

**Joint Legislative Committee on Performance  
Evaluation and Expenditure Review (PEER)**

Report to  
the Mississippi Legislature



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# **The Division of Child Support Enforcement: An Operational Review of the Collection and Distribution of Child Support Payments**

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The Mississippi Department of Human Services' Division of Child Support Enforcement collects child support payments from noncustodial parents and disburses them to the custodial parents to be used for the care and support of the child(ren) in their legal custody.

After receiving a complaint by a noncustodial parent regarding the division's accounting for child support payments, PEER reviewed the division's process for receiving and accounting for such payments. Because most child support payments flow through the division's Central Receipting and Disbursement Unit (CRDU) and because of the amount of employee involvement associated with the unit's procedures (thus increasing the potential for error and/or fraud), this report focuses primarily on payments processed through the CRDU.

Federal regulations require the CRDU to disburse child support to the custodial parent's preferred payment option within two business days of receipt. In PEER's statistical sample of child support payments received by the CRDU from June 1, 2008, through May 31, 2009, seventy-five percent of child support payments met the mandate of two business days, which is in compliance with minimum federal standards. However, the CRDU has managerial and operational problems, such as segregation of duties conflicts and problems with billing of employers for income withholding, that could potentially disrupt the CRDU's distribution of payments to custodial parents.

The division's managerial and operational problems outside the CRDU, such as the accuracy of input of child support obligation information into METSS, also impact the timely and accurate distribution of child support payments.

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November 10, 2009

Honorable Haley Barbour, Governor  
Honorable Phil Bryant, Lieutenant Governor  
Honorable Billy McCoy, Speaker of the House  
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On November 10, 2009, the PEER Committee authorized release of the report entitled **The Division of Child Support Enforcement: An Operational Review of the Collection and Distribution of Child Support Payments.**

A handwritten signature in cursive script that reads "Harvey Moss". The signature is written in black ink and is positioned above a horizontal line.

Representative Harvey Moss, Chair

**This report does not recommend increased funding or additional staff.**



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# The Division of Child Support Enforcement: An Operational Review of the Collection and Distribution of Child Support Payments

## Executive Summary

### Introduction

The Mississippi Department of Human Services' Division of Child Support Enforcement (DCSE) collects child support payments from noncustodial parents<sup>1</sup> and disburses them to the custodial parents to be used for the care and support of the child(ren) in their legal custody.

The PEER Committee received a complaint from a noncustodial parent regarding the division's accounting for child support payments. The complainant alleged that he was submitting payments regularly, but that his account balance was not decreasing, according to statements he had received from the DCSE. After PEER brought the complainant's case to the attention of DCSE officials, research by DCSE staff determined that an input error had resulted in the complainant's overpaying approximately \$4,500 in child support payments to a particular subcase.<sup>2</sup> (See page xiv of this summary for details on how this condition occurred.)

In response to the complainant's allegations and given PEER's conclusions in previous reports regarding the division's internal controls (see page 3 of the report), the PEER Committee conducted an operational review of the Department of Human Services' Division of Child Support Enforcement. PEER's review focused on the following questions:

- What is the Division of Child Support Enforcement's process for receiving child

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<sup>1</sup> A *noncustodial parent* does not have primary care, custody, or control of the child and has an obligation to pay child support.

<sup>2</sup> A *child support case* is comprised of the noncustodial parent, other biological parent (usually but not always the custodial parent), the custodial parent (who is usually but not always the other biological parent), and child or children of the noncustodial parent and the other biological parent. A child support *subcase* consists of one custodial parent and all the children associated with this one custodial parent that have the same program status.

support payments, applying them to the noncustodial parent's account, and distributing them to the custodial parent?

- What managerial or operational problems could occur within the child support payment process that would result in failure to credit the noncustodial parent's account or delay distribution of the funds to the custodial parent?
- Are there any additional management or operational issues that could affect the timeliness or effectiveness of the division's handling of child support payments?

PEER conducted a random sample to determine whether errors existed in the initial establishment of cases in the system or in the receipting, posting, distribution, or disbursement processes within the Division of Child Support Enforcement. The sample population comprised cases submitted through the division's Central Receipting and Disbursement Unit (CRDU) that had received a payment between June 1, 2008, and May 31, 2009, either by personal payment or by an employer withholding income from a paycheck. PEER selected a simple random sample of 385 subcases, based on a five percent error rate and a 95 percent confidence interval level.

## Background

### **Statutory Authority and Purpose of the State's Child Support Enforcement Function**

Congress established the child support enforcement program within the Department of Health and Human Services in 1975. Public Law 93-647 required that states establish a single, separate organizational unit for child support enforcement. In Mississippi, the Department of Human Services' Division of Child Support Enforcement is charged with this responsibility.

On August 22, 1996, the federal Personal Responsibility and Work Reconciliation Opportunity Act (PRWORA) restructured the administration of the states' child support enforcement programs. PRWORA mandated that for states to be eligible for the Temporary Assistance to Needy Families block grants, they must operate their child support enforcement programs in a manner that meets federal requirements with respect to: a national new hire reporting system, paternity establishment, uniform interstate child support laws, computerized statewide collections, establishment of the centralized state disbursement unit, and penalties for parents that do not pay their required child support obligation amount.

MISS. CODE ANN. §43-19-31 et seq. (1972) requires the Department of Human Services to operate a child support unit fulfilling the requirements in PRWORA.

Senate Bill 2588, 2009 Regular Session, requires that all child support payments paid through income withholding cases go through the Division of Child Support Enforcement effective July 1, 2009. This will bring the state into compliance with the PRWORA requirement and will increase the number of child support cases the agency must process.

## **Federal Guidelines for Child Support Enforcement**

Section 454 (27) of the Social Security Act requires that the states use automated procedures, electronic processes, and computer technology to the maximum extent possible for the collection and disbursement of child support payments. The *Guide for Auditing State Disbursement Units* (2003), published by the U. S. Department of Health and Human Services' Office of Child Support Enforcement, also requires that states establish control procedures to assure that the objectives of the program or division are accomplished. Federal regulations also require segregation of duties in states' child support payment processes to reduce the potential for perpetrating and concealing fraud.

Mississippi's DCSE receives the majority of its funding from the federal government (approximately sixty-five percent of its revenues in state Fiscal Year 2009). The federal government also provides the state with incentive funds, receipt of which is based on each state's success in achieving federally prescribed program outcomes.

## **How the Division of Child Support Enforcement Processes Child Support Payments**

### **Overview of the Process**

Child support payments that the Division of Child Support Enforcement receives through electronic funds transfer (EFT) are handled directly by the Mississippi Enforcement Tracking of Support System, or METSS. Noncustodial parents may also submit child support payments to the division's Central Receipting and Disbursement Unit either by income withholding through his/her employer or they may make personal payments via check, money order, or cash. The CRDU accepts payments sent through the U. S. Postal Service, the county offices, or on-site at a payment window at the state office in Jackson.

The CRDU utilizes the OPEX and PayConnection systems to collect, scan, and post child support payments. These payments are processed, allocated, and distributed to cases in METSS, and submitted to the debit card company that handles distribution of funds to custodial parents receiving child support payments by debit cards. (Some custodial parents receive child support payments through direct deposit or by check.) METSS tracks both the funds received by EFT and the CRDU and thus provides the basis for the noncustodial parent's accounting of payments.

Because most child support payments flow through the CRDU and because of the amount of employee involvement associated with the unit's procedures (thus increasing the potential for error and/or fraud), this report focuses primarily on payments processed through the CRDU.

## The CRDU's Child Support Payment Processing Procedures

Exhibit A, page xi, tracks the flow of child support payments through the CRDU's processing steps.

### Conclusions Regarding the Central Receipting and Disbursement Unit

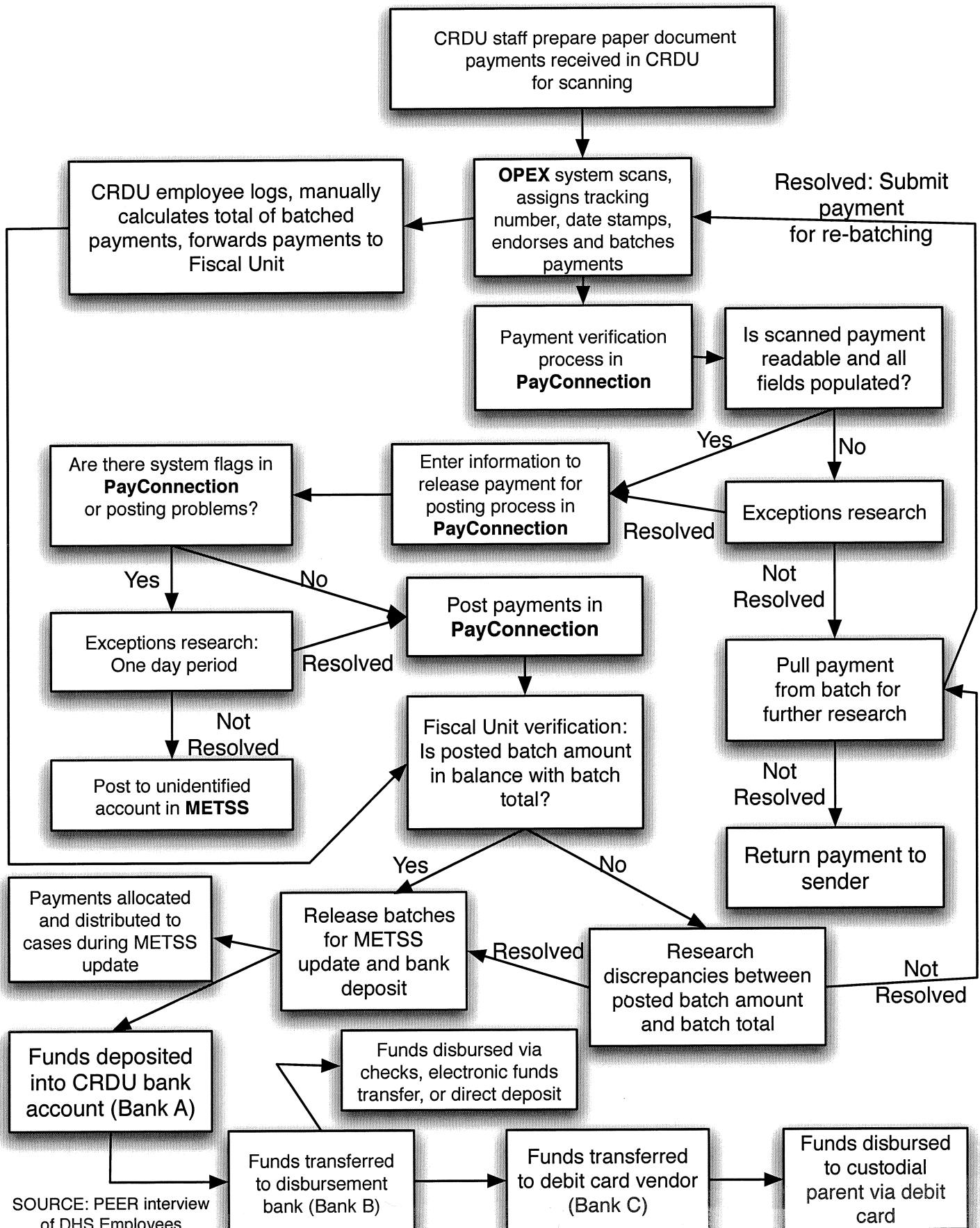
**The CRDU meets minimum federal requirements for the timely disbursement of child support payments. However, the CRDU has managerial and operational problems, such as segregation of duties conflicts and problems with billing of employers for income withholding, that could potentially disrupt the CRDU's distribution of payments to custodial parents.**

Federal regulations require the CRDU to disburse child support to the custodial parent's preferred payment option, such as a debit card or check, within two business days of receipt. In PEER's statistical sample of child support payments received by the CRDU from June 1, 2008, through May 31, 2009, seventy-five percent of child support payments met the mandate of two business days, which is in compliance with minimum federal standards.

However, PEER noted several managerial and operational issues in the Central Receipting and Disbursement Unit that could delay or have the potential to disrupt the timely and accurate distribution of payments to custodial parents. These issues are summarized below.

- *Segregation of duties conflicts*--CRDU managers have consistently approved segregation of duties conflicts in an effort to disburse and deposit child support payments in a timely manner. Conflicts include workers performing more than one function on the same batch of payments, the same worker accepting payments at the payment window and then posting payments to cases, and the same worker making

## Exhibit A: CRDU's Processing of Child Support Payments Made by Paper Document



SOURCE: PEER interview of DHS Employees

deposits as well as reconciling monthly bank statements. When a segregation of duties conflict occurs, it creates a situation in which the integrity of the system is circumvented. Such conditions create the potential for fraud or the concealment of fraud to occur.

- *Problems with billing of employers for income withholding*--Because the CRDU does not update its database of employer information in a timely manner, the unit has repeatedly sent bills to employers with names of individuals who are no longer employed and bills that do not list current employees whose income should be withheld for child support. Also, the format of the bills the CRDU sends to employers for withholding employees' income for child support has perpetuated a practice of CRDU workers' re-entering social security numbers for multiple subcases of a noncustodial parent, rather than entering a single total per social security number. This practice triggers false system flags requiring that payments be sent through the quality assurance process unnecessarily.
- *Problems with accountability for unidentified collections that are not posted to the proper accounts*--After the CRDU's decision to move the responsibility for resolving unidentified collections (i. e., payments that cannot be posted to a noncustodial parent's account) from the CRDU to the county offices, the balance of unidentified collections grew from \$27,586 in November 2008 to \$69,017 in September 2009.
- *Failure to comply with federal requirements for bonding of CRDU employees who handle assets*--Federal regulations require the Department of Human Services to ensure that every person who has access to or control over funds collected under the child support enforcement program be covered by a bond against potential loss resulting from employee dishonesty. The Department of Human Services does not comply with this requirement.

## **Conclusions: Related Child Support Enforcement Issues**

**The division's managerial and operational problems outside the CRDU, such as the failure to ensure the accuracy of input of child support obligation information into METSS, also impact the timely and accurate distribution of child support payments.**

PEER noted other conditions in the Division of Child Support Enforcement that could affect the timely and accurate disbursement of child support payments. These issues are summarized as follows:

- *Data entry errors and failure to ensure the updating of court-ordered child support obligation amounts in METSS*--Because the child support enforcement office in the county in which the custodial parent resides is the repository for the source documents (e. g., court orders, stipulated agreements) for a child support subcase, county child support enforcement workers are responsible for entering and updating obligation amounts into METSS. The Division of Child Support Enforcement does not require counties to implement a review or quality assurance procedure to compare obligation amounts in METSS to support documents.
- *Noncustodial parents' lack of ready access to account information*--The Division of Child Support Enforcement does not make account information readily available to all noncustodial parents. Noncustodial parents who make payments through income withholding do not receive monthly invoices and must specifically request information on their accounts in order to determine account status or detect errors. Also, any noncustodial parent who wants a statement of accounting (which contains additional information on the account that is not found on the monthly invoice, such as arrearage and fee information) must specifically request such and the format of this statement is not easily understandable.
- *Failure to report undistributable child support collections and interest as program income*--A 2008 audit by the U. S. Department of Health and Human Services' Office of Inspector General found that the Division of Child Support Enforcement did not have policies and procedures in place to identify and report program income from undistributable child support collections and interest earned on child support collections. Federal requirements state that a portion of program income must be returned to the federal government.
- *No auditing of the CRDU* --The Internal Audit Division of the Department of Human Services has never performed an audit of the CRDU. Given the importance of the CRDU for the collection and disbursement of child support payments, handling approximately \$177 million in payments annually, good management practices dictate that the department be audited on a regular basis to measure the effectiveness of internal controls, the adherence to established policy and procedures, the accuracy of department records, and the timely and accurate disbursement of child support collections.

