



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

JUL 18 2006

Report Number: A-07-05-03069

Ms. Janel Luck, Director
Family Service Division
Missouri Department of Social Services
615 Howerton Court
Jefferson City, Missouri 65109

Dear Ms. Luck:

Enclosed are two copies of the U.S. Department of Health and Human Services, Office of Inspector General (OIG) final report entitled "Review of Missouri's Undistributable Child Support Collections" for the period October 1, 1998 through September 30, 2005. A copy of this report will be forwarded to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

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Please refer to report number A-07-05-03069 in all correspondence.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Patrick J. Cogley".

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

Linda Lewis
Regional Administrator, Region VII
Administration for Children and Families
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Kansas City, MO 64106-2817

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MISSOURI'S
UNDISTRIBUTABLE CHILD
SUPPORT COLLECTIONS**



Daniel R. Levinson
Inspector General

July 2006
A-07-05-03069

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

The Child Support Enforcement program is a Federal, State, and local partnership, established in 1975 under Title IV-D of the Social Security Act, to collect child support payments for distribution to custodial parents. Within the U.S. Department of Health and Human Services, the Administration for Children and Families (ACF), Office of Child Support Enforcement (OCSE) provides Federal oversight.

OCSE requires States to offset Child Support Enforcement program costs by recognizing and reporting program income from Title IV-D undistributable child support collections and interest earned on program funds. Specifically, the instructions for Federal forms OCSE-34A, “OCSE Child Support Enforcement Program Quarterly Report of Collections,” and OCSE-396A, “Child Support Enforcement Program Financial Report,” used to report undistributable collections and program income, respectively, require States to report program income for undistributable collections when State law considers them abandoned.

In Missouri, the Department of Social Services (State agency) administers the federally mandated program through the Family Support Division. The State agency uses the Missouri Automated Child Support System (MACSS) as a tool to help locate parents, establish paternity, establish child and medical support orders, monitor and enforce compliance with child and medical support orders, review and initiate modification of support orders, and distribute support collections.

Before 1999, the County Circuit Clerk offices processed child support collections. Beginning in 1999, the State agency contracted with the State Disbursement Unit to process child support collections. As the County Circuit Clerk offices stopped processing child support collections, they generally transferred the remaining undistributable child support collections to the State Treasurer as abandoned property. Although the State Disbursement Unit processes all child support collections, some County Circuit Clerk offices continue to hold undistributable child support collections that occurred before the State Disbursement Unit took over.

Pursuant to the Missouri Revised Statutes, undistributable child support collections are considered abandoned if the owner has not claimed them within 3 years. The State agency’s “Child Support Enforcement Policy Procedure Manual” (State manual) requires the State agency to immediately turn over abandoned child support collections to the State Treasurer.

OBJECTIVES

Our objectives were to determine whether the State agency appropriately reported program income for (1) undistributable child support collections that met the State’s definition of abandoned property and (2) interest earned on program funds.

SUMMARY OF FINDINGS

The State agency did not always report program income for (1) undistributable child support collections that met the State's definition of abandoned property or (2) interest earned on program funds. The State agency did not always report program income because in certain circumstances it either (1) had inadequate policies and procedures or (2) did not follow its policies and procedures. As a result, for the period October 1, 1998, through September 30, 2005, the State agency did not recognize and report program income totaling an estimated \$692,618¹ (\$457,128 Federal share).

Of the \$692,618, a total of \$361,439 (\$238,550 Federal share) in Title IV-D undistributable child support collections was transferred to the State Treasurer as abandoned property, but the State agency did not correctly report it as program income. The \$361,439 includes:

- \$344,626 (\$227,453 Federal share) that three County Circuit Clerk offices (Jackson, Greene, and St. Louis counties) sent to the State Treasurer as abandoned property, and
- \$16,813 (\$11,097 Federal share) that the State agency did not correctly report as program income on form OCSE-396A.

