

State of Arizona  
Office  
of the  
Auditor General

PERFORMANCE AUDIT

**ARIZONA  
DEPARTMENT  
OF  
ECONOMIC SECURITY**

**Division  
of  
Child Support  
Enforcement**

Report to the Arizona Legislature  
By Debra K. Davenport  
Auditor General  
January 2001  
Report No. 01-01

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DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

January 11, 2000

Members of the Arizona Legislature

The Honorable Jane Dee Hull, Governor

Mr. John Clayton, Director  
Department of Economic Security

Transmitted herewith is a report of the Auditor General, A Performance Audit of the Arizona Department of Economic Security, Division of Child Support Enforcement. This report was completed pursuant to the provisions of Laws 1996, Chapter 290.

As outlined in its response, the agency agrees with all of the findings and recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on January 12, 2001.

Sincerely,

A handwritten signature in dark ink, appearing to read "Debbie Davenport", with a stylized flourish at the end.

Debbie Davenport  
Auditor General

Enclosure

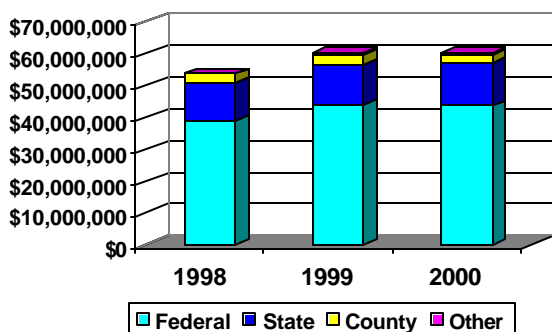


## Program Fact Sheet

# Department of Economic Security Division of Child Support Enforcement

**Services:** The Division of Child Support Enforcement administers Arizona's federally mandated child support program, which provides services to approximately 268,000 families. Program staff provide the following services: **1) Locate**—Find noncustodial parents whose whereabouts are unknown using information from a variety of sources including the Arizona Motor Vehicle Division and U.S. Postal Service; **2) Paternity establishment**—Obtain a legal determination of paternity for children born out of wedlock; **3) Support order establishment**—Obtain a court order that indicates the dollar amount the noncustodial parent must pay each month to help raise his or her child; and **4) Collection enforcement**—Ensure noncustodial parents pay their child support obligation by using various remedies such as income withholding and tax offsets.

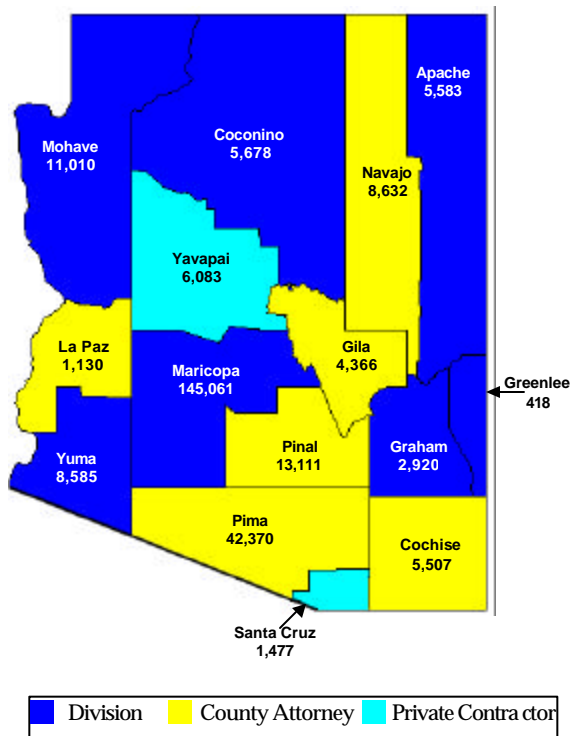
### Program Revenue: \$60.3 million (Estimated fiscal year 2000)



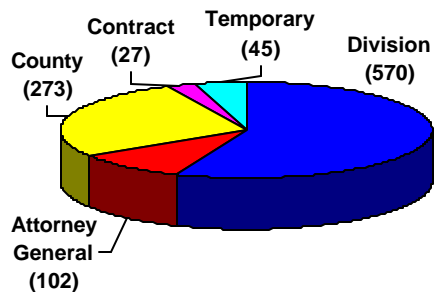
### Program Mission:

*"To provide effective and fair child support services."*

### Operating Entity and Caseload by County



### Personnel: 1,017 employees (as of September 30, 1999)



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**Facilities:** The program operates out of 17 offices located around the State. The Division leases facilities in Phoenix (4 locations), Flagstaff, Safford, Kingman, and Yuma at a cost of approximately \$2,500,000 in fiscal year 2000. The remaining offices are operated by the Division's county partners and private contractor (see state map on previous page).

**Equipment:** In addition to standard office equipment, the program also owns an interactive voice response system to provide its clients with access to a wide range of program and individual case information through the telephone.

**Program Goals (Fiscal Year 2000):**

1. To increase child support collections;
2. To increase customer satisfaction;
3. To improve the program's cost-effectiveness ratio;
4. To increase the number of paternity establishments for children born out of wedlock;
5. To increase the establishment of legal obligations of support; and
6. To increase compliance with court orders.

**Adequacy of Performance Measures:**

The program's six goals appear to be aligned with its mission. Its goals include 6 objectives and 31 performance measures, including quality, efficiency, and outcome measures. The program could improve its measures by also reporting the percentage of individuals/families needing services who receive those services; for example, the percentage of children needing paternity each year who had it established.

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## SUMMARY

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Economic Security (Department), Division of Child Support Enforcement (Division). This audit was completed pursuant to the provisions of Laws 1996, Chapter 290, which requires the Office of the Auditor General to review the Division's customer service operations, privatization efforts, debt calculation errors, Arizona Tracking and Location Automated System operations, and effectiveness of Division operations.<sup>1</sup> This report is the second in a two-part series and focuses on the Division's effectiveness and automated system.<sup>2</sup>

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*Program services are  
provided at no cost.*

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The Division administers the federally mandated child support enforcement program. In Arizona, individuals receiving public assistance monies are automatically referred to the program. In addition, individuals not receiving public assistance monies can apply for and receive program services at no cost. These services include locating noncustodial parents, establishing paternity, and placing income withholding orders on noncustodial parents' paychecks to ensure that child support is paid. The program collected and distributed \$184 million during fiscal year 1999 for its approximately 268,000 cases. The program has received several awards for its accomplishments including the Governor's Spirit of Excellence award for successfully centralizing child support payment processing.

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<sup>1</sup> Amended by Laws 1999, Chapter 199, to extend the due and repeal date.

<sup>2</sup> The first report was issued in July 1999 (Auditor General Report No. 99-11) and covered customer service operations, privatization efforts, and debt calculations.

**Program Effectiveness Improving,  
But Additional Enhancements Needed  
(See pages 15 through 20)**

Over the past few years, the program has increased both the amount of child support collected and the number of families receiving support on a regular basis. Between fiscal years 1994 and 1999 the program doubled its annual distributed collections, collecting \$184 million during fiscal year 1999. The program has also increased the percentage of regular payers and the percentage of cases receiving at least one payment during the year.

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*Despite improvements,  
about 40 percent of  
support-ordered cases  
receive no child support.*

Despite these improvements, about 40 percent of the program's support-ordered cases still receive no child support. For example, during fiscal year 1999 about 46,000 families received none of the \$112 million in support owed to them. Because of the significant percentage of nonpayers, the program may fail to maximize the federal incentive monies that it uses to help support the program's cost. The federal government generally pays 66 percent of the program's expenditures and also provides states with incentive money when their programs achieve certain levels of performance. During fiscal year 1999, the program received an estimated \$3.9 million in federal incentive monies.

**Program Needs to Improve Its  
Paternity Establishment Performance  
(See pages 21 through 31)**

The program needs to enhance its performance in establishing paternity for the children in its caseload. While establishing paternity, which is identifying a child's legal father, is a critical first step in the child support process for many of the program's cases, the program has not been very successful in this area. Although the program needs to establish paternity for more than 100,000 children in any year, during fiscal years 1997 to 1999 the program established paternity for less than 10 percent of the children needing it. Further, when the program does establish paternity, the procedure often takes several months or even years. For example, the median time for the program to establish paternity during fiscal years 1997 to 1999 was 18 months.

Establishing paternity can often be difficult because the mother may not know the location of the alleged father and the program must try and locate him to inform him of the program's intent to establish paternity. However, if the program's performance does not improve, it may fail to maximize the federal incentive dollars it uses to support the program. Historically, about 6 to 7 percent of the program's revenue came from these incentive dollars. To help improve its performance, the program should take a variety of actions, including working with program stakeholders to determine the feasibility of seeking additional administrative authority to establish paternity; continuing to close cases according to federal closure criteria; and examining and redistributing caseloads more equally among its caseworkers.

### **Program Needs to Continue to Improve its Performance in Establishing Child Support Orders (See pages 33 through 39)**

Similar to the paternity establishment area, the program needs to improve its performance in establishing support orders. A support order is the court document that outlines the monthly dollar amount of child support the noncustodial parent must pay. However, the program establishes support orders for only 16 percent of the cases that need them at the beginning of each year. In addition, during fiscal years 1997 to 1999 the median amount of time the program took to establish a support order was about 16 months. Nevertheless, the program is increasing the number of support-ordered cases in its caseload each year and should be eligible for at least some of the federal incentive monies available for this area.

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*The program should review with its stakeholders the feasibility of seeking authority to administratively establish support orders.*

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The program should work with its stakeholders to assess the feasibility of seeking authority to administratively establish support orders. Depending on the type of administrative authority granted to the program, the program could establish support orders without court involvement. Because the State has established child support guidelines, the program has clear directions for what things should be considered when calculating the monthly dollar amount of child support due or any past-due amounts. In addition, the program should continue to close cases according to federal closure criteria.



**Collection Enforcement Actions Can  
Be Targeted to Increase Effectiveness  
(See pages 41 through 49)**

The program has a variety of strategies it can use to enforce payment of a child support order. The program has authority to implement many of these strategies administratively, but some of them, such as license suspension, require judicial involvement. However, most enforcement actions can be started automatically by the program's computer system. The program has found income withholdings and tax offsets to be two of its most effective enforcement techniques.

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*Many enforcement actions are designed for individuals with the resources to pay.*

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Although the program has a variety of enforcement strategies available, the program needs to explore additional strategies directed to nonpayers. Many of the enforcement strategies, such as income withholdings, are designed for individuals with the resources to pay. Yet, research suggests that many of the noncustodial parents who do not pay have limited ability to pay based on their income and education levels, and intermittent employment. Therefore, similar to efforts underway in other states, the program should consider sorting cases based on the ability to pay. Sorting cases would allow the program to direct its enforcement efforts to those who have the resources to pay, while referrals to job readiness and training services can be provided to those noncustodial parents who are unemployed or otherwise lack the ability to pay.

In addition, the program should consider some approaches for reducing its large past-due child support balance, much of which may be uncollectible. For example, some states have policies that prevent the build up of large past-due balances for low-income noncustodial parents, or policies that allow the state to forgive a portion of the past-due balances owed to the state if the noncustodial parent successfully completes a work or training program. However, forgiveness policies do not address the past hardships endured by the custodial parent and children because of the nonpayment of child support.

**Program Has Successfully Established  
Statewide Automated System  
(See pages 51 through 53)**

The program has effectively developed and implemented a statewide automated system known as the Arizona Tracking and Location Automated System (ATLAS). ATLAS records comprehensive information about the program's cases and supports the program's major case management functions including locate, paternity and support order establishment, debt calculation, financial management, and payment disbursement. Arizona has consistently been one of the first states to seek and receive federal certification of its system. In addition, the program has instituted an effective system of controls for helping ensure access to the system is limited to appropriate users and that data is accurately entered and maintained on the system.

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# TABLE OF CONTENTS

	<u>Page</u>
<b>Introduction and Background.....</b>	<b>1</b>
<b>Finding I: Program Effectiveness Improving, But Additional Enhancements Needed.....</b>	<b>15</b>
Program Collecting More Dollars for More Cases .....	15
Many Families Still Receive No Child Support.....	17
Increased Effectiveness Depends on Improvements in Three Key Areas.....	20
<b>Finding II: Program Needs to Improve Its Paternity Establishment Performance.....</b>	<b>21</b>
Limited Success in Establishing Paternities .....	21
Paternity Establishment Performance May Fail to Maximize Federal Incentive Dollars .....	24
Some Case Characteristics Impact Performance.....	25
Program Should Continue Its Efforts to Improve Paternity Establishment Performance.....	27
<b>Recommendations .....</b>	<b>31</b>

## **TABLE OF CONTENTS (Cont'd)**

	<b><u>Page</u></b>
<b>Finding III: Program Needs to Continue to Improve Its Performance in Establishing Child Support Orders.....</b>	<b>33</b>
Support Order Establishment Area Has Two Significant Areas for Improvement.....	33
Program Increasing Percentage of Support-Ordered Cases.....	36
Division Should Develop Strategy to Improve Performance .....	38
Recommendations .....	39
<b>Finding IV: Collection Enforcement Actions Can Be Targeted to Increase Effectiveness .....</b>	<b>41</b>
Program Uses a Variety of Techniques to Enforce Child Support Obligations .....	41
Program Should Explore New Ways to Reach Nonpayers .....	44
Recommendations .....	49
<b>Finding V: Program Has Successfully Established Statewide Automated System .....</b>	<b>51</b>
ATLAS Has Developed Into a Comprehensive Management System .....	51

## **TABLE OF CONTENTS (Cont'd)**

	<b><u>Page</u></b>
<b>Finding V: (Concl'd)</b>	
System Successfully Passed System Certification Reviews .....	52
Management Controls Help Ensure Data Reliability .....	53

### **Agency Response**

#### **Tables**

Table 1	Arizona Department of Economic Security Child Support Enforcement Program Statement of Revenues and Expenditures Years Ended June 30, 1998, 1999, and 2000 (Unaudited).....	8
Table 2	Arizona Department of Economic Security Child Support Enforcement Program Enforcement Remedies.....	42
Table 3	Arizona Department of Economic Security Child Support Enforcement Program Frequency of Enforcement Remedies Year Ended June 30, 1999 .....	43

