

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF THE CALIFORNIA
DEPARTMENT OF SOCIAL SERVICES
STATE LICENSING MATCH SYSTEM
UNDER THE CHILD SUPPORT
ENFORCEMENT PROGRAM**



**JUNE GIBBS BROWN
Inspector General**

**AUGUST 1997
A-09-97-00067**



Region IX
Office of Audit Services
50 United Nations Plaza
San Francisco, CA 94102

CIN: A-09-97-00067

August 26, 1997

Ms. Eloise Anderson, Director
California Department of Social Services
744 P Street, Mail Station 17 11
Sacramento, California 958 14

Dear Ms. Anderson:

This report provides you with the results of our audit of the license suspension program administered by the California Department of Social Services (DSS) under the Child Support Enforcement program. The audit was part of a review made in eight States for the purpose of evaluating the relative effectiveness of those States which used administrative processes for suspending licenses and the States which used judicial processes. The objective of our audit was to evaluate selected procedures followed in the DSS program for suspending occupational and other licenses of non-custodial parents who were delinquent in making child support payments, and to provide information on the DSS license suspension program as a part of the 8-State review.

To carry out the program in California, the DSS has implemented a system known as the State Licensing Match System (SLMS), which includes the use of administrative procedures for suspending licenses. Our audit period was from the inception of SLMS on November 1, 1992 through March 31, 1996.

In our audit, we found a need for improvement in DSS procedures for reporting on and measuring the effectiveness of its license suspension program. Although the DSS child support management information system collects a variety of data for the Child Support Enforcement program as a whole, the system does not identify and report on the amount of collections of delinquent child support payments that are generated as a result of SLMS. This information is essential for measuring the effectiveness of the license suspension program in collecting delinquent child support. Accordingly, we recommend that DSS develop and implement procedures for obtaining information on amounts collected for the delinquent child support cases that result from the SLMS program.

The DSS agreed with our recommendation and stated it will pursue a component for measuring SLMS collections as part of California's statewide automation effort for the Child Support Enforcement program.

Information obtained during our audit may be included in a consolidated report on the relative effectiveness of administrative versus judicial license suspension procedures which will be issued separately from this report.

BACKGROUND

State Legislation

Prior to the enactment of Federal legislation requiring license suspension as a component of Child Support Enforcement programs, some States, including California, already had such programs in operation. The State of California approved legislation on May 8, 1992 establishing a license suspension program to improve delinquent child support collections. The SLMS was implemented November 1, 1992 and at that time included professional and occupational licenses, but not noncommercial drivers licenses. Effective January 1, 1996, the California State law was amended to include noncommercial drivers licenses and this part of SLMS became operational April 15, 1996.

California's legislation provided for suspending the licenses through administrative rather than judicial procedures. State officials advised us that when the legislative committee was drafting the law to establish SLMS, the DSS, county district attorneys (DAs) and judicial officials expressed a preference for administrative procedures. They indicated that the administrative method would be less expensive to operate, and by keeping cases out of the courts, cases could be processed faster and the courts would be less burdened.

Under the legislation, SLMS authorizes State licensing agencies to begin the license suspension process for noncustodial parents who are more than 30 days in arrears on their child support payments. Initially, the SLMS program applied only to:

- initial applications for licenses, and
- renewals of licenses.

At that time, the program did not include suspension of existing licenses prior to their expiration dates.

Delinquent parents submitting initial or renewal applications were issued a temporary license valid for only 150 days. If they worked out a satisfactory payment arrangement with the local DA, they would then be issued a permanent license. Otherwise, at the end of the 150-day period, the temporary license expired and was not renewable.

Beginning January 1, 1996, the legislation was changed to provide for suspension of existing licenses prior to their regular expiration date. License holders who are more than 4 months delinquent are sent a letter notifying them that their licenses will be suspended in 150 days unless they work out a satisfactory payment arrangement with the local DA.

A staff member of the legislative committee that developed the legislation informed us that the 30-day criterion for initiating the suspension process was based on the DSS definition of when a child support payment became delinquent. He also told us that the 150-day period

used for temporary licenses and for suspending current licenses was a compromise made during the legislative process.

Federal Legislation

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 requires States to enact legislation to authorize license suspensions for individuals owing overdue child support. The legislation amends section 666 of Title 42, United States Code (U.S.C.) to include license suspension legislation as one of the laws that States must have in effect to satisfy the requirements under section 654 (20)(A).

Title 42, U.S.C., Section 654 regarding State plans for child and spousal support, states that:

“A State plan for child and spousal support must...provide, to the extent required by section 666 of this title, that the State (A) shall have in effect all of the laws to improve child support enforcement **effectiveness** (emphasis added) which are referred to in that section....”

SLMS Procedures

Each month, the 58 county DAs in California send to DSS a computer file, or a manually prepared list, of noncustodial parents who are more than 30 days in arrears on their child support payments. The DSS consolidates the county data and provides it to each participating State licensing agency. Currently, there are 12 State agencies participating in SLMS, and the two largest are the Department of Motor Vehicles and the Department of Consumer Affairs.¹ These two agencies represent 57 and 33 percent, respectively, of all cases targeted for license suspension.

