

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**FOLLOW-UP ON AFDC ABSENT  
PARENTS**



**Richard P. Kusserow  
INSPECTOR GENERAL**

**OEI-05-89-01270**

# EXECUTIVE SUMMARY

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## PURPOSE

This inspection was conducted to follow up on a series of 1987 studies related to child support enforcement for Aid to Families With Dependent Children (AFDC) cases.

## BACKGROUND

Our prior studies found that AFDC child support collections could be increased significantly if child support enforcement agencies (called IV-D agencies) would systematically review the earnings of absent parents. We found that while absent parents may have little or no earnings when AFDC was established, their earnings did increase over time. In this study, we wanted to determine what changes had occurred in the cases previously studied, both in the child support being paid, and in the ability of the absent parent to make child support payments.

## METHODOLOGY

We repeated our earlier methodology of tracing absent parent earnings through Social Security Administration (SSA) records. We then followed up with the IV-D agencies who, based on our previous studies, had received employer identification and employer address information for 1,277 absent parents who had earned over \$10,000 in 1985. We examined the IV-D records to determine whether AFDC payments were still being made, what the current court order was, what present arrearages exist, and whether automatic wage withholding of child support was in place.

## FINDINGS

*Most AFDC absent parents earning over \$10,000 in 1985 earned at least that amount in 1986 and 1987. Also, more AFDC absent parents cross that \$10,000 threshold each year. Average earnings for these absent parents increased from \$17,787 in 1985 to \$19,522 in 1987.*

*The IV-D agencies have taken action on some of the cases we referred to them via the Office of Child Support Enforcement (OCSE) in 1987. However, there are numerous cases, many of them still AFDC cases, which need to be re-opened for possible action to establish, modify, or enforce child support orders.*

## RECOMMENDATIONS

We recognize the substantive actions that the Administration for Children and Families (ACF) has taken in implementing the Family Support Act of 1988. These activities are particularly significant in their attempt to establish a more systematic approach to review both current and older child support cases. The IV-D agencies can obtain absent parent wage information from the Internal Revenue Service (IRS) via Project 1099, and are required annually to query the Federal Parent Locator Service for absent parent location information. However, these actions individually fall short of gathering the data necessary to impose wage withholding, or establish health insurance for AFDC children who must otherwise rely on Medicaid.

***RECOMMENDATION 1: The OCSE should perform an annual data match with SSA or IRS records relying on data submitted by the States. The OCSE should require all States to participate in the annual match unless a State performs its own annual, or more frequent, match. States performing their own match should be able to identify all absent parent wages and employers from reliable sources like States' employment records.***

This report, and prior work of the Office of Inspector General in this area, demonstrates the effectiveness of systematically tracking absent parent earnings through matches with SSA records. Other records, such as IRS or State employment records, could be equally useful in determining absent parent employers, wages, and location.

We believe this annual data match is an additional, but significant, tool for OCSE to use in conjunction with performance standards and periodic review of the adequacy of court orders. The performance standards and the periodic adequacy review of court orders may not identify all cases where AFDC absent parents have the ability to significantly contribute to the support of their children receiving welfare.

***RECOMMENDATION 2: The OCSE should ensure that IV-D agencies use information in the annual match to establish, modify, and enforce court orders, as appropriate, in accordance with the performance standards and the Family Support Act.***

Information provided by the annual match may provide location information on absent parents whose whereabouts were previously unknown. Where this occurs, a support order should be established or enforced in accordance with the performance standards. The OCSE should issue guidance to IV-D agencies requiring that information from the annual data match be considered when reviewing support orders in accordance with this provision.

*These recommendations further the Secretary's objective of having absent parents assume personal responsibility for their children, especially for those absent parents whose children are receiving welfare.*

## **DEPARTMENTAL COMMENTS**

The ACF concurs there is great potential for increasing child support collections by means of a systematic review of all cases for location and asset information. However, ACF does not endorse our recommendation for an annual data match since it goes beyond the requirements of the Family Support Act of 1988. The Assistant Secretary for Planning and Evaluation questions whether the recommended data match would provide useful information. The Assistant Secretary for Management and Budget comments that without cost data and cost-effectiveness measures being provided, it is questionable that the earnings of AFDC absent parents are sufficient to make their pursuit worthwhile.

## **OIG RESPONSE TO DEPARTMENTAL COMMENTS**

In 1987, we recommended an annual data match and estimated that AFDC child support collections would be increased by \$307 million annually. The OCSE concurred with the need for an active, aggressive approach to increasing collections on AFDC cases.

We believe an annual data match is vital to enforcing the Child Support Enforcement Amendments of 1984, which requires mandatory wage withholding of child support where the support is at least 30 days in arrears. These amendments also require child support orders provide health insurance for children where the absent parent has access to that coverage.

The current requirement that States make an annual attempt to locate absent parents through the Federal Parent Locator Service falls short of gathering the data necessary to impose wage withholding, or to establish health insurance for AFDC children who must otherwise rely on Medicaid. We believe that an annual data match might replace the current requirement since it provides more information to the IV-D agency.

State IV-D agencies also can access IRS data through Project 1099, which provides both location and wage information. However, this data can neither be disclosed to a third party, nor be used to modify child support court orders. The recommended data match avoids these pitfalls since SSA data can be used for child support enforcement purposes.

The longitudinal nature of this inspection shows the value of the SSA data over time. The age of the data does not appear to diminish its use as an indicator of which absent parents have earned, and continue to earn at significant levels. Further work can then be pursued on individual cases to obtain up to date earnings information. However, if more current data can be obtained instead of SSA data, we support its use. What is important is the tapping of all earnings data for absent parents, and performing this function on a regular, routine basis.

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# INTRODUCTION

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## PURPOSE

This inspection was conducted to follow up on a series of 1987 studies related to child support enforcement for Aid to Families With Dependent Children (AFDC) cases. These studies showed that many absent parents had the financial ability to significantly contribute to the support of their AFDC children. In this inspection, we wanted to determine what changes had occurred in the cases previously studied, both in the child support being paid, and in the ability of the absent parent to make child support payments.

## BACKGROUND

Our 1987 studies found that AFDC child support collections could be increased significantly if child support enforcement agencies (called IV-D agencies) would systematically review the earnings of absent parents. We found that while absent parents may have little or no earnings when AFDC was established, their earnings did increase over time.