In addition, the State agency did not report \$331,179 (\$218,578 Federal share) in Title IV-D undistributable child support collections and interest income that was never transferred to the State Treasurer as abandoned property. The \$331,179 includes:

- \$256,477 (\$169,275 Federal share) in Title IV-D undistributable child support collections and interest income that one County Circuit Clerk office (St. Louis city) maintained in an open bank account, and
- \$74,702 (\$49,303 Federal share) of Title IV-D undistributable child support collections within the MACSS.

¹This amount is an estimate because it includes estimated Title IV-D amounts as shown in the Appendix A.

RECOMMENDATIONS

We recommend that the State agency:

- report on the quarterly Federal financial report (form OCSE-396A) \$361,439 (\$238,550 Federal share) in Title IV-D program income that has been transferred to the State Treasurer as abandoned property;
- report \$331,179 (\$218,578 Federal share) in Title IV-D program income on form OCSE-396A after it:
 - works with St. Louis city officials from the County Circuit Clerk's office to close the open bank account and transfer the undistributable child support collections and interest income to the State Treasurer, and
 - transfers the \$74,702 (\$49,303 Federal share) of Title IV-D undistributable child support collections within the MACSS to the State Treasurer as abandoned property;
- work with OCSE to review the other 111 County Circuit Clerk offices and determine whether they have appropriately declared and transferred to the State Treasurer any remaining undistributable child support collections and interest income;
- report any remaining undistributable child support collections and interest income from the other 111 County Circuit Clerk offices as program income on form OCSE-396A;
- revise its policies and procedures to ensure that undistributable child support collections are considered abandoned within 3 years from the date the collections could have been claimed by the owner; and
- provide training to personnel responsible for preparing the quarterly Federal financial report forms OCSE-34A and OCSE-396A to ensure that the forms are completed appropriately.

STATE AGENCY COMMENTS

The State agency agreed with all of our audit findings and recommendations. Specifically, the State agency agreed to: (1) report \$692,618 (Federal share \$457,128) in Title IV-D undistributable child support collections and interest income as program income, (2) work with St. Louis City Circuit Clerk officials to close out an open bank account containing undistributable child support collections and interest income, (3) transfer \$74,702 (\$49,303 Federal share) of Title IV-D undistributable child support collections within the MACSS to the State treasurer as abandoned property, (4) implement a plan to review the remaining 111 County Circuit clerk offices to determine if they have appropriately declared and transferred any remaining undistributable child support collections and interest income to the State treasurer or

State agency, (5) report any remaining undistributable child support collections and interest income from the other 111 County Circuit Clerk offices as program income on form OCSE-396A, (6) revise its policies and procedures related to the transfer of undistributable child support collections to the State treasurer, and (7) provide appropriate guidance to personnel that prepare forms OCSE-34A and OCSE-396A. The State agency comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We commend the State agency for addressing our findings and recommendations.

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INTRODUCTION

BACKGROUND

Child Support Enforcement Program

The Child Support Enforcement program is a Federal, State, and local partnership, established in 1975 under Title IV-D of the Social Security Act, to ensure that noncustodial parents provide support to their children. The program collects child support payments from noncustodial parents for distribution to custodial parents. Within the U.S. Department of Health and Human Services, the Administration for Children and Families, Office of Child Support Enforcement (OCSE) provides Federal oversight by setting program standards and policy, evaluating performance, and offering technical assistance.

OCSE requires States to offset Child Support Enforcement program costs by recognizing and reporting program income from Title IV-D undistributable child support collections and interest earned on program funds. Specifically, the instructions for Federal forms OCSE-34A, "OCSE Child Support Enforcement Program Quarterly Report of Collections," and OCSE-396A, "Child Support Enforcement Program Financial Report," used to report undistributable collections and program income, respectively, require States to report program income for undistributable collections when State law considers them abandoned.

Missouri's Program

Within the State of Missouri, the Department of Social Services (State agency) administers the federally mandated program through the Family Support Division. The State agency uses the Missouri Automated Child Support System (MACSS) as a tool to help locate parents, establish paternity, establish child and medical support orders, monitor and enforce compliance with child and medical support orders, review and initiate modification of support orders, and distribute support collections.