Each agency then determines whether any of its licensees or new applicants are on the DSS file of cases in arrears. As described above in the section on State legislation, the respective agencies then:

► *For applicants seeking renewal of an existing license, and for new applicants,* issue a temporary license valid for a period of 150 days rather than a permanent license, or

► *For license holders whose licenses are not approaching the renewal date,* issue a letter of notification of intent to suspend their license after the expiration of a 150-day period. This procedure was authorized under the legislation enacted effective January 1, 1996, and was in effect for only the last 3 months of our audit period.

¹The California Department of Consumer Affairs is a large umbrella agency comprised of 40 licensing agencies, such as the State Board of Accountancy and the State Contractors Licensing Board.

The licensees or applicants can obtain a release from the license suspension procedures from the county DA's office by making payment or agreeing to a payment plan. However, if the county DA is not contacted, due to any circumstances whatsoever, the temporary license will automatically expire and continuation of the activities for which the license was issued becomes a criminal offense.

SCOPE

We performed our audit in accordance with generally accepted government auditing standards. Our audit was part of a national review of license suspension programs involving eight States. The objective of our audit was to evaluate selected DSS procedures for suspending occupational and other licenses of non-custodial parents who were delinquent in making child support payments, and to provide information on the DSS license suspension program for use in our S-State review.

The audit was performed at DSS and Department of Consumer Affairs offices located in Sacramento, California. We also made site visits to DA offices in 3 of the 58 counties in California. The counties were San Diego, Stanislaus and Ventura. The audit period included November 1, 1992 through March 31, 1996. The audit field work was performed during the period June 1996 through March 1997.

FINDING AND RECOMMENDATION

The DSS child support management information system does not include procedures for identifying and reporting the amount of delinquent child support payments collected that result from SLMS. The DSS system provides a wide variety of information relating to the overall Child Support Enforcement program, of which license suspension is one component. Information relating to SLMS includes, but is not limited to, data from the various licensing agencies on the number of cases for which suspension action was initiated, and the number of cases released from the suspension process.

However, the collections resulting from the license suspension program are commingled with other collections and are not specifically identifiable. Therefore, DSS does not have data necessary for measuring how well the license suspension program works. In the absence of such data, the DSS has reported program accomplishments by using estimates which were not supported by reliable evidence.

Collection and Reporting Procedures

The collection of payments resulting from the SLMS program, as well as other delinquent child support payments, is the responsibility of county DA offices. Each month, the county DAs report all child support collections to DSS. The reports contain a considerable amount of detail as to the source of the money collected. To illustrate, the reports show such sources as wage withholding, Internal Revenue Service tax refund offsets, unemployment benefits, as

well as several others. However, the reports do not identify the amount of the collections generated as a result of SLMS.

In the absence of information on actual collections received, the DSS has reported program accomplishments by using an estimate of \$1,000 per case for each case released from the license suspension process. The releases represent those cases for which satisfactory payment agreements have been reached with the county DA offices. Thus, it was estimated that additional collections of delinquent payments, averaging \$1,000 per case, were generated as a result of SLMS.

The SLMS program has not required periodic reports of additional collections generated as a result of the program. However, the legislation implementing the program in November 1992 required that a status report of program activities be submitted to the Governor and the State Legislature on or before November 1, 1995. The required report was submitted October 26, 1995, and included an estimate that \$13 million in additional delinquent child support had been collected as a result of SLMS. This represented 13,000 cases targeted for suspension under SLMS who had paid their arrearages, or made agreements with the DAs to do so. The report compared the \$13 million to the estimated costs of about \$2 million for implementing and operating SLMS for that period, indicating that the program was cost effective.

The \$1,000 per case in additional collections was also used in public announcements. For example, a press release from a State Assembly member dated September 11, 1995 stated that "...from November 1992 to June 1995 nearly \$13 million has been collected from licensed professionals threatened with loss of license for failure to pay child support..." The press release stated that the payments related to 13,193 out of 22,721 licensed professionals identified as being delinquent in making court-ordered child support payments.

The estimate of \$1,000 per case was not supported by reliable data. We were told by a DSS official that this was an informal, unofficial estimate developed by the DA's office in one of the counties in California. In our audit, we visited the county DA's office, and determined that the estimate was based on cash payments made by delinquent parents in order to obtain releases from the license suspension process. It did not include subsequent collections obtained as a result of payment agreements negotiated with the DA's office at the time.

A DSS letter to the county DAs in October 1993, or about 1 year after the program started, showed that DSS recognized the need to identify the increases in collections attributable to SLMS in order to assess the long term effectiveness of the program. According to DSS officials, they continue to believe that such collection information is necessary, but the counties have not been responsive to informal requests to provide such data. Thus, DSS, as the State agency responsible for administering the Child Support Enforcement program, should pursue efforts to obtain and report on collections resulting from the operation of the SLMS program.