In our 1987 studies, we examined over 4,600 cases where (1) there was no support order in place; or, (2) the monthly support order in place was \$50 or less per child; or, (3) arrears existed. The IV-D agency had a Social Security Number (SSN) for the absent parent in each case we reviewed.

Welfare payments had been made for at least 2 years in all of the sample cases. These were perceived to be the "hard-core" AFDC cases, difficult to work, and unlikely to result in a paying child support order, other than a minimal one.

We obtained 1985 earnings data on the sample cases from the Social Security Administration (SSA), and furnished this to the Office of Child Support Enforcement (OCSE) in the Administration for Children and Families (ACF). They in turn passed on this information to the IV-D agencies. Specific employer identification and address were furnished on all cases where the absent parent earned at least \$10,000 in 1985.

In response to these inspections, OCSE arranged for child support agencies to access Internal Revenue Service (IRS) records. The IRS data would not only provide earnings and employer data, but also furnish a recent home address for the absent parent.

The Family Support Act of 1988 also deals with the problems raised in these reports by setting standards for paternity establishment, requiring periodic review of court orders for adequacy, and mandating that the withholding of child support from absent parents' wages be included in all new and modified court orders. States must incrementally increase their paternity establishments if not establishing paternities at the average level for all States. States must also review all AFDC cases every 3 years to determine whether the existing court order is appropriate with State guidelines. The OCSE has proposed regulations to address these requirements.

The OCSE also issued Standards for Program Operations, (usually called performance standards) for IV-D agencies effective October 1990. These standards specify minimum case actions for IV-D agencies to take, and the timeframes in which to perform these actions. Some standards are for locating the absent parent, taking paternity actions once an absent parent has been located, establishing and enforcing support obligations, and for closing cases. The Federal AFDC match to States would be reduced from 1 to 5 percent if a State is not in substantial compliance with the performance standards.

Prospectively, OCSE auditors will use these standards when they examine sample cases to determine whether reasonable efforts to locate absent parents have been made by the IV-D agencies. And once located, OCSE will determine whether efforts have been made to establish paternity, modify low court orders, enforce existing court orders by collecting outstanding arrears, and establish wage withholding and medical support. The performance standards should also prevent cases being closed prematurely.

## **METHODOLOGY**

We repeated our earlier methodology of tracing absent parent earnings through SSA records. We gathered 1986 and 1987 earnings information on the 4,637 absent parents we had previously reported on when we used their 1985 earnings. We now had earnings information for 1985, 1986, and 1987.

We then followed up with the IV-D agencies who, based on our previous studies, had received employer identification and employer address information for 1,277 absent parents who had earned over \$10,000 in 1985.

We examined the IV-D records to determine whether AFDC payments were still being made, what the current court order was, what present arrearages exist, and whether automatic wage withholding of child support was in place.

Current case data was obtained from the 12 IV-D agencies included in our earlier inspections. Those contacted were: Maricopa County, Arizona; Adams County, Colorado; Hartford, Connecticut; Hillsborough County, Florida; Topeka, Kansas; Prince Georges County, Maryland; Hennepin County, Minnesota; Suffolk County, New York; Cuyahoga County, Ohio; San Antonio, Texas; Pierce County, Washington; and Dane County, Wisconsin.



## FINDINGS

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**FINDING 1: Most AFDC absent parents earning over \$10,000 in 1985 earned at least that amount in 1986 and 1987. Also, more AFDC absent parents cross that \$10,000 threshold each year. Average earnings for these absent parents increased from \$17,787 in 1985 to \$19,522 in 1987.**

Absent parents who earned over \$10,000 in 1985 usually earned at least that amount in subsequent years. Sixty-two percent earned over \$10,000 in all 3 years.

Seventy-five percent of those who earned over \$10,000 earned at least that amount in 1986. Nearly 80 percent of those earning over \$10,000 in 1986 earned at that level in 1987.

Large increases in earnings were enjoyed by some AFDC absent parents. Sixty-two showed gains of more than \$20,000 from 1985 to 1987. Two absent parents increased their yearly earnings by more than \$50,000 in this period.

The following chart illustrates the continued earning potential of this group once they began earning at levels above the minimum wage. Each year more of the "hard-core" AFDC cases become cases where child support can now be collected. These are cases where modification of low court orders, automatic wage withholding, medical support, and collection of arrears can be instituted.

*Chart 1*

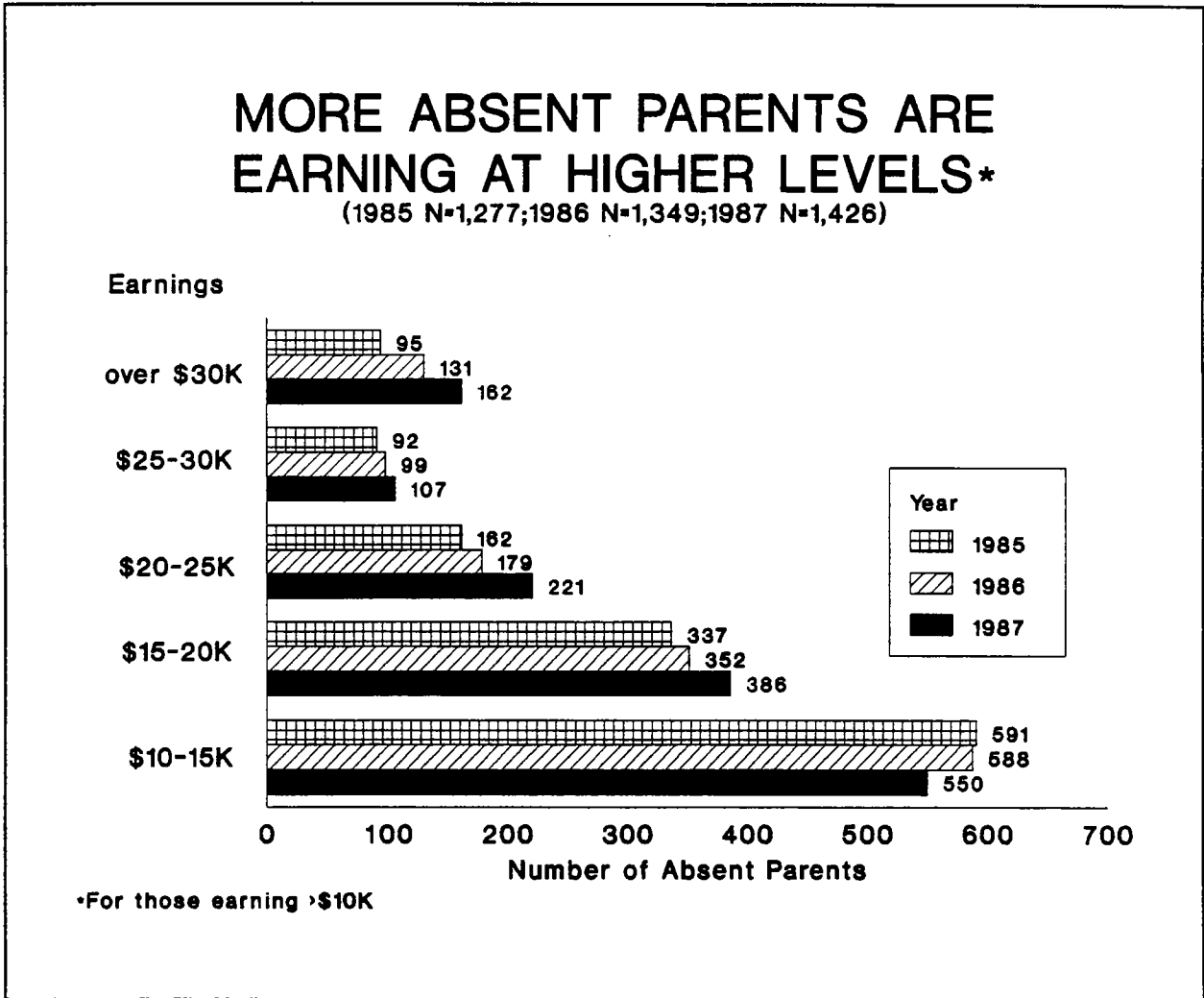
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<b>ABSENT PARENTS EARNING OVER \$10,000</b>			
<b>1985-87</b>			
<b>YEAR</b>	<b>OVER \$10K</b>	<b>% OF UNIVERSE (N=4,637)</b>	<b>AVERAGE EARNINGS</b>
1985	1,277	27%	\$17,787
1986	1,349	29%	\$18,587
1987	1,426	31%	\$19,522