Before 1999, the County Circuit Clerk offices processed child support collections. Beginning in 1999, the State agency contracted with the State Disbursement Unit to process child support collections. As the County Circuit Clerk offices stopped processing child support collections, they generally transferred the remaining undistributable child support collections to the State Treasurer as abandoned property. Although the State Disbursement Unit now processes all child support collections, some County Circuit Clerk offices continue to hold undistributable child support that they collected before the State Disbursement Unit took over.

Pursuant to the Missouri Revised Statutes, undistributable child support collections are considered abandoned if the owner has not claimed them within 3 years. The State agency's "Child Support Enforcement Policy Procedure Manual" (State manual) requires the State agency to immediately turn over abandoned child support collections to the State Treasurer.

According to section V, chapter 5, of the State manual, the State agency is required to turn over abandoned property to the State Treasurer after 3 years. However, the State agency may transfer the property before the 3 years if, despite performing due diligence, it cannot locate the owner.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

Our objectives were to determine whether the State agency appropriately reported program income for (1) undistributable child support collections that met the State's definition of abandoned property and (2) interest earned on program funds.

Scope

For our review period of October 1, 1998, through September 30, 2005, we examined undistributable child support collections that met one of three criteria: (1) collections that four County Circuit Clerk offices (Jackson, Greene, and St. Louis counties, and St. Louis city) should have transferred to the State Treasurer as abandoned property; (2) collections in the MACSS that met the definition of abandoned property in accordance with Missouri statutes; and (3) collections reported on form OCSE-34A.

We selected 4 County Circuit Clerk offices (Jackson, Greene, and St. Louis counties, and St. Louis city) that had the highest number of cases out of the 115 County Circuit Clerk offices statewide based on December 2005 case data provided by the State agency. For the four offices, we reviewed all undistributable child support collections, which totaled \$1,149,854 during our audit period. We did not review the overall internal control structure of the offices since all four had stopped processing child support collections during our review period.

Within the MACSS, we reviewed \$105,986 in child support collection (2,783 Title IV-D cases), which were placed on either a "void hold" or an "address hold"². We also reviewed \$10,927 in child support collections (90 cases), which were considered to be unidentified receipts. The collections met the definition of abandoned property because they were more than 3 years old.

We reviewed all undistributable child support collections the State agency reported on form OCSE-34A, line 9a, "Undistributable Collections Determined Undistributable and Abandoned," during our review period. In total, the State agency reported \$16,813 (\$11,097 Federal share) in undistributable child support collections on line 9a.

We did not review the overall internal control structure of the State agency's operations or financial management. However, we gained an understanding of the State agency's controls with respect to undistributable child support collections and interest earned from program funds.

²The MACSS places a void hold on an account when (1) a check is returned due to a bad payee address, (2) the payee's bank account is closed, or (3) the payee has not cashed the check within a year. The MACSS places an address hold on an account when the MACSS places the receipt on hold because of an incorrect or missing payee address.

We performed fieldwork at the State agency's office in Jefferson City, Missouri.

Methodology

To accomplish our objectives, we:

- reviewed applicable Federal and State laws, regulations, and guidance, including OCSE program and policy announcements,
- reviewed State agency policies, procedures, and internal controls for recognizing and reporting program income related to undistributable child support collections and interest earned from program funds,
- reviewed forms OCSE-34A and OCSE-396A for mathematical accuracy and determined the undistributable child support collections that the State agency reported,
- verified interest the State agency earned and reported in its child support accounts to determine if the State agency appropriately reported the interest,
- reviewed undistributable child support collections data from the MACSS that met the State's definition of abandoned property, and
- reviewed undistributable child support collections for the four County Circuit Clerk offices to determine if these payments were appropriately reported as program income.

