

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**Child Support Enforcement
State Disbursement Units**

**Sharing the Implementation
Experiences of Six States**



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EXECUTIVE SUMMARY

PURPOSE

To describe States' experiences in developing and operating State Disbursement Units (SDUs), to highlight strategies they employed to deal with difficulties encountered, and to share insights from their experiences with States still implementing or refining their SDUs.

BACKGROUND

Requirements for Centralized State Disbursement Units: Congress requires States to process child support payments through centralized State Disbursement Units (SDUs). The primary objectives of SDUs are to provide employers with a single location in each State to send income withholding payments, and to make payment processing more efficient and economical. Federal requirements specify deadlines for SDU implementation and standards for operations, and outline areas of State discretion, such as the option to employ private contractors. While most States met their implementation deadlines, a number of States have yet to fully implement their SDU and others continue to refine their centralized procedures.

Concerns About Implementation: In December 1999, the Office of Inspector General (OIG) received a letter from Congressman Bob Clement of Tennessee expressing concern about the effectiveness of his State's new system for collecting and disbursing child support payments. In response, the OIG initiated a study of the Tennessee SDU, reviewing 16 cases that experienced delayed payments under the new system. Additionally, we surveyed all States and undertook an in-depth review of SDU implementation in six States.

Methodology: Information in this report comes primarily from interviews of key participants involved in SDU operations in the six focus States, chosen to provide variety regarding prior collection and disbursement methods, when centralization occurred, and whether contractors are used. We did not verify the accuracy of their responses. Rather, our goal was to present the self-reported experiences and perspectives of key players who are implementing and operating the centralized units in order to facilitate their learning from one another.

FINDINGS

After Problematic Implementation, Our Focus States Now Report They Disburse Payments Faster and Provide Better Customer Service

Overall Assessment Managers in focus States generally report improvements in payment processing speed and customer service, but also note that most improvements were only realized after early implementation challenges were surmounted. Respondents report that almost all payments are currently being processed within two business days. Additionally, parents may access payment

information anytime through toll-free automated telephone response systems, and talk to live customer service representatives during regular office hours. However, only four of the six focus States report providing employers a single location to send all income withholding payments.

Working with Payers and Local Offices To minimize startup problems, most focus States conducted extensive planning and preparation, involving State child support managers, and local staff and clerks of court who previously processed payments. These local offices had a great impact on early implementation, particularly by helping ensure the accuracy of case information being transferred to the new SDU database, by continuing to process payments for some cases or mis-directed payments, and by entering new case information into the SDU database. However, States report having problems coordinating with some local processors, severely complicating implementation in some areas. States also worked closely with employers and noncustodial parents to get payments properly sent to the SDU, and to ensure payments included enough information to be automatically credited and disbursed to the correct child support case.

Using Contractors All focus States use contractors to perform some collection and disbursement functions, primarily because private companies offered technical expertise and labor resources. Managers recommend clearly outlining areas of responsibility for contractors, and establishing specific performance criteria prior to awarding any SDU contracts. Focus States also accomplish some SDU tasks in-house, or through other State agencies, providing SDU managers direct control over these functions.

Implementing Incrementally Five focus States used pilot projects or implemented their SDU incrementally, allowing managers to test procedures and equipment, and address difficulties before they affected a large number of payments.

Determining SDU Caseloads Managers report that three focus States chose to centralize payment processing for *all* child support cases, rather than only those required by Federal law, because this practice is more efficient and simplifies procedures for payers. However, two focus States do not centrally process cases with income withholding ordered prior to January 1, 1994, reportedly, because no Federal matching funds are provided for processing these cases through the SDU.

Disbursement Delays and Complexity Despite planning and coordination, all focus States reported initial problems in disbursing all payments in a timely manner. Many payments received by SDUs could not be quickly credited and disbursed to the proper case, primarily because the SDU database, or the payment documents, did not contain enough case information to allow an automated match. These payments typically required further research, and some were not disbursed until days or weeks after their receipt by the SDU. Other payments were inappropriately sent to previous local processors, again causing disbursement delays.

Upgrading Customer Service State customer service units also initially had difficulty handling the large volume of inquiries and complaints from parents and employers. While focus States typically improved customer service by disbursing payments more quickly, and thereby, reducing call volume, some States had to upgrade their telephone systems, add new lines, or increase staffing levels of call centers.

Focus States Continue to Deal with Problem Payments and Cases, and Have Yet to Fully Utilize Payment Information to Enhance Support Enforcement

On-going Challenges to Timely Processing Focus States continue to struggle with quickly processing a relatively small, but troublesome, number of payments. Focus States are challenged to get new case information into their database quickly enough to allow timely processing of first payments. Due mostly to human error, some payments are applied to the wrong case, creating difficulties as States attempt to rectify these errors. SDUs continue to have trouble processing poorly labeled payments, and must devote special attention to payers who make payments on multiple cases. Additionally, some payments from other States and Federal employers are troublesome because of poor labeling or because they are not properly directed to the SDU. Managers report educating payers to help ensure timely processing, and encouraging the use of electronic payment methods by other States and large employers.

Exploiting SDU Information to Enhance Enforcement Focus State managers report that their SDUs and customer service units generate a great deal of information about cases, allowing them to effectively monitor staff and contractor performance. A continuing challenge, however, is for States to expand use of this SDU information to aid in enforcement of child support by identifying cases with interruptions or changes in payments.

RECOMMENDATIONS

FOR STATES

Centralize Pre-1994 Income Withholding Cases States should process all income withholding cases centrally, including those created prior to 1994, thereby providing employers with a single location for sending payments.

Consider Centralizing All Non-withholding Cases States should assess the benefits of processing all child support cases centrally, to simplify operations and capitalize on automated processing.

Employ Incremental Implementation States that have not yet fully implemented their SDU should consider using pilot programs and other incremental implementation methods.

Promote Use of Electronic Payments States should actively promote the use of Electronic Funds Transfer by employers and other payers when practical and beneficial.

Exploit SDU Information to Enhance Enforcement States should develop strategies to routinely use SDU payment information to aid in support enforcement.

FOR THE OFFICE OF CHILD SUPPORT AND ENFORCEMENT

Encourage Improved Performance by Federal Government Payers OCSE should collaborate with States to encourage Federal government payers to improve their payment labeling and submission practices.

Provide Technical Assistance on Interstate Payment Processing OCSE should provide additional technical assistance to States to aid in the transmission of payments for interstate cases.

Consider Federal Funding for Processing Pre-1994 Income Withholding Cases
To help States meet the Congressional goal of providing employers with a single location in each State to send all child support payments, OCSE should consider proposing legislation which would provide States with Federal matching funds to centrally process payments for all income withholding cases, including those created prior to 1994.

AGENCY COMMENTS

The Administration for Children and Families (ACF) agreed with the findings and conclusions presented in these two reports. ACF concurred with each of the recommendations directed to OCSE and recounted its efforts to assist States with SDU implementation. ACF also expressed a desire to collaborate with the OIG in quickly disseminating to States the information provided in these reports. ACF comments are provided in their entirety in Appendix A.

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INTRODUCTION

PURPOSE

To describe States' experiences in developing and operating State Disbursement Units (SDUs), to highlight strategies they employed to deal with difficulties encountered, and to share insights from their experiences with States still implementing or refining their SDUs.

BACKGROUND

In the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), Congress required States to centralize collection and disbursement of child support payments into State Disbursement Units (SDUs).¹ The primary objectives of centralization are to provide employers with a single location in each State to send income withholding payments, and to make payment processing more efficient and economical. Federal law requires that States:

- Implement the SDU by a Deadline of October 1, 1998 or October 1, 1999 for States with Previous Clerks of Court Involvement
- ☐ Provide Employers with a Single Location to Send Payments
- ☐ Disburse Payments Within Two (2) Business Days
- ☐ Process All Payments for a Specified Caseload² (With Discretion to Include All Cases)
- ☐ Provide Payment Information to Parents
- ☐ Operate the SDU Through a State Agency or Contractors
- ☐ Staff SDUs Sufficiently to Perform Required Functions
- ☐ Automate Procedures as Much as Feasible, Efficient, and Economical
- ☐ Integrate the SDU with the State's Automated Child Support System
- ☐ Monitor SDU Performance

Several States already had centralized procedures and had to make relatively minor changes to meet Federal requirements. In other States, however, local child support staff or clerks of court traditionally processed many payments, making centralization more challenging. Congress anticipated that some States with reliable local systems might be reluctant to centralize. Therefore, PRWORA allowed States to be granted a waiver to operate their SDU by linking local disbursement units through an automated information network, if the Secretary of DHHS agreed that the linked system would not cost more nor take more time to establish or operate than a centralized system. However, even when a linked system is used, Congress specified that employers must still be given only one location for sending payments within each State. States that failed to implement an SDU by their deadline, unless granted a waiver, potentially faced stiff penalties, though these have subsequently been reduced.³

Federal Financial Participation (FFP) is available for administrative expenses of the SDU at a rate of 66 percent.⁴ However, States which choose to process all child support payments through their SDU do not receive Federal funds for processing any cases not mandated by Federal law. For processing non-public assistance cases, SDUs are allowed, but not required, to charge parents processing fees.

In December 1999, the Office of Inspector General (OIG) received a letter from Congressman Bob Clement of Tennessee expressing concern about the effectiveness of his State's new system for collecting and disbursing child support payments. In response, the OIG initiated a study of the Tennessee SDU, reviewing 16 cases that experienced delayed payments under the new system. Additionally, we surveyed all States and undertook an in-depth review of SDU implementation in six States.

