



July 5, 2000

CIN: A-04-00-00136

Natasha K. Metcalf, Commissioner
Tennessee Department of Human Services
Citizens Plaza Building
400 Deadrick Street
Nashville, Tennessee 37248-0001

REGION IV
Room 3T41
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8909

Dear Commissioner Metcalf:

This report provides the results of our review of the Tennessee Department of Human Services' (DHS) State Disbursement Unit (SDU) for child support payments. In December 1999, Congressman Bob Clement requested that the Office of Inspector General (OIG) conduct this review and referred 16 complaint cases that were the basis for our inquiry.

EXECUTIVE SUMMARY

BACKGROUND

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) required States to implement a centralized child support collection and disbursement unit. The purpose was to make the process more efficient and effective. States in which the Clerks of Court were involved in the collection and disbursement process had until October 1, 1999 to establish their SDUs. Prior to October 1999, Tennessee's Clerks of Court collected child support payments and facilitated disbursements. As of October 1999, the SDU in Tennessee is operated with the use of two consulting firms – one to handle customer service activities and the other to handle collection of child support payments.

OBJECTIVES

The objectives of our review were to determine:

- if the SDU's payment processing and customer service operations properly handled the cases referred to us for examination.
- the process DHS uses to handle interest earned on child support payments.

FINDINGS

The DHS properly handled interest earned on undisbursed child support payments. However, our examination of records relating to 16 custodial parents (CP) provided by Congressman Clement's office identified problems in the SDU's customer service operation, the Tennessee Child Support

Enforcement System (TCSES), and the child support payment process. The CPs and non-custodial parents (NCP) had difficulty reaching or obtaining needed assistance through the SDU customer service phone lines. In addition, child support payments were received by CPs either late or not at all. In many instances, the SDU's implementation problems caused the CPs to experience difficulty in obtaining needed assistance. Specifically, the

- customer service contractor did not have a sufficient number of trained staff available to handle the volume of calls received;
- automated call distribution phone system was inadequate;
- TCSES did not always have the information necessary for customer service representatives to assist callers and for proper payment processing;
- audit trails for changes/modifications in TCSES were not always adequate;
- payments were received by the wrong office and/or did not contain sufficient personal identifiers to be processed; and
- child support payments were credited to the wrong case and/or sent to the wrong CP's address.

In February 2000, the Federal Office of Child Support Enforcement (OCSE) issued an audit report citing \$43 million in undistributed child support collections as of December 1998 and stating that the amounts reported to the Federal Government had not been reconciled to Tennessee's accounting records.

While not the focus of this review, we noted that the \$76 million in undistributed collections reported as of December 31, 1999 still did not agree with DHS' accounting records. However, DHS has implemented a corrective action plan to reconcile its records and reduce the balance of undistributed collections.

In April 1999, the State Auditors issued a report for the year ended June 30, 1998 covering selected programs and activities in DHS. The report cited several deficiencies relating to management controls and compliance with procedures in the child support program. Some of the deficiencies had been previously reported by the State Auditors and may have contributed to the problems noted in our report.

We are recommending that DHS take steps to improve its customer service and payment processing operations as well as ensure that TCSES contains complete and accurate information needed to properly manage cases. We are also recommending that DHS take steps to quickly implement a corrective action plan to address the deficiencies cited by OCSE and State Auditors.

The DHS officials agreed with our findings and recommendations. In written comments to the draft report, DHS officials outlined actions that they have either taken or plan to take to ensure that child support collections are disbursed timely and accurately and to strengthen the SDU's overall operations. The DHS' written comments are summarized after the "Recommendations" sections of the report. The DHS' comments in their entirety are included in **Appendix B**.

INTRODUCTION

BACKGROUND

The PRWORA required States to implement a centralized child support collection and disbursement unit. The purpose was to make the process more efficient and effective. States in which the Clerks of Court were involved in the collection and disbursement process had until October 1, 1999 to establish their SDUs.

Prior to October 1999, approximately 250 Tennessee court clerks collected child support payments in the State and facilitated disbursements. Under the new system, with some exceptions, all child support payments are collected by the SDU.

In Tennessee, the SDU was established under the DHS. As of October 1999, the SDU was administrated with the use of two contractors – one to handle collection of child support payments and the other to handle customer service activities. Tier Technologies, a company that has operated similar programs in several other States, was awarded a \$3.8 million contract for the first of 3 years to operate the State's centralized collections unit. The company opened an office in the Nashville area. Maximus, a Virginia-based company was awarded a \$3.5 million contract for the first of 3 years to operate the child support customer service call center related to centralized collections. Maximus also operates call centers in a number of other States. Additionally a third contractor, Andersen Consulting, received a \$40 million contract to develop and maintain the TCSES for 5 years. Part of this contract included researching court clerk records to identify non-IV-D cases paid by income assignment that originated after January 1, 1994 and transferring these cases to the SDU.

In December 1999, the OIG received a letter from Congressman Bob Clement expressing concern about the effectiveness of Tennessee's new system for collecting and disbursing child support payments. Consequently, Congressman Clement's office referred 16 complaint cases for our review (see **Appendix A**). The complaints regarding the system included checks which arrived late or not at all and CPs' inability to receive assistance when calling customer service.

The OIG's Office of Evaluation and Inspection is also currently conducting a study to provide a national profile of State progress in developing and operating their SDUs. Two reports will be produced. One will provide an overview of progress in all States. The other will provide an

analysis of the perceptions and experiences of key participants involved with the SDUs in six States which includes Tennessee.

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

The objectives of our review were to determine:

- if the SDU's payment processing and customer service operations properly handled the cases referred to us for examination.
- the process DHS uses to handle interest earned on child support payments.

Scope

Our internal control review was limited to obtaining an understanding of the State's process for collecting and disbursing child support payments, including the operations of the two contractors hired to facilitate this process. An overall assessment of internal controls was not considered necessary to satisfy the audit objectives.

We limited our review of child support cases to the complaints from 16 individuals referred to us by Congressman Clement's office, who were experiencing problems with child support payments. Our review covered activities occurring during the period October 1, 1999 through February 29, 2000. When necessary, we expanded our review to activities prior to October 1, 1999 to obtain a full understanding of events.