- *Need for improvements in the customer service unit--* DHS does not have a centralized customer service unit to handle questions and complaints received statewide regarding child support issues. DHS has established a Customer Service Unit (CSU) to receive calls from Hinds and Rankin counties, but all other calls are referred to the caller's local county DHS office for assistance. Because the CSU does not maintain records necessary to determine the number of inquiries processed by CSU staff, the length of time required to address inquiries, or the nature of inquiries received, this information is not available to DCSE managers.
- *Lack of updated policies and procedures--*DCSE has not updated its policy and procedures since January 2001. Updated policies and procedures are necessary to ensure efficient and consistent department operations, including providing personnel with clear guidelines for their job responsibilities, establishing responsibility for tasks, proper handling and recording of agency records, processing documents consistently, and specifying approved departmental procedures after the implementation of new systems.

## **The Effect of DCSE's Management and Operational Problems**

**The Division of Child Support Enforcement's management and operational problems reduce its ability to monitor the accuracy of child support case information and ensure the timely and accurate distribution of child support payments.**

Because the DCSE is responsible for the receipt and timely and accurate disbursement of child support payments, management and operational problems such as those noted in the report have the potential to impact DCSE's ability to fulfill its responsibilities. As a result, noncustodial parents may pay more than legally mandated or children may receive less than is legally due to them.

As noted on page i, PEER's review was initiated after receiving a complaint from a noncustodial parent alleging that he was submitting payments regularly, but his account balance was not decreasing. PEER reviewed the complainant's file with DCSE officials. After reviewing supporting documentation, DCSE officials determined that worker error had resulted in the complainant's overpayment of approximately \$4,500 to one of the noncustodial parent's subcases. The worker had failed to change the payment obligation amount in the METSS system to zero after notification of the emancipation date of the child, who lived in another state and was subject to emancipation laws differing from Mississippi's. Thus the noncustodial parent had continued to make current child



support payments for over a year and a half after the obligation to do so had ceased.

## Recommendations

1. DHS management should amend agency policy with respect to the CRDU to include the following:
  - a. A designated worker should make at least two trips to the post office each day (once in the morning and once in the afternoon) to collect child support payments. DHS management and the CRDU should jointly determine whether additional trips are necessary, according to circumstances such as busy times of the month or workflow.
  - b. All payment instruments should be date stamped the day the payment enters the CRDU. The CRDU administrator or supervisor in charge should certify that all payments that entered the CRDU that day were stamped with the appropriate date.
  - c. A reasonable afternoon cut-off time should be set for PayConnection batch payment processing, including the caveat that any payment that does not enter the PayConnection processing system by the designated time would be processed the next morning.
  - d. In addition to the current PayConnection reports, segregation of duties conflicts that occur in the CRDU should be logged real time and information tracked should include: date, sequence, type of conflict, supervisor who approved the violation, and the reason for the violation. This would provide both a management tool and audit trail.
  - e. DHS management should update the policy and procedures manual to include changes that have occurred in the CRDU since 2001.
  - f. DHS management should require scheduled, periodic audits to the CRDU to include such areas as:
    - compliance with federal regulations of two-day processing of child support payments;
    - correct entry of court order amounts;
    - compliance with the federal regulations requirement of segregation of duties; and,
    - status of program income.

2. DHS management should update and amend employer bills in the following manner to ensure accurate remittance and posting of child support payments and preserve the integrity of the PayConnection “multiple postings to a social security number” quality assurance check:
  - a. Establish a policy and practice to update the employer database on a scheduled basis of no less than twice a year.
  - b. Designate which DHS personnel are responsible for updating the employer database.
  - c. Reconfigure the employer bill to combine the amounts for all child support cases for a noncustodial parent under his/her social security number.
  - d. Develop a uniform method for businesses to submit income withholding information (e. g., submitting withholding information on a CD-ROM).
3. DHS management should redirect the duties of the DCSE Financial Unit to focus on resolving unidentified child support payments. DHS managers should:
  - a. Ensure that Financial Unit personnel document which employee researched a payment, whether research methods followed the established policies and procedures, and what final resolution was reached concerning the payment.
  - b. DHS management should set a time frame during which these payments can be worked in the Financial Unit. After the time has been exhausted, payments should be transferred to the DHS controlled account for undistributable funds and documented in the Financial Unit log as such.
  - c. DHS management should monitor unidentified payments that were resolved and determine if actions by employees in the county played a role in the payment’s falling into unidentified status and whether training could rectify future unidentified payment problems.
4. Ensure compliance with MISS. CODE ANN. Section 89-12-13 (1972) by developing and implementing policies and procedures to recognize and report as program income any child support collections that meet the state’s definition of abandoned property.
5. Continue to work toward transferring to the State Treasurer and reporting as program income any undistributable child support collections in

accordance with federal and state requirements. Assign the funds to the State Treasury under the last known name associated with the payment.

6. The Division of Child Support Enforcement should comply with the federal regulation 45 CFR 302.19 (a) requiring a bond against potential loss resulting from employee dishonesty to cover every person who has access to or control over funds collected under the child support enforcement program.
7. DCSE should scan all court orders to establish an electronic file folder for wider access to legal documents governing child support cases.
8. DCSE should assign specific responsibility for inputting court orders to designated county employees and require second-party or supervisory review to examine and certify the correctness of court order entry and updating. Responsibility for accurate input and updating of court order information, as well as second-party or supervisory review of such information, should be included as part of designated county employees' performance appraisals.
9. DHS officials should work with the Mississippi Supreme Court Advisory Committee on Rules regarding adoption of a new form containing the information required for input into METSS, including:
  - child support obligation;
  - spousal support obligation;
  - medical support obligation;
  - arrears obligation; and,
  - fees obligation.
10. DHS management should explore cost-effective ways of providing noncustodial parents whose income is automatically being withheld from their paychecks with a monthly method of viewing the application of child support payments and any arrearage balance. Such methods could include a monthly e-mailed statement generated by METSS or an online account that requires a password for access.
11. DHS management should amend the current statement of accounting to reflect amounts paid, exactly how those payments were applied, the result of any current obligation amounts not paid until the time the statement is prepared, and a true account balance that reflects up-to-date payments received and arrearage amounts accumulated.

12. The Division of Child Support Enforcement should improve the two-county Customer Service Unit's methods of collecting and analyzing information. The DCSE should further define the types of calls received in the Customer Service Unit and maintain records necessary to:

- determine the disposition of inquiries;
- determine the length of time required by staff to respond to inquiries;
- prioritize and respond to calls based upon the urgency of the inquiry; and,
- summarize and analyze inquiries by type.

After these improvements are made in the two-county Customer Service Unit, DHS management should perform an analysis to determine whether reallocating resources to establish a centralized, statewide Customer Service Unit would be feasible.

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# The Division of Child Support Enforcement: An Operational Review of the Collection and Distribution of Child Support Payments

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## Introduction

### Authority

In accordance with MISS. CODE ANN. Section 5-3-51 et seq. (1972), the PEER Committee conducted an operational review of the Department of Human Services' Division of Child Support Enforcement (DCSE).

### Problem Statement

The Mississippi Department of Human Services' Division of Child Support Enforcement collects child support payments from noncustodial parents and disburses them to the custodial parents to be used for the care and support of the child(ren) in their legal custody. Noncustodial parents may meet their child support obligations by submitting cash, check, or money order payments; through income withholding; or through electronic funds transfer.

The PEER Committee received a complaint from a noncustodial parent regarding the division's accounting for child support payments. The complainant alleged that he was submitting payments regularly, but that his account balance was not decreasing, according to statements he had received from the DCSE. After PEER brought the complainant's case to the attention of DCSE officials, research by DCSE staff determined that an input error had resulted in the complainant overpaying approximately \$4,500 in child support payments to one particular subcase (see Footnote 1, page 7, for definition of a subcase). According to DCSE officials, DCSE will credit the overpayment to another subcase in which the complainant still owes a balance. The Department of

Human Services (DHS) requested the custodial parent who had received the child support payments in error to return the funds to DHS. (See page 47 for details on how this condition occurred and its resolution.)

In response to the complainant's allegations and given PEER's conclusions in previous reports regarding the division's internal controls (see page 3), the PEER Committee conducted an operational review of the Department of Human Services' Division of Child Support Enforcement.

## Scope and Purpose

PEER's review focused on the following questions:

- What is the Division of Child Support Enforcement's process for receiving child support payments, applying them to the noncustodial parent's account, and distributing them to the custodial parent?
- What managerial or operational problems could occur within the child support payment process that would result in failure to credit the noncustodial parent's account or delay distribution of the funds to the custodial parent?
- Are there any additional management or operational issues that could affect the timeliness or effectiveness of the division's handling of child support payments?

## Method

In conducting this review, PEER:

- reviewed relevant sections of federal and state laws and the division's policies and procedures;
- interviewed selected personnel of the Department of Human Services' state and county offices;
- conducted eight unannounced site visits to DHS's Central Receipting and Disbursement Unit (CRDU), interviewing staff and observing child support payment processing; and,
- reviewed a random sample of child support payments (see Appendix A, page 53, for a description of PEER's sample.)

## Previous PEER Reports on the Division of Child Support Enforcement

The PEER Committee has conducted two previous reviews of the Department of Human Services' Division of Child Support Enforcement:

- *An Evaluation of the Department of Human Services, Child Support Enforcement Division's Accountability Information Systems (#356)*, April 16, 1997--This report concluded that the Department of Human Services could provide minimum accountability information needed to answer policymakers' concerns. However, accountability informational areas that needed improvement were in the areas of: a case classification scheme for prioritizing the caseload, collecting and monitoring case processing statistics, and program efficiency processing statistics.
- *A Review of the Mississippi Department of Human Services' Division of Child Support Enforcement (#462)*, December 19, 2003--This report concluded the CRDU had violated a segregation of duties standard with respect to cash handling procedures, CRDU workers had not date stamped child support payment checks, and DHS policies and procedures were not specific regarding performance monitoring.

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## Background

### **The Responsibility to Pay Child Support**

The responsibility of a noncustodial parent to pay child support is established by court order or administrative process, voluntary agreement (in states where such agreements are filed in the court or agency of the administrative process as an order and are legally enforceable), stipulated agreement between parties for support properly approved by the court, or other legal process, including a judgment for child support arrears. MISS. CODE ANN. Section 93-11-105 (1972), as amended, authorizes the DCSE to implement administrative orders for withholding pursuant to a previously rendered order for support.

Child support obligations continue until a child automatically becomes emancipated based on the age of majority and other criteria established in each state's statutes or otherwise may occur before the child reaches the age of majority via a court order. The age of majority in Mississippi is age twenty-one. Even if a child attains emancipation, this determination does not terminate any obligation of the noncustodial parent to satisfy arrearages (i. e., overdue payments) of child support.

Failure to make child support payments may result in DHS's taking enforcement action. Enforcement actions may include contempt action; court-ordered employment; credit bureau reporting; passport revocation; or driver's, professional, or hunting license suspension. Enforcement action is only applicable to cases for which a custodial or noncustodial parent is receiving child support services from DHS (referred to as IV-D cases).

### **Statutory Authority and Purpose of the State's Child Support Enforcement Function**

Congress established the child support enforcement program within the Department of Health and Human Services in 1975 (Title IV-D of the Social Security Act). Public Law 93-647 required that states establish a single, separate organizational unit for child support enforcement. The states have established these units in their human services departments, attorney generals' offices, or departments of revenue. In Mississippi, the Department of Human Services' Division of Child Support Enforcement (DCSE) is charged with this responsibility.



On August 22, 1996, the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, P.L. 104-193) became law. This legislation replaced the American Families with Dependent Children (AFDC) program with the Temporary Assistance to Needy Families (TANF) block grant to states program. This legislation made substantial changes and restructured the administration of the child support enforcement program. PRWORA mandated that for states to be eligible for the TANF block grants, states must operate their child support enforcement program in a manner that meets federal requirements with respect to: a national new hire reporting system, paternity establishment, uniform interstate child support laws, computerized statewide collections, establishment of the centralized state disbursement unit, and penalties for parents that do not pay their required child support obligation amounts.

MISS. CODE ANN. §43-19-31 et seq. (1972) requires the Department of Human Services to operate a child support unit fulfilling the requirements in PRWORA. The purpose of the child support enforcement program is to promote family self-sufficiency and child well-being by:

- locating noncustodial parents and establishing paternity when necessary;
- working with the courts to establish orders for child support; and,
- collecting and distributing child support payments.

Senate Bill 2588, 2009 Regular Session, brought the state into compliance with PRWORA by requiring that all child support payments paid through income withholding go through the Division of Child Support Enforcement effective July 1, 2009. This will bring the state into compliance with the PRWORA requirement and will increase the number of child support payments the agency must process.

## Federal Guidelines for Child Support Enforcement

Section 454 (27) of the Social Security Act requires that the states use automated procedures, electronic processes, and computer technology to the maximum extent possible for the collection and disbursement of child support payments. The *Guide for Auditing State Disbursement Units*, published by the U. S. Department of Health and Human Services' Office of Child Support Enforcement (2003), also requires that states establish control procedures to assure that the objectives of the program or division are accomplished.

Federal regulations also require segregation of duties in states' child support payment processes to reduce the

potential for perpetrating and concealing fraud. Section 302.20 of Title 45 of the *Code of Federal Regulations* states that the states must:

*. . . maintain methods of administration designed to assure that persons responsible for handling cash receipts of support do not participate in accounting or operating functions which would permit them to conceal in the accounting of records the misuse of support receipts.*

Thus state offices charged with the responsibility of child support enforcement are required to reduce the potential for fraud and error within that function. The federal Office of Child Support Enforcement assists states in the development, management, and operation of their child support enforcement programs by providing substantial program funding, policy guidance and technical help, research and ideas for program improvement, and educational programs. Mississippi's DCSE receives the majority of its funding from the federal government (approximately sixty-five percent of its revenues in state Fiscal Year 2009). The federal Department of Health and Human Services reimburses the state approximately 66 percent of allowable annual expenditures for child support enforcement services--i. e., parent locator, paternity, and child support enforcement services. The federal government also provides the state with incentive funds, receipt of which is based on each state's success in achieving federally prescribed program outcomes. Exhibit 1, page 7, shows the revenues for DCSE for state Fiscal Year 2009.

## Functions of the Division

As noted previously, PRWORA requires the states to establish and operate a child support enforcement program. DCSE is charged with providing services in the following areas:

- location of noncustodial parents;
- establishment of paternity for absent parents;
- establishment of orders for child support and medical support;
- collection and distribution of support payments;
- enforcement of child support orders;
- review and adjustment of orders; and,
- working with child support programs in other states to collect child support.

As noted in the Scope and Purpose section, page 2, this report focuses primarily on the division's collection and distribution of support payments.

### Exhibit 1: Division of Child Support Enforcement Revenues by Source for State Fiscal Year 2009

Type of Revenue	Amount	Percentage
Federal Funds	\$25,386,615	65
State General Funds	5,428,692	14
Child Support Fees <sup>1</sup>	1,926,159	5
Child Support Incentive <sup>2</sup>	1,401,525	3
IRS Bank Account <sup>3</sup>	5,000,000	13
Total	\$39,142,991	100

<sup>1</sup>Totals include application fees, attorneys' fees, court costs, and genetic test fees.

<sup>2</sup>Incentives funding is provided to state child support enforcement offices for meeting federally established performance criteria in the areas of paternity establishment, support orders, current collections, arrears collections, and cost-effectiveness. Currently, the department uses these funds to supplement the state's match required to receive federal grant monies.

<sup>3</sup>The IRS bank account is a flow-through account for handling Internal Revenue Service federal tax offsets to satisfy child support collections. This money flows through to the custodial parent. This is the Department of Human Services' estimate.

SOURCE: DHS's Fiscal Year 2011 Budget Request.