METHODOLOGY

Information in this report comes primarily from interviews of key participants involved in SDU operations in six focus States. The six focus States we visited for on-site interviews were Arizona, Florida, Iowa, Minnesota, Pennsylvania, and Tennessee. These States were chosen to provide variety regarding when centralization occurred, and whether the State uses contractors or other partners in payment processing. Iowa and Minnesota had a Federal deadline for SDU implementation of October 1, 1998, while the other four focus States had an October 1, 1999 deadline. All six focus States had some form of local payment processing prior to enactment of the Federal SDU requirements. All site visits occurred in February and early March 2000. In each focus State, analysts interviewed SDU program managers, SDU information system managers, payment-related customer service managers, SDU contractor managers, and supervisors of staff that process payments. We also toured the primary SDU payment processing facility. Where appropriate, we interviewed at least one representative of local entities that were responsible for payment processing prior to centralization.⁵

Limitations. In conducting this inspection, we did not attempt nor intend to evaluate SDU operations. For example, we did not try to measure the relative costs or efficiencies of various operational arrangements. We also did not verify the accuracy of participant responses. Rather, this report examines the self-reported experiences and insights of key personnel having first-hand experience implementing and operating SDUs.

This study was conducted in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency.

FINDINGS

OVERALL ASSESSMENT OF CENTRALIZATION

State Disbursement Unit Implementation Was Often Problematic, But Focus States Now Report They Disburse Payments Faster and Provide Better Customer Service

Overall Assessment

Compared to the methods focus States used to process payments prior to centralization, most SDU managers and others who participate in payment processing believe SDUs have helped States improve their operations. Respondents generally report that payment processing is faster, and that parents can access payment information and receive customer service more easily than before centralization. *“The results have been positive. It’s made it easier on employers and custodial parents. Overall, centralization and SDUs were good ideas.”*

Startup Problems

However, respondents from each focus State report that the improvements generated by centralized processing were not all realized during the early weeks or months of SDU operations. *“It was very difficult at the beginning. There were technological, mechanical, and political barriers.”* Respondents anticipated startup problems, yet were often strained to respond to challenges quickly enough to prevent disbursement or customer service delays. States report that more difficult problems took weeks to work out, and new challenges continually arise.⁶

Processing Payments Within Two Days

Respondents from all focus States report that their SDUs now meet or exceed the Federal requirement for processing payments within two business days. *“We are getting over 99 percent of checks out in one day, now that we are over the hump.”* Part of the improvement in payment processing speed involves the amount of time previous local processors took to disburse payments. *“It’s a lot faster across the State now. There were two local offices before that would only process payments once a week.”* However, a few managers point out that even though SDUs are processing payments within two business days, it may take longer for payments to be received by the SDU than by previous local disbursement units. These managers explain that payments mailed from rural locations to SDUs located in urban areas often experience postal delays. Additionally, some employers apparently hold payments up to seven days, as allowed by law, before mailing income withholding payments to SDUs.

Enhanced Customer Service

Respondents also generally report improving payment-related customer service to parents and local offices. Each focus State now offers 24-hour access to automated payment information, as well as call centers staffed by customer service representatives during business hours. However, during the early weeks of SDU operations, most focus States acknowledge that parents often had difficulty accessing payment information or talking to customer service representatives because of inadequate telephone systems and under-staffed call centers.

Most Focus State Respondents Report That SDUs Have Eased Employer Burden, But Employers Must Still Send Payments to Multiple Locations in Some States

Managers in four focus States report easing employer burden by providing employers with a single location to send all child support payments. These States process virtually all child support payments through their SDU. *“Employers like centralization. A big employer could easily be sending 50 or more checks to different counties, whereas with the SDU they can send one check. Some still send a separate check for each payment, but still have the benefit of sending the checks to one address.”* However, two focus States report that centralization has not eased employer burden because the SDU serves only as one additional location for employers to submit payments. In these States, the SDU does not process payments for cases that had income withholding ordered before January 1, 1994. Instead, employers must send some payments to the SDU and continue to send some payments to local disbursement units.

PREPARATION FOR CENTRALIZATION

Focus State Respondents Said That Forming Planning Workgroups Helped Them Gain Cooperation to Better Coordinate With Potentially Reluctant Participants

The Coordination Challenge

A major challenge to SDU implementation involved coordinating groups of people who had not previously worked together on such a major project. Specifically, State child support agency staff needed to work closely with contractors, local child support staff, and clerks of court, as well as their State legislatures. Program managers from some focus States indicate that coordination was complicated because some legislators and clerks of court preferred to keep payment processing local, resenting the Federal requirement to centralize and automate payment processing. Locally-elected clerks of court in one State reportedly also had incentives to resist centralization because they collected fairly substantial fees for processing the payments of non-public assistance cases and viewed payment processing as a service that helped them garner local constituent support.

Stakeholder Implementation Workgroups

To ease coordination, focus States established planning workgroups, typically consisting of program, policy, systems and customer service managers from the State child support agency, local child support staff, clerks of court and their staff, legislators, and employers. Workgroups helped draft necessary State legislation, design the State’s new processing structure, and determine the logistics of the transition. Respondents report that the workgroups helped gain the support of clerks of court and local staff by making them part of the planning. *“What this created was an environment of shared ownership.”* To assist their workgroup in preparing for implementation, one State’s primary contractor hired a separate national consulting firm to create a planning document for the project, a reportedly useful tool for the State’s coordination efforts. *“The planning document was more readily accepted because it was derived by an independent, outside source, rather than by one of the interested parties.”* Respondents emphasized the importance of workgroups also involving front-line staff who processed payments before the SDU, because of their familiarity with clients, case information, and previous procedures.

Risks of Non-Coordination

While all focus States utilized workgroups at various stages of SDU implementation, some did not include all the groups in the early planning, waiting, for example, until implementing legislation had been passed. In one focus State, the child support agency developed an implementation plan and went directly to their State legislature to seek approval of the plan, without involving others, theorizing that because of the Federal requirement, there was little need to garner the support of all participants. Respondents from this State acknowledge that this approach caused problems for SDU implementation, because all parties did not coordinate their efforts.

States Report that Deciding Not to Centralize all Child Support Cases Can Complicate Disbursement Unit Implementation and Continuing Operations

Federal law allows, but does not require, States to process payments on all child support cases centrally. As detailed in our companion report, 32 States report their SDUs will process payments from all types of child support cases, rather than only those required by Federal law.⁷ Three of our focus States have centralized all child support cases, and one State goes beyond the Federal requirements by centrally processing all cases with income withholding orders, but still processes some non-public assistance cases locally. The other two States have centralized only those cases for which the State would receive Federal matching funds for processing payments through the SDU.

Complexities of Partial Centralization

Respondents report that when all cases are not centralized, employers do not have a single location in the State to send all child support payments, a goal that Congress enumerated in PRWORA. In States that do not mandate centralized processing of payments on cases established prior to January 1, 1994, employers are generally required to send most of their income withholding payments to the SDU each pay period, but also send some checks to individual local clerks of court for the pre-1994 cases. Additionally, when all cases are not centralized, dual structures must be maintained for processing some payments locally. The local disbursement unit typically must continue to maintain payment processing equipment, bank accounts, post office boxes, and staff dedicated to payment processing. Finally, when all cases are not centralized, cases may switch between centralized and local processing, such as when parents go on and off of public assistance or when a noncustodial parent leaves an employer. *“This back and forth between us and the clerks, it causes a lot of problems because its hard to determine which cases to centralize and which ones to not centralize.”* To avoid this problem, one focus State instituted a policy wherein once a case was processed through the SDU, it would remain with the SDU.

Focus States Report Hiring Contractors For Some Disbursement Unit Functions, Primarily Because Private Companies Had Experience and Resources Not Available to State Agencies

Capitalizing on Contractor Capabilities

In most focus States, legislatures worked with the child support agency to determine whether various functions of the SDU should be operated by State employees or contractors. States considered whether the agency had necessary expertise and time to establish and operate in-house structures. *“Internally, we felt like we simply did not have the staff to perform the SDU, but we did do cost analysis. Because of their expertise and systems support, some of the private companies would be able to provide better service.”*

Also the time frame prompted us. We were working against the clock.” Five of the six focus States contract out the receipting function, in which contractors receive, post, and deposit child support payments. Use of contractors for receipting largely eliminated the need for State agencies to add new staff. “One of the advantages of using a private company, is that it’s easier for him to hire staff than for us, because State employees have to pass a civil service test, when really all we need is for them to be good at the keypad.”

Allocating Functional Responsibilities

Only two focus States chose to make their SDU ‘receipting’ contractor also responsible for disbursement. The other States either had laws requiring that only a State agency, such as the State Treasury or Comptroller, could issue such checks, or they felt it would be more efficient to do this function in-house because the State already owned check printing equipment and had experience in the area. Focus States also used contractors for smaller aspects of SDU implementation, such as initial mailings to payers. *“It is easier to hire a contractor than to do it in-house. With the bureaucracy, if we do special mailings in-house, we have to pay overtime. With a private company, mailings can be out in a week. It is much easier this way.”*

In Negotiating With Contractors, Managers Report Benefits from Focusing on Performance Results, Rather than on Specific Methods of Operations

Targeting Performance Results

Focus States which planned to contract out portions of their SDU crafted Requests for Proposals (RFPs) that focused on expected performance results, rather than being overly prescriptive regarding the specifics of how to achieve those results. States also attempted to ensure that RFPs clearly specified the responsibilities of the eventual contractor, as well as the measures the State would use to monitor and evaluate contractor performance. Managers report that when performance expectations and measures are included in the RFP, there are fewer problems later when they are adopted and integrated into the actual contract. States also attempted to issue their RFPs early in the planning process to give bidders sufficient time to evaluate the project and to devise plans for how to accomplish the tasks requested in the RFP. However, some focus States report their RFPs went out relatively late in the process, possibly suppressing the number of bids the State received. One of these States received only two bids, significantly limiting the choices of their contract evaluation team.

