

January 2008

BANKRUPTCY AND CHILD SUPPORT ENFORCEMENT

Improved Information Sharing Possible without Routine Data Matching





Highlights of [GAO-08-100](#), a report to congressional committees

Why GAO Did This Study

Recognizing the importance of child support, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 requires that if a parent with child support obligations files for bankruptcy, a bankruptcy trustee must notify the relevant custodial parent and state child support enforcement agency so that they may participate in the case. The act also required GAO to study the feasibility of matching bankruptcy records with child support records to assure that filers with child support obligations are identified. GAO therefore (1) identified the percent of bankruptcy filers with obligations nationwide, (2) examined the potential for routine data matching to facilitate the identification of filers with child support obligations, and (3) studied the feasibility and cost of doing so.

GAO interviewed child support enforcement and bankruptcy officials at the federal level and in six states. GAO also conducted a nationwide test data match and reviewed national bankruptcy filings for people with support obligations in Texas for an indication of whether filers are failing to provide this information.

What GAO Recommends

To improve the current trustee notification system, the executive and judicial branch entities responsible for bankruptcy case trustees should take steps to address the needs of state agencies for full SSNs to better identify bankruptcy filers; these entities agreed.

To view the full product, including the scope and methodology, click on [GAO-08-100](#). For more information, contact Kay E. Brown at (202) 512-7215 or BrownKE@gao.gov.

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Improved Information Sharing Possible without Routine Data Matching

What GAO Found

Nationwide, about 7 percent of individuals who filed for bankruptcy between October 17, 2005, and October 17, 2006—the first year of the bankruptcy act implementation—were noncustodial parents with child support orders. They, in turn, represented about one-half of 1 percent of the 9.9 million noncustodial parents with orders to pay child support. While these proportions are small, they represented 45,346 adults and at least as many children.

Routine data matching might identify individuals who have not reported their child support obligations. However, GAO estimated from a random sample file review that 98 percent of noncustodial parents nationwide with orders in Texas had volunteered this information when they filed. (The results could be higher or lower in other states.) Another potential benefit would be to reduce the workload for state child support agencies by providing positive identification of bankruptcy filers with orders under the states' purview by comparing the full social security numbers (SSNs) of individuals in both bankruptcy and child support databases. This would help address the current situation state agency officials described, in which significant numbers of the notices they receive from bankruptcy trustees included only partial SSNs of the named person, imposing additional work on staff to make a positive identification in their databases. For bankruptcy case trustees participating in the U.S. Trustee Program, we found this to be the case, even though program guidance—covering 84 of the 90 bankruptcy districts—calls for case trustees to provide full SSNs in notices sent to state agencies. These notices are not part of any public record and trustee program officials said this use of the full SSNs is consistent with executive branch policies designed to guard privacy. For the remaining six districts, administered under a separate program, no guidance has been developed.

A data matching system is technically feasible, but it would be a complex and costly undertaking, and would involve addressing some statutory and policy considerations. Regarding notifying state agencies of the match results, federal child support enforcement officials said that their national automated system could disseminate this data after modifications to federal and state systems. However, a data matching system would not offer a comprehensive alternative to the trustee notification system, because it would not transmit information to custodial parents. Regarding cost, bankruptcy and child support enforcement officials said that the development and implementation of an automated interface between two separate databases is a complex and costly undertaking, requiring modifications to each, with many steps required to assure that the matching system is developed and deployed without critical flaws and allowing for the secure exchange of data. Also, bankruptcy officials cited some statutory and policy considerations to releasing their own data or to performing a data match. It would also duplicate a portion of the current trustee notification process. In view of these findings, instituting a data matching system may not be warranted, especially if the case trustees can provide full SSNs of bankruptcy filers when notifying state agencies.

Contents

Letter		1
	Results in Brief	4
	Background	6
	About 7 Percent of Those Who Filed for Bankruptcy Have Orders to Pay Child Support and Most Are Part of the CSE Program	13
	A Routine, National Data Match Might Identify Filers Who Do Not Report Their Support Obligations and Reduce the Workload Associated with the Current Process	15
	Although a Data Match Is Technically Feasible, There Would Be Substantial Start-Up Costs as well as Some Policy Considerations	19
	Conclusion	25
	Recommendations for Executive and Judicial Branch Action	26
	Agency Comments and Our Evaluation	27
Appendix I	Objectives, Scope, and Methodology	30
Appendix II	Comments from the Department of Justice	34
Appendix III	GAO Contact and Staff Acknowledgments	35
Table		
	Table 1: Comparison of Bankruptcy Filers Who Are Noncustodial Parents with Orders with All Bankruptcy Filers	14
Figures		
	Figure 1: Overview of Bankruptcy System	8
	Figure 2: Current Court and Bankruptcy Case Trustee Notification Processes	12
	Figure 3: Federal Parent Locator Service	21

Abbreviations

CSE	Child Support Enforcement
DSO	Domestic Support Obligation
EOUST	Executive Office for U.S. Trustees
HHS	Department of Health and Human Services
OCSE	Office of Child Support Enforcement
SSN	Social Security Number
TANF	Temporary Assistance for Needy Families

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United States Government Accountability Office
Washington, DC 20548

January 23, 2008

Congressional Committees

Millions of parents nationwide do not live with one or more of their minor children. For many of these children and the households they live in, child support payments from noncustodial parents can be an important source of income. In fiscal year 2006 alone, almost \$24 billion in child support payments was collected and distributed through the federal/state child support enforcement (CSE) program. In recognition of the importance of child support to these families, the Bankruptcy Abuse Prevention and Consumer Protection Act (also known as the Bankruptcy Reform Act)—which was signed into law in April 2005 and addresses, among other things, certain factors viewed as contributing to an escalation in bankruptcy filings—included new provisions to help better ensure that child support is given a high priority in bankruptcy.

Specifically, to help ensure that child support payments are made to custodial parents, bankruptcy filers are to disclose their support obligations on certain bankruptcy forms. The act amended the Bankruptcy Code to require bankruptcy case trustees—generally private individuals who are appointed by the federal government to administer individual bankruptcy cases—to notify child support claimants, such as custodial parents to whom support payments are owed by an individual filing for bankruptcy, as well as state CSE agencies that might be involved. This is designed to allow custodial parents and state CSE agencies to have an opportunity to be party to any bankruptcy proceedings. Nationwide, most parents with child support orders receive child support enforcement services through state CSE agencies while the remainder rely on private arrangements.

The ability to identify bankruptcy filers who have child support obligations is essential for many of the new provisions in the act to work. While the federal bankruptcy system and the CSE program have national databases, none identify bankruptcy filers who owe or pay child support. The Bankruptcy Reform Act, therefore, required that we study and report on the feasibility, effectiveness, and cost of identifying such filers through

database matching of bankruptcy records with child support enforcement records.¹ (The names of addressees are listed at the end of this letter.)

To respond to this statutory requirement, we addressed the following questions: (1) What percent of bankruptcy filers are parents who have orders to pay child support? (2) In what ways, if any, might matching of national bankruptcy and child support enforcement data on a routine basis facilitate the identification of bankruptcy filers with orders to pay child support? (3) What is the feasibility and estimated cost of conducting such a data match on a routine basis?

To address these objectives, we used several different methodologies. To identify the percent of bankruptcy filers with orders to pay child support, we worked with the U.S. Department of Health and Human Services' (HHS) Office of Child Support Enforcement (OCSE)—the entity overseeing state CSE agencies²—to match its national child support enforcement data with a national extract of data on bankruptcy filers that we obtained from the Administrative Office of the United States Courts (Administrative Office). The Administrative Office provides support for federal courts and is supervised by the Judicial Conference of the United States. The HHS data comprised all parents in its national-level database with current orders to pay child support as of June 29, 2007, and the Administrative Office data comprised all individuals that filed for consumer bankruptcy between October 17, 2005, and October 17, 2006,³ the first year of implementation under the Bankruptcy Reform Act.⁴ For more information on scope and methodology, see appendix I.

To determine in what ways matching bankruptcy and child support data might facilitate the identification of bankruptcy filers with child support obligations as well as to assess the feasibility and estimated costs of

¹ Pub. L. No. 109-8, § 230, 119 Stat. 23, 72 (2005). The Bankruptcy Reform Act was signed into law on April 20, 2005, and most of its provisions became effective on October 17, 2005.

² Each of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam administers a CSE program. Hereafter, we will refer to these 54 CSE agencies as “state agencies.”

³ We determined that the differences in dates were not a significant limitation for our purposes. See appendix I for more information about this issue.

