

**Department of Health and Human Services**

**OFFICE OF  
INSPECTOR GENERAL**

**Child Support Enforcement  
State Disbursement Units**

**State Implementation Progress**



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# EXECUTIVE SUMMARY

## PURPOSE

To describe States' progress in implementing State Disbursement Units (SDUs), and share their experiences and perceptions as an informed basis for learning from one another and identifying opportunities for improvements.

## 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 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 requirements specify deadlines for SDU implementation and standards for operations, and outline areas of State discretion, such as the option to have private contractors operate SDUs. To meet these requirements, several States had to make relatively minor changes to their previous centralized systems. In other States which had traditionally processed payments through local child support offices or clerks of court, centralization of payment processing was a major endeavor.

**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 survey responses of SDU program managers from all States. These respondents provided details about the current status of SDU implementation, problems they encountered in developing and operating SDUs, strategies they employed to ensure quality SDU performance, and their assessment of current operations. 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 unit in order to facilitate their learning from one another.

## FINDINGS

### **Thirty-eight States Report They Have Fully Implemented the Federal Law to Centralize Payment Processing of Most Child Support Payments**

Thirty-eight States and territories report fully implementing their SDU by April, 2000. Three States have Federal waivers to link their local disbursements units. All but one of the 12 remaining States report plans to complete their SDU implementation by 2001.

OCSE granted two of these States extensions to their SDU implementation deadline and gave the remaining 10 States an opportunity to request an alternative penalty by submitting a “corrective compliance plan” and demonstrating a good faith effort to implement their SDU.

Twenty-five States implemented, or plan to implement, their SDU incrementally, a strategy that allows program managers to resolve startup problems and make technical changes without affecting a large number of cases. While almost half of State child support agencies directly operate their SDUs, many contract with private companies and clerks of court to perform some or all SDU functions. While the Federal law requires only that SDUs process payments for public assistance cases and cases with income withholding ordered on or after January 1, 1994, 32 States will process payments from all types of child support cases through their SDU. In order to monitor the effectiveness of their SDU, most States track the timeliness of disbursements and the extent of undistributed payments.

### **States Experienced a Number of Problems in Implementation, But Managers Report The Severity of Most Problems Has Diminished Over Time**

Most SDUs encountered problems when they first centralized payment processing. While some problems remain as continuing operational concerns, the severity of many of these problems have diminished subsequent to startup periods. SDU managers report they initially had problems getting payments mailed to the SDU and that many payers either continued to send payments to local sites instead of new SDU post office boxes, or failed to include information necessary for identifying the cases to which payments should be applied. In some States, when payments contained insufficient information or were mailed to the wrong location, disbursements were significantly delayed.

Managers also report problems negotiating with contractors, and coordinating with local child support staff and clerks of court who had previously processed payments locally. For example, many SDUs had to convert local case information to central databases prior to SDU implementation, requiring a good deal of collaboration with local staff and clerks of court. Managers in some States report these efforts were often problematic, resulting in payments being received by the SDU for which it had no associated case information. Managers also indicate difficulty in staffing their SDUs due to variable workloads.

### **A Majority of Managers Believe Their State Disbursement Units Have Improved Payment Processing, Particularly After an Initial Startup Period**

Based on monitoring and experience, a majority of SDU managers believe their SDU achieves better results than previous local processes. Managers cite general improvements in payment processing speed, service to custodial and noncustodial parents, and in easing the burden on employers. However, several States report improvements were not realized until after an initial startup period. Despite the positive perceptions of the majority of managers, others report their SDU has made little difference or even had negative effects on some program functions.

## **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' progress in implementing State Disbursement Units (SDUs), and share their experiences and perceptions as an informed basis for learning from one another and identifying opportunities for improvement.

## 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).<sup>1</sup> 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 Caseload<sup>2</sup> (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.<sup>3</sup>

Federal Financial Participation (FFP) is available for administrative expenses of the SDU at a rate of 66 percent.<sup>4</sup> 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 survey responses of SDU program managers from all States, as well as the District of Columbia, Puerto Rico and the Virgin Islands.<sup>5</sup> Additionally, we use information 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. In each focus State, analysts interviewed SDU program managers, SDU information system managers, contractor managers, and managers of staff that process payments. We also toured the primary SDU payment processing facility. Where appropriate, we also interviewed at least one representative of local entities that were responsible for payment processing prior to centralization.<sup>6</sup> All data collection occurred in February, March, and April 2000.

**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 State responses. Rather, this report examines the self-reported experiences and perceptions of key personnel who are 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.