#### **Figures**

Figure 1	Arizona Department of Economic Security Child Support Enforcement Program Percentage of Cases by Family History of Public Assistance As of June 30, 1999 .....	3
Figure 2	Arizona Department of Economic Security Child Support Enforcement Program Child Support Enforcement Process As of October 2000 .....	4

## **TABLE OF CONTENTS (Cont'd)**

		<b><u>Page</u></b>
	<b>Figures (Cont'd)</b>	
Figure 3	Arizona Department of Economic Security Child Support Enforcement Program Operating Entity and Caseload by County As of June 1999.....	6
Figure 4	Arizona Department of Economic Security Child Support Enforcement Program Total Annual Distributed Collections Years Ended June 30, 1994 through 1999 (Unaudited).....	16
Figure 5	Arizona Department of Economic Security Child Support Enforcement Program Comparison of Growth Rates for Total Arrears and Distributed Collections Balances for Years 1994 through 1999 (Unaudited).....	18
Figure 6	Arizona Department of Economic Security Child Support Enforcement Program Paternities Needed and Established Years Ended June 30, 1997, 1998, and 1999.....	23
Figure 7	Arizona Department of Economic Security Child Support Enforcement Program Timeliness in Establishing Paternities Years Ended June 30, 1997, 1998, and 1999.....	23

## **TABLE OF CONTENTS (Concl'd)**

	<b>Figures (Concl'd)</b>	<b><u>Page</u></b>
Figure 8	Arizona Department of Economic Security Child Support Enforcement Program Support Orders Needed and Established Years Ended June 30, 1997, 1998, and 1999.....	35
Figure 9	Arizona Department of Economic Security Child Support Enforcement Program Timeliness in Establishing Support Orders Years Ended June 30, 1997, 1998, and 1999.....	35
Figure 10	Arizona Department of Economic Security Child Support Enforcement Program Percentage of Total Caseload with Support Orders Years Ended June 30, 1997, 1998, and 1999.....	37
Figure 11	Arizona Department of Economic Security Child Support Enforcement Program Percentage of Paying and Nonpaying Cases by Monthly Amount Ordered Year Ended June 30, 1999.....	46



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# INTRODUCTION AND BACKGROUND

The Office of the Auditor General has conducted a performance audit of the Arizona Department of Economic Security (Department), Division of Child Support Enforcement (Division). This audit was completed pursuant to the provisions of Laws 1996, Chapter 290, which requires the Office of the Auditor General to review the Division's customer service operations, privatization efforts, debt calculation errors, Arizona Tracking and Location Automated System operations, and effectiveness of Division operations.<sup>1</sup> This report is the second in a two-part series and focuses on the Division's effectiveness and automated system.<sup>2</sup>

## Child Support Enforcement Program Seeks to Help Families Become Self-Sufficient

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*The program was initially designed to serve custodial parents receiving public assistance.*

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The Division administers the federally mandated child support enforcement program. The program's mission is to help custodial parents become or remain self-sufficient, in part by ensuring that noncustodial parents meet their child support responsibilities. This program, outlined in Title IV-D of the Social Security Act of 1975 and known as the IV-D program, was initially designed to primarily serve custodial parents receiving public assistance monies. As part of receiving public assistance monies, the custodial parent assigns his or her right to child support collections to the State. Then, when the State's IV-D program collects child support payments on that case, it uses that money up to the court-ordered amount or the cumulative amount of the public assistance grant, whichever is less, to help offset its program costs. By establishing child support orders and collecting

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<sup>1</sup> Amended by Laws 1999, Chapter 199, to extend the due and repeal dates.

<sup>2</sup> The first report was issued in July 1999 (Auditor General Report No. 99-11) and covered customer service operations, privatization efforts, and debt calculations.

on those orders, the program also works to eliminate families' need for public assistance monies.

In 1984, the federal government expanded the IV-D program to also provide services to individuals not receiving public assistance. In Arizona, individuals who are not receiving public assistance but who want help from the State can apply for and receive the State's IV-D child support services at no cost. Child support cases for individuals not using the State's IV-D services are known as non-IV-D cases.

### **Child Support Enforcement Process and Program Services**

Arizona's IV-D Child Support Enforcement Program provides a variety of services to approximately 268,000 cases.<sup>1</sup> A case consists of a custodial parent, a noncustodial parent, and the legal children of those parents. As illustrated in Figure 1 (see page 3), the program's cases primarily include families who currently receive public assistance or received public assistance in the past. However, the program's cases also include families who have never received public assistance but have applied to receive the State's IV-D services.

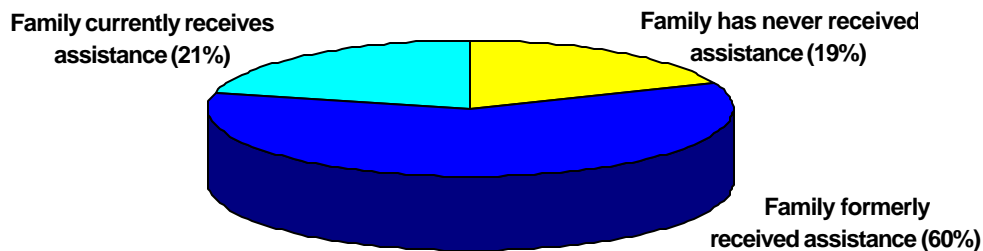
***Process and services***—The child support enforcement process involves several steps. When a case enters the program, it may progress through all the steps or only some of them (see Figure 2, page 4). All cases start at intake, which involves opening the case and gathering data on the custodial family and noncustodial parent. Then, depending on the services needed, the case may progress to paternity, which involves identifying the child's or children's legal father; support order establishment, which involves obtaining a court order that indicates the monthly dollar amount the noncustodial parent must pay to help cover the cost of raising his or her child(ren); and collections and enforcement, which involves ensuring that the noncustodial parent pays his or her child support obligation. The majority of the program's cases begin in the paternity function and thus require the program to provide the complete array of services.

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<sup>1</sup> At the end of fiscal year 1999, the program had 268,408 open cases, involving 414,255 children.

**Figure 1**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Percentage of Cases by Family History of Public Assistance<sup>1</sup>  
As of June 30, 1999**



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<sup>1</sup> The program's caseload also includes some cases for children who are in foster care. However, foster care cases comprise less than 1 percent of the caseload.

Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.

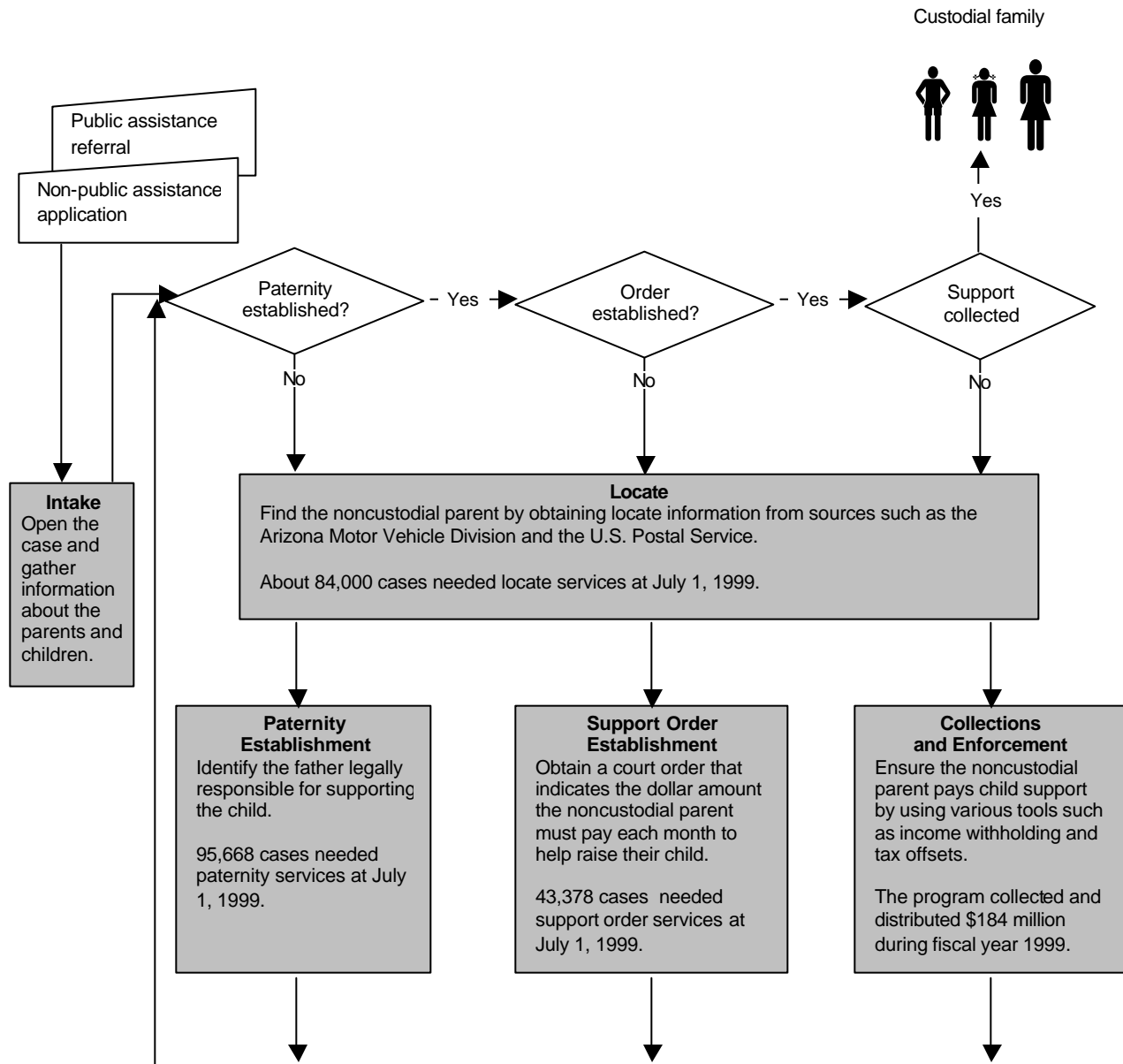
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In addition, if the program loses contact with the noncustodial parent at any time throughout the process, the program will initiate services to locate the parent. Locating the noncustodial parent involves searching databases and using information from a variety of resources, including the U.S. Postal Service, the Internal Revenue Service, and the Arizona Motor Vehicle Division.

***Benefits to children and families***—The program's services result in many benefits for children and their families. Research has found that children involved with their fathers are less likely to become teen parents, less likely to be involved in the juvenile justice system, and more likely to perform better in school. Establishing support orders and collecting on those orders is also important. Nationally, next to earnings, child support is the largest source of income for poor, single, female-headed families. For poor families who receive child support, this support amounts to

**Figure 2**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Child Support Enforcement Process  
As of October 2000**



Source: Auditor General staff illustration of Arizona's child support enforcement process.

an average of 26 percent (or \$2,000) of the families' annual income. Further, when families receive at least some child support during the year, their poverty rate drops significantly, from 33 to 22 percent.<sup>1</sup>

### **Organization and Staffing**

Federal regulations require that each state name one entity responsible for administering the state's IV-D child support enforcement program, and the Department of Economic Security, Division of Child Support Enforcement has been named as Arizona's administering entity. However, as illustrated in Figure 3 (see page 6), a number of different entities along with the Division perform local program operations, such as establishing paternity and enforcing child support orders. In Arizona, counties have the first right to provide program services. Six counties have exercised that right and their county attorney offices provide child support enforcement services. In seven counties, the Division, in conjunction with the Attorney General's Office, operates the program. In the remaining two counties, the Division has contracted with a private company to provide program services.

One-thousand seventeen employees statewide provide the various child support enforcement program services.<sup>2</sup> This number includes 570 Division employees, such as the Assistant Director and Deputy Assistant Director; regional managers, supervisors, caseworkers, policy and procedures staff, program evaluation staff, and systems and automation personnel; 102 Attorney General staff, 273 county employees, 27 private contractor personnel, and 45 other temporary employees (clerical, accounting, programming, and business analyst staff).