Gauging Contractor Expertise

In evaluating RFPs, States report primarily considering the bid price and the expertise of private companies, with the latter carrying more weight than the former. States typically gauged the expertise of a company by deriving a technical score which reflected prior experience in child support and payment processing, as well as staffing and other resources. *“There were not very many people with the resources or the expertise to even try to implement our SDU.”* Large companies appear to have an advantage over smaller companies due to the necessarily heavy investment in payment processing equipment. *“The smaller contractor had not done a statewide operation before, so they were not able to demonstrate a competence and understanding. The larger contractor had a host of staff that they could fly in if there was a problem. We had problems with network testing in the beginning and the next day a whole planeload of them came in.”*

Respondents Report That Contracts Should Include Performance Standards, Incentives, and Penalties, Not Just Contractor Payment Terms

Contract Types and Safeguards

Focus States typically pay SDU contractors a transaction fee for every payment processed, or a fixed price for all services. Per-transaction contracts can cause contractor revenues to fluctuate, while fixed-price contracts protect States from unexpected charges. *“We have a fixed-price contract. If the contractor’s costs exceed what we contracted to pay them, that is their tough luck. If costs are less, then that is their good fortune. They assume the risk, so whatever unforeseen charges they have, contractually the State is not responsible.”* Focus States included terms in their contracts with private companies that allow them to cancel the contract or impose penalties in the event the company does not perform up to contract standards. Private company SDU managers in focus States report that, while initially equipping, staffing, and launching an SDU is costly, their investment is well rewarded in the long run.

Keys Aims in SDU Contracting

State project managers identify three critical aspects of SDU contracts: 1) establishing a framework for operations that clearly defines the responsibilities of all parties; 2) maintaining State control over the functions they are contracting out; and 3) providing private companies with incentives to meet performance expectations. Contract managers indicate that to maintain control of all SDU functions, some contracts had to have special provisions, such as requiring the contractor to report directly to the State child support agency. They also might empower the agency with the authority to approve or deny the use of individual sub-contractors, as well as the right to terminate any sub-contractor based on performance. To ensure quality performance and encourage improvement, focus States included both minimum performance standards and incentive structures in their contracts. One State structured their SDU contract such that the private company did not earn any money until after the SDU was operating Statewide for at least thirty days, at which time the contractor received a milestone payment. A manager from another State reports dissatisfaction with their initial contract because the performance standards were too easily met, and feels the private company had little incentive for improvement.

Focus State Respondents Report That Close Coordination with Clerks of Court Was Essential to Both Initial Transition and On-going Payment Processing

For States in which clerks of court had previously handled payment processing, communication was an important part of implementation. Not only were clerks of court involved in the conversion of case information, but they still process some non-public assistance cases locally and accept payments at their offices when necessary. SDUs must also collaborate with clerks of court regarding cases that leave public assistance.

Involving Clerks of Court

Some focus States held workshops for clerks of court as a part of a continuing education program. These workshops helped keep clerks of court abreast of the status of SDU implementation and changes to their responsibilities. Another State used computer based training for clerks of court and local offices, with training on entering information about new cases, and entering and retrieving payment information on their new automated system. Another State assigned SDU staff to work in clerks of court

offices during the first few days they were required to use the new automated system. While respondents generally report that these efforts were useful, some indicate this training was not extensive enough in some places and may have provided inconsistent information to different clerks of court. *“I went the first day and went back the next day. Some of the things that were said the second day were not the same things said the first day. So your understanding of what was going to occur depended on which workshop you attended.”*

Verifying the Completeness and Accuracy of Case Information Was Critical as States Built and Implemented Their Payment Processing Databases

Primacy of Data Accuracy

SDU operations are significantly affected by the quality of available case and payment information. To credit a payment to the proper case, SDU automated systems attempt to match information provided with payments to case information contained in the SDU's database. Problems with data accuracy affect every aspect of processing, from the creation of billing statements to processing and disbursing payments. Not only must information accompanying payments be correct, but information in the SDU payment database must also be accurate in order to properly match incoming payments. One SDU manager maintains that having incorrect information can be worse than having no information, because staff will act on the bad information rather than trying to find accurate data.

Constructing New Databases

Each focus State designed and constructed a new SDU database, typically combining information about public assistance cases already stored by the State child support agency with information about non-public assistance cases previously stored by clerks of court. To prepare and transfer case information to the SDU database, one focus State had clerks of court verify their data prior to conversion. Although this State did not receive full cooperation from all clerks of court, the method was reportedly very effective because local staff were most familiar with their cases and could often recognize when information was missing or inaccurate. Another method was to receive data from local offices, and verify it by responses to initial correspondence. This strategy caused some initial delays in disbursement, but was used by one focus State because managers did not believe there was time to conduct local verification. Another focus State entered information from local offices and completed the verification process at the State level, an effort that took nearly two years.

Problems Transferring Case Information

States encountered various problems transferring case information to the SDU database. Workers in some States had difficulty determining which cases to convert because they had to manually review the original orders to decide when income withholding was ordered and only convert those ordered on or after January 1, 1994. A manager explains, *“We had to go into those paper files in the clerk's office, read the orders, and pick up that income assignment date.”* At least occasionally, this resulted in workers missing some cases that should have been centralized. Respondents also report that local case files did not always include complete information, especially Social Security Numbers (SSN) for each of the parties to the case. *“When they converted, the SSN was missing. This was troublesome for us because, even if a client has their case number, they cannot use the automated voice response system if it does*

not recognize their SSN.” Respondents also indicate missing SSNs caused problems once centralized processing began because many employers initially only included their employees’ SSNs and not the case numbers with payments, so the payments could not easily be credited to the proper case when that SSN was not already in the database. Yet another problem occurred because conversion in some focus States occurred months before SDU implementation, causing conversion efforts to miss recent address changes and new cases.

Quality Checks on Data Accuracy

To help minimize these problems, focus States report instituting quality checks. A manager describes using two levels of quality control, *“First, we made sure that we were converting the right cases and secondly we made sure they were setting up the cases correctly so the money would process automatically.”* Another State indicates that they quickly worked on any cases with missing information, such as SSN, by contacting the parties directly to acquire the information. Another State involved parents in checking the data entered through conversion by sending out statements detailing the current amount of each case’s current obligation and any arrearages. These notices encouraged parents to contact their State agency to question any of the information, thereby uncovering many conversion errors.

Most Focus States Used Pilot Projects and Incrementally Implemented Their Disbursement Units, Allowing Managers to Address Difficulties Promptly

Five of the six focus States used some form of incremental implementation of their SDU, initially processing only a segment of the eventual SDU caseload. Some States ran pilot programs, typically by initially notifying payers in only two or three counties to begin sending their payments to the SDU. Different methods were used, such as phasing in a few counties at a time, either regionally, or based on the size of each county’s caseload, or adding interstate cases or cases paid directly by noncustodial parents first, then adding cases paid by employers later. Some focus States coordinated their case information conversion efforts with their incremental implementation by entering data in the SDU from various counties in the same order as they later began centralized processing. One State reports adding extra staff on the first few days that new groups of cases were added, recognizing that the first payment made to the SDU by particular payers would likely require more manual attention to properly credit payments to cases.

Benefits of Incremental Approaches

Respondents report that incrementally adding cases to the SDU allowed them to solve difficulties on a smaller scale, before the problems affected a large number of payments. Incremental implementation was also helpful in gauging required staffing levels, allowing for initial performance evaluations of private companies, and in making technical modifications to State databases, computer software, and processing equipment in ways not anticipated during initial planning.

Disadvantages of Incrementalism

However, respondents do report some general disadvantages of incremental implementation. Managers from two States report that their incremental approach may have provided a false sense of security regarding SDU operations because their system operated better when processing only a portion of cases than it did when the full case load was first added. *“When we first started with smaller counties, we did not*

see the level of difficulty until we really basically stress-tested the system.” Another problem involves employers who are withholding payments for employees who have cases in different counties. Respondents report that some employers either wanted to continue sending all checks as they had in the past, or to centralize all their payments at once, so they only had to change their payroll software once, instead of multiple times based on the SDU’s incremental implementation strategy. To avoid this problem, one focus State gave employers the option not to begin sending any payments to the SDU until all of their employees’ cases were centralized.

CONTACT WITH EMPLOYERS AND PARENTS

EMPLOYERS

SDU Managers Stress the Importance of Communicating with Employers and Building an Accurate Employer Database

Employers play a critical role in child support enforcement by reporting when they hire new employees and by withholding income from wages to pay child support. Respondents report that coordination with employers was essential to the initial success of the SDU because of the large portion of cases processed through SDUs which involve income withholding.

Employer Outreach and Education

Some focus States mailed one or more letters directly to employers, while others contracted with private companies to conduct employer outreach. One State held four different employer outreach conferences to communicate the procedures for remittance of payments. Several States trained certain staff to handle all calls and inquiries from employers to insure provision of consistent information.

