

*A REPORT BY THE NEW YORK STATE
OFFICE OF THE STATE COMPTROLLER*

**Alan G. Hevesi
COMPTROLLER**



***OFFICE OF TEMPORARY AND DISABILITY
ASSISTANCE***

UNDISTRIBUTED CHILD SUPPORT

2001-S-32

DIVISION OF STATE SERVICES

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Alan G. Hevesi
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Report 2001-S-32

Mr. Brian J. Wing
Commissioner
Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, NY 12243

Dear Mr. Wing:

The following is our report concerning efforts by the Office of Temporary and Disability Assistance to reduce undistributed child support balances and monitor the districts' compliance with the requirement to resolve in Family Court cases of undistributed child support that are two years old or older.

This audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law. Major contributors to this report are listed in Appendix A.

Office of the State Comptroller
Division of State Services

March 4, 2003

EXECUTIVE SUMMARY

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

UNDISTRIBUTED CHILD SUPPORT

SCOPE OF AUDIT

The Federal Child Support Enforcement Program (Program) mandates that states enact laws and carry out required functions to ensure that legally-responsible persons contribute toward the support of their children. The Program is committed to the enforcement of support obligations on behalf of children, whether they are members of families receiving public assistance or families that support themselves. In New York State (State), the Office of Temporary and Disability Assistance (OTDA) administers the Program through its Division of Child Support Enforcement (DCSE). DCSE is responsible for supervising, monitoring, and evaluating the Program in New York City (City) and the social services districts (districts) in each of the State's 57 other counties. Each district's Support Collection Unit (SCU) is responsible for the collection, accounting, enforcement, and disbursement functions related to child support payments.

DCSE also operates the Child Support Management System (CSMS), the Statewide computer system designed in 1979 to provide case management and fiscal accounting controls. Between 1983 and August 31, 2002, more than \$12 billion in child support payments has been collected for disbursement. When checks are returned as undeliverable the funds remain in the district's account. After two years of efforts to distribute these funds, the SCU is to petition the Family Court for permission to forward them to the County Treasurer or the New York City Commissioner of Finance or return them to the non-custodial parent. Between 1979 and August 2002, OTDA accumulated a balance of more than \$70.1 million in undistributed child support.

Our audit addressed the following questions about reducing the balances of undistributed child support for the period April 1, 2000 through August 31, 2002:

- Do OTDA and the districts make an adequate effort to reduce the amount of undistributed child support balances?

- What is OTDA doing to monitor the districts' compliance with the requirement to resolve in Family Court cases of undistributed child support that are two years old or older?

AUDIT OBSERVATIONS AND CONCLUSIONS

Our audit concluded that OTDA should monitor the districts more closely to verify that undistributed child support is being reduced and that attempts are being made to locate custodial parents. OTDA needs to know which districts are successful at balance-reduction and the methodologies implemented. CSMS capabilities should be enhanced to provide data that will support more-efficient management of these cases.

We found that both OTDA and the districts need to improve their efforts to reduce the balances of undistributed child support. We believe districts should develop and submit formalized strategic plans that identify the resources and staffing levels dedicated to this effort, along with descriptions of their methodologies for reducing the balances. OTDA should also pursue the idea of communicating information about undistributed child support collections on a website as well as other media outlets. (See pp. 7-9)

When we visited three districts (New York City, Suffolk and Albany), we found varying levels of effort. For example, Suffolk's SCU has a dedicated special project unit with two experienced, full-time workers assigned exclusively to these cases. With weekly monitoring of the number of cases resolved and the amounts disbursed, Suffolk's undistributed balance has remained relatively constant. New York City's SCU, the Administration for Children Services (ACS), uses many of the same techniques as the Suffolk SCU, and disburses about \$1 million per month in undistributed child support to custodial and non-custodial parents. However, its balance continued to grow – by almost \$10 million between fiscal year 1999 and fiscal year 2001. In Albany, one investigator works part-time on reducing the balances, and generally does not act until the custodial parent contacts the SCU. Both Suffolk and ACS identify undistributed child support cases that are two years old or older, which could be submitted to Family Court, by working through the list of accumulated cases. Albany officials no longer petition the Family Court. (See pp. 11-13)

Resolving individual undistributed child support cases is a labor-intensive task. Because CSMS cannot age undistributed cases, provide frequency distribution by dollar amount ranges and the number of cases associated with that dollar range, or sort cases by category of undistributed child support, OTDA and the districts cannot make informed decisions regarding where to apply their limited resources in efforts to reduce the balances. (See pp. 15-18)

COMMENTS OF OTDA OFFICIALS

OTDA officials agreed with our recommendations and indicated that they have contracted with a national firm to analyze annual growth, and to develop automated and non-automated approaches that will reduce existing undistributed child support balances substantially. OTDA officials also cited several other initiatives it is taking to facilitate undistributed collections.