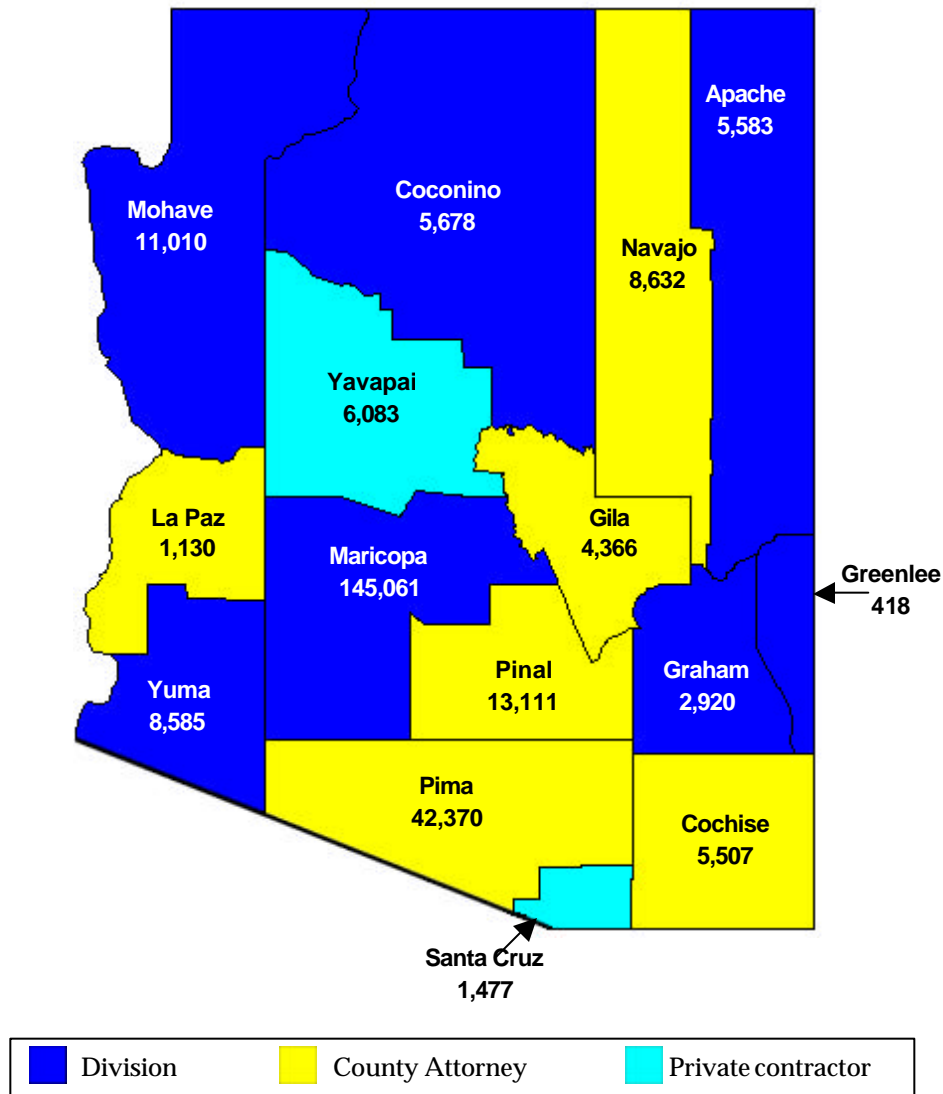
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<sup>1</sup> Turetsky, Vicki. *What If All the Money Came Home?* Center for Law and Social Policy, June 2000.

<sup>2</sup> The Division provided this number from its most recent count of employees that was done at the end of federal fiscal year 1999.

**Figure 3**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Operating Entity and Caseload by County<sup>1</sup>  
As of June 1999**



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<sup>1</sup> An additional 6,447 tribal cases within Apache, Coconino, and Navajo Counties are handled by the Navajo Nation.

Source: Auditor General staff analysis of automated case data provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.

## **Program Expenses and Income**

As illustrated in Table 1 (see page 8), providing child support enforcement services in Arizona cost an estimated \$59 million during fiscal year 2000. Funding for the program comes from three primary sources—federal, state, and local monies. These funding sources are more fully described in the following paragraphs:

- **Federal monies**—Two categories of federal monies contribute the majority of the program's total revenue. First, federal cost-sharing dollars generally reimburse 66 percent of the program's administrative expenditures, including personnel costs, and professional and outside services. The program received an estimated \$39.8 million in federal cost-sharing monies during fiscal year 2000.

Second, the federal government distributes incentive payments to states to encourage and reward effective programs. These incentive monies have generally provided about 6 to 7 percent of the program's revenue. During fiscal year 2000, the program received an estimated \$3.9 million in federal incentive monies.

- **State monies**—Two sources of state monies provide the next biggest percentage of program revenues. The State General Fund contributed an estimated \$5.8 million during fiscal year 2000.

In addition, the program receives the State's share of retained earnings when a custodial parent applies for public assistance and assigns his or her rights to child support payments to the State. As long as the family is currently receiving public assistance, the program can retain the child support payments collected on the families' behalf up to the cumulative amount of the public assistance grant.<sup>1</sup> During fiscal year

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<sup>1</sup> State and federal laws govern the distribution of child support payments among families, the State, and the federal government. The State can sometimes also retain child support payments collected on former public assistance cases. However, because the federal government shares in the cost of the program, the program sends a portion of its retained collections back to the federal government.



**Table 1**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Statement of Revenues and Expenditures<sup>1</sup>  
Years Ended June 30, 1998, 1999, and 2000  
(Unaudited)**

	1998 (Actual)	1999 (Actual)	2000 (Estimated)
Revenues:			
Federal cost-sharing grant	\$35,375,989	\$40,285,936	\$39,805,189
Federal incentives	3,615,621	3,868,175	3,905,591
State's share of retained earnings	7,019,359	7,623,037	7,780,731
State General Fund appropriations:			
Operating <sup>2</sup>	1,293,600	2,310,700	4,056,600
Special line items	1,778,000	1,152,100	597,300
General administrative activities <sup>3</sup>	1,944,553	1,401,632	1,158,262
County support	2,793,068	2,936,381	2,240,534
Other <sup>4</sup>	19,147	666,498	763,862
Total revenues	<u>53,839,337</u>	<u>60,244,459</u>	<u>60,308,069</u>
Expenditures:			
Personal services	19,672,740	21,268,774	22,461,806
Employee related	4,654,402	5,011,189	5,151,144
Professional and outside services	7,857,867	9,501,180	7,296,302
County expenditures	11,281,913	12,303,259	11,329,441
Central payment processing	1,340,774	2,205,591	2,713,306
Equipment acquisitions	2,354,629	3,357,508	3,123,339
Lease/rental payments	2,305,477	2,490,278	2,476,289
Other operating	4,136,082	4,291,270	4,747,717
Total expenditures	<u>53,603,884</u>	<u>60,429,049</u>	<u>59,299,344</u>
Reversions to the State General Fund <sup>5</sup>	206,795	17,000	2,000
Total expenditures and reversions to the State General Fund	<u>53,810,679</u>	<u>60,446,049</u>	<u>59,299,344</u>
Excess of revenues over (under) expenditures and reversions to the State General Fund	<u>\$ 28,658</u>	<u>\$ (201,590)<sup>6</sup></u>	<u>\$ 1,009,725</u>

<sup>1</sup> This statement is presented on a budgetary basis and includes estimates for 2000.

<sup>2</sup> In 1999, the Department transferred monies to the Division from other DES appropriations and in 2000 the Legislature increased appropriations to fund revenue shortfalls and projected increased program costs.

<sup>3</sup> The Department allocates support service costs to its various divisions. The State's share of the support service costs allocated to the Division was funded by the Department's State General Fund appropriation for general administrative activities and is reported as revenue in this statement. The Division's total allocated support service costs were \$10,103,381, \$11,821,525, and \$12,729,000, for 1998, 1999, and estimated for 2000, respectively.

<sup>4</sup> Consists primarily of handling and payment processing fees. In 1999, changes in federal mandates consolidated the collection of non-Title IV payments with the Department. Consequently, the Division's significant increase in its caseload contributed to a significant increase in the related fees.

<sup>5</sup> Includes Division-estimated reversions to the State General Fund. Since lapsing appropriations are not closed until two years after the end of the fiscal year, total actual reversions are not available at the time of this report.

<sup>6</sup> The excess of expenditures over revenues is offset by the Division's beginning fund balance from prior year revenue sources, including nonlapsing appropriations.

Source: The *State of Arizona Appropriations Report* and various reports of the Arizona Department of Economic Security Financial Management Control System for the years ended June 30, 1998, and 1999; and Division estimates of financial activity for the year ended June 30, 2000 (actual amounts not available at the time of this report). County support and expenditures were obtained from the Division's records for the years ended June 30, 1998, and 1999.

2000, the program retained approximately \$7.8 million in collections from public assistance cases.

- **County monies**—The six counties providing child support enforcement services (Cochise, Gila, La Paz, Navajo, Pima, and Pinal) as well as other county Clerk of the Court and Superior Court contracted entities use local monies to help pay for their program costs not covered by federal dollars. During fiscal year 2000, these county entities contributed an estimated \$2.2 million.

### **Significant Accomplishments**

The program was last reviewed by the Auditor General's Office a year ago, and since that time, it has implemented all of the 17 recommendations outlined in the previous report (Auditor General Report No. 99-11). Generally, other initiatives the program has undertaken to improve the program are discussed in this report's main findings. However, some of the notable accomplishments not discussed include:

- **Centralized Payment Processing**—In 1999, the Division was awarded the Governor's Spirit of Excellence award for its efforts to centralize child support payment processing. State and federal law required that payments for all child support cases (IV-D and non-IV-D) be centralized no later than October 1, 1999. The Division worked to establish a private contract for this function (awarded to Lockheed Martin, IMS) and all IV-D support payments were centralized by 1997. The Division then worked with the entities that play a role in the child support process, such as the Child Support Coordinating Council, Clerks of the Superior Court, and Lockheed Martin to facilitate the transition of non-IV-D support payments to centralized processing. Effective December 1, 1998, all non-IV-D support payments were also centralized.
- **Customer Service Improvements**—The Division's Maricopa County Customer Service Unit improved its performance since the Auditor General's last review in 1999. In its 12-month audit follow-up report, the Division reported that customer hold times have been reduced from an average of 9.49

minutes to 1.88 minutes (May 1999 to May 2000).<sup>1</sup> Further, the Division has increased the percentage of calls answered in under five minutes from 11 to 94 percent. These improvements were achieved principally by keeping positions filled through the Division's Call Center Staffing Pilot Project, which has resulted in an average of 42 call center staff available each day compared to an average of only 31 a year ago.<sup>2</sup>

- **New Enforcement Tool**—Arizona was one of the first states in the country to implement the Financial Institution Data Match enforcement tool. The program launched three pilot projects to fine-tune and assess this tool's effectiveness. This tool allows financial institutions to provide the program with access to financial account records. The program uses these records to determine if any of the accounts are held by delinquent noncustodial parents, and establish levies on them in accordance with statutory requirements. The three pilot programs resulted in a total of 200 levies being issued. From these levies, 142 bank accounts were frozen, resulting in the collection of over \$358,000 in past-due child support. The Financial Institution Data Match tool is now being used by all child support enforcement offices, and as of July 21, 2000, an additional 50 levies have been issued and \$92,000 in past-due child support has been seized and collected.
- **Cost-Effectiveness**—Arizona has greatly improved its cost-effectiveness measure over the past several years. Cost-effectiveness is a federal incentive measure that compares the dollars collected to the dollars spent for the program. Under the newly defined federal measure, the program reports that it achieved a cost-effectiveness rate of \$3.72 for fiscal year

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<sup>1</sup> Information on customer hold times is taken from the Division's automated phone system. The system produces management reports that provide information on such items as the number of calls received per day, the number of customer service agents available to answer the phones, and the average hold times.

<sup>2</sup> Under the one-year pilot project (December 1999 to 2000), the Division is hiring 20 call center staff instead of staff with paralegal degrees (its standard practice). Call center staff receive the same extensive child support and customer service training as the paralegal staff.

2000. This is almost a \$2.00 increase from its 1995 rate of \$1.77 using the current definition.

### **Audit Scope**

Laws 1996, Chapter 290, defined the scope of this performance audit of the child support enforcement program to include five areas: customer service, privatization efforts, debt calculation, Arizona Tracking and Location Automated System (ATLAS), and overall effectiveness. An initial report issued by the Office of the Auditor General in July 1999 (Report No. 99-11), focused on the first three areas. In addition, the report also included information on the program's funding and appeals process. This report focuses on the remaining two areas: overall effectiveness and ATLAS, the statewide automated system. This report presents findings and recommendations in five areas:

- The program's improvement in collecting more child support dollars but continued inability to collect from a significant percentage of cases.
- The program's limited performance in establishing paternities, and the steps needed to improve its performance.
- The program's stable but modest performance in establishing legal obligations to pay child support, and the additional approaches needed to improve its performance.
- The program's current collection enforcement strategies and the potential tactics the program should consider for getting more noncustodial parents to pay.
- The program's success in establishing a statewide automated case management system.

### **Methodology**

A variety of methods were used to assess the program's effectiveness and ATLAS operations.

***Methods used to assess effectiveness***—To assess the program’s overall effectiveness, auditors worked with the program to obtain a data extract from its statewide case management system (ATLAS) of all open cases as of July 1, 1996 through June 30, 1999. The data extract included numerous types of information on each case, such as critical or milestone dates (i.e., paternity establishment date and support order establishment date); the types and amounts of child support owed and collected; and custodial, noncustodial, and child demographics. Auditors used the information from the data extract to quantify and describe the program’s performance over fiscal years 1997 to 1999 in its major functional areas—paternity establishment, support order establishment, and enforcement and collections. In addition, auditors used the information to develop statistical models that could help determine which variables impact the program’s success in these major functional areas. The variables used in the statistical models included items such as whether the custodial parent received public assistance, whether the case needed locate services, and case participants’ demographic information.

***Methods used to review automated system***—Several steps were also taken to review the program’s statewide automated system, ATLAS. ATLAS is used to record case participants’ demographic information as well as all actions taken on each case. Prior to the program running the data extract mentioned above, auditors reviewed a sample of 70 cases from 8 regional offices to assess the completeness and accuracy of the system’s data.<sup>1</sup> Cases were selected randomly from each office’s file room. Auditors verified that all cases were documented on the system and assessed the accuracy of critical information, such as the type of and date when paternity was established, as well as the type and amount of the child support obligations.

In addition, auditors conducted numerous interviews with the staff at these offices to assess the management controls used to ensure data is accurately entered and updated, and to review the program’s data reliability improvement efforts. Auditors also reviewed reports produced by federal auditors and other entities

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<sup>1</sup> Auditors selected offices from the following counties to ensure that each different type of program administration (Division, County Attorney, and private contractor) was reviewed: Gila, Graham/Greenlee, Maricopa, Pima, and Yavapai.

regarding the reliability of ATLAS data and the quality of the program's management controls. Auditors found the program's data to be generally reliable and accurate. Only a few exceptions were noted, such as incorrect case-open dates and out-of-wedlock indicator codes. These problems primarily impacted older cases, those cases opened prior to fiscal year 1997 and when the program converted to ATLAS, but did not prevent auditors from using the data to evaluate the program's performance.

***Reliable national data lacking***—While Arizona's data was determined to be generally reliable, auditors were unable in most instances to compare Arizona's performance to other individual states or national averages. Although each state is required to establish a statewide automated case management system and use this system to maintain and report specific pieces of data to the federal government, not all states have established these systems or had their systems certified by the federal government, in contrast to Arizona. Therefore, auditors determined, after reviewing literature regarding the status of other states' progress toward establishing reliable/certified systems and reviewing the data compiled in national reports, that the national data contained some significant errors that render it unreliable. The one exception is that the nationally reported financial information is generally considered reliable since it is reviewed through other means, such as state financial audits.

