Cost	Start-up Cost	Annual Cost Hourly Rate ⁵	Annual Cost Contract Value ⁶
7 Employees ¹	\$303,509	\$0		
Office Space ²	9,804	0		
Equipment ³	0	22,400		
Furniture ⁴	0	12,803		
Total	\$313,313	\$35,203		
Contract Agreement			\$465,920	\$775,380
Potential 1 st Year Savings			\$117,404	\$426,864
Potential 2 nd Year Savings			\$152,607	\$462,067
Source: DHHS & State Property 1. Based on midpoint grade 65 plus 40% for benefits 2. Based on estimates provided by State Property 3. Based on one computer and software for each employee 4. Based on one workstation per employee 5. Based on 7 employees at \$32/hour x 2,080 hours 6. Based on 7/13 of the total contract value of \$600,000 for five months (6 employees perform the futures function)				

DHHS' contract with Corr Services is for \$600,000 for the period February 1, 2000 to June 30, 2000, billed at \$32 per hour. As shown in Table 12, we estimate that the State could save between \$117,404 and \$426,864 in the first year and between \$152,607 and \$462,067 in the second year if DHHS assumes the functions now performed by Corr Services. DHHS is planning to modify ACTS so non-IV-D future payments will automatically be distributed by the computer system, thereby eliminating the need for the futures portion of the contract.

The tentative completion date is scheduled for October 2000.

RECOMMENDATION

We concur with the DHHS decision to automate future payments. DHHS should discontinue its contract with Corr Services for the remaining functions and use State employees to maintain and initiate new non-IV-D cases and work the undistributed non-IV-D future payments. This would generate a potential annual saving between \$117,404 and \$426,864 to the State for the first year.

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OBJECTIVE: *To determine the effectiveness of the child support client services call center function.*

To assess the current structure and to evaluate the effectiveness of the functions of the Client Services unit within CSE, we conducted interviews with numerous Child Support Enforcement employees, Clerks of Superior Court staff, local Child Enforcement officers, and client services clients (including absent parents). We obtained and analyzed employee lists, organizational charts, policy manuals, and training documentation for the Unit. We also reviewed and analyzed documentation relating to a needs assessment for the call center. Lastly, we monitored and assessed actual responses given to client inquiries by CSE Client Services Representatives.

Conclusions: DHHS' temporary fix of the call center is adversely affecting State operated local CSE offices. DHHS continues to reassign CSE agents from local offices to work at the call center causing the agents' casework to suffer. In addition, the CSE Client Services Unit lacks the resources to be effective. Finally, the lack of written, specific Client Services policies and procedures could negatively impact the efficiency and effectiveness of operations.

THE CSE CLIENT SERVICES UNIT DOES NOT HAVE ADEQUATE PERSONNEL AND TELECOMMUNICATION EQUIPMENT.

Before implementation of the Centralized Collections Operation, local Clerks of Superior Court were responsible for all customer service inquiries regarding non-IV-D cases. With the establishment of the CCO and legislation directing that all non-IV-D cases be handled at the State level, all inquiries previously directed to the Clerks' offices became the responsibility of the Child Support Enforcement section. CSE's 18 Client Service Representatives were responsible for handling all customer service calls for the IV-D cases. As a result of this change, the 18 CSE Client Services Representatives had to handle calls relating to the additional 61,636 Clerks' cases.

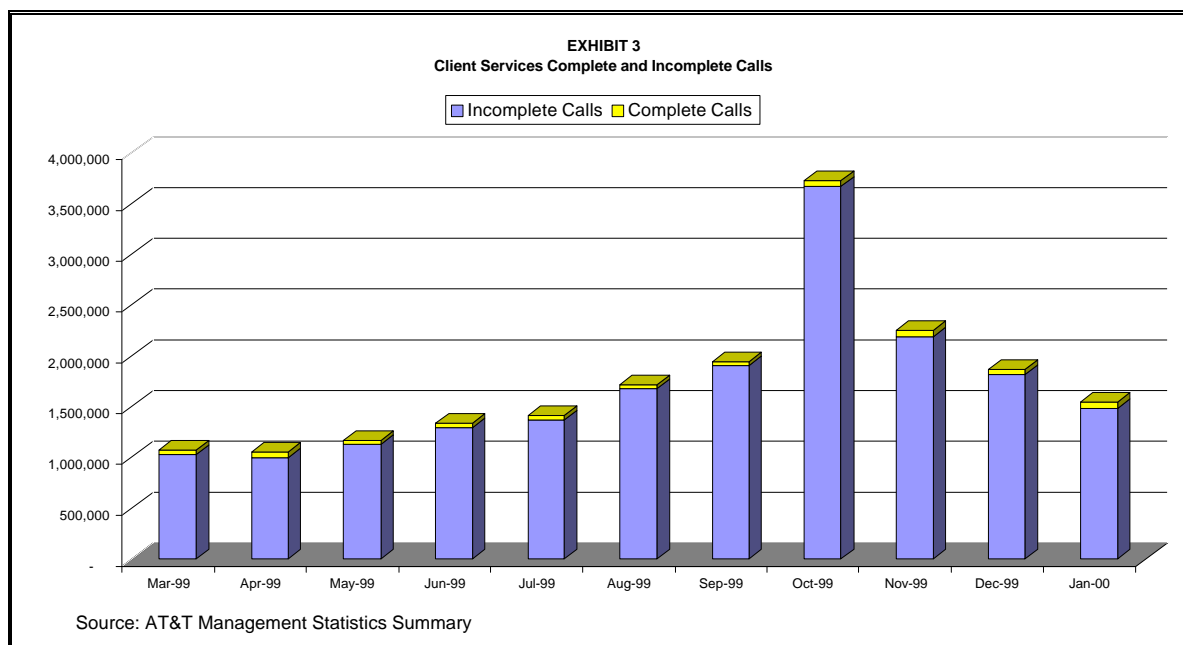
In July 1999, CSE established the CCO call center for the general public⁷, with eight telephone lines and four employees, to answer questions related to why the change took place. The call center's original hours of operation were from 8:00 a.m. until 5:00 p.m. However, the actual volume of calls concerning centralized collections increased so greatly that the hours of operation were extended to 7:00 p.m. In an effort to respond to calls, DHHS publicized all its telephone numbers, both toll free and local. This resulted in the need to have all Client Services Representatives answering CCO inquiries, with the number of calls overwhelming the entire telephone system for CSE. In October 1999, CSE added 25 additional temporary positions and 43 additional phone lines to expand Client Services' capabilities.

⁷ SMI established a call center to respond to questions from Clerks, employers, and local CSE agents, not the public. However, if SMI could not assist the caller, they referred the caller to the CSE call center.

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However, Client Services was still unable to answer a significant number of calls as shown in Table 13. DHHS brought in State CSE employees and local CSE agents to assist. Between October 1, 1999 and January 31, 2000, DHHS estimated additional cost for Client Services at \$495,000 for the use of these employees. Exhibit 3 graphically shows the number of calls completed versus the number that were unable to get through. In addition to the CSE employees, AOC provided 2 employees from October 1999 to December 1999 to assist in resolving the backlog.

TABLE 13 Client Services Complete and Incomplete Calls TO TELEPHONE NUMBERS: 800-205-9912, 877-531,1818, AND 800-992-9457				
MONTH	TOTAL CALLS	COMPLETE CALLS	INCOMPLETE CALLS	PERCENTAGE COMPLETE
Mar-99	1,077,617	51,694	1,025,923	4.80%
Apr-99	1,053,125	49,690	1,003,435	4.72%
May-99	1,172,410	43,692	1,128,718	3.73%
Jun-99	1,337,400	48,506	1,288,894	3.63%
Jul-99	1,418,632	46,414	1,372,218	3.27%
Aug-99	1,713,490	36,055	1,677,435	2.10%
Sep-99	1,942,777	36,351	1,906,426	1.87%
Oct-99	3,724,582	51,437	3,673,145	1.38%
Nov-99	2,252,266	65,413	2,186,853	2.90%
Dec-99	1,867,852	50,615	1,817,237	2.71%
Jan-00	1,548,025	67,223	1,480,802	4.34%
Source: AT&T Management Statistics Summaries.				



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DHHS has taken additional action to improve the call center, extending the call center hours on February 14, 2000 to 11:00 p.m. Additionally, DHHS continues to use State employees from local offices to help handle the volume of calls. As of March 10, 2000, there were 11 local agents assigned to Raleigh, on a weekly basis, to support the call center. While this action helps to resolve the problems at the call center, it creates problems at the local CSE offices. Local agents have large caseloads (450 to over 600 cases on average) and can not effectively work their cases when they are being pulled away to support the call center. During our interviews and surveys of local CSE offices, several individuals stated it was a hardship on them to work in Raleigh and have their casework falling behind. Agents from as far as Boone and Elizabeth City have had to work at the call center.

Also, DHHS has developed a feedback form on the DSS website enabling clients and payors to make inquiries directly to DSS- Child Support Enforcement. Responses should be provided within three days of receipt. DHHS is in the process of creating a new client call center with 80 permanent staff positions at a different location from the Six Forks location. DSS hopes to retain the 13 permanent staff members at the Six Forks location for a local support call center while adding additional positions (19) to that call center. The tentative implementation date is May 14, 2000 at an estimated annual cost of \$4.2 million (\$2.5 federal; \$1.7 state).

RECOMMENDATION

We concur with DHHS' proposed expanded call center. DHHS should continue efforts to adjust staffing levels to meet customer demand. However, DHHS should cease using employees from local CSE offices to work in Raleigh at the call center. These employees have large child support caseloads that are not being worked effectively during their absence. (See finding and recommendation on page 41.)

THE CURRENT AUTOMATED VOICE RESPONSE UNIT (VRU) IS NOT CLIENT FRIENDLY AND HAS LIMITED MANAGEMENT TOOLS.

An automated Voice Response Unit (VRU) answers calls made to the local and toll free CSE customer service telephone numbers. Currently, there are 40 telephone lines in the VRU providing callers with access to information stored within the ACTS database. To access the VRU, callers must enter their MPI number, date of birth, and the beginning letters of the non-custodial parent's first and last name. Once the caller is verified and receives access, he/she hears seven inquiry options⁸. At any point (or after hearing the seven options) the caller can opt out of the automated service and be transferred to a Client Services Representative.

The VRU was purchased in 1989 and is out-dated. CSE, with assistance from Information Technology Services (ITS), has identified several limitations of the current VRU.

⁸ Options are: The last date a payment was sent to the caller and the amount of that payment; the amount of support collected for this month; the non-custodial parent's current support amount; the amount the non-custodial parent still owes for AFDC; the amount the non-custodial parent still owes for past due support as of the current month; the amount paid on past due support this month; and the amount of AFDC payments paid to the client for the current calendar month.

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- There are no tracking mechanisms for the number of: calls on hold, minutes spent on hold, calls received, callers opting out of the system or calls where the caller hangs up without completing the inquiry.
- The caller must listen to the entire automated message before making a selection. This is likely to cause callers to opt out of the VRU to speak to an operator directly.
- No anticipated wait time provided to callers.
- No real-time statistics that show the number of calls in the queue and the longest waiting call are provided to callers.
- No multi-lingual capabilities.
- No speech recognition to accept a caller's verbal response.
- No "text to speech" capability that would allow the VRU to "speak to the caller".
- No client information available to the agents upon delivery of the inbound call.
- Cannot access non-IV-D case data.

The lack of tracking mechanisms within the system is the largest drawback to the current VRU. Management needs to be able to quantify the number of calls coming into the system to evaluate the adequacy of client service functions as well as staffing levels. In addition, this information would be highly beneficial in evaluating the optimum number of telephone lines needed in the Client Services Unit.

DHHS has included replacement of the VRU in the DSS call center improvement plan which it has been working on with assistance from ITS. DHHS' goal is for the new VRU system to handle 50% of the incoming calls for customer services, thereby reducing the number of Client Service Representatives needed. Tentative implementation date is scheduled for May 14, 2000. (Costs are included in the call center expansion discussed on the previous page.)

RECOMMENDATION

We concur with DHHS' decision to replace the current VRU. DHHS should include the necessary tracking mechanisms in the redesign to quantify the number of calls into the system. This will allow DHHS to evaluate the adequacy of client service functions as well as staffing levels.

THE LACK OF WRITTEN, SPECIFIC POLICIES AND PROCEDURES HAMPERS EFFECTIVE OPERATIONS IN THE CLIENT SERVICES UNIT.

CSE's Client Services Unit is comprised of six unique service groups. Each group provides varying types of customer service to clients, non-custodial parents, and others. Specific client bases and phone numbers are assigned to four of the client services units. Groups one and five are the first line in the customer service process and are limited in their ACTS accessibility and response capability. Inquiries requiring more expertise are forwarded to Group two for research and assistance. The three remaining Client Services groups respond to legislative, and email inquiries, and calls that come in during the second shift.

While staff was provided with some general directions, we found no documentation containing the necessary level of detail for a policies and procedures manual. Further, none of the Client Services groups within CSE had specific, step-by-step procedures in place. Lastly, Client Services did not have a formal training program until February 2000. At that time,

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Client Services created a training packet that was provided to trainees. However, CSE maintains no formal policies and procedures for training new or temporary hires.

The lack of formal written procedures for operations and training could result in inconsistent practices, employee confusion, and less than optimal performance.

RECOMMENDATION

To ensure consistency and improve customer service, DHHS should establish a policies and procedures manual for each unit providing child support services. In addition, a formal training program should be instituted and documentation of that training should be maintained for the CSE Client Services Unit (call center).

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OBJECTIVE: *To determine if SMI is following standard information system practices.*

To accomplish this objective, we had the SMI local area network (LAN) Manager and Development Manager fill out Information Systems General Controls questionnaires and reviewed the questionnaires with the appropriate employee, noting deficiencies. In addition, we interviewed key personnel at SMI and DHHS, took an in-depth tour of the CCO, reviewed work process flows at the CCO, and reviewed the contract between DHHS and SMI.

Conclusion: SMI does not have adequate controls in place to ensure the physical safeguarding of the facility, nor are there adequate controls over program access. SMI is not in compliance with several contract requirements, including establishing a ‘hot site’⁹, sufficient disaster recovery plan, and documenting system changes.

THE CCO’S DISASTER RECOVERY PLAN FOR THE LOCAL AREA NETWORK IS NOT ADEQUATE.

The LAN system at the CCO provides processing for all of the central collections operations. While SMI did have a written disaster recovery plan for the LAN, the plan is lacking the following components:

- Statement of the assumptions, such as the maximum time without computing, underlying the plan.
- Identification of key personnel and their assignments during the restoration of processing.
- Alternative procedures to manage workloads until processing resumes.
- Arrangements to use an alternate computer facility during the reconstruction of the operations.
- Availability of special stock supplies.
- An inventory of equipment, and arrangements to acquire replacement equipment. This could include written agreements with vendors.
- An inventory of telecommunications circuits and equipment, and arrangements to resume telecommunications.
- Provisions for regularly updating and periodically testing the plan.
- Approval of the plan by the senior management of the agency including both information systems and project managers.

In addition, SMI has not established the “hot site” in Raleigh specified in the disaster recovery plan. Incomplete and/or untested disaster recovery plans and lack of a “hot site” could severely hamper efforts to recover from a disaster. Good information systems general controls provide that a written disaster recovery plan for a computing environment should be complete, approved by senior management, implemented, and tested periodically.

⁹ A “hot site” is a fully operational off-site data processing facility equipped with both hardware and system software configured to the client’s specifications to be used in the event of a disaster, usually available within twenty-four hours.

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RECOMMENDATION

DHHS should enforce the terms of the contract with SMI. A sufficient, written disaster recovery plan for the local area network should be developed and a “hot site” should be established in Raleigh. The plan should be approved by senior management and tested periodically.

THERE ARE INADEQUATE OPERATIONAL CONTROLS TO ENSURE THAT DATA AND PROGRAMS ARE PHYSICALLY PROTECTED FROM UNAUTHORIZED ACCESS, USE, OR DESTRUCTION.

Good information system internal controls provide physical security to ensure that data and programs are physically protected from unauthorized access, use, or destruction. If access to data is gained by an unauthorized user, the integrity of the data could be compromised, and/or the operations could be destroyed.

Examination of the physical layout of the CCO shows that the following security measures are missing:

- The security camera's recording function was off during one visit and there is no regular monitoring of security cameras.
- There is no sprinkler system to extinguish fires.

The absence of regular monitoring of the security camera's recordings precludes the CCO from identifying theft or fraud. The building where the CCO is located is a warehouse. It was not equipped with the necessary fire suppression equipment when SMI chose it for the CCO location and DHHS approved it. SMI has not upgraded the facility's sprinkler system since CCO implementation.

RECOMMENDATION

DHHS should immediately require SMI to take the necessary steps to enhance the current physical security to safeguard the operation from unauthorized access, use, or destruction.

THERE IS INAPPROPRIATE ACCESS TO PRODUCTION DATA.

Good information technology general controls limit access by employees to only those computer resources needed to perform their duties. Additionally, good controls provide adequate documentation to track changes. We learned during the audit that SMI programmers have access to production data files and are allowed to make changes to correct the data. We noted the following weaknesses in controls:

- Several users in the Open Key Section have the ability to change processed flag values for processed transactions.
- The operator uploading the data to the Automated Collection and Tracking System (ACTS) has the ability to change data before uploading.
- There is no system audit trail.