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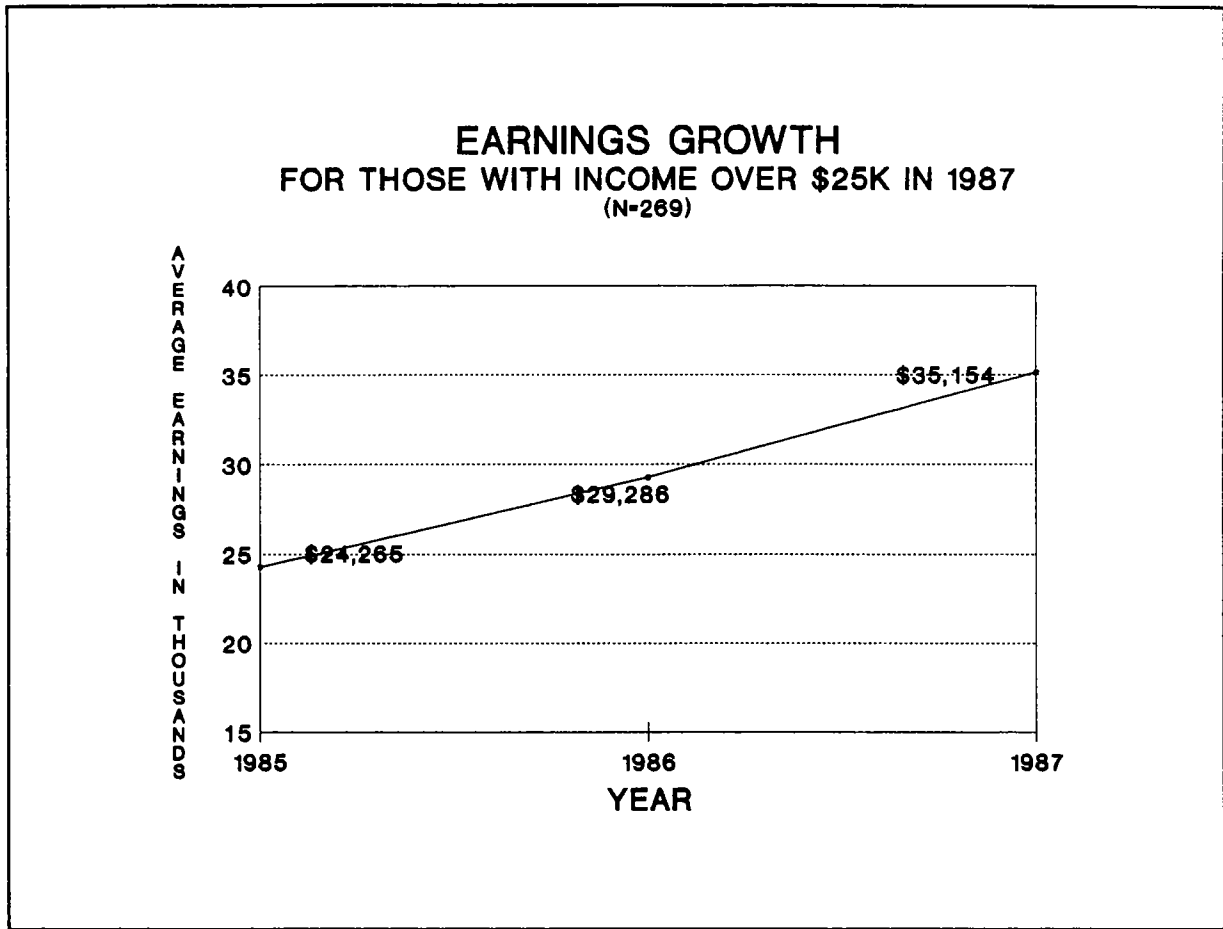
Not only are more of these absent parents able to contribute to the support of their children, their ability to pay at higher levels is also evident. The following chart demonstrates that more AFDC absent parents are earning wages at higher levels each year.

Chart 2



Of special concern are the 269 absent parents in the sample who earned over \$25,000 in 1987. Eighty-eight percent of them (236) had earned over \$10,000 in 1985, so the IV-D agencies were aware of their earnings ability, and the probable employer of these absent parents. These absent parents enjoyed a significant growth in their earnings from 1985 to 1987 of almost 50 percent. The following chart illustrates this rise.