The audit was conducted in accordance with government auditing standards.

The Auditor General and staff express appreciation to the Director and Deputy Director of the Arizona Department of Economic Security; the Assistant Director, Deputy Assistant Director and staff of the Division of Child Support Enforcement; and the child support enforcement staff from the offices of the Attorney General, county attorneys, and private contractor for their cooperation and assistance during the audit.

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## FINDING I

# PROGRAM EFFECTIVENESS IMPROVING, BUT ADDITIONAL ENHANCEMENTS NEEDED

The program has significantly improved its effectiveness in recent years. It is collecting more money than ever before, for more cases. However, 40 percent of the program's cases that have support orders still receive no child support payments. To continue to enhance its effectiveness, the program will need further improvement in establishing paternitys and support orders, and enforcing and collecting on support orders.

### Program Collecting More Dollars for More Cases

The program has improved its performance in collecting child support. Specifically, it has increased the amount of child support collected annually and the percentage of cases regularly receiving child support payments.

***Program has improved collections performance in several areas***—Over the past several years, the program has improved its collections performance in three areas:

- **Increased total annual distributed collections**—Between fiscal years 1994 and 1999, the program has doubled its total annual distributed collections.<sup>1</sup> In fiscal year 1999, the program collected and distributed \$184 million, an increase of \$92 million from fiscal year 1994. Total collections are comprised of monies paid for current-year and past-due child support, and spousal support.

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<sup>1</sup> Distributed collections refer to payments applied to child support obligations that have been disbursed to the family, retained by the State, or forwarded to another state.

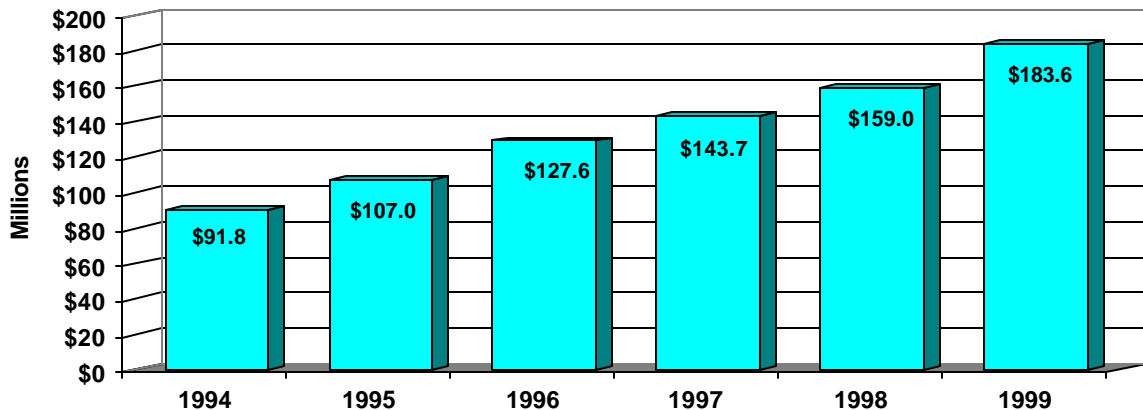


Most of the money being collected is for current-year child support. For example, in fiscal years 1997 through 1999, current-year child support accounted for 84 to 86 percent of total

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**Figure 4**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Total Annual Distributed Collections  
Years Ended June 30, 1994 through 1999  
(Unaudited)**



Source: U.S. Department of Health and Human Services, Office of Child Support Enforcement Quarterly Report of Collections OCSE-34; and Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.

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annual distributed collections. Figure 4 presents the total dollar amount collected for fiscal years 1994 through 1999.

The program's improvement in total collections has far exceeded national performance. According to the *23rd Annual Report to Congress* (2000), national child support collections increased by 80 percent since 1992; whereas Arizona's collections increased 211 percent during that same time period. Additionally, for four of the past five years (1995 through 1999) Arizona has ranked in the top five states nationally for increased collections.

- **Increased percentage of regular payers**—Since 1992, the program has increased the percentage of cases in its total caseload receiving regular child support payments. This per-

formance measure counts the number of cases receiving regular support and divides that number by the total number of program cases, including those without support orders. In a 1992 performance audit of the program (Auditor General Report No. 92-7), it was reported that only 3 percent of the program's cases were receiving regular child support payments. However, in fiscal year 1999, approximately 11 percent of all cases, or 24 percent of the program's cases with support orders established, were receiving between 90 to 100 percent of the current-year child support due them. Current-year child support is the amount of child support ordered to be paid in the current year and does not include amounts that were due in prior years.

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*The percentage of cases receiving child support has increased each year.*

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- **Increased percentage of caseload receiving child support**—The program has annually increased the percentage of its total caseload receiving any child support. This measure counts the total number of cases receiving at least one payment during the year, regardless of the amount paid, and divides that number by the total number of program cases. Over fiscal years 1997 through 1999, the program has increased the percentage of cases receiving support from 20 to 27 percent. Additionally, this percentage matched the national average in 1998, the most current national figures available. Further, of the program cases with support orders in place, 58 percent received at least some support during fiscal year 1999.

### **Many Families Still Receive No Child Support**

Despite the program's improved performance, many families still receive no child support. Specifically, there are a significant percentage of cases in which the program fails to obtain any collections. As a result, the program may fail to maximize federal incentive dollars that could be used to help support the program's cost.

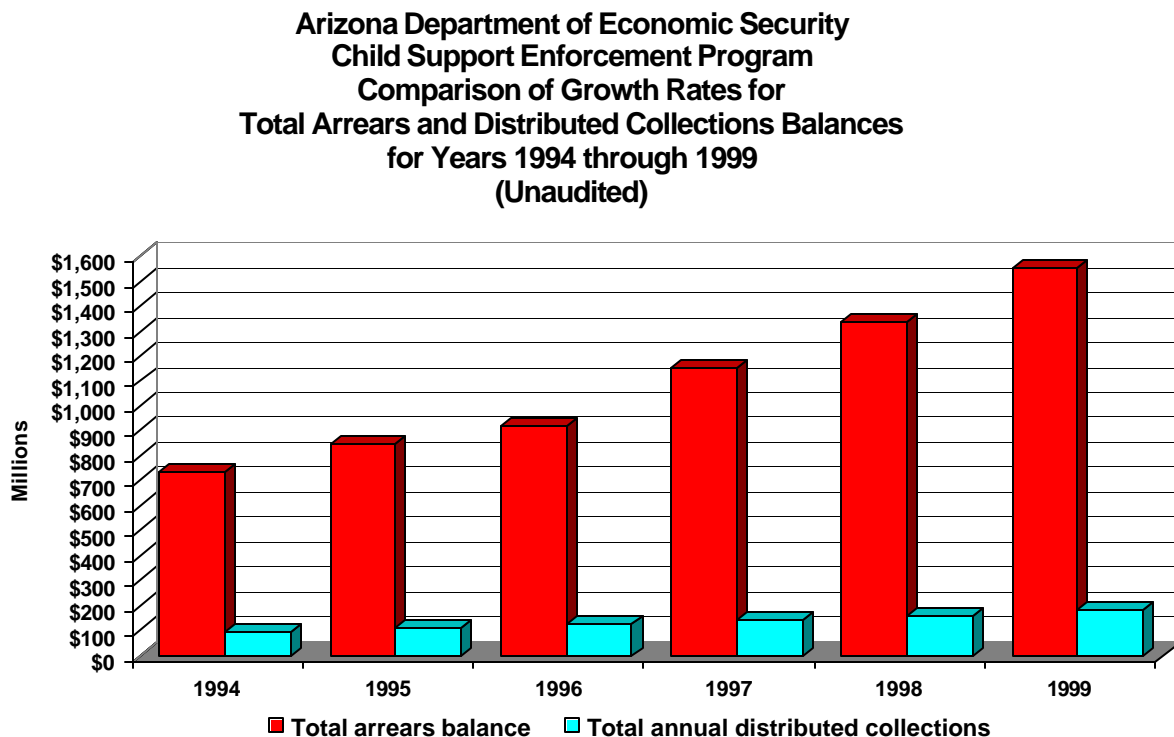
***Many families receive no child support***—Although the program has increased the proportion of its caseload receiving child support payments, many families are still not receiving payments. Specifically, for each of fiscal years 1997 to 1999, about 40 percent

of the cases with support orders for current-year support received no child support payments. During fiscal year 1999 these families, approximately 46,000, did not receive the \$112 million in support due to them.

Because about 40 percent of Arizona's support-ordered cases are not paying, the program's outstanding balance is growing at a faster rate than its increase in collections (see Figure 5). At the end of fiscal year 1999, the program's uncollected child support

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**Figure 5**



Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement; and the *19<sup>th</sup> through 21<sup>st</sup> Annual Report to Congress* prepared by the U.S. Department of Health and Human Services, Office of Child Support Enforcement.

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balance was \$1.5 billion. This outstanding balance is increasing by approximately 16 percent annually. Further, according to the most recent figures published by the federal Office of Child Support Enforcement, Arizona has one of the largest past-due balances of all the 54 states and jurisdictions. Arizona's balance is exceeded by only seven other larger states—California, Michi-

gan, New Jersey, New York, Ohio, Pennsylvania, and Texas. Furthermore, Arizona's uncollected past-due child support accounts for 3.2 percent of the national total and exceeds the State's share of the national caseload, which is only 1.7 percent.

***Program's collection performance may fail to maximize federal incentive dollars***—Despite the program's improved collection performance, the program may fail to maximize federal incentive monies because its performance is below the maximum requirement. A new federal incentive program will be completely implemented by federal fiscal year 2002. To receive all available federal incentive monies for the collection area, the program must meet the following performance levels.<sup>1</sup>

- **Current-year support collected**—The program must collect 80 percent of the current-year support due. The program may be eligible to receive a reduced amount of incentive monies if its performance falls between 40 and 80 percent. In fiscal year 1999, the program collected only 45 percent of the current-year support due. The program reports that its performance in this area is the same for fiscal year 2000. The national average in 1998 for this performance measure was 51 percent.
- **Percentage of cases with a past-due collection**—The program must collect at least one payment for past due support from 80 percent of the cases owing past-due support. The program may be eligible to receive a reduced amount of monies if its performance falls between 40 and 80 percent. In fiscal year 1999, the program received a payment on 51 percent of its cases, and the program reports that it also received a payment on 51 percent of its cases in fiscal year 2000. The 1998 national average for this measure was 39 percent.

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<sup>1</sup> The federal incentive collections measures also evaluate the program's cost-effectiveness. However, auditors' data extract did not include the necessary information to calculate this measure.

## **Increased Effectiveness Depends on Improvements in Three Key Areas**

For the program to continue increasing its effectiveness, it will need to improve its performance in each of the three key processes: establishing paternity, establishing support orders, and enforcing and collecting on support orders. The following three report Findings (see Findings II, III, and IV), address the program's performance and specific improvements that it can make to enhance the its performance.

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## FINDING II

# PROGRAM NEEDS TO IMPROVE ITS PATERNITY ESTABLISHMENT PERFORMANCE

The program needs to enhance its paternity establishment performance. Even though paternity establishment is a key initial step in the child support enforcement process, the program's performance in establishing paternities has been limited. While several factors contribute to the program's performance, such as the inability to locate the legally responsible father, the low rate at which paternities are established has consequences for the program. While the program has already undertaken several initiatives designed to increase its performance in the paternity establishment area, it should explore and implement additional strategies that will help improve its performance, such as seeking additional administrative authority.

### Limited Success in Establishing Paternities

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*Paternity must be  
established before a child  
support order is issued.*

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Although establishing paternity, which is identifying a child's legal father, is a critical first step in the child support process for many cases, the program has had limited success in establishing paternities. Paternity must be legally determined before a child support order is issued and child support payments can be collected. However, relatively few paternities have been established compared to the number of paternities needed. Further, when paternities are established, it has typically taken the program several months or years to do so. Consequently, many cases remain in this initial function, year after year.

***Paternity establishment critical component of the child support process***—Before a father can be ordered to support a child born out of wedlock, paternity must be determined. Paternity establishment occurs through one of several methods. It can be established administratively through Arizona's Hospital Paternity

Program. This method uses hospital and birthing center staff to collect information from new parents upon the birth of a child and obtain a signed paternity acknowledgement form that is then submitted to Arizona's Department of Health Services—Office of Vital Records. The program establishes paternity by obtaining voluntary acknowledgements or genetic test results from cooperative custodial parents and alleged fathers. In addition, cases may be referred to the courts if the custodial parent or alleged father do not cooperate with the program.

**Program establishes relatively few paternities**—Although more than 100,000 children in the program's caseload need paternity established in any year, the program has had modest success in establishing paternities. The performance measure in the paternity area is reported by child, while most other child support performance measures are reported by case.<sup>1</sup> However, for each of the past three fiscal years, the program has established paternity for fewer than 10 percent of the children needing it. Figure 6 (see page 23) shows that between fiscal years 1997 and 1999, the annual number of paternities established increased from 10,829 to 12,042, or from 8.1 percent to 8.8 percent of those children needing paternity established.