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Allowing employees access to the production system resources to update data provides the opportunity to circumvent application controls. Such access could compromise the reliability and accuracy of critical application systems data. Also, the lack of an audit trail prevents the detection of the compromise of the data integrity. SMI's position is that the size of its operation does not facilitate proper segregation of duties. SMI feels that the programmers' and operators' access to production data allows the data to be corrected as quickly as possible in an emergency.

A planned system upgrade should limit the ability of users in the Open Key Section to change processed flag values for processed transactions. The new system upgrade also includes the ability to produce reports that will provide audit trails and establish accountability and responsibility for processed transactions.

RECOMMENDATION

DHHS should work with SMI to investigate methods to restrict access to production data files. When access is needed for data corrections, activities in these data files should be controlled, monitored, and reviewed by management. Lastly, audit trails should be used as an effective monitoring tool.

THERE IS NO CHANGE ORDER PROCESS AS REQUIRED BY THE CONTRACT.

The contract between DHHS and SMI requires all system change orders be submitted in writing and signed by both the agency and contractor. The contractor must indicate the impact of the change and costs associated with the change request. SMI does not have a change order process in place to document system changes requested by DHHS. Nor has SMI implemented change control procedures to adequately document and identify changes made to the system. While several modifications have been made to the CCO system since its implementation, neither DHHS nor SMI could produce formal written requests and did not document any system changes made.

The lack of a change order process may adversely affect the integrity of the computer system since changes made to the system cannot be adequately identified. According to DHHS, the backlog of checks at the beginning of the CCO implementation caused system changes to be made in a "fire-fighting" mode. DHHS personnel reported that system change requests were made verbally to SMI in weekly meetings. SMI made the system changes as expeditiously as possible. At the time of the audit, DHHS and SMI were negotiating the costs of undocumented change orders. Table 14 on the next page shows the items under negotiation and the associated costs. In reviewing the documentation, we noted that the development of the employer website (cost of \$25,144) was included in SMI's request for additional reimbursement. However, this item was included and paid for in the first addendum to the contract for the Outreach program. DHHS has now removed that item from the negotiation.

Currently, DHHS is formalizing the change order process to include procedures for change orders and the use of formal written system change requests. SMI has begun documenting change requests, as well as developing change order processes for internal and external

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requests. At the time of the audit, neither change order process has been approved by management for implementation.

TABLE 14	
Change Order Negotiations between DHHS and SMI	
Narrative Description of Issue	Dollar Value
Specialized research module for State Unidentified Workers	\$ 36,638
Employer Search Feature	35,445
Partial Docket Number Queries	24,560
The 48-hour accounting change.	78,756
Web-Based Reports Added	44,523
Employer Web Site*	25,144
Expansion of Capacity from original RFP and Detail Design	165,000
One time contract services for the extra-unidentified volume	27,228
Change order for CCO Steering Committee System Enhancements	142,350
Hours spent to date for Version 2	135,000
Additional Computer Hardware	118,274
TOTAL CHANGE ORDERS SMI REQUESTS	\$832,918
STATE TO PAY:	
Source: DHHS	
* This item has been omitted from the negotiation as of March 28, 2000.	

RECOMMENDATION

DHHS should complete the development and documentation of its change order process for the SMI contract. The process should be approved by management and implemented as soon as possible. When a system is changed, the documentation should be updated so that the system will be maintainable. Similarly, SMI should also complete, document, and implement its own change order process.

THERE IS A LACK OF DOCUMENTATION REGARDING ACCESS TO DATA FILES AND RESTRICTIONS ON UNAUTHORIZED USERS AND PROGRAMS.

Good information systems internal controls should document security administration, conditions for access control, data security, and program security to ensure that data and programs are protected from unauthorized access, use, or destruction. We learned that SMI does not have a formal written policy regarding access to data files and/or restriction on unauthorized users. We noted the following:

- Employees cannot immediately change initial passwords without going through the security administrator.

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- Users are not required to change passwords every 30 to 90 days.
- The access control software does not time out and log users off after a period of terminal inactivity.
- Notification of changes in user accounts are generally made verbally to the security administrator.

RECOMMENDATION

DHHS should more closely monitor SMI's procedures relating to access to data in the CCO. To ensure the integrity of the centralized collection system, SMI should take the necessary steps to strengthen and document policies and procedures regarding information security, especially relating to access to data files and programs.

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OBJECTIVE: *To determine if DHHS is following standard accounting practices and examine the feasibility of using electronic benefits transfers or electronic funds transfers for the child support system.*

To accomplish this objective, we observed workflow processes, interviewed personnel within DHHS and First Union Bank, reviewed State and federal requirements related to paperless transactions, examined the capabilities of the CCO and ACTS for electronic funds transfers, and reviewed transactions at the CCO.

Conclusion: DHHS is not requiring SMI to adhere to the State's Daily Deposit Act, which cost the State between \$10,000 and \$12,000 in lost interest from implementation to February 2000. We found it would be cost beneficial to use electronic funds transfer for employers and bank drafts or direct deposits for individuals to collect and/or disburse child support payments. However, it would be cost prohibitive to use the EBT card when compared to the cost of paper checks or direct deposit.

SMI IS NOT IN COMPLIANCE WITH THE STATE AND DHHS CASH MANAGEMENT PLANS.

The DHHS Cash Management Plan, which incorporates the State Cash Management Plan, requires daily deposits of receipts. All funds received between 8:00 a.m. and 12:00 noon must be deposited by 2:00 p.m. the same day. Funds received between 12:00 noon and 5:00 p.m. must be deposited no later than 2:00 p.m. the next day. SMI picks up checks daily from the post office at 6:15 a.m., 7:30 a.m., 9:15 a.m., and 10:30 a.m. However, the checks are not deposited until noon or 5 p.m. the next day. According to DHHS employees, DHHS verbally allowed SMI a 24-hour period to process checks. This exception was granted because of the backlog at implementation and the daily volume of checks which make it nearly impossible for SMI to process and deposit all checks in the time frame required by the Cash Management Plan¹⁰. DHHS requested an exemption from the Treasurer's Office for the CCO deposits. This request was denied.

According to records supplied by SMI, 10% to 20% of child support checks meet the daily deposit requirements. However, there is a loss of interest to the State when checks are not deposited timely as shown in Table 15 on the next page.

¹⁰ Federal Law requires the CCO to distribute all child support payments within 2 business days after date of receipt if sufficient information identifying the payee is provided. Substantial compliance is 75% within 72 hours. SMI and DHHS are distributing 77% of payments in two days and 86% in three days.

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TABLE 15 Interest Lost on Funds Not Deposited Daily September 23, 1999 to February 29, 2000				
	Total Deposits	Potential Interest Lost One Day at 6%	At 6% on 90% of Total Deposit	At 6% on 80% of Total Deposit
Amounts	\$244,226,593	\$40,147	\$36,132	\$32,117
Federal Share		\$26,497	\$23,847	\$21,197
State Share		\$13,650	\$12,285	\$10,920
Source: SMI and Office of the State Treasurer				

Also, we noted payment instruments (checks and money orders) are not being endorsed “for deposit only” until near the end of the CCO workflow. The payment instruments go through several sub-processes before being endorsed for deposit. We observed numerous payment instruments set aside for reprocessing for various reasons. Without restrictive endorsement, these payment instruments are not protected against theft or fraud.

RECOMMENDATION

DHHS should require SMI, as its contractor, to comply with the State and DHHS Cash Management Plans regarding the daily deposit of receipts. To protect against theft or fraud, restrictive endorsements should be stamped on payment instruments as early as possible.

IT IS COST BENEFICIAL FOR THE STATE TO USE ELECTRONIC PAYMENTS FOR THE COLLECTION AND DISBURSEMENT OF CHILD SUPPORT PAYMENTS.

As the audit progressed, evidence indicated that the child support payments program might benefit from use of electronic transaction procedures. Research shows that there are several options for the collections and disbursement of child support payments: 1) the paper checks and money orders currently used, 2) drafting payments or making direct deposits for individuals, 3) electronic benefits transfers for clients (EBT), and 4) electronic funds transfers (EFT) for employers submitting wage withholding. Benefits of using electronic methods to receive and send child support payments include:

- The payee gets the support quicker with direct deposit since the check would not have to be mailed;
- There would be a reduction in lost or stolen checks;
- The payor could have payments drafted directly from a checking account, saving time and postage;
- There is a much lower chance of the employer’s deposit and remittance device being out of balance, thereby decreasing the need to investigate and correct before posting; and
- The receipt of employer’s checks would be faster since delivery is accomplished electronically rather than by regular mail.

We learned that DHHS is studying the possibilities of utilizing EFT, EBT, direct deposit, and/or drafting individual bank accounts for all assistance programs. DHHS has been

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working with banks to convince them to provide low or no fee bank accounts to individuals participating in assistance programs. To determine the feasibility of using electronic transfers for the child support program, we analyzed the costs/benefits of each. We discuss each analysis below.

Currently, North Carolina uses **Electronic Benefits Transfer** (EBT) to disburse Food Stamp funds to recipients. Since the Federal government places no limitations on the use of this card for other benefits programs, DHHS could use the same card for the child support program. DHHS had a contract with Citibank to provide services for EBT cards at a rate of \$1.09 per transaction. This contract expired February 29, 2000 and the State has extended the contract until the end of April 2000. Contract negotiations are underway and transaction costs are expected to increase.

Using this information, we analyzed the costs of using EBT cards and direct deposit to disburse child support. We have assumed that the State would bear the processing costs for either option and have shown the costs/benefits at varying levels of participation. As shown in Table 16, it is cost prohibitive to use the EBT card for disbursing child support payments, with the annual costs ranging from \$41,148 to \$205,728. However, an annual saving could be realized by using direct deposits to clients, ranging from \$251,448 to \$1,257,228. Of course, for this option to work, clients must have a bank account to qualify for direct deposit. Based on our research, the monthly costs to the client for this option would be between \$1.00 and \$8.00.

TABLE 16 Potential Monthly Savings or Costs for EBT or Direct Deposit (DD)						
	Check Transaction Monthly	Transaction Disbursement Costs			Difference between Transaction Types	
		Paper Check (\$1.00) ¹	EBT (\$1.09)	Direct Deposit (\$0.45) ¹	EBT vs. Paper Check	Direct Deposit vs. Paper Check
Average Checks/Month	380,977					
50% of clients use DD or EBT	190,489	\$190,489	\$207,633	\$85,720	(\$17,144)	\$104,769
25% of clients use DD or EBT	95,244	95,244	103,816	42,860	(8,572)	52,384
10% of clients use DD or EBT	38,098	38,098	41,527	17,144	(3,429)	20,954
Source: DHHS – ACTS Project and First Union Bank						
1. Cost estimates provided by First Union Bank						

Our analysis shows that **Electronic Funds Transfers** (EFT) would be cost beneficial to the State if used by employers to submit employee wage withholdings. Again, we have assumed that the State will bear the costs of the processing. Table 17 on the next page shows a potential annual saving of \$1,116,456 if all employers with 100 or more employees use the EFT process instead of mailing checks. However, there is a cost to the employer to use EFT: a \$30 flat fee to transfer the fund and electronic distribution instrument (EDI) and \$0.045 for each transaction, i.e. each employee included on the EDI.

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TABLE 17 Potential Monthly Savings if Large Employers use EFT						
1	2	3	4	5	6	
Frequency Checks Are Submitted to the CCO	Actual # of Transactions Submitted to CCO Monthly	CCO Monthly Cost (Col. 2 X \$.72)	EFT Transaction Cost (Col. 2 X \$.20)	EFT Monthly Cost	Total EFT (Col. 4 + Col. 5)	Potential Monthly Saving (Col. 3 – Col. 6)
Weekly	112,528	\$81,020	\$22,506		\$22,506	\$58,514
Bi-Weekly	12,924	9,305	2,585		2,585	6,720
Monthly	53,509	38,526	10,701		10,701	27,825
				\$21	21	(21)
Total	178,961	\$128,851	\$35,792	\$21	\$35,813	\$93,038
Source: DHHS and First Union Banks						

Currently, DHHS uses EFT to send and receive child support payment from 23 states. Additionally, eight employers use EFT to submit child support payments for employee wage withholding. DHHS is planning to pilot a project for State agencies to use EFT for employee wage withholding. Software for the pilot is being developed for a cost of \$325 and First Union Bank is assisting DHHS with the project. The pilot project should begin in April or May 2000, with a marketing campaign tentatively scheduled for October 2000 to solicit employers to use EFT to submit employee wage withholdings.

RECOMMENDATION

We support DHHS' plans to employ electronic methods of collecting and disbursing child support payments. DHHS should increase its efforts to utilize electronic methods and proceed with plans to pilot these methods for State agencies.

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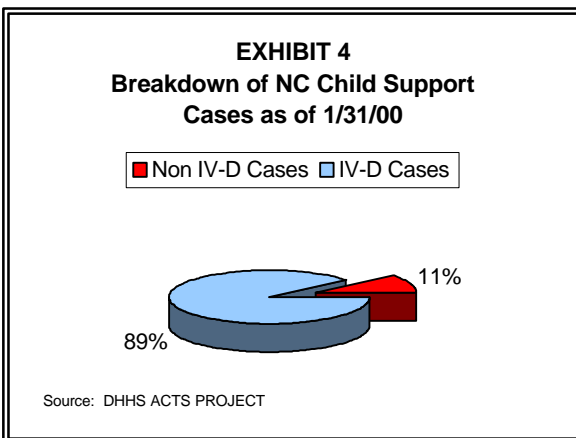
OBJECTIVE: *To examine the overall effectiveness of the Child Support Enforcement Function.*

To accomplish this objective, we reviewed the current structure and responsibility for the enforcement function, examined caseloads within each county, reviewed federal and State laws, identified staffing levels and salary costs, and interviewed local CSE personnel and Clerks of Superior Court to identify job duties and responsibilities.

Conclusion: The current enforcement structure, which is divided between local CSE offices and Clerks of Superior Court, would be more effective if the entire function were administered by CSE. Services between the two agencies are inconsistent, with the local CSE offices better equipped to coordinate child support cases and to locate absent parents. To effectively handle the Clerks' cases in addition to the IV-D cases, local CSE offices will need additional staff . . . approximately 299 more agents to establish a statewide caseload average of 425 per agent. The approximate cost to the State would be \$4,628,334, with federal funds picking up the remainder of the estimated \$13,612,747 salary costs.

SPLITTING RESPONSIBILITY BETWEEN THE LOCAL CSE OFFICES AND CLERKS OF SUPERIOR COURT FOR ENFORCING CHILD SUPPORT ORDERS RESULTS IN INEFFICIENCIES.

Currently, the responsibility for the enforcement of child support orders is divided between the Clerks and the local CSE offices. Clerks are responsible for handling court ordered child support in cases where the participants are not covered under federal IV-D regulations. As of January 31, 2000, there were 61,636¹¹ of these cases in the State. The remainder of the cases, 492,149, are handled by the local CSE offices. Exhibit 4 shows the breakdown of cases.



In examining the duties performed by the Clerks and the local CSE offices, we found that there are significant inconsistencies in how the cases are handled. First, the Clerks only enforce court established support orders. They do this by setting up the case in their unique computer system, the Support Enforcement System (SES) implemented in 1985 by the Administrative Office of the Courts. The SES, while used by all Clerks to monitor child support orders, is based on single case

¹¹ This number represents the total number of Clerks' cases that would be worked by CSE. Included in this number are cases that the Clerks would consider as "inactive" such as cases where payments have not been received in 12 months or cases where there is no current address for the payor.

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information. That is, the SES does not interface with any other computer systems and does not automatically check to see if the same parties have more than one court ordered case.

On the other hand, the local CSE office will establish and modify support orders, but also works to locate a parent and establish paternity. The CSE offices use the State-supported computer program, ACTS, to assist in monitoring cases. ACTS interfaces with 18 State and federal databases and automatically attempts to locate non-custodial parents. Additionally, ACTS is linked to the State Directory of New Hires which notifies CSE when a payor (non-custodial parent) has left his/her place of employment and taken a new job.

With the implementation of the CCO, DHHS assumed responsibility for collections and disbursement of both the IV-D cases handled by the local CSE offices and the non-IV-D cases handled by the Clerks. In order for the Clerks to continue monitoring non-IV-D cases, they must have access to the payments data in ACTS. While 37 of the Clerks have access to ACTS for inquiry purposes, the others must have the ACTS data downloaded to SES to access it. Currently there is a two-day delay to download data from ACTS to SES. As discussed earlier, the conversion process for the Clerks' cases uncovered the fact that SES does not contain all the data required by ACTS, and therefore, the Clerks may not have all the data necessary to effectively enforce a child support order.

Another factor that indicates one entity should be responsible for all child support enforcement activities is "redirected" cases. A redirected case occurs when the client in a non-IV-D case handled by the Clerk becomes eligible for IV-D services. At that point, the case is redirected to the local CSE office for enforcing. As of February 22, 2000, there were 3,701 redirected cases. Examination of child support records shows that clients can switch back and forth between being IV-D eligible and non-IV-D eligible.