Chart 3



There are serious inequities in the payment of child support by absent parents who earn over \$25,000 yearly. Fifteen percent of the AFDC absent parents with unmodified court orders earned over \$25,000 in 1987. The monthly court order for this group averages \$49. These absent parents averaged nearly \$36,000 in income that year. We found a glaring example of the immediate need to modify court orders in one absent parent who earned over \$65,000 and is paying an \$80 monthly support order for his AFDC child.

Absent parents who earned over \$25,000 in 1987 and who are in arrears owe more than \$2,500 in child support on average. Fifty-five percent of the AFDC absent parents in this group do not have an automatic wage withholding of their child support obligation. Thirty-nine percent of those without wage withholding had increased their child support debt since our prior studies, despite their substantial earnings.

**FINDING 2:** The IV-D agencies have taken action on some of the cases we referred to them via OCSE in 1987. However, there are numerous cases, many of them still AFDC cases, which need to be re-opened for possible action to establish, modify, or enforce child support orders.

The following summary depicts the IV-D activity on the information furnished.

Chart 4

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## **STATUS OF AFDC CASES REFERRED TO IV-D AGENCIES IN 1987**

The OIG provided IV-D agencies SSA earnings records for 1,277 absent parents which identified the following:

- o absent parents who earned over \$10,000
- o absent parent employers
- o absent parent employer addresses
- o whether child support for these absent parents needed to be established, modified, or enforced

**What did IV-D agencies do with this information?**

### **PATERNITY**

- o established court orders in 24% of the paternity cases

### **MODIFICATION**

- o increased the court orders in 29% of the low court order cases

### **ARREARS**

- o collected all arrears in 17% of the arrearage cases
- o reduced arrears balance in 35% of the arrearage cases
- o instituted wage withholding in 26% of the arrearage cases

**What still needs to be done?**

1. Support orders need to be established on the balance of the paternity cases
    - o the absent parents' average earnings are \$19,024 in these cases
    - o 31% remain AFDC cases
  2. Court orders need review/modification
    - o the absent parents' average earnings are \$21,184 in these cases
    - o 51% remain AFDC cases
  3. Decrease absent parent arrears
    - o the absent parents' average earnings are \$19,492 in cases where arrears have increased
    - o 86% of the arrears are AFDC arrears in these cases
    - o no wage withholding is in place in 74% of the arrearage cases
-

## *PATERNITY CASES*

- ▶ Paternity has been established, and child support has been ordered on 24 percent of the cases referred where the absent parent earned over \$10,000 in 1985.<sup>1</sup> However, the child support ordered does not appear to be commensurate with the absent parent earnings. In one extreme case, an absent parent earning over \$32,000 was ordered to pay only \$60 monthly child support. His child remains on AFDC.

The absent parents' 1987 earnings in these paternity establishment cases averaged \$16,317. Using the Wisconsin child support guidelines for one child as an example, a monthly support order corresponding to these earnings would be \$231.<sup>2</sup> In contrast, the actual court orders in these cases average \$182 monthly.

Of the paternity cases that remain open at the IV-D agencies, 31 percent are AFDC cases. The average 1987 absent parent earnings on the open AFDC cases was \$19,039; the non-AFDC cases averaged \$19,018.

## *MODIFICATION CASES*

- ▶ The IV-D agencies obtained upward modifications of child support orders on 29 percent of the cases where the absent parent earned over \$10,000 in 1985.<sup>3</sup> The average amount of the court order on these cases more than doubled, from \$84 to \$188. (We had referred cases to OCSE for absent parents with this earnings level and a monthly child support order of less than \$50 per child.) In spite of these modifications, more than half remain AFDC cases.

The increased court orders still did not keep pace with absent parent earnings. The average AFDC order increased from \$84 to \$167 monthly. One striking example of this inequity was an absent parent who earned over \$30,000 in 1985, and above that level in 1986 and 1987. His court order did increase -but only from \$10 to \$25 monthly for his AFDC child.

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<sup>1</sup> Five of the cases where paternity had been established and child support awarded, were in Cuyahoga County, Ohio. This county began participating in a paternity demonstration project in April 1988. It is unknown whether any of the cases we had referred to Cuyahoga County were included in this project.

<sup>2</sup> We use the Wisconsin child support guidelines for example purposes since they are among the simplest State guidelines to apply. Use of other State guidelines would result in lesser or greater monthly child support obligations. The Wisconsin guidelines were also used in our original AFDC child support reports for comparison purposes.

<sup>3</sup> One of our sample counties, Suffolk, New York, conducted a special project to modify court orders in early 1988. They limited their scope to cases where automatic wage withholding of child support was already taking place. Twenty percent of the AFDC cases in their project were closed as a result of their modification efforts. It is unknown whether any of the cases in our sample were included in their project.

Significantly, on the cases that are no longer AFDC cases and a modification occurred, the average monthly court order rose from \$85 to over \$217. On pending cases where the 1987 absent parent earnings remain above \$10,000, more than half are current AFDC cases. The average absent parent earnings increased from \$15,862 to \$19,777 for this group. Increasing the AFDC orders using the Wisconsin guidelines for these cases would raise the average monthly support payment for one child from \$83 to \$280.

The current non-AFDC cases where no increase has taken place, show a rise in average earnings from \$18,111 to \$22,667 during this period. The average non-AFDC order for these cases would climb from \$86 to \$321 for one child, if these court orders were modified using the Wisconsin guidelines.

### ***ARREARAGE CASES***

- ▶ The IV-D agencies have collected all the arrears on 17 percent of the cases identified in our earlier studies. The arrears collected in these cases averaged \$3,026. Additionally, arrears have decreased on another 35 percent of the cases. The average decrease in child support owed in these cases has been substantial, \$5,347 in 1987 down to \$2,845 today.

However, child support arrears have increased for 13 percent of the absent parents, despite their earnings increasing significantly. This group averaged \$15,464 in 1985 earnings, and owed an average of \$5,666 in child support. By 1987, their average earnings had increased 26 percent to \$19,492. Their arrears had risen 62 percent, to over \$9,000. One particular egregious case showed an absent parent who earned over \$20,000 in 1985, and over \$25,000 in the two subsequent years. During this time his arrears increased by more than \$7,000 for his two AFDC children. Although he was working in the same State where his children live, no wage withholding of his wages has been effected.

The current cases with arrears total more than \$5.1 million owed in child support. The AFDC support still owed on these cases is more than \$4.4 million.