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*The program has annually established paternity for fewer than 10 percent of the children needing it.*

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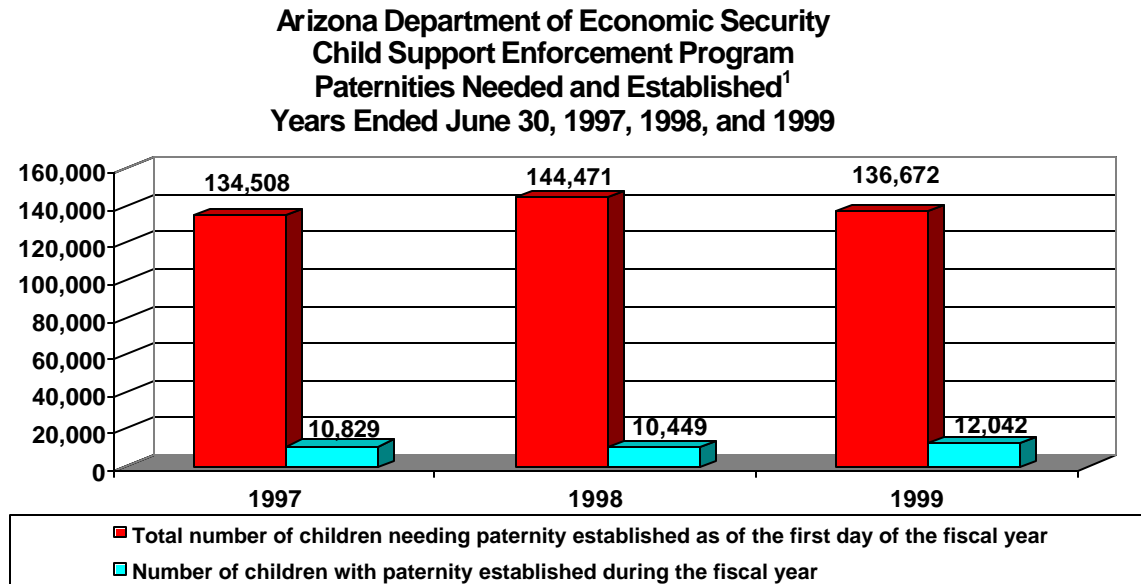
**Paternity establishment is often a lengthy process**—When the program did establish paternity, it often took several months or even years. For example, the median time to establish paternity was 1.5 years from the date of application for the children who had paternity established during fiscal years 1997 to 1999. Furthermore, as illustrated in Figure 7 (see page 23) more than half (59 percent) of the paternities took one or more years to establish.<sup>2</sup> Figure 7 (see page 23), also shows that 32 percent of the paternities took more than three years to establish.

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<sup>1</sup> A case typically consists of one custodial parent, one noncustodial parent, and one or more child(ren).

<sup>2</sup> Paternities established through the Hospital Paternity Program were excluded from this analysis. In addition, due to inconsistent date information, 795 paternities established between fiscal years 1997 and 1999 were also excluded.

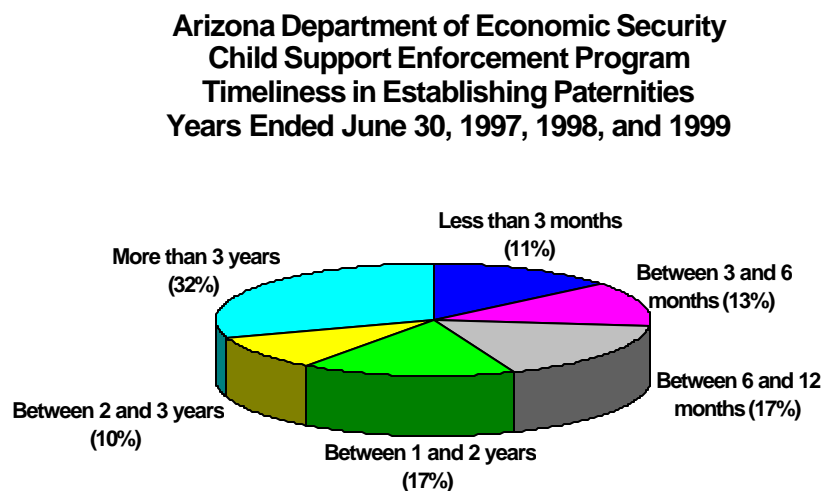
**Figure 6**



<sup>1</sup> A case typically consists of one custodial parent, one noncustodial parent, and their children. More than one child per case may need paternity establishment services; therefore, paternities are counted on a child basis. Most other statistics are reported on a case basis. Paternities needed for each year are calculated by counting the total number of children who still need paternity established as of the first day of the fiscal year.

Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.

**Figure 7**



Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.



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*Time is of the essence in establishing paternity.*

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**Many cases remain in the paternity function**—As a result of the program’s limited success in establishing paternities, many cases remain in the paternity establishment area. At the end of fiscal year 1999, there were 122,327 children who still needed paternity services. Time is of the essence in paternity establishment. Research has shown that when there are significant case-processing time lags, the fathers have often moved, and caseworkers are forced to repeat work to locate them in a constant “catch-up” effort.<sup>1</sup> However, many of these children have been in the paternity function for several years. For example, 54 percent of the program’s paternity cases (51,769) have been in the paternity function for more than three years. Some of them have been in the function for nearly ten years, dating back to 1990.

### **Paternity Establishment Performance May Fail to Maximize Federal Incentive Dollars**

If paternity establishment performance does not improve, the program may fail to maximize its federal incentive monies. The federal government is phasing in a new incentive program. To receive all available federal incentive monies for the paternity establishment area, the federal government requires that at least 80 percent of the total children in the program’s IV-D caseload that were born out of wedlock have paternity established. The program may be eligible to receive a reduced amount of incentive monies if its performance falls between 50 and 80 percent. This measure is broader than just the number and percentage of paternities established each year (see Figure 6, page 23) because it looks at the entire caseload and not just the cases in the program’s paternity establishment area. For federal fiscal year 2000, the program reported its paternity performance at 69 percent, making it eligible for a reduced amount of incentive monies. Arizona received an estimated \$3.9 million in federal incentive dollars for the child support program in fiscal year 2000.

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<sup>1</sup> Turetsky, Vicki. *Pointing the Finger at Moms: Child Support Cooperation Provisions in the Conference Welfare Bill*. Center for Law and Social Policy, revised January 11, 1996.

## **Some Case Characteristics Impact Performance**

Certain caseload characteristics pose barriers for the program and impact its performance. While some of these characteristics are common to all state child support programs, others are unique to Arizona's program.

- **Characteristics that impact all state child support programs**—There are some case features that pose problems for child support programs across the nation. One common problem is locating an alleged father so that he can be notified of the program's intent to begin paternity establishment actions. It is often difficult to obtain current addresses for alleged fathers because they frequently move around and do not have permanent jobs. In Arizona, at the beginning of fiscal year 2000, an estimated 60,000 (63 percent) of its paternity cases needed locate services.

Another common problem facing paternity caseworkers is a lack of information about the alleged father. Often the mother does not know the alleged father's name, date of birth, social security number, address, or employer. Yet, many of the program's automated locate searches rely on this information. At the beginning of fiscal year 2000, 49,561 (52 percent) of the cases still needing paternity services were missing social security numbers. In addition, several thousand of these cases were also missing the name of the alleged father.

Program personnel also indicated that custodial parents are sometimes reluctant to provide information. For example, the mother may not want to have any contact with her child(ren)'s father or may fear that any unreported cash or in-kind support from the father will stop if he is required to establish paternity.

- **Characteristics that impact Arizona's child support program**—Some case features pose particular problems for Arizona's program. Arizona has a comparatively high out of wedlock birth rate. Specifically, approximately 38 percent of its annual births are to unwed mothers, as compared to 32

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*A common problem is lack of information about the alleged father.*

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*Arizona courts do not have jurisdiction over some individuals on reservations.*

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percent nationally.<sup>1</sup> Only four states have higher out of wedlock birth rates than Arizona.<sup>2</sup> Therefore, more cases are likely to enter Arizona's program at the beginning stages and need the full range of services.

Additionally, Arizona's large tracts of reservations and proximity to Mexico pose jurisdictional barriers to establishing paternity. Specifically, to establish paternity through the judicial process, Arizona courts must have jurisdiction over the individual, and they do not have this for individuals living and working on a reservation or in Mexico. Using program data, auditors estimated that at least 7 percent of the program's paternity cases had alleged fathers living and working on a reservation.<sup>3</sup>

Finally, high caseloads may be contributing to the program's limited performance in paternity establishment. Although the size of caseworkers' caseloads have decreased considerably since the previous report in 1992 (Auditor General Report No. 92-7), there continues to be a wide range in caseload size among caseworkers. Analysis of caseworker caseloads at the end of fiscal year 1999 found that while the median number

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<sup>1</sup> U.S. Department of Commerce. U.S. Census Bureau. Economic and Statistics Administration. Data User Services Division. *Statistical Abstract of the United States, National Data Book, 1999*. Based on registered births to unmarried women in 1997.

<sup>2</sup> States with higher out of wedlock birth rates in 1997 (most recent figures available) were the District of Columbia (63.6 percent), Louisiana (43.9 percent), Mississippi (45.5 percent), and New Mexico (43.5 percent).

<sup>3</sup> Program efforts to address the jurisdictional issue include working with the various Arizona tribes to assist them with their own child support enforcement programs. Additionally, because determining jurisdiction is a complex issue, the Attorney General's Office developed a criteria matrix that it uses to make a final determination on whether or not a case falls within the program's jurisdiction.

of cases was 690, they ranged from 179 to 4,023 per paternity caseworker.<sup>1</sup> Consequently, some caseworkers continue to be overwhelmed and have difficulty effectively managing their caseloads. One paternity caseworker with a caseload of more than 2,000 cases indicated that she could not effectively manage her cases and another indicated that her office needed help in order to “touch” all their cases.

### **Program Should Continue Its Efforts to Improve Paternity Establishment Performance**

Although faced with some unique challenges, the program should continue to explore and implement strategies to overcome these barriers and enhance its paternity performance.

- **Explore expanding administrative authority to establish paternity**—The program should explore expanding its administrative authority to establish paternity. Currently, the only completely administrative procedure available to establish paternity is through the Hospital Paternity Program. Administrative authority would allow caseworkers to estab-

#### **Item 1: Maine’s Administrative Process for Establishing Paternity**

Designed to permit easy transfer of default and contested cases to the courts, Maine’s process emphasizes due process. It begins by serving the alleged father with a notice of the program’s intent to establish paternity and offering him the opportunity to deny paternity, acknowledge paternity, or request genetic testing. If paternity is acknowledged voluntarily or through genetic testing, the program will administratively establish a support order. These procedures are generally carried out by child support agents without attorneys. Contested and default cases (i.e., those in which the alleged father fails to respond or appear) are transferred to court without the necessity of additional service of process.

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<sup>1</sup> Because program offices employ various strategies for case processing, a caseworker may handle only one specific type of case (paternity) or may handle multiple types (paternity and support order establishment). Therefore, paternity caseworkers were identified as those individuals whose caseloads consisted of at least 80 percent paternity cases.

lish paternity without attorney or court intervention. Maine uses administrative authority to establish paternity (see Item 1, page 27, for a description). As a result of this process, Maine has been able to reduce the number of cases needing paternity establishment to 5 percent of its total caseload. Additionally, Maine is closer to its goal of establishing paternity in all cases within one year of the child's birth, or location of the alleged father.

Additional administrative authority could help improve the program's performance and allow it to redirect some of its legal staff to other tasks. However, to ensure additional authority benefits all parties involved, the program should explore the feasibility of making this change with its many stakeholders.

- **Continue to identify and close cases with insufficient information to proceed**—Another important step the program should take is to identify and close cases with insufficient information to proceed. Closing these cases will reduce the program's caseload, allowing paternity caseworkers to focus their efforts on workable cases. In fiscal year 2000, the federal government established additional closure guidelines that allow child support programs to close cases that are missing data needed to locate the noncustodial parent. For example, when a case is missing the alleged father's address and social security number, the program may now close the case after one year of regular and diligent effort to locate the alleged father. At the beginning of fiscal year 2000, the program had more than 49,000 cases needing paternity services that were missing the alleged father's social security number. Therefore, at a minimum, the program should evaluate these cases for potential closure.<sup>1</sup>

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*Federal guidelines allow cases to be closed when there is insufficient information to proceed.*

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The program recently developed an automated closure procedure. Its automated system will now assess cases against federal closure criteria. Depending on the criteria met, the system will automatically initiate a notification to the custodial parent that their case will be closed unless additional in-

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<sup>1</sup> The case can be reopened if the custodial parent can subsequently provide the program with new information that could lead to paternity establishment.

formation is provided to assist the program in locating the alleged father. Otherwise, the system will generate a worklist item notifying the caseworker that a specific action is needed to proceed with case closure.

- **Examine caseload distribution**—Because there is a wide range of variation among caseworker caseload size, the program should reassess how it distributes cases. Currently, a variety of approaches are used. For example, offices frequently assign cases based on the first letter of the custodial parent's last name. Therefore, one caseworker may handle all cases from A to L while another has M through Z. In addition, some offices assign cases based on the individual caseworker's experience level. As a result, supervisors should routinely review their caseworkers' caseloads and make the necessary adjustments to ensure, to the maximum extent possible, that caseloads are equitable and manageable.

- **Increase use of specialized paternity establishment caseworkers**—The program may need to temporarily expand the use of contract caseworkers. The program reports to have successfully used contract paralegal staff in Maricopa County to help increase the number of paternities established and close cases where the custodial parent no longer wants services. The program hired 11 temporary paralegal staff, at an annual cost of \$136,408 during fiscal year 1999, and continues to use these temporary staff.

Similarly, the program could consider creating a team of paternity investigators for difficult paternity cases. North Carolina created such a team and was able to obtain names and identifying data in 60 percent of the cases referred to the team. Colorado and Nevada also use similar specialized teams to investigate paternity cases or locate alleged fathers.

- **Increase educational outreach activities**—The program should continue to expand its outreach efforts for the Hospital Paternity Program (HPP). The HPP is a statewide program available in all hospitals and birthing facilities. Its purpose is to encourage parents of children born out of wedlock to voluntarily acknowledge (establish) paternity at the time of the child's birth. Currently, paternity acknowledgements may be executed at hospitals, birthing centers, child support

offices, family assistance offices, and the vital records office. Parents may also request a paternity acknowledgement form through the mail. Yet, in a U.S. Department of Health and Human Services report, it was recommended that states also look at expanding their voluntary paternity acknowledgement services through additional sites such as Head Start agencies, Women, Infants, and Children (WIC) centers, and high schools.<sup>1</sup>

- **Explore additional automation changes**—The program already has many automated features designed to obtain information on its paternity cases. For example, the program's automated system—ATLAS—searches information from other systems throughout the State and country to obtain information to locate alleged fathers.