Verifying Employer Information

In addition to education, some States attempted to obtain or verify information about income withholding orders for each employer prior to beginning centralized processing. Typically, this involved requesting a list of cases from employers, or sending them a list based on information contained in the new SDU database. Managers in these States report their efforts helped identify many errors and omissions in the new database. *“We imported employer information into our database and used it the first day. Some States say they don’t have the time or capability. But they have to recognize that it’s something that can slow up the process of implementation.”* Respondents note that large employers have much greater technological capabilities for transferring information to SDUs. *“With small employers, it is probably the owner who is doing all the paperwork. They don’t want to be bothered and don’t have uniform procedures.”* Focus States that did not attempt to verify employer payment information prior to beginning centralized processing instead built their employer database from information included with payments as they came to the SDU. At least two focus States opted for this strategy because they did not have sufficient time to exchange correspondence with employers prior to implementation.

Employer Communication Problems

States report problems initially communicating with employers due to wrong addresses, often because the business had recently moved. States also report that some initial

notices did not go to the correct department within a business, typically because the payroll division was not at the same location as the obligors workplace. *“You need to have the correct address of where that payroll comes from. Large companies have payroll offices all over the country.”* Respondents speculate that some correspondence intended for employer payroll departments was discarded when received by other persons within a company, possibly delaying initial use of the SDU by some employers. Some States appear to have invested time to obtain correct addresses and re-send correspondence, whereas other States only responded with corrective action after employers failed to re-direct payments to the SDU.

CUSTODIAL PARENTS

Despite Education About the New Disbursement Unit, Some Custodial Parents were Reportedly Wary of Centralization

States attempted to educate custodial parents about changes they should expect due to SDU implementation. Staff emphasize that education was critical because some parents were “nervous and scared” that the changes would effect their family budgets. Although payment time is reportedly faster Statewide, staff suggest that some custodial parents felt centralization reduced service because they were used to picking their checks up at local offices and could no longer do so. *“They were used to one-day service. These people just hammered us. They were not tolerant at all.”* Some custodial parents who had not previously received public assistance did not like receiving checks from the State and felt they were being subjected to the stigma associated with welfare. *“Another barrier here was that customers who were part of the clerk’s system [non-public assistance] did not want to deal with big State government. They wanted to deal with their locally-elected clerks of court.”*

NONCUSTODIAL PARENTS

States Encountered Several Obstacles to Effective Communication with Noncustodial Parents Prior to Centralization and Tout the Importance of Timely, Informative Notices

SDUs initially communicated with noncustodial parents in ways similar to those used to communicate with employers. The primary goals of communication were to instruct the noncustodial parent payer to verify case information, to re-direct payments to the SDU, and to offer noncustodial parents information, such as customer service phone numbers. Some focus States had problems initially getting re-direct notices to all noncustodial parents because of wrong addresses, or because out-dated records incorrectly listed a payer as employed and paying through income withholding. One State reports it sent notices out too early and began receiving payments at the new post office box before the SDU was ready to process them. Another State reports sending notices out too late, which did not allow enough time to correct addresses and send second notices prior to SDU implementation. Managers of one State believe its initial notices contained too much information, confusing payers and generating unnecessary, excessive phone calls to the State’s customer service staff.

Focus States Keep Noncustodial Parents Informed of Account Balances and Monthly Obligations by Mailing Regular Statements

As part of centralized payment processing, all focus States are sending regular statements to noncustodial parents. These notices contain such information as the amount of the monthly obligation, arrearage balances, fees, interest charges, recently credited payments, and notices of changes in child support payment policies or operations. States mostly send statements to all noncustodial parents, including those with income withholding orders, so that payers can verify that payments were recorded properly. Prior to centralization, some noncustodial parents had not received regular statements, and many reportedly inquired about or protested balances and charges of which they were not aware. The first mailing from SDUs often generated enormous payer response, requiring caseworkers to review and adjust a number of case records. Respondents report that some of these calls were generated by the statements containing inaccurate information, perhaps due to payments being applied to the wrong case during the early weeks of centralization. The positive aspect of this was that it provided another opportunity to detect misapplied or incorrect payments.

Some Focus States Ease Payment Processing By Sending Noncustodial Parents Coupons to Return With Their Support Payments

Two focus States send payment coupons with the billing statement. Respondents report that use of remittance coupons by noncustodial parents eases payment processing for SDUs because it contains all necessary information needed by the SDU for automated processing. These coupons resemble credit card or utility bills, requiring payers to return a portion of the statement with their check. Although billing statements are usually sent only once a month, payment coupons may be sent as many times per month as the court order dictates, whether monthly, bi-weekly, or weekly. Coupons are scanned when they come into the SDU with the payment, so that processors immediately have all the information they need to credit the payment. However, coupons are often not returned with payments. To increase use, one State that currently sends coupons plans to make improvements in their structure and format. *“They’re not very user-friendly. They don’t present themselves as something they need to use or is convenient to use. I think we can put some effort into that and increase the amount of people that are sending them back.”* Some focus States do not use coupons, relying instead on automated equipment that reads account information contained in the barcode of most checks. *“We studied whether or not we should send out coupons with a return envelope, but if a noncustodial parent makes one payment on a check, then we have that in our database and we can identify any future payments from that bank account.”*

CUSTOMER SERVICE

To Provide Parents with Payment Information and Handle Complaints, States Provide Telephone Response Systems, Coupled With Live Customer Service Representatives

Focus States provide a two-pronged approach to providing parents with customer service regarding payment processing. First, all focus States provide access to payment information through **automated telephone response systems**. These systems contain receipt and disbursement information about recent child support payments processed through the SDU and are designed to be accessed anytime

through toll-free phone numbers. Second, automated phone systems typically allow parents the option of selecting another service, a **call center** staffed with live customer service representatives (CSRs), who are usually accessible during weekday business hours. *“The SDU call center actually improved customer service because, before, centralization customers could only talk to a live rep between 2 PM and 4 PM, whereas with the new, single phone number, humans are available between 9 AM and 5 PM.”*

CSRs generally have access to more information than is offered by their automated telephone systems. For instance, a telephone system may contain information that a disbursement was made for a certain amount on a specific date, whereas a CSR may be able to tell a client the address to which the payment was mailed. Managers report that CSRs record all communications with clients, making it easier for caseworkers to retrieve accurate, up-to-date payment information from their States’ automated systems. Managers report cross-training staff in order to maximize resources when work flow changes day-to-day. *“We put the new staff on the payer/payee lines. If it gets more detailed than strictly payment information, new employees may transfer callers to more experienced staff.”*

Respondents in focus States also report that call centers provide a quick method of identifying cases with problems and areas of potential improvement. One State, for instance, instituted weekly meetings in which call center team leaders identify issues that need to be discussed with local offices and courts to improve operations. Staff also report that call centers can alert local offices to needs of specific clients regarding enforcement, and are useful for processing address changes. Some call centers provide special telephone lines dedicated to receiving calls from other States, employers, local child support staff, or clerks of court. These calls can then be routed to CSRs assigned and trained to handle inquiries from specific entities. One focus State went further in specializing customer service by creating a separate call center for employers.

In addition to these centralized efforts, local staff and clerks of court continue to provide payment information to non-public assistance parents in some focus States. This information is either provided in response to a parent’s direct request to the local office, or through a referral by a CSR. Referrals generally address enforcement issues or other case activities not directly related to payment processing. When local offices communicate with parents, they are generally expected to send a description of the contact to the call center as a narrative field in the SDU database.

Focus States Experienced Problems in Providing Quality Customer Service During the Early Weeks of Centralization, Primarily Due to High Call Volume

Underestimated Call Volume and Staffing Needs

All focus States report receiving more calls than anticipated to their call centers during the early weeks of centralization. This sometimes resulted in unanswered calls, busy signals, and long hold times. Respondents primarily attribute excessive calls to the SDU’s initial inability to disburse payments in a timely manner. Additionally, some State’s report underestimating customer service needs and, therefore, not having enough phone lines or staff to handle the volume of calls. One State reports understaffing its call center because the State legislature would only provide funding for a smaller call center than managers and contractors projected would be needed. To

address initial under-staffing, some focus States added more CSR positions, and others hired temporary employees to answer simpler calls or to assist CSRs.

Local Non-Cooperation

Respondents also report that the action of some local entities unnecessarily added to the volume of calls to their call center. For instance, a local clerk of court in one county reportedly placed a recorded message on their phone system directing anyone who called to dial the call center's toll-free number, even though many callers had enforcement-related inquiries that should have been handled by the local office. This resulted in the call center receiving inquiries regarding issues that CSRs could not address.

Technical Problems

Some staff report that their automated telephone systems did not offer all the information they were designed to provide because of problems in linking to the underlying case database. Even five months after centralization, one State's telephone system did not include payment information for an entire segment of the SDU caseload. Another State only updates case information for portions of the SDU caseload on a weekly basis, even though parents may wish more current information. Due to conversion problems, some parents could not access their case information because the database did not contain their SSN, which some systems use as a password for parental access. When these problems occurred, callers either heard a recorded message telling them to call back when the system would be available, or routed calls to the State's call center, further adding to the backlog of callers. Also, many callers called back multiple times, some apparently after receiving responses to initial inquiries.

The phone lines for one State's call center were inadequate and would disconnect callers for no apparent reason. The problem was not evident until processing was centralized and the volume of calls increased. The State upgraded their phone lines one month after beginning SDU operations. Another State's automated system was apparently offline most nights and many other hours during the first three months of SDU operations, primarily due to planned downtime for batch processing and Y2k preparations, as well as unplanned circumstances. Respondents also report excessive response times when CSRs attempted to access information from the State database, which was not adequately equipped to absorb the new users.