Wage withholding of child support is now frequently used by IV-D agencies to collect current support due and recover arrears. Although we did not gather frequency of wage withholding data in our earlier studies, this automatic payroll deduction is now in place on 26 percent of the cases with arrears.

The absent parents from whom current support is being collected by wage withholding have reduced their total arrears from \$960,629 to \$842,284 since 1987. Likewise, the arrears only cases where wage withholding is in place have shown a decrease in arrears from \$111,182 to \$74,519.

## RECOMMENDATIONS

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The IV-D agencies did take some actions to establish, modify and enforce child support orders for AFDC children identified in our prior studies. However, fewer than one-fourth of the paternity referrals led to a court order, 7 of 10 cases with low orders remain unmodified, and only half of the arrearage referrals have resulted in lower arrears than 3 years ago. Although these cases were perceived as the "hard-core" AFDC child support cases, there is now substantial evidence that many of these absent parents now, or in the future, will be able to significantly contribute to their children's support. We recognize that paternity cannot be established on all cases, and that other absent parent familial obligations will mitigate against a modified court order in some cases.

The IV-D agencies have an ongoing need to know absent parent wages and employers, which a data match can provide. This information enables the IV-D agencies to enforce child support orders as required by the Child Support Enforcement Amendments of 1984, which call for imposing automatic wage withholding whenever child support is in arrears for 30 days. Medical insurance provided by the absent parents' employer often covers children receiving child support. Private health insurance would eliminate costly Medicaid outlays for those AFDC children covered.<sup>4</sup>

We recognize the substantive actions that the Administration for Children and Families (ACF) has taken in implementing the Family Support Act of 1988. These activities are particularly significant in their attempt to establish a more systematic approach to review both current and older child support cases. The IV-D agencies can obtain absent parent wage information from Internal Revenue Service (IRS) via Project 1099, and are required annually to query the Federal Parent Locator Service for absent parent location information. However, these actions individually fall short of gathering the data necessary to impose wage withholding, or establish health insurance for AFDC children who must otherwise rely on Medicaid.

**RECOMMENDATION 1: The OCSE should perform an annual data match with SSA or IRS records relying on data submitted by the States. The OCSE should require all States to participate in the annual match unless a State performs its own annual, or more frequent, match. States performing their own match should be able to identify all absent parent wages and employers from reliable sources like States' employment records.**

This report, and prior work of the OIG in this area, demonstrates the effectiveness of systematically tracking absent parent earnings through matches with SSA records. Other records, such as IRS or State employment records, could be equally useful in determining absent parent employers, wages, and location.

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<sup>4</sup> Prior OIG studies point out the considerable savings that can be achieved in these instances. See "Child Support Enforcement/Third Party Medical Liability," OAI-07-86-00045, September 1987, and "Coordination of Third Party Liability Information between Child Support Enforcement and Medicaid," OAI-07-88-00860," December 1989.

We believe this annual data match is an additional, but significant tool for OCSE to use in conjunction with performance standards and the periodic review of adequacy of the court orders. The data match is necessary since the performance standards and the periodic adequacy review of court orders may not identify all cases where the AFDC absent parent has the ability to significantly contribute to the support of his children receiving welfare.

The annual data match should identify to IV-D agencies those absent parents without court orders, with low court orders, or with arrears who are not having wages withheld automatically or who are not reducing their arrears. The IV-D agency actions required by the performance standards or the adequacy review would then ensue on appropriate cases. Inaction on these cases could serve as an early warning of possible noncompliance with the OCSE performance standards or the Family Support Act.

**RECOMMENDATION 2: The OCSE should ensure that IV-D agencies use information in the annual match to establish, modify, and enforce court orders, as appropriate, in accordance with the performance standards and the Family Support Act.**

The performance standards require IV-D agencies to take specific actions to locate an absent parent in paternity cases, and to begin the legal processes to establish paternity after the absent parent has been located. Likewise, the performance standards also mandate minimum activities to enforce cases in arrears. Both types of cases require the IV-D agencies to act within specified timeframes depending on the case circumstances.

Information provided by the annual match may provide location information on absent parents whose whereabouts were previously unknown. Where this occurs, a support order should be established or enforced in accordance with the performance standards. The current requirement that States make an annual attempt to locate absent parents falls short of gathering the data necessary to impose wage withholding, or establish health insurance for AFDC children. We believe that an annual data match might replace the current requirement since it provides more information to the IV-D agency.

In addition, a key provision of the Family Support Act requires IV-D agencies, beginning October 1993, to review all AFDC orders every 36 months (and non-AFDC orders every 36 months on request of either parent) and make revisions to the orders, where appropriate. The OCSE has proposed regulations defining this review as "an objective evaluation of complete, accurate, up-to-date information necessary for application of the State's guidelines for support." The OCSE should issue guidance to IV-D agencies requiring that information from the annual data match be considered when reviewing support orders in accordance with this provision.

*These recommendations further the Secretary's objective of having absent parents assume personal responsibility for their children, especially for those absent parents whose children are receiving welfare.*



## **DEPARTMENTAL COMMENTS**

The ACF concurs there is great potential for increasing child support collections by means of a systematic review of all cases for location and asset information. However, ACF does not endorse our recommendation for an annual data match since it goes beyond the requirements of the Family Support Act of 1988. The Assistant Secretary for Planning and Evaluation questions whether the recommended data match would provide useful information. The Assistant Secretary for Management and Budget comments that without cost data and cost-effectiveness measures being provided, it is questionable that the earnings of AFDC absent parents are sufficient to make their pursuit worthwhile.

## **OIG RESPONSE TO DEPARTMENTAL COMMENTS**

In 1987, we recommended an annual data match and estimated that AFDC child support collections would be increased by \$307 million annually. The OCSE concurred with the need for an active, aggressive approach to increasing collections on AFDC cases.

We believe an annual data match is vital to enforcing the Child Support Enforcement Amendments of 1984, which requires mandatory wage withholding of child support where the support is at least 30 days in arrears. These amendments also require child support orders provide health insurance for children where the absent parent has access to that coverage.

The current requirement that States make an annual attempt to locate absent parents through the Federal Parent Locator Service falls short of gathering the data necessary to impose wage withholding, or to establish health insurance for AFDC children who must otherwise rely on Medicaid. We believe that an annual data match might replace the current requirement since it provides more information to the IV-D agency.