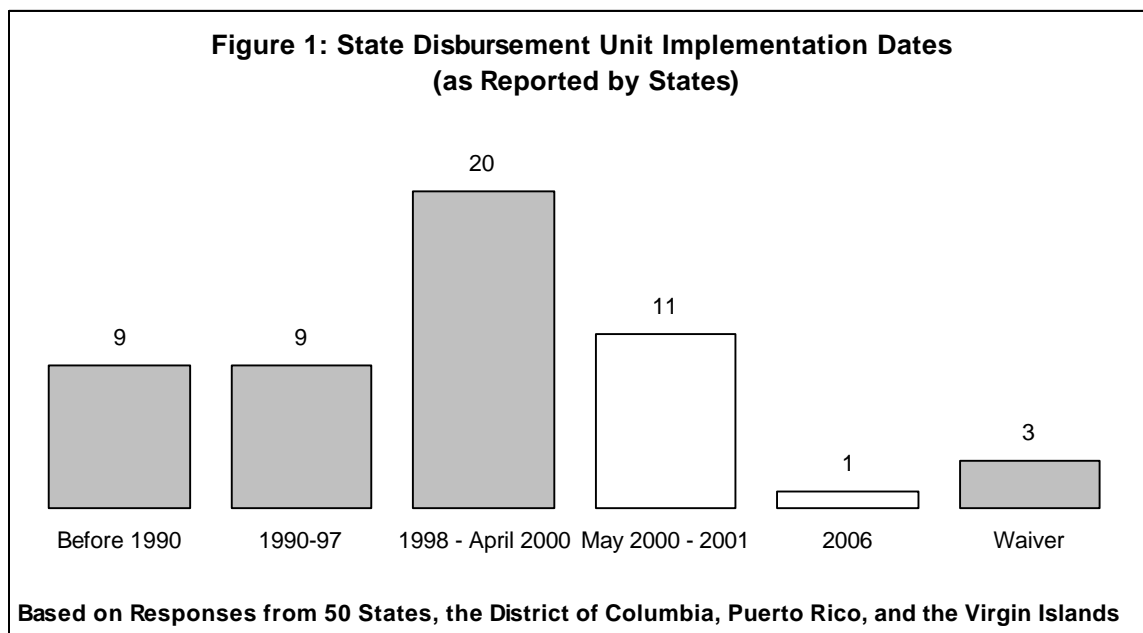
# FINDINGS

## OPERATIONS OF STATE DISBURSEMENT UNITS

To meet Federal requirements, States had to develop and implement SDUs for processing child support payments, as well as mechanisms to provide information to parents and methods for monitoring SDU activities.

### Thirty-eight States Report They Have Fully Implemented the Centralized Processing of Child Support Payments as Required by Federal Law

As of April 2000, thirty-eight States and territories have SDUs that process payments for the Federally-required caseload. Eighteen of these States were already processing payments centrally prior to 1998, the first year in which SDU implementation was Federally-required (Figure 1). Another 20 States began centralized payment processing since 1998. Three additional States were granted a waiver which releases them from the Federal SDU requirements by linking local disbursements units.<sup>7</sup> Four States have partially implemented their SDUs, already processing a substantial portion of the required payments, and the remaining eight States have not yet begun centralization. Most States without fully implemented SDUs, except those with waivers, expect to complete their SDU implementation by 2001, but one State estimates it will not complete implementation until 2006. OCSE granted two of these States extensions to their SDU implementation deadline and gave the remaining 10 States an opportunity to request an alternative penalty by submitting a "corrective compliance plan" and demonstrating a good faith effort to implement their SDU.<sup>8</sup>



## Half of Managers Report Current or Planned Use of Incremental Implementation Methods, Initially Processing Payments for Only a Segment of Their Caseload

To ease startup difficulties, 25 States implemented, or plan to implement, their SDUs incrementally. These States have developed unique strategies, including phase-ins based on county, payer type, or case type. Managers report that incremental implementation allows SDUs to recognize and solve problems early, while affecting only a portion of their caseload. Incremental implementation may also help managers gauge payment volume for staffing purposes, and provides early performance information. It also allows technical staff to make modifications in State databases, computer software, and processing equipment as technical glitches or needed structural changes are identified. SDU phase-in periods have ranged from a single disbursement cycle (one month) to many months. Some States also operated pilot projects prior to beginning more widespread implementation. Pilot projects often involved only one large county or a handful of smaller counties, allowing managers to test procedures with a closely controlled set of payments prior to finalizing plans for full implementation.

Other States considered and then discarded the idea of incremental implementation for various reasons. After securing the necessary legislative authority for their SDU and beginning development, managers in some States did not perceive they had enough time for an incremental implementation prior to their Federal deadline. Others report they preferred to initially implement statewide, hoping to deal with startup problems over a shorter, though more intense, period. Some managers also note that payers not included in initial phases of incremental implementation may hear of the SDU and begin sending payments to the centralized unit too early.

