EXECUTIVE DIGEST

STATEWIDE CHILD SUPPORT PROGRAM

INTRODUCTION	This report contains the results of our performance audit of the Statewide Child Support Program, Department of Social Services (DSS), for the period January 1, 1991 through September 30, 1994.
AUDIT PURPOSE	This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.
BACKGROUND	The Federal Child Support Enforcement Program was established in 1975 with an amendment of the Social Security Act to add Part D of Title IV entitled Child Support Program: Child Support and Establishment of Paternity (Title IV-D). The Program was established to help reduce or avoid the cost of public assistance programs through State enforcement of support obligations owed by parents. The federal program is administered by the Office of Child Support Enforcement (OCSE), U.S. Department of Health and Human Services. OCSE establishes federal standards

and guidelines for the state child support programs and provides the major share of funding.

Title IV-D requires each state to have a program to secure child support from legal parents with the financial ability to pay. Each state is mandated to establish methods for locating absent parents, establishing paternity, and collecting child support payments. Title IV-D requires the State program to provide services to all Aid to Families With Dependent Children (AFDC) clients and others upon request. The state agency which administers the Child Support Program is designated as the IV-D agency.

The Office of Child Support (OCS), Family Services Administration, Department of Social Services, is the IV-D agency in Michigan. Act 174, P.A. 1971, established OCS and provided its basis for authority and responsibility. Michigan's Child Support Program is complex and primarily operates through the cooperative efforts of three agencies: OCS, the county prosecuting attorney(s) (PA), and the county Friend(s) of the Court (FOC).

Office of Child Support (OCS)

OCS is responsible for administering the Statewide Child Support Program. OCS has three central office divisions which perform the administrative functions. OCS also has a Field Operations Division whose primary function is the delivery of support services. Each county is serviced by one or more support specialist. The support specialists, located in the local DSS offices, are the liaisons between the local DSS, PA, and FOC offices for matters pertaining to child support. They interview clients, identify needed

support actions, provide locating services, initiate appropriate referrals to the PA or FOC, assist the PA and FOC in their efforts to establish paternity and secure support, and maintain IV-D case records.

Prosecuting Attorney (PA)

PA's are the chief law enforcement officers in county government. DSS contracts with county governments for PA services related to child support. The PA's are primarily responsible for establishing paternity and securing court-ordered child support from noncustodial parents. PA's represent the recipient of public assistance or DSS in initiating actions to establish paternity and/or secure child support. PA's also provide these services to certain other clients who do not receive public assistance.

Friend of the Court (FOC)

FOC's were created by Act 412, P.A. 1919. This act was subsequently repealed and replaced by Act 294, P.A. 1982, the "Friend of the Court Act." FOC's are an operational arm of the judicial circuit courts. There is at least one FOC for each of the 55 circuit courts in the State. DSS contracts with county governments for FOC services. The State Court Administrative Office, under the supervision of the Supreme Court, is responsible for developing and recommending guidelines for the conduct, operations, and procedures for the FOC offices.

The FOC's primary responsibility is to enforce child support orders of the court. Functions include child support investigations, recommendations, and modifications; support enforcement; cash receipting and distribution to appropriate

payees; and child custody, visitation, and mediation. All child support payments are paid through the FOC unless otherwise ordered by the court. For AFDC cases, the FOC distributes collected child support to DSS as partial reimbursement for public assistance payments made by DSS to the custodial parent. For non-AFDC cases, the FOC distributes collected child support to the custodial parent.

During calendar year 1993, the Child Support Program established 34,109 child support orders. During the fiscal year ended September 30, 1994, the Program collected approximately $813.8 million while expending approximately $110.6 million from federal, State, and county sources. As of September 30, 1994, the Program had child support arrearages (the amount of money owed in unpaid child support) of approximately $3.2 billion. As of December 31, 1993, the Program had a caseload of more than 751,000 cases.