⁴ Because businesses do not pay child support, the scope of this report is limited to individuals filing under Chapter 7 or 13, which are the bankruptcy chapters under which individuals usually file.

matching on a recurring basis, we interviewed officials in both the federal/state CSE program and bankruptcy system. We interviewed officials at OCSE as well as officials at state agencies in Alabama, California, Illinois, New York, Texas, and West Virginia. We chose these six states for their diverse geography, caseload sizes, and administrative structures. More specifically, to illustrate whether a routine match could facilitate the identification of bankruptcy filers who fail to report their child support obligations, we conducted a match of national bankruptcy filings with child support enforcement data from the Texas state CSE agency to identify all bankruptcy filers between October 17, 2005, and October 17, 2006, who had a child support order in Texas open at any time during this same time period.⁵ Using the matched results, we then reviewed publicly accessible bankruptcy files of a simple random sample of 100 to determine whether they had reported their child support obligation in their bankruptcy filing. The results of this case study cannot be generalized nationwide; however, they can be generalized to the population of 1,931 noncustodial parents who filed for bankruptcy nationwide and also had child support orders in Texas.

We assessed the reliability of both the bankruptcy and child support enforcement data by reviewing documentation about the systems that produced them, interviewing agency officials knowledgeable about the data, and performing electronic testing of the relevant data elements. Because HHS conducted the test match of the bankruptcy data and national child support enforcement data itself, we were unable to conduct electronic testing as a part of our data reliability assessment. However, HHS performed the analysis to meet certain specifications we provided and included some information to allow us to assess the work performed. We determined that these data were sufficiently reliable for the purposes of this report.

Additionally, we interviewed officials of the executive branch's United States Trustee Program at the Department of Justice and the judicial branch's Bankruptcy Administrator Program, which share responsibility for bankruptcy case trustees. For the U.S. Trustee Program that covers bankruptcy districts in all but two states, we talked with officials from the Executive Office for U.S. Trustees (EOUST) and 5 regional U.S. Trustees as well as 15 bankruptcy case trustees participating in this program in five

⁵Among the six states we contacted for this review, Texas was able to provide us with a relevant extract of their child support caseload.

of the states we selected. Separate from the U.S. Trustee Program, the judicial branch Bankruptcy Administrator Program has bankruptcy administrators who operate in the remaining two states (Alabama and North Carolina) who perform duties similar to those of the U.S. Trustees, including maintaining a panel of private bankruptcy case trustees. In Alabama, we interviewed one bankruptcy administrator and one case trustee who reports to this bankruptcy administrator.

We conducted this performance audit from December 2006 to January 2008 with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

A data match between bankruptcy and child support data found that about 7.2 percent of the 628,537 individuals who filed for bankruptcy nationwide between October 17, 2005, and October 17, 2006, the first year of the Bankruptcy Reform Act's implementation, were noncustodial parents with orders to pay child support. They, in turn, represented about one-half of 1 percent of the 9.9 million noncustodial parents with orders to pay child support. While these proportions are small, they nevertheless represented 45,346 adults and at least as many children. About three-quarters (33,958) of these noncustodial parents received services through the CSE program in various states and the remainder relied on private arrangements. Of the bankruptcy filers with child support orders served through the CSE program, at least one-half were past due on their child support payments.

A national bankruptcy and child support data match conducted on a recurring basis might facilitate the identification of additional filers with child support orders than through the current notification process and reduce the state agency workload associated with processing paper notices received from bankruptcy case trustees. Based on our review of a random sample of national bankruptcy filings involving child support cases in Texas, we estimate that 2 percent (the 95-percent confidence interval ranges from less than 1 percent to 7 percent) may not have reported their child support obligations in their bankruptcy paperwork. (The results could be higher or lower in other states.) This suggests that matching between bankruptcy and child support data could provide a check on filers' child support status when not self-reported, although in this particular case we found that almost everyone had reported their

obligation. In addition, the results of a data match would reduce the workload for state agencies by providing positive identification of bankruptcy filers with child support orders under the states' purview by comparing the full SSNs of individuals in both databases. This step would allow state agencies to more quickly and accurately identify relevant individuals in their records. Officials at the six state agencies we reviewed said the notices they receive from bankruptcy case trustees do not always include the full 9-digit SSNs of the bankruptcy filers. In three of these states, officials estimated that about half or more of the notices they received contained only partial SSNs. According to state officials, this results in more work for staff to locate the individuals in their databases that use SSNs as key identifiers. The regional U.S. and case trustees as well as a bankruptcy administrator we spoke with said that some case trustees do not provide the full number for a variety of reasons, a few related to privacy. For case trustees participating in the U.S. Trustee Program, we found this to be the case, even though EOUST guidance—covering 84 of the 90 bankruptcy districts—calls for case trustees to provide the full SSN in notices sent to state agencies. EOUST officials told us they do not have authority to directly require individual case trustees to provide the number in full, but that they did develop trustee guidance for doing so following their discussions with OCSE about the importance of the full SSN for effective processing of notices by state agencies. The EOUST officials noted that the use of full SSNs in these notices, which are not part of any public record, is consistent with executive branch policies designed to guard privacy. For the judicial branch Bankruptcy Administrator Program in the remaining six bankruptcy districts, which are in Alabama and North Carolina, some case trustees also do not provide the full SSN of filers in the notices to the state agency. Neither the Judicial Conference nor the Administrative Office has developed guidance for these case trustees on notifications.

A national data match done on a recurring basis is technically feasible, but would be a complex and costly undertaking, and is also accompanied by certain statutory and policy considerations. Regarding technical feasibility, both the federal bankruptcy system and the CSE program use full SSNs as key identifiers in their automated systems that could be used to match bankruptcy filers with individuals who have child support orders, as our one-time data match demonstrated. With regard to notifying state agencies of the match results, OCSE officials said that HHS' national automated system could disseminate this information after modifications to federal and state systems. Although data sharing across government agencies is not uncommon, the modifications it requires to systems are costly, involving many steps for effective development, implementation, and

maintenance. Overall, OCSE officials estimate that their development costs to conduct this match would be between \$2 million and \$2.5 million and would take between 15 and 18 months to implement. Another factor that could affect cost is the possible duplication of efforts. Bankruptcy and CSE program officials expressed concern that using an automated system for notifying state agencies would duplicate the current Bankruptcy Code requirement for case trustees to send notices to relevant state agencies. In addition, there is no existing mechanism that could readily be used or modified to notify custodial parents based on match results; like state agencies, custodial parents currently receive mailed notifications from case trustees. Bankruptcy officials from the Administrative Office and EOUST also cited some statutory and policy considerations with sharing data for matching purposes that would need to be addressed for matching on a recurring basis to take place. For example, officials at the Administrative Office cited a policy against releasing and disseminating its bankruptcy data to OCSE on the grounds that the judicial branch must remain an independent and objective adjudicator of creditor claims.

While matching federal bankruptcy data with child support records on a recurring basis might afford some modest improvements to the current system, it is not clear that instituting a routine data matching system is warranted, given the costs, efforts, and policy considerations that would be involved. However, improved information sharing appears possible with additional attention to the existing process for notifying state agencies. As a result, we recommend that the Attorney General direct the Director of the Executive Office for U.S. Trustees to more actively encourage bankruptcy case trustees to provide state agencies with full SSNs, while recognizing the need to do so in a manner that preserves the security of the information. In addition, we recommend that the Judicial Conference of the United States work with bankruptcy administrators in the six bankruptcy court districts in Alabama and North Carolina to examine whether case trustees should provide state agencies with the full SSNs of bankruptcy filers. In responding to a draft of this report, officials of the U.S. Trustee Program at Justice and officials from the Administrative Office of United States Courts, which work with the bankruptcy administrators in Alabama and North Carolina, said they would take steps to address the recommendations.