We performed the audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency did not always report program income for (1) undistributable child support collections that met the State's definition of abandoned property or (2) interest earned on program funds. The State agency did not always report program income because in certain circumstances it either (1) had inadequate policies and procedures or (2) did not follow its policies and procedures. As a result, for the period October 1, 1998, through September 30, 2005, the State agency did not recognize and report program income totaling an estimated \$692,618³ (\$457,128 Federal share).

³This amount is an estimate because it includes estimated Title IV-D amounts as shown in the Appendix A.

Of the \$692,618, a total of \$361,439 (\$238,550 Federal share) in Title IV-D undistributable child support collections was transferred to the State Treasurer as abandoned property, but the State agency did not correctly report it as program income. The \$361,439 includes:

- \$344,626 (\$227,453 Federal share) that three County Circuit Clerk offices (Jackson, Greene, and St. Louis counties) sent to the State Treasurer as abandoned property, and
- \$16,813 (\$11,097 Federal share) that the State agency did not correctly report as program income on form OCSE-396A.

In addition, the State agency did not report \$331,179 (\$218,578 Federal share) in Title IV-D undistributable child support collections and interest income that was never transferred to the State Treasurer as abandoned property. The \$331,179 includes:

- \$256,477 (\$169,275 Federal share) in Title IV-D undistributable child support collections and interest income that one County Circuit Clerk office (St. Louis city) maintained in an open bank account, and
- \$74,702 (\$49,303 Federal share) of Title IV-D undistributable child support collections within the MACSS.

FEDERAL AND STATE REQUIREMENTS TO REPORT PROGRAM INCOME

The OCSE policy interpretation question memoranda OCSE-PIQ-88-7 and OCSE-PIQ-90-02 require States to offset Child Support Enforcement program costs by recognizing and reporting program income from Title IV-D undistributable child support collections when the funds are considered abandoned. Specifically, OCSE-PIQ-88-7 states:

If a [Title] IV-D . . . collection is truly undistributable, the State may dispose of it in accordance with State law. States may, for example, provide that such collections must be refunded to the obligor or that they become the property of the State if unclaimed after a period of time. In the latter case, if clearly identified as [Title] IV-D collections, this revenue must be counted as program income and be used to reduce [Title] IV-D program expenditures, in accordance with Federal regulations at 45 CFR 304.50.

OCSE-PIQ-90-02 states that: “Every State has statutes and regulations governing the handling of unclaimed or abandoned property left in its care. OCSE-PIQ-88-7 . . . recognizes this fact and encourages each State to utilize these individual State procedures to report undistributable or uncashed title IV-D collections as title IV-D program income.”

Federal forms OCSE-34A and OCSE-396A require States to report program income for Title IV-D undistributable collections when State law considers them abandoned. Specifically, instructions for OCSE-34A, line 9a, state:

The portion of collections reported on Line 9 that, despite numerous attempts, the State has determined it will be unable to distribute in accordance with the provisions of Section 457 of the Social Security Act and unable to return to the non-custodial parent. Under State law, these amounts are considered to be ‘abandoned property.’

The OCSE-396A instructions for line 2b, “Interest Earned and Other Program Income . . .” state:

The total amount of other income to the State used to offset the administrative costs reported on Lines 1a and 1b. Include: (a) interest or investment income earned when child support collections, fees or other program income funds are deposited in interest-bearing accounts or used in other investment-type activities; (b) undistributable child support collections as reported on Line 9a of Form OCSE-34A . . .

Missouri Revised Statutes, Title XXXII, chapter 447, section 447.532, require the State agency to turn over intangible property⁴ to the State Treasurer as abandoned property if payments for the property “remained unclaimed by the owner for more than three years.”

According to section V, chapter 5(VII)(A) of the State manual, the Family Support Division is to “turn over abandoned property to the State Treasurer's Unclaimed Property Division after three years. Section 447.571, [Missouri State Statutes], allows the Treasurer to accept unclaimed property prior to the three-year abandonment period if [the Family Support Division] conducted due diligence to locate the owner.” Paragraph VII(D) further states that: “[Family Support Division staff] are authorized to [transfer payments] upon determining that a payment remains undisbursable after due diligence was conducted to locate the owner. However, in no case will [the Family Support Division] fail to turn abandoned property to the Unclaimed Property Division after three years.”