During our audit, the Child Support Program was in the latter stages of implementing the Child Support Enforcement System (CSES). The federal Family Support Act of 1988 mandates all states to implement, by October 1, 1995, an automated statewide child support system that meets federal certification requirements. The federal OCSE provides funding for 90% of the cost to develop and implement the CSES. The cost of Michigan's CSES will total approximately $90 - $100 million. The purpose of CSES is to improve the sharing of child support information by setting a common standard for organizing information and by connecting

county and State-level offices through a Statewide area network.

DSS expects that CSES will improve program services and increase child support collections because of: the ability to better share information; less entering of data that has already been entered by other child support agencies in the State; and greater access to information collected by other agencies. Also, users will be better able to track noncustodial parents who relocate within the State.

OVERALL AUDIT OBJECTIVE, CONCLUSION, NOTEWORTHY ACCOMPLISHMENTS, AGENCY PRELIMINARY RESPONSE, AND AUDITOR GENERAL EPILOGUE

Audit Objective: To assess the effectiveness of the Statewide Child Support Program.

Conclusion: Our review disclosed a considerable number of material and significant deficiencies in the Statewide Child Support Program.

We have addressed our findings and recommendations to the Child Support Program which, for this purpose, consists of the agencies and entities involved in the program at both the State and local levels of government. Compliance with a number of the recommendations will require the cooperation of these various agencies and entities. Compliance with several other recommendations will require the cooperation of agencies not directly involved in the program.

Noteworthy Accomplishments: The role of child support and its effect on parents, government and, most importantly, children cannot be overemphasized. The conditions which

necessitate and accompany child support make the task of performing Child Support Program functions extremely difficult. These conditions include parents who are no longer together, children, emotions, and money. A further condition is that some noncustodial parents do not accept their legal and moral obligation to provide financially for their children.

Although our review disclosed a considerable number of deficiencies, the Statewide Child Support Program should be commended for its efforts and accomplishments recognizing the overall nature and difficulty of the program. Michigan's program has been considered one of the top child support programs in the country for many years. For a number of years, the Program has been either first or second in the amount of child support collections nationwide.

Agency Preliminary Response - Judiciary: The Judiciary remains committed to cooperative efforts aimed at better serving the public, particularly children who are the intended beneficiaries of child support. The Judiciary welcomes informed and creative suggestions that will help it do a better job of carrying out its role in the process of child support. While this report contains some useful recommendations, many of the findings and conclusions are severely flawed and are likely to foster counterproductive misconceptions which would raise barriers to constructive change. Because the Office of the Auditor General's use of numbers in statistical information confers an aura of authority on its conclusions, auditors bear a special responsibility to thoroughly understand the programs they investigate and to adhere to stringent standards of review. This report will not

improve the effectiveness and efficiency of Michigan's Child Support Program because the auditors failed to adequately understand the program they were auditing and especially failed to comprehend the central importance of judicial discretion to review each case on its own merits.

Auditor General Epilogue To Judiciary Response: In accordance with *Government Auditing Standards*, the Office of the Auditor General (OAG) obtained an appropriate understanding of the Child Support Program and the importance of judicial discretion. The report does include a number of issues on which there is a difference of opinion between the OAG and the Judiciary.

INDIVIDUAL AUDIT OBJECTIVES, CONCLUSIONS, AND NOTEWORTHY ACCOMPLISHMENTS

Audit Objective: To assess the effectiveness and compliance with laws, regulations, policies, and procedures of the Statewide Child Support Program in establishing child support orders.

Conclusion: The Statewide Child Support Program was not effective in establishing child support orders in many applicable cases. Also, the Child Support Program did not comply with and/or consistently apply a number of laws, regulations, policies, and procedures in establishing initial child support orders.

