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CHILD SUPPORT ENFORCEMENT

Strong Leadership Required to Maximize Benefits of Automated Systems





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**Accounting and Information
Management Division**

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The Honorable Henry J. Hyde
House of Representatives

The Honorable Lynn C. Woolsey
House of Representatives

This report responds to your request that we update our 1992 report entitled Child Support Enforcement: Timely Action Needed to Correct System Development Problems ([GAO/IMTEC-92-46](#), Aug. 13, 1992). Specifically, we addressed (1) the status of state development efforts, including costs incurred, (2) whether the Department of Health and Human Services had implemented our 1992 recommendations, and (3) whether the Department was providing effective federal oversight of state systems development activities. This report makes several recommendations designed to increase the likelihood that states will develop child support systems that perform as required and to minimize the risk of costly technology decisions and wasted federal and state expenditures during the development and implementation of these systems.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from the date of this letter. At that time, we will provide copies to the Secretary of Health and Human Services; the Director, Office of Management and Budget; appropriate congressional committees; and the state child support enforcement offices included in this review. We will also make copies available to others upon request.

You can reach me at (202) 512-6253 or by e-mail at willemsenj.aimd@gao.gov if you have any questions concerning this report. Major contributors to this report are listed in appendix V.

A handwritten signature in cursive script that reads "Joel Willemsen".

Joel C. Willemsen
Director, Information Resources Management

Executive Summary

Purpose

According to the Department of Health and Human Services (HHS), the number of child support cases in which collections are being made is about 20 percent. As a result, millions of children may not be adequately provided for or may need to rely on welfare. Child support payments will become even more important to recipients who may cease to be covered by welfare under recently enacted legislation.

In an attempt to increase collections of child support, the Congress in 1980 authorized federal funding to pay up to 90 percent of states' costs for operating and developing automated child support enforcement systems. This has amounted to over \$2 billion to date. Concerned about how effectively this money has been spent, Representatives Henry J. Hyde and Lynn C. Woolsey asked GAO to update its 1992 report on this subject,¹ examining (1) the status of state development efforts, including costs incurred, (2) whether the Department of Health and Human Services had implemented GAO's 1992 recommendations, and (3) whether the Department was providing effective federal oversight of state systems development.

Background

The Office of Child Support Enforcement (OCSE) is part of HHS' Administration for Children and Families. The Child Support Enforcement Program was established in 1975 to help strengthen families and reduce dependence on welfare by helping to ensure that the responsibility for supporting children was placed on parents. The states operate programs to locate noncustodial parents, establish paternity, and obtain support orders, along with enforcing actual collections of those court-ordered support payments. The federal government—through OCSE—funds 66 percent of state administrative and operating costs, including automated systems, as well as 90 percent of expenses associated with planning, designing, developing, installing, and/or enhancing automated systems.

The Family Support Act of 1988 required that statewide systems be developed to track determination of paternity and child support collections; it set a deadline of October 1, 1995, for implementation and federal certification of such systems. However, only a handful of states met the deadline. The Congress then passed legislation extending the deadline by 2 years, to October 1, 1997.

¹Child Support Enforcement: Timely Action Needed to Correct System Development Problems (GAO/IMTEC-92-46, Aug. 13, 1992).

To meet the criteria for federal funding, state systems were required to carry out the following specific functions: case initiation, case management, financial management, enforcement, security, privacy, and reporting. In determining whether a state met these criteria, OCSE reviewed the advance planning document (APD) that each state had to develop and submit, describing its proposed system.

To obtain a broad picture of systems development in the states, GAO analyzed OCSE and state documents concerning systems development, visited and conducted structured interviews with officials responsible for systems development in 6 states and 1 county, held a focus group discussion with child support enforcement personnel from 14 states and 1 county, and surveyed all 10 HHS regional offices. GAO also discussed systems issues with HHS and OCSE officials and staff, both in Washington, D.C., and at five regional offices.

Results in Brief

It is too early to judge the potential of fully developed automated systems, yet bringing the benefits of automation to bear on child support enforcement appears to have played a major role in locating more noncustodial parents and increasing collections. As caseloads have risen sharply in recent years, the percentage of cases in which funds are being collected (about 20 percent) has been maintained. The increase in total dollars collected has been significant. According to HHS, in fiscal year 1995, almost \$11 billion was collected—80 percent higher than the amount collected in 1990.

While automated state child support systems are being developed, many may not be certified by the October 1, 1997, deadline. As of March 31, 1997, only 12 states' systems had been certified. In fact, OCSE's director of child support information systems predicted that as many as 14 of the states—which account for a significant proportion of the nation's total child support caseload—may miss the October 1997 deadline. Furthermore, states have underestimated the magnitude, complexity, and costs of their systems projects. Costs have increased rapidly in the past 5 to 6 years. Systems development costs for fiscal year 1995 alone were just under \$600 million, and over \$2.6 billion has been spent since 1980 for county and statewide systems development.

GAO's 1992 report discussed significant problems in federal oversight and monitoring of state activity and made three recommendations. However, only one has been completely implemented: OCSE now works with its audit

division to identify and resolve systems problems. GAO's recommendations to (1) suspend federal funding when major problems exist and (2) require states to initiate corrective actions when problems are first identified were only partially addressed.

OCSE's oversight of state child support systems has been narrowly focused and, as a result, not effective or timely in assessing the states' systems approaches and progress. The agency does not evaluate or assess states' systems development projects using a disciplined, structured approach. OCSE believes it lacks the technical expertise and resources to be involved at critical points in the systems development process. The agency's role has been primarily limited to document review and after-the-fact certification when the states request an inspection of completed systems. Therefore, OCSE has allowed some funds to be spent without ensuring that states were progressing toward effective or efficient systems. And, while OCSE has shared some lessons learned, its oversight has operated on a state-by-state basis. Lacking this nationwide perspective has hindered the agency's ability to provide proactive leadership to the states.

As added systems functional requirements of the newly enacted welfare reform legislation come into play, it will be increasingly important that child support enforcement systems work as envisioned and that OCSE monitor progress on a broader scale. Many recipients may find that they no longer qualify for welfare benefits, with child support being their only remaining income.

Principal Findings

Systems Yielding Benefits, Deadlines May Not Be Met

Automating child support information systems appears to have improved caseworker productivity, allowing automatic searches of other databases—including those containing motor vehicle registrations, state revenue information, and new employee registries—and eliminating the need to develop voluminous paper documentation. Automated systems also help track court actions relating to paternity and support orders and amounts of collections and distributions.

These benefits, however, have been expensive. Since 1980, states have spent a combined \$2.6 billion on automated systems—with \$2 billion of this total being federally funded. Individual state estimates of how much

will be required to complete their systems are, in many cases, double initial projections.

The 12 states that currently have certified systems represent only 14 percent of the national caseload. Many of the larger states that OCSE believes may miss this year's deadline have officially reported to OCSE and to the HHS Office of Inspector General that they will meet the date. If they do not, about 44 percent of the national caseload will not be gaining the benefits of full automation.

Problems Impede Progress; Earlier GAO Recommendations Not Fully Implemented

Federal and state governments and private industry recognize that investing time and resources in defining system requirements has a large program payoff in the development of systems that are completed on time, are cost-effective, and meet the needs of their users. Since major systems decisions hinge on such baseline requirements, these must be known early in the systems development process. OCSE was expected to develop federal requirements for state child support enforcement systems by 1990, yet final requirements were not issued until June 1993. According to OCSE, the delay was caused by its own failure to use an incremental approach in defining requirements and a long review process.

OCSE's delay in providing states with final systems requirements slowed some states' progress in developing their systems and contributed to contractor problems. One state official noted that the delay contributed to many contract modifications and, eventually, to the contract's termination. According to officials of another state, late functional requirements and unrealistic deadlines increased costs and delayed the project. In addition, one of HHS' regional offices stated that "states began their projects prior to receiving final requirements; however, [they] were reluctant to finalize anything until the requirements were issued."

Increased software reuse is an effective means of improving the productivity of computer software development, improving the reliability of the software itself, and reducing development time and cost. In October 1990, OCSE mandated that states transfer systems currently in use in other states. However, it took this step before assessing the availability of sufficient systems to be used in such transfers. In fact, only eight certified systems were then in operation—and they were based on the 1984 amendments. No automated systems had been certified based on the more extensive 1988 act, making it highly unlikely that the available systems

would be suitable for transfer to other states.² As a result, many states attempted to transfer incomplete and/or incompatible systems, causing added costs and delays.

Finally, OCSE decided not to fully implement GAO's 1992 recommendation to suspend federal funding when major problems existed and require states to implement corrective actions as soon as problems were identified. OCSE recently stated that it requires corrective action when problems are noted but explained that it did not consider withholding funding because it believes the federal government should work with the states in rectifying deficiencies. However, it will now temporarily hold up funding; this has been done with several states when variations in cost figures were found or when OCSE had concerns about the system's direction.

Inadequate Federal Oversight Hinders State Systems Development

OCSE does not effectively use the APDS to proactively oversee, monitor, or control major investments in systems development projects. The APD and the states' annual updates—advance planning document updates (APDUS)—are the basic communications and analysis tools that OCSE uses in assessing the progress and status of states' systems, and whether systems meet necessary functional requirements. OCSE does not require a disciplined, structured approach for developing or reviewing systems because, according to agency officials, it lacks the technical expertise and resources needed to be involved at critical points in the development process. Instead, OCSE primarily focuses on assessing whether states are meeting systems functional requirements and will meet the October 1, 1997 deadline.

A disciplined, structured approach to systems development entails finite phases that must be completed and assessed before moving forward. For example, systems planning and analysis must precede design, design must precede development, and development must precede implementation. These are major milestones at which one would expect and be able to judge progress and determine whether any corrective actions are necessary. If work proceeds before an earlier phase is complete, problems can arise from condensing the work of two or more phases into one time period, thereby truncating the process. While states may provide OCSE—in their APDS or APDUS—with information on all phases of their systems development, and OCSE and HHS regional officials may discuss these phases

²The Child Support Enforcement Amendments of 1984 authorized the federal government to provide states with 90-percent funding for computer hardware and software to operate certified automated child support systems. The Family Support Act of 1988 ended the 90-percent funding as of September 30, 1995.

with state officials, the agency has not used this information effectively at important milestones to assess system progress and redirect inadequate state development efforts, losing an opportunity to correct problems early in the process.

A critical factor is whether the APD plans are properly carried out and reflect what the states are actually doing. State officials noted that the APDS are not useful for managing systems development. According to one, “[APDS] are an administrative exercise to justify obtaining funding.” With OCSE’s emphasis on deadlines, states are often forced to present inaccurate—some feel impossible—schedules if they are to continue receiving funding.

Further, while OCSE is required by law to certify state systems, these certification reviews come too late for timely redirection of systems development if needed.³ Since the agency conducts certification inspections upon state invitation, OCSE is rarely in a position to promptly intervene and solve problems. When the agency does note problems, correction at that point will inevitably be more time-consuming and expensive than it otherwise may have been.

In general, OCSE’s state-by-state monitoring approach inhibits effective leadership. Because of the magnitude of the child support caseload, the complexity and importance of the automated systems, and the large amounts of funds invested, a broader, nationwide oversight that would look for common themes, lessons learned, and systemic problems, is essential for this program’s success. Without this perspective, it is difficult to help states manage systems and control costs. Post-implementation reviews after state certification would also give OCSE insight into systems issues and help it to further assist the states’ developmental efforts. With additional funding from the welfare reform legislation, OCSE now plans to conduct post-implementation reviews.

Welfare Reform Increases Need for Strong Federal Leadership

New welfare legislation enacted last summer—the Personal Responsibility and Work Opportunity Reconciliation Act of 1996—dramatically altered the nation’s welfare system into one that requires work in exchange for time-limited assistance. Since child support is an integral part of welfare reform, the states are required to operate a child support enforcement program meeting federal requirements in order to be eligible for

³OCSE is required to certify that the states’ systems meet the functional requirements as described in the agency’s implementing regulations.

Temporary Assistance for Needy Families block-grant funding.⁴ Guidance the states need to prioritize systems requirements and changes is not yet available. OCSE plans to release the functional requirements on an incremental basis—issuing requirements on selected systems components as soon as policy decisions are final. This will be critical if states are to meet welfare reform’s new requirements for their systems while at the same time working to complete basic child support enforcement systems. Another demand on systems development will be ensuring that new statewide child support enforcement systems, as well as existing systems that interface with the new systems, process date-sensitive information correctly in the year 2000 and beyond.⁵

Recommendations

GAO is making several recommendations to increase the likelihood of developing state automated child support systems that will perform as required. To maximize the federal government’s return on costly technology investments, GAO recommends that the Secretary of Health and Human Services direct and ensure that the Assistant Secretary of the Administration for Children and Families take the following actions:

- develop and implement a structured approach to reviewing automation projects so that significant systems development milestones are identified and the costs of project decisions are justified during the entire effort;
- suspend federal funding for any state that is experiencing delays and problems and that is not following generally accepted systems development practices until the state redirects its approach;
- conduct post-implementation reviews to identify any lessons learned, to ensure that OCSE incorporates into its oversight role a nationwide assessment of child support systems that provides a broader perspective on costs, systemic problems, potential solutions, and innovative approaches; and
- assess the impact of welfare reform on existing child support programs and develop timely technical requirements focusing on critical systems changes needed by established deadlines.

GAO is also making other recommendations that are contained in chapter 6.

⁴This replaced the Aid to Families With Dependent Children program.

⁵Many older systems that will still be in operation in 2000 were programmed using 2 digits to represent the year—such as “97” for 1997. In such a format, 2000 is indistinguishable from 1900.

Agency Comments and GAO's Evaluation

GAO requested written comments on a draft of this report from the Secretary of Health and Human Services or her designee. The Department's comments stressed the difference in perception between the Department and GAO regarding the appropriate role of HHS' Administration for Children and Families. Notwithstanding this difference, HHS generally agreed with GAO's recommendations that OCSE evaluate its technical resources, conduct post-implementation reviews, assess the status of systems nationwide, and define in a timely manner the requirements arising from recent welfare-reform legislation.

In addressing the question of role, HHS commented that it sees OCSE's role as one of assisting states in meeting congressionally-mandated deadlines for certification of automated child support enforcement systems. The Department disagreed with GAO's view that OCSE should provide more active, involved monitoring and oversight of state activities in this area, especially at critical points in the development cycle. Along with questioning the appropriateness of suspending funding for problem projects, officials further stated that making the recommended changes in the monitoring process would increase the administrative burden on states.

GAO believes that HHS has interpreted OCSE's role too narrowly, failing to take adequate responsibility for helping to ensure the success of state systems, especially in light of the \$2.6 billion expended on child support enforcement systems—\$2 billion of it in federal funds. By taking a reactive approach toward oversight—reviewing state progress annually or only upon request after major decisions have been made—OCSE does not monitor systems projects at key points in their development, thereby missing the opportunity to intervene and help redirect states when problems arise. As a result, federal dollars have been invested unwisely on projects that were allowed to proceed in the wrong direction.

In terms of administrative burden, GAO believes that the streamlining it is advocating would not impose an additional administrative process on states. In any event, HHS officials did not address the burden—on states, support recipients, and the federal government—of failing to effectively complete development of these systems.

These comments are discussed in chapter 6, and reprinted in appendix IV.