Methodology

To accomplish our objectives, we:

- interviewed officials at the State SDU and the two contractors hired to handle customer service activities and the receipt of child support payments;
- visited both of the contractors' facilities and observed their operations;
- reviewed records in TCSES applicable to the 16 cases submitted to us by the Congressman's office. This included gaining access to and understanding the data concerning payments received, payments disbursed, correspondence entries and IRS refund interceptions;
- reviewed State information concerning interest received on undistributed child support collections; and
- reviewed applicable Federal child support regulations.

On-site work was performed at the DHS and the contractors' sites in Nashville, Tennessee between January 10, 2000 and January 21, 2000. However, additional field work continued intermittently through February 29, 2000. Our audit was performed in accordance with generally accepted government audit standards.

On February 23, 2000, we discussed our preliminary findings and recommendations with DHS officials and provided them with a written summary of our tentative results. On June 20, 2000, we held an exit conference with DHS officials. On June 22, 2000, we received DHS' written comments to the draft report.

FINDINGS AND RECOMMENDATIONS

The DHS properly handled interest earned on child support payments. However, we identified problems related to: (1) SDU customer service operations; (2) data in TCSES; and (3) child support payment processing.

INTEREST EARNED ON CHILD SUPPORT COLLECTIONS

The child support collections are deposited into a State bank account. The Tennessee Department of Treasury invests these funds and reports to the DHS monthly the rate of interest earned. The DHS Fiscal Services staff then computes the amount of interest earned on undistributed collections. Interest earned on child support collections is used to offset administrative costs as required by Federal regulations. According to **Title 45 Code of Federal Regulations (CFR) Section 304.12 (b)(4)(iii)**:

"Fees paid by individuals, recovered costs, and program income such as interest earned on collections shall be deducted from total IV-D administrative costs; ..."

Also, **Title 45 CFR, Section 304.50, Treatment of program income**, states that:

"The IV-D agency must exclude from its quarterly expenditure claims an amount equal to: (a) All fees which are collected during the quarter under the title IV-D State plan; and (b) All interest and other income earned during the quarter resulting from services provided under the IV-D State plan."

We believe that DHS has properly recorded and reported interest earned on child support collections.

CUSTOMER SERVICE

Based on our review of the 16 cases referred to us, the SDU customer service operation did not always effectively meet the needs of the CPs and NCPs it was hired to serve. Many of these parents complained that their calls went unanswered or they did not receive needed assistance from customer service representatives.

Complaint Calls Unanswered

During October 1999 through December 1999, many calls to the SDU customer service phone lines went unanswered. This occurred because of an unanticipated high volume of calls, the lack of sufficient trained personnel, and a malfunctioning phone system.

The DHS and Maximus underestimated the number of complaint calls that would be received after implementation of the SDU. The customer service unit was staffed to handle about 12,500 calls a week or 50,000 per month. However, for October 1999, 81,611 calls were received and 43,392 were answered. This means that more than 38,000 calls received in October went unanswered. Almost 16,000 of these 38,000 clients' calls were put on hold for periods greater than two minutes before the clients abandoned their calls.

Calls went unanswered because a sufficient number of trained personnel were not available to handle the number of complaints and other calls. Initially, Maximus hired 34 customer service representatives to handle the estimated calls. However, Maximus experienced a 35 percent turnover in personnel and had difficulty hiring replacements. Recently, the number of customer service representatives was increased to 43.

Maximus provides two weeks of training for its customer service representatives. The first week is classroom training on how to handle calls and use TCSES. The second week is on-the-job training with an experienced worker "shadowing"¹ the trainee's performance. Generally, it takes about 6 weeks for workers to perform at a 90 to 95 percent efficiency level and feel comfortable navigating the various TCSES screens. Customer service representatives must rely on TCSES to provide information to customers and are expected to handle about 70 calls a day.

We believe that 2 weeks of training may be inadequate considering the complexity of the TCSES data screens. For example, TCSES screens usually include information such as: payments received, payments disbursed, correspondence from various sources, demographic data for the CPs and NCPs, IRS tax interception information, and address changes.

¹An experienced worker sits along side the trainee and listens in on the call and observes the service provided.

In addition to the lack of staff to take calls, the automated call distribution phone system did not always properly route calls during peak periods. At times, a caller could receive a busy signal or just be dropped rather than be transferred to the next available phone line and/or receive an appropriate recorded message. The DHS staff indicated that they have taken action to remedy the phone problem.

Needed Assistance Not Provided

In 7 of the 16 cases, CPs complained that customer service representatives were unable to respond to their inquiries or the information provided was incorrect. Customer Service Representatives must rely on information contained in TCSES to provide assistance. We believe that the representatives were hampered in doing so because the information in TCSES was either not available or not accurate. We found some of the case activity comment notes in the system were incomprehensible or incomplete. Using these notes, other Case Researchers would not be able to determine previous actions taken or the status of the case.

RECOMMENDATIONS

We recommend that the DHS:

- ensure sufficient resources are available to staff the customer service phones.
- ensure that the automated call distribution phone system can properly handle the call volume.

DHS Comments

The DHS officials said both they and the Customer Service contractor added staff to address customer service needs. Prior to February, DHS penalized the contractor for not complying with the contract provision that requires an average answer time of per week of less than 2 minutes. The DHS officials also said that extensive training is provided for customer service staff who are allowed to handle only 20 calls a day until they become proficient over a 6-week period. Ongoing training and refresher training is also performed at least twice monthly after the 6-week period. At least 3 times a week, customer service teams are required to have team meetings to have refresher training on specific areas.

The DHS officials said they have been working with various State and commercial telecommunications staff to improve the customer service telephone systems and the systems are working well since a series of adjustments have been made. The DHS officials monitor the process daily and take corrective action as needed.

TCSES DATA

Incomplete and inaccurate data in TCSES had a negative effect on customer service and payment processing operations. Further, we found instances where the audit trails for changes and modifications were inadequate to determine what previous actions had been taken on some of the cases.

Dockets, Orders, and Obligations Either Not Entered Timely or Entered Incorrectly

Six of the 16 cases reviewed experienced problems because dockets, orders, and obligations² established by the court were not entered in the TCSES or entered incorrectly. Also, the amounts owed by some NCPs were not entered on the TCSES timely. Therefore, child support payments would either be disbursed late or not at all. Sufficient staff was not available to ensure that all data elements required for release of payments were entered in the TCSES timely and correctly.