Improving Customer Service

The primary method States used to reduce call center volume was to improve payment processing so that payments were disbursed timely. Respondents report that once their SDU disbursed almost all payments within two business days, inquiries and complaints declined dramatically. One manager explained, *"If it's not working properly, then everybody's going to press the zero button and you're going to get more calls than you want. If you're behind in processing payments, your call volume just goes right through the roof. Once you get that resolved, then the phones calm down."*

To further improve service to customers regarding payments, respondents suggest that States specify performance criteria in their contracts, provide call centers with equipment that allows immediate monitoring of customer service calls, and limit call center inquiries to only payment processing issues. The rationale for the last

suggestion is that local caseworkers have the responsibility for taking action on paternity and enforcement issues, and therefore, should receive calls regarding those issues.

Staffing Customer Service Centers Poses Challenges to States

Training and Hiring Complexities

Respondents report that some CSRs did not efficiently provide service to parents because of inexperience and lack of training. While all focus States report training their CSRs, most also report that learning to navigate their State's automated system is difficult and requires extensive practice for efficient use. Staff suggest that child support customer service is more difficult than many other types of call center work because of the complex State automated child support systems. They also note that the strong economy has made hiring and keeping customer service staff particularly difficult, resulting in a high turnover rate among CSRs. One manager argued that private companies are better suited than State agencies for operating call centers because contractors are more able to reward experienced CSRs for good performance through incentive programs. Some managers tried to improve performance by sending CSRs to county offices to familiarize them with prior payment processing.

Effect of Customers on Staff

Respondents report that the attitude of callers had a strong affect on CSRs, especially during the early weeks of centralized processing. Many callers were understandably upset about not receiving expected money, and often took their frustration out on CSRs. CSRs, reportedly, received numerous calls from irate or hostile parents who either had not received their regular child support or who had not been credited with making their payments. Another factor was non-public assistance clients who were often reluctant to deal with public social service agencies. Some parents, reportedly, had initial negative impressions of centralization due to the tone of reporting by mass media. Clients may also have been dissatisfied with call center responses because they did not initially understand the scope of operations of these units. This environment sometimes resulted in trained CSRs quitting, further exacerbating call center staffing problems.

PAYMENT PROCESSING

Disbursement Units in Focus States Use Both Manual and Automated Payment Processing Structures, Both of Which Offer A Means of Improving Service

Manual Processing

Smaller focus States mostly rely on manual processes in which staff enter payment information into the SDU database using 10-key machines and equipment which scans the bank routing codes of checks. Using this process, the bank routing codes allow SDU software to automatically display individual case information on the processor's screen, allowing them to check for accuracy and record the payment. If the payer's bank routing code has not previously been scanned into the database, staff search the SDU automated system manually to identify the appropriate case, using additional information such as name and SSN. Staff then balance groups or "batches" of payments using software applications or adding machines to ensure they have accounted for all payments and to check for errors.

Automated Processing

The largest two focus States use highly-automated processes in which staff use scanning equipment to record images of payments, rather than completing data entry. The system's optical character recognition software attempts to use the images to identify the payer and payment amount, and automatically post the payment to the proper case. Staff make images of all documents received, including actual checks, money orders, envelopes, and other communication that payers send to the SDU. A manager using this system reports that imaging requires less human attention and training, and can process payments faster. *"It's a completely different concept than working with the paper."* This method requires multi-million dollar investments in hardware and equipment, which may be leased or owned by a contractor, depending upon the stipulations of the contract.

For both of these systems, payments are initially received in mail rooms. Mail room staff use machinery to open and sort payments, separating checks from other correspondence. Checks are grouped into batches of about 50 payments to make imaging and data entry more manageable, and must be balanced as a unit by the payment processor. Payments from large employers may be processed separately, as might out-of-State checks. A batch number and header form then follows the batch of payments throughout the process, allowing for easier handling and tracking. After they are entered into the system, using either imaging or manual data entry, payment batches are transmitted electronically overnight. The system then credits individual payments to cases, goes through the distribution process, updates the case files, and creates a check writer file. The check writer files are electronically transmitted to a disbursement unit which prints and mails checks to custodial parents.

Staff Involved in Receipting Payments are Typically Divided into Three Groups: Mail Sorting, Payment Processing, and Research

Mail sorting staff tend to hold the lowest paid jobs at the SDU, requiring less training and fewer technical skills. However, these jobs support a critical aspect of SDU operations and require consistency and attention to detail. Mail room staff arrive early each day, open and sort mail mechanically, pull out exceptional payments, bundle payments for processing, and forward any other documentation received. *"We work really hard with the mail room to get them to understand that they set the tone of the day. If you are slow here, payments are slow to get to the scan room, and then slow to get to the processing floor."* To ensure no lost or stolen payments, SDUs typically videotape all mail room activities. Only one focus State reported a single incidence of theft by an employee since SDU implementation.⁸

SDU managers report that **payment processing staff**, must be highly skilled, with both policy and systems knowledge, and must be able to efficiently utilize a variety of automated tools. Processors typically receive payments from the mail room and post them to the proper case on the SDU database. Fully training processors takes longer than some other SDU positions, primarily because it takes time to learn to use the State's child support automated systems. *"We can teach the SDU system within a couple days, whereas the State's automated system takes a long time. There are hundreds of screens and places to look. New workers are usually processing within two days, but it takes a good two weeks or a month before their turnaround gets up."*

The last group, **research staff**, use an even greater number of systems and databases than processors, and need skills to use these resources in more complex ways. Their job is primarily to research payments which processing staff could not match to a case. Researchers usually have access to other information resources, such as address look-up services and driver license directories, in addition to State child support and SDU systems. They also regularly contact employers and local child support and clerks of court staff. Research staff may also sometimes handle payment adjustments, misapplied payments, interstate cases, overpayments, or payments made with insufficient funds.

States Cross-train Staff, and Use Overtime and Temporary Workers to Meet the Varying Staffing Needs of Disbursement Units

Adequately forecasting the workload is difficult for SDU managers, especially during the initial months of operation, when they often added temporary staff. SDU staff typically work five-day weeks, including one weekend day. Hours of work on Monday are usually always longer than the rest of the week, and work hours often fluctuate, depending on the flow of payments. Staff are allowed to go home early on slower days, or reassigned to other tasks when their primary job is complete. Since the SDU's needs change throughout the week, staff are **cross-trained**, so that a single worker may process payments, conduct research, or operate imaging equipment during the same week.

One SDU manager recommends that front-line supervisors be given the authority to request **overtime** on a heavy mail day. *"This way, if you're an hour or two from getting things done that day, you can make it pretty informal and just ask who wants overtime that night."* This encourages supervisors to complete each day's payments without carrying over into the next day, and likely does not require that all staff work longer hours. On busy days, SDU managers and other child support staff may also assist in processing payments. *"If we have a heavy day like a Monday, we are all out on the floor doing data entry. I have told my team from day one that nobody is exempt from doing whatever it takes to get the job done."* Managers in one State found benefit in using State child support staff for **temporary assistance** during startup. *"It benefitted us in the long run, because now the people better understand the automated [payment] system."*

Because most of payment processing is automated, staff can be monitored closely on their performance. For example, automated mail sorting machines are able to count the number of envelopes processed per hour, just as payment processing software can track the number of payments entered or scanned. Managers also compute error rates for mistakes such as placing the wrong number of payments in a batch, neglecting to identify post-dated or unsigned checks, or posting payments to the wrong case.

Several focus States had instituted incentive programs for staff which reward them with additional pay if their speed is high while maintaining a low error rate.

State Disbursement Units Scan and Store Images of Payment Documents in Order to Meet Record- Keeping Requirements and to Aid In Researching Unidentified Payments

Most focus States make images of documents for storage purposes, but some still keep paper documents for a period of time. SDUs can store a vast number of document images on tape backups, then easily view documents as needed in the future. *"Our hard drive is large, but eventually you run out of space. Most of this stuff is going to get*

accessed within the first 30 days, and you're not going to go back to it that often. So, after about 30 days, we go ahead and burn CDs and clear it off the hard drive." Managers in one State devised an image 'jukebox' that contained storage discs and could be accessed by staff with only a 60-second delay.

States also image documents in order to assist research staff in identifying poorly labeled payments. With payments that cannot be properly posted, staff use images of documents, rather than paper documents, to research the items. These images of envelopes, notes and other paperwork may provide clues for matching the payment to the proper case. This can be particularly useful when generic money orders are used for payments and lack sufficient information. Respondents from one State also report using imaged data in performance audits conducted by the child support agency.

Two focus States do not use imaging equipment, but store paper documents, and therefore, attempt to minimize the number of documents retained. *"We don't keep the envelope unless it's a money order or a cashier's check that we can't identify right away, then we will keep the envelope, because there may be an address on there that the State can use to identify."* One manager instructs mail room staff to set aside payments for scanning only when there is a difference in the address on the check and the return address on the envelope.