## State Disbursement Units are Operated by Child Support Agencies or By Private Contractors Who Perform Some Part of Payment Processing

SDUs perform two primary functions: receipting, which includes receiving, posting, and depositing child support payments; and disbursement, which includes printing and mailing payments. Managers in 22 States report the child support agency performs, or will perform, the receipting function, and will perform the disbursement function in 35 States (Table 1). A few of these States report having cooperative agreements with other State agencies, such as the State Treasury, to print and mail checks, typically because the other State agency already has check printing equipment and expertise.

<b>Function</b>	<b>Child Support Agency</b>	<b>Private Companies</b>	<b>Clerks of Court</b>
Receipting	22 (42%)	27 (52%)	3 (6%)
Disbursing	35 (67%)	14 (27%)	3 (6%)

Percentages based on the 52 respondents answering this question.

Most of the remaining managers report their SDUs currently contract, or plan to contract, with private companies to perform receipting (27 States) and disbursing (14 States). Three private companies contract with more than one State: Lockheed Martin IMS (13 States); Tier Technologies (7); and System & Methods, Inc. (2). These

companies may be awarded additional contracts by States still preparing for implementation. Private contractors in some States use sub-contractors to perform various functions, such as check printing. In three States, local clerks of court who performed receipting and disbursing functions prior to SDU implementation were awarded contracts to continue performing these functions centrally.

### **Thirty-two States Report Their Disbursement Units Will Process All Types of Child Support Cases, Rather Than Only Those Required by Federal Law**

SDUs are Federally-required to process payments for a specified caseload, but have discretion over whether to centralize processing of payments for *all* child support cases. Thirty-two States currently process, or plan to process, payments for all case types through their SDU. Additionally, a few States report they process payments through their SDU for more cases than just those which are required, but still process some cases locally. For example, States may centrally process *any* case with an income withholding order, even though the SDU is only required to process cases with income withholding ordered after January 1, 1994. Cases that are not processed through the SDU are typically handled locally, as they were before SDU implementation. Federal funding is not available for processing cases not mandated to be handled by the SDU. Some States recoup at least a portion of their costs by charging fees to custodial parents in non-public assistance cases, regardless of whether the cases are processed centrally or locally.

Managers in States processing all child support cases through their SDUs report a number of advantages, such as the ability to provide employers with a single address to send all child support payments. They also report that processing all cases through the SDU avoids any need to switch cases between central and local processing, thereby avoiding confusion for parents and employers. Managers also maintain that centralizing all cases may be a more efficient use of State resources. When some cases continue to be processed locally, these local processors must devote resources to payment processing, including post office boxes, bank accounts, databases, processing equipment, and staff time, even though they may be handling only a fraction of the volume they were before SDU implementation. Some managers argue that since continued local processing limits the number of payments processed centrally, it fails to take full advantage of efficiencies and cost savings achievable through highly-automated SDUs.

### **Some States Do Not Plan to Centralize All Cases, Primarily Because They Lack Funding for the Conversion or Are Satisfied With Their Local Systems**

While Federal Financial Participation (FFP) is available to reimburse States for SDU expenses incurred through processing the Federally-required cases, States which process additional cases through their SDU must bear the expense of conversion and processing. Although some States have discovered greater efficiencies in processing all payments through SDUs, others incur only minimal expense when payments are processed through local entities such as clerks of court. Advocates for continued local processing of some cases also report being reluctant to change a method that is already successful, considering their local jurisdictions to be more responsive to clients and fearing a heavy reliance on automated systems. Finally, managers point out that SDUs may never truly process payments for *all* child support cases in their State

because many noncustodial parents are court-ordered to pay the custodial parent directly, with no government processing or tracking of payments.

**States Use a Number of Methods to Provide Parents With Access to Payment Information, Primarily Relying on Telephone Contact**

In attempting to promote service to parents under a centralized system, States offer a number of options for accessing payment information. Almost all States (49) provide, or plan to provide, parents with telephone access to customer service staff (Table 2). This staff is often housed in a centralized customer service call center, staffed either by the State or a contractor. Call center staff typically answer payment questions from employers and local child support offices, as well as from parents. Call center staff in some States have access only to case payment information, but not other case information such as paternity or enforcement matters, and may be instructed to only respond to payment-related inquiries. In other States, call center staff have full access to caseload databases and are trained to answer multiple questions regarding case management, enforcement, and State policy, in addition to payment inquiries.