STATE AGENCY DID NOT REPORT UNDISTRIBUTABLE CHILD SUPPORT COLLECTIONS AS PROGRAM INCOME

The State Agency Did Not Correctly Report Undistributable Child Support Collections Sent to the State Treasurer

A total of \$361,439 (\$238,550 Federal share) in Title IV-D undistributable child support collections was transferred to the State Treasurer as abandoned property but the State agency did not correctly report it as program income.

⁴Undistributable child support payments are intangible property because such payments entail the right or obligation to be paid.

Three County Circuit Clerk Offices Sent Undistributable Child Support Collections to the State Treasurer

The State agency did not report \$344,626 (\$227,453 Federal share) in Title IV-D undistributable child support payments that three County Circuit Clerk offices (Jackson, Greene, and St. Louis counties) sent to the State Treasurer as abandoned property. The three County Circuit Clerk offices did not notify the State agency of the payments. The following table shows the amounts sent in by each County Circuit Clerk office including the estimated Title IV-D portions:

COUNTY CIRCUIT CLERK OFFICES	AMOUNT SENT TO THE STATE TREASURER	ESTIMATED TITLE IV-D AMOUNT
1. Jackson County	\$497,573	\$238,835
2. Greene County	42,303	20,728
3. St. Louis County	<u>135,021</u>	<u>85,063</u>
TOTAL	\$674,897	\$344,626

The State agency had inadequate policies and procedures to identify abandoned collections transferred by the counties to the State Treasurer. The State agency did not report the Title IV-D portion of these payments as program income because the State agency officials responsible for completing forms OCSE-34A and OCSE-396A did not know the counties had sent undistributable child support collections to the State Treasurer. We estimated the Title IV-D portion of the \$674,897 in undistributable child support collections to be \$344,626 (\$227,453 Federal share).

State Agency Did Not Correctly Complete Federal Forms

The State agency did not correctly report \$16,813⁵ (\$11,097 Federal share) in undistributable child support collections that was transferred to the State Treasurer as abandoned property. The State agency reported the Title IV-D undistributable child support collections on form OCSE-34A, line 9a during our review period, but it did not correctly transfer the amounts on form OCSE-396A, line 2b. The State agency personnel who completed form OCSE-396A stated that they were unaware that they had to include the amounts reported on line 9a on form OCSE-34A as program income on line 2b of the form OCSE-396A, based on the form's instructions. As a result, the State agency did not correctly report the \$16,813 as program income.

⁵The State agency officials indicated during our exit conference that, following the audit period, the State agency had reported this amount on form OCSE-396A as a result of our audit. While we have not verified that the State agency reported this amount on form OCSE-396A, we commend the State agency for taking quick action to correct this issue.

Undistributable Child Support Collections Were Never Sent to the State Treasurer and Were Not Reported as Program Income by the State

A total of \$331,179 (\$218,578 Federal share) in Title IV-D undistributable child support collections was not transferred to the State Treasurer as abandoned property and was not reported as program income by the State agency.

A County Circuit Clerk Office Did Not Send Undistributable Child Support Collections to the State Treasurer

The St. Louis city County Circuit Clerk office never transferred \$474,957 of undistributable child support collections and interest to the State Treasurer, and the State agency did not report the Title IV-D portion estimated to be \$256,477 (\$169,275 Federal share) as program income on form OCSE-396A. The County Circuit Clerk office maintained an open bank account that it should have closed after the State transferred child support functions from the County Circuit Clerk offices to the State Disbursement Unit. A State official with the Office of State Courts Administrator (OSCA) indicated the bank account consisted of undistributable child support collections as well as interest earned on program funds. The undistributable child support collections met the State's definition of abandoned property.

The State agency had inadequate policies and procedures to ensure that County Circuit Clerk office properly sent all identified child support collections, including interest, to the State. As a result, neither the State agency nor OSCA worked with the County Circuit Clerk office to close out the open bank account, which contained \$474,957 as of September 30, 2005.