The DHS officials informed us that county child support case workers and local clerks of court are responsible for insuring that dockets, orders and obligations are entered in the TCSES timely and correctly. Apparently, in these six cases the required information was not entered timely or was entered incorrectly in TCSES.

Not All Non-IV-D Cases Identified

Andersen Consulting did not identify all non-IV-D cases at the local clerks' offices that were required to be transferred to the SDU as of October 1, 1999. As a result, child support payments for 3 of the 16 CPs in our review were not paid timely.

The **Social Security Act Section 454B [42 U.S.C. 654b] (a) STATE DISBURSEMENT UNIT**, requires that:

“(1) IN GENERAL.--In order for a State to meet the requirements of this section, the State agency must establish and operate a unit (which shall be known as the “State disbursement unit”) for the collection and disbursement of payments under support orders--(A) in all cases being enforced by the State pursuant to section 454(4);” [IV-D cases] *“and (B) in all cases not being enforced by the State . . . on or after January 1, 1994, and in which the income of the noncustodial parent is subject to withholding pursuant to section 466(a)(8)(B).”* [non-IV-D cases]

The State did not know that three non-IV-D cases existed until the CPs called to report non-payment of child support. Prior to October 1, 1999, most non-IV-D cases were handled at the

²A docket is a number assigned by the court to identify a case. An order represents the ruling by the court as to the amount and frequency of an individual's child support payments. An obligation is the amount of child support an individual is required to pay.

county level. Subsequent to October 1, 1999, the county case workers were to identify and enter into the TCSES any non-IV-D cases with income assignments.

Interim Payment Information Not Readily Available

On December 21, 1999, the DHS sent more than 2,700 interim child support checks to families who had experienced delays in getting their regular payments. These interim checks were not reflected on the CPs' payment records because there is no interface between the interim payment system and TCSES. As a result, customer service representatives and others using TCSES would not get complete information regarding the status of child support payments.

Entries on Notepad and Correspondence Screens Inadequate

The notepad and correspondence screens did not always provide adequate information. These screens, which are used to record information relating to CP and NCP inquiries and/or case worker actions, were not always adequately documented. In some instances, the screens contained notes which had little meaning to anyone other than the writer.

Inadequate Audit Trail

We identified one payment and one arrearage in TCSES that were modified or removed without an adequate explanation or audit trail for those actions. As a result, TCSES could not provide complete and accurate information on the reasons for the changes or if they were proper. We are also concerned that such transactions, if not properly authorized, could indicate a weakness in controls over TCSES data.

In one case, there was no evidence that there was a petition to modify the child support arrearage. In this case, an arrearage was removed in error which caused the system to show the case was not delinquent. Hence, any arrearage payments received would be recorded with an effective date in the future. This "futures" status prevented the system from releasing these payments until the future date was reached. The county case workers are responsible for modifying arrearage information.

Federal regulations prohibit the modification of child support arrears except in limited circumstances. According to **Title 45 CFR, Section 303.106, Procedures to prohibit retroactive modification of child support arrears,**

“(a) The State shall have in effect and use procedures which require that any payment or installment of support under any child support order is, on and after the date it is due: (1) A judgment by operation of law, with the full force, effect, and attributes of a judgment of the State, including the ability to be enforced; (2) Entitled as a judgment to full faith and credit in such State and in any other State; and (3) Not subject to retroactive modification by such State or by any

other State except as provided in paragraph (b) of this section. (b) The procedures referred to in paragraph (a)(3) of this section may permit modification with respect to any period during which there is pending a petition for modification, but only from the date that notice of such petition has been given, either directly or through the appropriate agent, to the obligee or (where the obligee is the petitioner) to the obligor.”

In another case, a NCP’s payment was shown as being received on the TCSES on January 3, 2000. About 3 weeks later this payment no longer appeared on the system. Also there was no indication a disbursement had been made. We were unable to obtain an explanation as to why this payment was no longer in TCSES.

According to **Title 45 CFR, Section 302.15, Reports and maintenance of records,**

“The State plan shall provide that: (a) The IV-D agency will maintain records necessary for the proper and efficient operation of the plan, including records regarding: . . . (3) Amount and sources of support collections and the distribution of these collections;”

RECOMMENDATIONS

We recommend that the DHS:

- implement procedures to ensure that cases, dockets, orders, and obligations are accurately entered into the TCSES to ensure timely payment of child support;
- implement procedures to ensure that interim payments are reflected timely in the TCSES;
- expand the customer service representatives’ entries to provide an audit trail that would allow system users to understand exactly what actions were taken to resolve problems with child support payments;
- ensure the State and contractor staff are trained in preparing clear and distinct narratives for TCSES input;
- determine how and why payments entered in the TCSES apparently disappeared; and
- ensure appropriate controls are in place to preclude unauthorized changes and to document all actions.

DHS Comments

The DHS agreed that data must be entered timely and accurately. A renewed emphasis on the need to enter data promptly and accurately will be communicated to all child support enforcement staff through a policy memorandum. In addition, this subject was addressed in a June 2000 statewide meeting with the Child Support administrators. While training has been previously provided to the local offices, an assessment of training needs will be completed and training will be provided as appropriate. The Child Support Coordinators will undertake discussion and follow-up at their next scheduled visit in each local office.

The DHS agreed that interim payments must be reflected in TCSES timely, an audit trail and clear and distinct narratives are necessary. Increased emphasis has been placed on staff to make improvement in this area. Few interim payments are currently being issued - only 36 in May.

A memorandum of clarification will be developed to instruct appropriate staff to thoroughly document the TCSES correspondence screen. Also, written instructions will be given on preparing and entering thorough TCSES notepad entries. In addition, at the June 2000 statewide meeting, the Director of Child Support Field Operations discussed notepad documentation requirements with the child support enforcement administrators.

The DHS officials also agreed that corrected payments recorded in TCSES should be explained and unauthorized changes should not be made. The DHS officials said that although there are rare situations where cases are adjusted or payments are reversed because of erroneous posting, there should always be an audit trail explaining what happened. To this end, DHS officials will discuss this again with staff.

The DHS officials said they were unaware of any unauthorized changes to TCSES. The TCSES security profile protects against inappropriate changes to TCSES cases. In addition, a two-party signature requirement must be met in order for the TCSES maintenance contractor to make changes in TCSES.