### Workload and Total Collections of the Division of Child Support Enforcement for Fiscal Years 2007-2009

The Division of Child Support Enforcement's total number of child support cases varies monthly.<sup>1</sup> Exhibit 2, page 8,

<sup>1</sup> A *child support case* is comprised of the noncustodial parent, other biological parent (usually but not always the custodial parent), the custodial parent (who is usually but not always the other biological parent), and child or children of the noncustodial parent and the other biological parent. A child support *subcase* consists of one custodial parent and all the children associated with this one custodial parent that have the same program status. *Program status* is a designation in the Mississippi Enforcement Tracking of Support System regarding whether the child is currently receiving public assistance, never received public assistance, or formerly received public assistance but is not currently receiving assistance. This designation is important because the state and federal governments may recoup child support collections if the child was receiving public assistance. If one or more of the children associated with this one custodial parent have a

lists the average monthly number of child support subcases for fiscal years 2007, 2008, and 2009.

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**Exhibit 2: Average Number of Monthly Child Support Subcases in Mississippi for Fiscal Years 2007 through 2009**

FY 2007	336,028
FY 2008	346,679
FY 2009	350,989
Average for FYs 2007-2009	344,565

SOURCE: Records of the Mississippi Department of Human Services.

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From January through July 2009, the Division of Child Support Enforcement opened 27,808 cases and closed 2,016 cases.

Exhibit 3, below, shows the division's total child support payment collections for state fiscal years 2007, 2008, and 2009. As shown, the division has collected an average of \$238.6 million per year in child support payments for the last three fiscal years.

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**Exhibit 3: Total Child Support Collections for FY 2007 through FY 2009**

State Fiscal Year	Fiscal Year Total
FY 2007	\$234.6 million
FY 2008	\$234.2 million
FY 2009	\$247.1 million
Average of FYs 2007-2009	\$238.6 million

SOURCE: DCSE officials.

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different program status, this constitutes an additional subcase. See Appendix B, page 54, of this report for additional information and examples.

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# How the Division of Child Support Enforcement Processes Child Support Payments

This chapter addresses the question:

*What is the Division of Child Support Enforcement's process for collecting child support payments, applying them to the noncustodial parent's account, and distributing them to the custodial parent?*

## Overview of the Process

As noted on pages 4 and 5, noncustodial parents submit child support payments to the state for distribution to the custodial parent and child(ren). The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires each state's child support enforcement program to establish and operate a state disbursement unit for the collection and disbursement of child support payments, which in Mississippi is the Central Receipting and Disbursement Unit [see MISS. CODE ANN. §43-19-31 (k), 43-19-35 (2), and 43-19-37 (l) (1972)].

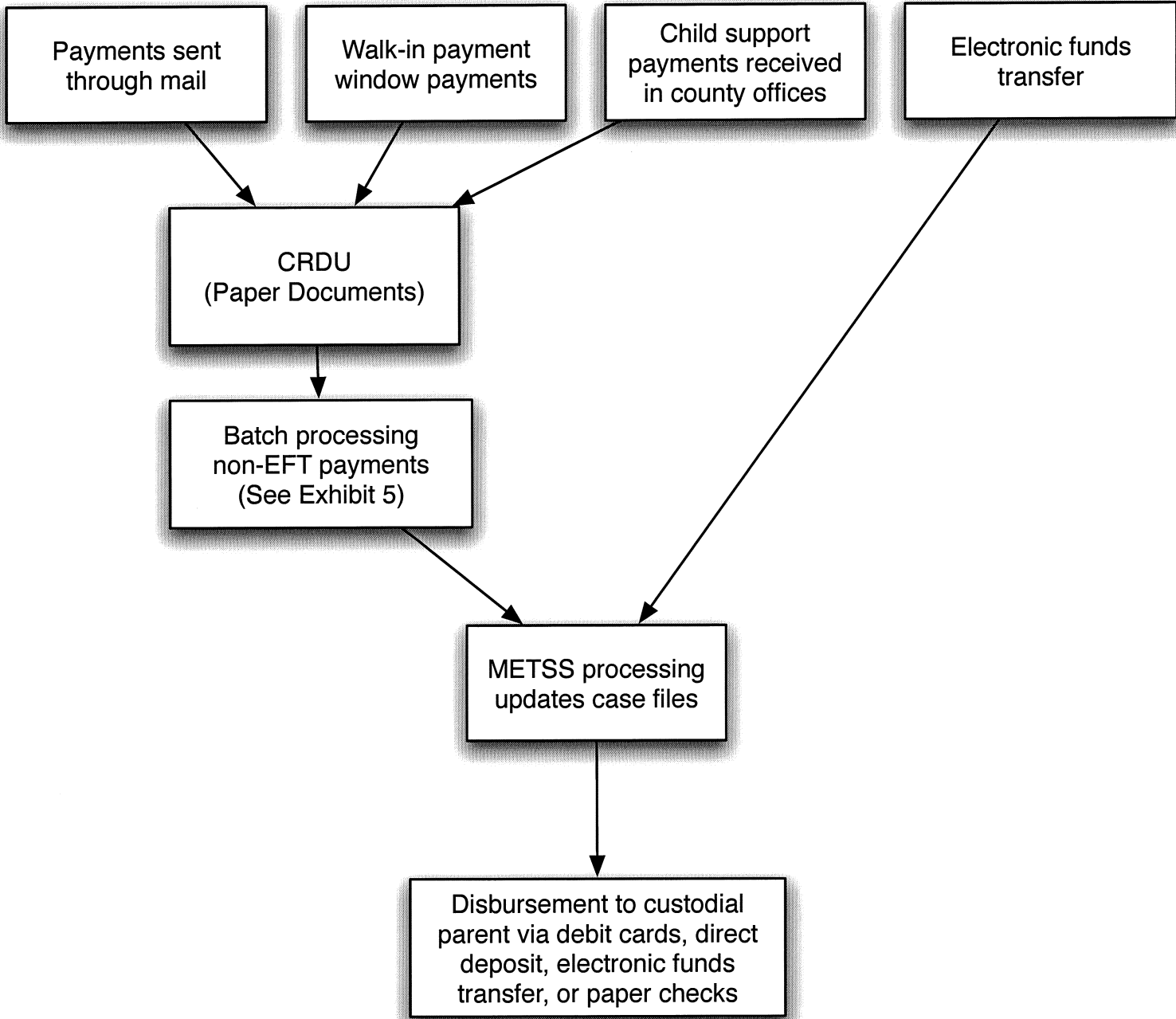
Exhibit 4, page 10, illustrates the flow of child support payments through the Division of Child Support Enforcement. Payments that the division receives through electronic funds transfer (EFT) are handled directly by the Mississippi Enforcement Tracking of Support System, or METSS (see description of METSS, page 15). Noncustodial parents<sup>2</sup> may also submit child support payments to the CRDU either by income withholding through his/her employer or they may make personal payments via check, money order, or cash. The CRDU accepts payments sent through the U. S. Postal Service, the county offices, or on-site at a payment window at the state office in Jackson.

The CRDU utilizes the OPEX and PayConnection systems (see descriptions of these systems on page 15) to collect, scan, and post child support payments. These payments are processed, allocated and distributed to cases in METSS, and submitted to the debit card company that handles distribution of funds to custodial parents receiving child support payments by debit cards. (Some custodial parents receive child support payments through direct deposit or by check.) METSS tracks both the funds received by EFT and the CRDU and thus provides the basis for the noncustodial parent's accounting of payments.

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<sup>2</sup> A *noncustodial parent* does not have primary care, custody, or control of the child and has an obligation to pay child support.

**Exhibit 4: How Child Support Payments Flow Through the Department of Child Support Enforcement**



SOURCE: PEER interview of DHS employees.

Because most child support payments flow through the CRDU and because of the amount of employee involvement associated with the unit's procedures (thus increasing the potential for error and/or fraud), this report focuses primarily on payments processed through the CRDU. The following sections describe the CRDU's process for collecting and distributing payments.

## The CRDU's Child Support Payment Processing Procedures

Exhibit 5, page 13, tracks the flow of child support payments through the CRDU's processing steps.

### Collecting, Scanning, and Totaling Payments

When child support payments are sent through the mail to the CRDU, designated CRDU staff pick them up from the post office and deliver them to the unit. Payments are also remitted from the county offices to the CRDU for processing and individuals may make payments at the payment window. The CRDU is located in a restrictive environment within the Department of Human Services monitored by cameras with limited access to only authorized personnel through a security keypad. The CRDU staff opens the mail in a designated area within the CRDU and prepares it for scanning by the OPEX operator.

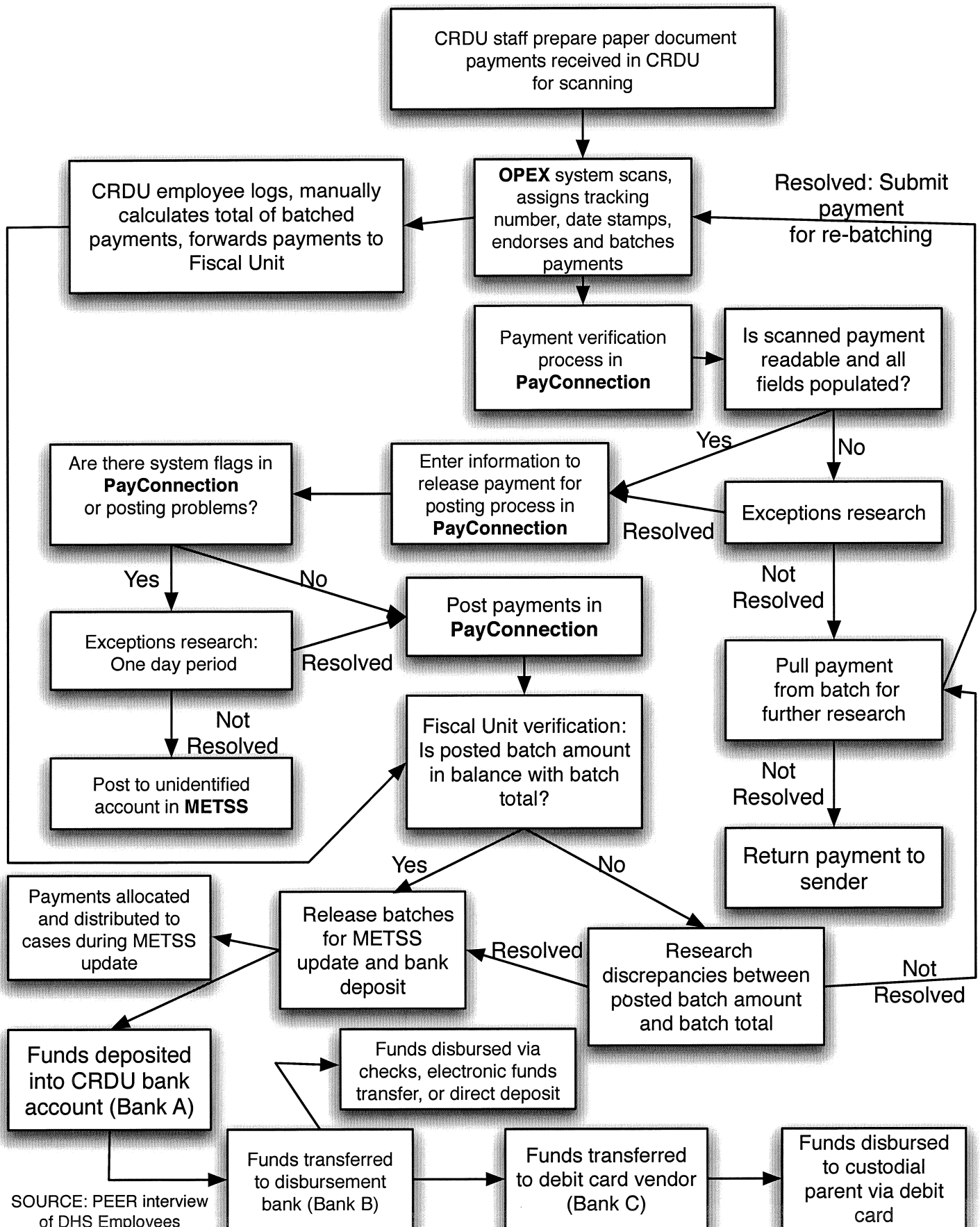
The OPEX scanning system subsequently scans the payment instrument and remittance form,<sup>3</sup> thus creating a document trail that captures information such as the amount and date of payment and the method of collection. The OPEX system date stamps, assigns a tracking number, and endorses each check and batches the child support payments into groups, usually of twenty-five. For each batch, the CRDU staff creates a uniquely numbered batch slip that remains with the grouped payments throughout the process that includes the date and time the payments were scanned and the name of the person who was running the OPEX machine.

Immediately after scanning, a different CRDU employee logs and totals the checks in the batch and attaches the adding machine tape to the grouped payments. The payments, remittance forms, and the adding machine tape are sent to the Fiscal Unit within the CRDU for custody and later preparation of the deposit.

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<sup>3</sup> The *remittance form* is the document submitted along with the child support payment that displays all the pertinent information needed to post a payment to case(s).

### Exhibit 5: CRDU's Processing of Child Support Payments Made by Paper Document



SOURCE: PEER interview of DHS Employees



## Verifying, Posting, and Depositing Payments in PayConnection

After payments are scanned and batches are totaled, the batched payments are viewable in the PayConnection system, where CRDU staff verify payments for accuracy, post them to cases, and deposit the collections into the bank. The PayConnection processes include distinct functions that are not to be performed by the same personnel to establish segregation of duties within batches:

- verification of payor information;
- posting child support payments to a case;
- quality assurance and exception review because of predetermined system flags to ensure accurate posting of payments to cases;
- research to identify payment information when it is not readily apparent because of inaccurate, unreadable or missing payor/payee information; and,
- depositing of payments to the bank account.

These duties are segregated, meaning that one worker works on only one process for a batch of payments. PayConnection monitors separation of duties conflicts by user identification.

The verification process in PayConnection involves a worker (i. e., a verifier) verifying that the scanned information is readable on the screen and that all fields are populated with information read from the payment instrument. The verifier enters any omitted information in fields that did not populate and also enters basic information from the payment into the system to release or submit the batched payments for the payment posting process.

If all information is not readable or all fields have not populated, further research may be required. If the problem is not readily resolved, the payment has to be pulled from the batch for further research so that the rest of the batch may be processed. After problems with the payment have been resolved, it must be rescanned and rebatched or sent back through the process. If the problem cannot be resolved, the payment must be returned to the sender to be reissued.

The posting process in PayConnection involves a worker receipting all payments from individual checks within each batch to cases in METSS. Income withholding order payments from businesses may have hundreds of noncustodial parent payors and each payor may have numerous payments that must be posted to separate subcases. The process involves matching the noncustodial parent's social security number to each of his or her cases

in METSS and receipting individual payments to each of those cases. Each check remittance total must balance to the total posted amount for the check.

Posting problems may result from predetermined PayConnection system flags, payments lacking sufficient identifying information to be posted to a child support case, or other problems that make posting with certainty to a specific case difficult. As a matter of quality assurance, the poster must have certainty that the correct payor or case has been identified before a receipt may be posted to it. If not readily resolved, one day of exception research within the CRDU is allowed to resolve the problem. Payments that cannot be posted to cases after one day of research within the CRDU must be posted to the unidentified suspense account. (See discussion on page 29 regarding the process for resolving unidentified collections outside the CRDU.)

Once the staff posts the payments to cases and completes a batch of payments, the CRDU's Fiscal Unit verifies that the posted child support payments are balanced against the adding machine tape total referenced above to determine whether the tape total balances to the batch total amount posted to cases. Discrepancies are reconciled by running another adding machine tape to verify the batch total and individual check amounts. Discrepancies that cannot be corrected result in pulling the payment from the batch so that the deposit may be prepared without the payment. Next, the CRDU's Fiscal Unit releases the balanced batch for deposit and prepares a deposit ticket for the bank.

After processing by DCSE, payments are ultimately forwarded to the financial institution that provides the debit cards used by custodial parents to access the funds. In this process, the payments are first deposited to a financial institution, which PEER will refer to as Bank A. Payments remain in Bank A for two days so that non-sufficient funds or discrepancies may be identified. During the two-day period, METSS posts child support payments to the appropriate cases, adjusts case balances accordingly, and notifies the debit card vendor of which accounts have received funds. Also during the two-day period, DHS receives notification from the debit card company of the accounts scheduled to receive funds based on the transmitted METSS report and DHS reconciles this notification to the METSS report transmitted.