Finally, the local CSE offices currently receive 66% federal funding for the child support enforcement function. The Clerks' child support enforcement function is entirely supported by State funds. Amending State statutes to discontinue the child support function at the Clerks' offices and directing the local CSE offices to enforce all child support orders would allow the State to maximize the use of federal funds. Table 18 shows cost of additional staff needed at local offices to maintain present caseload levels. Our analysis is based on no office

TABLE 18 Cost of Additional CSE Agents to Handle Clerks' Cases (Excludes costs of support staff, facilities and equipment)				
	Additional FTE Needed ⁴	County/ State cost	Federal Share ¹	Total Cost for Additional FTE
Increase in State Cost and FTE to handle additional cases ²	26.28	\$387,400	\$752,012	\$1,139,411
Increase in County Cost and FTE to handle additional cases ³	73.85	\$1,197,505	\$2,324,568	\$3,522,073
Total	100.13	\$1,584,905	\$3,076,580	\$4,661,485
Source: DHHS – ACTS Project 1. CSE program operation funded at 66% federal 2. State agent salary based on salary grade 65, midpoint, plus 40% for benefits. 3. County agent salary based on 110% of salary grade 65, midpoint plus 40% for benefits Based on present caseload level or 425 cases per employee.				

having less than 425 cases per agent. Having the local CSE responsible for all child support enforcement would allow the State to receive 66% of the operating costs for these additional cases from the federal government. Federal funds would pay for an additional 67.5 agents of

FINDINGS AND RECOMMENDATIONS

the 100 needed to keep caseloads at the current level. (See next finding for caseload concerns.)

During the audit, we conducted a survey of Clerks of Superior Court and local CSE employees to identify issues and obtain input on changes needed in the system. (See Appendix A, page 57 for summary data.) A frequent remark was, "There should be one entity administering child support." Additionally, only two of the other states responding to our survey reported that Clerks were responsible for enforcing specific child support cases.

Based on data supplied by the Clerks, there are 55.73 FTE positions (spread across the State's 100 counties) handling the enforcement functions at the Clerks' offices at a total salary cost of \$2,094,565. Also, AOC previously transferred \$5,000,000 to DHHS during FY1999-00 and FY2000-01 to cover costs related to processing payments for the Clerks' cases at the CCO. In our opinion, moving these positions and additional funds from the Clerks' offices would create a further hardship on the Clerks who are already understaffed.

RECOMMENDATION

The Legislature should amend GS 50-13 to remove the child support enforcement functions from the Clerks of Superior Court. The entire function should be administered by the Child Support Enforcement Section within the Division of Social Services, DHHS. DHHS should request an additional 100 local CSE agent positions from the General Assembly.

CASELOAD LEVELS AT LOCAL CHILD SUPPORT ENFORCEMENT OFFICES ARE TOO LARGE FOR PROPER MANAGEMENT OF CASES.

North Carolina's Child Support Enforcement program is a State supervised and locally administered program. The State has the oversight responsibility to the Federal government. Exhibit 5 on the next page shows the location of the local Child Support Enforcement Offices. The 17 State operated offices cover 30 counties, with four of these offices covering multiple counties. Child support enforcement services for the other 70 counties are provided by locally operated offices. Guilford and Edgecombe counties have two local offices each, making 72 locally operated offices covering 70 counties. Eight of the county operated offices are outsourced to private contractors. The State has established policies and procedures for all local CSE offices to follow. One policy addresses standard caseload levels.

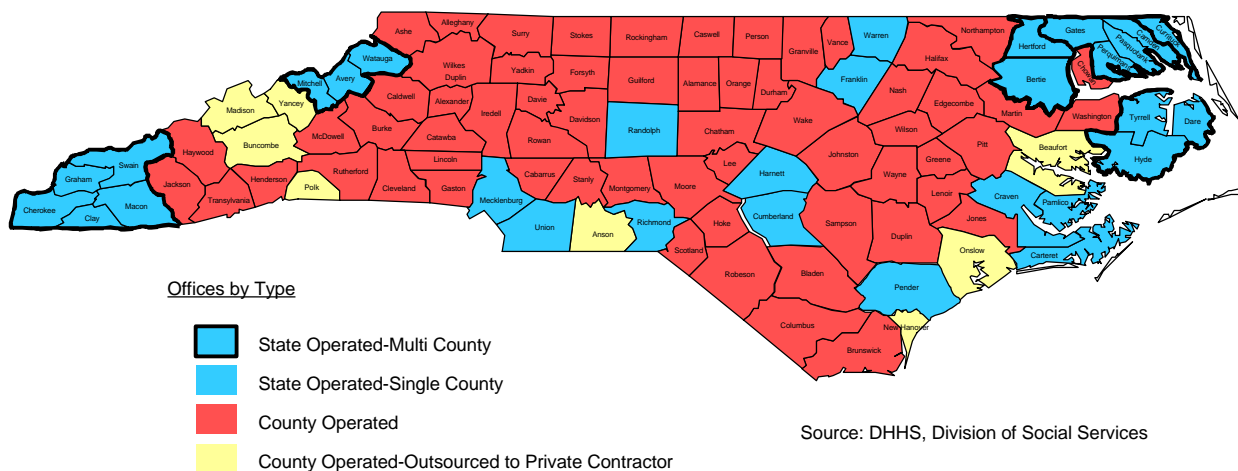
The CSE policy for caseload levels, last updated in 1975, is 325 cases per agent. During our review we noted the statewide average for cases per employee is approximately 490 cases for IV-D cases only¹². According to CSE management, an agent can effectively handle 400 to 450 cases. Using the midpoint of 425 cases per agent, there are 54 (62%) offices with average caseloads greater than the midpoint. Caseload averages range from a low of 165 cases per agent in Madison County to a high of 921 in Onslow County. Table 20, page 43 shows all county offices and the average caseload per agent (all employees carrying a caseload).

¹² If local CSE agents assume responsibility for all non-IV-D cases, then the average case load would increase to 551.

FINDINGS AND RECOMMENDATIONS

EXHIBIT 5

Local Child Support Enforcement Offices



State and county local CSE offices are understaffed which causes the larger caseloads. If the Clerks' cases **are not** transferred, then to meet the effective midpoint caseload average of 425 cases per agent, the State would need 154 additional agents at the local CSE offices. If the Clerks' cases **are** transferred, then an additional 145 agents would be needed to maintain an average caseload of 425 per agent for all offices.¹³ During our survey and interviews of local CSE employees, we received frequent comments about the need for smaller caseloads and the need for more staff. Table 19 details the cost of additional agents.

TABLE 19 Number and Cost of Additional Agents to Maintain 425 Cases per Agent			
	State IV-D	Clerk of Court	Total
Cases	492,149	61,636	553,785
Agents:			
Current agents	1,004	-	1,004
Need to maintain 425 case/agent	1,158	145	1,303
Shortage of agents	(154)	(145)	(299)
Salary costs for additional agents:*			
Total	\$7,010,589	\$6,602,158	\$13,612,747
Less: Federal (66%)	\$4,626,989	\$4,357,424	\$ 8,984,413
Less: State/County (33%)	\$2,383,600	\$2,244,734	\$ 4,628,334
*Agents' Salaries are based on the average of county and state employees' salaries. State salaries are based on midpoint grade 65 plus 40% for benefits. County salaries are based on 110% of State salaries plus 40% for benefits.			
Source: DHHS ACTS Project			

RECOMMENDATION

DHHS should review the Staffing/Caseload Standard Policy and make adjustments to reflect present standards. DHHS should use the above data to justify a request to the General Assembly for an additional 154 local CSE agents to obtain an average caseload of 425. If CSE becomes responsible for all cases, then DHHS should request an additional 299 agents. Since the local agents are employees of the county in which they work, the General Assembly should consider allocating funds directly to the counties for these agents. This would allow local CSE offices to reduce caseloads and become more effective at establishment and enforcement.

¹³ The analysis in Table 18 allows those offices whose current caseloads are in excess of 425 cases per agent to maintain their present caseload averages. It does **not** reduce the average caseloads to 425.

FINDINGS AND RECOMMENDATIONS

DHHS management should monitor caseload levels to ensure resources and cases are distributed as equitably as possible given local resources.

TABLE 20
Average Caseload per Local CSE Agent by County
As of January 31, 2000
(Includes all employees carrying caseloads)

* The following offices cover multiple counties:

Ahoskie = Bertie and Hertford

Albemarle = Camden, Gates, Pasquotank, and Perquimans

Boone = Avery, Mitchell, and Watauga

Bryson City = Cherokee, Clay, Graham, Macon, Swain, and Tribal Court

Manteo = Currituck, Dare, Hyde, and Tyrrell

Offices listed in **blue** are privatized.

Office	Number of Cases	Number of Employees Working Cases	Average Caseload/ Employee	Office	Number of Cases	Number of Employees Working Cases	Average Caseload/ Employee
Ahoskie*	5,713	7	816	Jackson	926	3	309
Alamance	4,695	13	361	Johnston	6,028	11	548
Albemarle*	5,680	12	473	Jones	941	4	235
Alexander	1,100	4	275	Lee	2,945	8	368
Alleghany	341	1	341	Lenoir	6,439	18	358
Anson	2,932	6	489	Lincoln	2,722	7	389
Ashe	817	3	272	McDowell	2,079	6	347
Avery	561	See Boone		Macon	1,241	See Bryson City	
Beaufort	3,993	7	570	Madison	660	4	165
Bertie	2,652	See Ahoskie		Manteo*	2,810	6	468
Bladen	2,964	7	423	Martin	3,049	7	436
Boone*	1,870	3	623	Mecklenburg	38,365	63	609
Bryson City*	4,795	10	480	Mitchell	437	See Boone	
Brunswick	4,967	10	497	Montgomery	2,280	5	456
Buncombe	10,216	17	601	Moore	3,552	9	395
Burke	3,861	9	429	Nash	7,165	17	421
Cabarrus	5,459	14	390	New Hanover	9,916	10	992
Caldwell	4,042	9	449	Northampton	3,115	7	445
Camden	314	See Albemarle		Onslow	8,289	9	921
Carteret	2,776	6	463	Orange	3,500	8	438
Caswell	1,177	4	294	Pamlico	842	2	421
Catawba	7,015	16	438	Pasquotank	3,755	See Albemarle	
Chatham	1,815	6	303	Pender	2,493	7	356
Cherokee	1,476	See Bryson City		Perquimans	890	See Albemarle	
Chowan	1,704	4	426	Person	2,094	5	419
Clay	318	See Bryson City		Pitt	9,266	17	545
Cleveland	7,423	14	530	Polk	503	3	168
Columbus	5,446	9	605	Randolph	4,944	8	618
Craven	6,897	11	627	Richmond	5,471	12	456
Cumberland	24,024	43	559	Robeson	15,153	25	606
Currituck	987	See Manteo		Rockingham	5,590	9	621
Dare	1,059	See Manteo		Rowan	7,721	18	429
Davidson	5,926	11	539	Rutherford	3,438	8	430
Davie	1,207	2	604	Sampson	4,785	11	435
Duplin	4,340	9	482	Scotland	5,237	9	582
Durham	14,979	30	499	Stanly	3,994	6	666
Edgecombe	8,611	20	431	Stokes	1,482	5	296
Forsyth	20,214	33	613	Surry	2,854	6	476
Franklin	3,247	8	406	Swain	799	See Bryson City	
Gaston	11,836	31	382	Transylvania	1,480	4	370
Gates	721	See Albemarle		Tyrrell	371	See Manteo	
Graham	319	See Bryson City		Union	5,294	10	529
Granville	3,467	8	433	Vance	5,074	9	564
Greene	1,566	4	392	Wake	19,260	48	401
Guilford	30,663	57	538	Warren	2,140	4	535
Halifax	6,212	14	444	Washington	1,550	5	310
Harnett	7,045	13	542	Watauga	872	See Boone	
Haywood	2,117	7	302	Wayne	9,034	23	393
Henderson	2,506	7	358	Wilkes	2,436	5	487
Hertford	3,061	See Ahoskie		Wilson	8,841	19	465
Hoke	3,118	6	520	Yadkin	1,062	3	354
Hyde	393	See Manteo		Yancey	403	3	134
Iredell	6,151	9	683	Tribal Court	642	See Bryson City	
Statewide Totals					492,149	1,004	490

Source: DHHS – ACTS Project

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ISSUES FOR FURTHER STUDY

During the audit, we learned that the Child Support Agent II position has not been reclassified since 1984. In 1999, DHHS' Division of Social Services (DSS) conducted a study for reclassifying this position. The study concluded there were insignificant changes in processes and purpose and role of the position to upgrade the positions. However, during this same time period, DHHS' Personnel Office, with assistance from the Office of State Personnel, conducted a job market differential study. Based on this study, State employees in the Mecklenburg and Union CSE offices received pay increases. The basis for the increase was employee turnover rates and the inability to attract qualified applicants. The increase in only two local CSE offices has disrupted morale in the other offices. In our opinion, DHHS should re-evaluate the pay levels for all local CSE employees.

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BACKGROUND INFORMATION

The North Carolina Child Support Enforcement Section, located within the Division of Social Services, in the Department of Health and Human Services has the responsibility for assisting the citizens of North Carolina in the collection of child support payments. The program, established in 1975 by the federal government, has undergone many changes to improve efforts in collecting child support.

History of Child Support Enforcement

The first federal child support enforcement legislation was enacted in 1950 as part of the Social Security Act, 42 USC 602(a)(11). This law required State welfare agencies providing Aid to Families with Dependent Children (AFDC) to notify appropriate law enforcement officials when a child had been abandoned or deserted by a parent. In subsequent years, additional laws were passed that enabled states to locate absent parents who owed court ordered child support. In 1975, Congress created the National Child Support Enforcement Program with enactment of Title IV-D of the Social Security Act. (Most of North Carolina's child support payments fall under this act.) North Carolina's child support enforcement efforts began in 1975.

In 1983, the North Carolina General Assembly passed legislation requiring the Clerks of Superior Court, upon the request of either party involved in the child support order, to collect child support payments and enforce delinquencies. In 1985, the Administrative Office of the Courts (AOC) implemented the Support Enforcement System (SES), a computerized database. AOC maintains the SES and all Clerks use the system for monitoring payments and determining necessary enforcement action.

Each state is required to operate a Child Support Enforcement Program meeting federal requirements to be eligible for the Temporary Assistance to Needy Families (TANF, formerly AFDC) block grant. In 1996, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PL 104-193)¹⁴. This law, which deals with non-paying parents, contains a performance bonus to reward states for comprehensive child support enforcement. Additional provisions of this law include:

- Establishing a national new hire reporting system to track delinquent parents across state lines;
- Streamlining the legal process of paternity establishment;
- Making interstate child support laws uniform;
- Computerizing state-wide collections by establishing a central registry of child support orders and centralizing collections and disbursement units;
- Implementing tougher child support enforcement techniques such as seizing assets, revoking drivers and professional licenses;
- Prioritizing distribution of child support arrears for families no longer receiving assistance; and
- Establishing access and visitation programs to increase non-custodial parents' involvement in their children's lives.

The mandated statewide child support computer system, Automated Collection and Tracking System (ACTS), was implemented by the State in 1997. The purpose of ACTS is to assist child support agents with case management by utilizing automated processes for locating

¹⁴ PL104-193 is considered the most sweeping crackdown on non-paying parents in history.

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absent parents and monitoring delinquencies. ACTS is instrumental in the current centralized collections and disbursements process, whereby the system posts, allocates, distributes/disburses, and prints child support checks.

PL104-193 also mandated that a centralized collection and disbursement unit be implemented by October 1, 1999. The law contained sanctions, including the loss of CSE funding and the TANF block grant, to be placed on any state not meeting this deadline. For FY1998-99, the CSE funding was \$76,768,030 and the TANF grant was \$302,240,000.

In 1997, the North Carolina General Assembly passed legislation implementing the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. G.S. 110-139(f) established the State Child Support Collection and Disbursement Unit with an effective date of October 1, 1999. In July 1999, legislation required the State Child Support Collections and Disbursement Unit collect support payments for the Clerk of Superior Court cases.

The Centralized Collections Operation (CCO)

With the establishment of the State Child Support Collection and Disbursement Unit, referred to as Centralized Collections Operation (CCO), one entity became responsible for processing all child support payments and disbursements in North Carolina. Prior to its implementation, child support payments were made to one of two places. The 100 Clerks of Superior Court collected child support payments and dispersed checks for all non IV-D cases (Clerk Cases), with the exception of a small percentage of payments processed by the DHHS Controllers Office. Payments for IV-D child support cases were made to the Clerk of Superior Court while disbursement for these cases were made by the State's ACTS system.

The State looked at several options before deciding to outsource the collections function. A Steering Committee was established to develop the Request For Proposal (RFP) and oversee the project. The committee received qualified proposals for the CCO project from two vendors. The proposal from Systems and Methods, Inc (SMI) was selected based on a highly automated technical solution and a superior mail opening and imaging system. Additionally, SMI's cost was considerably lower than the other vendor's. In November 1998, the contract for the child support centralized collections system was awarded to SMI for a total cost of \$10.5 million. In April 1999 Amendment I modified the contract by \$1.6 million to add the Outreach Program. The DHHS Controller's Office manages the CCO Project with input from AOC on non IV-D related cases.

Mission and Goals

The mission of the Office of Child Support Enforcement is to help children in absent parent families obtain the financial support to which they are entitled. Child support enforcement services are available to anyone who wants or needs help in collecting child support through a network of state and locally run offices operating in every county. Goals are:

BACKGROUND INFORMATION

- To improve the well being of children through timely receipt of child support.
- To meet Federal requirements for collecting child support.
- To utilize all administrative and judicial remedies required to achieve successful enforcement.
- To operate in a cost effective and collaborative manner.

Statutory Authority

Department of Health and Human Services

GS 143B-138.1 vests organizational responsibility for the Division of Social Services and the Social Services Commission with the Department of Health and Human Services (DHHS). DHHS is authorized by GS 110-141 to supervise the administration of the Child Support Enforcement Program in accordance with federal law and State laws as described in GS 110-128-142.2. DHHS has assigned responsibility for this program to the Division of Social Services (DSS).