Our assessment of establishing support orders disclosed the following material deficiencies:

- In 68 (48.2%) of 141 applicable cases reviewed, the Child Support Program had not established a support

order. In 50 of the 68 cases, the Program either did not initiate actions or actions ceased without justification prior to the establishment of a support order. Also, we found deficiencies in cases where a support order had been established, but actions were not performed in a timely manner (Finding 1).

DSS agreed with our corresponding recommendation.

- The Child Support Program did not uniformly interpret and/or apply statutes regarding the effective date of initial child support (Finding 2).

  DSS disagreed with the first and agreed with the second corresponding recommendations. The Judiciary disagreed with both corresponding recommendations. The Prosecuting Attorneys agreed with our second corresponding recommendation.

- The Child Support Program had not taken appropriate action to maximize the collection of confinement expenses (Finding 3).

  DSS agreed with all 3 parts of our corresponding recommendation. The Judiciary agreed with 1 part of the recommendation. The Prosecuting Attorneys agreed with all 3 parts of the recommendation.

In addition, we identified other reportable conditions in the State Parent Locator Service, determining support amounts and documenting the calculations, and the policy to ensure

cooperation by recipients of public assistance (Findings 4 through 6).

Noteworthy Accomplishments: Based on annual random samples of cases reviewed by OCS, the Child Support Program has increased the percentage of paternity established for IV-D cases to total IV-D cases needing paternity establishment as follows:

Fiscal Year	Paternity Percentage
1989 (Base Year)	57.2%
1992	66.1%
1993	67.7%

In 1991, the Child Support Program established DNA genetic blood testing for contested paternity cases. In 1993 and 1994, the Child Support Program developed a campaign to encourage In-Hospital Paternity Establishment and a related public information campaign regarding paternity establishment and child support. OCS informed us that 50% of all unwed births in the period January-March 1994 had paternity established in the hospital at the time of birth. At the time of our audit, the Program was in the process of developing a high school curriculum segment on paternity and child support. The purpose of the curriculum segment was to increase teen awareness as to the rights and responsibilities of parents to emotionally and financially support their children.

Also, OCS loaded over 700,000 cases onto automated systems in 1992 in order to comply with the need to convert manual files to electronic files. OCS believes that this conversion will improve case management and the establishment of child support orders as well as assist in the federal mandate for implementing CSES. Further, OCS began a pilot project in 1994 for performance based contracts with PA's. The project's two main objectives were to promote increased establishment of support orders and cost effectiveness.

Audit Objective: To assess the effectiveness and compliance with laws, regulations, policies, and procedures of the Statewide Child Support Program in enforcing child support orders.

Conclusion: The Child Support Program was effective in enforcing child support orders for those cases in which the noncustodial parent voluntarily complied with the support order or an income withholding order was issued. However, the Child Support Program was not effective in enforcing child support orders for those cases in which the noncustodial parent did not voluntarily comply with the support order or an income withholding order was not issued. As of September 30, 1993, approximately two thirds of all active cases were cases in which the noncustodial parent did not comply with the support order and/or an income withholding order was not issued. Also, the Child Support Program did not always comply with laws, regulations, policies, and procedures when enforcing child support orders.

Our audit of the Statewide Child Support Program's enforcement of child support orders included reviewing two random samples of 220 total cases. One random sample of 110 cases was selected from the entire caseload population of the child support programs for the six counties that we visited. The other random sample of 110 cases was selected from the 1993 federal income tax offset file for arrearage cases in these six counties. Of the 220 cases, 169 required enforcement activity for arrearages. The results of the case file review regarding child support

collection enforcement during the period January 1, 1991 to the time of our audit are summarized as follows:

	Sample of 110 Cases From Entire Caseload Population	Sample of 110 Cases From Arrearage Population	Total
Arrearage balance increased	28	78	106
Arrearage balance remained about the same or decreased less than 10%	16	12	28
Minimal or no enforcement activity occurred other than State Parent Locator Service (SPLS) and/or tax offset	20	61	81
SPLS and/or tax offset occurred but had minimal or no effect on reducing the arrearage balance	40	85	125
Six-month periods or more without enforcement activity	19	43	62
Six-month periods or more without enforcement activity except for SPLS and/or tax offset	16	35	51

Our assessment of enforcing support orders disclosed the following material deficiencies:

- The Child Support Program had not developed a system for enforcing the health insurance provision included in most support orders (Finding 7).