After the two-day period, child support payments are transferred from Bank A to Bank B, which DHS officials refer to as "the child support payment disbursement account." On the same day funds are transferred from Bank A to Bank B, funds that are to be accessed through a debit card are wired from Bank B to Bank C, which is the debit card's vendor bank. Custodial parents gain access to

payments through debit cards issued by Bank C or by checks, electronic funds transfers, or direct deposits through Bank B.

## **The Roles of METSS, OPEX, and PayConnection in the Process**

As noted previously, the CRDU utilizes the OPEX and PayConnection systems to collect, receipt, post, and deposit child support payments. METSS tracks both the funds received by EFT and the CRDU.

### **The Role of METSS**

The Mississippi Enforcement Tracking of Support System (METSS) is the computerized enforcement tracking of support system that the division uses to administer the child support enforcement program. DCSE began using METSS in December 1994.

As noted previously, electronic funds transfers are handled directly by METSS. For payments received through the CRDU, PayConnection uploads child support payments into METSS on a daily basis. METSS updates financial balances as a result of payments received from both EFT and the CRDU, allocates support payments to the appropriate child support cases, and distributes payments according to federal law and state policy.

In December 2003, METSS received unconditional certification through the Administration for Children and Families (ACF), the federal agency responsible for overseeing state child support enforcement units. ACF reviewed eight general areas of function criteria METSS must support, which included a detailed evaluation of child support payment distribution processing. Even though child support distribution testing was extensive, not all possible scenarios could be tested. This certification provides confidence that child support payments are distributed correctly once they are entered into METSS. DHS applied for recertification of METSS on September 11, 2009.

### **The Roles of OPEX and PayConnection**

The CRDU utilizes two systems to collect, receipt, and post child support payment: OPEX and PayConnection. DCSE began using these systems in June 2006.

The OPEX machine scans, date stamps, endorses, assigns a tracking number, and batches (or groups) child support payment documents (i. e., checks, money orders, cash slips) and remittances. The PayConnection system then processes payments contained in batches. At the end of

the day, PayConnection uploads data entered during the day to METSS. PayConnection allows for proper segregation of duties with respect to verifying employer and payor information, posting payments to cases, conducting quality assurance on child support payments when predetermined system flags are triggered, and preparing payments for bank deposit through restricted user access. PayConnection also allows the program administrator to view and monitor the status of all batches in process.

Prior to PayConnection and OPEX, child support payment processing involved more manual involvement and payment and remittance documents were not scanned.

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## Conclusions Regarding the Central Receipting and Disbursement Unit

**The CRDU meets minimum federal requirements for the timely disbursement of child support payments. However, the CRDU has managerial and operational problems, such as segregation of duties conflicts and problems with billing of employers for income withholding, that could potentially disrupt the CRDU's distribution of payments to custodial parents.**

As noted on page 1, PEER's review of the DCSE was initiated after receiving a noncustodial parent's complaint regarding the division's accounting for child support payments. Based on PEER's and DCSE's review of the complainant's records, DCSE subsequently determined that due to a worker's input error, the complainant had overpaid approximately \$4,500 in child support payments for one subcase.

In addition to reviewing the circumstances relating to the complainant's case, PEER sought to address the following question:

*What managerial or operational problems could occur within the child support payment process that would result in failure to credit the noncustodial parent's account or delay distribution of the funds to the custodial parent?*

Federal regulations require the CRDU to disburse child support to the custodial parent's preferred payment option, such as a debit card or check, within two business days of receipt. In PEER's statistical sample of child support payments received by the CRDU from June 1, 2008, through May 31, 2009, seventy-five percent of child support payments met the mandate of two business days, which is in compliance with minimum federal standards.

However, several managerial and operational issues PEER noted in the Central Receipting and Disbursement Unit could delay or have the potential to disrupt the timely and accurate distribution of child support payments to custodial parents. These issues are:

- segregation of duties conflicts;
- problems with billing of employers for income withholding of child support payments;
- problems with accountability for unidentified child support collections that are not posted to the proper accounts; and,
- failure to comply with federal requirements for bonding of CRDU employees who handle assets.

## Compliance with Federal Requirements for Timely Processing of Child Support Payments

*Federal regulations require the CRDU to disburse child support to the custodial parent's preferred payment option, such as a debit card or check, within two business days of receipt. In PEER's statistical sample of child support payments received by the CRDU from June 1, 2008, through May 31, 2009, seventy-five percent of child support payments met the mandate of two business days, which is in compliance with minimum federal standards.*

### Requirements for Timely Processing of Payments

Federal regulations [Section 454B (c) of the Social Security Act] require the CRDU to disburse<sup>4</sup> child support to the custodial parent within two business days after receipt from the employer or other source of periodic income (such as disability or unemployment benefits) if sufficient information identifying the payee is provided. (*Business day* is defined as a day on which the state offices are open for regular business.) DHS has also included this standard in its policy and procedures manual. Under these guidelines, a payment received by CRDU on Monday would have to be made available to the custodial parent on Wednesday.

However, agency policy presently does not require that all payments be opened, scanned by the OPEX system, date stamped, and endorsed on the day the payments enter the CRDU. Nor does agency policy require that on a daily basis, the CRDU administrator or the supervisor in charge sign off that all payments were opened, scanned, date stamped and endorsed the day they entered the system. (See the following discussion of timeliness issues.) Such measures could increase the percentage of payments disbursed to the custodial parent's preferred payment option within two business days as required by federal regulations.

### PEER's Test of Timeliness in Processing

Ensuring that payments are received, processed, and funds are disbursed in a timely manner are essential elements of DCSE's mission. To test the timeliness of child support payment processing by DCSE, PEER randomly selected a

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<sup>4</sup> *Disbursement* is the actual process of dispensing or payout of the child support payment. Federal officials have determined that disbursement of a child support payment is achieved when the payment reaches the payment option--i. e., debit card vendor, bank for direct deposits, or paper check.

sample of 385 child support subcases that had received at least one payment from June 1, 2008, through May 31, 2009. If payments were in one of the following categories, they were excluded from the sample:

- *public assistance reimbursements*--these payments were retained to reimburse the state for assistance provided to the custodial parent;
- *unidentified payments*--these payments were originally designated as "unidentified" because DCSE workers did not know the identity of either the noncustodial parent or the custodial parent and extra time was required to make these identifications;
- *future payments*--these payments were made in addition to the monthly obligation amount and the overage was paid in a subsequent month.

Nineteen payments met one of the three criteria above and could not be used in the sample.

PEER used the following benchmark dates in determining the timeliness of processing payments in the sample. PEER recorded the date the payments were:

- received by CRDU;
- uploaded to METSS;
- disbursed to the custodial parent's preferred payment option; and,
- made available to the custodial parent via a debit card.

As noted previously, when payments are received by the CRDU, the payments are scanned, date stamped, and grouped in batches in preparation for uploading to METSS. When payments are uploaded, METSS records the date payments are processed. After processing, payments are either forwarded to a debit card company for distribution to the custodial parents' account with access to the funds via a debit card or custodial parents receive payments by check, electronic funds transfer, or direct deposit. Approximately ninety percent of custodial parents receive child support payments through a debit card. The remaining ten percent receive child support payments through a check, electronic funds transfer, or direct deposit.

### **Payment Processing Time Frames Found in the Sample**

Exhibit 6, page 20, illustrates payment processing time frames and the respective percentage of subcase distribution PEER found in its sample of child support payments processed by the CRDU during the time frame of June 1, 2008, through May 31, 2009.

***Within PEER's sample, the CRDU disbursed seventy-five percent of payments to the custodial parent's preferred payment options, such as a debit card, within two business days, which meets the minimum federal standards for timely disbursement of payments.***

Per 45 CFR §308.2(d), states are required to determine if at least seventy-five percent of payments are disbursed within two business days of receipt by the CRDU. As shown in Exhibit 6, in PEER's sample, seventy-five percent of payments were disbursed to the custodial parent's preferred payment option, such as a debit card, within two business days of receipt in the CRDU (forty-one percent on the same or next business day and thirty-four percent in two business days). Therefore, in PEER's sample, DCSE met the minimum federal standards regarding disbursement of child support payments within two business days.

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**Exhibit 6: Time Frame in PEER's Sample from Receipt of Payments to Disbursement to Preferred Payment Option (from June 1, 2008, through May 31, 2009)**

<b>Time Frame from Receipt in CRDU to METSS Notification of Pending Disbursement to Preferred Payment Option</b>	<b>Percentage and Number of Business Days from Receipt in CRDU to METSS Notification of Pending Disbursement to Preferred Payment Option</b>	<b>Estimated Number of Child Support Subcases Affected*</b>
<b><i>In less than 2 business days (41%)</i></b>	41% on same or next business day	between 19,065 and 24,371
<b><i>In 2 or more business days (59%)</i></b>	34% in 2 business days	between 15,281 and 20,386
	23% in 3 to 5 business days	between 9,543 and 14,038
	2% in more than 5 business days	between 458 and 2,132

\*A child support *subcase* consists of one custodial parent and all the children associated with this one custodial parent that have the same program status. (See Appendix B, page 54, for further explanation.) The estimated number of subcases in this exhibit is based on applying the statistical results of PEER's sample to the entire subcase population of 52,637 during the time frame of June 1, 2008, through May 31, 2009. Statistical sampling offers a certain degree of assurance that the true number of cases for the selected criteria lies within the range of values at a stated level of confidence--in this case, 95%.

SOURCE: PEER analysis of sample of child support payments processed by the CRDU from June 1, 2008, through May 31, 2009.

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Although minimum federal standards were met in PEER's sample, one-fourth of payments required more than two business days before disbursement to the preferred payment option. To determine possible reasons for payments taking more than two business days to disburse, PEER reviewed the timeframes of different phases within the process for handling payments to determine any process where excessive delays might have occurred. Within this overall timeframe, PEER reviewed the sample to determine the following time frames within CRDU's processes:

- from receipt of payments to uploading to METSS;
- from issuance to debit card company to funds available to those custodial parents receiving child support payments by debit card.

The results of PEER's review of these steps within the sample in the disbursement of funds are discussed in the following sections.

*Within PEER's sample, CRDU uploaded less than half (46%) of payments on the same day received and thirty percent the next business day.*

The CRDU's system should be expected to handle the majority of payments on the same day received. Although some payments received by CRDU late in a business day might not be posted on the day received, it is reasonable to expect that payments received in the CRDU in the morning or early afternoon would be date stamped, scanned, and uploaded to METSS for distribution the same business day such payments are received.

DHS officials noted that if the METSS upload occurs after midnight, the upload date would appear as the next business date. Even if processing after midnight is the reason for thirty percent of payments being uploaded to METSS the following day, twenty-four percent of payments are not uploaded to METSS until two or more business days after receipt. All payments received in the CRDU should be scanned and uploaded to METSS for distribution by the next business day after receipt. An exception for this timeframe would be expected for payments received that lack sufficient information for identifying the payee.

Exhibit 7, page 22, illustrates the breakdown of the number of business days for PEER's sample that payments took from receipt in CRDU to the METSS upload. As shown in Exhibit 7, seventy-six percent of payments in PEER's sample were uploaded to METSS either on the day received or the next business day (forty-six percent on the same business day and thirty percent on the next business day). Twenty-four percent of payments in PEER's sample were not uploaded to METSS until two or more business

days after receipt (sixteen percent in two business days and eight percent in three or more business days).

Payments should be date stamped the day the payment is received by CRDU. Further, CRDU's system should be expected to handle the majority of payments on the same day received. Only payments received late in the day should be processed the following day. Almost a quarter of the payments (twenty-four percent) take two or more business days to be uploaded to METSS--i. e., nearly one-fourth of payments received on a Monday are not uploaded to METSS until Wednesday or later.

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**Exhibit 7: Time Frame in PEER's Sample from Receipt of Payments to Uploading to METSS (from June 1, 2008, through May 31, 2009)**

<b>Time Frame from Receipt in CRDU to METSS Upload</b>	<b>Percentage and Number of Business Days from Receipt in CRDU to METSS Upload</b>	<b>Estimated Number of Child Support Subcases Affected*</b>
<b><i>In less than 2 business days (76%)</i></b>	46% on same business day	between 21,334 and 26,703
	30% on next business day	between 13,212 and 18,139
<b><i>In 2 or more business days (24%)</i></b>	16% in 2 business days	between 6,501 and 10,469
	8% in 3 or more business days	between 2,958 and 5,959

\*A child support *subcase* consists of one custodial parent and all the children associated with this one custodial parent that have the same program status. (See Appendix B, page 54, for further explanation.) The estimated number of subcases in this exhibit is based on applying the statistical results of PEER's sample to the entire subcase population of 52,637 during the time frame of June 1, 2008, through May 31, 2009. Statistical sampling offers a certain degree of assurance that the true number of cases for the selected criteria lies within the range of values at a stated level of confidence--in this case, 95%.

SOURCE: PEER analysis of sample of child support payments processed by the CRDU from June 1, 2008, through May 31, 2009.

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DCSE officials stated that CRDU staff attempts to scan, verify, post, and upload all payments in METSS on the same day received, but this may not always occur. DHS officials stated that the amount of mail received for a particular day may be heavy and all payments may not be uploaded on the same day. Also, at times the CRDU experiences equipment failure that may cause payments not to be uploaded. (PEER staff witnessed this on one site visit when the OPEX machine was down and a technician had to come from Memphis to service the machine.) Also, DHS officials reported that METSS is down on the first day of every month to prepare month-end reports and

beginning-of-the-month updates for METSS. Therefore, payments cannot be uploaded during this time.

*Within PEER's sample, after the debit card company was notified of pending disbursements, ninety-nine percent of the payments were made available to the custodial parent the following business day.*

PEER reviewed the length of time from when the debit card company was notified of the disbursement until the funds were credited to the custodial parent's account and found that ninety-nine percent of the payments were made available to the custodial parent the business day following notification by DCSE. This measurement is important to ensure that the debit card company is not creating an unnecessary delay in the disbursement of funds. Based on PEER's sample, the debit card company is forwarding payments to custodial parents in a timely manner.

PEER was not able to determine the length of time from disbursement to actual receipt of funds for persons receiving funds through checks, electronic funds transfers, or direct deposits. Due to the nature of a check, DHS has no means of forcing a custodial parent to cash or deposit a check in a timely manner or of determining when a check is actually cashed or deposited. For electronic funds transfers and direct deposits, DHS sets a date fifteen days after disbursement to allow banking institutions ample time to transfer, process, and deposit child support payments. METSS automatically clears EFT and direct deposit payments that have been pending for fifteen days. DCSE does not receive a confirmation when these payments are successfully processed, but DCSE is notified if the payment cannot be processed. The fifteen-day interval allows time for the banking institutions to notify DCSE of payments that cannot be processed before METSS designates them as being cleared.

## **Conclusion Regarding Timeliness**

Because PEER utilized a statistical sample, the results noted above are representative of DCSE's handling of child support payments received in the CRDU. Based on the sample, PEER concludes that DCSE is meeting the minimum federal standards for timely disbursement of child support payments. However, improvements could be made in the area of timely METSS upload.

## Segregation of Duties Conflicts

*CRDU managers have consistently approved segregation of duties conflicts in an effort to disburse and deposit child support payments in a timely manner. Conflicts include workers performing more than one function on the same batch of payments, the same worker accepting payments at the payment window and then posting payments to cases, and the same worker making deposits as well as reconciling monthly bank statements.*

One way to safeguard assets and assure the integrity of the child support payment collection and distribution system is by utilizing internal controls such as *segregation of duties* to guard against misuse. For example, the segregation of duties concept would require that the person inputting payment information would not be allowed to verify the completeness or accuracy of that information.