The Social Services Commission

The Social Services Commission was established by GS 143B-153. The Commission has the power and duty to adopt rules and regulations to be followed in conducting the State's social service programs consistent with the laws of the State. All rules and regulations adopted by the Commission shall be enforced by the Department of Health and Human Services.

The Commission is composed of one member from each congressional district in the State, all of whom are appointed by the Governor for four-year terms. The chairman is designated by the Governor from among the members of the Commission. The vice-chairman is elected by and from the members of the Commission.

Child Support Enforcement

Article 9 – GS 110-128 outlines the purpose of the Child Support Enforcement program. Specifically, CSE is to:

- locate absent parents;
- determine if a responsible parent is able to support his/her children;
- enforce the responsible parent's obligation to furnish support; and
- establish and administer a program of child support enforcement in North Carolina.

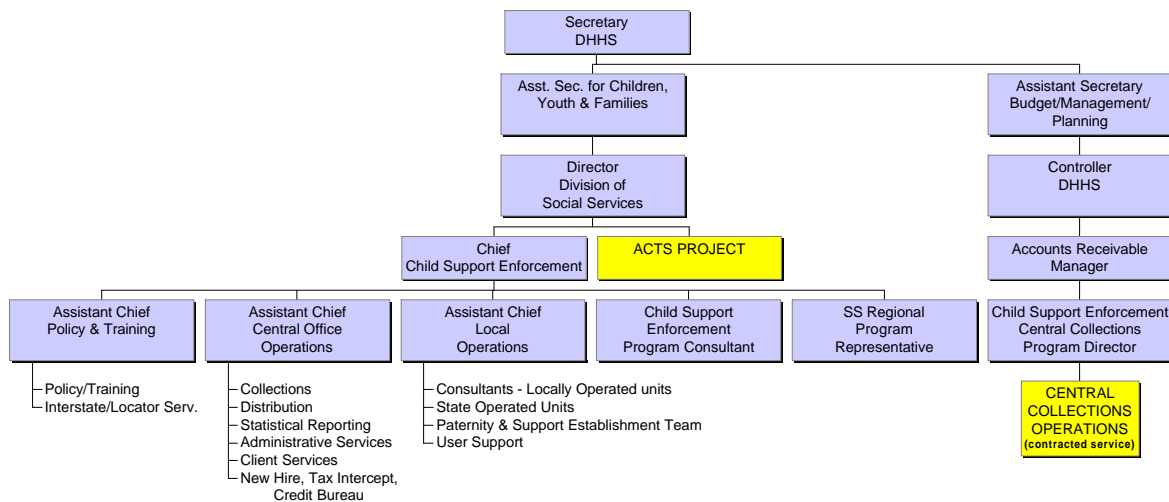
Organizational Structure, Staff and Functions

Child Support Enforcement is located in the Division of Social Services in the Department of Health and Human Services. The Chief of Child Support Enforcement oversees the functions of five branches within the Central Office: 1) Policy and Training, 2) Central Office Operations, 3) Legislative Liaison, 4) Social Services Regional Program Representative, and 5) Local Operations. Each section and its corresponding responsibilities are summarized below. Exhibit 6 on the next page depicts the

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current organizational structure of the Child Support Enforcement and Central Collections Operation within DHHS.

EXHIBIT 6
Department of Health and Human Services
Division of Social Services & Controller's Office
Child Support Enforcement & Central Collections Operation



Source: Department of Health and Human Services

1) Policy and Training

Program operations consist of the Policy and Training staff, State Parent Locator Service/Interstate Unit and the Administrative Services Unit. The Policy and Training Section has 18 staff members in addition to the Assistant Chief of this branch. This section interprets policy changes for local CSE offices and conducts training and orientation of new workers including agents at the local offices. New worker training is provided for locating responsible parents, paternity establishment, support establishment, enforcement and collection and distribution staff. Training encompasses laws and regulations, program policy, and use of ACTS. Staff also test new components of the ACTS system.

Local CSE agencies cooperate with other state CSE agencies and their central registries in providing services on interstate CSE cases. These cases are referred through the Interstate Unit within Policy and Training. This responsibility includes answering calls from other states and local agencies as well as determining if they need to contact other states' agencies. This section also manages all international cases.

Policy and Training staff also provide parent locate services. The ACTS database is linked with 18 federal and State registries, such as the National Directory of New Hires, Federal

BACKGROUND INFORMATION

Case Registry, NC Division of Motor Vehicles, and NC Department of Corrections. Interfacing with these databases enables staff to locate absent parents.

2) Central Office Operations

The Assistant Chief of Central Office Operations oversees approximately fifty employees. Until March 1, 2000, this section also included the Administrative Services Unit. Central Office sections include Statistical Reporting, Accounting, Collections, Client Services, New Hire/Tax Intercept, and Distribution. These functions encompass management of contracts, research and adjustments regarding payments, reporting, tax intercept duties, distributions to clients, and responses to client inquiries.

The Client Services unit works in conjunction with the Collection, Tax Intercept, and Distributions sections to provide payment status and general information to clients and absent parents via telephone calls, email, and mail correspondence.

3) Child Support Enforcement Program Consultant

This stand-alone position functions as the Legislative Liaison and Special Assistant to the Chief of Child Support Enforcement. This employee manages Public Outreach for the Central Office and fields all legislative and press inquiries. In addition, this position provides follow-up on sensitive or exceptional client services inquiries. Another responsibility is to provide Central Office representation at Child Support Enforcement conventions and conferences at the state and national level.

4) Social Services Regional Program Representative

The Social Services Regional Program Representative position, reporting directly to the Chief of Child Support Enforcement, was added within the last year. This position is held by a program analyst who assists managers of county and State operated child support enforcement offices in measuring performance, making comparisons to established benchmarks, and establishing best practices. The critical performance indicators are: cases under orders, average collection rate, percent of cases with arrears, paternity establishment rate, and cost effectiveness. Federally mandated goals for these measures must be met by 2004 or federal funding will be adversely affected.

5) Local Operations

The Assistant Chief of Local Operations supervises 3 Area Supervisors, 3 Area Trainers, 17 State Operated Offices (approximate staff of 340), 6 Consultants and the 6 member Strategic Tactical Response Team (START) . The Area Supervisors are responsible for the personnel and program administration in the State operated units. Consultants are assigned the county operations, which can be operated by county DSS, private contractor, the County Manager, or the Tax Office. They are responsible for program policy and procedures, disseminating policy, monitoring performance and working with local DSS Directors and County Commissioners on budget issues.

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Both Area Supervisors and Consultants assist local supervisors with office re-organization to ensure the best utilization of staff and resources. Additionally, they strive to keep an open line of communication between Child Support, the Judicial System, and all other agencies involved in the child support process. They also conduct local program assessments to ensure compliance with State and federal regulations.

The START Team works in low performing counties to identify weaknesses and then develop and implement plans for improved performance.

User Support Services provides a State representative on the ACTS help desk, statewide ACTS user support, and LAN administration for the central office. In addition, these staff perform annual self-assessment audits statewide as mandated by the Federal Government. User Support. Staff monitors security measures for the ACTS database, as well as oversees all EFT (electronic funds transfer) transactions.

The local offices provide a range of services for IV-D cases including:

- Locating absent parents in order to establish paternity and/or to collect child support payments. This includes automated database searches and investigating any leads provided.
- Paternity establishment to legally establish paternity in order to obtain a support order. Methods include voluntary acknowledgement and genetic testing.
- Support order establishment and modifications. Modifications are conducted every three to five years to determine if support order amounts should be increased or decreased.
- Enforcement of support orders. This includes wage withholding, state and federal tax intercepts, liens and bonds, asset seizure, revocation of license or passport, and reporting non payments to credit bureaus.

The Clerks of Superior Court (Clerks) handle non-IV-D cases, and provide enforcement services for established support cases. They monitor for delinquency, notify non-custodial parents of delinquencies, and issue show cause orders and warrants for arrest.

As of January 31, 2000, the IV-D caseload in North Carolina is 492,149, representing 88% of the State's caseload. The Clerk of Court cases, non IV-D, represent 11% of the State's caseload (61,636 cases). Table 21 on the next page shows the number of cases in each county for IV-D and non-IV-D cases.

BACKGROUND INFORMATION

TABLE 21 Number of Cases at the Local CSE and Clerks of Superior Court Offices								
County	Local CSE Cases IV-D	Clerk of Court Cases Non-IV-D	County	Local CSE Cases IV-D	Clerk of Court Cases Non-IV-D	County	Local CSE Cases IV-D	Clerk of Court Cases Non-IV-D
Ahoskie*	5,713		Edgecombe	8,611	434	Onslow	8,289	1,005
Alamance	4,695	1,898	Forsyth	20,214	3,076	Orange	3,500	369
Albemarle*	5,680		Franklin	3247	154	Pamlico	842	63
Alexander	1,100	402	Gaston	11,836	2,266	Pasquotank	3,755	146
Alleghany	341	70	Gates	721	31	Pender	2,493	125
Anson	2,932	136	Graham	319	35	Perquimans	890	34
Ashe	817	169	Granville	3,467	200	Person	2,094	414
Avery	561	97	Greene	1,566	47	Pitt	9,266	772
Beaufort	3,993	346	Guilford	30,663	2,340	Polk	503	82
Bertie	2,652	162	Halifax	6,212	368	Randolph	4,944	1,154
Bladen	2,964	198	Harnett	7,045	645	Richmond	5,471	533
Boone*	1,870		Haywood	2,117	225	Robeson	15,153	1,194
Bryson City*	4,795		Henderson	2,506	581	Rockingham	5,590	1,120
Brunswick	4,967	500	Hertford	3,061	149	Rowan	7,721	1,339
Buncombe	10,216	1,440	Hoke	3,118	69	Rutherford	3,438	715
Burke	3,861	732	Hyde	393	13	Sampson	4,785	376
Cabarrus	5,459	1,224	Iredell	6,151	1,529	Scotland	5,237	248
Caldwell	4,042	823	Jackson	926	83	Stanly	3,994	359
Camden	314	18	Johnston	6,028	691	Stokes	1,482	249
Carteret	2,776	540	Jones	941	33	Surry	2,854	660
Caswell	1,177	144	Lee	2,945	548	Swain	799	48
Catawba	7,015	1,292	Lenoir	6,439	492	Transylvania	1,480	157
Chatham	1,815	232	Lincoln	2,722	536	Tyrrell	371	16
Cherokee	1,476	116	McDowell	2,079	201	Union	5,294	917
Chowan	1,704	53	Macon	1,241	143	Vance	5,074	282
Clay	318	28	Madison	660	91	Wake	19,260	4,172
Cleveland	7,423	843	Manteo*	2,810		Warren	2,140	57
Columbus	5,446	579	Martin	3,049	105	Washington	1,550	66
Craven	6,897	730	Mecklenburg	38,365	4,984	Watauga	872	147
Cumberland	24,024	3,500	Mitchell	437	115	Wayne	9,034	674
Currituck	987	80	Montgomery	2,280	148	Wilkes	2,436	773
Dare	1,059	219	Moore	3,552	439	Wilson	8,841	545
Davidson	5,926	1,395	Nash	7,165	524	Yadkin	1,062	261
Davie	1,207	291	New Hanover	9,916	1,562	Yancey	403	140
Duplin	4,340	145	Northampton	3,115	131	Tribal Court	642	-
Durham	14,979	1,034				State Cases	122	
**Statewide Totals							492,271	61,636

Source: DHHS

Notes: *The following offices cover multiple counties:
 Ahoskie = Bertie and Hertford
 Albemarle = Camden, Gates, Pasquotank, and Perquimans
 Boone = Avery, Mitchell and Watauga
 Bryson City = Cherokee, Clay, Graham, Macon, Swain, and Tribal Court (The Cherokee Indian Reservation)
 Manteo = Currituck, Dare, Hyde and Tyrrell

**Includes cases considered by Clerks as "inactive"; i.e., no payments made within last 12 months or no current address on payor.

Financial Data

Table 22 on the next page shows Child Support Enforcement expenditures over a three-year period. The budgeted amount for FY1999-00 is \$69,507,308, consisting of \$46,019,213 federal funds, \$23,355,196 State funds, and \$132,899 local funds. The program is federally funded at a rate of 66% for operating costs and receives federal incentive funds based on performance measures. Budgeted incentive funds for FY1999-00 are \$2,210,257, which will be passed through to the local offices.

BACKGROUND INFORMATION

TABLE 22			
Child Support Enforcement Revenues and Expenditures			
	FY1998-99	FY1997-98	FY1996-97
Revenues	\$61,756,883	\$57,424,729	\$65,632,381
Expenditures:			
Salary	\$12,862,281	\$13,048,354	\$12,893,206
Purchase Services	\$46,311,481	\$41,277,573	\$42,697,960
Supplies	\$152,510	\$132,057	\$163,758
Property, Plant and Equipment	\$1,148,753	\$538,288	\$616,720
Other Expense and Transfers	\$1,281,858	\$2,428,457	\$9,260,737
Total	\$61,756,883	\$57,424,729	\$65,632,381
Source: DHHS			

Central Collections Operations:

As mentioned earlier, the State was required to implement the CCO by federal legislation. Startup cost totaled \$2,162,944 and operating costs are budgeted at \$3,990,960 for the first year.

TABLE 23			
FY 1999-00 Centralized Collections Budget			
As of March 21, 2000			
	State	Federal	Total
Start-up Cost	\$ 735,401	\$1,427,543	\$2,162,944
Operating Cost	1,620,330	2,370,630	3,990,960
Total	\$2,355,731	\$3,798,173	\$6,153,904
Source: DHHS			

There are two components for operating costs; transaction processing at \$0.72 per transaction and bill statements/coupons at \$0.492 each. DHHS received \$5,000,000 from AOC (\$2,000,000 in FY1999-00 and \$3,000,000 in FY2000-01) to cover costs related to processing payments for the Clerk of Superior Court child support cases. This amounts to

10% of the transactions. Table 23 shows the allocation between state and federal funds for the CCO.

At the time of the audit, DHHS was in the process of renegotiating the contract for operating the CCO to reflect additional processes being performed by the contractor at the request of DHHS that were not included in the original contract. The processing costs are expected to increase from \$0.72 per transaction. Expected operating cost for transaction processing for FY2000-01 is \$7,218,385¹⁵.

¹⁵ Based on RFP transaction of 4,596,000 for FY1997-98 plus 10% growth for subsequent years.

APPENDICES

Appendix	Description	Page
A	Internet Surveys: Local CSE Personnel, NC Clerks of Superior Court and Other States	57
B	Telephone Surveys: Payors, Payees and Employers	67
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D	Response from the Administrative Office of the Courts Director	91

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INTERNET SURVEYS Local CSE Personnel, NC Clerks of Superior Court and Other States

In order to obtain an better understanding of the child support enforcement system, we surveyed North Carolina Clerks of Superior Court, Local Child Support Enforcement Office personnel, and other states' Child Support Enforcement Offices. An e-mail was sent to the three groups requesting their participation in the respective surveys. We instructed participants on how to access the Internet sites for the applicable survey. Individuals without Internet access were given instructions on how to obtain and remit a hard copy of the survey. Statistics on the three surveys are listed below:

The **Survey of Local Child Support Enforcement Office personnel** was e-mailed to 197 local employees with e-mail. We instructed those employees to share the survey with others who did not have access to e-mail. Therefore, we are unable to determine the exact number of persons receiving the survey. A total of 162 responses were received. A summary of the survey responses is shown on page 59. Major issues identified were:

- agent's caseloads are too high per State caseload standards;
- new local employees need more training,
- the financial screens in ACTS are too complex and should be made to be more user friendly,
- CCO telephone personnel need more training, and
- local staff have low morale due to heavy workloads and additional responsibility of working in the CCO in Raleigh.

All 100 **North Carolina Clerks of Superior Court** were sent the e-mail notice of the survey. A total of 59 responses were received, a 59% response rate. The results of the Clerks of Superior Court survey are shown on pages 60 through 61. Major concerns identified were:

- Court process has been weakened by delayed payment postings,
- ACTS and SES systems are not properly interfacing,
- money is applied to wrong accounts and problems are difficult to correct,
- CCO needs more telephone lines, and
- CCO staff need more training.

We sent a request to take part in the survey to all 49 **other states**. The results of the 14 responding states (28.6%) are shown on pages 62 through 66. The most interesting comparisons from the states responding are:

- 71% have state administered Child Support Enforcement programs;
- 36% allowed over one year for planning and implementation of the centralized collection and disbursement unit process;
- 55% of the states elected to phase in the program; and
- 55% have contractors operating the centralized collections and disbursement unit.