  DSS agreed and the Judiciary basically agreed with our corresponding recommendation.

- The Child Support Program, in conjunction with the Department of Treasury, had not established a system to provide county child support agencies with financial data for parties to support orders (Finding 8).

  DSS and the Judiciary agreed with our corresponding recommendation.

- Financial incentives had not been instituted to encourage the timely payment of child support (Finding 9).

  DSS agreed with our corresponding recommendation. The Judiciary disagreed with our corresponding recommendation.

- Michigan had not established a system to timely identify new employees hired who have child support obligations and immediately issue an income withholding order to the employer (Finding 10).

DSS agreed with our corresponding recommendation.

- The Child Support Program's system to identify arrearage cases on a timely basis was not effective and the Program had not developed an effective process to initiate timely enforcement action on such cases (Findings 14 and 15).

  DSS agreed with our corresponding recommendations. The Judiciary basically disagreed with our corresponding recommendations.

- Bench warrants issued for the arrest of noncustodial parents frequently were an ineffective enforcement tool (Finding 16).

  DSS agreed with our corresponding recommendation. The Judiciary disagreed with our corresponding recommendation.

- The Child Support Program's process to review child support orders for potential modification of the support amount was not effective (Finding 19).

  DSS agreed with 3 of our corresponding recommendations and disagreed with 1. The Judiciary basically agreed with parts of our corresponding recommendations, but disagreed with 1 recommendation.

- Effective inducements did not exist to encourage employer cooperation with the county child support programs (Finding 20).

  DSS agreed with our corresponding recommendation. The Judiciary basically disagreed with our corresponding recommendation.

- The Child Support Program did not comply with established procedures which require that FOC's restrictively endorse checks and money orders immediately upon receipt and provide adequate security over such checks and money orders received (Findings 23 and 24).

  DSS agreed with our corresponding recommendations. The Judiciary basically disagreed with our corresponding recommendations.

In addition, we noted other reportable conditions in respect to reviewing the feasibility of providing a one-time amnesty program, establishing a Statewide child support collections unit, and/or routinely using private collection agencies as enforcement tools (Findings 11 and 12). Also, we noted deficiencies regarding the identification of noncustodial parents' sources of income from governmental agencies and pertinent government-regulated industries, and the identification of real and personal property for the purpose of attaching liens (Findings 13 and 17). Further, we identified deficiencies in the Program's use of income tax offset, determining the payment amount on child support arrearage and confinement expense balances, and certain

requirements regarding support order modifications (Findings 18, 21, and 22). In addition, we noted deficiencies regarding miscellaneous receipting and distribution internal controls (Finding 25).

Noteworthy Accomplishments: The Child Support Program implemented immediate income withholding in late 1990, prior to the January 1994 federal mandate to do so. Income withholding accounts for more than 50% of AFDC child support collections. Also, the Program has maintained a high level of success with federal and State income tax offsets which account for 15% of AFDC child support collections.

As of December 31, 1994, the Child Support Program had implemented the federally mandated Child Support Enforcement System in 50 counties. Also, the Child Support Program received a federal waiver to use federal child support funds to fund custody and visitation activities. The intent of this action is that additional funding for custody and visitation will improve the performance of custody and visitation activities and, therefore, will result in increased child support collections.

Audit Objective: To review other pertinent issues related to the Statewide Child Support Program.

Conclusion: Our review of other pertinent issues related to the Statewide Child Support Program disclosed the following material deficiencies:

- The organizational structure of the Statewide Child Support Program was fragmented and did not provide for uniformity, standardization, and centralized management (Finding 26).