As noted on page 3, in its 2003 review of the division, PEER found problems with segregation of duties at the CRDU. Given that the CRDU processed approximately \$177 million in child support payments in each of the last three fiscal years, PEER chose to again evaluate the unit's process for collecting and accounting for payments. PEER found that although the CRDU has established policies requiring segregation of duties with respect to cash handling and accounting or operating functions, as discussed on pages 25 through 27, the unit's staff does not always comply with these procedures, resulting in segregation of duties conflicts.

As payments are processed through the steps of the PayConnection system, such as being scanned, batched, and verified, the person performing each step logs in with a unique identification number. PayConnection will not allow a violation of segregation of duties to occur. However, the CRDU administrator or a CRDU supervisor may assign duties that should be performed by two or more workers to be performed by a single worker, thus overriding the segregation of duties controls in the PayConnection system. This creates a segregation of duties conflict. PEER reviewed segregation of duties conflicts tracked by the PayConnection system and noted other segregation of duties conflicts during site visits to CRDU.

## Segregation of Duties Conflicts Noted in Pay Connection System and PEER Site Visits

*During the period of March 2009 through May 2009, only six business days did not have a segregation of duties conflict for processing payments through the CRDU's PayConnection System. PEER also noted segregation of duties conflicts related to CRDU's payment window and bank reconciliation.*

The PayConnection system separates the payment processing system into the following duties: verification, posting, deposit, exceptions, research, and quality assurance. Either the CRDU administrator or a supervisor must approve, in the PayConnection System, an employee to perform more than one of these duties within the same batch. PayConnection tracks and reports the date and sequence of segregation of duties conflicts but it does not track the time or the reason for the conflicts. Adding the latter two components would create an audit trail for further examination when needed.

PEER reviewed the PayConnection separation of duties conflict reports for the months of March, April, and May 2009 for a total of sixty-three working days. During these sixty-three days, there were six days (ten percent) in which PayConnection noted no separation of duties conflicts. For the other fifty-seven days, at least one segregation of duties conflict occurred. PayConnection tracks and reports segregation of duties conflicts between verifying, posting, exceptions, research, quality assurance monitoring, and deposit functional areas (see page 14 for a discussion of these areas). If an employee performs more than one of these functions for a batch, PayConnection makes a notation of it.

During the months of March, April, and May 2009, a segregation of duties conflict occurred in four percent of batches (413 of 9,686) processed by the PayConnection system. During this period of sixty-three business days, six days did not have any segregation of duties conflicts and eight days had a segregation of duties conflict noted in over ten percent of the batches processed. On one day, fifty-one percent of the batches processed had a segregation of duties conflict noted. PEER could not find nor did the *Guide for Auditing State Disbursement Units* (hereafter referred to as the Audit Guide) published by the U. S. Department of Health and Human Services' Office of Child Support Enforcement include criteria with which to determine an unacceptable level of segregation of duties conflicts. However, problems with staff management may be highlighted as the number of segregation of duties conflicts begins to increase. Also, the state could be subject to a federal financial penalty, if the federal Office

of Child Support Enforcement conducted an audit, for a perpetual failure to meet the segregation of duties requirement. The penalties for noncompliance with the segregation of duties federal requirement range from a one percent reduction in the state's TANF grant for the first finding of noncompliance to a five percent reduction in the state's TANF grant for the third and subsequent findings of noncompliance.

During a site visit to the CRDU, PEER verified with DHS staff that the same person who accepts payments at payment window also may post payments to a case. Receiving and posting a payment is a segregation of duties conflict according to the Audit Guide.

PEER also noted during a site visit that the CRDU employee responsible for making daily deposits also reconciles the monthly CRDU bank statements. Although PEER does not suggest any wrongdoing on the part of this employee, this is a condition in the CRDU's daily operations that violates a basic principle of segregation of duties as well as the criteria in the Audit Guide.

## **DHS Management's Response to Segregation of Duties Conflicts**

*According to DHS management, high employee turnover and absenteeism in the CRDU contribute to segregation of duties conflicts. Also, the requirement to post and disburse child support payments in a timely manner leads to the approval of segregation of duties conflicts by CRDU supervisors.*

DHS management stated that segregation of duties conflicts occur regularly in the CRDU because the unit has a high rate of employee absenteeism and a high employee turnover. These conditions--combined with the requirement to post, distribute, and disburse child support payments in a timely manner--lead to CRDU supervisors approving the segregation of duties conflicts (see page 18 for a discussion of timeliness requirements). Agency management maintains that these conflicts only occur with a supervisor's approval for each segregation of duties conflict occurring in the PayConnection system. However, if the supervisor deems necessary, he or she may bring in another employee to prevent the conflict. DHS management also noted that CRDU has payment window processing procedures designed to minimize the opportunity for the occurrence of fraud. Procedures include:

- the payer must initial/sign the receipt issued at the payment window that lists the amount paid;
- when cash and checks received by the payment window are counted, CRDU employees that did not receive the payments verify the final totals;

- a limited number of CRDU employees are allowed to receive payments through the payment window;
- cash payments are processed in a single batch; and,
- the CRDU administrator or supervisor is notified when cash payments are processed.

## Segregation of Duties Conflicts Summary

The Audit Guide states that an employee, either at the worker or supervisory level, cannot participate in more than one area of payment processing. However, agency management maintains that these conflicts occur with permission of a supervisor and these conflicts are allowed under federal guidelines considering the size of the CRDU and staff resources of the unit.

When a segregation of duties conflict occurs it creates a situation in which the integrity of the system is circumvented. Such conditions create the potential for fraud or the concealment of fraud to occur. A clear audit trail must be maintained so that problems and fraud can be identified.

## Billing of Employers for Income Withholding

### Failure to Update the Employer Database in a Timely Manner

*Because the CRDU does not update its database of employer information in a timely manner, the unit has repeatedly sent bills to employers with names of individuals who are no longer employed and bills that do not list current employees whose income should be withheld for child support.*

As noted on page 4, a court may direct an employer of a noncustodial parent to withhold income from the noncustodial parent's check and submit that to the CRDU as child support payment. METSS generates a monthly employer bill that informs the employer how much child support to withhold from the check. These bills include the employee name, METSS case number, employee social security number, and monthly amount due for the case.

While conducting a sample of payments from January 1, 2009, thru May 31, 2009, PEER found multiple bills sent to employers that the CRDU should have updated with correct employee names. In many cases, employers had returned the bill with notations that the individuals were no longer employed at these businesses. In one instance, the employer was making its fourth request to remove employees from the bill. Some of the individuals listed had not been employed since 2007 and this fourth request was noted on the remittance document for May 2009 child support payments.

According to DHS staff, they periodically run a program to “clean up” the employer database and ensure that the noncustodial parent is identified with the correct employer. Also, selected staff in the county offices have access to make changes to the employer database. DHS staff said they intend to centralize this employer billing process. Prudent management practices dictate that a bill be as accurate as possible in order to avoid confusion and ensure proper accounting for child support payments. When bills for employers’ withholding of child support payments are inaccurate, the result is that the proper amounts will not be posted to child support cases and the potential exists for custodial parents to receive less money than intended by the court for the support of a child (or to receive payments that were intended for the support of someone else’s child). The CRDU should make database changes resulting from employee turnover by the next billing cycle because employers are required by law to withhold child support from paychecks of noncustodial parent paychecks. METSS is required to generate all notices and letters needed to support income wage withholding. DHS officials have discussed changes to the employer bill that would give the employers enough information in order to comply with the order for income withholding and also assist the CRDU staff in accurate and efficient receipting of child support payments. Changes such as these could prevent an increase in the number of calls received inquiring about the amounts on the employer bill.

Also, more accurate billing could reduce the research time for employees in the CRDU. When they encounter a bill that has a social security number written in by hand (because the employees’ printed name and number were incorrect or absent) and the CRDU worker cannot read those numbers, the worker must stop and conduct research to determine to which case the payment should be applied.

## **Other Problems with Bills Sent to Employers for Income Withholding**

*The format of the bills the CRDU sends to employers for withholding employees’ income for child support has perpetuated a practice of CRDU workers’ re-entering social security numbers for multiple subcases of a noncustodial parent, rather than entering a single total per social security number. This practice triggers false system flags requiring that payments be sent through the quality assurance process unnecessarily.*

In the CRDU, payments made through income withholding are receipted to the child support case by entering the noncustodial parent’s social security number into PayConnection during the posting process. The PayConnection system has a targeted check that requires



multiple payment postings to the same social security number in a batch to be sent to quality assurance for further review. This helps to ensure that the poster did not intentionally or unintentionally post multiple child support payments to the same social security number, which would result in the noncustodial parent receiving credit for paying more child support than he/she actually paid.

The format of the bill that the CRDU sends to employers for withholding child support from noncustodial parents lists each case the noncustodial parent has in the system, the social security number, and the amount to withhold for each case. The result is that noncustodial parents and their respective social security numbers are listed multiple times. When a remittance enters the CRDU, the worker often receipts the multiple payments and the social security number individually because this is how it appears on the bill. This results in a false system flag created by the structure of the employer bill.

For example, in May 2009, the PayConnection system flagged 30,528 postings resulting from the condition described above. Of those, 30,411 (99.62%) were later approved in quality assurance, reflecting a very low level of errors. Thus the CRDU employees' time spent in reviewing and checking over thirty thousand postings that had been flagged by the system was unnecessary for over ninety-nine percent of the postings. A correction to the employer bill could solve this problem because the poster in the CRDU would only see and post one social security number. METSS is programmed to take the child support payments received by social security numbers and apply those payments to all of the noncustodial parent's cases.

## Accountability for Balance of Unidentified Collections

*After the CRDU's decision to move the responsibility for resolving unidentified collections (i. e., payments that cannot be posted to a noncustodial parent's account) from the CRDU to county offices, the balance of unidentified collections grew from \$27,586 in November 2008 to \$69,017 in September 2009.*

Occasionally, the CRDU receives cash, checks, or money orders through the mail that lack sufficient information to allow posting to a child support case. For example, a cash payment might be mailed to the CRDU without identifying information for the sender, noncustodial parent, or custodial parent and with no return address. The CRDU considers these to be unidentified collections.

The division's policy makes the CRDU staff, with the assistance of county staff, responsible for resolving unidentified collections. After one day of research within the CRDU, any payments that cannot be posted to a child

support case are posted to the unidentified suspense account. After payments are posted to the unidentified suspense account, more detailed research is necessary to resolve unidentified collections to ensure that collections are ultimately distributed to intended recipients.

According to officials and staff members, two staff persons within the CRDU were previously responsible for resolving unidentified payments posted to the unidentified suspense account until November 2008. Numerous DCSE officials and staff indicated that a special Financial Unit was established in the DCSE at the central office in November 2008 and one of the intended functions of the special unit was to resolve unidentified collections to ensure that collections are ultimately distributed. However, the division's written policies and procedures never reflected this change.

At the time of this review, due to staff shortages and other work duties, responsibility for researching unidentified collections was changed so that the DCSE's Financial Unit only conducts research on unidentified collections on referral from the Policy Director or county staff. The impact of these decisions was to leave primary responsibility with the counties to resolve unidentified collections, with the DCSE Financial Unit's assistance on a referral basis, although this is not reflected in the division's written policies and procedures.

Because unidentified payments cannot be posted to a particular child support case, the counties have access to only an aggregate listing in METSS that is not county-specific of items posted to the unidentified account each day--the same information available to central office staff. In order to determine whether a payment posted to the unidentified suspense account might be connected to a case from their county, county staff would have to monitor the list daily and conduct research on each item listed.

An MIS report of month-ending balances in the unidentified suspense account from June 2006 through September 2009 reflects an increasing account balance every month since November 2008, until the month of May 2009, when the balance began falling slightly. The balance grew from \$27,586 in November 2008 to \$69,017 in September 2009. Although this may represent only a small percentage of total child support collections during this period (see Exhibit 3, page 8) and PayConnection data reflects that unidentified collections represent only 1% of daily collections, these are funds that are not posted to noncustodial parents' accounts or distributed to the custodial parents who need them for support of their children.

## CRDU Employees Not Bonded

*The Department of Human Services does not comply with federal requirements for the agency to ensure that every person who has access to or control over funds collected in the child support enforcement program is bonded.*

Federal regulation 45 CFR 302.19(a) requires the Department of Human Services to ensure that every person who has access to or control over funds collected under the child support enforcement program to be covered by a bond against potential loss resulting from employee dishonesty. This regulation does not specify whether the requirement would be fulfilled by a blanket bond of all employees in the unit or whether the employees must be individually bonded.

DHS policy allows child support payments to be mailed or hand delivered to the CRDU in Jackson. Individuals choosing to hand deliver a payment may come to the window and make a payment transaction with a CRDU employee. CRDU staff are responsible for opening mail and scanning and posting payments sent by mail into PayConnection. CRDU staff also post cash payments on the computer system. CRDU staff deposit cash, check, and money order payments into the agency's bank account. DHS policies and procedures require a security escort to accompany CRDU staff assigned to go to the bank. Thus several CRDU employees have access to or control over funds collected under the child support enforcement program.

DHS also has a contract with TempStaff, Inc., for temporary staff services, which includes assistance in opening and stamping daily mail and assisting with the preparation of checks in the CRDU. TempStaff's contract with DHS includes an insurance clause requiring TempStaff to maintain employee fidelity bond and comprehensive general liability insurance. An indemnification clause in the contract protects DHS from liabilities, lawsuits, and damages for any negligence or wrongdoing by temporary staff. As of May 22, 2009, two TempStaff employees were assigned to the CRDU.

Because none of the CRDU's employees are bonded, except for the temporary staff, DHS currently does not comply with the federal requirements for bonding of staff with access to funds collected under the child support program. The Director of the Division of Child Support Enforcement told PEER he had issued a memorandum to the Division of Human Resources in the summer of 2009 requesting bonding for DHS employees working in CRDU.

Although PEER is not aware of a penalty for noncompliance with this requirement, by not having these employees bonded, the agency is not protected against

loss due to employee dishonesty in a unit that handles a substantial amount of cash from the payment window. Another risk is that an unescorted individual goes to the post office to pick up child support payments sent through the mail. Without bonding of employees with access to or control of child support funds, the agency has no protection against the potential loss of funds resulting from employee dishonesty in handling payments received through the mail.

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## Conclusions: Related Child Support Enforcement Issues

**The division's managerial and operational problems outside the CRDU, such as the accuracy of input of child support obligation information into METSS, also impact the timely and accurate distribution of child support payments.**

After reviewing the operations of the CRDU, which has primary responsibility for the receipt and disbursement of child support payments, PEER sought to determine:

*Are there any additional management or operational issues that could affect the timeliness or effectiveness of the division's handling of child support payments?*

PEER noted errors and conditions in the following areas that impact the timely and accurate disbursement of child support payments:

- data entry errors and lack of updated court-ordered child support obligation amounts in METSS;
- noncustodial parents' lack of ready access to account information;
- failure to report undistributable child support collections and interest as program income (reporting that is required by the federal government);
- not conducting audits of the CRDU, which annually handles approximately \$177 million in child support payments;
- need for improvements in the customer service unit; and,
- need for updated policies and procedures.

## Entry and Updating of Court Order Information

*Due to data entry errors and failure to update court order requirements in the METSS system, seven percent of child support subcases in PEER's sample had incorrect child support obligation amounts reflected in METSS. If this percentage were applied to the entire population of subcases for the period of the sample, potentially thousands of noncustodial parents might have paid more or less child support than legally required and thousands of custodial parents might have received more or less child support than legally required.*

*Because the child support enforcement office in the county in which the custodial parent resides is the repository for the source documents (e. g., court orders, stipulated agreements) for a child support subcase, county child support enforcement workers are responsible for entering and updating obligation amounts in METSS.*

As noted previously, child support payment obligation amounts in METSS are the basis for the system's tracking of and accounting for child support payments. The child support order establishes the monthly amount due for both current and arrears child support obligations and the noncustodial parent is legally required to pay the support amount or be subject to enforcement action. Thus it is imperative that payment obligations specified in the initial court order be correctly entered into METSS and promptly updated when orders are modified through judicial proceedings.