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**PERFORMANCE AUDIT
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF SOCIAL SERVICES
CHILD SUPPORT ENFORCEMENT
SURVEY OF LOCAL CHILD SUPPORT ENFORCEMENT OFFICES**

Statistics For Survey of Local Child Support Enforcement Offices		
1. Who operates this local Child Support Enforcement Office?		161 Responses
State	71	44.10%
Local DSS	66	40.99%
Other Local Entity	21	13.04%
Private Contractor	3	1.86%
2. How frequent is your interaction with the Central Child Support Enforcement Office?		158 Responses
Daily	46	29.11%
Weekly	60	37.97%
Monthly	14	8.86%
Less Than Monthly	38	24.05%
3. How many full-time employees does your office employ?		154 Responses
		29
4. What is the average caseload per Agent FTE?		141 Responses
		607.22
5. Have you received technical support from the Central Child Support Enforcement Office?		160 Responses
Yes	128	80.00%
No	32	20.00%
6. How would you rate the technical support you receive from the Central Child Support Enforcement Office?		129 Responses
Excellent	14	10.85%
Good	52	40.31%
Fair	40	31.01%
Poor	23	17.83%
7. Do you utilize the Central Child Support Enforcement Office for training purposes?		159 Responses
Yes	126	79.25%
No	33	20.75%
8. How would you rate the training you received from the Central Child Support Enforcement Office?		129 Responses
Excellent	12	9.30%
Good	65	50.39%
Fair	32	24.81%
Poor	20	15.50%
9. Did your office participate in the design of the new Centralized Child Support Collection and Disbursement System?		159 Responses
Yes, Formally in Writing or in Person	1	0.63%
Yes, Informally by Telephone	4	2.52%
No	154	96.86%
10. How has your office been affected by the implementation of the Centralized Child Support Collection Unit?		160 Responses
Positively	12	7.50%
Adversely	146	91.25%
No Effect	2	1.25%
11. What suggestions do you have for improving the efficiency or effectiveness of the Child Support Enforcement Program?		141 Responses
-Get input from locals when developing systems.		
-Agent's caseloads are too high per caseload standards/need more staff.		
-Need more training for new local employees conducted on site and continued training.		
-ACTS is confusing. System needs to be more user friendly. Financial screens are inaccurate, too complex. System is often down.		
- Vouchers and other forms were sent out too late.		
- Need additional telephone lines for client services		
- Need more training for people answering telephones		
- Staff morale low due to being sent to Raleigh. Behind in their work, fear of being reassigned or fired if they don't go.		
- Proration is a problem - non-IV-D cases are getting IV-D money.		

**PERFORMANCE AUDIT
DHHS OF HEALTH AND HUMAN SERVICES
DIVISION OF SOCIAL SERVICES
CHILD SUPPORT ENFORCEMENT
SURVEY OF CLERK OF COURT OFFICES**

Statistics For Clerk of Court Survey Questionnaire		
1. Please indicate the components of the Automated Collection and Tracking System (ACTS) that are utilized by your office.		61 Responses
Case	7	11.48%
Financial	9	14.75%
Reporting	3	4.92%
None	42	68.85%
2. Prior to the implementation of the Centralized Child Support Collections and Disbursement unit, how many checks do you estimate your office processed on average per day?		59 Responses
Less Than 500	56	94.92%
501-1500	2	3.39%
1501-3000	1	1.69%
3001-5000	0	0.00%
Over 5000	0	0.00%
3. What was the estimated turnaround time (working days) for checks processed by your office?		58 Responses
1 to 2 Days	56	96.55%
3 to 5 Days	2	3.45%
6 to 10 Days	0	0.00%
11 or More Days	0	0.00%
4. What percent of child support payments received were unidentified due to insufficient information (estimate)?		58 Responses
Less Than 1%	48	82.76%
1-5%	8	13.79%
6-10%	1	1.72%
Over 10%	1	1.72%
Unknown	0	0.00%
5. Did you receive instructions on the transfer of collections and disbursements from your office to the Centralized Child Support Collections Unit?		59 Responses
Yes	57	96.61%
No	2	3.39%
6. On what date did you stop processing Child Support Payments under the old system?		59 Responses
09/24/1999	57	96.61%
1 Week Prior	1	1.69%
2 Weeks Prior	1	1.69%
3 or More Weeks Prior	0	0.00%
7. What is the estimated percent of checks initially submitted to the Centralized Child Support Collections and Disbursement Unit that had incomplete or no identifying account information?		59 Responses
Zero	19	32.20%
1-5%	22	37.29%
6-10%	4	6.78%
11% or More	3	5.08%
Unknown	11	18.64%
8. How frequently did you forward payments to the Centralized Child Support Collections Unit?		58 Responses
Daily	58	100.00%
Weekly	0	0.00%
Semi-Monthly	0	0.00%
Monthly	0	0.00%
9. Was your office questioned by the Centralized Child Support Steering Committee or DHHS personnel about the daily volume of checks processed by your office?		58 Responses
Yes, Formally in Writing or in Person	0	0.00%
Yes, Informally by Telephone	1	1.72%
No	57	98.28%
10. Did your office participate in the design of the new Centralized Child Support Collection and Disbursement System?		58 Responses
Yes	0	0.00%
No	58	100.00%
11. Was your office's Child Support receipt/check process affected by Hurricane Floyd?		58 Responses
Yes	10	17.24%
No	48	82.76%

12. How has your office been affected by the implementation of the new Centralized Child Support Collections Unit?		56 Responses
Positively	10	17.86%
Adversely	46	82.14%
No Effect	0	0.00%
13. How would you rate the assistance your office has received from the State Child Support Enforcement Office?		59 Responses
Excellent	0	0.00%
Good	16	27.12%
Fair	17	28.81%
Poor	26	44.07%
14. Please list what you see as the strengths and weakness of the new Centralized Child Support Collections Unit.		58 Responses
Strengths		
- No Strengths		
- Clerks not having to receive and disburse payments/reduced work		
- Employers send wage withhold to one location		
- Prorating makes the system fair for all children		
- System will help in locating absent parents		
Weaknesses		
- Delayed turnaround in payments being received and disbursed by CCO.		
- Money is applied to wrong accounts and it takes too long to correct.		
- Lack of personal services/personal contact for individuals and small business.		
- CCO staff is not properly trained, can't help with problems.		
- Court process is weakened, delay in system reflecting payments, having to enforce cases based on someone else's records.		
- ACTS and SES systems are not interfacing - 2 day delays, etc.		
- CCO operators have no confidence in responses and give inaccurate information; rude and unwilling to help with problems		
- Clerk's office has to spend a lot of time trying to research and straighten out receipting errors.		
15. What suggestions do you have for improving the efficiency or effectiveness of the Centralized Child Support Collections and Disbursement Unit?		53 Responses
- More training for all CCO staff, including telephone representatives.		
- Need more telephone lines.		
- Need more timely response to problems		
- Enforcement should be done by same agency collecting money.		
- Mail coupons to payors on time.		
- Need more courteous workers		
- There should be a more timely downloading to SES system.		
- Train clerks office on how to read ACTS.		

**PERFORMANCE AUDIT
DHHS OF HEALTH AND HUMAN SERVICES
DIVISION OF SOCIAL SERVICES
CHILD SUPPORT ENFORCEMENT
SURVEY OF OTHER STATES' CHILD SUPPORT SYSTEMS**

Statistics For Performance Audit Child Support System Survey of Other States			
1. Does your Child Support Enforcement report to:		12 Responses	
State DHHS of Health and Human Services	8	66.67%	
Agency or Commission for Child Support Enforcement	0	0.00%	
Division of Social Services	1	8.33%	
Other, Please Explain	3	25.00%	
Virginia DHHS of Social Services			
Wisconsin DHHS of Workforce Development			
State DHHS of Social Services			
Division of Revenue, Dept. of Finance and Administration			
2. What is the structure of the Child Support Enforcement program?		14 Responses	
State Administered	10	71.43%	
State Supervised, County Administered	3	21.43%	
Combination of both State and County Administered	1	7.14%	
Other, Please Explain	0	0.00%	
The State IV-D Agency has a cooperative Agreement			
3. How many individuals (full time equivalent) are employed for Child Support Enforcement in your State?		11 Responses	
	Average Cost		
State	4075	50.87%	
County	3403	42.48%	
Private	359	4.48%	
Other	173	2.16%	
4. What is the annual cost of operating the Child Support Enforcement program?		10 Responses	
	Average Cost		
State	\$139228400	31.29%	
County	\$41119246	9.24%	
Federal	\$252795524	56.81%	
Other	\$11846538	2.66%	
5. Has your State implemented the State disbursement unit as specified in US Code: Title 42, section 654b - centralized collection and disbursement of support payments?		13 Responses	
Yes	11	84.62%	
No	2	15.38%	
6. Does your State plan to meet the requirements of US Code: Title 42, section 654b?		4 Responses	
Yes	4	100.00%	
No	0	0.00%	
7. Which agency within your state has direct authority of the centralized collection and disbursement unit?		11 Responses	
Child Support Enforcement Program	9	81.82%	
State Treasurer's Office	0	0.00%	
A Division within the same agency as CSE	1	9.09%	
State Controller's Office	1	9.09%	
Governor's Office	0	0.00%	
Department of Revenue	0	0.00%	
Other, Specify	0	0.00%	

8. How long did your State allow for planning and implementation of the centralized collection and disbursement unit process?		11 Responses	
6 Months or Less	3	27.27%	
6 to 9 Months	1	9.09%	
9 Months to 1 Year	3	27.27%	
Over 1 Year	4	36.36%	
9. How did your State implement the program?		11 Responses	
Phase-In	6	54.55%	
Full roll-out of entire State, Go to Question Number 11	5	45.45%	
10. On what date did your state begin implementing the centralized collection and disbursement unit?		8 Responses	
October 1, 1998	1	12.50%	
Prior to October 1, 1998	5	62.50%	
October 1, 1999	1	12.50%	
After October 1, 1999	1	12.50%	
11. On what date was the centralized collection and disbursement unit fully operational?		10 Responses	
October 1, 1998	3	30.00%	
Prior to October 1, 1998	4	40.00%	
October 1, 1999	1	10.00%	
After October 1, 1999	2	20.00%	
12. Who operates your centralized collections and disbursement unit?		11 Responses	
State	3	27.27%	
Contractor	6	54.55%	
Other, Please Explain	2	18.18%	
state and contractor			
State and contractor			
In place since 1977			
13. Has your state met the two-business day deadline since implementation?		11 Responses	
Yes	9	81.82%	
No, Go to Question Number 15	2	18.18%	
14. How long did it take to meet the two-business day deadline?		9 Responses	
Less Than 1 Week	5	55.56%	
1-2 Weeks	0	0.00%	
2-3 Weeks	0	0.00%	
Over 3 Weeks	4	44.44%	
15. What was the cost to design, develop and implement the centralized collections and disbursement unit?		2 Responses	
NC	\$900,000		
SD	\$10,000		
16. What is the cost per transaction processed, to operate the centralized collections and disbursement unit?		11 Responses	
\$.01 - \$.99	4	36.36%	
\$1.00 - \$1.99	6	54.55%	
\$2.00 - \$4.00	1	9.09%	
Over \$4.00	0	0.00%	
17. Does your State's Centralized Collections and Disbursement Unit process only cases covered by US Code: Title 42, Section 654(b) (Welfare Reform Act)?		11 Responses	
Yes	5	45.45%	
No	6	54.55%	

18. How many transactions are processed monthly?		11 Responses	
Less Than 100,000	3	27.27%	
100,000 - 250,000	5	45.45%	
250,001 - 500,000	3	27.27%	
500,001 - 750,000	0	0.00%	
750,001 - 1,000,000	0	0.00%	
Over 1,000,000	0	0.00%	
19. What is your caseload per employee (full time equivalent)?		8 Responses	
256.0, 450.0, 741.0, 343.0, 350.0, 250.0, 325.0, 212.0			
20. What is the average dollar amount of Child Support payments collected per month?		8 Responses	
CO	\$255		
KY	\$17,377,887		
ME	\$7,220,000		
NC	\$32,140,142		
OK	\$9,250,000		
SC	\$11,304,754		
SD	\$4,000,000		
WV	\$11,250,000		
21. On average, how many days does it take to establish a support order?		11 Responses	
Less Than 91	4	36.36%	
91 to 200	4	36.36%	
201 to 325	1	9.09%	
326 to 450	2	18.18%	
451 to 639	0	0.00%	
Over 640	0	0.00%	
22. On average, how many days does it take to establish a parentage?		11 Responses	
Less Than 91	3	27.27%	
91 to 200	6	54.55%	
201 to 300	1	9.09%	
301 to 400	1	9.09%	
401 to 550	0	0.00%	
Over 550	0	0.00%	
23. What are your collection rates?		12 Responses	
10% or Less	0	0.00%	
11% to 25%	0	0.00%	
26% to 50%	5	41.67%	
51% to 75%	7	58.33%	
76% to 90%	0	0.00%	
Over 90%	0	0.00%	
24. What is your support order establishment rate?		10 Responses	
10% or Less	0	0.00%	
11% to 25%	0	0.00%	
26% to 50%	2	20.00%	
51% to 75%	7	70.00%	
76% to 90%	0	0.00%	
Over 90%	1	10.00%	

25. What is your parentage establishment rate?		12 Responses	
10% or Less	0	0.00%	
11% to 25%	1	8.33%	
26% to 50%	1	8.33%	
51% to 75%	3	25.00%	
76% to 90%	3	25.00%	
Over 90%	4	33.33%	
26. What methods are used for enforcement?		12 Responses	
Driver License Revocation	10	83%	
Professional License Revocation	10	83%	
Most Wanted List	7	58%	
Collection Agency Referral	4	33%	
Wage Withholding	12	100%	
State Tax Interception	11	92%	
Federal Tax Interception	12	100%	
Liens (Judicial Process Used)	9	75%	
Liens (Admin Process Used)	9	75%	
Asset Seizure (Judicial Process Used)	9	75%	
Asset Seizure (Admin Process Used)	6	50%	
Credit Bureau	9	75%	
Other, Specify	3	25%	
Vehicle Booting			
Lottery intercept, contempt hearings			
FIDM			
Order to appear and disclose and seek work order			
27. For Parentage Establishment, have you established the following?		11 Responses	
Statutory Conclusive Presumption of Paternity	8	67%	
In-Hospital Paternity Establishment Program	9	75%	
Other, Specify	0	0%	
expedited commencement of paternity proceedings			
28. What methods are used for locating non-custodial parents?		12 Responses	
State Motor Vehicle Databases	12	100%	
State Enforcement Databases	6	50%	
State Revenue Records	8	67%	
Local Revenue Records	2	17%	
Media Campaign	3	25%	
Real and Titled Personal Property Records	7	58%	
Public Utilities Records	6	50%	
Cable Television Company Records	4	33%	
Investigators	4	33%	
Other, Specify	4	33%	
new hire/quarterly employer match			
FPLA, EPLN			
Labor, Credit Bureau, Drivers License, GFandP, Courts, Corrections			
FIDM, FPLS, EPLN, CSENET, Postal Records.			
Public assistance, credit bureaus, EPLN			
Internet, FPLS, SPLS, DOL, New Hire			

29. Are the Clerks of Superior Court responsible for enforcing specific child support cases (cases not enforced by the State/Local Child Support Enforcement Office)?		12 Responses	
Yes	2	16.67%	
No	10	83.33%	
30. Do you charge an application fee for CSE services when the family is not receiving public assistance?		12 Responses	
Yes	9	75.00%	
No	3	25.00%	
\$20			
\$10			
\$25			
\$25			
\$5			
\$25			
\$25			
\$1			
\$1			

Child Support Enforcement Caseloads by State Fiscal Year 1998 Includes agents, support staff, and management							
State / District / Territory	Total Caseload	Full Time Equivalent Staff ¹	Caseload per FTE	State / District / Territory	Total Caseload	Full Time Equivalent Staff ¹	Caseload per FTE
South Carolina	218,833	234	935.18	Delaware	60,634	184	329.53
Virgin Islands	28,123	33	852.21	Kansas	144,806	442	327.62
Tennessee	497,627	661	752.84	North Carolina	520,191	1,625	320.12
Michigan	1,720,920	2,441	705.01	North Dakota	40,783	130	313.72
Idaho	87,218	153	570.05	Colorado	216,428	696	310.96
Alabama	365,914	699	523.48	Nebraska	121,421	398	305.08
Florida	981,912	1,902	516.25	New Mexico	77,894	266	292.83
Texas	1,234,783	2,415	511.30	Puerto Rico	227,176	782	290.51
District of Columbia	106,887	215	497.15	Massachusetts	239,446	828	289.19
Virginia	414,861	835	496.84	Pennsylvania	875,637	3,074	284.85
Georgia	531,016	1,115	476.25	Oklahoma	134,461	483	278.39
Rhode Island	72,458	154	470.51	Maine	69,981	252	277.70
Wisconsin	475,363	1,023	464.68	Wyoming	59,122	214	276.27
Illinois	746,331	1,665	448.25	Vermont	27,022	104	259.83
Connecticut	253,977	570	445.57	California	2,092,732	8,122	257.66
Indiana	343,960	775	443.82	Alaska	59,272	235	252.22
New York	1,295,332	2,921	443.45	New Hampshire	51,352	216	237.74
Mississippi	289,339	656	441.07	Washington	404,163	1,791	225.66
Iowa	207,751	518	401.06	New Jersey	482,752	2,162	223.29
Oregon	267,783	686	390.35	Montana	41,342	190	217.59
South Dakota	33,479	87	384.82	Utah	109,262	517	211.34
Louisiana	332,741	895	371.78	Ohio	941,803	4,656	202.28
Missouri	405,522	1,105	366.99	West Virginia	124,021	621	199.71
Arkansas	223,934	633	353.77	Minnesota	268,437	1,402	191.47
Kentucky	314,518	891	352.99	Nevada	84,116	485	173.44
Maryland	320,357	919	348.59	Guam	9,955	58	171.64
Hawaii	68,103	199	342.23	Total	19,652,195	55,300	355.37
Arizona	328,944	967	340.17				
Source: Child Support Enforcement FY 1998 Preliminary Data Report, Federal Office of Child Support Enforcement, Division of Policy and Planning.							