State IV-D agencies also can access IRS data through Project 1099, which provides both location and wage information. However, this data can neither be disclosed to a third party, nor be used to modify child support court orders. The recommended data match avoids these pitfalls since SSA data can be used for child support enforcement purposes.

The longitudinal nature of this inspection shows the value of the SSA data over time. The age of the data does not appear to diminish its use as an indicator of which absent parents have earned, and continue to earn at significant levels. However, if more current data can be obtained instead of SSA data, we support its use. What is important is the tapping of all earnings data for absent parents, and performing this function on a regular, routine basis.

# APPENDIX A

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## AGENCY COMMENTS ON THE DRAFT REPORT




DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

Date: June 11, 1991

To: Richard P. Kusserow  
Inspector General

From: Jo Anne B. Barnhart   
Assistant Secretary  
for Children and Families

Subject: Comments on Office of Inspector General Draft  
Report, "Follow-Up on AFDC Absent Parents"

We agree with the basic finding that there is a great deal of potential for increasing child support collections through systematic case follow-up to establish, upwardly modify and/or enforce orders as appropriate. However, we disagree with your specific recommendations requiring mandatory annual data matches with IRS and SSA and ensuring that the information garnered through such matches is utilized to establish, modify and enforce court orders.

The Office of Child Support Enforcement (OCSE) requires States to utilize all possible resources at the State and federal level and move as quickly as possible to establish and/or enforce orders and get inequitable orders modified. In August, 1989, OCSE issued regulations prescribing standards for program operations which state IV-D agencies must meet. These rules impose requirements and timeframes for taking appropriate actions, including locating absent parents, establishment of support obligations, establishment of paternity and enforcement of support obligations. States were required to meet these standards by October 1, 1990.

Our specific comments concerning the report's recommendations follow:

OIG Recommendation:

The OCSE should perform an annual data match with SSA or Internal Revenue Service records relying on data submitted by the States. The OCSE should require all States to participate in the annual match unless a State performs its own annual, or more frequent, match. States performing their own match should be able to identify all absent parent wages and employers from reliable sources like States' employment records.

OCSE Comment:

This recommendation reflects our position that a systematic review of location and asset information should be conducted in

all cases to establish and enforce orders as well as determine which should be targeted for modification. We cannot, however, agree with your recommendation, since it goes beyond the review and modification requirements specified in the Family Support Act of 1988.

The Act specifies that State guidelines for setting child support award amounts be used as a rebuttable presumption in establishing the amount of child support orders and that these guidelines be reviewed at least every four years to ensure their application results in appropriate child support award amounts. The Act also requires that States must have a plan indicating how and when child support orders in effect in the States are to be reviewed and adjusted. Beginning October 13, 1993, States must review child support orders in AFDC IV-D cases no later than 36 months after the order or the most recent review, unless review would not be in the best interest of the child. In non-AFDC cases, States are required to review orders upon request of either parent. Adjustments to orders are to be in accordance with State guidelines for setting child support award amounts. Federal regulations implementing presumptive guideline requirements were issued May 15, 1991.

OCSE has expanded the availability, scope and efficiency of resources available to assist States in their performance of the functions associated with order establishment, modification and enforcement. These resources include the Federal Parent Locator Service (FPLS) and Project 1099.

The FPLS makes it possible for the States to access SSA and IRS information on a weekly basis (quarterly for the IRS, if the absent parent (AP) social security number (SSN) is unknown) and 49 State Employment Security Agencies (SESAs) on a quarterly basis. SSA provides employer names and addresses. They will not, because of an IRS confidentiality requirement, provide wage data to the FPLS. Instead, wage information from IRS comes through Project 1099. IRS provides individuals' names and addresses from their latest tax return. SESAs provide the most current employer address and quarterly wage information. The FPLS is currently limited to conducting four crossmatches and is limited in the number of cases that can be processed. Over 3 million cases were submitted to the FPLS in FY'90. Over 1.5 million cases have been submitted to date this fiscal year.

OCSE Project 1099 provides the States with quarterly access to IRS 1099 information, including AP address, wage and asset information as well as employer and financial institution address information. Over 1.8 million cases were submitted in FY'90. This has increased to over 1.7 million cases submitted for the first two quarters of this fiscal year. To participate

in Project 1099, the State must certify that it meets the stringent IRS requirements regarding the safeguarding of information. In addition, the State must certify that the information will not be disclosed to third parties or in litigation relating to the establishment and enforcement of child support obligations. For this reason, we do not mandate usage of Project 1099.

OIG Recommendation:

The OCSE should ensure that IV-D agencies use information in the annual match to establish, modify and enforce court orders, as appropriate, in accordance with the performance standards and the Family Support Act.

OCSE Comment:

OCSE auditors regularly review the performance of the States in meeting the requirements of the Child Support Enforcement Program. Ensuring that the performance standards aspect of the Act are carried out properly would be a routine part of this process.

In addition, we are constantly disseminating information memoranda, action transmittals, "Dear Colleague" letters, newsletters, etc., in an effort to provide States with as much information as possible on how to pursue child support in the most effective and efficient way possible. We will disseminate similar information in this instance, when appropriate.



TO: Richard P. Kusserow  
Inspector General

FROM: Assistant Secretary for  
Planning and Evaluation

SUBJECT: OIG Draft Report: Follow-Up on AFDC Absent Parents,  
OEI-05-89-01270

As requested, we have reviewed your draft report. We recommend that additional information be presented in the Background, Methodology, and Findings sections and that serious consideration be given to revising the report recommendations.

#### Background

Information should be added to this section which indicates that in the period under review--1985 through 1987--many of the Child Support Enforcement requirements discussed were not yet in effect. Guidelines were not mandatory until October 1989. Use of wage withholding for arrears cases was not fully implemented in all states until FY 1988. Periodic review and adjustment for AFDC cases is not mandatory until October 1993. While it is true that some states did undertake these activities prior to implementation of the 1984 Child Support Amendments and 1988 Family Support Act, most states were not required to use these tools or practices until the federal requirement went into effect. This information would clarify why some states may not have followed up on all information provided to them by the IG's office.

#### Methodology

More detailed information is needed in this section about the timing and flow of information from the IG's office back to the IV-D agencies. Dates need to be provided regarding when the information was provided and when the re-review was conducted. Based on the information provided, it is not clear whether IV-D agencies could have acted (or could have completed action) based on the information provided by the IG's office. It would also be helpful to identify the "age" of the information provided to the states. Although not indicated in the report, it would appear that the earnings and employment information may have been two to three years old before it was provided to the state and may no longer have been useful for follow-up purposes.