<b>Table 2: SDU SERVICES FOR RESPONDING TO PARENTAL INQUIRIES</b>		
<b>Service to Parents</b>	<b>Current and Planned Services</b>	<b>Response Time Frame</b>
Speak by Telephone With Customer Service Staff	49 (92%)	Immediate
Query Automated Telephone Response System	49 (92%)	Immediate
Speak by Telephone with Local Caseworker	47 (87%)	1 to 2 Days
Make Appointment with Local Caseworker	41 (77%)	1 to 2 Days
Leave Internet Electronic Mail Message	24 (45%)	1 to 2 Days
Query Through Database Internet Website	13 (25%)	Immediate
Response Time Frame based on the most common responses of States.		

Most States also report current or planned use of some form of automated telephone response system, often linked to the State’s customer service call center. Through these automated systems, parents may first access information stored in SDU databases, such as the last date a payment was received on a case, and are able to transfer to a customer service representative to inquire about more detailed matters. In many States, local caseworkers are also available to answer payment inquiries by phone (47) and in person (41). However, managers report that this type of local service will not be as immediate as call center service. Several States also report current or planned use of the Internet to enhance customer service and parental access to payment information.

**Managers Report Use of Performance Indicators to Monitor State Disbursement Units, Primarily Focusing on the Timeliness of Processing**

Forty-seven States report current or planned use of performance indicators to help monitor and evaluate SDU payment processing. These performance indicators mostly provide information about the timeliness of child support disbursements, and the ability

of the SDU to limit undistributed payments. For example, 39 States report current, or planned, tracking of the elapsed time between receipt of each payment and disbursement to custodial parents, and 35 of these will further compute and track the *percentage* of payments processed within two business days (Table 3). These measures may be used to gauge the overall effectiveness of their SDU, as well as to help detect procedural weaknesses and forecast staffing needs.

Thirty-five States track how long it takes to research previously unidentified payments. When SDU automated systems are unable to initially match a payment to a case, staff must research any information provided with the payment, such as a return address on an envelope. Staff typically search a number of available databases, and may call employers to obtain additional identifying information. Many research items are matched during the same processing cycle, allowing payments to be identified and disbursed within two business days. Many States also track the amount (34) and number (32) of their SDU's undistributed payments. The *number* of undistributed payments on a given day may assist supervisors in adjusting the workload of research staff, while the *dollar amount* of undistributed payments may serve as a better indicator of the overall impact on families.

<b>Table 3: USE OF SDU PERFORMANCE INDICATORS</b>	
<b>Performance Indicator</b>	<b>States</b>
Elapsed Time to Disbursements	39 (83%)
Percent of Payments Disbursed Within 2 Business Days	35 (75%)
Elapsed Time for Payment Research	35 (75%)
Dollar Amount of Undistributed Funds	34 (72%)
Number of Undistributed Payments	32 (68%)
Percentages based on the 47 respondents answering this question.	

## **CHALLENGES TO EFFECTIVE OPERATION**

Many people familiar with child support enforcement expected that as SDUs were developed and implemented, States would encounter problems coordinating with payers (employers and noncustodial parents) and other entities involved in payment processing. Stakeholders also anticipated problems in transferring a large number of cases from local payment processing to a centralized, automated system. SDU program managers report that their SDUs have encountered a variety of problems, especially during the early phases of implementation. Managers indicate difficulties continue to exist in some areas, but the severity of most problems has diminished over time.

### **Coordinating with Employers and Parents**

Many SDU managers report experiencing problems in communicating with and receiving responses from noncustodial parents and employers during their initial startup phase (Table 4).<sup>9</sup> For example, many payers reportedly did not redirect their payments to the newly centralized system upon initial notification, causing disbursement delays.

States which had this problem at startup continue to struggle with payer coordination, but the severity of the problem is perceived to have decreased after startup. SDUs must continue to collaborate with payers, especially regarding changes in employment and income withholding orders.

<b>Table 4: SDU PROBLEMS IN COORDINATING WITH KEY PLAYERS</b>			
<b>Problems with Payers</b>	<b>States with Startup Problems</b>	<b>States with Continuing Problems</b>	<b>Severity of Problem*</b>
Getting checks mailed to SDU by parents	24 (67%)	21 (60%)	Decreased 34%
Coordinating with employers	22 (61%)	20 (57%)	Decreased 26%
Notifying employers and parents of changes	20 (56%)	17 (49%)	Decreased 38%
<b>Problems with Other Entities</b>			
Securing necessary funding	17 (49%)	19 (54%)	Increased 35%
Coordinating with clerks of court	14 (39%)	12 (34%)	Decreased 23%
Gaining necessary state legislative authority	14 (40%)	6 (17%)	Decreased 50%
Negotiating terms with contractors	13 (37%)	12 (34%)	Decreased 10%
Coordinating with local child support offices	13 (37%)	7 (20%)	Decreased 63%
<small>Percentages based on the number of respondents to each question.            * Using State responses regarding the severity of each problem. Percentages reflect a weighted scale based upon State description of problems as <i>major</i>, <i>moderate</i>, or <i>minor</i>, during and after startup. See Appendix A.</small>			