RECOMMENDATION

We recommend that the DSS modify its child support management information system to include procedures for identifying and reporting on the amount of collections generated as result of the operation of the SLMS program.

DSS COMMENTS

The DSS, in a letter dated August, 15, 1997, agreed with our recommendation and stated that it would pursue a component for identifying the amount of collections generated as a result of the SLMS program in its statewide automation effort for the Child Support Enforcement program. The DSS letter is attached as an appendix to this report.

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Final determination as to actions taken on the matters reported will be made by the 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), Office of Inspector General, 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 A-09-97-00067 in all correspondence relating to this report.

Sincerely,



Lawrence Frelot
Regional Inspector General
for Audit Services

APPENDIX

Direct Reply to HHS Action Official:
Sharon M. Fujii, Regional Administrator
Administration for Children and Families, HHS
50 United Nations Plaza, Room 351
San Francisco, CA 94102

APPENDIX

DEPARTMENT OF SOCIAL SERVICES

P. O. Box 944245, Sacramento, CA 94244-2450



August 15, 1997

Mr. Lawrence Frelot
Regional Inspector General for Audit Services
Office of the Inspector General
Department of Health & Human Services
Region IX, Office of Audit Services
50 United Nations Plaza
San Francisco, CA 94102

Dear Mr. Frelot:

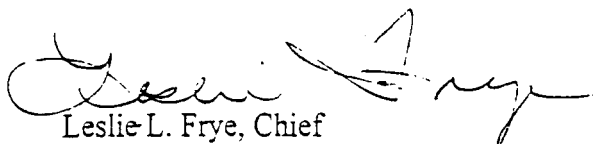
THE CALIFORNIA DEPARTMENT OF SOCIAL SERVICES' (CDSS) RESPONSE TO THE OFFICE OF INSPECTOR GENERAL, OFFICE OF AUDIT SERVICES' DRAFT REPORT ENTITLED "STATE LICENSING MATCH SYSTEM (SLMS) UNDER THE CHILD SUPPORT ENFORCEMENT PROGRAM," REPORT NO. CIN: A-09-97-00067

Thank you for the opportunity to comment on draft report No. CIN: A-09-97-00067. Enclosed are our comments concerning the above referenced draft report.

Your auditors should be commended for their excellent work and outstanding professionalism which resulted in providing California with objective information which could help us improve our Child Support Enforcement Program.

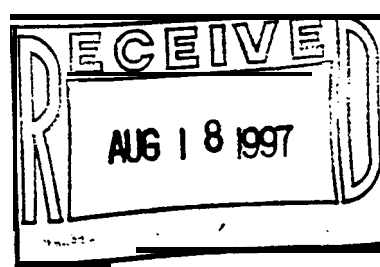
If you have any questions regarding our comments, please contact me at (916) 654-1556.

Sincerely,


Leslie L. Frye, Chief
Office of Child Support

- c. Bill Walsh, Chief, CDSS/OCS/MB
Dick Williams, Chief, CDSS/OCS/PAB

Enclosure



EXECUTIVE SUMMARY

In accordance with Title 42, U.S.C., Section 654, the Federal Office of the Inspector General, Office of Audit Services, examined the State Licensing Match System (SLMS) employed by California's Child Support Enforcement Program during the period of November 1, 1992, through March 31, 1996.

The purpose of the review was to evaluate the effectiveness of the SLMS process in suspending business, commercial, professional and occupational licenses. The review was advisory in nature and carried no penalty. Thirty cases were **sampled from** each of the following counties: San Diego, Stanislaus and Ventura. Fieldwork was also conducted at the California Department of Consumer Affairs.

At the exit conference, the auditors indicated California's implementation of the SLMS program is both efficient and effective as they concluded approximately 50% of delinquent non-custodial parents had lost their business and commercial licenses due to enforcement of occupational license suspensions.

The draft report recommends we modify our child support management information system to include procedures for identifying and reporting the amount of collections generated as result of the SLMS program. We conceptually agree with the recommendation.

DETAIL OIG RECOMMENDATION AND CDSS RESPONSE

Recommendation: OIG recommends that the DSS modify its child support management information system to include procedures for identifying and reporting on the amount of collections generated as result of the operation of the SLMS program.

CDSS Resuonse: We conceptually agree with the recommendation. However, the types of receipts generated by SLMS do not lend themselves to direct measurement. Consequently, a methodology needs to be developed to realistically approximate collections attributable to the SLMS process.

The addition of data elements to reports, or requesting additional county statistical collection efforts, could be viable options, but they should be accomplished in conjunction with the statewide automation effort. Formal statistical data collection would be difficult for interim systems currently operating in California. Also, it is questionable whether federal financial participation (FFP) would be available for modifying interim systems to measure SLMS related collections. Therefore, we will pursue a component to measure SLMS collection data as part of California's statewide automation effort.