### Findings

- o While the first finding may be factually correct, the presentation of the information could easily lead one to assume that most AFDC absent fathers have substantial income. Your data shows this is not correct. The text should more clearly indicate that most AFDC absent parents (about 70 percent) show no earnings reported to the SSA in the three years examined in this study. Only 17 percent of the study population earned over \$10,000 in all three years and even smaller percentages earned over \$10,000 in one year or in each of two years (percentages cannot be computed from the text). Very few, only about five percent, showed substantial earnings gains during the period and the modal income is substantially lower than the average income. Also, it is not clear from the findings whether the AFDC absent fathers who did have employment for two or more years remained at the same job and/or same location over that period of time.
  
- o The findings regarding IV-D action on the 1,277 AFDC absent parents with earnings in 1985 need to be clarified.

First, the number of cases in each category (paternity, modification, arrears) and the number of cases which remain open as AFDC cases and non-AFDC cases need to be provided in order to make the percentage more meaningful. For example, under the paternity section, it is not clear how many cases remain open and how many of those are still AFDC cases. It is also not clear how many of the "referred" cases still had earnings by the time the cases were referred.

Second, use of averages can be very misleading when ascertaining how much could be obtained in child support collections. Some studies conducted before mandatory guidelines went into place indicated that low-income fathers tended to pay a higher proportion of earnings in child support than did higher-income fathers (Sonenstein and Calhoun, 1988 and Garfinkel and Wong, 1987). It would be more germane to indicate what proportion of men were paying within \$10-\$15 of the "simulated" guideline amount. It is also important to note that for a number of states, the "rate" used in the child support calculation is not a flat rate as it is in Wisconsin, but tends to decrease as income increases.

Third, the "arrears" discussion needs to indicate if all cases with earnings were amenable to wage withholding. Additionally, the same period of time should be used when comparing arrears collected and not collected. It is not

possible to tell whether the timeframe being used is 1985-1990 or 1985-1987. It is also not clear in how many cases arrearages were building during a period when the AFDC absent father had no reported earnings.

In sum, the report should be careful not to imply that the IV-D agencies were not responsive to the information provided by the IG, when all the facts are not known or at least not presented.

### Recommendations

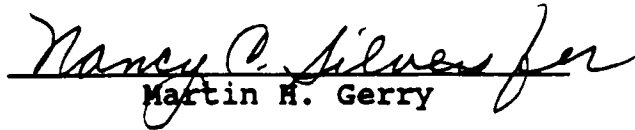
While we agree that automated data matches can provide important information necessary to work some cases, it would appear unrealistic, potentially costly, and unnecessary to perform annual data matches with SSA or IRS on every child support case in the system. Such matches would produce a glut of information which is out-of-date and not relevant to the next action needed on most cases. The performance standards, which went into effect in October of 1990, require that all cases where absent parents cannot be located be referred to the FPLS annually to try to obtain information sufficient to locate the absent parent. The FPLS has access both to SSA and IRS information. For other activities such as enforcement and establishment, the information available through state sources, such as the Department of Motor Vehicles or State Employment Agencies, would provide much more relevant and up-to-date information.

The recommendations should include a discussion of potential costs and benefits of performing such extensive matches. While such data matches are usually not expensive on a per case basis, it seems excessive to run annual matches to locate the 2 out of 4,637 absent parents who have unusually high earnings. This comes to a hit rate of less than 1/2 of 1 percent for individuals with incomes over \$50,000 per year and a hit rate of less than 10 percent for parents with incomes over \$30,000 per year. The cost to the states and Federal Government would have to be minimal or the increase in AFDC child support collections would have to be substantial in order for the benefits to exceed the costs. Note that costs of preparing information for a data tape and of reviewing the information from the SSA files to determine if it is more recent than anything else in the file would have to be included in any discussion of cost.



The second recommendation should be deleted. Through the audit, OCSE is already responsible for ensuring that states act in a timely and appropriate manner to obtain information and to establish and enforce child support orders. Since it is unclear that the annual match information is "complete, accurate, or up-to-date," requiring its use could be counterproductive.

If you have any questions, please call Jane Baird at 245-2409.

  
Martin H. Gerry

## MEMORANDUM TO THE INSPECTOR GENERAL

From *AM* Kevin E. Moley *Elizabeth M. Jones*  
Assistant Secretary for Management and Budget

Subject: OIG Draft Report: "Follow-Up on AFDC Absent Parents,"  
OEI-05-89-01270

We have reviewed the draft report entitled, "Follow-Up on AFDC Absent Parents" and have several concerns. These are discussed below:

Cost

We are concerned that the report does not contain cost data or cost-effectiveness measures for the annual matches in which all States would be required to participate. In the absence of such information, it is difficult to know if these approaches are justified--especially for every IV-D case in the nation--or if they are as effective as other matches available to the States. Given this, it seems questionable to require that all States participate in annual matching specifically against the IRS and SSA data bases, especially in light of how few absent parents in AFDC cases have earnings of a magnitude to make pursuit worthwhile.

We believe that the report should address the fact that cost data is not available at this time for these matches.

Age of the Data

We are also concerned that the information contained in the SSA and IRS data bases is relatively old compared to that in other data bases which States can access. The age of this data reduces its utility to IV-D agencies for locate purposes, and makes follow-up difficult.

Compounding this problem, the OIG used 1985 data to do its 1987 study, and data for 1986, 1987, and 1988 for its 1990 study. Thus, when States received information to follow-up, it was already an additional two or more years out of date. This appears to largely account for the low number of actions States were able to take after receiving the data; State inaction does not appear to be the problem. The report needs to clarify that this was the case. Similarly, the methodology should note that matches for the same individual across several years were only available for a small percentage of the caseload examined. This

should be highlighted to offset the perception likely to be obtained by the casual reader that far more absent parents have earnings than actually do.

This suggests, again, that matching against the SSA and IRS data bases may be another tool for some cases, but not necessarily a tool with universal applicability.

### Redundancy

Third, we would note that since the original study was done, the Family Support Act has been passed and the Child Support Standards for Program Operations regulations published.