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Abbreviations

ACF	Administration for Children and Families
AFDC	Aid to Families With Dependent Children
AIMD	Accounting and Information Management Division
APD	advance planning document
APDU	advance planning document update
CFR	Code of Federal Regulations
GAO	General Accounting Office
HHS	Department of Health and Human Services
IMTEC	Information Management and Technology Division
OCSE	Office of Child Support Enforcement
SSAIS	State System Approval Information System

Introduction

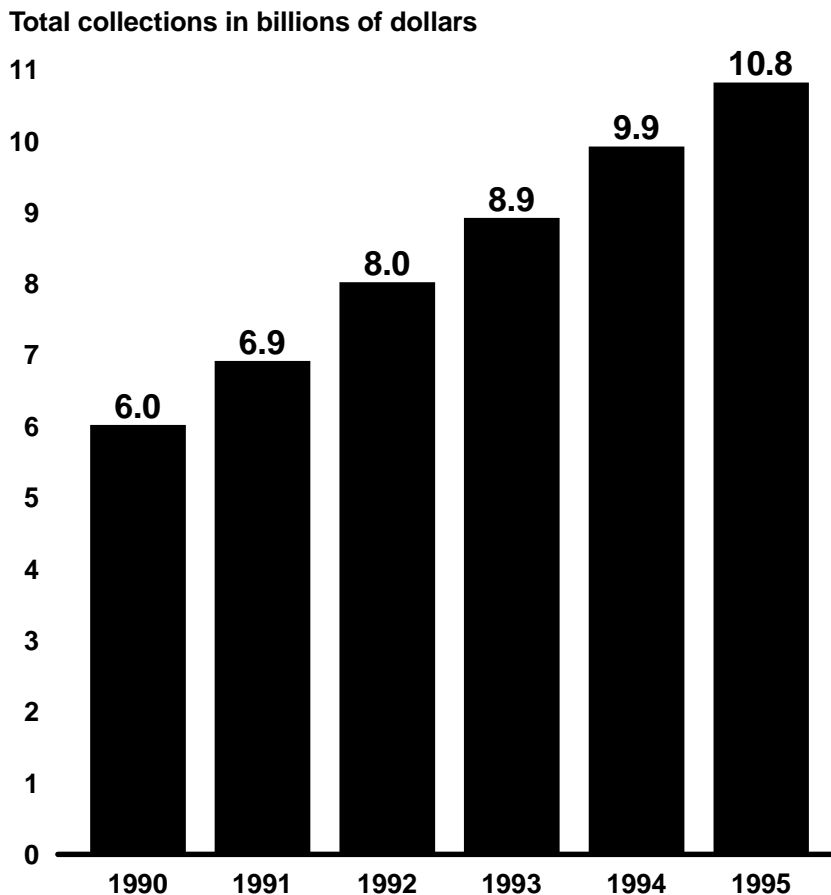
The general well-being of children and families is a critical national policy goal. Current priorities are aimed at protecting children and preserving families, including meeting the needs of millions of parents who annually seek child support for their eligible children. However, when noncustodial parents fail to provide financial support, millions of children must rely on welfare programs. In 1995, over 9 million of the 13.6 million people receiving benefits from the Aid to Families With Dependent Children (AFDC) program were children.¹

The Child Support Enforcement Program

The Congress created the national Child Support Enforcement Program in 1975 as title IV-D of the Social Security Act. This intergovernmental program involves federal, state, and local governments. The Department of Health and Human Services' (HHS) regional office staff and the Office of Child Support Enforcement (OCSE) oversee the state-administered programs. The purpose of the program is to increase collections from noncustodial parents and reduce federal, state, and local welfare expenditures. As shown in figure 1.1, reported collections in fiscal year 1995 were 80 percent higher than they were in 1990.

¹As of July 1, 1997, AFDC will be replaced by the Temporary Assistance for Needy Families block grant.

Figure 1.1: Total Child Support Collections, Fiscal Years 1990-1995



Source: Child Support Enforcement—Twentieth Annual Report to Congress (draft), for the period ending September 30, 1995 (HHS/ACF/OCSE). We did not independently validate this information.

The number of reported child support cases has also increased 60 percent—from 13 to 20 million cases over that same time period. As a result, according to HHS, the number of cases in which collections are being made has remained about 18 to 20 percent.

Families entering the Child Support Enforcement Program require different combinations of services at different times, and child support enforcement agencies are directly responsible for providing these services. For instance, in some cases the child's paternity has not been established and the location of the alleged father is unknown. In these cases, the custodial parent needs help with every step: locating the alleged father, establishing paternity, obtaining and enforcing a child support order, and collecting the support payment. In other cases, the custodial parent may already have a child support order; in such a case, the child support enforcement agency must review and possibly modify the order as a result of changes in the employment status or other circumstances of the noncustodial parent before tackling enforcement.

State child support enforcement programs are organized in significantly different ways. They report to different state agencies and follow different policies and procedures. In addition, relationships between the state child support enforcement programs and other state agencies differ. These characteristics usually vary by the type of service delivery structure, levels of court involvement required by state family law, population distribution, and other variables. For example, some state child support agencies manage their programs centrally (operating a number of state offices), while others allow the counties or other governmental entities or even private companies to manage the programs locally.²

States Are Developing Federally Funded Information Systems to Support the Program

Growing caseloads, increased costs, and social demands have given rise to the need to implement expedited processes for establishing and enforcing payment of child support. As such, automation was (and still is) seen by many, including the federal government, as an effective tool for addressing this need. In 1980, the Congress promoted the development of automated systems that could improve the performance of the child support program. Public Law 96-265 authorized the federal government to pay up to 90 percent of the states' total costs incurred in planning, designing, developing, installing, or enhancing these systems.³ The systems are required by OCSE to be implemented statewide and be capable of carrying out mandatory functional requirements, including case initiation, case management, financial management, enforcement, security, privacy, and

²Child Support Enforcement: Early Results on Comparability of Privatized and Public Offices (GAO/HEHS-97-4, Dec. 16, 1996).

³For the purposes of this report, the term systems refers to the hardware and software components of the child support enforcement systems.

reporting.⁴ Incorporating these requirements can help locate noncustodial parents and monitor child support cases. Since 1981, the federal government has spent over \$2 billion for automated systems to assist states in collecting child support.

The Family Support Act of 1988 mandated that by October 1, 1995, each state have a fully operational automated child support system that meets federal requirements. At that time, the 90-percent development funding was to be discontinued. In addition, if a state did not have its system certified as fully operational by this date, the act declared that the state's child support program may have its program funding reduced. However, by October 1, 1995, only five states had met the deadline. Therefore, the Congress passed Public Law 104-35, extending the deadline to October 1, 1997.

Developing child support enforcement systems is a joint federal and state responsibility.⁵ In providing most of the funding for systems, the federal government, through OCSE, is responsible for providing leadership, technical assistance, and standards for effective systems development. OCSE is also responsible for assessing states' automated systems and ensuring that states are effectively using the 90-percent funding.⁶

To receive 90-percent federal funding for the development of an automated child support enforcement system, a state is required to develop and submit an advance planning document (APD) to OCSE, describing its proposed system. The APD is reviewed by OCSE's Division of Child Support Information Systems and by HHS' regional, program, and financial management staff to ensure that the proposed system incorporates the minimum functional requirements and will meet federal, state, and user needs in a cost-effective manner. After the APD is approved, OCSE provides 90-percent funding for the project and monitors its progress. Federal regulations and OCSE guidance (1) require states to update their APDS when projects have significant changes in budget or scope and (2) give OCSE the authority to suspend funding if a state's development

⁴A functional requirement is a requirement that specifies a function that a system or system component must be able to perform.

⁵In HHS' state systems advance planning document guide, the agency notes that the administration of this program is a cooperative endeavor, with federal and state governments working together to implement information systems. HHS provides leadership and direction and is responsible for approving, monitoring, and certifying states programs—and ensuring that federal funds are spent wisely.

⁶The federal government provides 66 percent of the costs incurred by states for operating child support programs, which includes operating and obtaining automated systems. The "enhanced" funding of 90 percent is paid to develop systems.

does not substantially adhere to its approved plan. When the state considers its system complete, a state official requests that the federal government certify that its system meets requirements. After certification, a state is authorized to receive additional funding to maintain its operational system.

Recent Welfare Reform Legislation

While states are still trying to meet the challenges of the 1988 act, they are also faced with newer challenges. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires that states implement specific expedited and administrative procedures intended to expand the authority of the state child support agency and improve the efficiency of state child support programs. In order to comply with the expedited processes requirement, states have to meet specific time frames for establishing paternity and establishing and enforcing support orders.⁷ Under current law their statewide systems must automatically perform specific locate, establishment, enforcement, and case management functions and maintain financial management, reporting, and under the new law states' security and privacy functions.⁸ In addition, under the new law states must enhance their current statewide systems to electronically interface with other federal and state agencies. This is needed to establish, for example, central case registries and new-hire directories. Therefore, to successfully comply with the welfare reform legislation, it is critical that the states and OCSE have fully operational child support systems in place.

Objectives, Scope, and Methodology

In 1992, in response to a request from the Senate Committee on Finance, we reviewed HHS' oversight of states' efforts to develop automated child support enforcement systems. In August 1992, we issued a report citing major problems with oversight and monitoring of these development efforts.⁹ We reported that while taking timely corrective action on known problems is critical to developing well designed automated systems, OCSE had not required needed changes in some states facing serious systems problems. We, therefore, made recommendations to HHS for improvement. On June 20, 1996, Representative Henry J. Hyde requested that we conduct

⁷States must (1) establish support orders within 6 months of service in 75 percent of title IV-D cases needing orders and within 12 months in 90 percent of cases, (2) take action to enforce delinquent orders within 30 days (or 60 days if service is needed), (3) send advance notice of income withholding within 15 days of location, and (4) meet additional time frames for interstate cases.

⁸For example, states must establish automated registries of child support orders and directories of newly hired employees to track and locate parents owing support.

⁹Child Support Enforcement: Timely Action Needed to Correct System Development Problems (GAO/IMTEC-92-46, Aug. 13, 1992).

a follow-up review. Later, Representative Lynn C. Woolsey joined in this request.

Our specific objectives were to determine (1) the status of automated state systems, including costs, (2) whether HHS had implemented our 1992 recommendations, and (3) whether HHS was providing effective federal oversight of state systems development.

To accomplish these objectives, we reviewed federal laws and regulations on OCSE's oversight of state development of automated systems. We assessed OCSE systems guidelines, policies and procedures, and correspondence with the states. We also interviewed officials in OCSE's Office of Child Support Information Systems and Division of Audit to discuss their continued roles and responsibilities in overseeing the planning, development, and implementation of state child support enforcement systems.

To update our knowledge of automated systems issues, we analyzed state planning documents, OCSE certification reports, and state audit reports of automated systems. In addition, we reviewed financial reports produced by OCSE's statistical and reporting systems; however, we did not independently verify data contained in these reports. We coordinated with the HHS Office of Inspector General and reviewed, analyzed, and summarized the results of its nationwide child support systems state survey. We also interviewed selected contractors developing and implementing child support enforcement systems. Further, we conducted a focus group of 18 state officials, representing 14 states (California, Connecticut, Delaware, Georgia, Iowa, Louisiana, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New York, Ohio, and Texas) and Los Angeles County to determine the benefits, barriers, and solutions to developing automated child support systems.

We performed our work at OCSE headquarters in Washington, D.C. We also surveyed all 10 HHS regional offices and visited 5 (Atlanta, Dallas, Denver, New York, and Philadelphia) to gain an understanding of the history of each state's development effort and of OCSE's role in providing regional oversight and technical assistance. Further, we visited six states (Alabama, California, Massachusetts, Ohio, Texas, and Washington) and Los Angeles County. We selected these locations based on the following criteria: levels of funding requested, methods used to develop systems (e.g., in-house, contractor, and combination of in-house and contractor), caseload, geographic location, phase of development (e.g., pilot, implementation,

enhancement, in operation), and level of certification. During our site visits we assessed the systems' status, best practices, and barriers to implementing systems using relevant components of our system assessment methodology.¹⁰ We also reviewed various state and contractor systems-related documents and correspondence and interviewed state agency officials.

We conducted this work between August 1996 and March 1997, in accordance with generally accepted government auditing standards. We requested written comments from the Secretary of Health and Human Services or her designee. The Inspector General provided us with written comments, which are discussed in chapter 6 and reprinted in appendix IV.

¹⁰The System Assessment Framework: A Guide for Reviewing Information Management and Technology Issues in the Federal Government (GAO/AIMD-10.1.12, August 1996).

Systems Yield Benefits, but Deadline May Not Be Met

Many states have made progress in their automation projects, and state officials report that the systems have already demonstrated benefits. However, some states' costs are twice as high as originally estimated, and the extent of final costs is not yet known. Progress in developing systems varies—some states have automated many features, while others are in the earlier phases of development and may not be certified or operational by the October 1, 1997, deadline.

Automated Systems Appear to Be Helping States

According to state program and systems managers, child support enforcement systems have improved program effectiveness and worker productivity by automating inefficient, labor-intensive processes and monitoring program activities. Systems have improved efficiency by automating the manual tasks of preparing legal documents related to support orders and calculating collections and distributions, including interest payments. Further, automated systems can help locate absent parents through interfaces with a number of state and federal databases more efficiently than could the old, manual process. These systems have also improved tracking of paternity establishment and enforcement actions. The following examples show specific reported improvements in program performance since states began developing their automated systems.

- According to one systems official, while it is difficult to attribute benefits entirely to the system, “the system has changed the way business is done in the child support office.” The automated system assisted the state’s staff in increasing the number of parents located from almost 239,000 in fiscal year 1995 to over 581,000 in fiscal year 1996—a reported increase of 143 percent. Additionally, while using the system from July 1994 through December 1996, the staff increased the number of support orders established by over 78 percent, the number of paternities established by almost 89 percent, and child support collections by almost 13 percent.
- Officials from another state noted that staff performance increased with the new system because it gives staff a new tool to use to improve their productivity. Collections per employee have more than doubled—from about \$162,000 to \$343,000 annually. The system has also helped the state reduce the time required to process payments: The turnaround time for checks for nonwelfare custodial parents dropped from 29 days to processing a payment in only seconds and issuing checks within 24 hours.
- Officials from the same state also reported that the automated system allowed cases to be viewed on-line by several individuals simultaneously, eliminating the bottlenecks created by manually searching, retrieving, and

delivering hard copy case files. Before the state implemented its new system, 11 percent of the child support staff was dedicated to the manual process of retrieving files.

Billions Spent for Automated Systems Not Yet in Compliance With Federal Mandates

States have spent billions of dollars on automated child support enforcement systems. Costs for developing and operating these systems continue to mount, while progress in developing systems varies. Despite the escalating costs, only 12 systems have been certified, and as many as 14 states may not meet the October 1997 deadline.

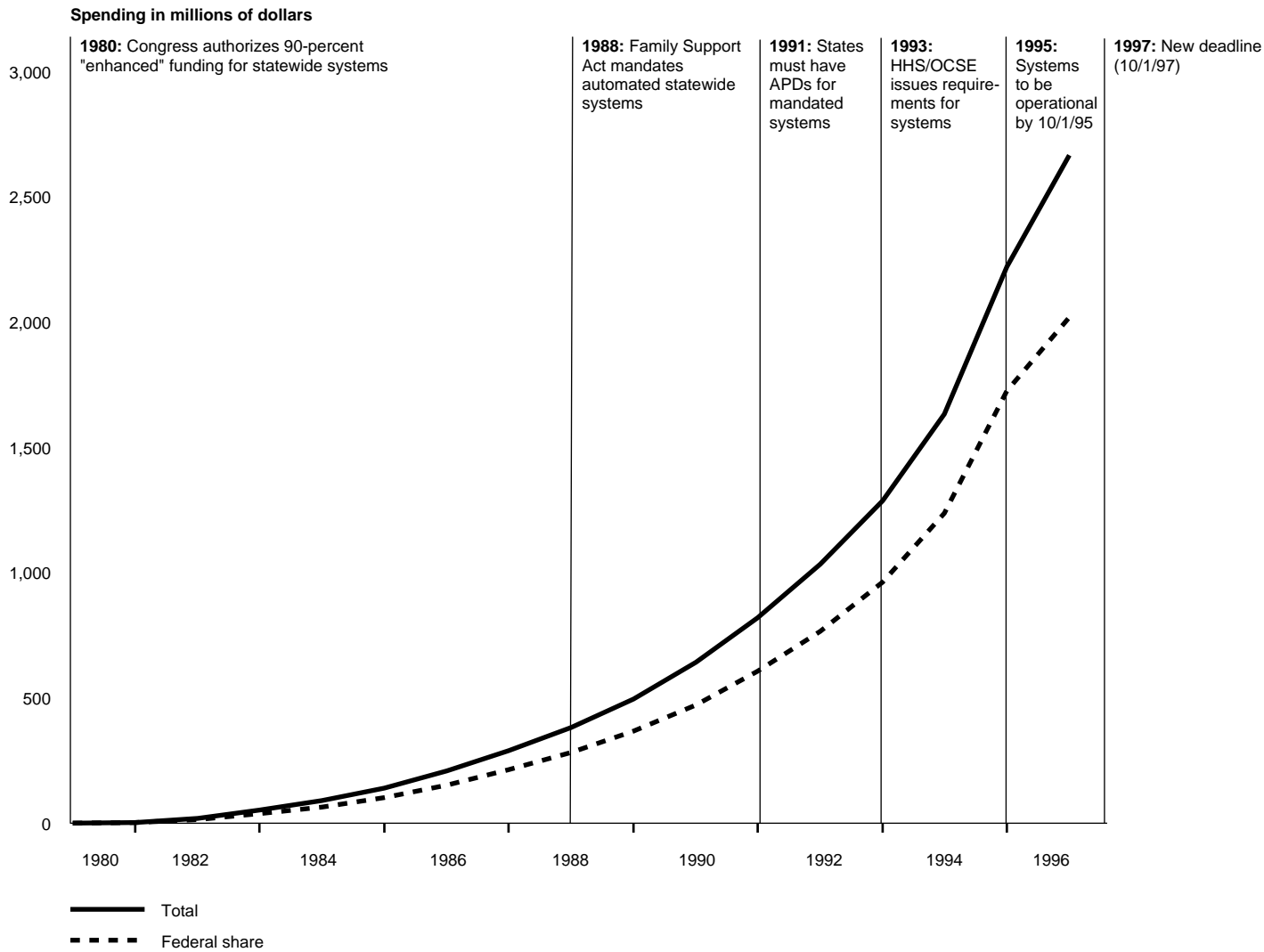
Systems Costs Continue to Increase; Vary Widely From State to State

According to OCSE records, states have spent over \$2.6 billion since the early 1980s to develop, operate, maintain, and modify county and statewide automated child support systems. Of these costs, the federal government has paid 66 to 90 percent of states' systems costs, amounting to more than \$2 billion. Since 1980, federal expenditures for child support enforcement systems have risen dramatically. Figure 2.1 shows the history of federal funding for these systems from fiscal year 1981 through fiscal year 1996. As the chart reveals, federal spending escalated as states began working to comply with the 1988 act. Appendix I provides the total reported costs for each state's child support system and the federal and state shares of those expenditures, and appendix II provides the enhanced and regular federal expenditures.¹

¹We did not independently validate OCSE's state and federal child support systems costs.