TELEPHONE INTERVIEWS

Payors, Payees and Employers

In order to identify concerns with the current centralized collections and disbursement system, we conducted telephone interviews with payors and payees of both IV-D and non IV-D cases. From a population of 585,411 total cases in the Child Support databases, we used a sample size calculator to determine our desired statistical sample size of 384 items. This sample size was split into groups of 193 payors (absent parents), 175 payees (custodial parents), and 16 employers based upon the percentage of total unique database records each group represented. We further divided these groups so that 50% of the sample size we attempted to contact would be from IV-D cases and 50% would be from non IV-D cases.

To achieve our desired sample size, we utilized a computer program to select 1,000 potential sample items. From that listing, we reviewed the items to select those cases with payment history activity within the last six months. When possible, we used the telephone numbers contained within the Child Support database to attempt to contact the individuals and employers. For those persons with no telephone number listed, we performed Internet searches to try to locate a valid telephone number. If the telephone number from the Child Support database was found to be incorrect, we used the Internet to search for alternate telephone numbers.

We attempted to contact each selected sample item at least three times before replacing the selected item with another person/employer. We found that many telephone numbers were invalid due to disconnected telephone service, wrong numbers entered in the database, and persons moving or changing employers. In total, we replaced 470 items. Due to time constraints, we stopped our attempts after successfully interviewing only 68 payors, 82 payees, and 11 employers. Those responses are summarized beginning on page 69.

Major issues identified in the **payee (custodial parent)** survey were:

- the CCO telephone is always busy;
- the payee has not received payments that were made as required;
- Clerk of Court was better able to answer questions about accounts;
- CCO personnel cannot answer questions; and
- system is not updating new addresses.

Payors (absent parents) issues included:

- all money paid to Raleigh is not getting to payee;
- it was easier to make payments to the local Clerk of Court;
- it is difficult to get through to the call center;
- the State is not changing addresses on forms despite attempts by payor to correct; and
- payors are receiving delinquent notices under the new system while never having delinquent notices under Clerk system.

Issues most often mentioned by **employers** were:

- custodial parents calling absent parents' employer about not receiving checks;
- remittance forms generated by the State contain terminated employees, individuals not employed by company, while missing information such as MPI number;
- some employees are getting court notices although employer submitted data and money; and
- there were no problems when handled at the local level.

Refused interview

1st Contact

2nd Contact

**PERFORMANCE AUDIT
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF SOCIAL SERVICES
TELEPHONE SURVEY - PAYEE (CUSTODIAL PARENT)**

**DESIRED SAMPLE SIZE: 175
PAYEES CONTACTED: 308
ACTUAL PAYEE RESPONSES: 82
RESPONSE RATE: 27%**

INTERVIEWEE: _____ AUDITOR: _____
DATE: _____ PHONE #: _____

PURPOSE: To understand the impact of implementation and current status of the Centralized Child Support Collections Unit on the absent and or custodial parent.

1. Were you receiving child support payments before the State changed where the money was mailed?
82 RESPONSES
☐ Yes **79 (96%)** ☐ No, go to #4 **3 (4%)**
2. Under the old system, did you have any problems receiving your child support money? **79 RESPONSES**
☐ Yes **18 (23%)** ☐ No, go to #4 **61 (77%)**
3. If you had problems, were you able to get them fixed quickly? **17 RESPONSES**
☐ Yes **8 (47%)** ☐ No **9 (53%)**
4. Did you know the State was taking over child support collections and payments before the change took place? **81 RESPONSES**
☐ Yes **66 (81%)** ☐ No **15 (19%)**
5. Have you had any problems receiving your child support payments since the State took over? **79 RESPONSES**
☐ Yes **55 (70%)** ☐ No, go to #12 **24 (30%)**
6. If yes, what type of problem have you had? **85 TOTAL RESPONSES**

<input type="checkbox"/> Delayed Payment 44 (52%)	<input type="checkbox"/> Incorrect Payment Amount 18 (21%)	<input type="checkbox"/> No Payment 19 (22%)	<input type="checkbox"/> Other 4 (5%)
--	--	--	---

7. When you realized there was a problem with getting your child support money, whom did you call? **79 RESPONSES**

- | | | | | |
|---|---|--|--------------------------------------|-----------------|
| <input type="checkbox"/> State Child Support call center (800#) | <input type="checkbox"/> Local Child Support Enforcement Office | <input type="checkbox"/> Clerk of Court Office | <input type="checkbox"/> Other _____ | None, go to #12 |
| 28 (35%) | 23 (29%) | 19 (24%) | | 9 (11%) |

8. Was your problem fixed with this call? **49 RESPONSES**

- | | |
|---|-----------------------------|
| <input type="checkbox"/> Yes, go to #12 | <input type="checkbox"/> No |
| 9 (18%) | 40 (82%) |

9. If no, were you told to call any of the following offices? **43 RESPONSES**

- | | | | | |
|---|---|--|--------------------------------|-----------------|
| <input type="checkbox"/> State Child Support call center (800#) | <input type="checkbox"/> Local Child Support Enforcement Office | <input type="checkbox"/> Clerk of Court Office | <input type="checkbox"/> Other | None |
| 16 (37%) | 5 (12%) | 5 (12%) | 2 (5%) | 15 (35%) |

10. How many calls have you made trying to get your child support money? **41 RESPONSES**

- | | | | |
|-----------------------------------|------------------------------------|---------------------------------------|---|
| <input type="checkbox"/> One call | <input type="checkbox"/> 2-4 calls | <input type="checkbox"/> 5 to 9 calls | <input type="checkbox"/> 10 or more calls |
| 2 (5%) | 7 (17%) | 13 (32%) | 19 (46%) |

11. How long did it take for you to get your problem with child support payments fixed? **41 RESPONSES**

- | | | | | |
|---------------------------------|------------------------------------|----------------------------------|---------------------------------------|--|
| <input type="checkbox"/> 1 week | <input type="checkbox"/> 2-3 weeks | <input type="checkbox"/> 1 month | <input type="checkbox"/> over a month | <input type="checkbox"/> Not corrected |
| 1 (2%) | 5 (12%) | 1 (2%) | 18 (44%) | 16 (39%) |

12. Have you received all money paid in to the State for your Child? **72 RESPONSES**

- | | |
|------------------------------|--|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No, How much are you due? _____ |
| 46 (64%) | 26 (36%) |

13. How would you rate the Child Support services you received from the State? **81 RESPONSES**

- | | | | |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <input type="checkbox"/> Excellent | <input type="checkbox"/> Good | <input type="checkbox"/> Fair | <input type="checkbox"/> Poor |
| 10 (12%) | 27 (33%) | 17 (21%) | 27 (33%) |

14 Do you have any issues you care to discuss?

- CCO phone number is always busy.
- Enforcement process is too slow.
- Should have tested system before changeover.
- More leniency under new system.
- Not receiving arrears from State.
- Have not received payments.
- Payments never received from State at same time of month.
- Lack of understanding/communication between State and clerks.
- Pre-payments not being received.
- Clerks were better able to answer questions about your account.
- State (CCO and CSE) does not return phone calls.
- CCO personnel cannot answer questions.
- Cannot determine whether payor is late with payments or CCO.
- Payments were timely when handled by Clerk.
- System not updated for new address.
- Checks come in increments (partial payments) rather than full amount.
- Call center refers questions to the Clerk.
- Local enforcement office will not give information over the phone.
- Cannot determine for which period money received.
- Access to account information on Internet would be useful.
- Lack of enforcement by State for delinquent payments.

Refused interview

1st Contact

2nd Contact

**PERFORMANCE AUDIT
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF SOCIAL SERVICES
TELEPHONE SURVEY - PAYOR (ABSENT PARENT)**

**DESIRED SAMPLE SIZE: 193
TOTAL CONTACTED: 309
ACTUAL PAYOR RESPONSES: 67
RESPONSE RATE: 22%**

INTERVIEWEE: _____
DATE: _____

AUDITOR: _____
PHONE # _____

PURPOSE: To understand the impact of implementation and current status of the Centralized Child Support Collections Unit on the absent and or custodial parent.

1. Did you ever pay child support payments to the Clerk of Court? **67 RESPONSES**
☐ Yes **56 (84%)** ☐ No, go to #4 **11 (16%)**
2. If yes, did you ever have any problems with child support payments made to the Clerk ? **56 RESPONSES**
☐ Yes **13 (23%)** ☐ No, go to #4 **43 (77%)**
3. If you had a problem, did the Clerk's Office fix it quickly? **13 RESPONSES**
☐ Yes **7 (54%)** ☐ No **6 (46%)**
4. Did you receive a letter explaining how to mail in payments to Raleigh? **66 RESPONSES**
☐ Yes **56 (85%)** ☐ No, go to #7 **10 (15%)**
5. When were you first told that you had to mail your child support payments to Raleigh? **54 RESPONSES**

<input type="checkbox"/> July 1999 7 (13%)	<input type="checkbox"/> August 1999 19 (35%)	<input type="checkbox"/> September 1999 15 (28%)	<input type="checkbox"/> Never 0 (0%)	<input type="checkbox"/> Don't Know 13 (24%)
--	---	--	---	--
6. How would you describe the information you got about mailing your payments to Raleigh in terms of clearly explaining what changes were being made? **56 RESPONSES**

<input type="checkbox"/> Excellent 8 (14%)	<input type="checkbox"/> Good 26 (46%)	<input type="checkbox"/> Fair 13 (23%)	<input type="checkbox"/> Poor 7 (13%)	<input type="checkbox"/> Don't Know 2 (4%)
--	--	--	---	--
7. When did you receive the coupons to send in with your child support payments? **59 RESPONSES**

<input type="checkbox"/> Before payment was due 13 (20%)	<input type="checkbox"/> After payment was due 22 (33%)	<input type="checkbox"/> Never Received 7 (11%)	<input type="checkbox"/> N/A 24 (36%)
--	---	---	---
8. How are your child support payments made now? **66 RESPONSES**

<input type="checkbox"/> Withheld from Pay 24 (36%)	<input type="checkbox"/> Mail Payment to Raleigh 40 (61%)	<input type="checkbox"/> Mail Payment to Clerk of Court 0 (0%)	<input type="checkbox"/> Other 2 (3%)
---	---	--	---

9. Have you made all your child support payments to Raleigh on or before the date due? **62 RESPONSES**
☐ Yes **53 (85%)** ☐ No **9 (15%)**
10. After you made your child support payments did you receive any of the following? **63 RESPONSES**

<input type="checkbox"/> Delinquent Notice (Late payment notice) 22 (35%)	<input type="checkbox"/> Show Cause Order to appear in court) 3 (5%)	<input type="checkbox"/> Other Enforcement Action 3 (5%)	<input type="checkbox"/> Call from custodial parent (mother/father) 3 (5%)	<input type="checkbox"/> None Go to #17 32 (51%)
--	---	--	---	---
11. Did you call or talk with any of the following offices about not getting credit for paying your child support payments? **36 RESPONSES**

<input type="checkbox"/> State Child Support call center (800 #) 10 (28%)	<input type="checkbox"/> Local Child Support Enforcement Office 8 (22%)	<input type="checkbox"/> Clerk of Court Office 9 (25%)	<input type="checkbox"/> Other 1 (3%)	<input type="checkbox"/> None 8 (22%)
---	---	--	---	---
12. Was your child support payment sent to your child (child's mother/father) after this call? **26 RESPONSES**
☐ Yes, go to #17 **14 (54%)** ☐ No **5 (19%)** ☐ Don't know, go to #17 **7 (27%)**
13. If no, were you told to call any of the following offices? **6 RESPONSES**

<input type="checkbox"/> State Child Support call center (800 #) 4 (67%)	<input type="checkbox"/> Local Child Support Enforcement Office 1 (17%)	<input type="checkbox"/> Clerk of Court Office 0 (0%)	<input type="checkbox"/> Other 0 (0%)	<input type="checkbox"/> None 1 (17%)
--	---	---	---	---
14. How many calls have you made to get your child support payments corrected? **7 RESPONSES**
☐ One call **1 (14%)** ☐ 2-4 calls **3 (43%)** ☐ 5 to 9 calls **3 (43%)** ☐ 10 or more calls **0 (0%)**
15. Has your child support payment been corrected and sent to your child (child's mother/father)? **6 RESPONSES**
☐ Yes **4 (67%)** ☐ No, go to #17 **2 (33%)** ☐ Don't Know, go to #17 **0 (0%)**
16. If corrected, how long did it take for your child (child's mother/father) to get your payment? **4 RESPONSES**
☐ 1 week **0 (0%)** ☐ 2-3 weeks **1 (25%)** ☐ 1 month **0 (0%)** ☐ over a month **3 (75%)** ☐ Not Corrected **0 (0%)**

17 How would you rate the new child support payment system of mailing payments to Raleigh? **65**

RESPONSES

<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Don't Know
10 (15%)	21 (32%)	9 (14%)	14 (22%)	11 (17%)

18 Is there anything you want to talk about relating to Child Support?

- CCO had many problems at first but now it is ok.
- Only received coupons in October.
- Must purchase money order because State does not accept cash.
- All money paid to Raleigh is not getting to payee.
- Receiving coupons late every month.
- It was easier to make payment to the local clerk.
- Difficult to get through to call center.
- Why change when old system worked fine?
- Stopped paying because payee was not receiving money.
- Coupon booklet would make things easier.
- State not changing address on forms despite attempts by payors to change it.
- State accepting personal checks is an improvement over clerks.
- State should consider accepting credit cards or using bank drafts.
- CCO slower than clerks at processing checks.
- CCO made mistakes with pre-payments.
- Employer was not notified of change until too late.
- No due dates listed on coupons.
- Receiving delinquent notices under new system while never had delinquent notices under clerk system.
- State should send statements to payors on regular basis (quarterly or annually) showing amounts received from payors.

Refused interview

1st Contact

2nd Contact

**PERFORMANCE AUDIT
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF SOCIAL SERVICES
TELEPHONE SURVEY - EMPLOYERS**

DESIRED SAMPLE SIZE: 16
TOTAL EMPLOYERS CONTACTED: 20
ACTUAL EMPLOYER RESPONSES: 11
RESPONSE RATE: 55%

INTERVIEWEE: _____
(Person) (Company) (Phone)

AUDITOR: _____ DATE: _____

PURPOSE: To understand the impact of implementation and current status of the Centralized Child Support Collections Unit on employers.

1. When did you receive information on submitting child support withholding payments to the Centralized Child Support Collections Unit?? **10 RESPONSES**

☐ July 1999 ☐ August 1999 ☐ September 1999 ☐ Other
2 (20%) 1 (10%) 2 (20%) 5 (50%)

2. How would you rate the information received in terms of clearly explaining the changes being made? **10 RESPONSES**

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Don't Know
2 (20%) 4 (40%) 2 (20%) 2 (20%) 0 (0%)

3. Was this ample time for you to implement changes? **10 RESPONSES**

☐ Yes **6 (60%)** ☐ No **4 (40%)**

4. Was training offered to your company to learn about the new system? **10 RESPONSES**

☐ Yes **6 (60%)** ☐ No, go to #7 **4 (40%)**

5. If yes, did a representative from your company attend this training? **7 RESPONSES**

☐ Yes **1 (14%)** ☐ No **6 (86%)**

6. If attended, how would you rate the quality of this training? **1 RESPONSE**

☐ Excellent ☐ Good ☐ Fair ☐ Poor ☐ Don't Know
0 (0%) 1 (100%) 0 (0%) 0 (0%) 0 (0%)

7. For how many employees are you required to withhold wages for Child Support Payments? **11 RESPONSES**

<input type="checkbox"/> 1-10	<input type="checkbox"/> 11-20	<input type="checkbox"/> 21-40	<input type="checkbox"/> 41-70	<input type="checkbox"/> 71 and over
6 (55%)	2 (18%)	0 (0%)	1 (9%)	2 (18%)

8. Did your company receive any of the following? **11 RESPONSES**

<input type="checkbox"/> Remittance Form - Diskette	<input type="checkbox"/> Remittance Form - Paper Copy	<input type="checkbox"/> Pre- addressed envelope	<input type="checkbox"/> Other	<input type="checkbox"/> None, go to #10
5 (45%)	5 (45%)	0 (0%)	0 (0%)	1 (9%)

9. If yes, how would you describe the accuracy of the information? **10 RESPONSES**

<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Don't Know
1 (10%)	4 (40%)	2 (20%)	2 (20%)	1 (10%)

10. Have you been contacted by any of the following organizations regarding your remittance payments? **7 RESPONSES**

<input type="checkbox"/> Centralized Collections Operations (SMI)	<input type="checkbox"/> State Child Support Enforcement Office	<input type="checkbox"/> Local Child Support Enforcement Office	<input type="checkbox"/> Clerk of Court Office	<input type="checkbox"/> Other
3 (43%)	0 (0%)	1 (14%)	1 (14%)	2 (29%)

11. To your knowledge, are withholding payments from your company being processed correctly?

11 RESPONSES

<input type="checkbox"/> Yes 8 (73%)	<input type="checkbox"/> No 1 (9%)	<input type="checkbox"/> Don't Know 2 (18%)
---	---	--

12. How would you rate your experience with the Centralized Child Support Collections Unit?

11 RESPONSES

<input type="checkbox"/> Excellent	<input type="checkbox"/> Good	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	<input type="checkbox"/> Don't Know
2 (18%)	3 (27%)	2 (18%)	2 (18%)	2 (18%)

13. Do you have any issues you care to discuss?
- Things have improved since the initial payment period.
 - Prefer new system of writing one check to State rather than many to different counties.
 - Custodial parents calling absent parents' employers about not receiving checks.
 - Takes too long for feedback on problems with new system.
 - Still missing data on spreadsheet received from State.
 - New system was confusing at first.
 - Records from new system not current including terminated employees, missing information such as MPI, persons who are not employed by that company.
 - Still have not received disk that was promised in September 1999.
 - Still have not corrected funds returned from first payment in September 1999.
 - Some employees getting court notices although employer submitted data and money.
 - There were no problems when handled at the local level.
 - Use of temporary employees at call center causes differing and conflicting information being given.
 - "Worst problem encountered in 28 years of handling payroll."
 - Problems with individual payments cause entire check to be returned rather than only the incorrect portion.
 - Call center employees admitted that had inadequate training to answer questions.
 - Attempted to connect to call center once every 30 minutes for 17 continuous workdays.