### Coordinating With Other Entities

SDU implementation required State child support agencies to collaborate with their State legislatures in gaining necessary funding and authority for SDU operations. Implementation often also brought new participants, such as contractors, into child support payment processing, and substantially changed the responsibilities of others. Some SDU managers report experiencing problems in coordinating with these entities. Coordination problems are generally reported to have decreased after initial implementation, although negotiations with contractors and collaboration with clerks of court continue to cause concerns for several States. Interestingly, securing adequate funding is the only problem that managers report has increased in severity after startup. Managers suggest that initial SDU funding requests may have underestimated SDU staffing and funding needs, with managers only realizing all associated costs after operating their SDU for a period of time. Some managers report involving all key players in the initial planning stages for an SDU, and many formed work groups made up of representatives from local child support offices, clerks of court, and employers. These work groups discussed potential problems, and were often given the opportunity to influence the design of SDU operations based on their needs and concerns.

## Poorly Labeled Payments

Thirty States report continuing problems with identifying payments that are poorly or incorrectly labeled by payers (Table 5). To allow automated procedures to match a payment to a case, payments processed through SDUs must include identifying information about the case, such as a case number, so the payment can be correctly applied. Managers report that when centralized processing first started, many payments omitted needed information or contained inaccurate information, possibly because payers had not previously been required to submit this information with each payment. When previously processed through local offices, staff often could correct payer errors or omissions. However, automated SDU systems are not designed for such individualized processing. To reduce the number of payments with incomplete or inaccurate case information, some States provide employers and noncustodial parents with remittance notices or billing statements that may be returned with each payment, similar to those used by credit card companies to ensure payments are posted to the proper account. However, because child support is sometimes paid weekly or by pay period, instead of once a month, the use of remittance notices is more complicated. Many States also make additional efforts to educate payers about what information must be included with each payment to ensure proper posting. While managers report some improvements in payment labeling, the severity of this problem appears not to have declined substantially after startup.

## Lack of Automated Case Information

A related problem involves receiving payments for which no case information exists in the SDU's database. At startup, managers in some States report this occurred because the database used by SDUs was not yet fully populated with information from local clerks of court or child support offices. States report making significant conversion efforts to get all local information into the SDU database prior to centralization. Most States that converted or transferred case information from local entities to the SDU either set up an automated data merge, or created manual procedures in which staff worked at local offices to record case information, and entered that data into the SDU database. Managers report that both methods had inherent problems that allowed some cases to be missed or improperly converted. Conversion was reportedly more difficult in some States that maintain separate processing systems for non-public assistance cases, because staff had to make decisions about which cases should be converted and which should remain for local processing. Beyond conversion, case information may be absent from SDU databases because of delays in entering new case information. Many SDUs rely on local staff and clerks of court to add new cases to the system, yet managers report payments are sometimes received before data entry occurs. Disbursement of these payments may be delayed until case information is added to the database. A number of States report that getting new case information into the SDU database continues to be a challenge.

## Payments Mailed to the Wrong Location

At startup, States used a variety of methods to notify payers where and when to begin sending payments to the SDU rather than to a local jurisdiction. However, managers report that many payers initially failed to make this change, and States had not prepared sufficiently to handle misdirected payments. Some States implemented

procedures to continue to process misdirected payments locally, while others forwarded them to the SDU. However, each of these methods had the potential to delay disbursements to families. Managers also report that instead of processing misdirected payments or forwarding them to the SDU, a few local entities returned payments to payers, causing more extensive delays in disbursement. While managers from 21 States report that processing payments mailed to the wrong location continues to pose problems for their SDU, the severity of this problem appears to decline considerably after startup.