Background

Bankruptcy is a federal court procedure designed to help both individuals and businesses address debts they cannot fully repay as well as help creditors receive some payment in an equitable manner. Individuals usually file for bankruptcy under one of two chapters of the Bankruptcy

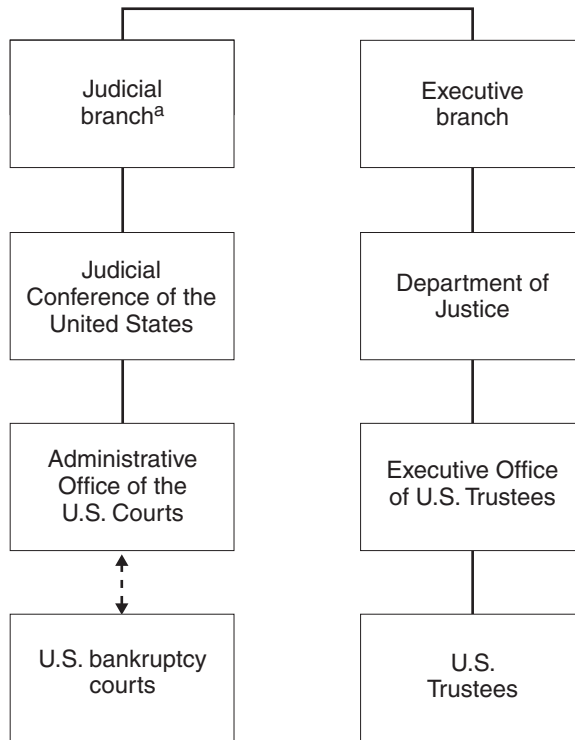
Code. Under Chapter 7, the filer's eligible nonexempt assets are reduced to cash and distributed to creditors in accordance with distribution priorities and procedures set out in the Bankruptcy Code. Under Chapter 13, filers submit a repayment plan to the court agreeing to pay part or all of their debts over time, usually 3 to 5 years. Upon the successful completion of both Chapter 7 and 13 cases, the filer's personal liability for eligible debts is discharged at the end of the bankruptcy process, which means that creditors may take no further action against the individual to collect the debt. Child support is not a debt eligible for discharge.

The Bankruptcy Reform Act, among other things, amended the Bankruptcy Code to require those filers with the ability to pay some of their debts to enter into repayment plans under Chapter 13 of the Bankruptcy Code instead of liquidating their assets under Chapter 7 and granting the debtor a discharge from eligible debts. During the first year of implementation under the Bankruptcy Reform Act, about 628,537 individuals filed for bankruptcy, based on the Administrative Office bankruptcy data we used for our national data match.

The Bankruptcy System

The bankruptcy system is complex and involves many entities in the judicial and executive branches of the federal government. (See fig. 1.)

Figure 1: Overview of Bankruptcy System



Source: GAO analysis.

^aWhile not shown in this graphic, the Judicial Branch oversees case trustees in a small number of bankruptcy court districts.

Within the judicial branch, 90 federal bankruptcy courts have jurisdiction over bankruptcy cases. The Administrative Office is the central support entity for federal courts, including bankruptcy courts, providing a wide range of administrative, legal, financial, management, and information technology services. It also maintains the U.S. Party/Case Index, which contains information collected from all 90 federal bankruptcy courts and allows courts to identify parties involved in federal litigation almost anywhere in the nation. The Director of the Administrative Office is supervised by the Judicial Conference of the United States. The Judicial Conference also considers administrative problems and policy issues affecting the federal judiciary and makes recommendations to Congress concerning legislation affecting the federal judicial system.

The bankruptcy courts share responsibility for bankruptcy cases with the United States Trustee Program, which is part of the executive branch's

U.S. Department of Justice (Justice). In all but six bankruptcy court districts in Alabama and North Carolina, the U.S. Trustee Program is responsible for appointing and supervising private bankruptcy case trustees who manage many aspects of individual bankruptcy cases.⁶ The Executive Office for U.S. Trustees at Justice provides general policy and legal guidance, oversees operations, and handles administrative functions for the U.S. Trustee Program. It also manages the Automated Case Management System, which functions as the U.S. Trustee Program's system for administering bankruptcy cases. Separate from the U.S. Trustee Program, the remaining six districts have judicial branch bankruptcy administrators (referred to as the Bankruptcy Administrator Program) who perform duties similar to those of the U.S. Trustees, including overseeing the administration of bankruptcy cases, maintaining a panel of private case trustees, and monitoring the transactions and conduct of parties in bankruptcy in those states.

The Child Support Enforcement Program

The federal government partners with states to operate the child support enforcement program, making available to parents a range of child support services, including establishing and enforcing child support orders. A child support order can be entered into voluntarily, ordered by a court, or established by a state agency through an administrative process. Once established, it generally legally requires a noncustodial parent to provide financial support to a custodial parent with at least one child.

Nationwide, almost 10 million noncustodial parents had child support orders in place in June 2007, based on the Federal Case Registry maintained by OCSE. This registry, part of the Federal Parent Locator Service,⁷ contains information about individuals with child support cases and orders administered by state CSE agencies as well as individuals not part of the CSE program, but who had orders established after 1998. About 78 percent of these 10 million noncustodial parents had orders enforced

⁶ Pursuant to the Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act of 1986 (Pub. L. No. 99-554, 100 Stat. 3088 (1986)), the Judicial Conference established the bankruptcy administrator program in these two states as a part of the federal judiciary.

⁷ The Federal Parent Locator Service is a national system to assist states in locating noncustodial parents and custodial parties to establish paternity and child support orders; enforce and modify orders; and identify orders or cases involving the same parties in different states.

through state CSE agencies; the remaining parents are not involved with a state agency in enforcing their orders.

The CSE program makes services available, upon request, to any parent or other person with custody of a child (custodial parent) who has a parent living outside of the home (noncustodial parent). Parents that receive public assistance through the Temporary Assistance for Needy Families (TANF), Medicaid, and Foster Care programs receive CSE services free; others are charged a nominal fee not to exceed \$25. TANF recipients are required to assign their rights to child support payments to the state. In fiscal year 2006, the state CSE agencies administered 15.8 million cases, providing a range of services, including establishing paternity and support orders, locating noncustodial parents, collecting and distributing child and medical support, and reviewing and modifying support orders.

The majority of child support is collected through wage withholding, but state agencies also use other methods for enforcing child support orders. In 2006, about 69 percent of child support payments were collected through wage withholding, which involves employers withholding support from noncustodial parents' wages and sending it to the appropriate state agency for distribution. Other methods include intercepting federal and state income tax refunds; liens against property; as well as withholding or suspending driver's licenses, professional licenses, recreational and sporting licenses, and passports of persons who owe past-due support. During fiscal year 2006, total distributed collections were almost \$24 billion. Program costs for that year totaled \$5.6 billion, of which \$3.7 billion was federally funded.

State agencies administer the CSE program, but the federal government plays a major role in supporting them. At the federal level, OCSE within the Administration for Children and Families of HHS provides a majority of program funding. It also establishes enforcement policies and guidance, provides state agencies with technical assistance, and oversees and monitors state programs.

Bankruptcy Reform Act's Treatment of Child Support

The Bankruptcy Reform Act included new provisions to help better ensure that noncustodial parents who file for bankruptcy continue paying child support and that child support payments are given a high priority in bankruptcy. One of these provisions clarifies that proceedings to establish or modify a domestic support obligation (e.g., child support) owed to a governmental unit (e.g., state CSE agencies) are exempt from the automatic stay. An automatic stay bars creditors from taking measures to

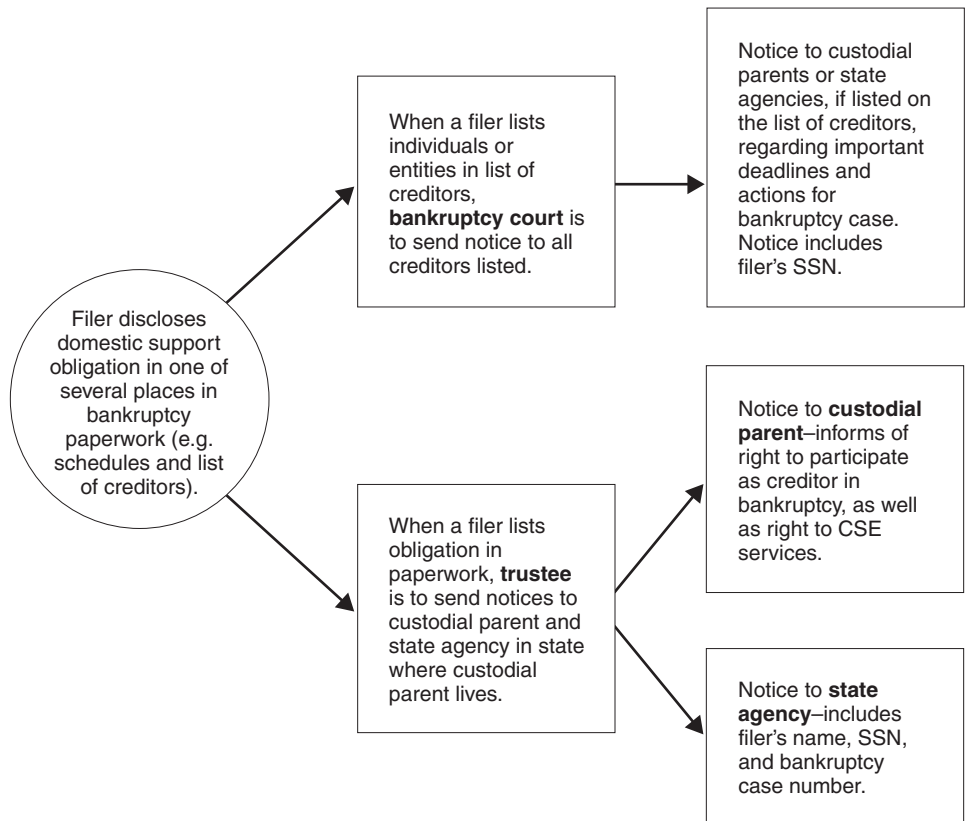
collect a debt pending resolution of the bankruptcy proceeding. Another provision allows for the continued operation of wage withholding for domestic support obligations (e.g., child support). Further, the Bankruptcy Reform Act, for example, requires that noncustodial parents filing for Chapter 13 bankruptcy must be current on their child support obligations to confirm a repayment plan. In addition, the Bankruptcy Reform Act provides child support with the first priority for payment of unsecured claims, up from a seventh-level priority under previous Bankruptcy Code provisions.