MACSS Contained Undistributable Child Support Collections Not Sent to the State Treasurer

The State agency did not transfer \$74,702 (\$49,303 Federal share) in Title IV-D undistributable child support collections that met the definition of abandoned property within the MACSS and did not report these amounts as program income on form OCSE-396A. The MACSS identified 2,073⁶ Title IV-D undistributable child support collections as either disbursement holds, which included void holds and address holds, or unidentified receipts. The 2,073 included:

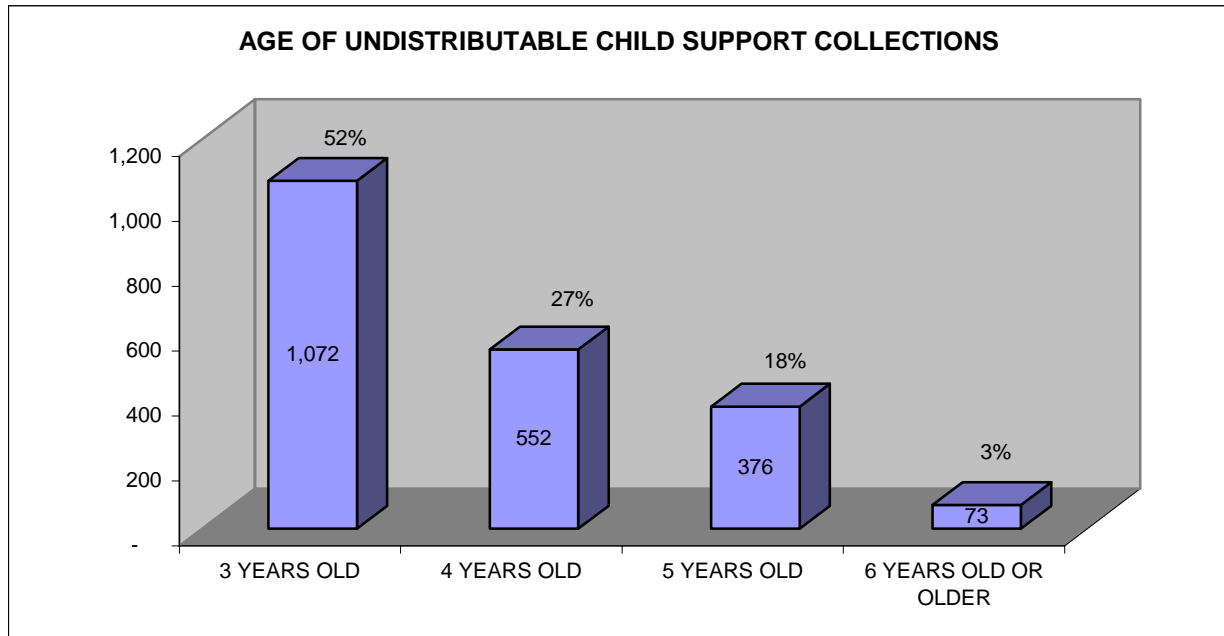
- 1,283 in Title IV-D void holds totaling \$48,459 (\$31,983 Federal share),
- 780 in Title IV-D address holds totaling \$25,599 (\$16,895 Federal share), and
- 10 unidentified receipts totaling \$644⁷ (\$425 Federal share).

⁶The 2,073 Title IV-D collections totaling \$74,702 (\$49,303 Federal share) that met the definition of abandoned property differ from the information provided in the "Scope." Specifically, we eliminated any child support cases concerning St. Louis city since these are reported in the previous finding.

⁷This Title IV-D amount was estimated as shown in the Appendix A. In total, we identified \$1,214 in unidentified receipts that met the State's definition of abandoned property.

The State agency had procedures to identify undistributable child support collections from the MACSS to send to the State Treasurer as abandoned property. However, the State agency did not properly determine whether the undistributable child support collections were more than 3 years old because it used the last attempted date of disbursement.