The county child support enforcement office maintains the case files for that county that contain the source documents (i. e., court orders, affidavits of accounting) and furnish copies to the CRDU upon request. According to the agency's policy and procedure manual, child support enforcement staff at the county level have the primary responsibility for entering and updating METSS with information from all IV-D court orders, stipulated agreements, and voluntary orders. If a contempt order or a modification of an order is received, the child support enforcement worker at the county office must make the necessary changes to the order panel.<sup>5</sup>

According to the agency's policy and procedures manual, the CRDU staff have the capability to update the order panel, but must not make any changes without consulting the county. The CRDU is also responsible for entering all non IV-D court orders in METSS.

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<sup>5</sup> The *order panel* is the computer screen that the county child support enforcement worker sees and uses to enter or update child support obligation amounts.

*In PEER's sample of 385 subcases, seven percent contained incorrect current and/or arrears child support payment amounts. If this percentage were applied to a population of 52,637 subcases, PEER estimates that between 2,348 and 5,032 subcases in DCSE's METSS system could have had the incorrect current and/or arrears child support payment amount listed as the obligation amount, which would have resulted in those noncustodial parents' child support payments being either higher or lower than the amount legally required.*

For the statistical sample of 385 subcases, PEER obtained copies of the source documents establishing the child support payment amounts from the county child support offices. PEER then compared the child support payment amounts specified in the source documents to the payment amounts contained in DCSE's METSS system. In ninety-three percent of the subcases in the statistical sample, the current and arrears child support payment amounts in DCSE's METSS system were correct when compared to the requirements in the legal documents ordering the payments. However, seven percent of the subcases in the statistical sample contained incorrect current and/or arrears support obligation amounts.

A seven percent error rate represents a significant number of subcases in the METSS system that could have incorrect child support obligation amounts recorded. Applying the results of PEER's statistical sample to a population of 52,637 subcases, PEER estimates that between 2,348 and 5,032 subcases could have incorrect child support payment amounts entered in the METSS system.<sup>6</sup> Since child support payment obligation amounts in METSS are the basis for the system's tracking of and accounting for child support payments, potentially thousands of noncustodial parents could be paying child support payment amount either higher or lower than the amounts legally required. Also, thousands of custodial parents could be receiving child support payments either higher or lower than the amount legally required.

*Errors found in PEER's sample subcases were attributable to county child support enforcement staff failing to update the order panel or entering arrearage obligations inaccurately on the order panel.*

In PEER's sample of 385 subcases, seven percent, or twenty-seven cases, had information in METSS that did not agree with the source documents establishing the legally mandated support payments. Of these twenty-seven cases, twenty-two of the cases were attributable to county child

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<sup>6</sup> The estimated number of subcases is based on applying the statistical results of PEER's sample to the subcase population of 52,637. Statistical sampling offers a certain degree of assurance that the true number of cases for the selected criteria lies within the range of values at a stated level of confidence (in this case, 95%).

support enforcement staff failing to update the order panel to reflect changes in the originally ordered support payment amounts. The court orders in five cases specified an arrearage obligation but METSS reflected \$0.00 because the amount was either never entered correctly or was subsequently deleted or zeroed out on the order panel. During PEER's review, DCSE officials made corrective adjustments to the twenty-seven cases referenced above.

When a noncustodial parent becomes delinquent in paying monthly child support, he or she is required to pay an additional arrearage payment in the amount specified in the court order or, if not specified, administratively set at twenty percent of the current support amount in the event of delinquency. If an arrearage amount is not entered or is subsequently set to \$0.00, past due payments might not be collected because the METSS system would automatically apply all payments to current and future payment obligations rather than applying an appropriate amount to arrearage payments. Thus if arrearage amounts are not properly recorded in METSS, custodial parents may not receive the full amount of legally mandated child support payments.

*The Division of Child Support Enforcement does not require counties to implement a review or quality assurance procedure to compare obligation amounts in METSS to support documents.*

DHS agency policy does not require second-party review of the accuracy of entry or updating of court order information at the county level. According to DCSE officials, supervisors, staff attorneys, paralegals, and caseworkers may enter, remove, or update court orders. Anyone with access to the order panel can enter a court order and it varies in the county offices as to who typically enters the order.

The custodial and noncustodial parents receive copies of the court order and can request verification or explanation regarding any perceived differences or discrepancies between the wording of the order and actions taken by enforcement staff or their accounting of payments. However, as noted on page 38, DCSE's statement of accounting for payments is confusing and discrepancies in obligation amounts might not be easily recognizable on the statements.

According to DCSE staff, a two-county pilot program to establish an electronic child support file folder instead of a hard copy folder is expected to be statewide by December 2009. The electronic case file would allow for wider access to case information and would include scanned copies of the legal documents governing the case (e. g. court orders). However, without proper controls designed to ensure the initial accurate input of



information and timely accurate update of changes, input errors are likely to continue.

## **Noncustodial Parents' Account Information**

*The Division of Child Support Enforcement does not make account information readily available to all noncustodial parents. Noncustodial parents who make payments through income withholding do not receive monthly invoices and must specifically request information on their accounts in order to determine account status or detect errors. Also, any noncustodial parent who wants a statement of accounting (which contains additional information on the account that is not found on the monthly invoice, such as arrearage and fee information) must specifically request such and the format of this statement is not easily understandable.*

Currently, DHS sends monthly invoices, which provide information regarding payments due, payments received, and any balance due, to noncustodial parents who make payments directly to DCSE. However, DHS does not send monthly invoices to noncustodial parents who make monthly child support payments through income withholding. Although any noncustodial parent may request and receive a statement of accounting, which contains payment, arrearage, and fee information, the format of this statement is not easily understandable (see page 38). As a result, noncustodial parents making payments through the income withholding method do not have an opportunity to review payment information regularly to ensure they are receiving credit for payments withheld from their compensation and all noncustodial parents are at a disadvantage to understand how their payments are applied toward their child support payment obligations.

### **Monthly Invoices**

*DHS sends monthly invoices, which include payments due, payments received, and balance due information, to noncustodial parents who make payments directly to the DCSE.*

Noncustodial parents making payments directly to DCSE receive month invoices, which include payments due, payments received, and balance due information. A noncustodial parent making payments through income withholding cannot receive a monthly invoice, but may request account information and DHS will supply such (see following section on “Statements of Accounting”). However, the noncustodial parent making payments through income withholding must make a separate request for the information each time that individual wishes to review his or her account. By not routinely providing account information to noncustodial parents who make payments through income withholding, DHS decreases the

opportunity for these individuals to detect possible errors in their accounts. Through interviews with DHS staff, PEER learned of a recent incident in which an employer withholding child support payments from a noncustodial parent's paycheck did not forward the withheld money to DCSE. After the employer declared bankruptcy and was no longer conducting business, it was discovered that the employer had diverted the withheld funds to the employer's use in an attempt to keep the business open. Even though the noncustodial parent had the child support payments withheld from compensation, the noncustodial parent is now liable for the payments not forwarded to DHS.

Under DHS procedures, METSS alerts county child support enforcement officers when income withholding payments are not received for a case and the assigned child support enforcement officer is to contact the noncustodial parent and the employer to determine why a payment has not been made. In the case referenced, DHS employees were in communication with both the noncustodial parent and the employer.

Good management practice dictates that when payments are received from an individual, the person making the payment should be provided with a statement of accounting indicating receipt of that payment, how the payment was applied, and how the account balance is affected by the payment. By not providing a monthly invoice detailing payments due, payments received, and balance due to all noncustodial parents, the likelihood of account errors being corrected is decreased and the opportunity for account manipulation is significantly increased.

## **Statements of Accounting**

*When requested by a noncustodial parent, DHS prepares and sends a statement of accounting that contains additional information, such as arrearages, not found in monthly invoices. However, the current format of the statement of accounting is confusing and requires an intimate working knowledge of the Department of Human Services' child support payment system in order to be understood. As a result, the requesting noncustodial parent may be unable to determine accurately the status of the account or to detect errors.*

Regardless of the method used to make child support payments, a noncustodial parent may request a statement of accounting from the Department of Human Services (DHS). A statement of accounting contains additional information, such as arrearage and fee information, not found on a monthly invoice. However, the format of DHS's statement of accounting is confusing and requires an intimate knowledge of the child support payment system to understand the information on the statement.

Below is an abbreviated example of DHS's current statement of accounting.

Month	Current Obligation	Arrears Obligation	Amount Paid	Accumulated Arrearage
March	\$200.00	0.00	0.00	\$5,128.14
April	\$200.00	0.00	\$85.42	\$5,328.14
May	\$200.00	0.00	\$544.02	\$5,098.70

The following items contribute to the difficulty of understanding DHS's current statement of accounting:

- Although the statements show payments received, the statements do not show how the payments are applied (i. e., the amount applied to the current month's obligation and the amount applied to arrearage).
- The amount shown in arrearage does not include deficient amounts for the month in which the arrearage is shown, but actually reports arrearages through the end of the prior month. In the example shown above:
  - The \$5,128.14 arrearage shown for March actually represents arrearages through February and does not include any arrearage for the lack of payments in March.
  - The \$5,328.14 arrearage for April includes the \$200 arrearage from March and does not include the arrearage for April.
- The amount shown as being in arrearage includes payments in excess of obligations for the current month, but does not include any current month arrearage amount. In the example above:

○ The \$5,098.70 arrearage listed for May is calculated as follows:	
Total arrearage	\$5,328.14
Plus April arrearage	114.58*
Less May excess	<u>(344.02)**</u>
Reported May arrearage	\$5,098.70
* \$200.00 - \$85.42 = \$114.58	
** \$200.00 - \$544.02 = (\$344.02)	

Per DHS officials, the reasoning for presenting account information in this manner is that any deficiency is not considered to be in arrearage until a month has ended. Although a deficiency in payments may not be in arrearage until the month has ended, the accounting statement should be prepared to show arrearage in which the deficiency occurred.

In the interest of serving and protecting the interest of noncustodial parents, any statement showing payment receipts and accrued balances should be easy to read and understand. All parties involved should be able to follow payments and the resulting effects of those payments without having to seek expert advice.

## **Failure to Report Undistributable Child Support Collections and Interest as Program Income**

*An audit by the U. S. Department of Health and Human Services' Office of Inspector General found that the Division of Child Support Enforcement did not have policies and procedures in place to identify and report program income from undistributable child support collections and interest earned on child support collections. Federal requirements state that a portion of the program income must be returned to the federal government.*

### **Office of Inspector General's Findings**

The U. S. Department of Health and Human Services' Office of Inspector General (OIG) conducted a review to determine whether DCSE was properly recognizing and reporting program income from child support collections. DCSE program income arises from fees collected, undistributable child support collections, and interest earned on child support collections.

In the OIG's report *Review of Undistributable Child Support Collections in Mississippi from October 1, 1998, through June 30, 2006*, dated August 2008, the OIG found that the DCSE did not have policies and procedures in place to identify and report program income from undistributable child support collections and interest earned on bank accounts containing child support collections. As a result, from October 1, 1998, through June 30, 2006, DCSE did not report \$927,293 in program income from undistributable child support collections, which met the definition of abandoned property under MISS. CODE ANN. Section 89-12-13 (1972), and \$94,796 in interest earned on child support collections.

45 CFR 304.50 and the federal Office of Child Support Enforcement's official interpretation of policy (OCSE-PIQ-88-7 and OCSE-PIQ-90-02) requires reporting of such as

program income. A portion of program income equal to the ratio of state and federal funding for states' child support enforcement programs, known as the federal share, must be returned to the federal government. For DHS, approximately two thirds of program income should be returned to the federal government--approximately \$612,000 of the undistributable child support collections and approximately \$63,000 in interest earned.

The U. S. Department of Health and Human Services' Office of Child Support Enforcement (OCSE) defines undistributable collections as collections the state is unable to distribute to the custodial parent and unable to return to the noncustodial parent. Payments may not be distributed to the custodial parent due to insufficient information identifying the custodial parent or the funds have not been accessed by the custodial parent.

Under the OCSE's official interpretations of policy, undistributable child support collections that meet the definition of abandoned property in the state where payments are collected are considered program income and the federal share must be remitted to the federal government. Undistributable child support collections meeting the definition of abandoned property are considered program income because the undistributable collections are remitted to the state.

The OIG review also found that DCSE did not recognize program income of \$94,796 in interest earned from the bank account into which child support collections were deposited. The federal share of such income would be subject to remitting to the federal government.

## **DCSE's Response to the Inspector General's Report**

DCSE's response to the OIG report stated that the agency was committed to collecting and disbursing child support payments to the children of Mississippi and agency personnel worked diligently to locate and disburse undistributed funds to the families they service. Therefore, DCSE did not view undistributable funds as abandoned. DCSE officials stated that new tools have been implemented to locate custodial parents and that in a one-month period, approximately \$559,000 in undistributable funds over five years old was distributed to custodial parents. DCSE officials also stated that they were attempting to get undistributable child support collections exempted from Mississippi's abandoned property statute (MISS. CODE ANN. Section 89-12-13 [1972]).

DCSE officials contended that the bank account containing child support payments was not an interest-bearing account. However, in exchange for the money being on deposit, the bank granted DCSE service credits that were used to reduce fees associated with the bank account.

DCSE concurred that \$94,796 in excess earning credits associated with the METSS bank account at June 30, 2006, was not recognized or reported as program income. They also stated that monthly service charges for the same period were not recognized or reported as program cost.

## **Status of Undistributable Child Support Collections**

DHS officials stated that the first remittance of the federal share of undistributable child support collections is planned to occur in the fall of 2009. DHS officials were not certain of the amount to be remitted as federal share. As of March 31, 2009, DCSE reported approximately \$956,000 in undistributable child support collections.

The bank account containing the child support collection payments has been moved to an interest-bearing account. DCSE now reports the interest earned on the account as program income and fees associated with the account as program expenses.

At the time of PEER's review, DCSE had not written and implemented policies and procedures for the handling, researching, determining program income and expenses, or remittance of the federal share for the undistributable child support payments. Proper policy and procedures are vital to ensuring that undistributable child support payments are handled in a consistent manner and program income is properly reported and remitted to the federal government. DCSE's delay in designing and implementing such policy and procedures diminishes the department's ability to service custodial parents depending on prompt remittance of child support payments.

## **CRDU Not Audited by the Department of Human Services**

*The Internal Audit Division of the Department of Human Services has never performed an audit of the CRDU. Given the importance of the CRDU for the collection and disbursement of child support payments, good management practices dictate that the department be audited on a regular basis to measure the effectiveness of internal controls, the adherence to established policy and procedures, the accuracy of department records, and the timely and accurate disbursement of child support collections.*

Given that the CRDU processed an average of approximately \$177 million in child support payments in each of the last three fiscal years and considering the importance of the CRDU in the collection and disbursement of child support payments, good management practices dictate that the department be audited on a regular basis. The audit should measure the effectiveness of internal controls, the adherence to established policy and procedures, the accuracy of

department records, and the timely and accurate disbursement of child support collections.

As noted on page 24 through 27 of this report, the CRDU records numerous segregation of duties conflicts on a regular basis and management notes the department has high employee absenteeism and turnover. These factors are additional points indicating the need for an audit of the CRDU.

According to DHS personnel, the DHS Program Compliance Unit has never performed an audit of the CRDU. The last official audit of the CRDU was performed by the Office of the State Auditor in 2001; however the timing and scope of this audit was not under the control of DHS. DHS's Office of Investigative Audit reviewed selected internal control procedures in 2006, but this did not constitute a full audit. Because no official audit has been conducted of the CRDU since 2001, the unit's internal controls are the only oversight measures that have been utilized to ensure the CRDU is operating efficiently and effectively and that child support funds have been safeguarded.

