

REPORT HIGHLIGHTS

SPECIAL AUDIT

Subject

The Division of Child Support Enforcement (Division) administers the federally mandated child support enforcement program outlined in Title IV-D of the Social Security Act of 1975. The Division provides child enforcement services along with the Arizona Attorney General's Office in 11 counties, while county attorneys' offices ("IV-D partners") provide services in four counties.

Our Conclusion

This audit responds to eight legislative items. Generally, the Division has good processes in place, such as training, supervisory oversight, and internal audits, to help ensure its functions are performed appropriately. However, the Division should track and report timeliness of court order processing and payment-posting errors; implement an effective oversight process for payee changes; and better explain collection methods to noncustodial parents.



2007

Background

The IV-D child support enforcement program is a federal, state, and local effort to collect child support payments from noncustodial parents who are legally obligated to pay. For an annual fee of \$25, custodial parents wanting help from the IV-D program to establish or enforce child support orders can apply for services. Custodial parents receiving Title IV-A public assistance receive the IV-D program services for free.

By enforcing child support orders, the Division and its IV-D partners work to prevent, reduce, or eliminate a family's need for public assistance monies.

State and federal laws require that all child support payments be centrally processed by a state disbursement unit. The Division has hired a contractor to

As of September 30, 2007, the IV-D program had 214,771 cases involving 257,725 children.



perform this service. In fiscal year 2007, 3.35 million payments (more than \$683 million) were processed.

Federal law also requires the State to have a state-wide case management system. The Division's system, the Arizona Tracking and Location Automated System (ATLAS), was certified by the federal government in 1999 and again in 2003 after major modifications.

The IV-D program is funded primarily with federal monies, granting about 2 federal dollars to 1 state dollar. The State General Fund contributed about \$6.2 million in fiscal year 2007.

Division should track court order processing times

The Division does not specifically track how long it takes to process a court order. Additionally, we found that the Division and its IV-D partner offices have varying goals for court order processing.

The Division should ensure that child support orders are processed in a timely manner by establishing processing goals, gathering the information on how quickly court orders are being processed, and using this information to address any issues.

Recommendations

- The Division should:
- Establish court order-processing goals.
 - Track court order-processing information and monitor results.

Most child support payments accurately processed, but Division should strengthen procedures

Most child support payments are processed by a contractor that must, by contract, perform at a 99.7 percent accuracy rate. The contractor processes about 264,000 payments per month and has received favorable reviews on its payment-processing procedures and accuracy.

The Division also processes about 5 percent of payments. These payments include state tax refund intercepts, financial asset seizures, and replace-

ment checks for bounced checks.

The Division has some procedures to ensure accuracy. However, it needs better controls to safeguard its handling of paper checks, such as restrictively endorsing checks as soon as possible upon receipt. Another way to improve this is to reduce the number of paper checks the Division processes. The Division has approached the Department of Revenue to transfer state tax intercept payments electronically. Another approach would be to have the contractor process these checks.

Recommendations

The Division should:

- Restrictively endorse all checks as soon as possible.
- Continue working toward reducing the number of paper checks it must process.

More effective means of capturing payment error information needed

A payment-posting error occurs when incorrect information about a child support payment, such as an incorrect case number, is received and entered into ATLAS. A child support payment can be misdirected to the wrong custodial parent when this occurs. If a payment is misdirected, the Division immediately uses money from its central payment-processing budget to pay the correct custodial par-

ent and then works to recover the money from the custodial parent who received the money in error.

According to the Division's estimates, payment-posting errors occurred in 0.2 percent of payments processed from July 1, 2005 through May 31, 2006. We could not verify the Division's estimate. The Division tracks some information about payment errors, but this information does not include enough detail to fully assess the error rate.

Recommendation

The Division should:

- Develop or modify an existing electronic mechanism to track payment-posting errors, including misdirected payments, in greater detail.

Division needs to improve payee change process

The Division is statutorily allowed to redirect child support payments to another caregiver who has had physical custody of a child for 30 consecutive days even though legal custody has not been changed. In addition, some custodial parents choose to contract with a private collection agency to collect child support and can direct the Division to send any support payments received to that entity. These changes are done electronically through ATLAS.