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North Carolina Department of Health and Human Services

2001 Mail Service Center Raleigh, North Carolina 27699 -2001

Tel 919-733-4534 Fax 919-715-4645 Courier 56-20-00

James B. Hunt Jr., Governor

H. David Bruton, M.D., Secretary

April 19, 2000

The Honorable Ralph Campbell, Jr., State Auditor
Office of the State Auditor
300 North Salisbury Street
Raleigh, North Carolina 27611

Dear Mr. Campbell:

We have reviewed the findings and recommendations that resulted from your audit of the North Carolina Child Support Centralized Collections Operation. As your audit team has noted in the body of the report, this has been a collaborative effort between DHHS, Office of the Controller, Division of Social Services, Child Support Enforcement and the Administrative Office of the Courts. Accordingly, the following responses are a combined effort as well.

RESPONSES TO FINDINGS AND RECOMMENDATIONS OF STATE AUDIT TEAM

FINDING: DHHS DELAYED DEVELOPMENT OF THE CENTRALIZED COLLECTIONS AND DISBURSEMENTS PROCESS

RECOMMENDATION: We concur with DHHS' decision to develop and implement ACTS and the State Case Registry before beginning the CCO Project. Given the significant sanctions the State would have faced if the CCO had not been implemented by October 1, 1999, we also concur with this action.

RESPONSE: The auditor has correctly identified the timeline for major program changes. ACTS, first and foremost had to be in place by the fall of 1997. Before implementation of CCO, there were other federal deadlines for major changes such as New Hire Reporting and a State Case Registry. Our schedule for implementation of all these changes matched the federal deadlines and we have been successful in meeting them.

FINDING: THE NUMBER OF ESTIMATED TRANSACTIONS INCLUDED IN THE REQUEST FOR PROPOSAL (RFP) WAS NOT CLEARLY STATED

RECOMMENDATION: This was an initial start up problem and does not affect the CCO at this time.

An Equal Opportunity / Affirmative Action Employer
Location: 101 Blair Drive a Adams Building a Dorothea Dix Hospital Campus a Raleigh, N.C. 27603



RESPONSE: We agree that this was a start-up problem. DHHS provided clear information regarding actual volume and historical growth. Both contractors used the actual volumes for computing their transaction rates. DHHS assumed that the contractors would consider the 10% historical growth rate when hiring staff and purchasing equipment.

FINDING: DHHS STOPPED PROCESSING CHILD SUPPORT PAYMENTS PRIOR TO CCO IMPLEMENTATION

RECOMMENDATION: This was an initial start up problem and does not affect the CCO at this time.

RESPONSE: It is true that DHHS stopped processing checks prior to the CCO Implementation. These checks were given to SMI to receipt during the "mini-pilot" phase starting around 9/17/99. Prior to the CCO, the DHHS Controller's Office posted out-of-state agency checks on-line manually into ACTS.

Additionally, many payors sent checks very early to the CCO post office boxes despite outreach material that clearly instructed the following: "all payments mailed on or after September 24, 1999 should be sent to NC Child Support Centralized Collections". The decision was made NOT to return these checks to payors because it would still delay processing and disbursement plus greatly confuse the payors who sent them to the wrong address. They were given to SMI to process, along with the out-of-state agency checks around September 17, 2000 for the "mini pilot" phase.

FINDING: CHECKS WERE BEING ISSUED FOR ONE DOLLAR OR LESS PRIOR TO JANUARY 2000

RECOMMENDATION: This was an initial start up problem and does not affect the CCO at this time.

RESPONSE: As stated in audit findings, this issue was resolved on January 17, 2000.

FINDING: DHHS FAILED TO ADEQUATELY NOTIFY CHILD SUPPORT CLIENTS IN A TIMELY MANNER

RECOMMENDATION: DHHS should take steps to ensure that future notifications to affected parties of Centralized Collections Operation changes are distributed in a timely manner. Additionally, returned mail should be tracked by the CCO and attempts made to find more accurate addresses. Finally, DHHS should more closely monitor programming changes to ensure that they are made in a timely manner.

RESPONSE: DHHS agrees with the recommendation that future notifications to affected parties of the CCO will be done in a timely manner. The CCO notices were sent to the current address on file. In non IV-D cases, the addresses were provided by the Clerk of Court records. It should be noted that it is the responsibility of the payor to notify the local agent of any change in address. Although notices were returned as undeliverable, they were forwarded to the local offices to update the address on file. If a forwarding address was provided by the post office, these were also sent to the local office for update.

DHHS, Division of Social Services, Child Support Enforcement has taken steps to ensure that future notifications to affected parties of Centralized Collection operations changes are received in a timely manner. Currently, we are in the process of sending a mass mailing of coupons to direct payors to ensure that they have coupons. In addition, we are forwarding the returned mail to the local offices for them to follow up on the changes of address.

The programming error that left 6,000 non IV-D payors in “hold mailings” status has been corrected. The programming error omitting the second line of the street address has also been corrected.

Coupons/statements were provided for IV-D cases prior to centralized collections and there was no change in the timing for remitting coupons/statements as a result of centralized collections. The non IV-D cases were provided coupons as a result of centralized collections. It should be noted that not all payors should have received coupons. Only those payors not under income withholding should have received a coupon. Therefore, it would be expected that some of the respondents would not have received coupons/statements.

The legislation that provided for receipting of collections for non IV-D cases was not passed until June 1999. The Clerk of Court cases had to be converted into the automated collections and tracking system (ACTS) prior to having the case information available in the system. This process was ongoing, starting in June 1999 and continuing through the first part of September 1999. All of the non IV-D case information had to be converted prior to sending out the coupons and remittance forms. To compensate for the delay in sending the initial coupons on non IV-D cases, a mass mailing of coupons to all non IV-D direct payors (payors not under income withholding) was sent in late October.

As noted by the auditor, critical activities during the pre-implementation phase were planned for September. The major contributing factor for delays was due to the impact of Hurricane Floyd. Printer problems also caused delays in mailing coupons and the employer packets. Remittance forms were delayed due to ACTS file transfer problems and the length of time it took the contractor to compile diskettes. The contractor was responsible for establishing the web site for employer remittances, which was also dependent on a successful file transfer of the employer table file from ACTS.

FINDING: SMI STAFFING LEVELS WERE NOT ADEQUATE FOR THE CCO START-UP

RECOMMENDATION: SMI should maintain adequate staffing levels to cover workloads and identify ways to retain staff. DHHS should closely monitor the staffing situation at the CCO and assist SMI in establishing and maintaining adequately trained staff.

RESPONSE: DHHS concurs that SMI staffing levels were not adequate for the CCO full production implementation. Currently, the DHHS Office of the Controller monitors production statistics daily to pick up any trends that indicate staffing problems. SMI is focusing on developing and keeping a staff of permanent employees to maximize training and on-the-job experience. SMI has also developed a cadre of off-site remote staff that can back-up operations during peak volume times, adverse weather and natural disasters.

FINDING: THERE WAS INADEQUATE TESTING OF THE CCO SYSTEM PRIOR TO IMPLEMENTATION

RECOMMENDATION: The lack of adequate testing was an implementation problem. However, DHHS should require SMI to conduct adequate testing prior to implementing any future major modifications at the CCO.

RESPONSE: It is true that the testing phase was too short prior to the CCO implementation. However, DHHS did perform User Acceptance Testing with case scenarios and test conditions, covering a variety of exception processing, written by DHHS staff. These conditions were tested with checks and remittance data input created by the DHHS Testing Team. There were ACTS test cases established to support the full cycle of actions on these cases from receipting to distribution and disbursement. SMI passed these conditions satisfactorily. After the User Acceptance Testing, SMI was given the out-of-state agency checks that the DHHS Controller's office normally posted on-line into ACTS for a "mini-pilot", along with direct payor remittances from payors who sent their checks into the CCO post office boxes early. All of the above notwithstanding, it would have been ideal to have had more time to test more and refine operational processes.

DHHS has since advised SMI to install a test region in their database and that is where all new code is now tested thoroughly before implementation. SMI has implemented several significant new system features in the last few months and there has been no negative impact on production. Future change orders requested by the DHHS Controller's Office will be tested under the supervision of the DHHS Controller's Office and a formal "sign off" process will be established.

FINDING: SMI DID NOT HAVE ADEQUATE EQUIPMENT TO PROCESS WORK VOLUME DURING CCO START UP

RECOMMENDATION: DHHS should closely monitor transaction volume, SMI staffing levels and equipment levels to ensure timely processing of child support payments.

RESPONSE: DHHS agrees with the audit finding that in addition to being understaffed at the time of full CCO production implementation, SMI needed more equipment as well. As new workers were hired, SMI brought in new equipment to support them. In accordance with the auditors' recommendation, the DHHS Office of the Controller closely monitors transaction volumes and timeframes for payment transactions to reach ACTS to detect staffing and/or equipment problems.

FINDING: THE CENTRALIZED COLLECTIONS OPERATION TRAINING PLANS DO NOT COMPLY WITH THE MASTER AGREEMENT BETWEEN THE STATE AND THE VENDOR

RECOMMENDATION: DHHS should closely monitor contractor compliance with the terms of the contract for the CCO. SMI management should continue efforts to integrate the on-line help system as soon as possible to ensure staff understanding of all procedures, thereby increasing efficiency and effectiveness of operations.

RESPONSE: DHHS agrees with the auditor's recommendation that SMI should be monitored closely for contract compliance; however, exclusion of on-line help was a conscious decision of the DHHS

Detail Design Group. The contractor has voluntarily installed on-line help in "Debit Maker", which is an updated version of the original CCO system. We consider this issue resolved.

FINDING: CLERK CASES WERE CONVERTED WITH MISSING OR INCORRECT DEMOGRAPHIC INFORMATION

RECOMMENDATION: DHHS should determine which cases have incorrect demographic data and add those cases to the exception report for the Clerks of Superior Court to investigate and resolve. The Clerks should make every effort to provide valid demographic data on participants to avoid the issuance of multiple MPI numbers.

RESPONSE: DHHS agrees with the recommendation that cases containing incorrect data be referred to the Clerks of Superior Court to investigate and resolve. DHHS, Division of Social Services, Child Support Enforcement, in conjunction with AOC, is working toward obtaining valid demographic data on the cases in question. Exception reports are generated and sent to the Clerks of Court for investigation and resolution. The cases are being worked by the Clerks of Court in conjunction with the non IV-D unit to clean up data.

FINDING: EXPIRED CASES WERE INAPPROPRIATELY CONVERTED INTO ACTS

RECOMMENDATION: DHHS should closely monitor the deletion of these expired cases. The Clerks should make the identification and deletion of these cases a priority.

RESPONSE: The DHHS, Division of Social Services, Child Support Enforcement program and the Division of Information Resource Management (ACTS Project) agrees that the deletion of these expired cases should be closed monitored and they will track the progress of these deletions. AOC is currently working with the local Clerks of Court to identify expired orders and they are encouraging them to delete expired orders from their system. Additionally, the ACTS billing program has been modified to exclude "zero balance" orders from the bill file. This means that non-custodial parents associated with expired orders will no longer receive bills and coupons.

FINDING: SOME CLERKS OF COURT STOPPED PROCESSING CHILD SUPPORT PAYMENTS PRIOR TO CCO IMPLEMENTATION

RECOMMENDATION: This was an initial start up problem and does not affect the CCO at this time.

RESPONSE: DHHS agrees that this was an initial start-up problem. Unfortunately, it did contribute to the volume backlog at the critical time of CCO implementation.

FINDING: UNIDENTIFIED OR MISAPPLIED PAYMENTS CONTINUE TO NECESSITATE THE ISSUANCE OF EMERGENCY PAYMENTS

RECOMMENDATION: DHHS should continue to monitor the status of unidentified and misapplied payments. All efforts to properly identify and credit child support payments should be exhausted before funds are placed in the State's escheats account. DHHS and SMI should continue to work to reduce misapplied and unidentified transactions.

RESPONSE: We concur with the auditors' recommendation that DHHS should monitor the status of unidentified and misapplied payments. The DHHS Office of the Controller daily monitors the unidentified payments status and we plan to have monthly settlement meetings with the contractor and the Child Support Enforcement program staff on the misapplied payments. There are strict performance standards applicable to both of these functions and controls are in place to track them. At this point in time, according to the latest statistics, the unidentified rate is kept below an overall average of 1% and the misapplied rate is about 1/10 of one percent. We continue to work with the contractor on ways and means to reduce these percentages. The volume of emergency checks has fallen drastically and as noted in table #7, the number of emergency checks for February, 2000 was 17 and in March 2000 only 3. It should be noted that emergency checks have been issued in the past, prior to CCO, under extreme circumstances.

It should also be noted that of the total number of emergency checks issued, 29,481 checks amounting to \$4,525,658.70, were issued on October 21, 1999 proactively rather than waiting for phone calls to demand payments. All IV-D cases under income withholding were examined around the middle of October. Those having received payments in June, July and August were issued an emergency check in the same amount, so long as ACTS did not show a post transaction for October on the account. The funds to support these "pro-active" emergency checks were recouped within the next month. This is an example of how DHHS acted quickly and proactively to offset the problems experienced in October.

FINDING: ADDRESS CHANGES ARE NOT BEING PROCESSED

RECOMMENDATION: DHHS should closely monitor the automation process for handling address changes and additional correspondence. DHHS and SMI should immediately devise a plan for reviewing the images already in the file and determining which changes have been made and which need to be forwarded to the local offices for processing.

RESPONSE: DHHS concurs with the auditors' recommendation that the handling of address changes should be closely monitored. The automatic faxing of correspondence that arrives with payments was implemented the week of March 24, 2000. Prior to this functionality being automated, the staff at SMI was taking any correspondence included in the payment envelope and manually forwarding it to the local offices via the CSE and AOC mailrooms. However, coupons are considered remittance documents and are needed during the processing of the payment for verification purposes. These coupons were not being manually forwarded along with the other correspondence, even though there may have been an updated address on the back of the coupon. That was an oversight in the manual process that is cured with the automation. The CCO scanners now detect writing on the back of the coupons and automatically fax the image to the local offices.

The total number of correspondence documents noted in the audit report (17,529) included a large number of pieces other than the coupons (indeed it includes ALL correspondence). These pieces of correspondence were handled manually, as noted above, and therefore no count of the number processed can be given. Accordingly, the DHHS Controller's Office has asked SMI for a corrective action plan. SMI has produced a written corrective action plan that requires their workers to review the images of correspondence between October, 1999 and March 24, 2000. Images that are addresses on the backs of coupons will be faxed to the appropriate local office within 45 days of April 11, 2000. This function will be monitored by the DHHS Controller's Office.

FINDING: MISSING AND INCORRECT DEMOGRAPHIC DATA COMPROMISES THE INTEGRITY OF ACTS

RECOMMENDATION: DHHS should identify data and make correcting this information a priority. Additionally, DHHS should continue to work with the contractor to improve methods for identifying and posting payments properly.

RESPONSE: We concur with the auditor's finding that missing or incorrect demographic data compromises the integrity of ACTS data for those specific cases involved. The absence of reliable demographic data is a major contributing factor to misapplied payments. In recognition of this problem, DHHS and the Administrative Office of the Courts have been working to identify and correct those cases with missing or inaccurate data.

AOC has resumed using the system to transmit cases to ACTS that includes the required data edits. At the time of conversion, this system was not used and the records transmitted were either lacking or contained fictitious information. By resuming the use of these edits, the data presented to ACTS must contain the required data elements. DHHS, Division of Social Services, Child Support Enforcement, along with the Clerks will continue to attempt to identify and correct fictitious data.

FINDING: THERE ARE DELAYS IN DISBURSING FUTURE PAYMENTS TO NON-IV-D CLIENTS

RECOMMENDATION: We concur with the DHHS decision to automate future payments. DHHS should discontinue its contract with Corr Services for the remaining functions and use state employees to maintain and initiate new non-IV-D cases and work the undistributed, non-IV-D future payments. This would generate a potential annual saving between \$117,404 and \$426,864 to the State for the first year.

RESPONSE: DHHS agrees with the audit recommendation regarding disbursement of future payments. The next version release of ACTS on October 1, 2000 will automate the future payment process as much as possible, although some functions will remain manual. Additionally, DHHS, Division of Social Services, Child Support Enforcement will examine the options for utilizing resources to initiate and maintain non-IV-D cases and discontinuing the contract with Corr Services.

FINDING: THE CSE CLIENT SERVICES UNIT DOES NOT HAVE ADEQUATE PERSONNEL AND TELECOMMUNICATIONS EQUIPMENT

RECOMMENDATION: We concur with DHHS' proposed expanded call center. DHHS should continue efforts to adjust staffing levels to meet customer demand. However, DHHS should cease using employees from local CSE offices to work in Raleigh at the call center. These employees have large child support caseloads that are not being worked effectively during their absence.