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Figure 2.1: Cumulative Funds Spent on Child Support Enforcement Systems, Fiscal Years 1981-1996



Note: We did not independently validate funds spent on child support enforcement systems.

Source: HHS.

Although the 90-percent enhanced funding ended on October 1, 1995, the Congress later retroactively extended it to October 1, 1997, for those states having approved enhanced funding in their APDS as of September 30, 1995.

States generally underestimated the costs of developing and operating child support enforcement systems. During our seven site visits, we compared the projected costs in the original APDS with the most recent estimates. While two sites' original estimates were fairly accurate, the remaining five were significantly understated. For example, in total, current cost estimates for the states we visited are about twice as high as originally planned. In addition, at least 10 states are now discovering that their systems will cost more to operate once they are completed. While these states expected cost increases as a result of added system functionality, increased information storage, and the use of sophisticated databases, estimated operating costs for some new systems may be even higher than anticipated. For example, one state's initial estimate showed the new system's data processing costs would be three to five times higher than that of the old system. However, according to a state official, those costs will likely be six to seven times higher than the current system's operating costs. Operating that state's new system may cost nearly \$7 million more annually than the old system.

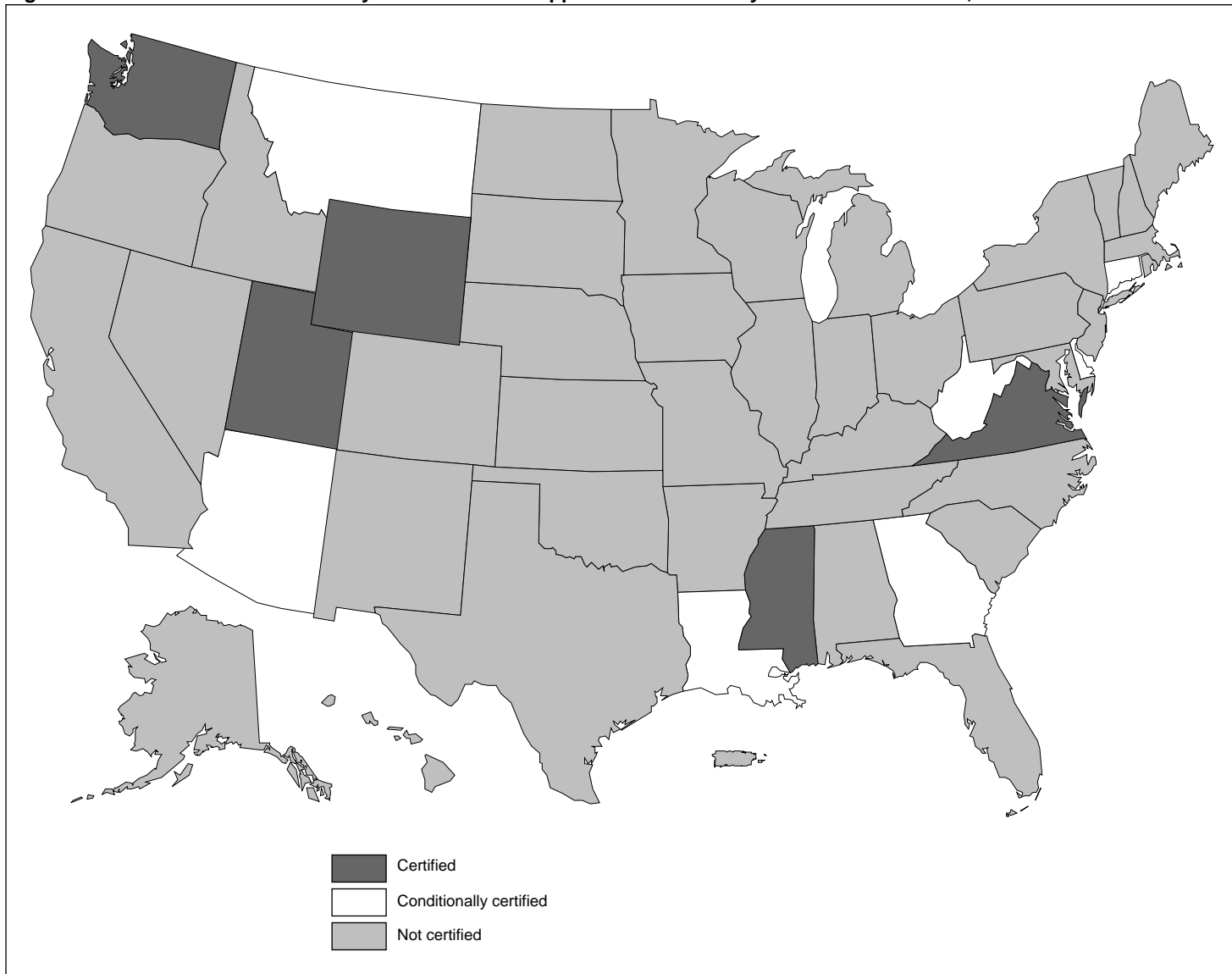
Further, costs for developing and operating child support systems have varied greatly among the states—from a low of \$1.5 million to a high of \$344 million. The difference can be attributed to a variety of factors, including caseload size, whether the states or the counties administer the child support program, the number of attempts states made to develop child support enforcement systems, the way the systems were developed—by modifying an existing system or developing a new one, and the kind of system being developed.

Few States Certified as Deadline Approaches

Only five systems were certified and seven conditionally certified as of March 31, 1997. OCSE grants full certification when a system meets all functional requirements and conditional certification when the system needs only minor corrections that do not affect statewide operation. Figure 2.2 indicates which states have certified and conditionally certified systems as of March 31, 1997.

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Figure 2.2: Certified and Conditionally Certified Child Support Enforcement Systems as of March 31, 1997



Source: HHS.

The certified and conditionally certified states represent only 14 percent of the nation's reported child support caseload. Further, according to OCSE's director of state child support information systems, as many as 14

states—6 with caseloads over 500,000—may not have statewide systems that fully meet certification requirements in place by this October 1. These states represent 44 percent of the nation's child support caseload. OCSE does not yet know how long it will take or how much it will cost to bring these states into compliance with federal requirements. In addition, 2 of these states that chose to update their existing systems rather than develop new child support enforcement systems may need to redesign their systems.

Responding to an HHS Office of Inspector General survey, 36 of the 42 states³ that are not certified reported that they will meet the 1997 deadline. However, this task may well present a challenge for many of them. While almost two-thirds of the states reported that they were either enhancing operational systems to meet certification requirements or in the conversion or implementation phases, the remaining one-third of the states responding to the 1996 survey stated that parts of their systems are only in the design, programming, or testing phases of systems development—with major phases to be completed, including conversion and statewide implementation.⁴ State systems officials in our focus group considered conversion to be one of the most difficult problems and a barrier to successful implementation.

³We are using the term state to refer to the 50 states plus the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

⁴The Office of Inspector General's survey was sent to the states in April 1996 and completed and returned by August 13, 1996.

Problems Impeded Earlier Progress as Recommendations Not Fully Implemented

All too often an organization's inability to take basic but necessary steps to decrease systems development risks leads to failure. Problems consistently identified in reviews by GAO and others include information systems that do not meet users' needs, exceed cost estimates, or take significantly longer than expected to complete. In its efforts to assist in the development of automated, statewide child support enforcement systems, OCSE is no exception. The agency did not define requirements promptly, adequately assess systems issues prior to mandating a transfer policy, or seek to identify and aggressively correct problems early in the development process. The lack of sound, timely federal guidance, coupled with some states' own inadequate systems approaches, caused systems development activities to proceed with increased risks.

Delayed Functional Requirements Slowed Progress

The federal and state governments and private industry recognize that an investment of time and resources in requirements definition has the biggest program payoff in the development of systems that are on time, cost-effective, and meet the needs of its users. Major systems decisions hinge on baseline requirements; these requirements, therefore, must be defined early. Without them, reasonable estimates of the scope, complexity, cost, and length of a project cannot be adequately developed.¹ In addition, failure to clearly and accurately define requirements may preclude alternatives, restrict competition, and further increase the risk of cost and schedule overruns.²

According to OCSE's director of state child support information systems, the agency was expected to develop federal requirements for the statewide systems by October 1990. However, OCSE did not publish federal regulations—which described in general the program and automated systems—until October 1992. The agency did provide draft systems development guidance—functional requirements—to the states, but it was not disseminated until July 1992. OCSE did not provide the states with final systems functional requirements until June 1993.³

¹Mission Critical Computer Resources Management Guide, Defense Systems Management College (September 1988).

²Information Technology: An Audit Guide for Assessing Acquisition Risks (GAO/IMTEC-8.1.4, December 1992).

³Automated Systems for Child Support Enforcement: A Guide for States, U.S. Department of Health and Human Services, Administration for Children and Families (Revised June 1993). (This guide replaced draft guidance distributed in July 1992.)

OCSE acknowledges that the federal requirements were late; it attributes this primarily to its not using an incremental approach in releasing the requirements to the states. Rather than issuing certain requirements as they were defined, it waited until all requirements could be issued together. This was done because OCSE believed that certain underlying policy issues needed to be resolved before requirements could be made final and released. In addition, because OCSE's minimum requirements were extensive and difficult policy issues needed to be resolved, the review and approval process also contributed to the delayed issuance of requirements. According to OCSE, it took time to assess policy issues, determine the most effective way to automate related changes, and accurately define related requirements. For example, according to OCSE, before it could even begin to define requirements related to the replacement of monthly mail-in notices (e.g., of a client's child support status) with telephone recordings, complex policy decisions had to be considered.

Another example of a policy issue needing resolution, according to OCSE, was related to guidance on financial distributions. For instance, OCSE had to assess how systems would handle the required "\$50 pass-through" policy of the program.⁴ This policy states that the first \$50 of current child support payments collected for a child also covered under Aid to Families With Dependent Children (AFDC) must be delivered to the mother of that child rather than to the state AFDC office. While this policy sounds simple, it presented a certain degree of administrative complexity, especially for cases in which support payments were not made on time. In such a case, regardless of how many months a payment has been in arrears, only \$50 (for the current month) goes directly to the mother.

We have indicated in the past that an agency in the process of defining and analyzing requirements should assess the impact of changes on other organizational elements;⁵ therefore, we agree that policy issues such as these must be addressed prior to developing detailed requirements. We also agree with OCSE that where possible, it should have made final and issued certain requirements sooner, using an incremental approach.

⁴The "\$50 pass-through" (also referred to as the "\$50 disregard") is the amount collected and distributed as payment to families and disregarded in consideration of welfare program eligibility. The \$50 pass-through was eliminated effective October 1, 1996, by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

⁵GAO/IMTEC-8.1.4, December 1992.

Delays in issuing final systems functional requirements meant more than just a late start; they compounded other problems. Uncertainties about final requirements slowed some states' development activities and contributed to contractor problems. Seven of the 10 regions we surveyed indicated that the delay in requirements had an adverse effect on their states' development. The following excerpts illustrate the impact of the delay on certain state projects.

- An official of one region (representing four states) indicated that the requirements were issued much later than needed and ranked the “lack of timely final functional requirements” the number one impediment to states' systems development. This official added that all four of its states “wanted better clarification in black and white as to . . . what the system should look like, how it should operate . . . etc.” The regional official added that its states were “left to figure this out for themselves, then they [had] to pass a certification review that is totally subjective in the areas of functionality and level of automation.”
- Another regional official said that all five of its states began their projects prior to receiving final requirements; however, they were reluctant to finalize anything until final requirements were issued. Another HHS regional official said, “the delay in getting official regulations published impacted contracts with the vendors and was an embarrassment to ACF [Administration for Children and Families] [yet, because of the deadline imposed], development efforts went forward.”
- Still another region surveyed indicated that requirements were somewhat late and, for four of its six states, this was an impediment. However, a regional official alluded to strong contractor relations as one of the primary reasons that the delay was not a problem (but otherwise could have been) for two of the region's states. The official stated, “the effect of timing on [these two states was] unique. Each was building one system that supported a few offices throughout each jurisdiction. Each also had a fairly good working relationship with its vendor. Because of the nature of the projects, the type of environment and working relationship with the vendor, [both states were not as affected by the delay].”

Likewise, during our visits to individual states, four of them attributed their systems development problems to late functional requirements. One state official noted that the late functional requirements and short time frames contributed to development delays and increased costs. Another state noted that the delay in functional requirements contributed to many changes in the contract and, eventually, to contract termination. Finally, in one state, the child support systems' development contract had to be

amended to address modifications to the functional requirements. In fact, three work segments in the contract had to be added as a result of these modifications, increasing project costs by at least \$210,000 due to reprogramming.

The HHS Office of Inspector General has similarly reported that several states experienced systems problems as a result of late functional requirements.⁶ In response to the Office of Inspector General survey, one state official noted that the state's system was designed to meet the requirements set out in the draft guidelines; once the final requirements were issued, the state had to shift to a new initiative and virtually start over. Another state official said ". . . the late issuance of the certification guide was a major factor in the decision to delay statewide implementation of the system. The delay in receiving the guide caused [the state] to compress the development cycle of [its] subsystem, putting a higher risk on the success of the overall system."

Premature Policy Mandate Also Delayed Development, Increased Costs

In addition to being hindered by the delay in functional requirements, states encountered delays in developing systems and incurred more costs as a result of OCSE's policy requiring states to transfer systems. Two years after the passage of the 1988 act, OCSE required states to "transfer" existing child support systems from other states or counties rather than building entirely new systems. While certainly a reasonable approach for saving money, at the time of this policy mandate, only a few available systems had been certified as meeting OCSE's old requirements and no systems were certified based on the more extensive 1988 act. As a result, states had difficulty transferring these systems and adapting them for their own programs. OCSE had intended for the transfer policy to be an efficient method of building systems; however, in many cases, the transfer policy actually slowed systems development and led to increased systems costs when states attempted to transfer incompatible, incomplete, or inadequately tested systems.