Notifying Custodial Parents and State Child Support Enforcement Agencies of Bankruptcies

The Bankruptcy Code requires bankruptcy filers to submit a list of their creditors, which could include a custodial parent or state CSE agency, in their financial disclosures. The court, in general, is to provide listed creditors with notice of a meeting of creditors. A filer who knowingly and fraudulently conceals a debt owed to a creditor is subject to criminal penalties.

In addition, the Bankruptcy Reform Act amended the Bankruptcy Code to require that child support claimants, such as custodial parents and state agencies, be specifically notified of the bankruptcies of parents having a domestic support obligation (DSO), a designation that includes child support and alimony. Case trustees are to send notices of the bankruptcy case to these parties after bankruptcy filers report in their paperwork that they have a DSO. Figure 2 shows court and trustee notification processes based on law, regulations, and guidelines.

Figure 2: Current Court and Bankruptcy Case Trustee Notification Processes



Source: GAO analysis.

State agencies and custodial parents benefit from knowing about the bankruptcies of parents who owe child support. The notice to the custodial parent provides information about the state agency and his or her right to use its services. Knowing about the bankruptcy of a noncustodial parent is important so that the state agency or custodial parent can participate in and be a party to pertinent bankruptcy proceedings. Knowing about the bankruptcy also helps state agencies avoid violating any automatic stay that may be in place. Although the CSE program may continue using many of its collection tools, such as wage withholding, a few of these tools are still subject to the automatic stay. According to a state official, agencies can face penalties if they collect funds using tools subject to the automatic stay.

About 7 Percent of Those Who Filed for Bankruptcy Have Orders to Pay Child Support and Most Are Part of the CSE Program

Our data match using the national bankruptcy and OCSE data found that among the 628,537 individuals who filed for bankruptcy between October 17, 2005, and October 17, 2006, the first year of implementation of the Bankruptcy Reform Act, about 7.2 percent were noncustodial parents with orders to pay child support. This population represents just one-half of 1 percent of the 9.9 million noncustodial parents who have orders to pay child support. While these proportions are small, they nevertheless represent 45,346 adults with orders to pay child support and at least as many children.

About three-quarters (33,958) of bankruptcy filers with orders to pay support were receiving services from CSE programs in various states.⁸ At least half of these bankruptcy filers were past due on their payments.⁹ While data obtained for our study did not include the past due amounts owed by these parents, fiscal 2004 data reported by OCSE, the most recent available, show that of all noncustodial parents with orders who are part of the CSE program, the average total past due amount owed was about \$9,400.

A greater number of noncustodial parents filed for Chapter 7 than Chapter 13 bankruptcy. Nevertheless, proportionally more noncustodial parents filed for bankruptcy under Chapter 13 than did all filers (see table 1). Several experts on bankruptcy and child support as well as officials in some state agencies said the state agency is likely to play a role in Chapter 13 filings because under this chapter an individual repays some or all debt under a court-approved plan prior to a discharge. Past due child support is a debt that can be included in the repayment plan and state agencies may opt to continue collecting past due support through the state agency enforcement process or through the Chapter 13 repayment plan. In contrast, a large majority of filers under Chapter 7 have no assets available for liquidation, and thus no funds are available to pay creditors. Regardless of which chapter a noncustodial parent files under, collection of ongoing

⁸ The 45,346 adults are all noncustodial parents with child support orders in the Federal Case Registry while the 33,958 represents only those noncustodial parents with "IV-D" orders associated with parents receiving services from the CSE program, which is administered under Title IV-D of the Social Security Act.

⁹ This figure is based on the 17,146 filers identified in a separate match HHS conducted for us with the Federal Offset Program file, which only includes noncustodial parents with IV-D orders who owe past due child support. This file only includes parents with arrearages that meet minimum threshold amounts.

child support would continue if, for example, the filer had income and a wage withholding order in place.

Table 1: Comparison of Bankruptcy Filers Who Are Noncustodial Parents with Orders with All Bankruptcy Filers

Bankruptcy chapter	Bankruptcy filers who are also noncustodial parents with orders	All bankruptcy filers
Chapter 7	54% (24,462)	58% (363,321)
Chapter 13	46% (20,884)	42% (266,754)
Total	100% (45,346)	100% (630,075)^a

Source: GAO analysis based on a match of the Administrative Office's bankruptcy data and HHS' CSE data.

Note: The table is based on noncustodial parents who filed between October 17, 2005, and October 17, 2006.

^aThis total double-counts the 1,538 individuals who filed for both Chapter 7 and Chapter 13 bankruptcy in order to provide ratios for noncustodial parents who filed for each chapter.

Although our study does not focus on custodial parents who are owed child support and who filed for bankruptcy, our match showed that a slightly higher percentage of bankruptcy filers were custodial parents than noncustodial parents. Specifically, custodial parents represented 10 percent of all those who filed for bankruptcy while noncustodial parents represented 7 percent.¹⁰

¹⁰ We also found that of all custodial parents with child support orders in place that establish their legal right to child support, 0.7 percent filed for bankruptcy compared with about 0.5 percent for noncustodial parents. Moreover, of all custodial parent bankruptcy filers with orders, 80 percent are part of the CSE program compared with 78 percent for noncustodial parents. Finally, of all custodial parent bankruptcy filers with orders, 56 percent filed for Chapter 7 while 44 percent filed for Chapter 13.

A Routine, National Data Match Might Identify Filers Who Do Not Report Their Support Obligations and Reduce the Workload Associated with the Current Process

A national match of bankruptcy data with child support enforcement data conducted on a recurring basis might help identify filers who, for one reason or another, fail to report their child support obligations in their bankruptcy paperwork. The results of such a match would also reduce the research workload for state agencies by providing positive identification of bankruptcy filers with orders under the states' purview by comparing the full SSNs of individuals in both databases. This step would allow state agencies to more quickly and accurately identify the relevant individuals in their records. Currently, some case trustees do not include the full SSN of the filer in their notifications to the state agencies, which imposes additional work on the state agency staff to make a positive identification. For case trustees in all but six bankruptcy districts in two states, guidance calls for them to provide full SSNs in the notices they send to state agencies.

A National Match of Federal Bankruptcy with Child Support Enforcement Data Might Identify Some Filers Who Do Not Report a Child Support Obligation

Conducting a national bankruptcy and child support enforcement data match on a recurring basis might identify some additional filers who have orders to pay child support but who do not report this obligation, as required, when they file for bankruptcy. In a test review of bankruptcy filings involving orders to pay child support in Texas, we found that an estimated 2 percent of filers who completed all of their bankruptcy paperwork may not have reported their child support obligations.¹¹ (The results could be higher or lower in other states.) For these and other filers who fail to report their obligations in their paperwork, they may subsequently report these obligations at a later stage in the bankruptcy process when case trustees ask them under oath whether they have a domestic obligation. Almost all of the 16 case trustees we spoke with for this review said they always ask debtors this question under oath.¹²

¹¹ The 95 percent confidence interval for this estimate ranges from less than 1 percent to over 7 percent, which means we are 95 percent confident that this interval contains the true values in the study population. It is possible that we identified some individuals as non-reporters due to a timing issue rather than their not disclosing a current obligation. While we attempted to match the time frames of the bankruptcy and child support data as closely as possible, it is possible that an individual's child support status on the exact date that they filed for bankruptcy might not have been captured in our data match.