Disbursement Unit Managers Recommend Two Strategies to Meet the Complex Challenges of High Volume Payment Processing

Managers report that operating an SDU is more complicated than other payment receipting operations, such as those for utility bills, because payments of child support must be matched to the proper case and the money disbursed to families or the State. *"With other bills, all they need is your account number and the money. With child support, you have to know the dollar amount, the custodial parent's name, SSNs, the obligation date, the case identifier, and all the other things that are in the file."* Although child support staff may have long been involved in processing payments at the local level, *"When you do things in volume, the problems multiply a lot faster."* SDUs are under great pressure to process payments quickly, because child support is so important to family well-being. Managers report that SDUs are blamed for any number of system breakdowns, even those outside of their control, such as slow postal delivery. *"We take all the heat for delayed payment regardless of what caused it. We were having problems and legislative complaints that had nothing to do with the SDU."*

One general strategy reported by managers is to hold **daily meetings** that involve managers and supervisors of the various parts of the SDU. *"We do a roundtable, getting statistics on the type of customer service calls from yesterday, the amount of mail for the day, and any issues with the network. If it's a light mail day, we will determine how to re-direct staff."* As a second strategy, managers advise **addressing processing problems immediately** when they are detected. *"One of our keys to success is being pro-active in addressing problems. Processing payments is not rocket science, but it takes attention to detail. When there's a problem identified, you have to take action before it multiplies."* Addressing specific problems may be most effective when done in the context of focusing on the SDU's primary objective. *"There's a tendency to focus on all the associated stuff. But if all of your resources go into research, for example, you'll never catch up. It will keep building as it goes. Payment*

processing is where you focus the resources. Get the payments out the door. Once you do that, everything else fixes itself.”

States Quickly Research Payments That Are Not Initially Identified, Often Resulting in Timely Disbursement

Researching Unmatched Payments

When payments are not immediately posted to a case by the payment processing equipment or staff, they are transferred to research staff who have greater access to case information and devote time to identifying payments. Payments may also require research if the amount of a support order does not match the amount paid. Some focus States give contractors a fixed number of days (between two and five) to research unidentified payments, after which time the State child support agency takes responsibility for further research. Respondents report that many research items are properly identified the same day, and are disbursed along with other payments received that day, while only a small percentage of payments take additional time to process.

Identification Tools

To identify payments, SDU researchers commonly examine checks, envelopes and other documents included with payments, and attempt to match one or more items to information stored in the SDU database or State automated system. When needed, researchers can check old case numbers, driver's license and birth certificate records, and automated telephone directories. Staff can also call parents, local caseworkers, or employers to help identify cases, or send notices to payers asking for more information. If all these efforts fail, States label unidentified payments as 'suspense,' and may only periodically continue research. *“The reality is that by the time you put it into suspense, you are not going to be able to find that guy.”* Money orders are particularly difficult to research, because they sometimes include only a barely legible signature.

Undistributed Funds

Payments not identified quickly are either held as 'undistributed funds' or returned to the payers. States and SDU contractors have incentives to keep the amount of undistributed funds low to meet performance expectations. However, managers report they prefer not to return money to payers, because the action runs counter to the primary objective of getting money to families. Rather, focus States mostly hold money until payments can be posted. *“This way, the burden stays here, we have the money and once we get the information, we can post. If we sent it back, the custodial parent does not have the money.”*

Local Offices Continue to Provide Payment Processing Services, Such as Accepting Some Payments Locally and Assisting in Researching Unidentified Payments

Local child support offices and clerks of court in focus States continue to accept a small number of payments at their offices, such as the first payment on a new case made as part of an agreement between parties, or when a judge orders a party to make an immediate payment. Local staff generally encourage payers to begin making payments to the SDU as quickly as possible, but are willing to collect payments directly. *“I don't know of any office that will turn away money.”* Clerks of court insist they must continue to have authority and procedures for accepting payments, because they are so ordered by their courts. As States initially implemented their SDUs, a large number of payers

continued to send payments to local processors incorrectly. Staff report that some payers apparently ignored notices to re-direct payments to the SDU, while others did not receive notification, often due to wrong addresses. Local offices also report inappropriately receiving payments from local jurisdictions in other States, and having difficulty communicating with these local offices to tell them to send payments to the SDU. Respondents report that SDUs and clerks of court attempt to notify these payers to redirect the next payment. *“We had stages. We did the phone calls, then a memo, then a phone call again. We worked on these pretty hard. It took longer than I expected, but after 8 months, we were down to very few direct payments locally.”*

Payments accepted locally are either sent to the SDU for processing (usually by a courier service), or processed locally, with funds transferred to the SDU electronically. When clerks of court are the record-keepers for non-public assistance cases, they can locally post payments to their State’s automated systems. Respondents report that local processing saves time, and reduces risk when payments are made in cash. Since courier deliveries arrive at the SDU later than the morning mail, they may not be processed until the following day. To avoid such delays, one State encourages the courts to fax information about local payments to the SDU, so staff there can post the payment for inclusion in the same day’s disbursement cycle. During the first weeks of centralization, another State had staff drive around to offices and courthouses in nearby counties to retrieve misdirected payments. Some clerks of court reportedly did not comply with these efforts. *“We had one clerk, in particular, who took the child support receipts and walked into a local child support office and dumped them out on the receptionist’s desk.”* Other clerks reportedly returned misdirected payments to payers, significantly delaying disbursement to the affected families.

In addition to handling payments, local staff may also be called upon to update the State case database, as they receive information on address and employment changes. Some local offices enter information directly into the SDU database, while others have systems that interface with the central database. Additionally, some local staff help research unidentified payments. *“We realized that we still have to develop partnerships with the clerks of court and others - that we have a continued partnership.”*

To Improve Efficiency, SDUs Are Beginning to Encourage Use of Electronic Funds Transfer for Support Payments, Particularly From Employers and Other States

Respondents report that Electronic Funds Transfer (EFT) increases the speed and efficiency of SDUs because it directly transfers funds from employers’ accounts to the proper State bank accounts, bypassing some steps of traditional SDU payment processing. EFT also transfers an electronic data file containing payment and case information which can be automatically read into the SDU database. Use of EFT also helps SDUs avoid data entry and other processing errors. EFT simplifies payment procedures for large companies who withhold income for several employees. However, smaller businesses might not realize as many benefits as large companies, and may not have the necessary equipment to use EFT.

Contractors in some focus States are assisting in efforts to increase use of EFT. *“When we talk with a business about using EFT, we tailor our approach. Medium-size employers may not have as much cost savings and may only sign on for convenience. It is probably not worth the cost of setting up for small businesses. We have*

collaborated with other States to get large, multi-State employers on board. We target employers who poorly label checks or have problematic formats. We also target businesses that the county clerks tell us keep sending checks to them. EFT is easier for employers. Eventually, when all States are up with EFT, it will really be more advantageous to businesses because that will be standard operating procedure.”

However, a contractor in one State does not get paid for processing EFT payments and therefore has little incentive to encourage its use.

Respondents suggest that some noncustodial parents would also like to set up methods to electronically send payments to the SDU. Additionally, focus States are beginning to offer automatic withdrawal from payer bank accounts, and some plan to establish a method for paying through the Internet. Managers also consider Internet pay to be a good option for small businesses, because it is not as complicated as EFT and only requires a personal computer and Internet access. Internet payment works in essentially the same manner as an automatic withdrawal. *“The mechanics of it appear quite easy, we just have to look into security issues and figure out how the data would flow.”*

PROBLEM PAYMENTS AND CASES

Misapplied Payments

Child support payments are sometimes posted, or ‘misapplied’, to the wrong case because of human or systems errors. Misapplied payments may be caused by simple recording or data entry errors, or may be the result of confusion over the support obligation. For example, while a noncustodial parent may have two support cases, the SDU may attribute the entire payment to only one case. *“At least half of our misapplied work was within one payer, not across payers.”* Particularly complicated are situations wherein the noncustodial parent is paying on both a public assistance case and a non-public assistance case. SDU managers report advising staff to *“watch those cases, and help keep the information correct. They are complicated. I would advise that States just starting their SDU observe those cases and make sure they split accurately.”* Other case characteristics might also increase the odds of a misapplied payment, such as when a client leaves or returns to public assistance, or when custody of a child changes. At least one SDU attempts to avoid misapplied payments by requiring processors to match three different pieces of information before posting a payment. While this effort slows processing, staff report they, *“quickly realized it was better to hold a payment than to post it to the wrong case.”* Other States attempt to find misapplied payments by conducting automatic reviews of cases in which the current payment is significantly different from their previous average payment. States also rely on customer complaints to help detect misapplied payments. *“The best thing about processing child support is that someone is expecting it.”* When misapplied payments are disbursed to the wrong parties, State often have difficulty collecting it back. Some State child support agencies had to obtain special legislative permission before they could even attempt to recoup these misapplied payments.

Poorly Labeled Payments

Managers report that poorly labeled payments, with incorrect or incomplete information, cause problems for SDUs. Noncustodial parents sometimes make payments without including a case number or other identifying information. States usually send letters to payers immediately upon receiving payments without case numbers, informing them that they must properly identify the case. *“Once somebody gets a letter back saying yes*

we have taken your money but we have not posted your payment, they start to take some action.” Letters to noncustodial parents in one State inform the payer that they could be held in contempt of court for not properly labeling payments. Unfortunately, the correspondence does not always result in assistance from the payer. *“I have seen letters returned where they will attach the original information from the check stub and tape it on there. It is the same garbage information that we got the first time.”* Employers are also sometimes guilty of poor labeling. Employer checks often include multiple payments, and must contain case information for all paying employees. When checks from employers are placed in suspense because of a single unidentified payment, it often delays disbursement for many more cases.