Policy Mandate Poorly Planned and Implemented

Before issuing its transfer policy, OCSE did not perform sufficient analyses to support the requirement that states transfer systems. By not thoroughly evaluating the available alternatives, OCSE had no assurance that states would be able to transfer systems in an effective and efficient manner. As a result, states were faced with choosing from a limited number of

⁶Implementation of State Child Support Certified Data Systems, Department of Health and Human Services, Office of Inspector General (OEI-04-96-00010, April 1996).

systems, some of which were incomplete or unsuitable for their systems environments.

OCSE established the transfer policy on October 9, 1990; it said that all states must transfer a child support system from another state or county. OCSE noted that states needed to review other states' systems and determine how these systems varied from their own systems requirements. According to OCSE, this sharing of technology among states would decrease the installation time for automated systems and reduce the risk of systems failures due to poor system design or inadequate planning.

The transfer policy required states to reuse software. Software reuse can be an appropriate part of systems development projects. According to the National Bureau of Standards, one of the most effective means of improving the productivity of software development is to increase the proportion of software that is reused. Reusable software not only increases productivity, but also improves reliability and reduces development time and cost. However, many technical, organizational, and cultural issues usually need to be resolved before widespread reuse of software should be mandated.⁷ In this case, this was not done.

If properly implemented, OCSE's transfer policy could have saved states time and money in developing child support systems. As early as 1987, we reported that sharing state systems could save OCSE time and money.⁸ However, we also noted at that time that OCSE had not adopted standards or provided adequate oversight of states' efforts to develop compatible and transferable automated systems. Careful and detailed alternatives analyses are required prior to selecting software to be transferred. Analyses should consider functional requirements; standardization of data elements; compatibility of software and hardware platforms; and other factors, such as caseload processing, organizational structure, state and contractor expertise and skills, and any unique state requirements. For alternatives, state agencies should consider only completed systems that have been tested, validated, and successfully used in operation to ensure that benefits will be achieved.

Two factors intensified the need for adequate planning for software reuse: states' different organizational structures and methods of administering the program and the magnitude of changes required by OCSE's

⁷William Wong, *Management Guide to Software Reuse*, Department of Commerce, National Bureau of Standards' Special Publication 500-155 (April 1988).

⁸Letter to the Administrator, Family Support Administration, HHS, Feb. 20, 1987 (B-221220).

implementation of the 1988 act. Since states administer the federal child support program, each state determines how its program will be organized and operated. These differences in state programs affect systems development. For example, county-administered states faced an additional challenge in complying with the 1988 requirement to have one statewide child support system. Those states had to build systems that considered the needs of users in all of their county offices, complicating system design. Careful planning for software reuse was especially important. Under the 1988 act and implementing regulations, states were required to obtain and track more detailed information on each absent parent, child, and custodial parent. OCSE mandated that states transfer systems before making the requirements final, so they were unable to first evaluate the ability of the transfer systems to meet those requirements.

Despite its lack of requirements, oversight, and alternatives analyses, OCSE mandated the transfer policy without performing sufficient analyses or feasibility studies of existing certified systems as potential transfer candidates. Only eight certified systems were available when the mandate was issued, and these were certified based on the 1984 requirements. At the same time, no automated systems were certified based on the more extensive 1988 act, making it highly unlikely that the available systems would be suitable for transfer to other states. While, in July 1994, OCSE changed its transfer policy making it optional, this was after most states had attempted to transfer systems and when systems efforts had progressed further.

Only one state we visited noted that it had successfully transferred another system. It was among the last to transfer a system, initiating the transfer in 1994. Moreover, the state began its project after the final federal requirements were issued, conducted thorough analyses of three potential systems, and transferred a system that had already been certified as meeting the 1988 requirements. In addition, the system selected was the result of a successful, earlier transfer from another location.

However, some states we visited did not take as thorough an approach and faced difficulties in attempting to transfer existing child support systems.

- One project team we visited spent almost \$400,000 attempting to transfer a system from another state, only to discover that the transfer was not possible because the system was not compatible with its existing operation.

- Another state's official explained that, to meet the mandate and the 1995 deadline, his state attempted to transfer a system that was immature, incomplete, and inadequately tested. While the state started to implement parts of the transfer system, the entire system was not delivered until a year later, increasing project costs.
- Yet another state attempted to have a contractor modify a transfer system that was also incomplete. Later, the entire effort was abandoned, wasting over a million dollars and contributing to a delay of several years.

The HHS Office of Inspector General recently reported that 71 percent of states said that their attempts to transfer a system delayed, rather than enhanced, development of an automated system. In response to that survey, one state official noted, “. . . when we began our project there were no systems certified to the 1988 level. We chose one state's system as our transfer model and wasted about a year documenting all of its deficiencies in order to justify not transferring it.” In addition, we were told by officials in several other states that they transferred only concepts from other systems—that the amount of computer code actually transferred was negligible.

GAO Recommendations Only Partially Addressed Despite Delays and Escalating Costs

In our 1992 report, we stated that efforts to develop child support enforcement systems were plagued by problems, particularly in the area of federal oversight provided to states.⁹ According to laws and regulations, OCSE is responsible for continually reviewing and assessing the planning, design, development, and installation of automated systems to determine whether such systems will meet federal requirements. OCSE is required to monitor 90-percent federally funded child support systems to ensure that they are successfully developed and are cost-effective. If this is not the case and if a state is not substantially adhering to its approved plan, OCSE is authorized to suspend federal funding.

Past compliance reviews conducted by OCSE's systems division identified many deficiencies with states' development of automated child support systems and escalating costs. For example, development of three severely flawed systems continued at a total cost of over \$32 million before they were stopped and redirected by OCSE. Rather than directing needed remedial actions when these problems were identified, OCSE informed the states of the deficiencies yet continued to fund the systems based on states' assurances that the problems would be addressed. Further, OCSE's

⁹GAO/IMTEC-92-46, Aug. 13, 1992.

systems division did not routinely use audit division reports to help monitor development because it was not required to do so.

In 1992, we recommended that OCSE (1) work with the audit division to identify and resolve systems-related problems, (2) use its authority to suspend federal funding when major problems existed, and (3) require states to implement needed corrective actions when first identified. Despite the seriousness of the problems we identified in 1992 and recurring problems since then, the only recommendation fully implemented by OCSE was the first one, regarding working with the audit division to identify and resolve systems-related problems. OCSE reviews audit reports prior to certification visits and the auditors are now members of the certification review teams. In addition, officials in both the systems and audit areas stated that communication and coordination between the two have improved substantially since our 1992 report.

Even though systems costs were escalating, OCSE did not fully implement the other two recommendations. It continues to assert that the federal government should work with the states to correct deficiencies rather than take enforcement actions. However, law and regulations require that OCSE monitor the 90-percent federally funded child support systems to ensure that they are successfully developed. OCSE is authorized to suspend federal funding if a state is not substantially adhering to its approved plan. While HHS regional staff noted that OCSE either held up, reduced, or stopped funding to 18 states since the 1988 act, almost 60 percent of these reported disruptions were due to insufficient information on the required APD or the state's exceeding its authorized funding level. OCSE believes that suspending funds is counterproductive to helping states meet the deadline.

Even when funding was held up for major systems-related problems, efforts to correct these problems did not appear to be timely. For example, one HHS regional official suggested to OCSE that it hold up funding for projects in his region, yet, according to this official, the agency did not stop any funding until one of those projects' "initial efforts crashed." In another instance, OCSE had serious concerns about the status and future direction of one state's project, staffing levels, and methods of incorporating changes in code. As a result, it held up funding for several months. However, some problems were not identified until 2 years into the project's life cycle; as of the end of our review, OCSE was still working with the state to resolve them. In another case, OCSE identified problems with poorly documented code, inadequate planning and guidance, and contract management but did not stop federal funding.

Chapter 3
Problems Impeded Earlier Progress as
Recommendations Not Fully Implemented

According to OCSE's systems division director and analysts, states have primary responsibility for developing their systems and therefore the federal government should not assume a primary role in directing how states should develop systems and remedy problems. We disagree with OCSE's approach of continuing to fund systems with serious problems that endanger the projects' success. Such an approach involves the risk of needing to fix serious problems later in the development process, when it is much more costly and time-consuming to do so.

Inadequate Federal Oversight and Leadership Continue to Hinder States' Development Efforts

Because of the complexity, costs, and large caseloads associated with the child support program, effective development of automated systems requires continuing oversight and strong leadership. Yet despite the pressure that federal and state agencies are under to improve their child support enforcement services, the development of statewide automated systems is hampered by ineffective federal leadership and some inadequate state development approaches. Major mechanisms OCSE uses to oversee states' systems development projects include reviews of the states' advance planning documents (APDS); advance planning document updates (APDUS); and certification reviews, which are assessments to determine if projects meet federal requirements. While these reviews provide OCSE information on states' plans for designing automated systems, the agency does not effectively use the APDS to oversee, monitor, or control the systems development projects, and the certifications are performed too late in the process to detect and correct problems.

In short, critical systems development decision points are not monitored by OCSE and reviews of states' systems are primarily focused on determining whether all federal requirements have been met. Further, OCSE has not completed nationwide analyses or post-implementation reviews to effectively assess lessons learned, hindering its ability to provide more thorough, helpful leadership. OCSE acknowledges these facts, yet cites a management approach that holds states responsible for developing their systems; OCSE believes it lacks the technical expertise and resources needed to be involved at critical points in the development process.

APD Use Inadequate to Redirect States

While the review of APDS is one of OCSE's principal vehicles for monitoring states' systems activities, the agency's review is inadequate for systems monitoring because OCSE does not require a disciplined, structured approach for developing or reviewing systems. As such, the APDS are not used to measure systems development progress at key decision points; rather, according to state officials, APDS are used primarily as a funding approval mechanism only, requiring the states to report information and plans on the basis of a deadline that may or may not be realistic. Consequently, systems problems may go undetected until much later in the process when they are considerably more difficult and expensive to correct.

APDS are written plans of action submitted by states to request federal funds for designing, developing, and implementing their systems. According to an OCSE guide, the three primary purposes of the APD process

are to (1) describe in broad terms a state's plan for managing the design, development, implementation, and operation of a system that meets federal, state, and user needs in an efficient, comprehensive, and cost-effective manner, (2) establish system and program performance goals in terms of projected costs and benefits, and (3) secure federal financial participation for the state.¹ The document contains the state's statement of needs and objectives, requirements analysis, and alternatives analysis. The APD also sets forth the project management plan with a cost-benefit analysis, proposed budget, and prospective cost allocations. To obtain continued federal funding throughout the system's life, a state submits an APDU to report the system's status and to request additional funding—annually or, if needed, more frequently.

Public Law 100-485 requires that states submit APDS to OCSE and that based on the APDS, OCSE review, approve, and fund information systems. This review focuses on ensuring that each state incorporates the minimum functional requirements by the legislatively mandated date of October 1, 1997. OCSE is also required to review the security requirements, intrastate and interstate interfaces, staff resources, hardware requirements, and the feasibility of the proposed plan. HHS regional staff support OCSE by monitoring states' development efforts and, at times, assist the states in preparing their APDS and APDUS. In addition, regional staff provide states technical assistance and suggestions to help the states comply with systems requirements.

A well-defined, disciplined structure for systems development, covering the status of systems at critical design points, is key to preventing software development problems and encouraging strong, effective management oversight. For example, phases include systems planning and analysis, design, development, and implementation. These are major milestones in any system development project and are to be used to identify risks, assess progress, and identify corrective actions needed before proceeding to the next phase. Appendix III provides an overview of typical systems development phases. The key is to identify system risks and problems early in the design, in order to avoid major failures and abandoned projects, and to help ensure that major segments do not have to be extensively recoded or redesigned.²

¹State Systems APD Guide, Department of Health and Human Services, Administration for Children and Families and Health Care Financing Administration (September 1996).

²GAO/AIMD-10.1.12, August 1996.

While states recognize the benefits of using a structured systems development approach and may provide OCSE with information on each of these phases in their APDUS, OCSE does not effectively use this information for determining the adequacy or progress of the systems development projects. APDUS are revised annually, rather than corresponding to major system phases. According to OCSE's director of state child support information systems, the agency has not monitored the projects using a structured approach because it lacks the technical expertise and resources needed to be involved at critical points in the development process. Recent funding from the welfare reform legislation has allowed OCSE to conduct more frequent reviews; it is critical to assess systems development activities at each phase and to identify problems and any potential risks early, before moving forward to the next phase.

Further, OCSE has not provided specific guidance describing the information needed in the APDUS to assess different phases of development. For example, while OCSE requires that the states provide schedules of systems development activities, these schedules—formats, descriptions, and structure—vary from state to state and, even within a state, may vary from year to year, making it difficult to effectively assess state progress and monitor systems development. Specifically, some APDUS do not provide information on how much data have been converted, code written, modules produced, nor portions and results of the modules tested, again hindering OCSE's ability to effectively measure progress.

While state officials indicated that the APDUS were useful for budgetary purposes, officials at six out of seven locations we visited said that APDUS are not useful in helping them manage their systems developments. "They are an administrative exercise to justify obtaining funding," said one. Officials also noted that the deadline seemed to be OCSE's primary concern; even when the deadline seemed impossible to meet, the states were forced to present inaccurate schedules.

**Problems in State
Development Approaches
Not Corrected or
Redirected**

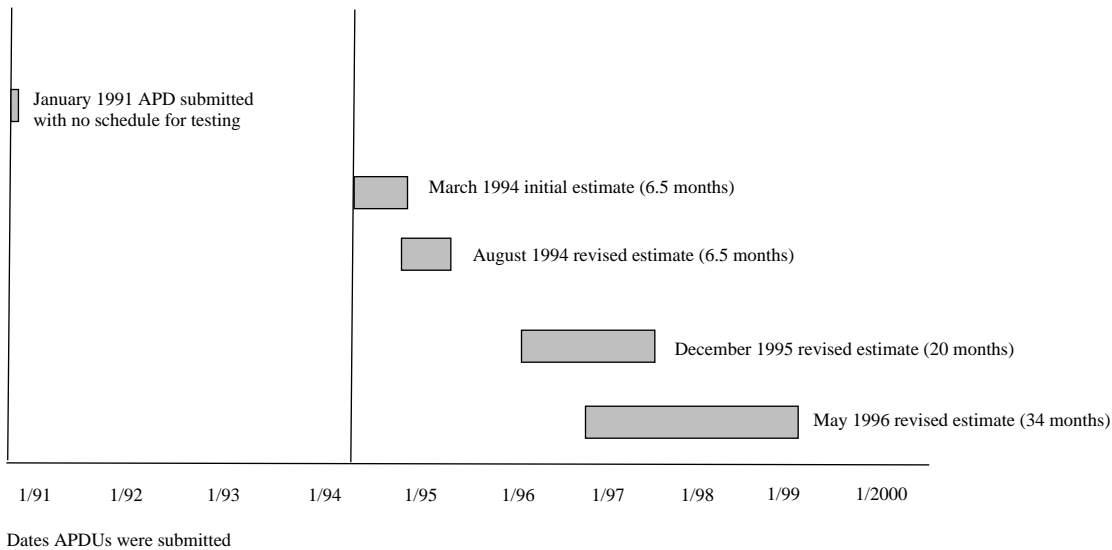
Because of the significant financial investment in information systems and their crucial role in helping locate noncustodial parents, a structured systems development approach is essential to reducing major systems risks. In several instances, even when states' APDUS contained adequate information to identify significant problems in approach, OCSE has not required the states to correct the deficiencies. As a result, more money was spent and systems underwent further development without

**Chapter 4
Inadequate Federal Oversight and
Leadership Continue to Hinder States'
Development Efforts**

disciplined, structured systems development approaches, increasing the likelihood of system failures.

In the case of one state we visited, as shown in figure 4.1, despite three revisions to time estimates for systems testing, OCSE approved each updated estimate. Only after the state officials told OCSE that delays and problems were occurring did the agency, in November 1996 and in February 1997, review systems progress. State officials told us that they wanted the OCSE review to identify that the time for testing was insufficient to support the state in vendor discussions, yet the agency had not, as of March 31, 1997, reported on this matter. According to OCSE's director of child support information systems, the review focused only on one specific functional requirement and was not a comprehensive systems review, and would not, therefore, address the software testing issue.

Figure 4.1: State Plans for Software Programming and Unit Testing



Source: State's child support enforcement systems advanced planning document updates.