¹² Administrative Office officials told us that in the event that a filer has for some reason initially not listed a creditor and the case trustee has knowledge of this, the case trustee should require the filer to amend the bankruptcy paperwork.

A Data Match Might Readily Provide State Agencies with Positive Identifications and Reduce the Workload Associated with the Current Trustee Notification Process

A data matching process in which OCSE conveys results to state agencies that positively identify bankruptcy filers would allow state agencies to process the information more efficiently and accurately than the current process, reducing state agency workload. State agency officials reported that their staff currently take steps when they receive notices from case trustees to determine whether the named individual is in their agency's database.¹³ A significant portion of the notices a state agency receives may pertain to noncustodial parents who are not part of that state's CSE program. For example, our national data match analysis identified about one-quarter of noncustodial parent filers with orders not administered as part of any state agency. Match results distributed to state agencies by OCSE would, in effect, pre-sort the orders, only sending to state agencies the information on bankruptcy filers whose orders are under their purview. Also, agency staff can have difficulty distinguishing among the noncustodial parents in their caseload with similar names when the notices do not contain the full SSNs. Federal agencies often use full SSNs when data matching or other information-sharing is used to help them meet program goals, such as improving collections or minimizing fraud, as long as they take the required steps to safeguard the personally-identifiable information in their possession.

We found that it is not always the practice for case trustees to include full SSNs in their bankruptcy notices to state agencies, even though some guidance has been issued on this. In our selected six states, state agency officials said that trustee notices did not always contain full SSNs. In Alabama, Illinois, and New York, for example, agency officials estimate that half or more of the trustee notices they receive contain the filer's partial SSN. Of the 16 case trustees we interviewed, 5 said they do not include the full SSN in the notices they send to state agencies. Four of these five case trustees participating in the U.S. Trustee Program expressed a variety of reasons for not providing full SSNs, such as administrative convenience or some concerns about privacy,¹⁴ despite

¹³ Our work at the state agencies focused on the notices they receive from case trustees under the new DSO provisions of the Bankruptcy Reform Act rather than the notices they receive pursuant to the more general requirement that a bankruptcy court send a notice of a meeting of creditors to all creditors specified in bankruptcy filings.

¹⁴ Regarding administrative convenience, one trustee noted that she relied on one pre-formatted letter for sending the notifications to custodial parents and state agencies. This letter was formatted for custodial parents, who are not to receive the bankruptcy filer's full SSN. This was considered easier than having two separate letter formats—one for custodial parents and another for state agencies—although it resulted in the full SSN not being provided to state agencies.

EOUST guidance instructing them to do so. In Alabama, where a bankruptcy administrator rather than a regional U.S. Trustee oversees case trustees, a trustee and the bankruptcy administrator said that their policy is to provide only a partial SSN to the custodial parent and state agency.

In developing guidance for trustee noticing under the U.S. Trustee Program, EOUST officials told us that they worked closely with OCSE regarding what information to include in the notices going to state agencies. The guidance notes that state child support agencies have requested that the notices identify bankruptcy filers by name and SSN. The guidance also includes sample notices that trustees can use that indicate that the full SSN should be included for notifying the state agencies. EOUST officials told us that OCSE officials emphasized the importance of the full SSN for effective processing of notices. EOUST officials also said that providing the full SSN to state agencies is consistent with the Bankruptcy Reform Act. In addition, EOUST officials said that they provided training about the notices to case trustees, through the regional U.S. Trustees, as part of training on all aspects of the new bankruptcy reform provisions and posted the guidance on their external and internal Web sites.

EOUST officials also said they had considered executive branch policies about privacy and security of personal identifiers and determined that its guidance was consistent with these policies. It is important to note that the notices from case trustees are not made available to the public and are not part of the bankruptcy case docket, which is publicly available. Officials from state agencies said similarly that they do not make this information in the notices publicly available. We have previously reported that SSNs can be useful tools to enhance program integrity through data matching; however, government agencies and courts need to take steps to prevent the improper disclosure of SSNs, including limiting the use and display of SSNs in public records (e.g., SSN truncation in all lien records).¹⁵

While EOUST officials acknowledged the importance of full SSNs in notices, they told us that they do not have authority to require case

¹⁵ For a fuller discussion of these issues, see the following GAO products: *Social Security Numbers: Federal and State Laws Restrict Use of SSNs, yet Gaps Remain*, [GAO-05-1016T](#) (Washington, D.C.: Sept. 15, 2005); and *Social Security Numbers: Federal Actions Could Further Decrease Availability in Public Records, though Other Vulnerabilities Remain*, [GAO-07-752](#) (Washington, D.C.: June 15, 2007).

trustees to provide them. They said that case trustees are not directly supervised by, or employees of, EOUST. The EOUST officials also said that case trustees are required to administer a bankruptcy estate in accordance with applicable state laws.

For case trustees who are overseen by judicial branch bankruptcy administrators in the six bankruptcy districts in Alabama and North Carolina, neither the Judicial Conference nor the Administrative Office has established an explicit policy about case trustees providing the filer's full 9-digit SSN in the notices sent to custodial parents and the state child support enforcement agencies.

In addition to reducing state agencies' workload, a routine data match would have the additional advantage of identifying those parents who may be part of the CSE program, but whose cases are administered by an agency in another state.¹⁶ In some cases the notices could go to the wrong state because the Bankruptcy Reform Act requires that notices be sent to the state in which the child support claimant, such as a custodial parent, lives, although some may live in a state other than the one administering CSE services. Also, more than one state may be involved in some case activity. For example, according to OCSE officials, a January 2000 national analysis showed that, of noncustodial parents with orders to pay child support, and who were past due on their payments, 24 percent resided in a state other than the state seeking collection of these payments.

¹⁶ A routine data match could also help state agencies locate noncustodial parents identified by custodial parents but for whom a child support order has not yet been established. While this would provide useful information for child support enforcement, these parents would not have formal child support obligations to report when they file for bankruptcy.

Although a Data Match Is Technically Feasible, There Would Be Substantial Start-Up Costs as well as Some Policy Considerations

A national data match conducted on a recurring basis is technically feasible, although it would require modifications to existing systems at national and state levels, including many steps for effectively developing and implementing data matching that are costly. Moreover, bankruptcy and CSE program officials expressed concern about implementing an automated system that provides notification of noncustodial parent filers to state agencies because of potential duplication between any new automated system and the existing trustee notification process that was implemented as a result of the Bankruptcy Reform Act. In addition to these costs, bankruptcy officials cited some statutory and policy considerations to releasing their own data or to performing a data match. Weighing these factors and concerns against the benefits of conducting a data match is an important consideration.

A Data Match with Transmission of Results to State Agencies Is Technically Feasible, Though It Would Not Replace Notifications to Custodial Parents

Officials from the Administrative Office, EOUST, and CSE agencies said that it is technically feasible to provide information in their databases to the other system and then match records between the two systems on a routine basis. They also brought up legal and policy considerations, which we discuss in more detail later. The bankruptcy system and CSE program each have federal databases that use SSNs as key identifiers and contain the information that potentially can be used to identify, on a routine basis, bankruptcy filers with orders to pay child support. Both the Administrative Office and EOUST databases contain the full SSNs of filers for consumer bankruptcies.¹⁷ The EOUST database does not include bankruptcy filers in Alabama and North Carolina because these two states do not participate in the U.S. Trustee Program. OCSE maintains the Federal Case Registry, a national automated system containing limited data of noncustodial parents with orders to pay child support that are enforced through state CSE programs and those that are not, among other information. OCSE also maintains the Federal Offset Program file that contains information on individuals who owe past due child support who are part of the state CSE programs.