OIG Response

We applaud the actions being taken by DHS. However, given the importance of maintaining the integrity of child support data, we suggest that DHS also consider performing a detailed review of the events relating to the changes we observed. Such a review would ensure that the changes were properly authorized.

PAYMENT PROCESSING

In 13 of the 16 cases, child support payments were either received late or not at all. These payment problems were the result of one or more of the following conditions.

- Employers and NCPs sent payments to the wrong office or without sufficient case information. (6 cases)
- Child support was disbursed to the wrong address or credited to the wrong case. (4 cases)
- Tax refunds were intercepted either in error or not at all. (3 cases)
- The SDU had no open case in TCSES or there was a docket number error. (6 cases)

Additionally, one CP experienced a check cashing problem after the State stopped payment on a batch of duplicated checks.

Employers and NCPs Sent Payments to the Wrong Office or Without Sufficient Data to Process

In 6 of the 16 cases, either the NCPs or their employers sent child support payments to the incorrect office and/or did not provide the SDU the information necessary for timely processing. The PRWORA Section 654B(c), **TIMING OF DISBURSEMENTS**, states that

“(1) IN GENERAL.-Except as provided in paragraph (2), the State disbursement unit shall distribute all amounts payable under section 657(a) within 2 business days after receipt from the employer or other source of periodic income, if sufficient information identifying the payee is provided. . . .”

The State requires that payments be sent to the centralized collections office with the following information: NCP’s name, Member Identification (ID) or SSN, Docket ID, Court ID, and Case ID. This information was not always included on payment documents the NCPs and employers sent to the SDU.

As part of its implementation procedures, the SDU was to send certain employers and NCPs an administrative order that required them to send payments to the SDU rather than the clerks of court. However, some NCPs and employers may not have received an administrative order and payments continued to be made to the clerks of court.

State Disbursements to Incorrect Addresses

The SDU sent some CPs’ child support payments to incorrect addresses. For 2 of the 16 cases, this resulted in the CPs not receiving their child support payments timely. In one case, the CP failed to timely notify the SDU that her address had changed. The CP called to change her address the day after her check had been mailed.

In the second case, the CP had at least five payments erroneously sent to Louisiana even though the TCSES showed a Tennessee address for the CP. The State is still researching the cause of this problem. However, we were told some addresses on the TCSES were incorrect based on conversion data received from court clerks.

Tax Offset Payments

As allowed by Federal regulations, the State is holding tax refund interceptions for up to 6 months pending potential claims from the spouse of the NCP.

Title 45 CFR Section 303.72(h)(5) Distribution of collections, states that

“ In cases where the Secretary of the Treasury, through OCSE, notifies the State that an offset is being made to satisfy non-IV-A past-due support from a refund based on a joint return, the State may delay distribution until notified that the unobligated spouse’s proper share of the refund has been paid or for a period not to exceed six months from notification of offset, whichever is earlier.”

The DHS’ policy for temporarily retaining IRS refund interceptions may not be widely known and caused uncertainty about the status of child support payments. For example, there was confusion when one NCP’s IRS refund was intercepted and the NCP was not given credit for the payment. However, DHS subsequently gave the NCP credit for the payment.

Child Support Checks Not Honored

One of the 16 complaints occurred because a few banks and check cashing companies would not cash State-issued child support checks. In this instance, the bank would not cash the check because the State placed a stop payment order on a batch of duplicated checks. To alleviate concerns, the Governor appeared on television to assure the public that the State of Tennessee would stand behind all State-issued checks.

RECOMMENDATIONS

We recommend that the DHS:

- continue outreach efforts to employers and NCPs so that appropriate child support payments are redirected to the SDU;
- ensure payments are sent to CPs’ current addresses; and
- inform all CPs of the DHS policy on IRS refund interceptions.

DHS Comments

In written comments, DHS officials agreed to continue outreach efforts to employers and NCPs so that appropriate child support payments are directed to the SDU. Each month employers are sent turnaround documents and NCPs are sent bills that tell them where they should send child support payments. The DHS has also compiled a list of employers and NCPs who continue to send payments to court clerks. The list is currently being worked to redirect these payments to the SDU. Instructions on sending payments to the SDU continues to be available on DHS' web site and information sheets that could serve as handouts were also provided to court clerks. The State General Assembly recently passed legislation that penalizes NCPs and employers for failure to provide correct and complete identifying information with payments sent to the SDU.

In regard to our recommendation to ensure payments are sent to the CP's current address, DHS officials said they concur to the extent that DHS has correct CP address information. Validation of a CP's current address is a routine part of the Customer Service operation's telephone communication with CPs. The need to update addresses immediately was emphasized in the June 2000 administrator's meeting.

The DHS officials agreed that additional information should be made available regarding IRS refund interceptions. The DHS plans to prepare a special mailing explaining the IRS tax offset process.

OTHER MATTERS

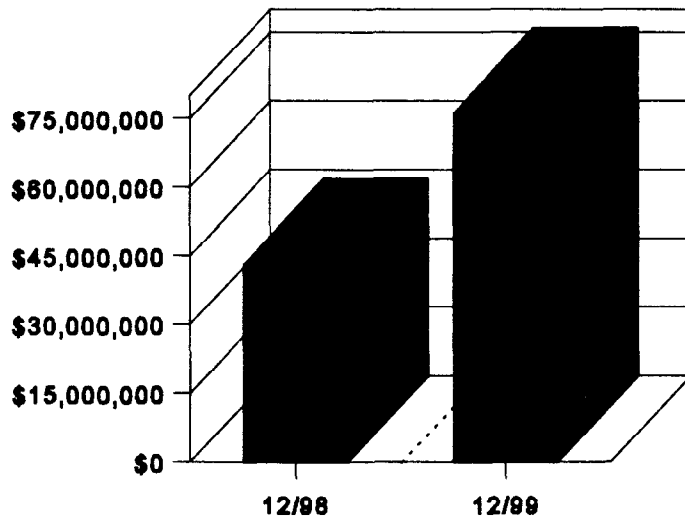
At the time of our audit work at DHS, the Federal OCSE issued a report that cited \$43 million in undistributed child support collections (UDC) as of the quarter ended December 1998. According to the OCSE report, the amount that DHS reported to the Federal Government had not been reconciled to the State's accounting records.