In systems development, building and testing sections of computer code and then using test results to refine the software are critical.³ Testing results need to be considered in correcting errors and improving identified inefficiencies. Despite this essential need for systems testing, in the example in figure 4.1, OCSE continued to approve the APDUS and fund the project, without assessing the increasing risks. The APDUS also showed that the state was not following a structured systems development approach and was developing software while at the same time attempting to integrate software in preparation for systems testing. According to this state's systems project director, the project's costs increased from \$30 million to over \$50 million, in part because of the poor quality of software developed. If work on a later phase proceeds before an earlier phase is completed, one risks problems from condensing work and truncating the process. Completion of the automated system is now uncertain.

In another state we visited, OCSE had ample indication that the state's system was experiencing difficulty, yet failed to act until just recently. In August 1993, the state initially scheduled implementation to last until April 1996—a period of 39 months. The estimated completion date was subsequently extended twice—first in September 1995 by an additional 10 months (to February 1997), and then again in October 1996 by an additional 5 months (to July 1997). These extensions, taken together, prolonged the implementation phase by almost 40 percent, from an initially envisioned 39 months to 54 months. The 1995 updated estimate should have signaled to OCSE that the state's system needed help. However, not until the state requested a substantial increase—\$133 million in project costs—did OCSE, in January 1997, question the state's systems progress. According to OCSE's director of child support information systems, the agency should have visited this state sooner to provide technical assistance. Given that the October 1996 update judged implementation to be less than half finished, it is questionable whether the July 1997 target is even realistic.

OCSE has not effectively provided program oversight by detecting and redirecting states' approaches that are inadequate and threaten successful systems development. When planning and developing a system, a state must ensure that it meets users' needs, provides the intended benefits to users and their constituencies, and is developed on time; otherwise, it will not be effective.⁴ Gaining commitment and support from key

³GAO/AIMD-10.1.12, August 1996.

⁴GAO/AIMD-10.1.12, August 1996.

decisionmakers is particularly important for states developing child support systems because they serve a variety of users—district attorneys, county and state officials, and court officers. Key users’ needs should be considered, and general agreement is critical in developing systems’ requirements and design. However, not all states clearly defined their functional requirements and user needs.

In one state, the system design was insufficient because it did not clearly define functional requirements and did not gain the support and involvement of key county officials. While OCSE reviewed requirements and reported minor deficiencies, it did not mention any serious problems in the state’s systems development approach. Yet just 1 year later, after the state had an independent contractor conduct a risk assessment of the project, state officials acknowledged that the approach needed to be completely revamped. According to OCSE’s director of child support information systems, the agency’s review for this state focused only on whether functional requirements were being met rather than the systems approach being followed. She further noted that the state is responsible for developing the system and obtaining system buy-in from the users. Because of OCSE’s large financial investment in systems—the approval of \$154 million for this state alone—and the importance of gaining user acceptance for successful systems development, we believe the state and federal agencies are both responsible.

Two states we visited also encountered similar problems by not involving all key players—program, systems, and management officials—in the decision-making process. In one state, the information resources management official was not involved in the systems planning and implementation. Later a disagreement occurred in policy decisions related to operating the system, resulting in an abrupt change in management of the system. Consequently, the project’s direction is uncertain and the system conversion progress has been delayed. Another state allowed its child support program office to develop its system without ensuring that key officials with technical program and managerial expertise were adequately involved. Systems problems were identified late in development, and project management was changed to put more emphasis on technical project experience. If this technical expertise had been involved initially, the system might have been more successfully planned and implemented.

Certification Reviews Narrow in Focus and Performed Too Late for Effective Oversight

While OCSE does review and certify states' systems to determine if functional requirements are being met, as described in the 1988 act and the agency's implementing regulations, these reviews are conducted toward the end of a systems development project, at the states' request, and are not performed at critical decision points (such as analysis, design, coding, and testing). Thus, these reviews are too late to identify problems and redirect approaches. Despite being the predominant stakeholder for over \$2.6 billion worth of child support systems, OCSE maintains that its philosophy is to work with the states as opposed to suspending funding until problems are corrected, allowing federally financed projects to proceed when such projects do, in fact, require redirection.

Two types of reviews are conducted by OCSE: functional and certification reviews. During a functional review, OCSE helps the state work on specific system requirements. For example, it may telephone or visit the state to discuss how to meet automation requirements for the noncustodial parent locating function. The certification review comprises a two-level process, level 1 and level 2. A level 1 review is performed when an automated system is installed and operational in one or more pilot locations. (OCSE created this level of review in 1990 due to state requests for agency guidance prior to statewide implementation.) A level 2 review is conducted when OCSE visits the state to determine if the system meets certification requirements. The certification review normally takes a week to perform; the OCSE review team is made up of headquarters systems officials and HHS regional personnel representing the systems, fiscal, program, and audit functions.

Prior to a certification review, OCSE provides a questionnaire including questions on how the system meets specific federally required functions (such as case initiation and the detail supporting this function) and a test deck of financial transactions (mainly test cases of different types of child support payment distributions) to be run on the state's system. OCSE also supports, through federal funds, child support user group meetings so state officials can meet and share related systems experiences.

OCSE's reviews—functional and certification—of state systems focus on whether functional requirements are met, while they lack but need comprehensive assessments of the systems' development approaches and schedules. Since 1991, OCSE has visited, assessed, and reported on 31 states' system development projects.⁵ We reviewed all of these and found

⁵Since 1991, OCSE has visited and reviewed 34 state systems projects; however, the agency had only issued reports on 31 of these reviews as of March 31, 1997.

that 28 of the 31 functional and certification reviews focused primarily on systems' functional requirements. Specifically, OCSE determines whether the system can initiate a new case, locate an absent parent, establish a support order, manage cases, enforce cases, perform financial distributions, perform management reporting, and maintain security/privacy. Suggestions for improving the efficiency and effectiveness of the systems' operations are discussed in reports following these reviews. For example, recommendations include having the states consider automating more functions, such as developing an automatic tickler file to remind caseworkers of required actions or an approaching time frame. While suggestions for improved efficiency in automation are valuable, OCSE's reviews lack a comprehensive assessment of the states' systems development approach, including the overall design, project management, user involvement, and delays in major milestones and critical tasks. While 3 of the 31 reviews did address systems development approaches and overall project management, OCSE officials noted that they only do this type of review for states that are experiencing delays and significant problems.

Even though OCSE required states to submit APDS by October 1, 1991, all but 1 of the 31 functional and certification reviews conducted by OCSE were performed in October 1995 or later. Since OCSE only does certification reviews upon state request and toward the end of systems development, much of the federal funding had already been spent.

Even when OCSE identifies state systems problems and notifies the states, corrective actions do not always follow. In one state, OCSE performed two reviews and noted that the state had serious managerial problems. There was no project manager for extended periods of time, and users did not support the project, despite the fact that a key early step in designing a proposed system is identifying and satisfying users' needs.⁶ Even after the second review was performed and the problems noted in the first review had not been corrected, OCSE took no action to stop or delay the project or to suspend funding. Again, according to OCSE systems analysts, the agency's main focus is to help states fix problems as they arise; agency officials believe that withholding funds is counterproductive to meeting deadlines. As a result, the federal government has approved over \$50 million for this one system; it has been in partial operation—primarily in the smaller counties—since mid-1993, and its expected completion is still not known.

⁶GAO/AIMD-10.1.12, August 1996.

In another example, OCSE approved a state's proposal to meet functional requirements by developing a distributed system estimated to cost nearly \$178 million to complete and maintain through 2000. This system involves developmental costs for at least 23 county databases, plus additional costs to maintain separate systems. While OCSE questioned the state about the additional costs of personnel, the agency's certification process does not require that a state receive an approval before moving from one phase of development to the next. By not visiting the project to review critical design documents, the agency was not able to effectively assess the distributed processing strategy and associated costs or to suggest an alternative approach. This state now estimates that the system will cost about \$311 million to complete and maintain through 2000. Further, according to state officials, the system will not meet the October 1997 deadline.

Systems managers from three states we visited indicated their desire that OCSE play a more active role. Systems that are being developed are very sophisticated, and the officials said that it was important for OCSE to assess the management and direction of the project early to avoid or minimize problems later. One state official said that OCSE should see itself as a stakeholder in the development of these systems and not just a reviewer to see if certain requirements were followed. Another official noted that OCSE is scrupulously hands-off with all, especially with the private sector. Another state official told us that because the contractor's work was so poor and late in delivery, the state had to support the project with more of its own staff, contributing to an increased cost of \$20 million. When the state asked for assistance from OCSE on how to handle the contractor, they were told that "it was a state contract and it had to be resolved at that level."

Further, while a recent HHS Office of Inspector General survey noted that 70 percent of the states felt that OCSE's guidance was good to excellent—including the certification guide, clarification of requirements, and questions and answers on functional requirements—43 percent said they needed additional technical assistance. One state official said "there has been very little monitoring to date. The delays will come when we request certification and OCSE doesn't like what it sees." Another state official noted, "It would have been helpful to have had more compliance reviews and technical reviews of designs, but it was probably not practical given OCSE's [limited] staffing resources." Finally, another state official noted "I've only known OCSE to be the gatekeeper with regard to funding

and ultimate certification. I don't have any experience to see them in another role."

Lack of Nationwide Perspective Inhibits Effective Leadership

The narrowness of OCSE's reviews limits its ability to gain a nationwide perspective on the status of states' systems development; this, in turn, hinders effective leadership in earlier stages. OCSE has completed neither a comprehensive, nationwide analysis nor post-implementation reviews to determine whether state systems are sound financial investments. Such analyses are essential to assessing the ongoing progress of child support systems and evaluating the impact of automated systems on program goals and objectives—including any lessons learned.⁷ While the Administration for Children and Families (ACF) developed an automated system to help the agency perform individual state and nationwide analyses, we found the system was not being fully used, was not user friendly, and contained errors in about half of the states' data.

Because OCSE has not conducted a nationwide assessment, it has not analyzed the hardware, software, database structures, and networks supporting state child support systems; as a result, state officials have had to discuss these issues through informal means. If OCSE had performed a nationwide analysis, it would have a sound basis for encouraging states to share innovative database designs, software, and other technologies for greater efficiencies and cost savings. Further, analyses of systems costs, benefits, and schedules from a nationwide perspective would help identify where improvements are needed in a timely manner. Aggregate data on projects help identify recurring problems, successes, and other trends for decision-making purposes.⁸

To collect states' data more effectively, assess systems costs, and monitor projects nationwide, ACF created the State System Approval Information System (SSAIS). This was designed to establish a more accurate way of tracking state systems projects. SSAIS tracks the historical data on automated systems projects—including the child support program—on a state-by-state basis. Users may access the following data on any state project: (1) funding requests, reviews, and approvals, (2) names of contractors, (3) completed systems reviews, and (4) notes from systems reviews.

⁷Assessing Risks and Returns: A Guide for Evaluating Federal Agencies' IT Investments Decision-making (GAO/AIMD-10.1.13, February 1997).

⁸GAO/AIMD-10.1.13, February 1997.

While we commend ACF's actions to develop this system, we found that SSAIS recorded incorrect funding levels for nearly half of the projects. During our comparison of OCSE's approval letters and the data in SSAIS, we found errors, such as duplicate entries and entries for systems projects no longer underway, and inconsistencies, such as entries for some states that included planning costs while entries for other states did not. Specifically, SSAIS showed that the states were authorized to spend nearly \$1.9 billion on automated child support systems projects, while hard copy approval letters maintained by OCSE indicated that the states were authorized to spend about \$100 million less.

OCSE's director of state child support information systems acknowledged that SSAIS is not yet comprehensive, complete, or user friendly. She said that for these reasons, OCSE was not fully using or relying on the SSAIS entries at the time of our review. However, she acknowledged that our review led the division to assign a higher priority to correcting discrepancies in SSAIS and to establishing a consistent policy regarding entries for planning costs.

In addition to tracking systems development nationwide, post-implementation reviews are the basic means of ensuring that systems meet program objectives and identify techniques for improving work processes, data integrity, and project management—thereby avoiding costly systems mistakes.⁹ This information is also helpful in identifying the benefits of information technology projects and prioritizing technology investments that best meet mission needs. To date, OCSE has not completed post-implementation reviews on any of the 12 certified or conditionally certified child support systems.

OCSE's information systems director called post-implementation reviews important. However, she said that until recently, resource constraints limited OCSE's ability to complete such reviews. Instead, OCSE focused its resources on assessing the states' progress in meeting system certification requirements. Under welfare reform, 1 percent of the federal share of child support payments collected annually will be provided for state child support programs and systems oversight.¹⁰ According to OCSE's information systems director, this will allow OCSE to conduct post-implementation reviews.

⁹GAO/AIMD-10.1.13, February 1997.

¹⁰For 1996, the federal share of child support payments collected amounted to \$1.2 billion. One percent of this—\$12 million—is provided for program and systems oversight.

Welfare Reform Places New Demands on Child Support Systems

Recently enacted welfare reform legislation substantially increases the importance of collecting child support payments from noncustodial parents, since for welfare recipients who lose eligibility, child support may be their only remaining source of income. As such, it will be even more important that state automated systems operate correctly and efficiently in helping eligible child support recipients collect funds due them. The law also places specific new requirements on states relating to the functioning of their systems. Recognizing the importance of these developments, OCSE plans to change its approach and issue functional requirements incrementally, and has taken steps to work with the states; however, the impact of welfare reform and associated costs is not yet known. Another demand on systems development will be monitoring and ensuring that new statewide child support enforcement systems, as well as existing systems that interface with the new systems, will process date-sensitive information correctly in the year 2000 and beyond.

Welfare Reform Features Automated Systems

In August 1996, the Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act, fundamentally changing the nation's welfare system into one that requires work in exchange for a 5-year program of assistance; implementing many of its most critical features involves automated systems. The law contains work requirements, a performance bonus that rewards states for moving welfare recipients into jobs, and comprehensive child support enforcement measures. It also provides support for families moving from welfare to work—including increased funding for child care and guaranteed medical coverage. Provisions are also included to improve automation in order to increase paternity establishment, obtain more information on work and residence locations of noncustodial parents, and process child support orders and collections.

Both the states and ACF will be required to address these provisions by developing new databases or enhancing existing automated child support systems before October 1, 2000. A \$400 million cap has been placed on enhanced federal matching funds¹ through 2001 for development costs of automated systems, and funds are to be allocated to the states on the basis of existing workloads and level of needed automation.

Welfare reform further underscores the need for streamlined business processes and automated systems for the child support program. Since

¹The legislation lowered the federal reimbursement rate for enhanced funding from 90 percent to 80 percent. The cap applies only to this enhanced funding, not to regular funds, which continue to be reimbursed at a rate of 66 percent.

welfare reform establishes time limits and eligibility restrictions on individuals in the Temporary Assistance for Needy Families block grant, states are being faced with the need to increase child support collections. According to experts, this likely will force some states to manage child support cases differently and require modifications to existing laws governing child support operations.² States will be required to automate many child support operations to more efficiently disclose, exchange, and compare information on noncustodial parents owing delinquent support payments. Some of the more significant state welfare reform systems requirements include

- establishing, by October 1, 1997, or following the close of the next regular legislative session, a statewide system for tracking paternity orders and acknowledgements of paternity;
- developing, by October 1, 1997, a new-hire registry on which employers will report information on employees recently hired, with the capability of reporting the information to a national database and issuing wage withholding notices to employers within 2 business days, and making data comparisons with the case registry database by May 1, 1998;
- developing, by October 1, 1998, a central case registry for all child support cases and support orders established or modified in the state after that date and, as of that date, capable of making data comparisons; and
- establishing, by October 1, 1998 (or by October 1, 1999, if court administered), a centralized unit to collect and disburse child support payments, and by October 1, 2000, a statewide child support system that meets all requirements.³

To comply with these mandates, many states will not only have to reassess the way child support cases are managed administratively but electronically as well. This may include developing new databases and electronic links to other public and private organizations, including financial institutions; credit bureaus; the Internal Revenue Service; and state agencies—including judicial, corrections, licensing, business ownership, motor vehicle, labor, vital statistics, and Medicaid. For example, the requirement to develop a registry of paternities will likely result in the development of a new database that interfaces with departments or bureaus responsible for tracking statewide births. However, tracking these data electronically may be a challenge since some

²Vickie Turetsky, Child Support Administrative Processes: A Summary of Requirements in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Center for Law and Social Policy (January 1997).