The program should consider expanding its automated search processes to include searches of neighboring states' birth records for paternity acknowledgements filed in other states. Oregon located 200 paternity acknowledgements by searching Washington's vital statistics records. Additionally, the program could explore providing its caseworkers with direct automated access to Arizona's birth records so the caseworkers could conduct their own searches and thus reduce the number of cases incorrectly coded as needing paternity services at intake.

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<sup>1</sup> U.S. Department of Health and Human Services. Office of the Inspector General. *Paternity Establishment: Use of Alternative Sites for Voluntary Paternity Acknowledgement*. July 1999.

## **Recommendations**

1. The program, in conjunction with its stakeholders, should explore expanding its administrative authority to establish paternity.
2. The program should close those paternity cases meeting federal closure criteria to allow paternity caseworkers to focus their efforts on remaining cases.
3. The program should develop a procedure requiring supervisors to routinely review caseworker caseloads and redistribute cases as needed to ensure caseloads are manageable.
4. The program should consider temporarily expanding its use of contract paternity caseworkers statewide to increase the number of paternities established.
5. The program should explore the possibility of establishing a specialized unit of paternity caseworkers to resolve difficult paternity cases.
6. The program should seek to expand its use of alternative sites for executing voluntary paternity acknowledgements.
7. The program should continue to expand its use of automation by exploring the feasibility of:
  - a. Conducting periodic matches of its paternity caseload with neighboring states' birth records to uncover paternity acknowledgements filed in other states; and
  - b. Providing caseworkers with direct automated access to Arizona's birth records so they can conduct their own birth record searches.



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## FINDING III

# PROGRAM NEEDS TO CONTINUE TO IMPROVE ITS PERFORMANCE IN ESTABLISHING CHILD SUPPORT ORDERS

The program needs to improve both the proportion of cases receiving support orders and the timeliness with which support orders are established. Similar to the paternity establishment area, the program establishes support orders for only a relatively small proportion of the cases that need them and it often takes a long time to do so. Since child support cannot be collected until a support order is established, many custodial families are not receiving child support payments. However, because the program's performance is improving, it should be eligible to receive some federal incentive monies. Nevertheless, the program should take steps to continue to improve its performance, including exploring seeking additional administrative authority to establish orders.

### Support Order Establishment Area Has Two Significant Areas for Improvement

In the support order establishment functional area, the program's goal is to obtain a court order that sets forth the monthly dollar amount the noncustodial parent must pay for child support. However, this functional area still has two significant problems—only a small percentage of cases receive orders each year, and the process of obtaining an order is often lengthy. As a result, many cases remain in this functional area.

***Support order establishment occurs after paternity***—If paternity services are not needed or once the program has established paternity, the program establishes a child support order. Establishing an order involves determining how much money a noncustodial parent must contribute monthly to help pay for the cost of raising his or her child(ren). Support order dollar amounts are based on the State's child support guidelines which take into

account such things as the gross income of both the custodial and noncustodial parents as well as the number and ages of their children. Program caseworkers request the custodial and noncustodial parents provide income documentation, such as tax returns, and use this information to help calculate how much money each parent should contribute based on their total income. Once the custodial and noncustodial parents agree to the calculation, the program must obtain a court order that sets forth the child support dollar amount. If the parties do not agree to the dollar amount calculated by the program or do not want to work with the program, the case will be handled through the courts using the same information and guidelines.

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*The program established support orders for 16 percent of cases needing them.*

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***Program establishes relatively small proportion of orders each year***—The program’s ability to collect child support is held up because it obtains support orders for only a small percentage of the cases that need them each year. For example, during fiscal year 1999, the program established support orders for about 9,200 (or about 16 percent) of the approximately 58,000 cases that needed them (see Figure 8, page 35). However, the number of cases needing support orders between fiscal years 1997 to 1999 decreased by 37 percent from about 92,000 to 58,000. This decrease is the result of the program establishing support orders and closing cases in accordance with federal criteria. For example, the program can close a case if it is unable to locate the noncustodial parent, and it has tried to locate them on at least a quarterly basis for three years.

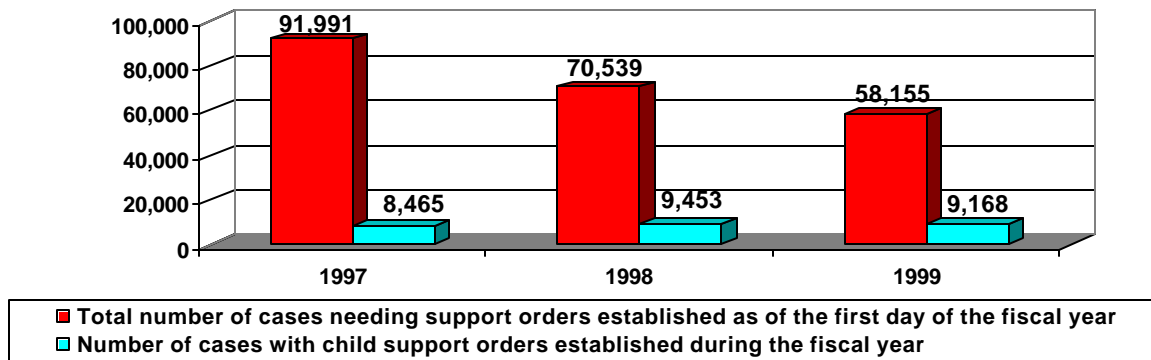
***Support order establishment is often a lengthy process***—Also problematic is the length of time the program is taking to establish some support orders. During fiscal years 1997 to 1999, the median time to establish a support order was about 16 months. As illustrated in Figure 9 (see page 35), 29 percent of the child support orders took over three years to establish.<sup>1</sup>

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<sup>1</sup> Due to inconsistent date information, 1,273 cases with support orders established between fiscal years 1997 and 1999 were excluded from this analysis.

**Figure 8**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Support Orders Needed and Established<sup>1</sup>  
Years Ended June 30, 1997, 1998, and 1999**

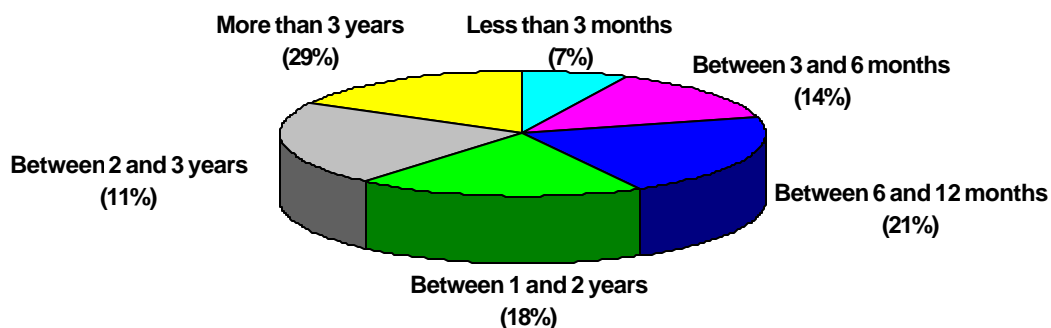


<sup>1</sup> Support orders needed for each fiscal year are calculated by counting the number of cases that still need support orders established as of the first day of the fiscal year.

Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.

**Figure 9**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Timeliness in Establishing Support Orders  
Years Ended June 30, 1997, 1998, and 1999**



Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.

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*Many cases have been waiting over 2 years for support orders.*

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**Cases remain in support order establishment function**—Because the program is establishing support orders for fewer than 20 percent of the cases that need them, many cases continue to remain in this functional area. At the end of fiscal year 1999, the program had 43,378 cases that needed support orders established. Because the program is typically taking more than a year to establish support orders, many of these cases have been in need of support order services for a long time. Specifically, of the cases in the support order establishment area at the end of fiscal year 1999, 22 percent have been in the establishment function for between 2 and 3 years and 7 percent have been in this function for more than 3 years. Some of these cases have been part of the program's establishment caseload for ten years. For each year the program does not establish a support order, the custodial family does not receive about \$2,400.<sup>1</sup>

The program's ability to establish support orders is impacted by problems similar to those that delay the paternity establishment process. For example, it is estimated that the whereabouts of the noncustodial parent are unknown for at least one-third of establishment cases. In addition, the program may not have jurisdiction over some of the establishment cases because the noncustodial parent may live and work on a reservation or in Mexico. Although paternity has been established on these cases, some may still lack complete case information as a result of paternity being established through the default process. Using this process, a judge may issue a paternity order in the absence of the alleged father when the alleged father willfully fails to appear at the paternity hearing. Consequently, no opportunity is presented to update or complete case information on the noncustodial parent. For example, 15 percent of the cases lacked important information, such as a social security number, on the noncustodial parent.

### **Program Increasing Percentage of Support-Ordered Cases**

Despite a small percentage of cases receiving support orders, the program's performance as measured under the federal incentive

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<sup>1</sup> This represents the median child support order figure for the program's caseload.

program is improving. Specifically, the program has significantly increased the overall number and percent of cases with child support orders. A 1992 Auditor General report (Report No. 92-7) noted that only 25 percent of the program's cases had a child support order in place. However, as shown in Figure 10, the program has increased both the number and percentage of cases with support orders. Specifically, at the end of fiscal year 1999, 126,411 (or 47 percent) of the program's cases had support orders.

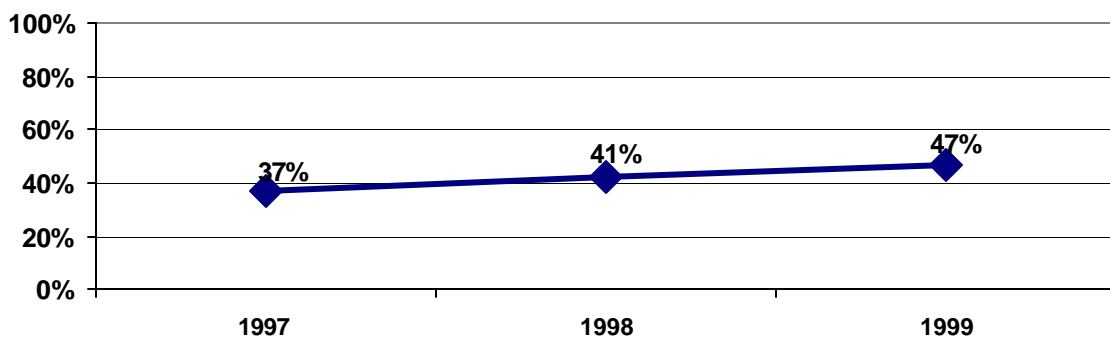
Under the new federal incentive program, to receive at least some incentive monies for the support order establishment area, 50 percent of the program's cases must have support orders. The Division reports that it met this minimum requirement in federal fiscal year 2000. However, the program still has room for improvement because to receive the maximum incentive monies available, it must obtain orders for at least 80 percent of its cases.

The proportion of cases with support orders is improving and should continue to improve for two reasons. First, the program is

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**Figure 10**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Percentage of Total Caseload with Support Orders  
Years Ended June 30, 1997, 1998, and 1999**



Support order data	1997	1998	1999
Number of cases with support orders	110,185	118,515	126,411
Total number of cases	297,023	285,667	268,408

Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.

increasing the number of support-ordered cases each year. Second, the program is making an effort to close cases according to federal criteria.

### **Division Should Develop Strategy to Improve Performance**

The Division should develop a strategy for addressing the problems it is experiencing in the support order establishment area. Specifically, the Division should take steps to improve its timeliness in establishing support orders and to increase the percentage of cases receiving support orders each year.

■ **Administrative authority could improve performance—**

The program should consider seeking administrative authority to establish support orders. Administrative authority would allow the program to establish support order dollar amounts without obtaining a court order in cases where both the custodial and noncustodial parent agree to the dollar amount of child support calculated by the program's caseworker. The program has clear rules for how to calculate these dollar amounts because the State has established child support guidelines that direct these calculations. Maine has administrative authority to establish support orders and indicates that this process has resulted in establishing more orders in much less time. Maine's administrative process provides full due process rights by allowing the parties the right to a hearing and the right to appeal to the court.

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*Clear rules already exist for calculating the amount of a support order.*

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Program officials believe that additional administrative authority could help improve its performance, similar to paternity establishment. However, to ensure additional authority benefits all parties involved, the program should explore the feasibility of making this change with its many stakeholders.

■ **Closing additional cases could improve proportion of cases with support orders—**The program should continue its efforts to close cases that meet federal closure guidelines. The program has recently automated this process so that caseworkers are automatically notified of cases that need to

be closed. During fiscal year 1999, the program closed an estimated 16,000 establishment cases.

### **Recommendations**

1. The program, in conjunction with its stakeholders, should explore seeking administrative authority to establish child support orders for cases where both the custodial and non-custodial parent agree with the program's calculated dollar amount.
2. The program should ensure that it provides full due process rights as a part of its administrative process.
3. The program should continue to close cases according to federal case closure criteria.
4. The program should ensure that caseworkers are monitoring their closure worklist items and closing cases.



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## FINDING IV

# COLLECTION ENFORCEMENT ACTIONS CAN BE TARGETED TO INCREASE EFFECTIVENESS

Although the program has increased its performance in collecting child support, it needs to continue exploring additional ways to reach nonpayers. The program has a variety of enforcement strategies to help ensure child support payments are made. However, the program should continue to explore new ways to reach those individuals who intentionally evade or require assistance in meeting their child support responsibilities.

### Program Uses a Variety of Techniques to Enforce Child Support Obligations

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*Income withholdings and  
tax offsets are the most  
effective actions.*

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Once a support order has been established, the program uses a variety of enforcement strategies to ensure child support payments are made. Some of these enforcement actions can be implemented administratively by the program, whereas others require judicial involvement. In addition, once a case incurs a certain level of past-due support, such as \$500, the program's automated system starts the enforcement action. One such action is referral to a collection agency. The program has found this to be an effective third-party technique to collect on past-due support. However, the program has found that income withholdings and tax offsets are the most effective enforcement techniques. For example, during fiscal year 1999, income withholdings accounted for about 60 percent (\$113 million) of total collections while federal tax offsets accounted for another 10 percent (\$19 million).