While not in the scope of this review and subsequent to OCSE's audit, we noted that amounts the State reported for 1999 did not always agree with DHS' accounting records. For example, the DHS report to OCSE for the quarter ended December 31, 1999 showed \$76 million in UDCs. However, the accounting record balances for December 2, 1999 (\$19.3 million) and January 25, 2000 (\$17.7 million) were substantially less. We were not able to obtain accounting record balances for December 31, 1999.

The Federal reports submitted to OCSE show an increase of \$33 million in UDCs between 1998 and 1999, while the accounting records show an increase of only \$5.1 million.

The DHS officials said they began working on the reconciliation of the accounting records to Federal reports during the summer of 1999. However, the employees assigned to the reconciliation task were reassigned to assist with implementation of the SDU.

Undistributed Child Support Collections



The DHS temporarily reassigned approximately 89 State employees to help eliminate the backlog of child support payments in the Suspense account early in 2000. This brought the total number of State workers on this project to approximately 171.

Recently we received and reviewed a copy of the State Auditor's report issued in April 1999. The report cited several deficiencies relating to management controls and compliance with procedures in the child support program, for the year ended June 30, 1998. The deficiencies, some of which had been previously reported (*) by the State Auditors, included:

- ▶ Noncompliance with child support enforcement procedures regarding the location of absent parents; *
- ▶ Noncompliance with Federal regulations concerning the distribution of child support payments; *
- ▶ Inadequate transfer and reconciliation process for child support enforcement funds;
- ▶ Insufficient records management procedures; and
- ▶ Inadequate security over computer systems. *

We believe some of these deficiencies cited by the State Auditors may have contributed to the problems noted in our report.

We recommend that the DHS provide sufficient resources to:

- eliminate the backlog of suspended payments;
- reconcile the amounts reported to the Federal Government with the DHS' accounting records; and
- take steps to quickly implement a corrective action plan for the deficiencies cited by OCSE and State Auditors.

DHS Comments

The DHS officials agreed to the need for additional resources to eliminate the backlog of suspended payments. In December 1999, 150 additional DHS staff were assigned to work on the backlog. As a result, suspended payments at mid-June 2000 amounted to only 0.10 percent of the suspended payments processed since October 1, 1999. Even though the remaining suspended payments have little or no identifying information, DHS plans to continue its efforts to identify as many as possible.

The DHS officials agreed that sufficient resources should be provided to reconcile the Federal report to the accounting records and to correct the deficiencies cited by OCSE and State Auditors. Currently, all collections are entered into TCSES when received. The DHS is in the process of establishing procedures to reconcile, on an ongoing basis, the Undistributed Child Support collections balance. Working closely with the OCSE auditors, portions of the account have already been reconciled. Starting in the Fall of 2000, the TCSES maintenance contractor will provide management reports needed to complete the reconciliation. Once the undistributed collections balance is reconciled and TCSES provides accurate reports, the Federal report will be reconciled quarterly with the accounting records. Other steps DHS has taken in response to recommendations by the OCSE and State Auditors include:

- activating all TCSES locate modules, except one, as of August 31, 1999. This one remaining module should be activated in the near future;
- meeting quarterly with and providing training to all Judicial Districts;
- issuing Informational Memorandums to local enforcement staff emphasizing the importance of reviewing and enforcing support obligations; and
- continuing efforts to improve system security and incorporating audit recommendations into the security system.

OIG Response

We applaud the actions being taken by DHS. However, given the importance of protecting the integrity and privacy of child support data, we encourage DHS to expedite actions to implement system security recommendations made by the State Auditors.

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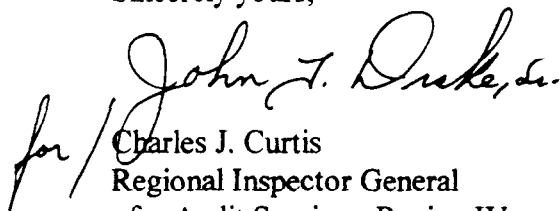
Final determinations as to actions taken on all matters reported will be made by the Department of Health and Human Services (HHS) action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (Public Law 90-23), OIG, Office of Audit Services reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act which the Department chooses to exercise (see 45 CFR Part 5).

To facilitate identification, please refer to Common Identification Number (CIN) A-04-00-00136 in all correspondence relating to this report.

We would like to thank you and members of your staff for the cooperation and assistance extended to us during our on-site review.

Sincerely yours,


for / Charles J. Curtis
Regional Inspector General
for Audit Services, Region IV

Direct Reply to HHS Action Official:

Assistant Regional Administrator
Office of Fiscal Operations
Administration for Children and Families, Region IV
U.S. Department of Health and Human Services
61 Forsyth Street, S.W., Suite 4M60
Atlanta, Georgia 30303-8909

Review of Referred Cases
As of Month Ending February 2000

CASE #	SUPPORT DUE		COMPLAINT			CAUSE OF PROBLEM ³	WHEN FIRST OCCURRED ⁴
	PAYMENT	WHEN ¹	TYPE ²	VALID YES/NO	RESOLVED YES/NO		
1	\$156.92 - current	W	C, N	Y	Y	Docket # - Not established on system until 11/03/99.	A
2	\$49 - current \$11 - arrears	W	C	Y	Y	Docket # - Incompatibility between number format used by County vs. State. WO. NCP paid to Court in November through January.	A
3	\$36 - current \$36 - arrears	W	C	Y	Y	Docket # - The docket number was modified on 11/09/99. This released payments in suspense. WO. All payments went to Court.	A
4	\$67 - current	W	N	Y	Y	TX. Erroneous arrearage caused IRS interception of tax refund.	B
5	\$64 - current \$40 - arrears	W	C	Y	N	WC. Payments were credited to the wrong case.	A; however, 09/29 payment came to Tier and paid timely.
6	Non-IV-D		C	Y	N	WO. Payments sent to Centralized Collection and should not have been.	A
7	\$116.38	W	N/A	N	N/A	Domestic Relations Court Form. Paid timely for all payments from 10/12/99 through 01/10/00. IRS refund interception problem. NCP not given credit.	B