<b>Table 5: SDU OPERATIONAL PROBLEMS</b>			
<b>Problem</b>	<b>States with Startup Problems</b>	<b>States with Continuing Problems</b>	<b>Severity of Problem*</b>
Identifying poorly labeled payments	28 (78%)	30 (86%)	Decreased 9%
Identifying payments with no case in system	27 (75%)	30 (86%)	Decreased 20%
Re-directing payments mailed to wrong place	26 (72%)	21 (60%)	Decreased 34%
Meeting customer service demands	26 (72%)	25 (71%)	Decreased 21%
Securing, training and retaining staff	22 (61%)	21 (60%)	Decreased 30%
Disbursing support within 2 business days	19 (53%)	11 (31%)	Decreased 64%
Predicting volume for staffing purposes	18 (50%)	14 (40%)	Decreased 37%
Monitoring SDU performance	14 (39%)	11 (34%)	Decreased 33%
<small>Percentages based on the number of respondents to each question.            * Using State responses regarding the severity of each problem. Percentages reflect a weighted scale based upon State description of problems as <i>major</i>, <i>moderate</i>, or <i>minor</i>, during and after startup. See Appendix A.</small>			

## Customer Service Demands

Managers primarily identify responding to inquiries and complaints as a startup problem, but customer service demands continue to challenge many States. Implementation of SDUs often changed the method through which States respond to inquiries and complaints regarding payments. These questions and complaints primarily come from parents, but may also be raised by other entities, such as local child support offices or employers. States appear to have experienced a high demand for customer service response at startup, due to confusion and delays caused by changes in payment procedures. Managers in 26 States report that meeting customer service demands was a problem at startup. For most of these States, meeting customer service demands continues to be a concern even after fully implementing their SDU, although the severity of the problem has diminished somewhat. States that experienced initial difficulty in meeting customer service needs report increasing staff and streamlining methods for responding to calls. They also focused on timely payment processing, reasoning that a more successful system would reduce the likelihood of inquiries and complaints. Many States also appear to use performance indicators to evaluate the customer service process, such as tracking the average time customers wait on hold during a call to the centralized customer service center. Others have conducted surveys



of parents and employers to help anticipate ongoing needs and continue to conduct outreach to ensure that customers are informed about service options and points of contact.

## **Staffing Issues**

About half of States with operating SDUs report problems with securing, training and retaining staff, and with accurately predicting payment volume in order to project staffing needs. Ensuring adequate staffing of SDUs is sometimes problematic because the jobs are typically not high paying, the duties are somewhat monotonous, and the work hours can be unusual. For instance, some SDUs have shifts beginning at 3 AM, while others operate on both Saturday and Sunday. Because training new staff is reportedly costly and time-consuming, and experienced workers make fewer errors in processing payments, managers report a variety of efforts to keep their employees motivated, such as providing performance incentives. Predicting payment volume can be difficult because of day-to-day variation in the number of payments received. Some days, such as most Mondays and days just after the first of the month, have typically high volume because of the timing of employer pay periods, but even volume on these days may vary.