The State agency should declare child support payment abandoned 3 years after the owner could have claimed the child support payments. The following chart shows the age of the undistributable child support collections in the MACSS:



RECOMMENDATIONS

We recommend that the State agency:

- report on the quarterly Federal financial report (form OCSE-396A) \$361,439 (\$238,550 Federal share) in Title IV-D program income that has been transferred to the State Treasurer as abandoned property;
- report \$331,179 (\$218,578 Federal share) in Title IV-D program income on form OCSE-396A after it:
 - works with St. Louis city officials from the County Circuit Clerk’s office to close the open bank account and transfer the undistributable child support collections and interest income to the State Treasurer, and
 - transfers the \$74,702 (\$49,303 Federal share) of Title IV-D undistributable child support collections within the MACSS to the State Treasurer as abandoned property;

- work with OCSE to review the other 111 County Circuit Clerk offices and determine whether they have appropriately declared and transferred to the State Treasurer any remaining undistributable child support collections and interest income;
- report any remaining undistributable child support collections and interest income from the other 111 County Circuit Clerk offices as program income on form OCSE-396A;
- revise its policies and procedures to ensure that undistributable child support collections are considered abandoned within 3 years from the date the collections could have been claimed by the owner; and
- provide training to personnel responsible for preparing the quarterly Federal financial report forms OCSE-34A and OCSE-396A to ensure that the forms are completed appropriately.

STATE AGENCY COMMENTS

The State agency agreed with all of our audit findings and recommendations. Specifically, the State agency agreed to:

- report \$692,618 (\$457,128 Federal share) in Title IV-D undistributable child support collections and interest income as program income, which includes \$361,439 in undistributable child support that has already been transferred to the State Treasurer as abandoned property as well as \$331,179 that has not been transferred,
- work with officials from OSCA and St. Louis city Circuit Clerk to close out an open bank account containing undistributable child support collections and interest to either the State treasurer or the State agency,
- transfer \$74,702 (\$49,303 Federal share) of Title IV-D undistributable child support collections within the MACSS to the State treasurer as abandoned property,
- work with OCSE to implement a plan for reviewing the remaining 111 County Circuit Clerk offices to determine if they have appropriately declared and transferred any remaining undistributable child support collections and interest income to the State treasurer or State agency,
- report any remaining undistributable child support collections and interest income from the other 111 County Circuit Clerk offices as program income on form OCSE-396A,

- revise its policies and procedures to ensure that undistributable child support collections are considered abandoned within 3 years from the date the collections could have been claimed by the owner rather than the date of attempted distribution, and
- provide appropriate guidance to personnel responsible for preparing forms OCSE-34A and OCSE-396A.

The State agency comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

We commend the State agency for addressing our findings and recommendations.

APPENDIXES

APPENDIX A

ESTIMATION DESCRIPTION AND METHODOLOGY

I. Description of Estimates to be Calculated

We estimated the Title IV-D undistributable child support collections from:

1. three County Circuit Clerk offices (Jackson, Greene, and St. Louis counties) that no longer had the ability to determine the Title IV-D portions of the abandoned child support collections sent to the State Treasurer,
2. one County Circuit Clerk office (St. Louis city) that no longer had the ability to determine the Title IV-D portions of the abandoned child support collections as well as interest maintained in an open bank account, and
3. unidentified receipts within the Missouri Automated Child Support System (MACSS) for which the payor, case, or order number were unknown.

II. Estimation Methodology

We estimated the Title IV-D undistributable child support collections by multiplying the total undistributable child support collections by the percentage of Title IV-D cases¹. For the County Circuit Clerk offices, we utilized the county-specific Title IV-D percentages. For the unidentified receipts, we utilized the average Title IV-D percentages for the State.

¹The percentage of Title IV-D cases is based on the percentages of Title IV-D cases to non-Title IV-D cases as provided by the State agency during December 2005.