³Vickie Turetsky, Child Support Administrative Processes.

states have not automated the departments or bureaus responsible for birth certificates.⁴

The states will also have to develop automated interfaces with the national Federal Parent Locator Service and the yet-to-be-developed federal case registry and new-hire registry databases. The Federal Parent Locator Service is an electronic system that cross-matches data to help locate noncustodial parents across state lines through links with other state systems and existing national databases, such as those of the Internal Revenue Service, Social Security Administration, and Department of Labor.

Both the new-hire registry and the federal case registry will also need to be designed to receive and compare state data on child support cases and noncustodial parents. The states, in turn, will be required to develop similar databases that electronically interface with these national systems. The federal new-hire and case registry systems must be completed by October 1, 1997, and October 1, 1998, respectively.⁵ OCSE has contracted with several vendors to develop the software for these databases and to provide states with technical assistance.

Many states will have to adapt their existing systems and change laws governing child support operations to implement many of these systems requirements. For example, three states we visited indicated that existing laws governing the child support program and new-hire reporting requirements for employers would have to be amended or rescinded before mandated systems requirements could be implemented. Other states will have to make welfare reform system changes while finishing work on child support systems mandated by the 1988 act.

OCSE Plans to Address Welfare Reform

While OCSE has initiated some steps to identify welfare reform systems issues and plans to change its approach in issuing functional requirements, the agency does not yet know the impact the legislation will have on state systems. As of March 31, 1997, OCSE had not developed functional requirements for implementing welfare reform or fully analyzed the impact of these provisions on existing state child support systems. Guidance for developing the new-hire registries had not been completed, even though

⁴Vickie Turetsky, *Child Support Administrative Processes*.

⁵Welfare Reform Act—Telephone Seminar: Personal Responsibility and Work Opportunity Reconciliation Act of 1996, American Bar Association family law section and KRM Information Services, Inc. (Oct. 2, 1996).

these registries are due to be in operation by October 1, 1997. However, OCSE does plan to apply lessons learned from technology projects mandated as part of the 1988 Family Support Act and release technical guidance for systems changes required by welfare reform incrementally. The early release of technical guidance should help states decide on systems requirements as soon as possible, minimizing project delays.

With the increased funding being made available through welfare reform, OCSE plans to conduct more on-site reviews of child support systems projects to help identify and prevent costly systems development problems during earlier stages of the projects. The agency has also supported ACF user groups and established electronic information bulletin boards to identify and share information on systems issues. Further, OCSE is participating in welfare reform work groups with the states to discuss policy and systems-related issues. In January 1997, the agency also created a federal, state, and local government initiative to work with the eight largest states—representing almost 50 percent of the child support cases. This initiative focuses on improving program performance, which may include automated systems issues. In addition, the agency recently queried the states to identify technical support needs and planned to issue, in May 1997, a national plan to better address OCSE technical assistance to the states' systems activities. Despite these early attempts to work with the states, according to OCSE's information systems director, the agency does not know the impact the welfare reform will have on the states' child support systems. She noted that until the requirements are defined, the extent of systems changes and their costs are not known.

Millennium Changes Are Also Important to Automation

The change in century could have a significant impact on state systems that process date-dependent information related to child support. Ensuring that all state child support enforcement systems adequately address the processing of information that is date-dependent is critical. Correcting noncompliant year-2000 software may be expensive. Among these systems are those that must interface directly and provide information to the newly-developed child support enforcement systems. Many older state systems that will still be in operation in 2000 were programmed using 2 digits to represent the year—such as “97” for 1997. However, in such a format 2000 is indistinguishable from 1900.

OCSE has stated that it has informed the states that both the new child support systems and their applications software under development, as well as the existing systems that must still interface with the new

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statewide systems and their applications software, must be year-2000 compliant.

Conclusions, Recommendations, and Agency Comments

Thanks to technology, many states are better able to locate noncustodial parents who owe child support payments, seize government tax refunds or benefits, and issue child support payments to families more efficiently. But this progress has been expensive. The cost of developing state child support enforcement systems has risen over the past 15 years to the point that it now exceeds \$2.6 billion, of which \$2 billion is federal funds. The amount remaining to be spent to bring all states into full legal compliance is unknown. At the time of our review, most states did not yet have fully functional child support enforcement systems. Aside from new requirements resulting from welfare legislation, only 12 states had federally certified child support enforcement systems; as many as 14 states—responsible for about 44 percent of the national caseload—may well miss the October 1, 1997, deadline for completing their automated systems.

The causes are widespread. States have underestimated the magnitude, complexity, and costs of their projects and operations, and they could have received better guidance and assistance from the federal government, specifically OCSE. The lack of progress in the development of state child support systems also can be partly attributed to the agency's limited leadership and oversight and some states' inadequate systems approaches. OCSE's release of final functional requirements for the state systems was late, which encouraged some states to automate many tasks without adequate requirements management or control. Though ready, some states hesitated to make their systems' requirements final; it must be remembered that deadlines loomed, with or without final requirements. Another factor was OCSE's mandated transfer policy, which was premature and poorly implemented. This alone caused long-term problems, increased costs, and delays.

Against this backdrop, which included the failure to fully implement recommendations we made some 5 years ago, OCSE allowed state systems with serious problems to proceed, thus escalating spending with no assurance that effective, efficient systems would result—and many indicators to the contrary. Specifically, OCSE did not establish levels of oversight and technical review commensurate with the size and complexity of this nationwide undertaking. It did not require states to follow a structured systems development approach; nor did OCSE assess progress at critical decision points, thereby missing opportunities to intervene and successfully redirect systems development.

OCSE relied on required annual planning documents, which were optimistic projections and for many states did not relate to the critical phases of system development. Certifications were narrowly focused and conducted only at a state's request, when the state was ready. While OCSE has supported state-to-state interaction with users' groups, the agency itself cannot develop a truly nationwide perspective without an understanding of the trends that typify development of individual state systems. Lacking this knowledge, OCSE cannot disseminate valuable information to states in earlier stages of development.

During the last 5 years, when much of the money has been spent and when it was most critical for OCSE to take a leadership role and evaluate states' efforts, agency and HHS regional officials noted that their oversight was hindered by limited technical expertise and resources. Critical areas of systems expertise—systems development, systems engineering, and program management—are essential to assess how effectively systems are being implemented.

Because of the magnitude of the caseload, the funds being provided, and the importance of the program's mission, it is essential that both federal and state officials take responsibility for developing effective and efficient automated child support systems. While evaluating states' efforts is one major component of OCSE's role, it is important that the agency considers itself a stakeholder in these efforts. The problem appears to stem from OCSE's view of its role—one of merely monitoring requirements and approving funds rather than being held accountable for effective systems development approaches.

With the enactment of welfare reform, OCSE's role becomes much more important: for those who may no longer be eligible for welfare benefits and rely solely on child support, the effectiveness of their state's system will be critical. Effective, strong federal leadership will be necessary if we are determined to support those who rely on these automated systems.

Recommendations

We are making several recommendations to increase the likelihood of developing state automated child support systems that will perform as required. To maximize the federal government's return on costly technology investments, we recommend that the Secretary of Health and Human Services direct and ensure that the Assistant Secretary of the Administration for Children and Families take the following actions.

- Develop and implement a structured approach to reviewing automation projects to ensure that significant systems development milestones are identified and that the costs of project decisions are justified during the entire effort. We recommend each major systems phase be reviewed and, at critical points—analysis, design, coding, testing, conversion, and acceptance—that OCSE, according to preestablished criteria, formally report to the state whether it considers the state ready to proceed to the next milestone or phase.
- Develop a mechanism for verifying that states follow generally accepted systems development practices to minimize project risks and costly errors. OCSE should revise the guidance for the APDS and APDUS to ensure that these documents provide the information needed to assess different phases of development and are consistent from year to year. This information should include clearly defined requirements; schedules reflecting the amount of data converted, code written, modules produced, and the results of testing; and other measures to quantify progress.
- Use an evaluative approach for planned and ongoing state information technology projects that focuses on expected and actual cost, benefits, and risks. OCSE should require states to implement needed corrective actions for federally funded systems when problems and major discrepancies in cost and benefits are first identified. If a state experiences delays and problems and is not following generally accepted systems development practices, OCSE should suspend funding until the state redirects its approach.
- Evaluate current staff systems knowledge, skills, and abilities and identify what additional technical expertise is needed. Develop the technical skills needed to allow OCSE to become more actively involved with the states at critical points in their development processes, and enhance the skills of existing systems reviewers through additional training. This expertise should include program management, software development, and systems engineering.
- Conduct timely post-implementation reviews on certified child support systems to determine whether they are providing expected benefits, identify any lessons learned, and assess innovative technical solutions.
- At least annually assess the progress of child support systems projects nationwide to gain and share with the states a broader perspective on costs, systemic problems, potential solutions, and innovative approaches. Information should be shared with other states to help reduce costs and improve effectiveness of the child support program nationally—especially any practices or systems that could benefit states attempting to develop or implement welfare reform systems requirements.

- Assess the impact of welfare reform on existing child support programs—including automated systems and business operations—and determine whether states will be able to implement systems requirements within established time frames and without exceeding the \$400 million cap. This assessment should also include an estimate of additional regular rate funding for automated systems that states may need to comply with the requirements of welfare reform.
- Provide the states with technical requirements for implementing welfare reform systems, including the new-hire, central case, centralized collection, and disbursement registries in enough time to allow the states to meet the legislatively mandated deadlines of October 1997, 1998, and ultimately 2000.

Agency Comments and Our Evaluation

HHS disagreed with our recommendations on agency monitoring and oversight and suspending federal funding for flawed state systems, while generally agreeing with our other recommendations. HHS officials' primary concern with the report was the degree of federal stewardship appropriate in the effective development of automated state child support enforcement systems. The Department notes that we have a different perception of the appropriate federal role in state automated systems development than is authorized. The Department indicated that reviewing state systems at critical phases would increase the administrative burden on the states, and result in OCSE's "micromanagement" of state projects. Further, officials reiterated their belief that withholding funds was counterproductive to developing automated systems. Finally, HHS expressed concern about our presentation of the level of state automation and systems costs. The Department did, however, generally agree with our recommendations regarding assessing OCSE's technical resources, conducting post-implementation and nationwide systems reviews, and defining—in a timely manner—welfare reform requirements.

We have reviewed HHS' comments, and found no reason to change our conclusions and recommendations. HHS views OCSE's role narrowly, as one of monitoring requirements and approving funds. The agency believes its role is to assist states in meeting mandated deadlines, rather than more actively monitoring and overseeing state systems development activities with an eye towards helpful intervention. We disagree with HHS' approach. Instead of placing the responsibility solely with the states, OCSE is also accountable for effective state systems development. According to statutory requirements, the agency should review, assess, and inspect systems throughout development. Given the significance of state child

support enforcement systems to the operation of the program and the magnitude of expenditures, it is critical that these systems be developed correctly and efficiently from the beginning. A philosophy of providing funds, despite serious systems problems and costly mistakes, misses the opportunity to reduce the risk of systems failure and save taxpayer dollars. OCSE does not evaluate or assess states' systems development projects using a disciplined, structured approach. The agency's reviews are narrowly focused and, as a result, not effective or timely in assessing the states' systems approaches and progress. A summary of the Department's comments and our evaluation is provided below. HHS' comments are reprinted in appendix IV of this report.

HHS' Role Narrowly Focused

We do not agree with HHS' position that OCSE's role be primarily focused on providing technical assistance and guidance. HHS' statutory responsibilities, as set forth in the Social Security Act, delineate a leadership role in developing child support enforcement systems. Section 452(a) of this act provides that a "designee of the Secretary" (Office of Child Support Enforcement) shall, . . . "review and approve state plans" for child support enforcement programs, "establish standards" for state programs, "review and approve state plans," and "evaluate the implementation of state programs." With regard to child support management information systems, Section 452(d) provides that OCSE shall, "on a continuing basis, review, assess, and inspect the planning, design, and operation of management information systems . . . with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed [under the act]."

The agency's advance planning document (APD) guide,¹ also refers to its leadership role in approving, monitoring, and certifying state systems programs to ensure that federal expenditures are made wisely. In HHS' response to our report, it noted elsewhere that the agency "has the authority, which it frequently exercises, to require states to send an as-needed APD at critical milestones in its life cycle methodology." And in response to comments from states concerning the extent of OCSE's reviews, HHS said that it intends to continue monitoring state systems projects, noting that it has "responsibilities for assuring that the expenditure of federal funds on state systems is necessary for the effective and efficient operation of the programs."² This is consistent with recent

¹State Systems APD Guide, Administration for Children and Families and Health Care Finance Administration, Department of Health and Human Services (September 1996).

²The Federal Register, vol. 61, no. 148 (July 31, 1996).

legislation that requires more effective oversight of systems development activities. The Clinger-Cohen Act of 1996³ and recent Office of Management and Budget guidance for managing information technology investments⁴ specify the need for greater accountability for systems during the critical development and implementation phases.

The federal government is a major stakeholder in these systems, paying about \$2 billion dollars over the last 15 years. As such, it is critical that OCSE's current approach to monitoring and overseeing state systems be improved to ensure that the federal government's investment in systems is spent wisely. Our recommendations reflect systems development practices that are widely used in both the private and public sectors. Monitoring at critical points in the development process allows earlier intervention and greater opportunity to correct problems before they become more costly. We disagree that this approach constitutes micromanagement; we believe that to do less constitutes lax management. These activities also need not create an administrative burden. OCSE does not have to impose additional reporting requirements on the states; it must simply streamline its existing reporting process to ensure the inclusion of key pieces of information at critical phases. It is imperative that HHS take advantage of its legislatively authorized oversight and monitoring role. In the absence of such action, HHS is likely to continue to provide little added value to states; instead, it will remain merely a bureaucratic hurdle for states to climb to fund critically important systems.

HHS asserts that OCSE should provide technical assistance to the states, rather than suspend federal funding—especially given the statutory deadline. We disagree. Federal regulations provide for the suspension of federal funding when states' systems under development cease to substantially comply with requirements and other provisions of the APD.⁵ Further, irrespective of the deadline, allowing systems to be developed ineffectively and inefficiently at the expense of the taxpayers is not supporting the goals and underlying intent of the legislation. Allowing a state to go forward before correcting inadequacies in approach contributes to rising systems' costs.

In this report and in our 1992 report, we pointed out that OCSE continues to fund systems with serious problems—problems that threaten their very

³This act requires, among other things, that agencies manage risks associated with information technology projects from initiation to completion.

⁴Evaluating Information Technology Investments, OMB Office of Information and Regulatory Affairs, Information Policy and Technology Branch, November 1995.

⁵45 CFR 307.40.

success.⁶ As discussed in this report, such an approach invites the need to correct serious problems later in the development process, when it is more costly and time-consuming to do so.

OCSE has periodically suspended state funding for automation projects. As we reported, however, almost 60 percent of these disruptions were due to insufficient information on the required APD, or for states' exceeding their authorized funding levels—not for more substantive issues on the soundness of the development approach itself. Even when funding was held up for major systems-related problems, efforts to correct these problems did not appear to be made in a timely fashion. Further, in cases in which an HHS regional official suggested that OCSE hold up funding for a project, the agency did not stop funding until the project “crashed.”

Weaknesses in OCSE's Current Process

HHS agreed that the states are encountering automation problems and that states need a greater degree of oversight. The Department stated that OCSE follows a structured approach in reviewing states APD submissions. We believe this approach is not sufficient oversight. While we described the agency's review process—APD and certification reviews, we believe that the APD process should ensure that systems development activities at critical decision points are evaluated. OCSE does not consistently monitor state systems development at critical milestone points, such as the completion of design or requirements development. We noted that OCSE's certification reviews are usually conducted toward the end of the development process, and as such are often too late to help identify problems and redirect the approach.

Structured Methodology Supports Systems Variability

Another issue raised by HHS was that with a variety of concurrent systems development activities, including the staggering welfare reform deadlines, it may be difficult to use our suggested “one structured methodology fits all.” We are certainly not advocating that OCSE require or impose a “one structured methodology fits all” approach. A structured approach to reviewing systems development—irrespective of the particular methodology used—would also allow for systems variability, including the differences in project size, scope, and complexity. The key to a structured approach is the identification of critical milestones that are the basis for systems reviews. States value this process; one state official noted that its project would be unmanageable without it. Other state officials told us that OCSE should play a more active role, and that they considered it

⁶GAO/IMTEC-92-46, Aug. 13, 1992.

important that the agency assess the management and direction of the project early to avoid or minimize later problems.