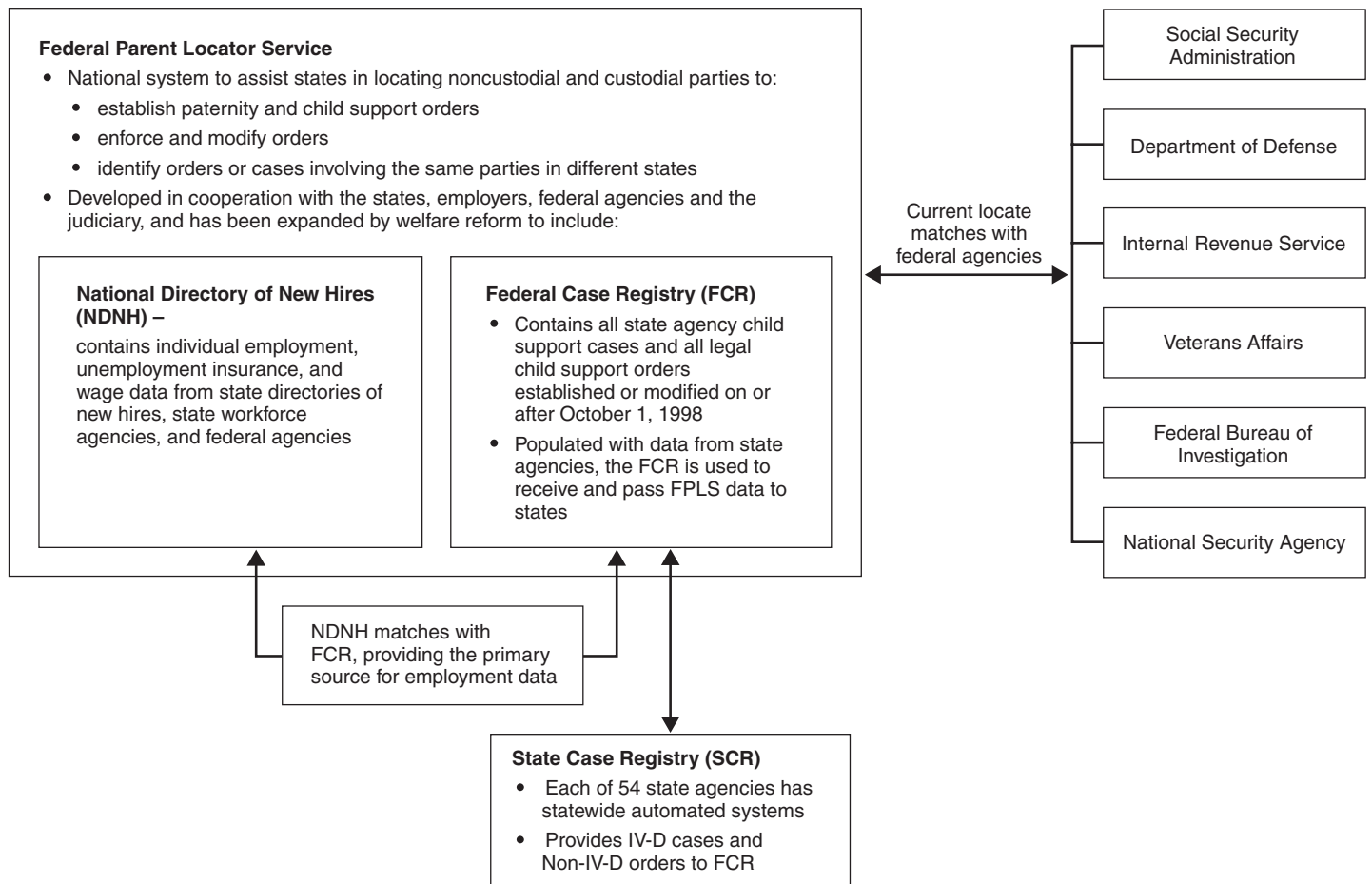
Using the Federal Case Registry and its other automated systems, OCSE currently conducts routine data matches with other entities to help state agencies locate parents and enforce child support orders. For example,

¹⁷ The Administrative Office's database is the U.S. Party/Case Index. EOUST's database, the Automated Case Management System, is based on extracts of case management information from the Administrative Office.

the registry helps state agencies identify noncustodial parents who are located or working in other states. By matching its data with data held by other agencies, such as the Social Security Administration, the Department of Defense, the Federal Bureau of Investigation, and the Internal Revenue Service, it can locate the parent's employer for state agencies, allowing them to issue income-withholding orders, among other actions. Moreover, an OCSE analysis estimated that its National Directory of New Hires Database matches result in about \$400 million in child support collected annually.¹⁸ Typically, OCSE conducts matches with entities that have information common among many individuals in its target population or that are expected to yield significant results. See figure 3.

¹⁸ *Fiscal Year 2004 Annual Report to Congress*, U.S. Department of Health and Human Services. In addition to the Federal Case Registry, the Federal Parent Locator Service includes the National Directory of New Hires: a central repository of employment, unemployment insurance, and wage data from State Directories of New Hires, State Employment Security agencies, and federal agencies. Person data in the registry are matched daily against employment data in the National Directory of New Hires.

Figure 3: Federal Parent Locator Service



Source: GAO analysis.

With regard to using the results of a data match, current technical capability differs among agencies. OCSE and some state agency officials we spoke with said that OCSE’s Federal Case Registry could disseminate this information to the 54 state agencies after modifications to this system and state systems. Upon receiving an electronic notification that a noncustodial parent in their caseload has filed for bankruptcy, state agencies would also be able to identify custodial parents in their caseloads who are associated with these noncustodial parent filers. However, notifying the custodial parent about the bankruptcy is not currently part of the state agencies’ or OCSE’s duties. Also, these agencies do not have much information on custodial parents who are not part of their state CSE programs. Alternatively, case trustees could use the match results to

continue carrying out their statutorily required duty to notify these parents. However, EOUST officials told us they would need to build the capacity to transmit the match results from EOUST to case trustees who participate in the U.S. Trustee Program.

A Data Match Would Likely Involve Substantial Start-up Costs and Would also Duplicate a Part of the Current Notification System

Although electronic data sharing across government agencies is not uncommon,¹⁹ it can be a complex and costly undertaking. Data matching would need to be done frequently (e.g., weekly) to be useful, according to some state agency officials, and would likely involve developing automated interfaces to exchange data effectively on a recurring basis. In developing such systems, to reduce the risks to acceptable levels,²⁰ following and effectively implementing accepted best practices in systems development and implementation (commonly referred to as disciplined processes) is important. It would include at a minimum

- defining the detailed requirements for the new or modified systems and interfaces, and
- thorough and complete testing to determine that new or modified systems will work as intended.

Even when the agencies have effectively implemented the disciplined processes necessary to reduce risks to acceptable levels, a framework is needed to guide a data sharing project such as this. Specifically, agencies generally enter into written agreements when they share information for conducting data matches. Based on their experience, OCSE officials estimate that developing such agreements generally requires many months.

Officials from OCSE and EOUST believe that system modifications that would precede data sharing would involve significant costs. They said, for example, they would need to build an exchange method that would allow

¹⁹ See *The Challenge of Data Sharing: Results of a GAO-Sponsored Symposium on Benefit and Loan Programs*, [GAO-01-67](#) (Washington, D.C.: Oct. 20, 2000).

²⁰ These risks involve developing and deploying automated systems with critical flaws (e.g., it does not satisfy the needs of the end user and does not operate as intended), resulting in significant schedule slippages or increased cost or both. For a discussion of risk, see GAO, *DOD Business Transformation: Preliminary Observations on the Defense Travel System*, [GAO-05-998T](#) (Washington, D.C.: Sept. 29, 2005); and *DOD Business Systems Modernization: Billions Continue to Be Invested with Inadequate Management Oversight and Accountability*, [GAO-04-615](#) (Washington, D.C.: May 27, 2004).

for the secure exchange of data. Overall, OCSE officials estimate that their development costs would be between \$2 million and \$2.5 million and would take between 15 and 18 months to implement.

Once a matching process is established, disseminating match results would not be a cost-free proposition. EOUST officials said that it would take a considerable effort to establish an internal process, either manual or automated, for disseminating the match results to the case trustees. While state agencies could accept match results from OCSE using an existing system, OCSE officials said that this would require building this capability into the state agencies' respective automated systems. States would incur some of these up-front costs, according to these officials. Additional costs may be incurred at the county level, with officials at one state agency saying that counties, and not just the state, might need to modify their systems to receive matched data.²¹

Once the necessary interfaces and system changes have been developed and effectively implemented, there are ongoing operation and maintenance costs to consider. OCSE estimates annual costs of between \$35,000 and \$50,000, depending on which entity conducts the match. These costs would include computer processing time and staff resources for managing data transactions. For example, EOUST currently employs two full-time staffers to extract bankruptcy data weekly from the Administrative Office's bankruptcy case database, and a data match between the bankruptcy system and CSE program would likely involve staffing.²²

Some Administrative Office, EOUST, and CSE officials expressed concern about implementing an automated system providing notification of noncustodial parent filers to state agencies because of potential duplication between any new automated system and the existing paper system, which was implemented as a result of the Bankruptcy Reform Act. If a new system duplicates the notices that state agencies now receive from bankruptcy case trustees, it could add to their workload. That is, state agencies would be receiving information about bankruptcy filers

²¹ Thirteen states have county-operated programs, and five other states reported having a combination of state-and county-operated programs.

²² Costs for development and maintenance would also be incurred by bankruptcy entities, although estimates of these potential costs were not developed for us.

with child support obligations from both trustees and OCSE unless the Bankruptcy Code is amended.