RESPONSE: DHHS, Division of Social Services, Child Support Enforcement does not agree with the recommendation that we cease using employees from local CSE offices to work in Raleigh at the call center. Until other resources are made available, this is our only option to cover the phones and offer customer service. The reassignment of local child support agents who have heavy caseloads to the call center comes at a tremendous cost and delays action necessary to manage a case. Unfortunately, child

support agents are the only resource from which to pull from to meet the pressing needs of the client services unit. We have taken action to minimize the impact on local offices by returning agents back to their normal job assignment. Presently, less than 10 agents/clerks have been reassigned to the call center.

Table 13 depicts the call center problems related to three incoming “800” telephone lines. Calls using Area Code (919) or local calls are not included. Consequently, Table 13 does not include a significant portion of the phone activity. DHHS submitted to the Governmental Operations Committee on March 23, 2000 a proposal to expand the call center with a mid-May implementation target date. At that time, DHHS was requested to identify other locations; in rural areas of the State with high unemployment rates. DHHS reported to Governmental Operations Committee on April 19, 2000 the results of efforts to identify another location and resubmit the request for approval to fund the call center. This request was approved and DHHS, Division of Social Services, Child Support Enforcement will start working immediately on implementation plans. The anticipated implementation date is November, 2000. The proposal includes a request to expand the staffing level to meet the increased demand.

FINDING: THE CURRENT AUTOMATED VOICE RESPONSE UNIT (VRU) IS NOT CLIENT FRIENDLY AND HAS LIMITED MANAGEMENT TOOLS

RECOMMENDATION: We concur with DHHS' decision to replace the current VRU. DHHS should include the necessary tracking mechanisms in the redesign to quantify the number of calls into the system. This will allow DHHS to evaluate the adequacy of client service functions as well as staffing levels.

RESPONSE: As noted in the audit report, DHHS has included the replacement of the VRU as part of call center improvement plan. A new VRU is critical to enhancing DHHS capacity to manage the call volume.

FINDING: THE LACK OF WRITTEN, SPECIFIC POLICIES AND PROCEDURES HAMPERS EFFECTIVE OPERATIONS IN THE CLIENT SERVICES UNIT

RECOMMENDATION: To ensure consistency and improve customer service, DHHS should establish a policies and procedures manual for each unit providing child support services. In addition, a formal training program should be instituted and documentation of that training should be maintained for the CSE Client Services Unit (call center).

RESPONSE: A policy and procedures manual addressing the needs of the Client Services Unit is in draft form at the present time and is being review by management. Formal training for Client Services staff has been in place for five years. All Client Services staff, employed prior to CCO, received this training. The training program for staff employed after CCO start up was modified to limit on the job training provided by Client Services supervisors. Given the nature of the crisis at the time, there was not sufficient time available to provide the desired training. Formal training did resume for all Client Services staff in February, 2000.

FINDING: THE CCO'S DISASTER RECOVERY PLAN FOR THE LOCAL AREA NETWORK IS NOT ADEQUATE

RECOMMENDATION: DHHS should enforce the terms of the contract with SMI. A sufficient, written disaster recovery plan for the local area network should be developed and a "hot site" should be established in Raleigh. The plan should be approved by senior management and tested periodically.

RESPONSE: DHHS agrees with the Auditors' recommendation that the CCO Disaster Recovery Plan needed to be improved. The Disaster Recovery Plan has been updated. This replaces the plan that was published in the CCO Detail Design Document, Section 12. The new plan addresses the following:

- statements of the maximum amount of downtime to be anticipated in minor and major disasters;
- identification of key personnel and their assignments during the restoration of processing;
- alternative procedures to manage workloads until processing resumes;
- availability of special stock supplies;
- inventory of equipment and arrangements to acquire replacement equipment;
- inventory of telecommunications circuits and equipment and arrangements to resume telecommunications;
- provisions for regularly updating and testing the plan.

The DHHS Office of the Controller is currently reviewing this updated plan and will work with SMI on finalizing and implementing the plan.

FINDING: THERE ARE INADEQUATE OPERATIONAL CONTROLS TO ENSURE THAT DATA AND PROGRAMS ARE PHYSICALLY PROTECTED FROM UNAUTHORIZED ACCESS, USE OR DESTRUCTION

RECOMMENDATION: DHHS should immediately require SMI to take the necessary steps to enhance the current physical security to safeguard the operation from unauthorized access, use or destruction.

RESPONSE: DHHS agrees that the CCO must have adequate physical security. Many of these controls were in place but were not being consistently or effectively utilized. The DHHS Office of the Controller will closely monitor the contractor's efforts to adequately protect the data and programs.

FINDING: THERE IS INAPPROPRIATE ACCESS TO PRODUCTION DATA

RECOMMENDATION: DHHS should work with SMI to investigate methods to restrict access to production data files. When access is needed for data corrections, activities in these data files should be controlled, monitored, and reviewed by management. Lastly, audit trails should be used as an effective monitoring tool.

RESPONSE: DHHS concurs with the auditors' recommendation that access to CCO production files must be restricted to certain staff with high security clearance. This situation was addressed with a system upgrade effective on February 26, 2000. The DHHS Office of the Controller will continue to work with SMI on refining security features, creating and maintaining clean audit trails and operational procedures to ensure that the data integrity is maintained.

FINDING: THERE IS NO CHANGE ORDER PROCESS AS REQUIRED BY THE CONTRACT

RECOMMENDATION: DHHS should complete the development and documentation of its change order process for the SMI contract. The process should be approved by management and implemented as soon as possible. When a system is changed, the documentation should be updated so that the system will be maintainable. Similarly, SMI should also complete, document and implement its own change order process.

RESPONSE: DHHS concurs with the auditors' recommendation that the Change Order Process should be completed and documented. The CCO has an internal version control log to track changes in the database and DHHS is currently working on a formal "State-to-Contractor" change control process. The DHHS Office of the Controller will monitor the change control process and also ensure that CCO system documentation is updated with each change.

FINDING: THERE IS A LACK OF DOCUMENTATION REGARDING ACCESS TO DATA FILES AND RESTRICTIONS ON UNAUTHORIZED USERS AND PROGRAMS

RECOMMENDATION: DHHS should closely monitor SMI's procedures relating to access to data in the CCO. To ensure the integrity of the centralized collection system, SMI should take the necessary steps to strengthen and document policies and procedures regarding information security, especially relating to access to data files and programs.

RESPONSE: DHHS concurs with the auditors' recommendation relating to the access of data in the CCO database. SMI now has a written policy entitled *Computer Network Access Procedures* regarding access to data files and restrictions on unauthorized users and programs. In this policy, you will also find that:

- users are required to change their passwords every 60 days. This feature will be implemented by May 11, 2000.
- Users will be allowed to change initial passwords without going through the security administrator. This system feature will be implemented by May 11, 2000 and will be enforced via company directive and training of staff.
- The "time out" feature is currently in the SMI testing region and will be implemented no later than May 11, 2000.

The DHHS Office of the Controller is currently reviewing the above mentioned written policy and will work with SMI on refining and implementing it. It is also the responsibility of the DHHS Office of the Controller to monitor the practices described above as well as validating that the system features to support this plan are adequately tested.

FINDING: SMI IS NOT IN COMPLIANCE WITH THE STATE AND DHHS CASH MANAGEMENT PLAN

RECOMMENDATION: DHHS should require SMI, as its contractor, to comply with the State and DHHS Cash Management Plans regarding the daily deposit of receipts. To protect against theft or fraud, restrictive endorsements should be stamped on payment instruments as early as possible.

RESPONSE: DHHS agrees with the recommendation that early endorsement will offer more protection for payment instruments and we have asked SMI to determine the feasibility of printing a partial endorsement on payment instruments at the front end of processing (scanning). This will be a change order and we will follow the new change order procedure, once it is approved by DHHS and in place. We have asked the Attorney General's Office to advise us of the applicability of the DHHS Cash Management plan to SMI's corporate banking operations. The DHHS Office of the Controller will work with SMI to implement any requirements of the DHHS Cash Management plan that are determined to be applicable.

FINDING: IT IS COST BENEFICIAL FOR THE STATE TO USE ELECTRONIC PAYMENTS FOR THE COLLECTION AND DISBURSEMENT OF CHILD SUPPORT PAYMENTS

RECOMMENDATION: We support DHHS' plans to employ electronic methods of collecting and disbursing child support payments. DHHS should increase its efforts to utilize electronic methods and proceed with plans to pilot these methods for State agencies.

RESPONSE: DHHS agrees with this recommendation and is moving forward with plans to market and implement the use of electronic methods of collecting and disbursing child support payments.

FINDING: SPLITTING RESPONSIBILITY BETWEEN THE LOCAL CSE OFFICES AND CLERKS OF SUPERIOR COURT FOR ENFORCING CHILD SUPPORT ORDERS RESULTS IN INEFFICIENCIES

RECOMMENDATIONS: The Legislature should amend GS 50-13 to remove the child support enforcement functions from the Clerks of Superior Court. The entire function should be administered by the Child Support Enforcement Section within the Division of Social Services, DHHS. DHHS should request an additional 100 local CSE agent positions from the General Assembly.

RESPONSE: DHHS, Division of Social Services, Child Support Enforcement agrees with the Auditor's recommendation to reorganize the Child Support Enforcement Program. We believe that the two systems should be consolidated into one single system that is administered by the Child Support Enforcement Section.. That system should be equitable, accessible, understandable, responsive, and fair to children, clients and litigants. With the appropriate resources, a CSE administered single system would enhance the enforcement services, reduce participant confusion, and maximize available federal funding.

FINDING: CASELOAD LEVELS AT LOCAL CHILD SUPPORT ENFORCEMENT OFFICES ARE TOO LARGE FOR PROPER MANAGEMENT OF CASES

RECOMMENDATION: DHHS should review the Staffing/Caseload Standard Policy and make adjustments to reflect present standards. DHHS should use the above data to justify a request to the General Assembly for more local CSE agents. Since the local agents are employees of the county in which they work, the General Assembly should consider allocating funds directly to the counties for these agents. This would allow local CSE offices to reduce caseload and become more effective at establishment and enforcement. DHHS management should monitor caseload levels to ensure resources and cases are distributed as equitably as possible given local resources.

RESPONSE: DHHS, Division of Social Services, Child Support Enforcement concurs with the State Auditor's finding that caseloads are too large for proper management of cases. With a statewide caseload of 545 cases per agent, proper case management is difficult. Often agents are unable to manage their caseloads in a timely fashion.

We agree that additional agent positions are needed. Presently the county operated CSE offices have an average caseload per agent of 515, while state operated CSE offices have an average caseload per agent of 660. We plan to put forward a request to the General Assembly for more staff.

ISSUES FOR FURTHER STUDY

During the audit, we learned that the Child Support Agent II positions had not been reclassified since 1984. In 1999, DHHS' Division of Social Services (DSS) conducted a study for reclassify these positions. The study concluded that there were insufficient changes in the processes and purpose and role of the position to justify an upgrade. During this same time period, the DHHS' Personnel Office, with assistance from the Office of State Personnel, conducted a job market differential study. Based on this study, the State employees in the Mecklenburg and Union CSE offices received pay increases. The basis for the increase was employee turnover rates and the inability to attract qualified applicants. The increase in only two local CSE offices has disrupted morale in the other offices. In our opinion, DHHS should re-evaluate the pay levels for all local CSE employees.

RESPONSE:

We agree with the State Auditor's finding that the Child Support Agent class needs to be re-evaluated for a reclassification and/or pay level. A position reclassification study will be performed.

We appreciate the assistance and professionalism provided by your staff in the performance of this audit. If you have questions or need additional information, please contact Gary Fuquay at 733-0169.

Sincerely,



H. David Bruton, M.D.

HDB:jc

Cc: Assistant Secretary for Budget and Management
Director, DHHS Office of the Internal Auditor
DHHS Controller
Director, Division of Information Resource Management
Director, Division of Social Services
Chief, Child Support Enforcement Section, Division of Social Services
Chief, Accounts Receivable, DHHS Office of the Controller



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JUSTICE BUILDING

PO BOX 2448
RALEIGH, NC 27602
(919) 733-7107

JUDGE THOMAS W. ROSS
DIRECTOR

THOMAS HILLIARD III
ASSISTANT DIRECTOR

April 17, 2000

The Honorable Ralph Campbell, Jr.
State Auditor
2. S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Mr. Campbell:

Thank you for this opportunity to respond to the performance audit conducted by your office entitled *Child Support Enforcement Program*. The staff of the Administrative Office of the Courts that have worked on this project and I have been very pleased with the professional manner in which the audit was conducted, and the time your staff spent with us in reviewing the issues.

Early in the process of conversion to a centralized collection system the AOC, Clerks of Court, and DHHS joined together to identify the initial start-up problems, and I believe worked well together to help resolve those problems. Our staff spent hundreds of hours running queries, editing program queries, attending meetings, brainstorming and implementing solutions. Most importantly, our staff was present at DHHS and SMI to assist in resolving problems and answering questions.

In my opinion, the response of the courts and the executive branch of government is an excellent example of government working to make things better. I am proud that AOC played a part in this, and prouder still of all the work of the employees of clerks' offices all over North Carolina.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom W. Ross", written over a large, stylized flourish.

Thomas W. Ross

Response of the Administrative Office of the Courts to Recommendations of the State Auditor for Child Support Enforcement Program

I. CASE CONVERSION PROCESS ACTIONS

A. CLERKS CASES WERE CONVERTED WITH MISSING OR INCORRECT DEMOGRAPHIC INFORMATION

1. Auditor's comment. Some Counties have used, and continue to use the same or dummy social security numbers to force a case into ACTS.

Response: This practice has been discouraged. In Mecklenburg County most of the duplicate SSN are also for various law firms handling contempt cases in child support. As to the duplicate dummy SSN 121-21-2121 the use of this number is prompted by a judge's order to pay child support while in court, but the necessary SCR information is not supplied.

We have identified all cases with duplicate SSN and are sending that information to the applicable counties for correction.

2. Auditor's comment. Some Counties have used, and continue to use the same or dummy dates of birth to force a case into ACTS.

Response: This practice has been discouraged. As stated above, it is often the only method the Clerk has available to accept payment when the necessary SCR information was not provided.

B. EXPIRED CASES WERE INAPPROPRIATELY CONVERTED INTO ACTS:

This issue is being resolved through case review and deletion as requested in a memorandum to the Clerks dated April 3, 2000.

Auditor's recommendation for Cases and Demographics: The Clerks should make every effort to obtain valid demographic data when possible to avoid the issuance of multiple MPI numbers.

Response: The Clerks of Superior Court are aware of the necessity for including demographic data in all cases, and they are taking steps to obtain the necessary demographic information. Inadequate resources and staff limit their efforts. Most of this information is obtained at the time of filing a case or at the first court date, but many of the cases involved were in existence prior to the requirement of SCR information. Clerks across the State have made phone calls and sent letters to obtain this information, however the requests are often not answered or when answered do not supply the complete information. As a result, the Clerks must rely on the parties to obtain this information and are totally dependant on the timetable of those parties.

Each week, the AOC is sending returned mail with bad or incorrect mailing addresses to the appropriate Clerks offices for the Clerks to either update the address, flag the case for a bad address or determine whether the case needs to be closed as inactive.

II. CLERKS OF SUPERIOR COURT ACTIONS

A. SOME CLERKS OF COURT STOPPED PROCESSING CHILD SUPPORT PAYMENTS PRIOR TO CCO IMPLEMENTATION.

1. Auditor's comment. 484 checks dated prior to September 18, 1999, came into CCO. Of those checks, the largest share came from Edgecombe County (119 checks). Hurricane Floyd hit eastern NC, including Edgecombe County on September 15, 1999.

Response: Agree.

2. Auditor's comment. Of the 484 checks, 40 of them were dated before September 1999.

Response: It is unclear how or why this happened, but the number is quite small considering the volume of cases handled.

3. Auditor's comment. Twenty-one money orders dated between September 23, 1997 to February 10, 1998, were forwarded to SMI.

Response: Upon review of the file, it appears that the payor held these money orders until the implementation of CCO and sent them all in at one time.

4. Auditor's comment. 512 checks payable to the Clerks of court, for various court fees or restitution payments were sent to CCO in error between September 18, 1999, and December 31, 1999.

Response: This accounts for .0013% of all payments received at CCO, based on an average of 383,000 receipts a month, and is a very small error rate. Had the Clerks not been requested to continue to forward payments after November 1, 1999, this number would have been even smaller.

Auditor's Recommendation for Checks. No recommendation is needed. This was an initial start up problem and does not affect the CCO at this time.

Response: The AOC appreciates and understands that part of the performance audit includes all aspects of "what contributed to start up problems with centralized collection of child support". However, the small numbers cited clearly show that the court system was not a major cause of these problems.

III. SPLITTING RESPONSIBILITY BETWEEN THE LOCAL CSE OFFICE AND CLERKS OF SUPERIOR COURT FOR ENFORCING CHILD SUPPORT ORDERS RESULTS IN INEFFICIENCIES

Auditor's Recommendation for Enforcement: "The Legislature should amend GS 50-13 to remove the child support enforcement functions from the Clerks of Superior Court. The entire function should be administered by the Child Support Enforcement Section within the Division Social Services, DHHS.

Response:

We agree. If enforcement of NIVD cases remains with the Clerks of Court, there will need to be an additional state appropriation to provide for ACTS software and training for all Clerks, as well as approximately \$1,000,000 non-recurring costs to rewrite and upgrade the SES system, and annual cost of \$730,000 to maintain the current system. All of this would be funded entirely with state funds.

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April 25, 2000

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