**Post-Implementation
Reviews Planned**

HHS concurred with our recommendation to conduct post-implementation reviews on certified child support systems. The agency has plans in fiscal year 1998 to conduct both technical assistance visits and post-implementation reviews to further identify lessons learned and assess innovative technical solutions.

**Nationwide Assessment
Initiated**

HHS agreed on the importance of a nationwide assessment of child support systems projects and has taken steps in that direction. The Department noted that it has developed the State System Approval Information System (SSAIS) and uses electronic means for information sharing. However, it is critical that OCSE continue to maintain and use accurate information from the SSAIS and develop a sound nationwide basis for encouraging states to share innovative database designs, software, and other technologies for greater efficiencies and costs savings, and for identifying recurring problems. With a systematic and comparison-based assessment, OCSE could recognize trends and identify best practices that could be shared. Identifying and taking action on such issues would be a significant benefit of increased oversight.

**Magnitude of Welfare
Reform**

HHS agreed on the importance of providing states with technical requirements associated with recent welfare reform legislation. As HHS noted, states' systems funding was not limited to the \$400 million enhanced funding.⁷ We recognize that the welfare reform requirements are substantial, and that the legislation will allow states to be reimbursed at the regular and enhanced rate. The monetary magnitude of accommodating welfare reform systems requirements further underscores the importance of effective federal oversight, including comprehensive assessments of systems implications and timely issuance of systems requirements.

⁷For the enhanced funding, welfare legislation provides 80-percent reimbursement from the federal government.

Noncertified Systems
Show Partial Benefits; Yet
Systems Costs Are
Significant

HHS believes our report incorrectly noted that noncertified states have “no automation” to enforce child support collections. We acknowledge that state systems that are not yet certified may have some automation. In fact, we noted that state officials indicated that partially automated systems have improved their capability to locate noncustodial parents, increased paternity establishment and collections, and provided greater staff efficiency. We also noted, however, that OCSE officials said that as many as 14 states may not meet the deadline for certification, leaving about 44 percent of the national caseload without the full benefits of automation.

As envisioned by the Congress in implementing this legislation, some states have attained benefits; however, child support enforcement systems costs continue to increase, and the extent of final costs is not yet known. We acknowledge that systems’ costs include developing new systems and maintaining and enhancing systems that were certified prior to 1988. OCSE, however, does not track these costs separately. Some states did not design new systems; rather, they built upon existing ones. In these cases, the costs attributable to the 1988 act would be less than those of states that developed entirely new systems. However, states that updated their existing systems may now, as the October 1, 1997, deadline draws near, need to significantly redesign their systems to fully meet child support certification requirements and support welfare reform legislation.

HHS indicated that the costs of automation should be carefully placed in perspective and also compared automation costs to the agency’s administrative costs. We recognize that systems costs may be a small percentage of the total administrative costs; however, we do not believe that \$2.6 billion is inconsequential. We recognize and cite examples where OCSE’s weak oversight contributed to the rising costs that could have been avoided if more of a proactive leadership role was demonstrated by the agency. These systems will play a critical role in effectively administering the child support and welfare programs in the future. As such, it is incumbent upon the Department and OCSE to ensure that the dollars invested in these systems are spent wisely, and provide an effective return on investment.

Total Cost for Each State's Child Support Enforcement System and the Federal and State Shares of These Expenditures for Fiscal Years 1981-1996

State	Federal share	State share	Total expenditures
Alabama	\$49,222,159	\$13,253,068	\$62,475,227
Alaska	11,071,718	4,653,294	15,725,012
Arizona	47,063,019	9,509,389	56,572,408
Arkansas	21,886,630	5,673,408	27,560,038
California	248,299,485	95,658,921	343,958,406
Colorado	26,907,957	5,005,726	31,913,683
Connecticut	13,981,700	4,623,786	18,605,486
Delaware	8,010,878	3,238,003	11,248,881
District of Columbia	8,896,407	2,059,990	10,956,397
Florida	60,114,807	22,418,473	82,533,280
Georgia	41,611,875	12,697,507	54,309,382
Guam	1,357,280	179,404	1,536,684
Hawaii	15,070,420	3,968,630	19,039,050
Idaho	26,870,077	8,052,556	34,922,633
Illinois	64,753,779	24,385,762	89,139,541
Indiana	27,479,878	6,914,774	34,394,652
Iowa	31,310,719	7,975,500	39,286,219
Kansas	24,449,198	7,407,991	31,857,189
Kentucky	30,360,881	7,996,230	38,357,111
Louisiana	14,004,464	2,542,250	16,546,714
Maine	13,446,950	3,246,462	16,693,412
Maryland	31,432,325	7,420,924	38,853,249
Massachusetts	33,751,067	7,409,793	41,160,860
Michigan	66,577,358	10,713,170	77,290,528
Minnesota	56,661,743	18,197,130	74,858,873
Mississippi	16,031,897	3,943,213	19,975,110
Missouri	44,337,248	13,204,378	57,541,626
Montana	9,324,373	2,743,493	12,067,866
Nebraska	33,942,309	10,731,967	44,674,276
Nevada	17,107,631	4,001,180	21,108,811
New Hampshire	18,451,398	4,930,405	23,381,803
New Jersey	64,364,051	23,196,922	87,560,973
New Mexico	23,169,261	6,372,763	29,542,024
New York	96,145,382	34,290,071	130,435,453
North Carolina	43,056,136	9,723,106	52,779,242
North Dakota	3,753,318	1,059,255	4,812,573
Ohio	55,426,872	18,155,838	73,582,710
Oklahoma	28,279,064	9,265,488	37,544,552

(continued)

Appendix I
Total Cost for Each State's Child Support
Enforcement System and the Federal and
State Shares of These Expenditures for
Fiscal Years 1981-1996

State	Federal share	State share	Total expenditures
Oregon	15,168,684	4,015,436	19,184,120
Pennsylvania	79,416,821	31,326,468	110,743,289
Puerto Rico	22,882,169	4,506,891	27,389,060
Rhode Island	13,727,135	2,863,771	16,590,906
South Carolina	41,414,812	15,273,044	56,687,856
South Dakota	3,427,507	938,347	4,365,854
Tennessee	33,337,753	11,458,018	44,795,771
Texas	123,790,741	51,140,939	174,931,680
Utah	32,295,631	11,058,131	43,353,762
Vermont	3,291,186	949,286	4,240,472
Virginia	66,684,309	25,108,768	91,793,077
Virgin Islands	5,132,533	818,705	5,951,238
Washington	58,487,304	24,186,599	82,673,903
West Virginia	17,011,816	4,625,153	21,636,969
Wisconsin	63,489,909	18,934,783	82,424,692
Wyoming	8,824,173	1,552,959	10,377,132
Total	\$2,016,364,197	\$645,577,518	\$2,661,941,715

Source: HHS. GAO did not independently verify this information.

Total Federal Cost for Each State's Child Support Enforcement System Including Enhanced and Regular Funding for Fiscal Years 1981-1996

State	Enhanced federal share	Regular federal share	Total federal expenditures^a
Alabama	\$33,760,795	\$15,461,364	\$49,222,159
Alaska	2,118,686	8,953,032	11,071,718
Arizona	36,906,092	10,156,926	47,063,019
Arkansas	13,561,791	8,324,839	21,886,630
California	87,823,438	160,476,046	248,299,485
Colorado	23,468,483	3,439,474	26,907,957
Connecticut	7,945,490	6,036,209	13,981,700
Delaware	3,576,863	4,434,015	8,010,878
District of Columbia	6,246,565	2,649,843	8,896,407
Florida	20,889,857	39,224,951	60,114,807
Georgia	21,425,098	20,186,777	41,611,875
Guam	1,286,507	70,773	1,357,280
Hawaii	10,262,676	4,807,744	15,070,420
Idaho	20,073,452	6,796,625	26,870,077
Illinois	20,890,710	43,863,070	64,753,779
Indiana	21,568,032	5,911,845	27,479,878
Iowa	21,720,806	9,589,913	31,310,719
Kansas	12,465,611	11,983,587	24,449,198
Kentucky	20,287,100	10,073,780	30,360,881
Louisiana	11,584,227	2,420,237	14,004,464
Maine	8,997,291	4,449,659	13,446,950
Maryland	22,376,517	9,055,808	31,432,325
Massachusetts	24,232,685	9,518,382	33,751,067
Michigan	58,297,798	8,279,560	66,577,358
Minnesota	30,840,617	25,821,126	56,661,743
Mississippi	11,533,446	4,498,451	16,031,897
Missouri	30,714,110	13,623,138	44,337,248
Montana	5,348,540	3,975,833	9,324,373
Nebraska	21,982,444	11,959,866	33,942,309
Nevada	13,836,986	3,270,645	17,107,631
New Hampshire	11,231,502	7,219,896	18,451,398
New Jersey	23,567,719	40,796,332	64,364,051
New Mexico	18,715,453	4,453,809	23,169,261
New York	36,806,611	59,338,771	96,145,382
North Carolina	34,289,025	8,767,111	43,056,136
North Dakota	2,370,153	1,383,166	3,753,318
Ohio	25,313,569	30,113,303	55,426,872

(continued)

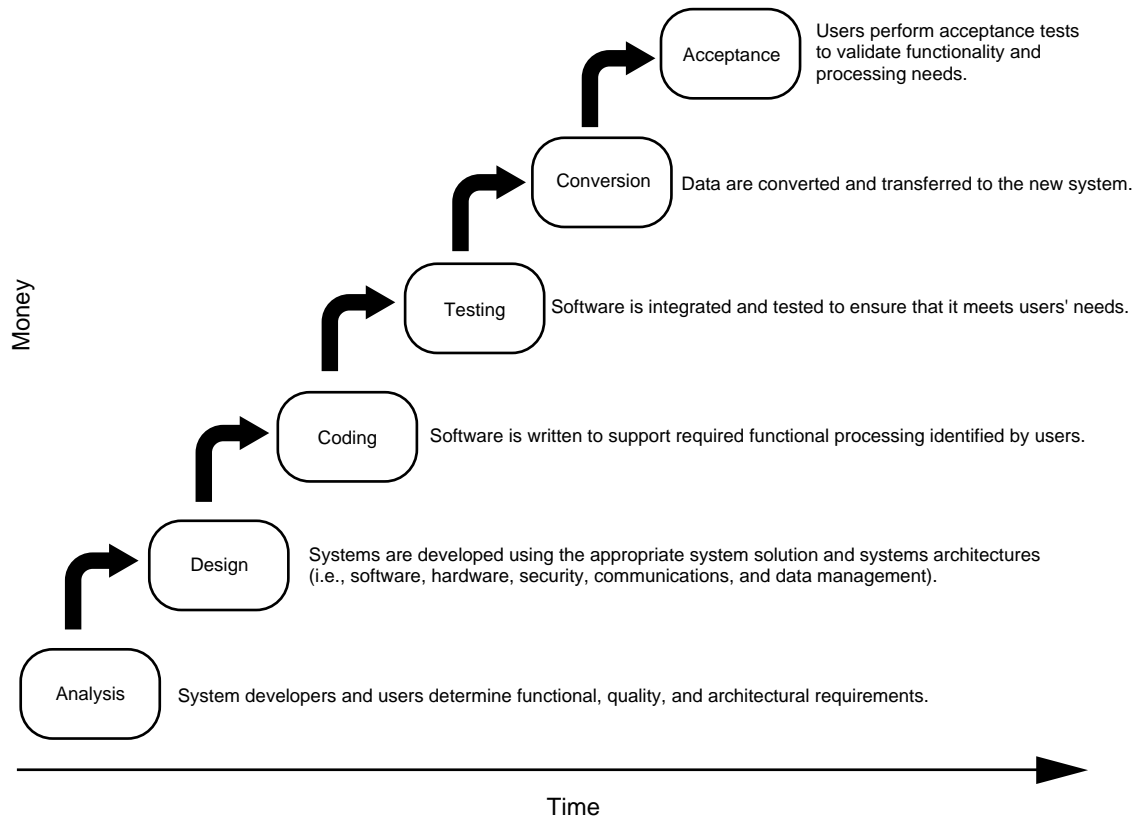
Appendix II
Total Federal Cost for Each State's Child
Support Enforcement System Including
Enhanced and Regular Funding for Fiscal
Years 1981-1996

State	Enhanced federal share	Regular federal share	Total federal expenditures^a
Oklahoma	15,366,150	12,912,914	28,279,064
Oregon	9,295,461	5,873,224	15,168,684
Pennsylvania	25,242,187	54,174,634	79,416,821
Puerto Rico	19,873,039	3,009,130	22,882,169
Rhode Island	10,483,904	3,243,231	13,727,135
South Carolina	20,183,220	21,231,592	41,414,812
South Dakota	2,313,346	1,114,161	3,427,507
Tennessee	19,932,879	13,404,874	33,337,753
Texas	31,166,306	92,624,435	123,790,741
Utah	14,285,463	18,010,168	32,295,631
Vermont	1,892,442	1,398,744	3,291,186
Virginia	21,992,655	44,691,655	66,684,309
Virgin Islands	4,514,866	617,667	5,132,533
Washington	12,529,291	45,958,013	58,487,304
West Virginia	10,565,333	6,446,482	17,011,816
Wisconsin	37,614,490	25,875,419	63,489,909
Wyoming	8,349,121	475,052	8,824,173
Total	\$1,043,916,894	\$972,447,302	\$2,016,364,197

^aSome totals may not add due to rounding of component figures.

Source: HHS. GAO did not independently verify this information.

Overview of Systems Development Phases



Source: Adapted from Roger F. Pressman, Ph.D., Software Engineering: A Practitioner's Approach (New York: McGraw-Hill, 1992).

Comments From the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

JUN 20 1997

Mr. Gene L. Dodaro
Assistant Comptroller General
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Dodaro:

Enclosed are the Department's comments on your draft report, "Child Support Enforcement: Strong Leadership Required To Maximize Benefits of Automated Systems." The comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

The Department appreciates the opportunity to comment on this draft report before its publication.

Sincerely,

A handwritten signature in cursive script that reads "June Gibbs Brown".

June Gibbs Brown
Inspector General

Enclosure

The Office of Inspector General (OIG) is transmitting the Department's response to this draft report in our capacity as the Department's designated focal point and coordinator for General Accounting Office reports. The OIG has not conducted an independent assessment of these comments and therefore expresses no opinion on them.

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COMMENTS ON THE U.S. GENERAL ACCOUNTING OFFICE'S REPORT
"CHILD SUPPORT ENFORCEMENT: STRONG LEADERSHIP REQUIRED TO
MAXIMIZE BENEFITS OF AUTOMATED SYSTEMS (GAO/AIMD-97-72)."

At the request of Representatives Henry Hyde and Lynn Woolsey, the General Accounting Office (GAO) examined the Department of Health and Human Services' implementation of GAO's 1992 recommendations, the status of State development efforts, including costs incurred, and whether the Department was providing effective Federal oversight of State systems development. Our response to the GAO report is as follows:

General Comments

The Department wants to convey in no uncertain terms the importance it places upon improving the performance of the Nation's child support program through the use of many tools, including automated technology. We take our Federal leadership and financial stewardship roles very seriously. Designed as a joint Federal, State and local partnership, the child support program comprises 54 separate State systems, each with its own unique laws and procedures. Actions to improve child support enforcement (CSE) and to increase child support collections are a top priority of the Department. In the past 5 years, child support collections have increased from \$8 billion in 1992, to an estimated \$12 billion in 1996. Paternities established have increased dramatically as well, to an estimated 1 million in 1996. Improvements such as these came with the help of State automated systems. Our goal, working with our State partners, is to automate child support enforcement to give caseworkers the tools and access to technology needed to maximize the benefits for the children and families in need of child support.

The Department is concerned, however, that the GAO appears to have a different perception of the appropriate Federal role in automated system development in State-administered programs like child support enforcement than is authorized by statute, regulations and Office of Management and Budget guidelines. While our specific comments appear below, we would like to note that a recent Department/Office of Inspector General report, entitled, "Implementation of State Child Support Certified Data Systems," April 1997, OEI-04-96-00010, had the following findings:

- o Most States and territories are well positioned to have certified automated child support data systems by the revised October 1, 1997 deadline.
- o States, the Administration for Children and Families (ACF), and contractors generally attributed implementation delays largely to three program

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elements: technology transfer, short time frames and State/contractor relationships.