Review of Referred Cases
As of Month Ending February 2000

C A S E #	SUPPORT DUE		COMPLAINT			CAUSE OF PROBLEM ³	WHEN FIRST OCCURRED ⁴
	PAYMENT	WHEN ¹	TYPE ²	VALID YES/NO	RESOLVED YES/NO		
8	\$215 - current	S	C	Y	Y	NC. Should not have been picked up by Andersen because original Obligation was pre-01/01/94.	A
8	\$225 - current	M	C, U	N	Y	WA. Check mailed on 10/14 and she requested address change on 10/15. Post Office returned. All payments paid timely when received.	A
9	\$90 - current \$60 - arrears	W	N	N	Y 01/21/00 payment timely.	TX. No IRS intercepts had occurred and arrears had not gone down. Forty-five attempts were made to collect on this case from 08/26/95 (case opened) through 12/31/99. Collections started on 10/07/99 for the first time in TN.	B
10	\$65 - current	W	C	Y	N	WA. Erroneous interstate case was set up. Payments were sent to LA for October, November & part of December. A \$316 payment was received on 01/03/00 per 01/14/00 TCSES screen and had disappeared per the 01/21/00 TCSES screen. This is a possible system problem.	A
11	\$108.98 - current	W	C, N	Y	Y	NCP paid timely with all required numbers on checks. These payments should have been identified and paid timely. This is a possible system problem.	A

Review of Referred Cases
As of Month Ending February 2000

C A S E #	SUPPORT DUE		COMPLAINT			CAUSE OF PROBLEM ³	WHEN FIRST OCCURRED ⁴
	PAYMENT	WHEN ¹	TYPE ²	VALID YES/NO	RESOLVED YES/NO		
12	Non-IV-D	M	C, N	Y	Y (02/07/00)	NC. Non-IV-D wage assignment case not picked up by Andersen Consulting. Order not entered on State system until 12/07/99. WC. November & December payments credited to wrong NCP's account.	A
13	\$108.23 - current	W	C	Y	Y	NC. Case was closed at State on 02/98 at CP's request. Not reopened until 10/26/99 when Docket/Order Modified. WO. Should have been picked up by Andersen.	A
14	Non-IV-D	M	C	Y	Y	ID. Employer had wrong Docket # on remittance advice. However, Non-IV-D wage assignment case not picked up by Andersen Consulting. Order not entered on State system until 11/22/99. A bank would not cash checks. (Batch printed twice and stop payment issued.)	A
15	\$80 - current	W	C, N	Y	Y	WO. Employer's check was returned by Clerk (P.O.). Payroll was located out of state and took until 12/13/99 to get October payments reissued.	A
16	\$250 - current	B	C, N	Y	Y	Arrears were erroneously removed from this case. Consequently, payments went into a "futures" status with effective dates in the future. Payments will not release before the effective date. This is a possible system problem.	A

LEGEND

**Review of Referred Cases
As of Month Ending February 2000**

1. FREQUENCY DUE (WHEN)

W = Weekly
B = Biweekly
M = Monthly
S = Semi-Monthly

2. TYPE OF COMPLAINT

C = Child Support Payments Overdue
U = Unable to get through to State customer service representatives
N = No help or inadequate help from State customer service representatives

3. CAUSE OF PROBLEMS FOUND

NC = Payments received but no open case at State level
WC = Payments credited to the wrong case
WA = Payments sent to the wrong address
ID = Payments received with insufficient/wrong data to process
WO = Payments directed to the wrong office
TX = Tax intercepted in error/no tax interception
DOCKET# = Docket number error

4. WHEN PROBLEM FIRST OCCURRED

A = After October 1, 1999
B = Before October 1, 1999

RECEIVED

JUN 22 2000

Office of Audit Svcs.



STATE OF TENNESSEE
DEPARTMENT OF HUMAN SERVICES
400 DEADERICK STREET
CITIZENS PLAZA BUILDING
NASHVILLE, TN 37248

DON SUNDQUIST
GOVERNOR

NATASHA K. METCALF
COMMISSIONER

June 22, 2000

Mr. Charles J. Curtis
Regional Inspector General
For Audit Services, Region IV
Room 3T41, 61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8909

Dear Mr. Curtis:

Attached is the Department's response to the U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Services' draft report entitled *Review of Selected Aspects of the Tennessee Child Support Disbursement Unit*. The exit conference was held in Nashville on Tuesday, June 20, with members of your staff.

We understand the formal report will contain our response when it is issued and that a copy will be transmitted to us prior to being made available to the public. Should you have questions concerning our response, please contact us.

Thank you for the professional manner your staff exhibited in performing this review while the Department was making this major transition.

Sincerely,

Handwritten signature of Natasha K. Metcalf in black ink.
Natasha K. Metcalf
Commissioner

NKM/rbt

cc: Mr. Arthur Hayes, Jr., Director
Division of State Audit, Comptroller of the Treasury

RESPONSE TO FINDINGS IN THE REVIEW OF SELECTED ASPECTS OF THE TENNESSEE CHILD SUPPORT DISBURSEMENT UNIT

Introduction

The following is our response to the DHHS review of Centralized Collections in Tennessee. We appreciate the professionalism demonstrated by those who worked with us on this review.

We have concurred with the recommendations in this report with explanations, and we will continue to work in the areas that need attention. However, we had already commenced working on the problems outlined in the report prior to the review being performed. DHS had received inquiries on most of the cases reviewed by the review team and concerns were being addressed.

Interest Earned on Child Support Collections

No recommendation made as DHS properly recorded and reported interest earned on child support collections.

Customer Service

Recommendation # 1: We recommend that the DHS ensure sufficient resources are available to staff the customer service phones.

We concur that sufficient resources should be available to address customer service needs. To meet these needs during the initial months of the project, DHS staff were made available to take calls. In addition, our customer service contractor did add sixteen staff and has operated within the requirements of the contract related to average answer time per week since mid February. We penalized the customer service contractor prior to February for failure to comply with the contract provision that requires an average answer time per week of less than two minutes.

Extensive training is also provided for customer service staff. Customer Service staff do receive two weeks of initial training. Following this, they are assigned to a team where they work side by side with trained staff. They are allowed to handle only twenty calls per day until they become proficient over a six-week period of time. During this time they review screens on TCSES and notes on cases.

There is also on going training and refresher training performed at least twice monthly after the six-week period. Customer service teams are required to have team meetings at least three times per week to have refresher training on specific areas.

Recommendation # 2: We recommend that the DHS ensure that the automated call distribution phone distribution phone system can properly handle the call volume.