  DSS agreed with our corresponding recommendation. The Judiciary disagreed with the recommendation.

- Staffing level standards had not been developed for county DSS, PA, and FOC child support operations (Finding 27).

  DSS and the Judiciary agreed with our corresponding recommendation.

Also, we identified other reportable conditions regarding counties' use of federal child support incentive funds, FOC's organizational structures, and the county program evaluation process for assessing effectiveness (Findings 28 through 30).

AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of the Statewide Child Support Program for the period January 1, 1991 through September 30, 1994. The audit scope primarily included the examination of case file and other records of local Department of Social Services offices, prosecuting attorneys, and Friend of the Court

offices in six counties: Calhoun, Clinton, Kalamazoo, Oakland, Saginaw, and Wayne. Except as discussed in the following two paragraphs, our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances. Our audit did not include a review of the Child Support Enforcement System (CSES) and the child custody, visitation, or mediation functions performed by the Friends of the Court.

The Calhoun County Friend of the Court would not permit Office of the Auditor General staff to interview its employees unless the Deputy Circuit Court Administrator/Friend of the Court was present. We consider this an inappropriate scope limitation under *Government Auditing Standards.*

The Chief Judge of the Third Circuit Court in Wayne County would not permit Office of the Auditor General staff to review documentation to support payment amount deviations from the Michigan Child Support Guideline Manual. We consider this an inappropriate scope limitation under *Government Auditing Standards*.

Summaries of annual collection rates and arrearage totals for the five fiscal year period ended September 30, 1994 and summaries of arrearages by county and Friend of the Court caseload/staffing levels for the four calendar year period ended December 31, 1993 are included in this report as supplemental information. However, our audit was not

directed toward expressing an opinion on the accuracy of this information and, accordingly, we express no opinion.

This audit was performed in conjunction with a joint audit project involving several other states that are members of the National State Auditors Association. The basic audit objectives, scope, and methodology were developed in a cooperative effort with the other participating states. However, each state could modify the audit objectives, scope, and/or methodology as it considered appropriate.

As part of our preliminary planning for the audit, we reviewed our basic audit objectives, scope, and methodology with the U.S. Department of Health and Human Services, Office of Child Support Enforcement, Division of Audit. Also, prior to finalizing the audit report, we met with this agency to discuss our draft findings and recommendations.

To accomplish our objectives, we interviewed Statewide Child Support Program staff including staff in selected county offices. We reviewed applicable State statutes, federal regulations, and State and county policies and procedures. We visited six counties to review the local DSS, PA, and FOC functions.

In connection with our first objective, we selected a random sample of cases where it appeared that child support services were necessary. We assessed program actions to establish the initial child support order. We reviewed the computation of the initial child support amount and its effective date. We reviewed program actions related to the collection of confinement expenses. We evaluated internal

controls related to support order establishment. We reviewed the State Parent Locator Service and the cooperation of public assistance recipients. We assessed the Child Support Program's compliance with applicable statutes, regulations, policies, and procedures in establishing initial child support orders.

In connection with our second objective, we selected a second random sample of cases to assess Program efforts to enforce child support orders. We reviewed Program enforcement tools and actions for cases in an arrearage status. We evaluated the Program's enforcement of the health insurance provision of support orders. We identified other enforcement tools which the Program could use to increase collections. We assessed the Program's compliance with applicable statutes, regulations, policies, and procedures regarding support order enforcement. We examined the Program's process to review support amounts and modify support orders. We also reviewed internal controls regarding cash receipting and distribution.

In connection with the third objective, we reviewed the organizational structure of the overall Statewide Child Support Program and the six FOC's. We obtained staffing level and caseload data for county programs. We reviewed the use of federal incentive funds received by the counties, charging of fees, and other selected areas.

AGENCY RESPONSES

A summary of agency preliminary responses to recommendations is on pages xviii and xix.