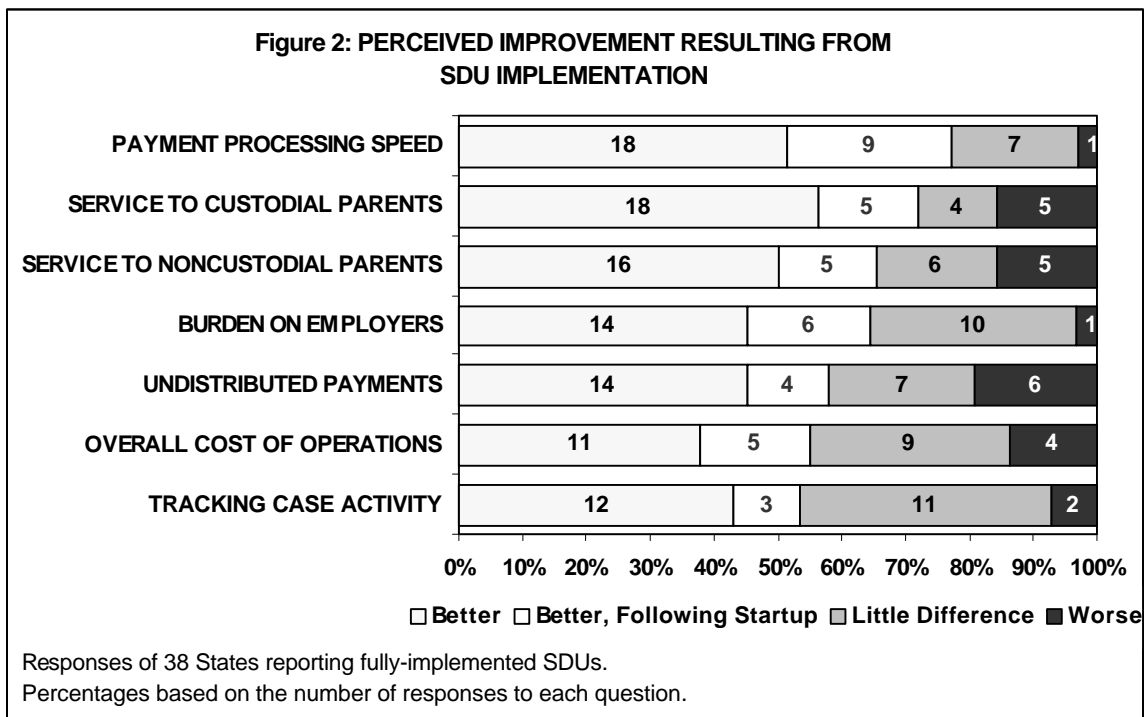
## **STATE ASSESSMENTS OF DISBURSEMENT UNITS**

### **Overall Assessment**

Based on monitoring and experience, program managers in a majority of the 38 States which report they have fully implemented SDUs perceive that centralized processing has resulted in improvements on each of seven performance indicators (Figure 2). While some managers report that centralization immediately resulted in improvements, others feel that their State realized improvements only after startup problems were resolved. Managers in over 60 percent of States with operating SDUs cite improvements in payment processing speed, service to both custodial and noncustodial parents, and in minimizing the burden on employers.

### **Payment Processing Speed**

Most managers believe their fully-implemented SDUs have improved payment processing speed, and nearly all report disbursing payments within two business days. The highest number of managers (27) report SDU implementation has resulted in improvements in payment processing speed, but a third of these (9) report they did not realize improvements in timeliness until after their initial startup period. In fact, 34 managers report their SDU currently meets or exceeds the requirement to disburse child support payments within two business days, and 15 States report that, on average, payments are disbursed within only one business day of receipt. Some States achieve this performance by including tougher processing and disbursement time standards upon contractors.



## Service to Parents

About two-thirds of managers believe their fully-implemented SDUs have improved service to parents. A concern of many familiar with child support enforcement is that customer service to parents might suffer due to centralized payment processing, but Staff who process payments in local child support and clerks of court offices often know many parents, have direct access to payment information and, reportedly, often provide highly personalized service. Managers report that some local staff use this case knowledge to identify poorly-labeled payments and to assist parents in dealing with situations of payment delays, job changes, and needs for new income withholding documents. Some are concerned that customer service might suffer because automated systems are not designed for such individualized case management.

However, survey responses indicate that most State managers who compared customer service before and after SDU implementation believe their fully-implemented SDUs have improved service to parents. Among States reporting improvements, at least a quarter note that improvement was realized only after the startup period, possibly because parents needed to become accustomed to new systems and points of contact.

## Burden on Employers

About two-thirds of managers believe fully-implemented SDUs ease the burden on employers, yet some perceive their SDU has made little difference to employers. One of the primary objectives of centralization is to ease the burden on employers in complying with income withholding orders by providing them with a single place to send payments in each State. While SDU managers in 20 States with operating SDUs believe centralization has eased the burden on employers, managers from 10 States perceive their SDU implementation had little effect on employers. In States only processing the Federally-specified caseload through their SDU, managers explain that employer burden may not decrease since only a portion of their employees' cases are centralized. These systems require employers to send payments to "one *more* place, instead of *only* one place" as one manager said. Other managers express a belief that sending payments to a number of addresses was not particularly burdensome on employers, and thus, centralization may have had little effect.

## Undistributed Payments

While more than half of managers believe undistributed payments have decreased since their SDU was fully-implemented, some report increases in undistributed payments. Managers in 18 States believe their SDU has helped minimize undistributed payments relative to previous local processing. However, six managers perceive their SDUs have contributed to increases in undistributed payments. Based on tracking, managers report that because of the large number of unidentifiable payments when States first centralize processing, undistributed payments tend to increase at startup, then decline as payments are identified through research. In some States, SDU managers indicate they could not divert sufficient staff from payment processing to researching unidentified payments, especially during the early weeks of centralized processing.

## SUMMARY

A majority of States are currently processing payments centrally and all but one of the remaining States plan to implement their SDU by 2001. SDUs appear to have helped States improve program operations by taking advantage of the efficiencies of automated processing of a large number of payments on a daily basis. Most States report they are meeting the Federal requirements by disbursing the vast majority of payments within two business days, providing employers with a single location to mail income withholding payments, and providing parents with ready access to payment information. However, almost all States report experiencing significant difficulties during the early stages of their SDU implementation, and many States have yet to realize all the program improvements potentially attainable through centralized payment processing.

In conducting this study, our objective was to systematically gather information about the perceptions and experiences of SDU program managers so it could be shared among all States as they cope with the new centralization requirements. We hope this report will be useful to policy makers and State administrators as they implement and refine their SDUs.