We concur that the automated distribution telephone systems should properly handle the call volume. We continuously worked with the contractor's communication company, the state's telecommunication staff, plus Bell South, to perfect the connectivity and consistency of the telephone systems involved. The process is currently working well since the series of adjustments have been made. This entire process is monitored on a daily basis and corrections and or improvements are made when we become aware of the need for them.

TCSSES Data

Recommendation # 1: We recommend that the DHS implement procedures to ensure that cases, dockets, orders, and obligations are accurately entered into the TCSSES to ensure timely payment of child support.

We concur that data must be entered timely and accurately. While this has been addressed in training and staff meetings several times with staff who were assigned to work on centralized collection cases, renewed emphasis on this subject will be provided to all child support enforcement staff through a policy memorandum identifying the requirement to enter data promptly and accurately. In addition, this was addressed in a June 2000 statewide meeting with the Child Support administrators. Training has previously been provided to the local offices on correct TCSSES order entry procedures. An assessment of training needs on this subject will be completed and training will be provided as appropriate. The Child Support Coordinators will make this an agenda item for discussion and follow up at their next scheduled visit in each local office.

Recommendation # 2: We recommend that the DHS implement procedures to ensure that interim payments are reflected timely in the TCSSES.

We concur that interim payments must be reflected timely in TCSSES. Our policy and instruction to staff has required staff to document TCSSES when an interim payment is issued. We have placed increased emphasis on staff to make improvement in this area. We are currently issuing very few interim payments. We issued a total of thirty six interims for the month of May.

Recommendation # 3: We recommend that the DHS expand the customer service representatives' entries to provide an audit trail that would allow system users to understand exactly what actions were taken to resolve problems with child support payments.

We concur that an audit trail is necessary. A memorandum of clarification will be developed to instruct customer service and child support enforcement fiscal staff to thoroughly document the correspondence screen in TCSES so that anyone viewing the case can understand what action was taken and why the action was taken when resolving issues regarding child support payments. This will be discussed in detail with the manager of the Customer Service unit and the manager will be asked to ensure that the discussion and instructional written memorandum are shared with all customer service staff. The Director of Child Support Field Operations discussed the documentation requirements with the child support enforcement administrators at the statewide June 2000 administrators' meeting.

Recommendation # 4: We recommend that the DHS ensure the State and contractor staff are trained in preparing clear and distinct narratives for TCSES input.

We concur that clear and distinct narratives are necessary in TCSES. As stated in the response to recommendation # 3, an instructional memorandum will be provided to staff regarding how to document the correspondence screen in TCSES. In addition, written instructions will be given on preparing and entering thorough and complete note pad entries in TCSES. The Director of Child Support Field Operations discussed notepad documentation requirements with the child support enforcement administrators at the statewide June 2000 administrators meeting.

Recommendation # 5: We recommend that the DHS determine how and why payments entered in the TCSES apparently disappeared.

We concur that payments recorded in TCSES should be explained in case of a correction. There are rare situations in TCSES where adjustments run on cases or payments are reversed from a case due to an erroneous posting. This would cause a payment not to appear as it was originally entered. There should always be an audit trail explaining what has happened with the payment. We will discuss this issue again with staff.

Recommendation # 6: We recommend that the DHS ensure appropriate controls are in place to preclude unauthorized changes and to document all actions.

We concur that unauthorized changes should not be made on TCSES. We are not aware of circumstances where unauthorized changes were made. The TCSES security

profile provides for the designation of appropriate staff to make changes, and protects against inappropriate changes being made on cases in TCSES. In addition, a two-party signature of the Child Support Fiscal Director and the TCSES System Project Manager is required to allow Anderson Consulting, the TCSES maintenance contractor, to make changes in TCSES. Anderson Consulting only makes changes when the system logic precludes the local office or central office staff from making the appropriate changes.

Payment Processing

Recommendation # 1: We recommend that the DHS continue outreach efforts to employers and NCPs so that appropriate child support payments are redirected to the SDU.

We concur and we will continue our outreach efforts to employers and NCP's to ensure that payments are directed to the SDU. NCP bills and employer turnaround documents are sent monthly which tell NCP's and employers where they should send their child support payments. DHS presently sends a notice, or letter, to redirect payments to the SDU on any situation we become aware of where child support payments are sent to an incorrect location. DHS has also compiled a list of NCP's and employers who continue to send payments to court clerks. This list is currently being worked to redirect these payments to the SDU. We will ensure that information continues to be available on the DHS Website providing instructions on sending payments to the centralized collection unit. We provided information sheets to court clerks that could be posted or used as handouts to clients coming in to make payments. The information sheets provide instructions about sending payments to the SDU. The Tennessee General Assembly passed legislation during the 2000 legislative session that penalizes NCPs and employers for failure to provide correct and complete identifying information with payments made to the SDU.

Recommendation # 2: We recommend that the DHS ensure payments are sent to CPs current addresses.

We concur to the extent that DHS has correct CP address information. The DHS Website explains that the CP's address can be updated by calling Customer Service. When a CP contacts Customer Service, staff makes the validation of current address a routine part of their telephone communication. If Child Support Fiscal Services receives a different address as a result of a returned warrant, they do a "TCSES refer to field alert" and advise the local child support office of the new address. The Child Support Enforcement office follows up on the address and updates TCSES as appropriate. The Director of Child Support Field Operations emphasized, during the statewide June 2000 administrator's meeting, the requirement of updating addresses immediately upon notification of a new address.

Recommendation # 3: We recommend that the DHS inform all CP's of the DHS policy on IRS refund interceptions.

We concur that additional information should be made available regarding IRS refund interceptions. A special mailing will be prepared explaining the IRS tax offset process and refund procedures, plus timeframes. The state will prepare the mailing late in the year so that it will be received nearer the time of the next cycle of tax offsets.

Other Matters

Recommendation # 1: We recommend that the DHS provide sufficient resources to eliminate the backlog of suspended payments.

We concur that additional resources needed to be added to eliminate the backlog of suspended payments. In December, we added about 150 additional staff from other areas of the department to work on the backlog. As a result, we had 2,034 suspended payments on June 17, 2000, amounting to 0.10 percent of the 1,975,424 payments totaling \$245,030,353 processed since October 1, 1999. The number suspended has decreased to a point where identification is difficult on the remaining suspended payments. This is because the remaining suspense items involve payments which came in with no identification information and many had no return address. There is very little to work with to attempt to identify the payment. We will continue our efforts to identify as many of the remaining suspended payments as possible.