- o Most States consider the quality of Federal technical assistance and guidance to be good to excellent.

However, the GAO report has numerous references that are critical of ACF's lack of intervention in State-vendor contract disputes, lack of consistency or amount of information provided in Advance Planning Document Updates (APDU) or lack of ACF's intervention when States did not involve all key players in the decision making process. Automation of the child support enforcement program's various processes is very complex and requires the cooperation and collaboration of many levels of government inside a State. Furthermore, we are aware that State child support automated systems are the only systems receiving Federal financial participation that has a statutory deadline.

It is very important to correct the misperception that the lack of Federal certification for Family Support Act (FSA) automation requirements means that the State and its counties have no automation to support their child support enforcement programs. At this time, almost three-fourths of the States have an existing statewide automated system that they are either enhancing or using until they implement a new FSA-compliance automated system. In addition, even in States that do not have a statewide system, most of the largest counties in those States have automated CSE systems.

The Department also believes that the charts and appendices in the GAO document do not properly reflect the funding for CSE system development. The amount expended for child support automated systems is over a 15-year time frame, not just the Family Support Act requirements, and the amount reflects both funding for interim county automation efforts as well as operational costs for these statewide automated systems. For example, Appendix I of GAO's draft report indicates that the State of New York has expended \$130 million for automation over more than 15 years. But it does not reflect that New York was the first State to be certified as having a statewide automated system that met pre-Family Support Act requirements and the State has expended less than a million dollars since that initial certification to meet Family Support Act requirements. The majority of enhanced funding since 1990 is for operational costs of New York's CSE System.

The Department also believes that the costs of automation for child support need to be carefully placed into perspective. Funding for child support systems has been over a 15-year period, rather than the 1 year that Figure 2.1 implies. Total costs for CSE system development represent less than 6 percent of the States total administrative costs and child support collections.

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Even in Fiscal Year 1995, when costs for systems development were at their highest, \$249 million, they represented 8 percent of the \$3 billion in State administrative expenses and 2 percent of the total child support collections of \$10.8 billion that year. This is without considering the future returns on these system investments and costs avoided in welfare benefits.

We recognize that there are areas that require improvement at all levels of government. However, as States have brought their automated systems on-line, the improvements to the CSE program are visible through increased collections among other measures. We are pleased that GAO's report acknowledges this fact.

Responses to specific recommendations are provided below:

GAO Recommendation

- Develop and implement a structured approach to reviewing automation projects to ensure that significant systems development milestones are identified and that project decisions are cost-justified during the entire effort. Each major systems phase should be reviewed and, at these critical points--analysis, design, coding, testing, conversion, and acceptance--OCSE should, according to preestablished criteria, formally report to the state whether it considers the state ready to proceed to the next milestone or phase.

Department Comment

The Department developed and follows a structured approach to reviewing automation projects. For example, the Department requires, in the Project Management section of an APD, for the State to report on critical points. The current APD submission requirements specify that States must cost justify their project decisions and submit updated cost-benefit analyses. As States become operational in pilot, ACF reminds States of the APD requirement to track benefits as well as update actual costs in their APD's cost benefit analysis. The Department also has the authority, which it frequently exercises, to require States to send an as-needed APD at critical milestones in its life cycle methodology. The Department agrees that States that are encountering problems with their automation projects need a greater degree of oversight and technical assistance, however, we believe that imposing such micromanagement on every State project, irrespective of the success of their automation effort, is unwarranted.

As a general policy, the Department encourages and provides funding for States to procure quality assurance contractor support. Quality assurance contractors assist States in

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monitoring systems development progress and in reviewing deliverables submitted by their implementation vendors.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) made additional funds available to provide on-site assistance to States in the area of systems development. As a consequence, ACF intends to review States' systems development efforts more frequently and earlier in the life cycle than in previous years. ACF's willingness to provide technical assistance and other forms of review at earlier points in the life cycle is evidenced by the 13 functional reviews conducted since 1995 and the 14 on-site technical assistance visits conducted in the last year.

Another issue that must be considered is PRWORA's staggered deadlines for the different provisions such as New Hire, Case Registry, Distribution, Uniform Interstate Family Support Act (UIFSA), and State Disbursement Units. States indicate that they are likely to have different enhancement efforts ongoing simultaneously. For example, to meet all the staggered deadlines of PRWORA, a State is likely to be in the coding stage for new hire requirements, the design stage of its distribution module, the analysis stage for modifications to meet performance measures, the testing stage for telecommunications enhancements, and in the process of conversion of non-Title IV-D cases all at the same time. These myriad, concurrent systems development activities may not necessarily lend themselves to the suggested "one structured methodology fits all" approach to project assessment and review as suggested in GAO's recommendation.

GAO Recommendation

- Develop a mechanism with which to verify that states follow generally accepted systems development practices during projects to minimize risks and costly errors. OCSE should revise the guidance for the APDs and APDUs to ensure that these documents provide information needed to assess different phases of development and are consistent from year to year. This information should include clearly defined requirements, schedules reflecting the status of how much data has been converted, code written, modules produced, and the results of testing, and other measures to quantify progress, such as the amount of data converted.

Department Comment

We encourage States to follow generally accepted systems development practices. The Department believes, however, that the role of the Federal Government is to provide

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technical assistance and guidance to States in this effort, not to micro-manage the States systems development by requiring additional documentation.

Revisions to current regulations and information collection authority would be required to implement the GAO recommendations on revising the Advance Planning Document submission requirements. The submission requirements for Advance Planning Documents are not limited to child support, but also apply to the Food Stamp, Medicaid and child welfare automation efforts in the States. GAO's recommendation for increasing the information collection burden on States contravenes the stated goal of both the Administration and Congress to give States more flexibility in the area of information technology, in exchange for improved performance and accountability.

The resource implications of a review methodology which involves a more in-depth review of State systems development efforts at numerous milestones and project stages as described in the report are significant in terms of staffing needs and funding levels. These implications are not mentioned in the GAO report.

ACF has made progress over the last few years to make the APD process more responsive to State needs. The Information Technology (IT) Partnership Project is a continuous improvement project initiated by ACF to improve the APD process. This partnership includes representatives from American Public Welfare Association (APWA), National Association of State Information Resources Executives (NASIRE), States, and Federal representatives from the Office of Management and Budget, Food and Consumer Service, and the Department's Office of the Assistant Secretary for Management and Budget, Health Care Financing Administration and ACF. Within ACF, there are representatives from the regional, program and financial offices.

The IT Partnership first met in September 1993, and over the next year and a half, met in three conferences, researched and exchanged policy options on systems planning and approval processes, Federal/State roles, performance accountability, technology requirements, cost allocation, and procurement issues. As a result of these information sharing activities, Action Transmittal 94-5 was developed and regulations for 45 CFR Part 95 were revised effective July 31, 1996. The recommendations implemented in the Action Transmittal and regulations include raising thresholds for prior approval, sole source acquisitions, submittal of biennial security reviews, timely responses to States' requests, and expensing policies for hardware acquisitions.

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The Department is in the process of revising its regulations for child support systems development and submitting a new information collection request to the Office of Management and Budget. Concurrent with this process, ACF intends to reconvene the IT Partnership to review APD requirements. GAO's recommendations to increase the information collected by the Federal Government in APDs will be considered during this process.

GAO Recommendation

- Use an evaluative approach for states planned and ongoing information technology projects that focuses on expected and actual cost, benefits, and risks. OCSE should require states to implement needed corrective actions for federally funded systems when problems and major discrepancies in cost and benefits are first identified. If the states experience delays and problems, and are not following generally accepted systems development practices, the Office of Child Support Enforcement (OCSE) should suspend funding until the state redirects its approach.

Department Comment

The Department's goal is to support States in developing efficient and effective child support enforcement systems. ACF believes that the most constructive approach, especially with a statutory deadline, is to provide technical assistance to the States rather than suspend funding. GAO made the same recommendation in 1992 and OCSE's position on circumstances that justify suspending funding for a State's system development effort is basically unchanged.

ACF's responsibility is to review and approve States' plans for development, conduct monitoring and oversight of States' projects and provide technical assistance when needed. Federal regulations at 45 CFR 307.40 permit OCSE to suspend approval of the APD if it ceases to comply substantially with the criteria, requirements and other provisions of the APD. As GAO has noted, ACF has deferred and limited funding for States in numerous situations.

The Department believes that our approach reflects the legislative intent of the Title IV-D program as a Federal/State partnership. Congress, in enacting the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 did not choose to change the APD and APDU process. Each State's project has an annual decision point wherein ACF can approve continued funding or halt funding. Since we now have more travel funds than in the past, we can conduct on-site reviews more often. Based on the findings of such reviews, if necessary, we can defer or disapprove

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funding for a State's project at any time. The deferral or disapproval of existing or requested funding effectively suspends a State's project pending corrective action to its approved plan.

Many of GAO's comments regarding life cycle methodology do not take into consideration the congressionally-mandated deadline and the potential for severe penalties for States missing that deadline. Congress, in extending the initial October 1, 1995 deadline, indicated that it did not want States to sacrifice quality control, adequate acceptance testing, training or conversion in order to meet the deadline. With the congressional extension of the deadline came the resulting need to negotiate contract extensions and fund State staff for an additional 2 years; this was the primary cause of increased funding requests in the last 2 years.

GAO Recommendation

- Evaluate current staff's systems knowledge, skills, and abilities, and identify what additional technical expertise is needed. Develop the technical skills needed to allow OCSE to become more actively involved with the states at critical points in the development process, and enhance the skills of existing systems reviewers through additional training. This expertise should include areas of program management, software development, and systems engineering.

Department Comment

In general, the Department concurs with the recommendation to increase our staff's technical expertise and skills. Such an increase in technical proficiency will allow OCSE to assist States at critical points in the development process. Steps to improve staff expertise and skill include the following: on April 22-24, 1997, four ACF central office and ten regional office systems staff attended a 3-day systems training course presented by the Yankee Group and Booz Allen and Hamilton in Atlanta, Georgia; ACF plans to continue to secure training for ACF systems staff to improve their skills and expertise; regional and central office systems staff met on May 15, 1997 to assess ACF's training needs and develop an agenda of topics for future training.

However, the Department questions the implication that in-depth, hands-on technical direction is an appropriate Federal role with State systems development. ACF focuses on the outcome of States completing systems which meet functional requirements. ACF has never defined its role as software development or systems engineering. If ACF were to

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assume either role, they would need to substantially increase the number of systems staff to provide this greatly expanded function.

GAO Recommendation

- Conduct timely post-implementation reviews on certified child support systems to determine whether systems are providing expected benefits, identify any lessons learned, and assess innovative technical solutions.

Department Comment

The Department concurs and plans to conduct post-implementation reviews of State automation of Family Support Act requirements. Our proposed travel plan for Fiscal Year 1998 includes both technical assistance visits for PRWORA requirements and post-implementation reviews.

We disseminate lessons learned and innovative technical solutions in a variety of ways. We provided the Office of Inspector General's lessons learned summary to all States. We maintain a best practices in automation summary on our ACF Web page. ACF utilizes an OCSENet and Office of State Systems Net listings on their E-mail system where ACF staff can send an E-mail to all participating central and regional office staff to inquire about problems and suggest innovative solutions used within the State and share the results of such surveys. OCSE also supports an internet listserve service for Child Support directors to facilitate communication between States and ACF.

GAO Recommendation

- Periodically--no less than annually--prepare an assessment of the progress of child support systems projects on a nationwide basis, to gain and share with the states a broader perspective on costs, systemic problems, potential solutions, and innovative approaches. Information should be shared with other states to help reduce costs and improve effectiveness of the child support program nationally--especially any practices or systems that could benefit states now attempting to develop or implement welfare reform systems requirements.

Department Comment

ACF has already developed the framework for a nationwide assessment of child support automation. ACF demonstrated to GAO auditors its State Systems Approval Information System that permits data entry of APD and APDU information, financial approval tracking, program information and key

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systems development data.

In addition, ACF maintains both a toll-free Electronic Bulletin Board Service and a World Wide Web site on the internet which includes information such as the national status of CSE systems, best practices in automation, and matrices and State contact lists for New Hire, State License Revocation, CSEnet, and UIFSA. ACF is also proposing a resource center that will compile resource materials on child support program issues as well as systems-related materials such as APDs, requests for proposals, contracts, completed certification questionnaires, and other information useful to the development and operation of automated CSE systems.

GAO Recommendation

- Assess the impact of welfare reform on existing child support programs--including automated systems and business operations--and determine whether states will be able to implement systems requirements within established time frames and without exceeding the \$400 million cap.

Department Comment

As GAO pointed out, "...major systems decisions hinge on baseline requirements...without them, reasonable estimates of the scope, complexity, cost and length of a project can not be adequately developed." In addition to the areas in which CSE automation was specifically mandated, virtually all PRWORA requirements have a potential CSE systems implication. To address the impact of welfare reform on existing child support programs, ACF developed numerous State-Federal workgroups that review and assess the impact of such diverse requirements as tribal and international issues, interstate issues, paternity, performance measures, self assessment, distribution of child support collections, and forms generation. One of the lessons learned since the Family Support Act is the importance of involving the States and other interested parties in the process of developing requirements, regulations, functional systems requirements, specifications and general guidance. These State/Federal workgroups are invaluable in assisting OCSE in developing the baseline requirements for PRWORA.

The Department believes GAO's comments regarding States meeting systems requirements without exceeding the \$400 million cap on enhanced funding misinterprets congressional intent. Congress, in enacting PRWORA, limited the Federal share of enhanced (80/20 percent) funding for systems development related to PRWORA to \$400 million, but did not place any limitation or cap on systems development funding

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reimbursed at the regular (66/34 percent) rate of reimbursement. The legislative history regarding this provision was very clear that States had the opportunity of completing their systems development effort at the regular rate of reimbursement when they had exhausted their allocation of enhanced funding.

GAO Recommendation

- Provide the states with technical requirements for implementing welfare reform systems, including the new hire, central case, centralized collections and disbursement registries in sufficient time to allow the states to meet the legislatively mandated deadlines of October 1997, 1998, and ultimately 2000.

Department Comment

The Department agrees that the States need the technical requirements for implementing welfare reform systems as quickly as possible. The Department began this process even before the legislation was enacted. Because the House and Senate passed versions of the expanded Federal Parent Locator Service (FPLS) were very similar, the Department commissioned a requirements and alternatives analysis for the FPLS before PRWORA was enacted. This enabled the State/Federal expanded FPLS workgroup, which worked on this issue throughout the legislative process, to immediately proceed with the design of the expanded FPLS and National New Hire Directory. ACF awarded contracts to manage the expanded FPLS project and software design for the three databases on September 30, 1996. ACF sponsored a conference in December 1996 which was attended by 247 individuals, including 50 from State child support offices, 35 from State employment security agencies and 24 from other State agencies. The conference proceedings which included the draft design for new hire directories and proposed certification requirements for new hires were disseminated to all States.

The Federal Case Registry is being addressed by the expanded FPLS Workgroup, which is reviewing draft proposals for the Registry. The Workgroup met on March 17-19 in Baltimore, Maryland to discuss outstanding issues regarding the Federal and State Case Registry.

With regard to the UIFSA forms, ACF formed several UIFSA subgroups, including an automation subgroup, to work on the various components of UIFSA. The UIFSA forms were approved by OMB in April 1997 and OCSE disseminated the forms through Action Transmittal OCSE-AT-97-06. ACF has already developed proposed CSENet transactions that incorporate the UIFSA

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forms.

Financial distribution is under review by a distribution workgroup which met in Dallas, Texas in February 1997 and developed a draft Action Transmittal to implement the new requirements in PRWORA, which include distribution scenarios. ACF is also in the process of awarding a contract for a generic General System Design and Detailed System Design for the financial distribution module of States' automated CSE systems.

In the area of State Disbursement Units, ACF has formed a State/Federal workgroup that is working on a draft action transmittal and draft questions and answers. This workgroup is planning a meeting in July 1997 in Denver, Colorado that will include a visit to Colorado's privatized centralized collection unit.

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