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July 6, 2006

Mr. Patrick J. Cogley
Regional Inspector General for Audit Services
Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 65106

Re: Report Number A-07-05-03069

Dear Mr. Cogley:

I am in receipt of your draft report entitled, "Review of Missouri's Undistributable Child Support Collections" for the period of October 1, 1998, through September 30, 2005. Following are the Family Support Division's responses to your recommendations.

Recommendation:

Report on the quarterly Federal financial report (form OCSE-396A) \$361,439 (\$238,550 Federal share) in Title IV-D program income that has been transferred to the State Treasurer as abandoned property.

Response:

The State agency concurs with this recommendation. To make necessary adjustments for amounts previously reported on line 9a of the OCSE-34A but not transferred to line 2b of the OCSE-396A, the State agency reported: \$16,676 on line 2b of the OCSE-396A for the period ending 12/31/05; and \$137 on line 2b of the OCSE-396A for the period ending 3/31/06.

The state agency will report the remaining \$344,626, representing amounts transferred to unclaimed property from Jackson, Greene and St. Louis counties in subsequent submittals of the OCSE-396A. The State agency will work with the Region VII Office of Child Support Enforcement (OCSE) in determining the timeframe in which these adjustments will be reported.

Recommendation:

Report \$331,179 (\$218,578 Federal share) in Title IV-D program income on form OCSE-396A after it:

- Works with the St. Louis city officials from the County Circuit Clerk's office to close the open bank account and transfer the undistributable child support collections and interest income to the State Treasurer; and

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services provided on a nondiscriminatory basis

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- Transfers the \$74,702 (\$49,303 Federal share) of Title IV-D undistributable child support collections within the MACSS to the State Treasurer as abandoned property.

Response:

The State agency concurs with this recommendation. The State agency will work with the Office of State Courts Administrator and St. Louis City Circuit Clerk officials to transfer undistributable child support collections to the State Treasurer. Undistributable child support collections transferred from the St. Louis City Circuit Clerk's office to the State Treasurer will be reported by the State agency as program income on the OCSE-396A for the quarter in which the transfer(s) occur(s). Any interest transferred from the St. Louis City Circuit Clerk's office to the State agency will also be reported as program income on the OCSE-396A for the quarter in which the transfer(s) occur(s).

The State agency will program its automated system to identify collections as abandoned within three years from the date of collection rather than the date of attempted distribution. Upon completing this programming change, the portion of the \$74,702, which remains undistributed, will be transferred to the State Treasurer and reported as program income on the OCSE-396A.

Recommendation:

Work with OCSE to review the other 111 County Circuit Clerk offices and determine whether they have appropriately declared and transferred to the State Treasurer any remaining undistributable child support collections and interest income.

Response:

The State agency concurs with this recommendation and will work with OCSE to implement a plan for reviewing the other 111 County Circuit Clerk offices.

Recommendation:

Report any remaining undistributable child support collections and interest income from the other 111 County Circuit Clerk offices as program income on form OCSE-396A.

Response:

The State agency concurs with this recommendation. After completing a review of the remaining 111 counties, the State agency will report any identified undistributable child support collections and interest income as program income on form OCSE-396A.

Recommendation:

Revise its policies and procedures to ensure that undistributable child support collections are considered abandoned within 3 years from the date the collections could have been claimed by the owner.

Response:

The State agency concurs with this recommendation. The State agency will program its automated system to identify collections as abandoned within three years from the date of collection rather than the date of attempted distribution. Upon completing this programming

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change, the State agency will update its policies and procedures related to the transfer of funds to the State Treasurer.

Recommendation:

Provide training to personnel responsible for preparing the quarterly Federal financial report forms OCSE-34A and OCSE-396A to ensure that the forms are completed appropriately.

Response:

The State agency concurs with this recommendation. The state agency has provided appropriate guidance to personnel responsible for preparing the OCSE-34A and OCSE-396A.

Thank you for the opportunity to respond to your audit findings and recommendations. If we can provide additional information, please contact my office.

Sincerely,



Janel R. Luck
Director

JRL/lo