Under the Standards for Program Operations regulations, published in August, 1989, all States are already required, at least annually, to submit to the Federal Parent Locator Service (FPLS), which includes the IRS and SSA data bases, cases in which location is needed and for which previous attempts at location have failed. Thus, States are already required to do some referral to the recommended data bases, largely removing the need to mandate a new national matching program.

Also as a result of the new law and regulations, States are now required to review and modify child support cases on a regular basis, and to use State guidelines to set support levels. States must also take appropriate actions in establishing paternity, and locating absent parents and enforcing support orders within specific timeframes. Together, we believe that the statute and the regulations obviate the need for the report's second recommendation, that OCSE ensure that IV-D agencies use information garnered from the matches to establish, modify and enforce court orders.

# APPENDIX B

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OFFICE OF INSPECTOR GENERAL RESPONSE TO AGENCY COMMENTS

## **REPONSE TO ACF COMMENTS**

While supporting the need for a systematic review of location and asset information, ACF does not support the recommendation for an annual review since it goes beyond the scope of the Family Support Act of 1988. The ACF feels that access to this information through the Federal Parent Locator Service (FPLS), and through Project 1099, a way of accessing IRS information, should provide the information IV-D agencies need.

However, both of these efforts limit the data available to IV-D agencies. The FPLS is limited in the total number of cases it can process, and in the number of crossmatches it can perform. Project 1099 puts restrictions on the use of its information, so its diminished value in establishing or modifying court orders mitigates against its use for this purpose.

We feel an annual data match is vital to enforcing the Child Support Enforcement Amendments of 1984, which requires mandatory wage withholding of child support where the support is at least 30 days in arrears. These amendments also provided that health insurance for children be provided where the absent parent has access to that coverage. The current requirement that States make an annual attempt to locate absent parents falls short of gathering the data necessary to impose wage withholding, or establish health insurance for AFDC children. We believe that an annual data match might replace the current requirement since it provides more information to the IV-D agency.

## **REPONSE TO ASPE COMMENTS**

In order to judge whether IV-D agencies had sufficient time to take action on the cases provided them in 1987, the ASPE wished to know when our review took place.

- ▶ We requested the SSA earnings records in 1988, with 1986 and 1987 data then available. Our on-site review at the State IV-D agencies did not take place until the summer of 1990. The IV-D agencies had at least 2 1/2 years to take action on the cases referred to them.

The age of the information given to the IV-D agencies is also questioned by ASPE.

- ▶ Our view is that this follow-up report shows how extremely valuable this information is. Once absent parents reach a certain level of income, the tendency is to maintain that level of earnings.

The ASPE suggests that our first finding could have pointed out that 69 percent of the AFDC absent parents did not have income over \$10,000, and that very few earned over \$10,000 each year.

- ▶ This is not correct since we were reporting only on . "hard-core" AFDC cases, at least 2 years old, where there was no court order, or the monthly court order was \$50 or less per child, or where arrears existed. As our initial series of studies demonstrated, these cases were not being pursued at all by the IV-D agencies, since they were not considered to be "productive" cases.

Our intent is to demonstrate that through the use of a data match, IV-D agencies would be able to locate those absent parents with the ability to contribute toward their AFDC children, through cash and medical insurance.

If all AFDC absent parents were included in our inspection, we would have expected to find a much larger percentage of absent parents earning over the threshold amount.

The ASPE suggests that the actual number of paternity, modification and arrears cases be provided instead of percentages.

- ▶ Some cases overlapped categories (e.g., modification and arrears), so the actual numbers were omitted to avoid confusion that might occur when the total of the individual categories would exceed the 1,277 actual absent parents reviewed.

The ASPE comments that using averages of earnings can be misleading in determining the amount of a court order, and that in actual percentages, low-income fathers tended to pay more in child support than higher income fathers.

- ▶ We used a very simple formula purely as an illustration. We applied the formula only to cases where the absent parent earnings suggested a child support order approximately three times or greater than the current order. We did not study the phenomenon of disproportionate percentages suggested by ASPE.

The ASPE suggests that cases in arrears where the absent parent is working may not be "amenable" to wage withholding.

- ▶ The Child Support Enforcement Amendments of 1984 require immediate wage withholding on cases where the child support is 30 days in arrears, and make no provision for determining "amenable" cases.

The ASPE suggests the timeframe for computing arrears was unclear.

- ▶ Chart 4 shows the actions taken on cases from the time we originally gathered data to our on-site review of the same cases in mid-1990.

The ASPE states there is no way to tell if arrears accrued during a period when the absent parent had no earnings.

- ▶ This study does not attempt to capture that data.

The ASPE questions the value of pursuing these cases in this manner.

- ▶ As OCSE has shown, the age of recently-obtained SSA data is irrelevant since it coincides with the quarterly State wage information in more than 80 percent of the cases. While we support the use of any complete and current data to accomplish a systematic review of child support cases, there are limitations to the FPLS, IRS, and State wage information. We suggest the SSA data as one alternative that avoids the pitfalls associated with other sources.

We have not performed a cost-benefit analysis. However, based on our 1987 studies, we estimate that AFDC child support collections would increase by more than \$307 million annually. Of that annual increase, the Federal share would be \$103 million.

The ASPE suggests deleting the final recommendation that calls for OCSE to monitor the data match through the audit process.

- ▶ We feel that when a systematic data match is required for IV-D agencies, OCSE should have the responsibility to ensure compliance and that appropriate action is taken on cases identified.

## REPONSE TO ASMB COMMENTS

The age of the information given to the IV-D agencies is questioned by ASMB.

- ▶ Our view is that this follow-up report shows how extremely valuable this information is. Once absent parents reach a certain level of income, the tendency is to maintain that level.

The ASMB comments that without cost data and cost-effectiveness measures being provided, it is questionable that the earnings of AFDC absent parents are sufficient to make their pursuit worthwhile.

- ▶ We have not performed a cost-benefit analysis. However, based on our 1987 studies, the annual AFDC child support collections would increase by more than \$307 million. Of that the Federal share would be \$103 million.

The ASMB feels that due to the OCSE performance standards, and the Family Support Act of 1988, the recommendations may be redundant.

- ▶ We feel that without an annual data match, State IV-D agencies will waste valuable time pursuing location leads where there is no chance at all to establish, collect or modify court orders. At present, an annual FPLS match gives IV-D agencies a plethora of data with no way to judge which lead is important.

The annual data match we propose will obtain the same location information for the absent parent, with the added benefit of distinguishing which absent parent had no earnings and which one had earned \$25,000 annually each of the last 3 years.