Payers with Multiple Cases

Prior to centralized processing, some noncustodial parents with multiple cases in different jurisdictions were able to pay support on one case and not on others, because local processors might have been unaware of cases outside their counties. Managers report that SDUs correct this inequity by distributing payments across all of the obligor’s cases based on State distribution rules. *“We believe it is fairer for everyone to get a share of the payment.”* Despite the apparent fairness of following distribution rules, some custodial parents protested the changes because they had previously been receiving more support. Noncustodial parents also complained about the loss of control over their support payments. Needless to say, some families were delighted to start getting money that had previously inappropriately gone to the obligor’s other children. One local office manager recommends that States make special notifications to parents describing how centralization will likely affect parties to cases with multiple obligees.

Payments on New Cases

Because new child support cases originate at the local level, local child support staff and clerks of court are responsible for providing new case information to SDUs. In all focus States, local staff enter new case information electronically into a shared case database which provides information for payment processing. Typically, clerks of court enter non-public assistance cases and local child support staff enter public assistance cases. SDU managers report that sometimes local staff do not immediately enter case information when new support orders are established, causing SDUs to receive a first payment for a case before the case information is in the SDU database. These payments usually can not be processed and are often listed as undistributed funds. Sometimes this occurs because private attorneys are allowed to mail income withholding orders directly to employers who begin withholding money immediately. To avoid these situations, one State has SDU staff contact local offices or clerks of court to prioritize data entry for such cases, which managers report is usually accomplished the same day.

Payments on Interstate Cases

Respondents report that SDUs may be unaware that some payers in their State also have child support orders in other States.⁹ Therefore, SDUs that receive payments from these payers may inappropriately disburse the entire payment to families in their caseload, while not sending any money to families in other States. To avoid this unintended situation, some SDUs use the Federal Case Registry to identify all obligees on a case.

Interstate cases often require States to forward money and payment information to SDUs in other States. However, respondents report no standardized process exists for

all States to facilitate this transfer. For example, some States may require information for processing that is not included in another State's database. When States collect child support for families with cases in other States, they typically combine all payments for each State and issue one check to the other State. However, respondents report that if even one of these payments cannot be identified, some other States will not process any of the payments, but return the large check. Managers also report that some other States send individual checks for each interstate case they collect on, unnecessarily multiplying the number of checks the receiving State's SDU must process. To address these issues, some focus States designate specialized staff for dealing with other States. They often contact other States for information about cases and attempt to coordinate payment transfers between SDUs. One focus State made an effort to identify all interstate cases during their initial conversion efforts, and staff gave them special attention once the SDU received payments on those cases. Another focus State concentrated its coordination efforts on border States because they had the most interstate payment activity.

Payments From Federal Agencies

SDUs in all focus States report receiving a large number of payments from Federal agencies, including withheld income from Federal employers, Social Security benefits, and Internal Revenue Service tax intercepts. Some respondents report these Federal payments are often poorly labeled or incorrectly sent to local offices, causing problems for the SDU. Federal checks reportedly provide only the payer's name, but not other necessary information, such as a State case number or SSN of the payer which could help the SDU process the payment. Even when the SSN is included, it is often difficult to locate on the check and is sometimes buried within longer identification codes. Also, some Federal checks, reportedly, do not identify the department or agency of the payer. *"The problem with U.S. Treasury checks is you often don't know who it's coming from, particularly if it's from a branch of the military."* In attempting to rectify these persistent problems, some managers report being unable to locate the entity that issued the checks, or being told that the Federal government cannot improve payment labeling, possibly because of the large number of checks it issues.

SDU managers also complain that Federal agencies often send checks at the end of one month, for the following month's obligation, potentially causing too many payments to be recorded one month and not enough the other month. Depending on the circumstances of the case, this could cause families to receive less child support than they would have if payments were received in the month owed. At least one focus State routinely holds Federal checks until the first day of the month to avoid this problem.

Checks Returned for Insufficient Funds

Because SDUs often disburse payments the same day payment is received, any checks that are returned for insufficient funds (NSF) or due to stop payment orders pose significant problems. Once a payer's check has been returned or "bounced" by a financial institution, SDU staff must adjust the case account and ensure that the system does not readily accept future checks from that account. To accomplish this, some SDUs assign particular staff to research and handle NSF and other problem checks. These workers adjust account balances and flag the case in the automated system for special processing of future payments. SDUs attempt to recoup the money from the payer, but if they refuse, the State may have to withhold future disbursements from families until the balance is paid off.

RECOMMENDATIONS

Based on our analysis of the experiences and insights of payment processing participants in focus States, we make a number of recommendations to State child support enforcement agencies as they implement and refine their disbursement units. We also recommend action by the Federal Office of Child Support Enforcement (OCSE) to aid in State implementation and operation of SDUs.

RECOMMENDATIONS FOR STATES

CENTRALIZE PRE-1994 INCOME WITHHOLDING CASES

States Should Process All Income Withholding Cases Centrally, Including Those Created Prior to 1994, Thereby Providing Employers with a Single Location for Sending Payments. Providing employers with a single location in each State to send all income withholding payments was enumerated by Congress as a primary objective of centralization. Focus States report that central processing of such payments eases the burden on employers, minimizes client confusion, allows for a clearer division of responsibility between State and local offices, and helps take full advantage of the efficiencies and economies of centralization by maximizing use of automation. However, some States continue to use local payment processing for cases with income withholding initially ordered prior to January 1, 1994, requiring some employers to send payments to multiple locations within the State.

CONSIDER CENTRALIZING ALL NON-WITHHOLDING CASES

States Should Assess the Benefits of Processing All Child Support Cases Centrally, to Maximize Use of SDU Staff and Equipment. Respondents from focus States report that SDUs speed payment processing and improve customer service, relative to local processing. Many States have used their discretion to require all payments, not only those required by Federal law, to be processed centrally, thereby spreading these positive outcomes to all families with child support orders. Centralizing all payments may also increase efficiency by taking greater advantage of SDU infrastructure.

EMPLOY INCREMENTAL IMPLEMENTATION

States That Have Not Yet Fully Implemented Their SDU Should Consider Using Pilot Programs and Other Incremental Implementation Methods. Focus States report numerous advantages of using pilot programs and incrementally implementing centralization. These advantages include an enhanced ability to insure accurate and complete databases, address technical challenges, and train staff. States that have not begun centralized processing, or that still need to add large groups of cases to their SDU caseload, should consider utilizing these methods when practical.

PROMOTE USE OF ELECTRONIC PAYMENT METHODS

States Should Actively Promote Use of Electronic Funds Transfer (EFT) by Employers and Other Payers When Practical and Beneficial. Focus States consider increased use of EFT by employers as an important goal of on-going SDU operations. Widespread use of EFT, particularly by large employers, potentially benefits the SDU, employers, and parents, by reducing human error and further speeding transmission of payments. States should actively engage in employer education, helping to promote use of EFT among employers. They should also collaborate with other States to increase use of EFT by multi-State employers.

EXPLOIT SDU INFORMATION TO ENHANCE ENFORCEMENT

States Should Develop Strategies to Routinely Use SDU Payment Information to Aid in Support Enforcement. Highly automated SDUs are able to track payment activity on individual cases that can potentially be used to identify cases which may need enforcement action, such as cases that have recently had disruptions in payment trends. SDUs in focus States are apparently not sharing such information with their enforcement staff in any consistent or routine ways. States should develop and implement methods for routinely notifying enforcement staff of payment interruptions, such as automated flags that trigger alerts to local caseworkers.

RECOMMENDATIONS FOR OCSE

ENCOURAGE IMPROVED PERFORMANCE BY FEDERAL GOVERNMENT PAYERS

OCSE Should Collaborate With States to Encourage Federal Government Payers to Improve Payment Labeling and Submission Practices. SDU managers in focus States cite particular difficulties processing checks issued by Federal agencies. They report Federal checks often contain inadequate or confusing information, are sometimes sent to the wrong location, and may be submitted too early to allow proper disbursement to custodial families. OCSE should collaborate with States in communicating and working with Federal employers to overcome these problems.

PROVIDE TECHNICAL ASSISTANCE ON INTERSTATE PAYMENT PROCESSING

OCSE Should Provide Additional Technical Assistance to States to Aid in the Transmission of Payments for Interstate Cases. SDU managers in focus States report unique difficulties in processing payments for interstate cases, particularly SDUs being unaware that obligors have cases in other States and the lack of any standard procedures for transferring money and payment information between States. OCSE should further assist States in developing new solutions or using available technologies to share case information between States, and help develop and implement uniform, automated standards for transferring money and payment information.

CONSIDER FEDERAL FUNDING FOR PROCESSING PRE-1994 INCOME WITHHOLDING CASES

To Help States Meet the Congressional Goal of Providing Employers With A Single Location in Each State to Send all Child Support Payments, OCSE Should Consider Proposing Legislation to Provide States with Federal Matching Funds to Centrally Process Payments for Income Withholding Cases Created Prior to 1994.

As detailed above, there are numerous benefits to payers and the State when all income withholding orders are processed centrally. Additionally, providing employers with a single location to send payments was a primary objective of Federal law. Federal matching funds are currently not available for non-public assistance income withholding cases created prior to 1994. In response, some States are still processing these cases locally. This requires employers to continue sending payments to multiple locations, and managers in focus States report that it also causes confusion among payers, local offices and SDUs.

AGENCY COMMENTS

The Administration for Children and Families (ACF) agreed with the findings and conclusions presented in these two reports. ACF concurred with each of the recommendations directed to OCSE and recounted its efforts to assist States with SDU implementation. ACF also expressed a desire to collaborate with the OIG in quickly disseminating to States the information provided in these reports. ACF comments are provided in their entirety in Appendix A.