Overall, officials from several of the state agencies we talked with said that while conducting electronic matching and sending the results to their agencies could be useful to them, the costs might not warrant such a match. Moreover, according to OCSE officials, state agency directors they have communicated with about a potential data match have similarly noted this trade-off.

Officials of the Administrative Office Say That Their Current Policy Does Not Allow for a Data Match while Officials from Other Programs Say It Could Be Acceptable

Officials from the Administrative Office said that their current policy does not allow a data match while officials from EOUST and OCSE said that a data match would be acceptable if the match met specific privacy guidelines. Officials at the Administrative Office cited a policy against releasing and disseminating their bankruptcy data to OCSE. This federal judiciary policy specifically bars release of the names and SSNs of bankruptcy filers to HHS on the grounds that the judicial branch must remain an independent and objective adjudicator of creditor claims. Administrative Office officials also noted that data on bankruptcy filers is available at EOUST, which is responsible for managing bankruptcy cases and ensuring compliance with applicable laws and procedures.²³

For their part, officials at EOUST stated that their policy on data sharing is guided by the Privacy Act—the federal law governing federal agencies’ use and disclosure of records containing individuals’ personal information.²⁴ The officials said that EOUST’s current policy implementing the routine use exception of the Privacy Act does not support a match with the system of records in which the bankruptcy data are kept, because identifying

²³As noted previously, EOUST’s database does not include bankruptcy filers in Alabama and North Carolina. In addition, its database is based on extracts of case management information from the Administrative Office.

²⁴Under the Privacy Act of 1974 (5 U.S.C. 552a), a federal agency is prohibited from disclosing any record that is contained in a system of records to another agency without the prior written consent of the individual to whom the record pertains. There are 12 exceptions to this “no disclosure without consent” rule. The two pertinent to our discussion are the routine use and law enforcement agency exceptions. The routine use exception allows an agency to disclose information if its disclosure is compatible with the purpose for which the information was collected, and if the routine use was published in the Federal Register. The law enforcement exception allows an agency to disclose information upon a written request by the head of an agency for a civil or criminal law enforcement activity authorized by law.

bankruptcy filers with child support obligations is not part of its mission. However, if OCSE requested the bankruptcy data from EOUST and EOUST determined that this request falls within the law enforcement agency exception of the Privacy Act, then EOUST officials said that it could share its data with OCSE.

According to OCSE officials, it would be acceptable for OCSE data to be matched with bankruptcy data and for OCSE to disseminate the results to state agencies on a recurring basis. However, OCSE officials noted that the match results could only be used for CSE program purposes. That is, EOUST or the Administrative Office could perform a match using CSE data and bankruptcy data and return the results to OCSE, but these entities could not use the CSE data or match results for their own purposes, such as sending match results to case trustees. With respect to sending match results to custodial parents outside the CSE program, OCSE officials said that OCSE would not be the appropriate entity to do this because it is neither authorized nor funded to interact with these parents in this way.

Conclusion

While matching federal bankruptcy data with child support records might facilitate the identification of some additional bankruptcy filers with child support obligations and improve the current system for notifying state agencies, these potential improvements seem modest in comparison to the costs, efforts, and statutory and policy considerations involved in implementing and maintaining a data matching system. As a result, it appears that instituting a routine data matching system may not be warranted. A relatively small percentage of bankruptcy filers have orders to pay child support. In addition, a process is currently in place to identify and notify custodial parents and state agencies of bankruptcy proceedings, as called for under the Bankruptcy Reform Act. Moreover, a data matching system with results transmitting electronically to state agencies would not offer a comprehensive alternative to the trustee notification system insofar as it would not transmit information to custodial parents and would partially duplicate the trustee notification process. Finally, legal and policy considerations would need to be addressed to institute data matching between these two systems.

Although these challenges are not insurmountable and data matching can be a useful tool, in this case, there is an alternative that should improve information sharing between case trustees and state child support agencies within the current system of trustee notices. Notwithstanding EOUST guidance calling for case trustees to provide the full SSNs, some

case trustees only provide partial SSNs. Although EOUST cannot require case trustees to provide the full SSN, its examination of the trustee notification process might identify reasons for case trustees not providing the full SSNs as well as measures to help encourage the provision of full SSNs in notices to state agencies. Without EOUST more actively encouraging case trustees to provide full SSNs, state agencies may continue to experience more difficulties than necessary in accomplishing the child support goals of the Bankruptcy Reform Act. While neither the Judicial Conference nor the Administrative Office has developed similar guidance for bankruptcy administrators, the same reasons exist for state agencies having full SSNs, regardless of which program supervises case trustees. These reasons warrant some examination of the trustee notification process in the bankruptcy administrator districts.

Recommendations for Executive and Judicial Branch Action

To help improve the bankruptcy trustee notification process for state child support enforcement agencies called for under the Bankruptcy Reform Act, we are making two recommendations.

First, we recommend that the Attorney General direct the Director of the Executive Office for U.S. Trustees to more actively encourage case trustees to provide state agencies the full SSNs of bankruptcy filers. This could be accomplished, for example, by working with case trustees to identify and address any issues related to implementation of the current guidance, such as lack of clarity in the guidance or concerns about preserving the security of SSNs.

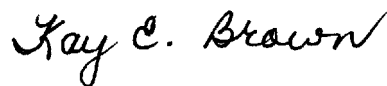
Second, we recommend that the Judicial Conference of the United States work with bankruptcy administrators in the six bankruptcy court districts in Alabama and North Carolina not subject to EOUST guidance to examine whether case trustees should provide state agencies with the full SSN of bankruptcy filers. This might be done in the following ways:

- Inform bankruptcy administrators and the bankruptcy court judges in those six districts about the importance of including the full SSN, how this information would be used by state agencies if provided, and to do so in a way that preserves the security of the information.
- Work with the bankruptcy administrators and bankruptcy court judges in those six districts to identify and if possible, address any issues or concerns, including the security of the information, related to the use of full SSNs in the notices.

Agency Comments and Our Evaluation

We provided Justice, the Administrative Office, and HHS with a draft of this report for their review and comments. The U.S. Trustee Program at Justice said that it supported the recommendation and would continue to work with the private case trustees, including through their national associations, to identify and address impediments to ensuring that full SSNs are provided to state CSE agencies. Its written comments are included in appendix II. Officials from the Administrative Office, in commenting orally on the draft, said that in light of our recommendation, they would review—in the bankruptcy districts in Alabama and North Carolina—the entire process in place for notifying state CSE agencies to see if the process is working correctly and take action as needed. They also provided technical comments that we incorporated as appropriate. In addition, HHS provided technical comments that we incorporated as appropriate.

We are sending electronic copies of this report to the directors of the Administrative Office of United States Courts and the Executive Office for U.S. Trustees at the Department of Justice; the Secretary of Health and Human Services; appropriate congressional committees, and other interested parties. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>. Please contact me at (202) 512-7215 if you have any questions about this report. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Other major contributors to this report are listed in appendix III.



Kay E. Brown
Acting Director, Education, Workforce, and
Income Security Issues

List of Congressional Committees

The Honorable Robert C. Byrd
President Pro Tempore
United States Senate

The Honorable Nancy Pelosi
Speaker of the House of Representatives

The Honorable Max Baucus
Chairman
The Honorable Charles Grassley
Ranking Member
Committee on Finance
United States Senate

The Honorable Patrick J. Leahy
Chairman
The Honorable Arlen Specter
Ranking Member
Committee on the Judiciary
United States Senate

The Honorable John Conyers, Jr.
Chairman
The Honorable Lamar Smith
Ranking Member
Committee on the Judiciary
House of Representatives

The Honorable Linda T. Sanchez
Chairwoman
The Honorable Chris Cannon
Ranking Member
Subcommittee on Commercial and Administrative Law
Committee on the Judiciary
House of Representatives

The Honorable Jim McDermott
Chairman
The Honorable Jerry Weller
Ranking Member
Subcommittee on Income Security and Family Support

Committee on Ways and Means
House of Representatives

The Honorable Adam B. Schiff
House of Representatives

Appendix I: Objectives, Scope, and Methodology

Objectives

The objectives of this report were to determine (1) What percent of bankruptcy filers are parents who have orders to pay child support? (2) In what ways, if any, might matching national bankruptcy and child support enforcement data on a routine basis facilitate the identification of bankruptcy filers who have child support obligations? (3) What is the feasibility and estimated cost of conducting such a data match on a routine basis?