### **Need for Improvements in the Customer Service Unit**

*DHS does not have a centralized customer service unit to handle questions and complaints received statewide regarding child support issues. DHS has established a Customer Service Unit (CSU) to receive calls from Hinds and Rankin counties, but all other calls are referred to the caller's local county DHS office for assistance. Because the CSU does not maintain records necessary to determine the number of inquiries processed by CSU staff, the length of time required to address inquiries, or the nature of inquiries received, this information is not available to DCSE managers.*

The DCSE's Customer Service Unit (CSU) is responsible for receiving and responding to questions and complaints regarding child support that are received through letters, e-mails, or telephone calls from residents of Hinds and Rankin counties. Questions and complaints received from counties other than Hinds or Rankin are referred to the respective counties' DHS offices. After referring a person with a question or complaint to a county office, CSU staff e-mail information collected during the initial contact to the county child support caseworker assigned to the customer's case.

This two-county CSU does not maintain the records necessary to:

- *determine the disposition of inquiries processed within a given period*--Although all seven CSU staff take questions and complaints by telephone, only two are assigned responsibility for addressing these inquiries. From June 2008 to May 2009, the CSU averaged receiving over 14,000 calls per month. At first glance,

the call volume would appear to be overwhelming for only two staff members, but some of these calls are forwarded to county offices, some are addressed by the person taking the phone call, and some require additional research by other CSU staff.

The CSU is unable to determine the disposition of inquiries and the resulting number actually processed by CSU staff because CSU does not capture the number of calls forwarded to county offices, the number addressed by the CSU staff member taking the call, or the number of inquiries addressed by other CSU personnel. Tracking the number of inquiries processed by CSU staff would provide DHS management with an indication of the staffing levels needed to address customer inquiries.

- *determine the length of time required to address inquiries*--DHS policy requires the CSU to respond to telephone inquiries within two business days. However, the CSU does not track when inquiries are received or resolved by CSU. Therefore, the CSU cannot determine whether staff are meeting the DHS timeliness policy for processing inquiries. Tracking the length of time required to address inquiries would also provide DHS management with an indication of staffing levels needed to address customer inquiries on a timely basis.
- *prioritize inquiries to determine which are most critical*--the CSU addresses inquiries on a first-come, first-serve basis. This would assist CSU staff in addressing the most urgent inquiries in a timely manner.
- *summarize inquiries by type*--The CSU does not collect and analyze information from customer service inquiries so that DHS management can determine whether improvement is needed in the performance of DHS staff at the state or county offices. The CSU's weekly report captures weekly and fiscal year-to-date totals of telephone calls, e-mails, and written inquiries, but does not capture the type of inquiry beyond the wide categories of enforcement calls, payment calls, paternity calls, and miscellaneous calls.

A centralized unit to address inquiries and complaints statewide would be beneficial in providing DHS with information regarding the areas where improvements are needed in customer service. However, before a statewide system is designed or implemented, the above-noted problems in the CSU should be addressed and monitored. By doing so, DHS management would be in a better position of determining how a statewide system should be designed and how resources could be reallocated to implement a statewide system.



## Need for Policy and Procedure Updates

*DCSE has not updated its policy and procedures since January 2001. Updated policies and procedures are necessary to ensure efficient and consistent department operations, including providing personnel with clear guidelines for their job responsibilities, establishing responsibility for tasks, proper handling and recording of agency records, processing documents consistently, and specifying approved departmental procedures after the implementation of new systems, such as PayConnection, which became operational in June 2006.*

PEER reviewed the Division of Child Support Enforcement's policies and procedures and noted the following:

- *DHS has not updated CRDU's policy and procedures manual to reflect the addition of the PayConnection and OPEX systems.* These systems, which are used to process child support payments (see page 15), were brought online in June 2006, but the unit's policies and procedures were last revised in January 2001. As a result, DCSE does not have policies and procedures prescribing current requirements on how agency personnel should handle payments or how PayConnection and OPEX should be used in receipting, posting, and distributing child support payments.
- *The policy and procedures manual includes duties that are no longer responsibilities of the CRDU.* These include providing payment records, making certain financial adjustments in METSS, activating cases, modifying court order screens in METSS, entering non-IV-D court orders into METSS, sending out pamphlets and applications to all new parents in IV-D cases, providing affidavits of accounting, and resolving unidentified collections. Because these duties have been assigned to other areas in DHS, responsibility for handling these duties is not clearly documented.
- *DHS could strengthen internal controls by adding policies to ensure the integrity of the mail collecting and receipting process.* DHS policy states that for auditing purposes, the date a payment is received by the CRDU is the date of collection and is the date used for tracking the timely disbursement of payments, which is set by federal regulation as two business days. However, DCSE does not have a policy requiring that all payments must be date stamped on the day they come into the CRDU. As a result, a payment does not really enter the CRDU until it is date stamped, which may or may not be the actual day the payment was received. In other words, if the mail flow is heavy or if there are staff shortages, no policy is in place to prohibit holding payments until the next day. But the regulation "clock" starts when the payments enter the CRDU. Thus documenting the date on which a payment is received by CRDU is critical.

Also, CRDU personnel go to the post office on a daily basis to collect child support payments that come through the mail. However, DCSE does not have a written policy regarding which employee will go to the post office, at what approximate times, or the procedures to be followed in picking up the mail from the post office and delivering payments to CRDU. Such guidelines are important to ensure payments are handled in a safe and consistent manner.

Policies and procedures reflect management's attitude, awareness, and actions regarding control procedures within an organization. Policy and procedures that have not been updated to include essential elements of operating tasks and duties vital to accomplishing the goals of an organization reflect poorly on management's commitment to proper oversight and internal controls.

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## The Effect of the Division's Management and Operational Problems

**The Division of Child Support Enforcement's management and operational problems reduce its ability to monitor the accuracy of child support case information and ensure the timely and accurate distribution of child support payments.**

Because the DCSE is responsible for the receipt and timely and accurate disbursement of child support payments, management and operational problems such as those noted in this report have the potential to impact DCSE's ability to fulfill its responsibilities. As a result, noncustodial parents may pay more than legally mandated or children may receive less than is legally due to them.

As noted on page 1, PEER's review was initiated after receiving a complaint from a noncustodial parent alleging that he was submitting payments regularly, but his account balance was not decreasing. PEER reviewed the complainant's file with DCSE officials. After reviewing supporting documentation, DCSE officials determined that worker error led to the complainant's overpayment of approximately \$4,500 in child support payments to one of the noncustodial parent's subcases. The overpayment was credited to another subcase in which the complainant still owes a balance. The details of the complainant's case are presented below.

***A child support enforcement worker's error resulted in the complainant's overpayment of \$4,500 in an interstate child support case. The worker had failed to change the payment obligation amount in METSS to zero after notification of the emancipation date of the child, who lived in another state and was subject to emancipation laws differing from Mississippi's. Thus the noncustodial parent continued to make child support payments for over a year and a half after the obligation to do so had ceased.***

As stated earlier, a noncustodial parent had complained to PEER alleging that child support payments were being made but the arrearage balance was not decreasing accordingly.

The proper procedure regarding entry of such information into METSS is that the child support enforcement worker enters a termination date into METSS and this date is suppose to be the date the child emancipates. Any payments received into METSS are applied to satisfy the current obligation amount and sent to the custodial parent (or a portion retained by the state if the custodial is receiving public assistance) and if there is any overpayment, the arrearage balance is adjusted accordingly or the payment is considered a future

payment and is disbursed the next month. When the termination date is reached, METSS automatically stops satisfying the current obligation amount and begins to apply the payment to the arrearage amount, fees, or court costs.

It is the policy of DHS to abide by the child support laws of the state in which the child support court order originated. This policy is based on the Uniform Interstate Family Support Act, which basically says the responding state's laws control with respect to child support cases. However, in the complainant's case, a child support enforcement worker had failed to change the current obligation amount to zero almost a year after receiving notification of the child's emancipation. Because the child resided in another state, the emancipation age was different from that in Mississippi, a condition that could have contributed to the error.

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# Recommendations

## The Department of Human Services' Management of the CRDU's Processing of Payments

1. DHS management should amend agency policy with respect to the CRDU to include the following:
  - a. A designated worker should make at least two trips to the post office each day (once in the morning and once in the afternoon) to collect child support payments. DHS management and CRDU should jointly determine whether additional trips are necessary, according to circumstances such as busy times of the month or workflow.
  - b. All payment instruments should be date stamped the day the payment enters the CRDU. The CRDU administrator or supervisor in charge should certify that all payments that entered the CRDU that day were stamped with the appropriate date.
  - c. A reasonable afternoon cut-off time should be set for PayConnection batch payment processing, including the caveat that any payment that does not enter the PayConnection processing system by the designated time would be processed the next morning.
  - d. In addition to the current PayConnection reports, segregation of duties conflicts that occur in the CRDU should be logged real time and information tracked should include: date, sequence, type of conflict, supervisor who approved the violation, and the reason for the violation. This would provide both a management tool and audit trail.
  - e. DHS management should update the policy and procedures manual to include changes that have occurred in the CRDU since 2001.
  - f. DHS management should require scheduled, periodic audits to the CRDU to include such areas as:
    - compliance with federal regulations of two-day processing of child support payments;
    - correct entry of court order amounts;
    - compliance with the federal regulations requirement of segregation of duties; and,

- status of program income.

## Billing Employers for Income Withholding of Child Support Payments

2. DHS management should update and amend employer bills in the following manner to ensure accurate remittance and posting of child support payments and preserve the integrity of the PayConnection “multiple postings to a social security number” quality assurance check:
  - a. Establish a policy and practice to update the employer database on a scheduled basis of no less than twice a year.
  - b. Designate which DHS personnel are responsible for updating the employer database.
  - c. Reconfigure the employer bill to combine the amounts for all child support cases for a noncustodial parent under his/her social security number.
  - d. Develop a uniform method for businesses to submit income withholding information (e. g., submitting withholding information on a CD-ROM).

## The Department of Human Services’ Handling of Unidentified/Undistributed Collections

3. DHS management should redirect the duties of the DCSE Financial Unit to focus on resolving unidentified child support payments. DHS managers should:
  - a. Ensure that Financial Unit personnel document which employee researched a payment, whether research methods followed the established policies and procedures, and what final resolution was reached concerning the payment.
  - b. DHS management should set a time frame during which these payments can be worked in the Financial Unit. After the time has been exhausted, payments should be transferred to the DHS controlled account for undistributable funds and documented in the Financial Unit log as such.
  - c. DHS management should monitor unidentified payments that were resolved and determine if actions by employees in the county played a role

in the payment's falling into unidentified status and whether training could rectify future unidentified payment problems.

4. Ensure compliance with MISS. CODE ANN. Section 89-12-13 (1972) by developing and implementing policies and procedures to recognize and report as program income any child support collections that meet the state's definition of abandoned property.
5. Continue to work toward transferring to the State Treasurer and reporting as program income any undistributable child support collections in accordance with federal and state requirements. Assign the funds to the State Treasury under the last known name associated with the payment.

### **Bonding of CRDU Employees**

6. The Division of Child Support Enforcement should comply with the federal regulation 45 CFR 302.19(a) requiring a bond against potential loss resulting from employee dishonesty to cover every person who has access to or control over funds collected under the child support enforcement program.

### **Entry of Court Order Information**

7. DCSE should scan all court orders to establish an electronic file folder for wider access to legal documents governing child support cases.
8. DCSE should assign specific responsibility for inputting court orders to designated county employees and require second-party or supervisory review to examine and certify the correctness of court order entry and updating. Responsibility for accurate input and updating of court order information, as well as second-party or supervisory review of such information, should be included as part of designated county employees' performance appraisals.
9. DHS officials should work with the Mississippi Supreme Court Advisory Committee on Rules regarding adoption of a new form containing the information required for input into METSS, including:
  - child support obligation;
  - spousal support obligation;
  - medical support obligation;

- arrears obligation; and,
- fees obligation.

## Noncustodial Parents' Account Information

10. DHS management should explore cost-effective ways of providing noncustodial parents whose income is automatically being withheld from their paychecks with a monthly method of viewing the application of child support payments and any arrearage balance. Such methods could include a monthly e-mailed statement generated by METSS or an online account that requires a password for access.
11. DHS management should amend the current statement of accounting to reflect amounts paid, exactly how those payments were applied, the result of any current obligation amounts not paid until the time the statement is prepared, and a true account balance that reflects up-to-date payments received and arrearage amounts accumulated.

## Customer Service

12. The Division of Child Support Enforcement should improve the two-county Customer Service Unit's methods of collecting and analyzing information. The DCSE should further define the types of calls received in the Customer Service Unit and maintain records necessary to:
  - determine the disposition of inquiries;
  - determine the length of time required by staff to respond to inquiries;
  - prioritize and respond to calls based upon the urgency of the inquiry; and,
  - summarize and analyze inquiries by type.

After these improvements are made in the two-county Customer Service Unit, DHS management should perform an analysis to determine whether reallocating resources to establish a centralized, statewide Customer Service Unit would be feasible.



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## Appendix A: Description of PEER's Random Sample of Child Support Payments through the CRDU

PEER conducted a random sample to determine whether errors existed in the initial establishment of cases in the system or in the receipting, posting, distribution, or disbursement processes within the Division of Child Support Enforcement. The areas tested by the sample included: accurate entry of court-ordered child support obligation amounts into the electronic system by child support enforcement workers; proper receipt and distribution of child support payments through the CRDU; and the timely disbursement of child support payments to custodial parents.

In conducting the sample, PEER requested the Department of Human Services' staff to submit child support subcases that were open cases for the month of April 2009 (see page 7 for an explanation of subcases). DHS staff submitted a file of 352,296 subcases and PEER eliminated subcases from the record file based on the following criteria:

- subcases that did not receive a payment or disburse a payment according to the data file submitted by DHS;
- subcases missing data in any or all of the following fields: receipt date, distribution date, payment source, and/or payment method;
- payments made via federal or state tax offset;
- unemployment benefit payments submitted by the Department of Employment Security;
- payments submitted by electronic funds transfer; or,
- payments received before June 1, 2008, or after May 31, 2009.

The final sample population comprised cases submitted through the CRDU that had received a payment between June 1, 2008, and May 31, 2009, either by personal payment or by an employer withholding income from a paycheck.

The eliminations allowed PEER to test a recent population of payments from the time those payments entered the CRDU until the time they were disbursed to the custodial parent. After the subcases were eliminated, the population sample totaled 52,637 subcases. PEER selected a simple random sample<sup>7</sup> of 385 subcases, based on a five percent error rate and a 95 percent confidence interval level.

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<sup>7</sup> In a *simple random sample*, each item has an equal probability of being selected.

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## Appendix B: Definitions of a Child Support Case and Subcase

As noted previously, a child support case is comprised of the following individuals:

- noncustodial parent;
- other biological parent (usually but not always the custodial parent);
- child or children of the noncustodial parent and the other biological parent; and,
- the custodial parent (who is usually but not always the other biological parent; this could be a grandparent, aunt, or other relative).

For each child support case, the division maintains an accounting of amounts owed, collected, and disbursed. The composition of a subcase of a child support case is one custodial parent and the child or children all having the same *program status* associated with this one custodial parent.<sup>8</sup> Every case has at least one subcase that is equivalent in composition to the case. When multiple children are involved and the individual children associated with this custodial parent have different program statuses, the division establishes one or more additional subcases for this custodial parent. For example, one child living with a custodial parent could be receiving Temporary Assistance to Needy Families (TANF) benefits while another child who is living with the same custodial parent is not receiving TANF benefits; this would indicate the presence of at least two subcases.

Subcases are differentiated alphabetically--e. g., hypothetical case 65476405 could involve subcases 65476405A, 65476405B, etc. PEER's random sample reviewed cases at the subcase level (i. e., 385 subcases).

The only exception to this subcase labeling criteria is when a child is in foster care. There can be only one foster care child per subcase, as opposed to the possibility of multiple children per subcase in a home without foster children.

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<sup>8</sup> If a custodial parent and child(ren) receive public assistance benefits such as Temporary Assistance to Needy Families (TANF), under the state's IV-A program, the state is allowed to recoup a portion of the child support payment as reimbursement for the public assistance benefits paid to the custodial parent.