Table 2 (see page 42) presents some of the major enforcement strategies available to the program and the criteria needed to initiate them. Table 3 (see page 43) presents the frequency with which the program initiated various enforcement actions on the

**Table 2****Arizona Department of Economic Security  
Child Support Enforcement Program  
Enforcement Remedies**

<b>Enforcement Option and Statutory Authority</b>	<b>Description</b>	<b>Criteria for Use</b>
Administrative levy (Asset seizure) §25-521	A property levy allows the Division to obtain payment of a child support debt through a levy (seizure and/or sale) of the noncustodial parent's property, including assets held in financial institutions.	The noncustodial parent has a court ordered judgment for past-due child support; or, the noncustodial parent has a past-due balance equal to 12 months of support.
Administrative lien §25-516	The Division places a property lien on the noncustodial parent's property to provide notice to creditors of the Division's interest in the property.	The noncustodial parent owes at least two months of support.
Consumer credit reporting §25-512	The Division reports all the names of child support debtors and the amounts owed to consumer credit reporting agencies.	All active child support obligations are reported monthly.
Income withholding §25-505.01	The employer automatically withholds the child support payment from the noncustodial parent's paycheck and sends it to the State's child support payment processing center.	The noncustodial parent is employed. This action does not require a past-due amount.
License suspension §§25-517, 25-518	The noncustodial parent's driver, professional, occupational, or recreational license can be suspended or denied until he or she complies with the child support order, a child support subpoena, or a child support arrest warrant.	The noncustodial parent owes at least two months of support or has not complied with a subpoena or arrest warrant. However, a court order is required, so the Division will make a court referral when the noncustodial parent fails to respond to its intent to suspend notice.
Lottery intercept §5-525	The Division uses lottery intercepts to help satisfy child support debts.	The noncustodial parent owes at least \$100 in overdue support and the noncustodial parent's lottery winnings are \$600 or more.
Tax offset (federal) 42 U.S.C. §664	The Division annually submits child support debts to the Secretary of the Treasury and uses federal tax refunds to help satisfy child support debts.	The noncustodial parent owes at least \$150 on a public assistance case or \$500 on a nonpublic assistance case.
Tax offset (state) §42-133	The Division annually submits child support debts to the Arizona Department of Revenue and uses state tax refunds to help satisfy child support debts.	The noncustodial parent owes at least \$50.
Unemployment compensation offset §§23-783, 23-789	The Division submits child support cases to the unemployment compensation program to intercept child support payments from the noncustodial parent's unemployment compensation benefits.	The noncustodial parent is receiving unemployment compensation benefits. This action does not require a past-due amount.

Source: Auditor General staff analysis of the Arizona and federal statutes cited above.

**Table 3**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Frequency of Enforcement Remedies  
Year Ended June 30, 1999**

<b>Enforcement Option</b>	<b>Frequency</b>
<i>Administrative lien</i>	
First notice of intent to establish lien against property	1,882
Second notice of intent to establish lien against property	367
Final notice of intent to establish lien against property	1,219
Lien filed	7,396
<i>Collection agency referral</i>	52,791
<i>Income withholdings initiated</i>	26,815
<i>License suspension—drivers license</i>	
First notice of intent to suspend	1,744
Final notice of intent to suspend	896
License suspended	NA <sup>1</sup>
<i>Lottery intercept</i>	
Submitted for match against weekly winners	3,746,278
Winnings intercepted	844
<i>Tax offset (federal)</i>	
Submitted to U.S. Internal Revenue Service	79,963
Tax refund intercepted	12,826
<i>Tax offset (state)</i>	
Submitted to Arizona Department of Revenue	156,559
Tax refund intercepted	11,174
<i>Unemployment compensation offset</i>	2,667

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<sup>1</sup> The program does not currently track the number of drivers licenses suspended.

Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996 and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement. Data on income withholdings initiated was provided by program management as it was not included in the extract of automated data analyzed by the auditors.

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approximately 119,000 cases owing past-due support in fiscal year 1999. In some instances, the same enforcement action may be initiated multiple times on a case. For example, cases with outstanding balances of \$100 or more are automatically matched against the registry of state lottery winners each week.

## **Program Should Explore New Ways to Reach Nonpayers**

The program should explore additional strategies directed to nonpayers and for reducing its arrears balance. While the program has undertaken efforts to address this problem, additional actions are needed.

***Program has undertaken efforts to encourage noncustodial parents' payment of child support***—In addition to the enforcement remedies previously discussed, the program collaborates with various programs to assist parents in meeting their child support obligations. Currently, the program has entered into 13 Memorandums of Understanding with various community programs, such as the City of Phoenix Step Up program. The child support program also works with other Department programs to assist parents in obtaining job training and assistance. The program also participates in the workgroup responsible for reviewing and recommending changes to the State's child support guidelines. As a result of their work, the guidelines include a provision that helps ensure that low-income noncustodial parents do not have unrealistic support obligations. Specifically, the guidelines establish the minimum dollar amount of income that must remain for the noncustodial parent after calculating the child support amount.

***Additional initiatives are needed***—The program needs to explore additional strategies for reducing the number of nonpayers and its arrears balance. Currently, many of the enforcement approaches states use are designed for individuals with the identified financial resources to pay child support. Yet, one research study estimates that 60 percent of noncustodial parents who do not pay child support have a limited ability to pay support based on their income and education levels, rates of institutionalization, and intermittent employment history.<sup>1</sup> In the child support community, these individuals have come to be known as “dead-broke” rather than “dead-beat.” Limited income may be an especially relevant factor in Arizona's program. According to the U.S. Census Bureau, only New Mexico and Washington D.C. had

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*Some individuals may be “dead-broke” rather than “dead-beat.”*

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<sup>1</sup> Sorenson, Elaine, and Laura Wheaton. *Income and Demographic Characteristics of Nonresident Fathers in 1993*. The Urban Institute, Forthcoming Report, 1995.

consistently higher poverty rates than Arizona in 1996-97 and 1997-98.<sup>1</sup> During 1998 to 1999, the U.S. Census Bureau reported that Arizona had the 11<sup>th</sup> highest poverty rate. Additionally, as illustrated in Figure 11 (see page 46), the greatest percentage of Arizona's nonpaying cases are those with the lowest monthly support amounts, which suggests lower incomes since support amounts are based primarily on income.

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*Most noncustodial parents can contribute some financial support.*

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Researchers have found that low-income, unwed, noncustodial parents have a difficult time keeping up with child support payments. Although they want to provide support for their children, they lack the financial resources to pay their full child support obligation. More often, wages they earn are not enough to support themselves and a family, let alone multiple families. However, even given their low wages, most noncustodial parents have the ability to contribute at least some financial support to their children. The following strategies have been suggested as additional methods for state programs to use with nonpaying noncustodial parents. They emphasize the importance of encouraging regular support payments whenever possible, even if those payments are small.

- **Targeted approaches**—Recognizing the diversity of the child support caseload is a critical step toward developing more effective enforcement strategies. Until recently, the program did not attempt to differentiate among families in their caseload. This meant that enforcement efforts against poor, unemployed, noncustodial parents usually were poorly aimed, and had a harsher effect than on families more able to pay.<sup>2</sup> To address this problem, Minnesota's child support program developed a sorting strategy based on "case segmentation." This approach groups noncustodial parents into separate categories based on their willingness and ability to pay and then applies different and targeted service strategies to each category (see Item 2, page 46, for a listing of the sorting categories).

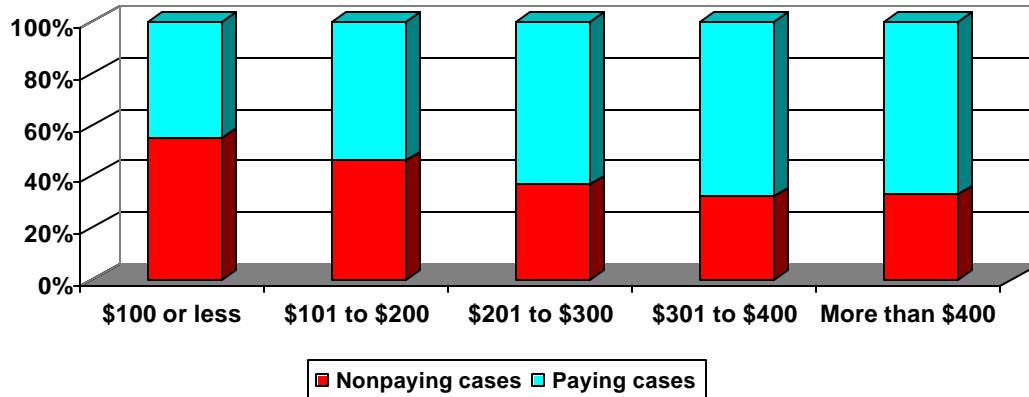
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<sup>1</sup> Poverty rates were based on the 1996-97 and 1997-98 two-year moving averages.

<sup>2</sup> Turetsky, Vicki. Kellogg Devolution Initiative Paper: *Realistic Child Support Policies for Low Income Fathers*. Center for Law and Social Policy, March 2000.

**Figure 11**

**Arizona Department of Economic Security  
Child Support Enforcement Program  
Percentage of Paying and Nonpaying Cases by  
Monthly Amount Ordered  
Year Ended June 30, 1999**



Source: Auditor General staff analysis of automated data for cases open at any time between July 1, 1996, and June 30, 1999, provided by the Arizona Department of Economic Security, Division of Child Support Enforcement.

*Providing unemployed fathers job training increased child support.*

A case sorting strategy was also successfully employed by the Parents Fair Share multi-state demonstration project. This project identified and sorted into groups, unemployed or sporadically employed fathers of children receiving welfare. Enforcement efforts were then targeted toward those fathers who were employed

**Item 2: Sorting Categories Used by Minnesota's Child Support Enforcement Program**

- Willing to pay
- Lack of information
- Unable to pay
- Reluctant to pay
- Actively evading payment

and had the resources to pay, while job readiness and training services were provided to unemployed fathers to assist them in obtaining employment and therefore be in a position to pay their child support obligation. All seven states' sites participating in the project showed some increase in the number of fathers paying. Three of these sites experienced large increases in the number of fathers paying child support. For example, in some sites, collections from program participants were more than 20 percent higher than the control

group. By increasing their ability to differentiate among cases, diversify their strategies, and develop strong community ties, child support programs can more effectively help families.

- **Forgiveness policies**—Forgiveness policies allow states to assist families by removing a potential barrier to payment of current-year support. It is not uncommon for low-income, noncustodial parents to have child support arrears of several thousand dollars. The median arrears balance for Arizona's nonpaying support ordered cases was approximately \$13,000 in fiscal year 1999. Studies suggest these parents may fail to pay current-year child support because they are overwhelmed by the size of their past-due child support debt.<sup>1</sup> As previously discussed, this issue has particular relevance to Arizona's child support program as it has one of the largest arrears balances in the country (see Finding I, pages 15 through 20). It must be recognized, however, that forgiveness policies do not address the past hardships endured by the custodial parent and children because of the nonpayment of child support.

There are two major approaches to addressing past-due child support balances. The first approach is to prevent the build-up of uncollectible amounts in the first place. For example, New York has a statute that states if a noncustodial parent's income is below the poverty line, no more than \$500 in past-due child support can accumulate. The second approach is to compromise or forgive arrears under a general state law allowing parties to settle. While a custodial parent may forgive a portion or all of the arrears owed to him or her, when a custodial parent receives welfare payments, the state has the right to retain the child support payments on their case up to the court ordered amount or the cumulative amount of the public assistance grant, whichever is less. However, if no payments are received, the balance owed to the state continues to grow. The federal Office of Child Support Enforce-

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<sup>1</sup> Pearson, Jessica, Nancy Thoennes, and Lanae Davis. *Colorado Model Office Project Preliminary Report on Debt and Retroactive Support Intervention*. Center for Policy Research, April 1998; and Roberts, Paula. *Memorandum on Setting Support When the Noncustodial Parent is Low Income*. Center for Law and Social Policy, February 1999.



ment recently reissued a policy statement clearly stating that states have the authority to compromise or forgive monies owed to the state. In Arizona, legislative authority or administrative rules would be needed to implement any debt reduction strategy.

States have adopted various procedures to deal with uncollectible arrears, including:

- **Vermont** (per statute) will not pursue collection of state-owed arrears when a family reunites, unless their income exceeds 225 percent of the federal poverty level.
- **Illinois'** courts have the authority to forgive a portion of arrears if a noncustodial parent successfully completes a work or training program.
- **Iowa** has proposed to allow a graduated portion of the noncustodial parent's state-owed arrears to be reduced for continual payment of child support.

States are also conducting systematic reviews of their child support caseloads to determine which cases have uncollectible arrears and implementing pilot studies to determine procedures for effectively handling arrears. For example, California recently contracted with The Urban Institute to conduct a collectibility study that will analyze the current amount of child support arrears statewide and determine the amount that is realistically collectible. In addition, a work group has been established to develop recommendations for addressing the uncollectible arrears.

Arizona's child support program should also begin exploring policies for addressing its large arrears balance, given its potential impact on noncustodial parents' payment behavior. Similar to other states, the program may want convene a work group to first develop potential policies for addressing arrears, and then consider initiating a pilot study to determine if the policies will have the intended effect.

## **Recommendations**

1. The program should explore the feasibility of developing a framework for sorting enforcement cases. This framework should be used to help the program target its enforcement actions and make referrals to supportive services.
2. The program should also establish a work group to determine if the State could benefit from establishing forgiveness policies.