Scope and Methodology

To conduct our work we reviewed relevant laws, rules and regulations, and guidance that affect the bankruptcy process and child support enforcement (CSE) program, including the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, Title IV-D of the Social Security Act, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and the Privacy Act. We also interviewed bankruptcy and CSE program officials. This information was also used to review the national court, bankruptcy, and the CSE data systems that might be used for a potential recurring, national data match.

To identify the proportion of parents with orders to pay child support who filed for bankruptcy nationwide, we worked with the U.S. Department of Health and Human Services' Office of Child Support Enforcement (OCSE) to develop an analysis plan. This plan outlined how they would match their national CSE data with a national extract of personal bankruptcy filers that we obtained from the Administrative Office of United States Courts (the Administrative Office). The national CSE data from the Federal Case Registry, as of June 2007, contained information about individuals who are participants of the CSE program and individuals who are not participants of the CSE program but had orders established after 1998 to pay child support. The national CSE data also included data from the Federal Offset Program file, which contains only current information about noncustodial parents that participate in the CSE program who owe past due child support. The bankruptcy data from the U.S. Party/Case Index included names and Social Security numbers (SSNs) of all individuals that filed for Chapter 7 or Chapter 13 bankruptcy between October 17, 2005, and October 17, 2006, the first year of implementation under the Bankruptcy Reform Act.

We recognize that the difference in time frames for the bankruptcy and CSE data could mean that we over-or under-counted individuals in this population. For example, we may have under-counted if a noncustodial parent's order ended in May 2007, but this noncustodial parent filed for bankruptcy on August 1, 2006. However, we determined that this was not a

significant methodological limitation for the purposes of testing this data match and our analysis.

From the Administrative Office we received 839,597 records of bankruptcy case data. After cleaning the data, 642,709 records were left for our work. Records were removed for the following reasons: missing SSN, bad SSN (more or less than nine digits), text strings instead of SSN, duplicates, and bankruptcy chapters other than 7 and 13. We had several communications with the system administrators to clarify our reasoning before dropping any records. We were told that although the system has data checks there is no automatic cleaning performed. Rather, notices are sent to the district courts and it is left to them to correct the data.

We assessed the reliability of the respective bankruptcy and CSE data by reviewing existing information about these data and the systems that produced them, interviewing agency officials knowledgeable about these data, and performing electronic testing. Because of OCSE's legal concerns, we agreed that they would not provide us with child support case data. Instead, they performed the test match of the bankruptcy data and national CSE data themselves to meet certain specifications we provided, and included some information to allow us to assess the work performed. If we are not provided with underlying data, the ability to conduct electronic testing as a part of the data reliability assessment is limited. For analyses such as these, electronic testing of the data is generally a routine part of the reliability assessment. However, based on interviews of knowledgeable officials and reviews of relevant documentation, and because OCSE routinely performs SSN checks with the Social Security Administration, we have sufficient reason to believe that the OCSE data are reliable for the purpose of this report. In preparation for matching, we eliminated duplicate SSNs from the data within each bankruptcy chapter, which brought our total to 630,075 individuals who filed for bankruptcy. This total double-counts the 1,538 individuals who filed for both Chapter 7 and Chapter 13 bankruptcy.

To help determine the potential benefits of data matching on a routine basis, we conducted a match ourselves of national bankruptcy filings with CSE data in Texas to ascertain whether bankruptcy filers volunteered their child support obligations when they file for bankruptcy. Among the six states we contacted, Texas was readily able to provide us with an extract of their child support caseload. Our universe totaled 1,931 individuals, which included noncustodial parents with child support orders who were participating in the Texas CSE program at some point between October 17, 2005, and October 17, 2006, and who filed for

bankruptcy between October 17, 2005, and October 17, 2006. From this universe, we then selected a simple random probability sample of 100 noncustodial parents.¹ With this probability sample, each member of the study population had a nonzero probability of being included, and that probability could be computed for any member. Each sample element was subsequently weighted in the analysis to account statistically for all the members of the population, including those who were not selected.

Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval. This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that the interval ranging from less than 1 percent to over 7 percent would contain the true percentages of our sample population who completed all of their bankruptcy paperwork and had not reported their child support obligations.

To conduct our review of the bankruptcy case files for the Texas sample, we developed a data collection instrument to gather information systematically from the selected bankruptcy files and used the Administrative Office's electronic public access service to review all bankruptcy filings and to record whether the child support obligation was reported in the bankruptcy paperwork. Bankruptcy filers (and their attorneys) can report these obligations in a number of places in the paperwork. We did not determine whether the individuals who neglected to report their obligations eventually did so when asked by a case trustee. The results of this case file review cannot be generalized nationwide; however, they can be generalized to the population of 1,931 noncustodial parents with IV-D orders on record in the automated system of the Texas State CSE program who also filed for bankruptcy nationwide and are intended for illustrative purposes. Moreover, it is possible that we identified some individuals as non-reporters due to a timing issue rather than their not disclosing a current obligation. While we attempted to match the time frames of the bankruptcy and child support data as closely as possible, it is possible that an individual's child support status on the

¹ For our analysis, we included only 94 of the 100 bankruptcy filers with obligations who completed all of the required bankruptcy paperwork.

exact date they filed for bankruptcy might not have been captured in our data match. We determined that this timing issue was not a significant methodological limitation because we found so few filers that did not report their child support obligations.

To help us understand the potential benefits as well as the feasibility and cost of data matching on a routine basis, we interviewed officials in both the bankruptcy system and the CSE program, including officials representing federal, regional, and state entities. In interviews with these officials, we also discussed challenges that data matching would involve for all parties, including technical, legal, financial, and security challenges that data matching would entail for all parties. We spoke with officials in the Administrative Office, the Executive Office for U.S. Trustees, and OCSE. We also interviewed officials at state agencies in Alabama, California, Illinois, New York, Texas, and West Virginia. We chose these six states for their diverse geography, caseload sizes, and administrative structures. Our work at the six state agencies focused on the notices they receive from case trustees under the new DSO provisions of the Bankruptcy Reform Act rather than the notices they receive from bankruptcy courts under the more general requirement that all creditors specified in bankruptcy filings are to be notified by the courts. Additionally, we interviewed 5 regional U.S. Trustees and 1 bankruptcy administrator in Alabama and the 16 case trustees who report to them in bankruptcy districts in these six states.

We conducted this performance audit from December 2006 to January 2008 with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of Justice



U.S. Department of Justice

Executive Office for United States Trustees

Office of the Director

Washington, D.C. 20530

December 18, 2007

Ms. Kay E. Brown
Director
Education, Workforce, and Income Security
Government Accountability Office
Washington, DC 20510-1501

RE: GAO 08-100

Dear Director Brown:

Thank you for the opportunity to review the Government Accountability Office's draft report entitled *Bankruptcy and Child Support Enforcement: Improved Information Sharing Possible Without Routine Data Matching*. The draft report concludes that while a routine data matching of bankruptcy data with state child support records may provide additional benefit, it may not be warranted because of costs and policy considerations. GAO does recommend, however, that the United States Trustee Program (Program) more actively encourage trustees under its supervision to provide state child support enforcement agencies with the full Social Security numbers of debtors with domestic support obligations. We support this recommendation.

In implementing the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA), we provided specific guidance to the private trustees to include in their notices to the state child support enforcement agencies the full Social Security number of debtors with domestic support obligations. To assist the private trustees, the Program, in consultation with the Office of Child Support Enforcement of the Department of Health and Human Services, developed sample notification letters which were given to the private trustees for their use. The notification letters were also provided to the vendors of trustee management software for inclusion in their software so that the private trustees could more efficiently generate the required notices.

Based upon the GAO recommendation in this report, the Program will continue to work with the private trustees, including through their national associations, to identify and address impediments to ensuring that full Social Security numbers are provided to state child support enforcement agencies. We appreciate the GAO's thorough review of this issue and its constructive recommendation.

Sincerely,

A handwritten signature in black ink, appearing to read "Clifford J. White III".

Clifford J. White III
Director

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

Kay E. Brown (202) 512-7215 or BrownKE@gao.gov

Acknowledgments

In addition to the contact named above, Denise M. Fantone, Acting Director; Gale Harris, Assistant Director; James Whitcomb, Analyst-in-Charge; Susan Higgins; and Sara Pelton made significant contributions to this report. In addition, Ron La Due Lake, Cynthia Grant, and John “Chris” Martin provided assistance in data collection and analytical support; Linda Watson, Ellen Wolfe, and Jessikah Foulk provided assistance in data collection; Susan Bernstein provided writing assistance; Jim Rebbe and Geoff Hamilton provided legal assistance; and Lise Levie provided technical assistance.

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