# Agency Response



**STATE OF MISSISSIPPI**  
HALEY REEVES BARBOUR, GOVERNOR  
**DEPARTMENT OF HUMAN SERVICES**  
DON THOMPSON  
EXECUTIVE DIRECTOR



November 5, 2009

Dr. Max Arinder, Executive Director  
Joint Committee on Performance Evaluation and Expenditure Review  
PEER Committee  
P.O. Box 1204  
Jackson, Mississippi 39215-1204

Dear Dr. Arinder:

The Mississippi Department of Human Services reviewed the revised draft of the PEER Report entitled "The Division of Child Support Enforcement: An Operational Review of the Collection and Distribution of Child Support Payments."

Please find attached our responses to findings and recommendations provided in your report.

This agency appreciates the cooperative and helpful spirit demonstrated by the PEER staff. The process has been educational and informative and will assist us in our improvement efforts. Thank you for this opportunity.

Respectfully,

A handwritten signature in cursive script, appearing to read "Don Thompson".

Don Thompson

DT:lb

**PEER Report Comments**  
**MDHS, Division of Child Support Enforcement**  
(as of November 4, 2009)

**A. Conclusions Regarding the Central Receipting and Disbursement Unit:**

**1. Segregation of Duties Conflicts.**

**Response:** Our previous problems of the need for more trained and qualified staff, employee turnover and absenteeism have greatly improved this past year. But, on days when there are personnel shortages, staff will sometimes double-up on tasks, with supervisory oversight, to get the money out to the children without delay. The comments concerning staff receiving money at the window and then later posting it could have validity. The cash is included with other forms of payment in a batch. The batches are then randomly sent to the workers electronically and it is possible that the workers who received the money also posted it. New policies to correct these conflicts have been established and communicated to the staff.

Also, we have contacted the vendor who designed the system and have requested a change to prevent future conflicts. The vendor is confident their solution will change the system so that it will be manually impossible for the workers to create a conflict. New policies will be written and published that will address these new handling procedures after they are implemented.

**2. Billing of Employers for Income Withholding of Child Support Payments.**

**Response:** We have changed the mail processing procedures and our employees will check each day for requests from employers and will make sure the necessary changes are made. Because of the Call Center function recently being relocated, we have been able to use those displaced employees in the CRDU to improve the mail processing tasks.

**3. Accountability for Balance of Unidentified Child Support Collections.**

**Response:** We have established a fully-manned Financial Unit at the state headquarters office that has been given the responsibility of researching the cases in which payment has been received without enough information to be distributed in a timely manner. The Unit will not wait for these problem cases to be referred to them; but instead, will process these cases on a real-time basis. The Unit started with two persons and has been recently expanded to five employees. New policies have been written and published that will address these new handling procedures.

#### **4. Failure to Comply with Federal Requirements for Bonding of CRDU Employees.**

**Response:** All required bonds are now in-place for the CRDU employees.

### **B. Conclusions Concerning Related Child Support Enforcement Issues:**

#### **1. Entry and Updating of Court Order Information.**

**Response:** Court orders were not always updated in our system as they should have been. Emphasis has been placed on this since March of 2009 when the federal Data Reliability Audit brought this to our attention. It has always been our policy for our county staff to immediately enter new court order information into METSS, but apparently renewed management emphasis was needed to ensure these tasks are performed in a timely manner. Our county offices now set aside time each week dedicated to ensuring that court orders are updated in the system. Also, the CRDU is responsible for entering all non-IV-D court orders in METSS and the prompt processing of these orders is being emphasized.

#### **2. Lack of Ready Access to NCP's Account Information.**

**Response:** The NCP's account information is in the automated METSS system and all appropriate DCSE staff has access to METSS. We are investigating ways to provide NCPs better access to their account information through various electronic means. Currently some NCPs receive periodic account information through the mail for various reasons such as when arrearages occur or when they are informed that certain actions may be pending concerning their accounts. All others are encouraged to contact their county DCSE offices for account information.

There is general consensus that the Statements and Affidavits of Accounting need to be made more user friendly. We will research this issue and if we are not constrained by restrictions in the flexibility of the computer software, we will improve the readability and availability of the statements.

#### **3. Failure to Report Undistributable Child Support Collections and Interest as Program Income.**

**Response:** We work diligently to locate the proper intended recipients of all undistributed child support collections. In the last year, we reduced the amount of undistributed collections from nearly a million dollars to less than \$372,000. Previously, we did not believe that these undistributed collections should be classified as abandoned

property, and thus income, because we had not given up on our attempts to return the money to its rightful owners. But, we have recently revised our thinking and we now report the undistributed funds as income and as unclaimed property.

In conjunction with the Mississippi Office of the State Treasurer, we have developed and implemented procedures that will minimize the growth of this account. And, we continue to look for the proper intended recipients of all undistributed collections until such time as the funds are required to be turned over to the Office of the State Treasurer as unclaimed property. We have written and distributed policies concerning these issues.

As far as reporting the bank account interest as program income is concerned, we were never actually collecting interest on our bank accounts. We were merely receiving credits that we used to offset the payment of bank fees. But, we are now claiming the credits as bank account interest and as program income as requested by the federal Office of Child Support Enforcement and, consequently, we are being forced to pay bank usage fees that count as an agency expense. Before we were forced to make the above changes, some months we paid only a few hundred dollars in bank fees and most months we did not pay any bank fees. But now, we are paying between \$9,000.00 and \$10,000.00 a month in bank fees.

#### **4. CRDU Not Audited by the Department of Human Services.**

**Response:** The MDHS, Office of Investigative Audits, performed an audit of the CRDU's internal control functions 18-24 months ago. Improvements to their internal control procedures were suggested, but no follow-up has occurred. The agency is in the process of establishing its Office of Internal Controls in response to the Mississippi Internal Audit Act, Mississippi Code of 1972, § 25-65-1 et seq, that will provide additional oversight and control of the CRDU function. We have contracted with a nationally recognized private accounting firm to develop and implement our internal audit procedures and policies.

#### **5. Need for Improvements in the Customer Service Unit.**

**Response:** Calls that we received from our customers were handled in the local county offices, with the exception of those from Hinds and Rankin Counties, which had their own Call Center. We realized that a statewide centralized call center would eliminate this problem. We have previously been unable to establish a statewide call center because of budget constraints and staffing shortages. However, we now have access to federal funds that have given us the opportunity to add this much needed component to our program. We just entered into a contract with a company that is in the process of providing us with a statewide customer service call center that will begin operations in early November 2009.

The PEER Report suggested that we prioritize client calls to determine which are more critical than others. We agree with this recommendation in theory, but not exactly in the way that the PEER Report has recommended. This discussion is probably moot, however, because the prioritization and proper handling of constituent and client inquiries will be an integral part of the new contract for the statewide customer service call center.

#### **6. Lack of Updated Policies and Procedures.**

**Response:** The policies and procedures that PEER has brought to our attention have been updated and will be maintained on a regular basis.

### **C. Responses to PEER Recommendations:**

#### **1. MDHS management should amend agency policy with respect to the CRDU to include the following:**

- a. Trips to the Post Office:** The CRDU will continue to make trips to the Post Office each day; one in the morning and one in mid-afternoon if needed. Additional trips will be made as circumstances dictate, such as when increased inflow of mail is expected and subsequent increases in workflow are anticipated.
- b. Time/Date stamping payments:** Concur.
- c. Cut-off time for PayConnection batch processing:** Concur.
- d. Conflict of duties:** New policies have been established and communicated to the staff. We are also working with the software vendor about preventing this from ever happening again. The vendor is confident their solution will change the system so that it will be manually impossible for the workers to create a conflict.
- e. Update policies and procedure manuals:** The policies and procedures that PEER has brought to our attention have been updated and will be maintained on a regular basis.
- f. Schedule periodic audits for compliance with federal two-day payment processing; entry of court orders; segregation of duties requirements; and status of program income:** Concur.

#### **2. MDHS management should update and amend employer bills in the following manner to ensure accurate remittance and posting of child support payments and to preserve the integrity of the PayConnection “multiple postings to a Social Security number” quality assurance check:**

- a. Update employer database:** Already accomplished.
- b. Designate personnel to update database:** Already accomplished.

- c. **Combine cases under NCP's Social Security account number:** This happens in METSS now.
- d. **Uniform method for employers to submit withholding information:** We are currently working on this.

**3. MDHS management should redirect the duties of the DCSE Financial Unit to focus on resolving unidentified child support payments. MDHS managers should:**

- a. **Document information on researched unidentified payments:** This is already being accomplished and emphasis will continue to be placed on this issue.
- b. **Set time frame for working unidentified payments:** We agree and are working on this.
- c. **Monitor unidentified payments:** We already do this.

**4. Ensure compliance with Mississippi Code of 1972, § 89-12-13, by developing and implementing policies and procedures to recognize and report as program income any child support collections that meet the state's definition of abandoned property.**

We work diligently to locate the proper intended recipients of all undistributed child support collections. In the last year, we reduced the amount of undistributed collections from nearly a million dollars to less than \$372,000. Previously, we did not believe that these undistributed collections should be classified as abandoned property, and thus income, because we had not given up on our attempts to return the money to its rightful owners. But, we have recently revised our thinking and we now report the undistributed funds as income and as unclaimed property.

In conjunction with the Mississippi Office of the State Treasurer, we have developed and implemented procedures that will minimize the growth of this account. And, we continue to look for the proper intended recipients of all undistributed collections until such time as the funds are required to be turned over to the Office of the State Treasurer as unclaimed property. We have written and distributed policies concerning these issues.

**5. Continue to work toward transferring to the State Treasurer and reporting as program income any undistributable child support collections in accordance with federal and state requirements. Assign funds to the State Treasury under last known name associated with the payment.**

We are currently complying with this recommendation and will continue to do so.



**6. The DCSE should comply with the federal regulation 45 CFR 302.19(a) requiring a bond against potential loss resulting from employee dishonesty to cover every person who has access to or control over funds collected under the child support enforcement program.**

All required bonds are now in-place for the CRDU employees.

**7. DCSE should scan all court orders to establish an electronic file folder for wider access to legal documents governing child support cases.**

We recently finished the pilot program and are in the beginnings of a statewide scanning project. We anticipate having the ability to scan all files in the near future.

**8. DCSE should assign specific responsibility for inputting court orders to designated county employees and require second-party or supervisory review to examine and certify the correctness of court order entry and updating. Responsibility for accurate input and updating of court order information, as well as second-party or supervisory review of such information, should be included as part of designated county employees' performance appraisal standards.**

We are currently doing this, but maybe we need to strengthen the process.

**9. MDHS officials should work with the Mississippi Supreme Court Advisory Committee on Rules regarding adoption of a new form containing the information required for input into METSS, including child support obligation; spousal support obligation; medical support obligation; arrears obligation; and fees obligation.**

What specifically is wrong with the current form? Any reasonable suggestions for improvement will be considered.

**10. MDHS should explore cost-effective ways of providing NCPs whose payments are automatically being withheld from their paychecks with a monthly method of viewing the application of child support payments and any arrearages balance. Such methods could include a monthly e-mailed statement generated by METSS or an online account that requires a password for access.**

The NCP's account information is in the automated METSS system and all appropriate DCSE staff has access to METSS. We are investigating ways to provide NCPs better access to their account information through various electronic means. Currently some NCPs receive periodic account information through the mail for various reasons such as when arrearages occur or when they are informed that certain actions

may be pending concerning their accounts. All others are encouraged to contact their county DCSE offices for account information.

There is general consensus that the Statements and Affidavits of Accounting need to be made more user friendly. We will research this issue and if we are not constrained by restrictions in the flexibility of the computer software, we will improve the readability and availability of the statements.

**11. MDHS management should amend the current statement of accounting to reflect amounts paid, exactly how those payments were applied, the result of any current obligations amounts not paid until the time the statement is prepared and a true account balance that reflects up-to-date payments received and arrearage amounts accumulated.**

We are currently considering this recommendation. There is general consensus that the Statements and Affidavits of Accounting need to be made more user friendly. We will research this issue and if we are not constrained by restrictions in the flexibility of the computer software, we will improve the readability and availability of the statements.

**12. The DCSE should improve the two-county Customer Service Unit's methods of collection and analyzing information. The DCSE should further define the types of calls received in the Customer Service Unit and maintain records necessary to: determine the disposition of inquiries; determine the length of time required by staff to respond to inquiries; prioritize and respond to calls based upon the urgency of the inquiry; and summarize and analyze inquiries by type.**

**After these improvements are made in the two-county Customer Service Unit, MDHS management should perform an analysis to determine whether reallocating resources to establish a centralized, statewide Customer Service Unit would be feasible.**

Calls that we received from our customers were handled in the local county offices, with the exception of those from Hinds and Rankin Counties, which had their own Call Center. We realized that a statewide centralized call center would eliminate this problem. We have previously been unable to establish a statewide call center because of budget constraints and staffing shortages. However, we now have access to federal funds that have given us the opportunity to add this much needed component to our program. We just entered into a contract with a company that is in the process of providing us with a statewide customer service call center that will begin operations in early November 2009.

The PEER Report suggested that we prioritize client calls to determine which are more critical than others. We agree with this recommendation in theory, but not exactly in the way that the PEER Report has recommended. This discussion is probably moot, however, because the prioritization and proper handling of constituent and client inquiries will be an integral part of the new contract for the statewide customer service call center.

**D. DCSE Worker’s Error Resulting in Complainant’s Overpayment Which Precipitated this Review of DCSE:**

**Response:** The Non-Custodial Parent (NCP) in this case has not paid too much child support, but still owes \$7,467.45 in child support arrearages to Mississippi. The NCP had two active child support cases: one in Mississippi and one in Missouri. In June 2007, Missouri emancipated the NCP’s child at age 18 because the child was no longer attending school. Mississippi failed to change the code on the Missouri case until February 2009; therefore, the NCP’s payments continued to flow to both child support cases. Consequently, the Missouri arrearage case was promptly paid off and the Missouri Custodial Parent (CP) continued to receive monthly checks that resulted in an overpayment to her of \$4,541.03. The overpayment that the Missouri CP received should be applied to the case in Mississippi and should not be returned to the NCP because of the large arrearage balance he owes in Mississippi.

At this time, the NCP still has an arrearage-only case in Mississippi with a balance owed of \$7,467.45 and he is not due any type of refund. MDHS/DCSE has arranged for a check to be advanced to the Mississippi CP in the amount of \$4,541.03, which represents the amount of the overpayment that the Missouri CP received. Once the Mississippi CP receives that check for \$4,541.03, the NCP will still have an arrearage balance owed in Mississippi of \$2,926.42.

MDHS/DCSE is making a formal claim to the Missouri CP for her to return the \$4,541.03 overpayment that she received. If we receive any payments toward our claim from the Missouri CP, we will return that money to the MDHS Child Support account to replace the money advanced to the Mississippi CP.

In summary, the NCP never paid too much child support and, even though the Missouri case is now paid off, he still owes a balance of \$2,926.42 in child support arrearages to Mississippi.

**E. Epilogue:** Prior to this year, the only child support wage withholding court orders that were required to be directed to MDHS for the collection of child support payments were for persons who were receiving public assistance. In the 2009 Regular Session of the Mississippi State Legislature, MDHS successfully introduced a bill that was signed into law that amended § 93-11-103 of the Mississippi Code of 1972 to codify the federal requirement that ALL child support wage withholding orders issued in the State be payable through the MDHS Central Receiving and Disbursement Unit.

Since Mississippi was one of the last states to comply with the new federal mandate, the federal Office of Child Support Enforcement threatened to pull the funding of the MDHS Division of Child Support Enforcement if we didn’t immediately invoke this change in our state laws to conform to the federal statutes.

These state statute changes interfered with the child support collection efforts of several private attorneys in the state. Child support payments collected by means of wage withholding orders filed with the employers of the NCPs were being diverted to these attorneys, who then disbursed the monies to the custodial parents after collecting a fee. Many of these attorneys lodged complaints with their respective legislators because they did not appreciate the sudden loss of this income stream that they had been enjoying for many years. But, again, MDHS had no choice other than to have the Mississippi Code changed to reflect the federal mandate.

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