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## **FINDING V**

# **PROGRAM HAS SUCCESSFULLY ESTABLISHED STATEWIDE AUTOMATED SYSTEM**

The Arizona Tracking and Location Automated System (ATLAS) is the program's comprehensive automated statewide child support enforcement system. The system was developed using another state's system and has been enhanced over the past decade to meet federal requirements and Arizona's needs. ATLAS provides broad functional capabilities for the program and has successfully passed federal system certification reviews. The program helps ensure data reliability through the use of various system controls.

### **ATLAS Has Developed Into a Comprehensive Management System**

The program began developing a statewide automated child support enforcement system in the late 1980's to help with its case management functions. ATLAS was transferred and significantly modified from the Idaho Child Support Enforcement system. Additional modifications were made to ATLAS to ensure that it met the requirements of the Family Support Act of 1988. The Act required states to develop centralized automated case management systems to support various functions including case initiation, locate, enforcement, and financial management. Further modifications were made to the system in response to the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Major changes included establishing a centralized payment distribution process, a directory of new hire information, and an automated process for generating income withholding orders. As a result of its ongoing modifications and enhancements, the system has broad functional capabilities (see Item 3, page 52).

The program indicates that it developed its system under tight deadlines and within state and federal budgetary requirements. While it has used private contractors to complete some of the work, much of the development and modifications have been

**Item 3: Major Functions of ATLAS**

- Case initiation and management
- Parent locate
- Paternity establishment
- Support order establishment
- Debt calculation
- Interstate case processing
- Financial management
- Payment disbursement
- Report and document generation
- Security and privacy maintenance

accomplished in-house. To date, the total cost of the system has been nearly \$65 million, with more than two-thirds of the cost covered by the federal government.

### **System Successfully Passed System Certification Reviews**

Arizona has consistently been one of the first states to seek and receive federal certification of its system. Specifically, the system received its Level I certification in September 1995, which measured how well the system (hardware and software) complies with the requirements of the federal Office of Child Support Enforcement. The program received its Level II certification in March 1999. Certification at this level required all case information be loaded and/or converted to a statewide automated system, and all users to be trained and demonstrate proficiency.

The system is also undergoing two additional reviews. The program began its welfare reform act (PRWORA) certification review in March 1999. This review is assessing how well the sys-

tem is integrating the functional requirements of PRWORA. The team leader for this review indicated that Arizona's ATLAS system was probably ahead of most state systems with respect to handling the Act's requirements. The program also requested to be one of the pilot states for the federal data reliability audit. The federal government established a new incentive program through its Child Support Performance and Incentives Act of 1998. This Act requires that the data states use to generate their federal performance reports be reliable, complete, and accurate.

### **Management Controls Help Ensure Data Reliability**

The program has instituted an effective system of controls for helping ensure data is accurately entered and maintained on ATLAS. First, all users are required to undergo comprehensive training prior to and after receiving access to the system. For example, all users must complete two training courses—Security Management and ATLAS Fundamentals—before they are allowed access to the system. In addition, the program also restricts access through user passwords that must be changed every 30 days, and user access profiles that limit an individual's level of access to the system based on what is needed to complete their specific job function. The program has also established a conflict of interest policy and will not allow individuals to work on or have access to information on any case in which they may have a personal involvement or interest, such as a child support case involving a relative or friend.

Second, the program regularly produces both management and exception reports and uses these reports to initiate data clean-up projects as necessary. For example, the program undertook a major data refinement effort to ensure the data required as a part of PRWORA was complete and accurate. To assist with the project, the program produced an informal report listing the cases and data fields needing review, developed a detailed instructional guide, and provided training on how to use the guide to complete or correct data fields.

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## Agency Response



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**ARIZONA DEPARTMENT OF ECONOMIC SECURITY**  
**DIVISION OF CHILD SUPPORT ENFORCEMENT**

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**Jane Dee Hull**  
Governor

**John L. Clayton**  
Director

Ms. Debra K. Davenport, Auditor General  
2910 North 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Davenport:

The Department of Economic Security is pleased to provide you with the attached final response to the Performance Audit of the Division of Child Support Enforcement (DCSE), which was completed in accordance with the June 16, 1999, resolution of the Joint Legislative Audit Committee.

The Division of Child Support Enforcement has received national recognition in recent years for its innovations and improvements. Specifically, as you have noted in the report, the Division was awarded the Governor's Spirit of Excellence award for its efforts to centralize child support payment processing. Furthermore, the Division is proud of its improvements in the areas of customer service and collection increases. We appreciate your statement that the program's collections improvement in total exceeded national performance. In state fiscal year 2000, the Division increased collections by \$25 million over state fiscal year 1999. The Division anticipates it will also be one of the first child support programs in the nation to have been successfully certified for its automation of welfare reform requirements.

The audit identifies key areas in our program that can be enhanced by implementing the recommendations. We would like to extend our thanks to you and your staff for the professional and thorough audit.

Sincerely,

John L. Clayton

**DEPARTMENT OF ECONOMIC SECURITY  
DIVISION OF CHILD SUPPORT ENFORCEMENT  
RESPONSE TO AUDITOR GENERAL FINDINGS AND RECOMMENDATIONS  
DECEMBER 22, 2000**

<b><i>Finding I: Program Effectiveness Improving, But Additional Enhancements Needed</i></b>
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***Finding I, Recommendations***

*There were no recommendations for Finding I.*

**Response**

**Finding I, Recommendations**

The Department appreciates the Auditor General's acknowledgment of the program's improvements in its effectiveness over the past several years. The Division, in conjunction with its partners, will continue to look for new ways to enhance the program's effectiveness and the services it provides to the families of Arizona in addition to those recommended by the Auditor General.

<b><i>Finding II: Program Needs To Improve Its Paternity Establishment Performance</i></b>
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***Finding II, Recommendations***

1. *The program, in conjunction with its stakeholders, should explore expanding its administrative authority to establish paternity.*
2. *The program should close those paternity cases meeting federal closure criteria to allow paternity caseworkers to focus their efforts on remaining cases.*
3. *The program should develop a procedure requiring supervisors to routinely review caseworker caseloads and redistribute cases as needed to ensure caseloads are manageable.*
4. *The program should consider temporarily expanding its use of contract paternity caseworkers statewide to increase the number of paternities established.*
5. *The program should explore the possibility of establishing a specialized unit of paternity caseworkers to resolve difficult paternity cases.*
6. *The program should seek to expand its use of alternative sites for executing voluntary paternity acknowledgments.*

7. *The program should continue to expand its use of automation by exploring the feasibility of:*
  - a. *Conducting periodic matches of its paternity caseload with neighboring states' birth records to uncover paternity acknowledgments filed in other states; and*
  - b. *Providing caseworkers with direct automated access to Arizona's birth records so they can conduct their own birth record searches.*

## **Response**

### **Finding II, Recommendations**

**The finding of the Auditor General is agreed to and the audit recommendations will be implemented.**

The Division agrees that it needs to improve its paternity establishment performance and will partner with its stakeholders to explore expanding its administrative authority to establish paternity. While the program has already undertaken several initiatives designed to increase its performance in the paternity establishment area, the program will continue to explore and implement additional strategies that will help improve the program's performance, including the recommendations put forth by the Auditor General.

Arizona already provides a variety of methods for voluntary paternity establishment that can be characterized as non-Court based or "administrative" in nature. These are the processes that are required by Federal law and/or used in virtually all other states. As Arizona does not have a completely "administrative" process for contested paternity establishment, it will be difficult to predict the costs associated with these changes or how successful these will be.

In fiscal year 2000, the federal government established additional closure guidelines that allow child support programs to close cases that are missing data necessary in locating the noncustodial parent. The program will continue to closely monitor and close those paternity cases meeting these new guidelines as well as previous federal closure criteria.

The Division will develop a procedure to require supervisors to routinely review caseworker caseloads and make any necessary adjustments to ensure that caseloads are equitable and manageable. While the Division has done some monitoring of caseloads historically, it agrees that closer and more routine reviews are warranted.

The Division will also consider the costs and benefits of expanding its use of contracted paternity caseworkers to determine if expansion would be a prudent move. In addition, the Division will discuss the possibility of creating an investigative paternity unit to address some of the more complex and difficult paternity cases.

The Division will seek expansion of its voluntary paternity acknowledgement services through additional sites recommended by the Auditor General such as Head Start agencies, Women,

Infants, and Children (WIC) centers, and high schools. The Division will also continue to expand its outreach efforts for the Hospital Paternity Program (HPP) to include more hospitals and birthing facilities.

The Division will evaluate additional opportunities to expand on its automation search processes through the matching of neighboring states' birth records. The Division will also examine opportunities to provide direct automated access to Arizona's birth records for the caseworkers.

<b><i>Finding III: Program Needs To Continue To Improve Its Performance in Establishing Child Support Orders</i></b>
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***Finding III, Recommendations***

- 1. The program, in conjunction with its stakeholders, should explore seeking administrative authority to establish child support orders for cases where both the custodial and non-custodial parent agree with the program's calculated dollar amounts.*
- 2. The program should ensure that it provides full due process rights as part of its administrative process.*
- 3. The program should continue to close cases according to federal case closure criteria.*
- 4. The Division should ensure that caseworkers are monitoring their closure worklist items and closing cases.*

**Response**

**Finding III, Recommendations**

**The finding of the Auditor General is agreed to and the audit recommendations will be implemented.**

While the program has made significant improvements in the overall number and percent of cases with child support orders, the Division agrees that it can continue to improve its performance. For fiscal year 2000, 54 percent of cases had child support orders, thus ensuring a continued increase in federal incentive monies. The Division, its partners and stakeholders will further review administrative processes in other states as part of the development of any plan to seek expanded authority. Additionally, the program and its stakeholders will work with the Arizona Judiciary to ensure due process is afforded to all affected parties as part of its administrative processes.

The program will continue to closely monitor and close cases pursuant to federal case closure criteria. This will include developing procedures to ensure that caseworkers monitor their closure worklist items and close cases.

<b><i>Finding IV: Collection Enforcement Actions Can Be Targeted To Increase Effectiveness</i></b>
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***Finding IV, Recommendations***

- 1. The program should explore the feasibility of developing a framework for sorting enforcement cases. This framework should be used to help the program target its enforcement actions and make referrals to supportive services.*
- 2. The program should also establish a workgroup to determine if the State could benefit from establishing forgiveness policies.*

**Response****Finding IV, Recommendations**

**The finding of the Auditor General is agreed to and the audit recommendations will be implemented.**

The Division agrees that while many automated enforcement tools are being utilized within the program, additional enforcement actions can be targeted to increase the effectiveness of its collection techniques. The program will plan and develop automated sorting of cases to allow “case segmentation” for applying different strategies to specific caseloads. In addition, supportive service consideration will be given to those groups of non-custodial parents that are willing but unable to pay their obligated support amounts. These services will be aimed at assisting low income and under educated parents thereby increasing their job opportunities and ability to help their families achieve self-sufficiency.

As stated in the Auditor General’s Report, Arizona child support guidelines are designed to allow the non-custodial parent a minimum of remaining income after the calculation of child support. Additionally, since civil contempt is a judicial determination, the nonpaying parent’s ability to work and pay child support is reviewed by the judicial officer prior to imposition of sanctions. Both of these safeguards decrease the impact of enforcement on low-income nonpaying parents. However, the Division agrees that additional techniques and supportive services are needed to assist nonpaying parents.

The Division will establish a workgroup whose objective will be to determine the impact of forgiving arrears on the Arizona Child Support Program, custodial parents and children. The workgroup will further review other states’ policies in this regard and determine how best to apply these type of policies in Arizona. If the workgroup determines a successful method for potential policies for addressing arrears, the Division will consider initiating a pilot study to determine if the policies will have the intended effect.

<b><i>Finding V: Program Has Successfully Established Statewide Automated System.</i></b>
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***Finding V, Recommendations***

*There were no recommendations for finding V.*

**Response****Finding V, Recommendations**

The Auditor General has acknowledged the quality of Arizona's statewide automated system (ATLAS). This system has been regarded nationally as a comprehensive and effective system. While the cost of building and maintaining Arizona's statewide automated system appears to be substantial, it was incurred over a 10 year period, during which the State has been compelled to build additional automation to meet new federal requirements. System enhancements such as the New Hire Reporting mandate and automated wage withholding have directly led to more than 50,000 automated wage-withholding orders since October 1998. The establishment of a Centralized Payment Processing Clearinghouse for all child support collections statewide replaced the child support payment processing systems in all 15 Arizona counties. The centralization was a major undertaking that was recommended through a previous Auditor General audit, and has been extremely successful and resulted in children and families receiving child support faster. All of these automation enhancements, largely the result of meeting Federal legislative requirements, have greatly added to the State's improved child support performance.

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## Other Performance Audit Reports Issued Within the Last 12 Months

00-4	Family Builders Pilot Program	00-14	Arizona Department of Agriculture
00-5	Arizona Department of Agriculture— Licensing Functions		State Agricultural Laboratory
00-6	Board of Medical Student Loans	00-15	Arizona Department of Agriculture— Commodity Development Program
00-7	Department of Public Safety— Aviation Section	00-16	Arizona Department of Agriculture— Pesticide Compliance and Worker Safety Program
00-8	Arizona Department of Agriculture— Animal Disease, Ownership and Welfare Protection Program	00-17	Arizona Department of Agriculture— Sunset Factors
00-9	Arizona Naturopathic Physicians Board of Medical Examiners	00-18	Arizona State Boxing Commission
00-10	Arizona Department of Agriculture— Food Safety and Quality Assurance Program and Non-Food Product Quality Assurance Program	00-19	Department of Economic Security— Division of Developmental Disabilities
00-11	Arizona Office of Tourism	00-20	Department of Corrections— Security Operations
00-12	Department of Public Safety— Scientific Analysis Bureau	00-21	Universities—Funding Study
00-13	Arizona Department of Agriculture Pest Exclusion and Management Program	00-22	Annual Evaluation—Arizona's Family Literacy Program

## Future Performance Audit Reports

Department of Public Safety—Drug Abuse Resistance Education (D.A.R.E.) Program

Board of Osteopathic Examiners in Medicine and Surgery