Recommendation # 2: We recommend that the DHS provide sufficient resources to reconcile the amounts reported to the Federal Government with the DHS' accounting records:

and

Recommendation # 3: We recommend that the DHS provide sufficient resources to take steps to quickly implement a corrective action plan for the deficiencies cited by OCSE and State Auditors.

Response: Recommendations #2 and #3

We concur that sufficient resources should be provided to reconcile the reports and to correct the deficiencies cited by OCSE and state auditors. All collections are being entered into TCSES when received. Since October 1, 1999, the majority of collections are being processed through a central collection unit. Tier Technologies has contracted

with the State to provide central collection services. The contract with Tier includes requirements for strict adherence to timeframe guidelines. The department monitors these time frames for compliance.

The department currently receives a daily check register. We are still in the process of establishing procedures to reconcile the undistributed Child Support Balance on an on-going basis. The OCSE auditors have worked closely with us in this effort. Portions of the account have already been reconciled. Once the entire balance is fully reconciled, future undistributed collections will be reconciled on a monthly basis. In order to complete the reconciliation, certain management reports must be obtained from TCSES. This is a task scheduled to start in the fall of 2000 by Andersen Consulting, our TCSES maintenance contractor.

In terms of implementing other corrective action cited by OCSE and State Auditors, we are reviewing the undistributed collections being reported on the OCSE-34A. Once the undistributed collection balance is reconciled and TCSES provides accurate reports, a reconciliation of the OCSE-34A reconciliation to accounting records will be completed on a quarterly basis.

As of August 31, 1999, all TCSES locate modules were activated, with the exception of the Tennessee Wildlife Resource Agency. This module should be activated in the near future. In addition to activating the TCSES locate modules, efforts to enforce the necessary support obligations and properly classify cases in TCSES include quarterly meetings with and training of all Judicial Districts. Also Informational Memorandums are issued to local enforcement staff emphasizing the importance of review and adjustment of support awards, enforcing support obligations, proper classification of cases in TCSES, and the importance of medical enforcement.

In addition, the department has a sophisticated security system that allows users into specified systems, then tracks transactions back to the individual user. An in-house system security team coordinates the department's system security. The department's management recognizes that there are areas for improvement in relation to system security. The department will continue efforts to improve system security and will incorporate audit recommendations into our security system.

	CUSTODIAL PARENT/CASE #	CAUSE OF PROBLEM	RESPONSE
	* In accordance with OIG-OAS		
1	Policy, the names of individuals have been deleted from the DHS' comments.	Docket # - Not established on system until 11/3/99.	Docket was loaded and case works properly.
2		Docket # - Incompatibility between number format used by County vs. State. WO. NCP paid to Court in November through January.	Problem with docket number was fixed. Money was being sent to court now coming to SDU.
3		Docket # was modified on 11/9/99, this released payments in suspense. WO. All payments went to Court.	Routing of payments problem solved. Case is correct and now working properly.
4		TX. Erroneous arrearage caused IRS intercept of tax refund.	IRS refunded. Arrears on case was fixed. Case was closed.
5		Appears that no payments were made by NCP during October. Payments received were disbursed timely.	Case working properly. NCP wasn't paying.
6		WO. Payments sent to Centralized Collection and should not have been.	Found money and refunded to court.
7		Domestic Relations Court Form. Paid timely for all payments from 10/12/99 through 1/10/00.	Case was working properly from 10/1/99 forward.
8		NC. Should not have been picked up by Andersen because original obligation was pre 1/1/94. WA. Check mailed on 10/14 on case #5222 and she requested address change on 10/15 P. O. returned. All payments paid timely when received.	Case #5107 was closed. Court sent money to CP on case #5107. On case #5222 payments come from NCP. Corrected address. Case working properly.

9		TX. No IRS intercepts had occurred and arrears had not gone down. Forty-five attempts were made to collect on this case from 8/26/95 (case opened) through 12/31/99. Collections started on 10/7/99 for the first time in TN.	Enforcement resulted in payments starting in October 1999. Case is correct and payments are processing timely.
10		WA. Erroneous interstate case was set up. Payments were sent to LA for October, November and part of December. A \$316 payment was received on 1/3/00 per 1/14/00 NPSS screen. This is a possible system problem.	Case was converted by Andersen as an interstate case incorrectly. Case has been fixed. All money due was sent to the caretaker. Case now working properly. We are not aware of any system problems related to this case.
11		NCP paid timely with all required numbers on checks. These payments should have been identified and paid timely. This is a possible system problem.	The payments were not identified properly when they came in and they went to suspense. Payments were researched and sent to caretaker. Case is working appropriately. We are not aware of any system problems related to this case.
12		NC. Non-IV-D wage assignment case not picked up by Andersen Consulting. Order not entered on State system until 12/7/99. WC. November and December payments credited to wrong NCP's account	Case was established on TCSES. Payments were moved to the correct case. Case is working properly.
13		NC. Case was closed at State on 2/98 at CP's request. Not reopened until 10/26/99 when Docket/Order Modified. WO. Should have been picked up by Andersen.	Case established on TCSES and working properly. Should have been converted. Case was established and money due caretaker has been sent.

14		<p>ID. Employer had wrong docket # on remittance advice. However, Non IV-D wage assignment case not picked up by Andersen Consulting. Order not entered on State system until 11/22/99. Bank would not cash checks. (Batch printed twice and stop payment issued). Ballooned until governor went on TV.</p>	<p>Order loaded and all money was sent to the caretaker. Case working properly.</p>
15		<p>WO. Employer's check was returned by clerk (P.O.). Payroll was located out of state and took until 12/13/99 to get October payments re-issued. Also modification to Docket on 10/19/99.</p>	<p>Payments were returned to employer by court. Employer held them. Case was correct and payments would have processed had they come to SDU. Payments now coming to SDU and processing appropriately.</p>
16		<p>Arrears were erroneously removed from this case. Consequently, payments went into a "futures" status with effective dates in the future. Payments will not release before the effective date. This is a possible system problem.</p>	<p>Arrears were corrected and case type was also corrected. Money then issued to the caretaker. Case working correctly now. We are not aware of any system problems related to this case.</p>