We offer further analysis and recommendations about SDUs, their implementation, problems encountered, potential solutions, and keys to successful operations, in our companion report, States Disbursement Units: Sharing the Implementation Experiences of Six States, OEI 06-00-00041.

## **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 B.

## 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. Hereafter, this report groups the District of Columbia, Puerto Rico, and the Virgin Islands with the 50 States.
6. We interviewed local Clerks of Court in Arizona, Florida, Iowa, Pennsylvania, and Tennessee. In Minnesota, we interviewed local child support office staff.
7. Indiana, South Carolina, and Wyoming received Federal waivers to link local disbursement units.
8. Arkansas, Georgia, Kentucky, and Oklahoma report their SDUs are centrally processing payments of many cases, but have yet to include a significant portion of the Federally-required caseload. Michigan and Nevada were granted extensions to implement their SDU by October 1, 2000 and October 1, 2001, respectively. Alabama, California, Kansas, Nebraska, Ohio, and Texas report they have not yet begun centralized payment processing.
9. We did not specify a time frame for startup in our survey. We estimate State respondents may have considered "startup" to last between three and twelve months, depending upon whether they implemented their SDU all at once or incrementally.

Table A-1: PROBLEMS COORDINATING WITH PAYERS AND OTHER ENTITIES	Startup Problems				Continuing Problems				Severity Of Problem
	Total	Major	Moderate	Minor	Total	Major	Moderate	Minor	
Getting checks mailed to SDU by parents	24	5	10	9	21	0	8	13	Decreased 34%
Coordinating with employers	22	9	6	7	20	3	8	9	Decreased 26%
Notifying employers and parents of changes	20	7	8	5	17	2	5	10	Decreased 38%
Securing necessary funding	17	2	10	5	19	6	11	2	Increased 35%
Coordinating with clerks of court	14	6	4	4	12	4	3	5	Decreased 23%
Gaining necessary State legislative authority	14	3	6	5	6	2	3	1	Decreased 50%
Negotiating acceptable terms with contractors	12	1	7	4	12	0	7	5	Decreased 10%
Coordinating with local child support offices	13	1	4	8	7	0	0	7	Decreased 63%

Tables A-1 and A-2 present SDU program manager responses about problems encountered during startup stages of SDU implementation, as well as continuing problems. Respondents ranked problems as major, moderate or minor. To allow comparison between these time periods, we gave a numerical value to each degree of problem. As shown in the example below, we gave the response “major problem” a value of 3, “moderate problem” a value of 2, and “minor problem” a value of 1. We then summed the values for each time period, subtracted the value of the continuing period from value for the startup period, and calculated a percentage decrease (or increase) in perceived severity of each problem.

**EXAMPLE: Getting Checks Mailed to SDU by Parents**

**Startup Problem**

Major Problem: 5 States x 3 = 15  
 Moderate Problem: 10 States x 2 = 20  
 Minor Problem: 9 States x 1 = 9  
 Total Value: 44

**Continuing Problem**

Major Problem: 0 x 3 = 0  
 Moderate Problem: 8 x 2 = 16  
 Minor Problem: 13 x 1 = 13  
 29

Percent Change: 44 - 29 = 15

15/44 = **34% Decrease**

Table A-2: OPERATIONS PROBLEMS	Startup Problems				Continuing Problems				Severity Of Problem
	Total	Major	Moderate	Minor	Total	Major	Moderate	Minor	
Identifying poorly labeled payments	28	10	7	11	30	7	6	17	Decreased 9%
Identifying payments with no case in system	27	12	3	12	28	3	9	16	Decreased 20%
Redirecting checks mailed to the wrong location	26	7	10	9	21	2	8	11	Decreased 34%
Meeting customers service demands	26	13	5	8	25	6	8	11	Decreased 21%
Securing, training and retaining staff	22	6	10	6	21	1	8	12	Decreased 30%
Meeting the 48 hour disbursement requirement	19	3	8	8	8	1	2	5	Decreased 64%
Predicting payment volume for staffing purposes	18	4	4	10	14	0	5	9	Decreased 37%
Monitoring the performance of the SDU	14	3	4	7	11	2	1	8	Decreased 33%



DEPARTMENT OF HEALTH & HUMAN SERVICES

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OFFICE OF INSPECTOR  
GENERAL

ADMINISTRATION FOR CHILDREN AND FAMILIES  
Office of the Assistant Secretary, Suite 600  
370 L'Enfant Promenade, S.W.  
Washington, D.C. 20447

IG	/
EAIG	/
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ExecSec	/
Date Sent	7-23

DATE: July 27, 2000

TO: June Gibbs Brown  
Inspector General

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

*CR Ross*

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 focused 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.