Auditors reviewed 33 of the 430 cases where payments had been redirected. We found 2 cases where payments had been redirected to the wrong person. For one of the cases, \$225 was sent to a caretaker instead of the custodial parent. The custodial parent had 2 child support cases, but payments should have been redirected for only one of the cases. Auditors also found 4 cases where payments had not been redirected to a private collection agency as requested.

We found that the Division had limited oversight or review over the process used to redirect payments.

As of May 2007, about 430 of 167,000 cases receiving enforcement services were having payments redirected to another caretaker or private collection agency.

Recommendations

The Division should:

- Review all cases where payments are being redirected to ensure that they are accurate.
- Establish an effective oversight process for redirected payments.

Collection methods need to be better explained to noncustodial parents

Thirteen of the 16 enforcement methods that the Division can use to ensure that child support payments are paid, such as tax refund and lottery intercepts, are automated and triggered by the length of time since the last payment and/or the past-due child support amount contained in ATLAS. The other 3 methods—limited income withholding, workers' compensation offset, and license suspension—require manual intervention by caseworkers.

To ensure that these enforcement methods are carried out correctly, the Division provides guidance through policies and procedures, training, supervisory review, and internal audits.

In addition, a noncustodial parent can request an administrative review of the enforcement method being used. The Division must complete the review

and report the results to the noncustodial parent within 45 business days or less, depending on the enforcement action type. In the first half of fiscal year 2007, the Division conducted about 2,200 administrative reviews.

Letters regarding enforcement actions or communicating the results of an administrative review need improvement. For example, not all of the enforcement letters provide information on how the noncustodial parent could submit payment to avoid the enforcement action. The letters communicating administrative review results have many different boxes that can be checked off to describe results, but do not provide case-specific explanations for why collection actions are being taken.

The Division has a group that is working to make some of the letters more user-friendly, such as providing options for paying past-due support.

Recommendation

The Division should:

- Review and revise its enforcement and administrative review letters.

Processes over demand letters minimize risk of error

The Division sends letters to noncustodial parents to notify them when they owe past-due support and the consequences of not paying. These letters are sent as part of the Division's enforcement efforts to collect child support.

The Division has processes in place, such as training and supervisory oversight, to help minimize the risk of its enforcement letters being sent in error or

with erroneous information. We identified three enforcement letters using the term "demand" in their titles. In 2006, more than 5,000 of these "demand" letters were sent. We reviewed a random sample of about 60 of these letters and found no errors. Further, although several noncustodial parents contacted the Division, none formally requested an administrative review.

Information available through three mechanisms

The Division makes information available to various interested groups, such as parents and the general public, through its Web site, its customer service unit, which includes its automated telephone system, and its offices.

Although the Division's Web site contains considerable information, it can be better organized. The home page has many links that are not organized or associated with major areas. Many of the Web pages have a consistent navigation pattern, but some do not.

The Division's automated telephone system, which provides information in both English and Spanish, meets a number of best practices. However, it could improve its narration pace by slowing down some portions of the Spanish section so that a listener could take notes. In addition, in one English area, the menu options are in the wrong numerical order.

Although the Division has comment cards at its offices, it does not require its offices to provide the cards, and they are not regularly used by customers. As a result, the Division does not have any overall information on office customer satisfaction.

Recommendations

The Division should:

- Improve its Web site by organizing it better and improving navigation.
- Improve its automated phone system by changing the narration pace and ensuring menus are in numerical order.
- Ensure that customers are provided with comment cards, and regularly analyze the results.

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Division's computers and software appear sufficient to communicate information

The Division uses computers and a main software application, ATLAS, to store child support information and share it with other groups that are involved in the child support process, such as other states' IV-D child support enforcement agencies and

the Department's Division of Benefits and Medical Eligibility. This information includes payment history and child support amounts owed. Auditors found that the Division's equipment appears to be meeting its needs.