ENDNOTES

1. Social Security Act, Title IV-D, SEC. 454B [42 U.S.C. 654b].
2. The required caseload includes all public assistance cases, plus non-public assistance cases requesting services and those cases with income withholding ordered on or after January 1, 1994.
3. OCSE Action Transmittal 00-03, January 19, 2000.
4. States can receive enhanced FFP at 80 percent for some of their PRWORA-related expenses. If a State has not already used all of their enhanced funds, SDU development costs could be matched at the higher rate, but operational costs are limited to 66 percent.
5. We interviewed local clerks of court in Arizona, Florida, Iowa, Pennsylvania, and Tennessee. In Minnesota, we interviewed local child support office staff.
6. Because its SDU initially had so many undistributed payments, the legislature in one focus State gave the child support agency authority to send interim payments to families that appeared to have missed their regular payments due to SDU implementation. On a daily basis, State agency staff compared undistributed payments being held by the SDU to complaints from custodial parents about not receiving payment. Workers attempted to match a complaint with an undistributed payment. If a definitive match was found, payment was posted to the case and the funds were disbursed. If a match was not found, but it appeared that the family had been receiving regular payments prior to the SDU implementation, the State issued an emergency interim payment to the family and continued researching the case. The customer service unit reports receiving over 9,000 requests for interim payments, some of which may have been duplicate requests from the same custodial parent. The State issued about 3,900 interim payments during the first four months of SDU operations.
7. Child Support Enforcement State Disbursement Units: State Implementation Progress OEI 06-00-00041, pg 5.
8. This was a case in which an employee stole money orders.
9. OCSE estimates that about 30 percent of all child support cases in the nation are interstate cases.



DEPARTMENT OF HEALTH & HUMAN SERVICES

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DATE: July 27, 2000

TO: June Gibbs Brown
Inspector General

CRH/gaw

FROM: *dr* Olivia A. Golden
Assistant Secretary
for Children and Families

SUBJECT: Comments on OIG Draft Reports Entitled "Child Support Enforcement State Disbursement Units, State Implementation Progress" (OEI-06-00-00040) and "Child Support Enforcement State Disbursement Units, Sharing the Implementation Experiences of Six States" (OEI-06-00-00041)

Attached are the Administration for Children and Families' comments on the above-captioned reports. If you have questions, please contact David Gray Ross, Commissioner, Office of Child Support Enforcement, at (202) 401-9370.

Attachment

COMMENTS OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES ON THE OFFICE OF INSPECTOR GENERAL'S DRAFT REPORTS: "CHILD SUPPORT ENFORCEMENT STATE DISBURSEMENT UNITS, STATE IMPLEMENTATION PROGRESS" (OEI-06-00-00040) AND "CHILD SUPPORT ENFORCEMENT STATE DISBURSEMENT UNITS, SHARING THE IMPLEMENTATION EXPERIENCES OF SIX STATES" (OEI-06-00-00041)

The Administration for Children and Families (ACF) does not disagree with the findings and conclusions of these two draft reports. ACF welcomes the efforts of the Office of Inspector General to examine this critical area of activity. These reports -- especially the one that recounts the experiences of six States -- may be directly helpful to those States that have not yet completed the implementation of their State Disbursement Units (SDUs). ACF intends to cooperate with the OIG in disseminating these reports to the States as soon as they are available in final form, in the expectation that the sooner States have an opportunity to review the reports and incorporate their experience, the greater is the likelihood that they will be able to benefit from the reports' findings.

The Office of Child Support Enforcement (OCSE) within ACF has worked extensively with both States and employers to assist in the implementation of SDUs. This work has been done by Central Office staff and, to a large extent, by Regional Office staff. For example, OCSE has administered several technical assistance efforts to improve SDU operation. Workshops -- often featuring State representatives -- were held at conferences to discuss State implementation issues. A technical assistance guide, developed with the assistance of both Federal and State staff, was distributed to all the States. The guide focussed on critical considerations in planning an SDU, and in preparing a Request for Proposal for centralized processing of child support payments.

In addition, ACF maintains a matrix of SDU program and system contacts. The matrix includes such data as "contact" information as well as the status of each State SDU and whether the function is performed by the State or contracted out. This information is distributed to all States and displayed on the OCSE website.

The employer services staff within OCSE works directly with national employer groups to assist States and to resolve SDU-related problems, and they work directly with Federal agency payroll officials, as described below in response to the recommendation regarding Federal government payers.

OIG Recommendations

OCSE Should Collaborate With States to Encourage Federal Government Payers to Improve Payment Labeling and Submission Practices. SDU managers in focus States cite particular difficulties processing checks issued by Federal agencies. They report Federal checks often contain inadequate or confusing information, are sometimes sent to the wrong location, and may be submitted too early to allow proper disbursement to custodial families. OCSE should collaborate with States in communicating and working with Federal employers to overcome these problems.

ACF Response

ACF agrees with this recommendation. ACF is planning a publication that will add to its ongoing activities to improve federal check labeling and processes to assist State SDUs. A number of Staff of the Office of Child Support Enforcement (OCSE) within ACF have provided technical assistance to SDUs through the Federal Agency Initiative. The Federal Agency Initiative at OCSE is an effort to respond to SDUs' requests for help. They are asking for help both in re-directing child support payments from Federal agencies, and in identifying the payer or the case with which Department of the Treasury child support payments (paper checks) should be associated.

ACF is completing a publication entitled ***Working with Federal Agencies as Employers***, which will be sent to all States. This publication will include detailed information on sending income withholding orders to Federal agencies, re-directing child support payments from Federal agencies to SDUs, identification of Treasury checks, and moving toward electronic child support payments (EFT/EDI).

ACF's activities on behalf of States and their SDUs have included the following specific Federal agency efforts:

Defense Finance and Accounting Service or DFAS:

OCSE negotiated with DFAS to name two points-of-contact within the DFAS Garnishment Department for States to contact for re-direction of all DFAS child support payments (and spousal support if appropriate) to SDUs. This information was sent to all States in a Dear Colleague Letter dated April 26, 2000.

In addition, OCSE worked out a process for re-direction of DFAS (and other Federal agency) child support payments to SDUs as follows:

DFAS sends the State a file of all child support payments currently being sent to that State. The State reviews the file to make certain that each payment should indeed be re-directed to the SDU. This also gives the State an opportunity to make changes (e.g., to the case ID by adding a FIPS code or other county identifier to the payment record). The State returns the file to DFAS, and DFAS makes the necessary changes to re-direct the child support payments to the SDU.

Social Security Administration (SSA) and Department of the Interior

OCSE worked with the Social Security Administration (SSA) to re-direct its employees' child support payments to SDUs. Payroll for SSA is handled by the Department of the Interior. Re-direction of child support payments (and spousal support where appropriate) from SSA employees was completed on February 23, 2000.

OCSE has also been working with staff at the SSA Beneficiary Garnishments Operations, who have the responsibility for re-direction of beneficiaries' garnishment child support payments. SSA designated a contact at each of the eight payment processing centers for States to work with in re-direction of SSA beneficiary garnishment payments to SDUs.

U.S. Postal Service (USPS):

OCSE has worked closely with the USPS as it re-directs child support payments to the SDUs. As a result, the USPS has begun a pilot project to send child support payments electronically via electronic funds transfer/electronic data interchange (EFT/EDI) to eight SDUs.

Department of the Treasury

OCSE worked with the Department of Treasury's Financial Management Service (FMS) to produce a memo, issued in March 2000, reminding Federal payroll agencies to include certain standard identifying data elements on the child support payments they prepare. This is an effort to reduce the number of unidentified Treasury checks (which sometimes become undistributed collections).

OIG Recommendation

OCSE Should Provide Additional Technical Assistance to States to Aid in the Transmission of Payments for Interstate Cases. SDU managers in focus States report unique difficulties in processing payments for interstate cases, particularly SDUs being unaware

that obligors have cases in other States and the lack of any standard procedures for transferring money and payment information between States. OCSE should further assist States in developing new solutions or using available technologies to share case information between States, and help develop and implement uniform, automated standards for transferring money and payment information.

ACF Response

ACF agrees that additional technical assistance is needed by States and their SDUs, and has plans in place to provide additional assistance. These plans include the dissemination of these OIG reports, especially the Six State report, and the conduct of national technical assistance activities on this subject, for the benefit of State staff who manage and oversee SDUs. OIG staff will be invited to participate in these activities, to present on the information and conclusions of these reports, to discuss the lessons these reports offer, and to respond to questions from the field. Moreover, ACF will begin working with representatives of State SDU's to identify specific issues requiring technical assistance.

OIG Recommendation

To Help States Meet the Congressional Goal of Providing Employers With a Single Location in Each State to Send all Child Support Payments, OCSE Should Consider Proposing Legislation to Provide States with Federal Matching Funds to Centrally Process Payments for Income Withholding Cases Created Prior to 1994. As detailed above, there are numerous benefits to payers and the State when all income withholding orders are processed centrally. Additionally, providing employers with a single location to send payments was a primary objective of Federal law. Federal matching funds are currently not available for non-public assistance income withholding cases created prior to 1994. In response, some States are still processing these cases locally. This requires employers to continue sending payments to multiple locations, and managers in focus States report that it also causes confusion among payers, local offices and SDUs.

ACF Response

ACF acknowledges that providing employers with a single location to which payments would be sent was a central objective of Federal policy when the SDUs were first required by law. ACF will consider this recommendation of the OIG as it develops the next President's Budget and the next set of legislative proposals.