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INTRODUCTION

Background

The Child Support Enforcement Program (Program), established by Congress in 1975 as Title IV-D of the Social Security Act (Title IV-D), mandates that states enact laws and carry out required functions to ensure that legally-responsible persons, to the best of their abilities, contribute toward the support of their children. The Program is committed to the enforcement of support obligations on behalf of children, whether they are members of families receiving public assistance or self-supporting families. In the former case, it provides relief to taxpayers by reducing the cost of public assistance; in the latter, it is intended to help families who are currently supporting themselves avoid future dependence on public assistance. Public assistance families receive up to the first \$50 in child support payments; the remainder is shared as partial reimbursement for previous financial support by the Federal, State, and local governments. Child support collected for non-public assistance families is distributed directly to them, to help them remain self-sufficient. The governments share the cost of operating the Program, with the Federal share at 66 percent, the State at 17 percent, and the local government at 17 percent.

In New York State (State), the Division of Child Support Enforcement (DCSE) of the Office of Temporary and Disability Assistance (OTDA) has administered the Child Support Enforcement Program since its inception in 1975. Federal and State law, and OTDA's regulations govern the operation of the entire child support program. DCSE is responsible for supervising, monitoring, and evaluating the Program in New York City and the local social services districts (districts) in each of the State's 57 other counties. For the purpose of this report, DCSE activities are attributed to OTDA.

Each district has a Child Support Enforcement Unit responsible for locating absent parents, establishing paternity, obtaining support orders, and enforcing and collecting support obligations. The district's Support Collection Unit (SCU), usually a sub-

division of the Child Support Enforcement Unit, is responsible for the collection, accounting, enforcement, and disbursement functions for child support payments. DCSE is responsible for operating the Statewide computer system, the Child Support Management System (CSMS), which was designed in 1979. CSMS provides full case management and fiscal accounting controls and, according to OTDA officials, meets Federal case-processing certification requirements.

Federal statutes as amended by Welfare Reform legislation enacted in 1996, require state child support agencies to operate a centralized State Disbursement Unit. This unit is responsible for collecting and disbursing payments on all child support orders enforced by the child support agency, as well as payments on all orders issued after December 31, 1993, for which income is subject to withholding. The State Disbursement Unit must be operated directly by the state agency or by a contractor directly responsible to the state agency. OTDA has contracted to operate the State Disbursement Unit since its inception in 1993, with the most recent 5-year contract, valued at \$75.3 million, expiring on November 30, 2007.

The contractor collects all child support payments in New York State that the non-custodial parent does not pay directly to the custodial parent. Once collected, the funds are disbursed to either the custodial parent or the local district. The contractor processes the payments, deposits the money in bank accounts in the 57 local districts and New York City, prepares the payments on the districts' checks, and mails the checks to the custodial parents in district envelopes. Between 1983 and August 31, 2002, more than \$12 billion in child support payments have been collected and distributed in this manner in New York State.

Between 1979 and August 2002, DCSE accumulated a balance of more than \$70.1 million in undistributed child support. Undistributed child support accrues for a variety of reasons, including the following:

- Custodial parent does not keep the district informed about his or her current address, making it difficult for the district to locate them.
- Collections received before the obligation is due.

- Overpayments not returned to the non-custodial parent.
- Payments received but not distributed pending further legal action.
- Identification of the proper child support case to credit is lacking.
- Tax refund intercepts from joint tax returns that are placed on a six-month hold.

Undistributed child support is an issue on both the state and national level as the unclaimed funds continue to grow, with possible negative effects on the financial well-being of the families for whom they were intended. At the national level, the following undistributed child support balances have been reported to the Federal Office of Child Support Enforcement as of December 31, 2001.

**UNDISTRIBUTED CHILD SUPPORT
TOP TEN STATES
(in millions)
DECEMBER 31, 2001**

1.	California	\$180
2.	Tennessee	\$76
3.	New York	\$62
4.	Michigan	\$44
5.	Florida	\$41
6.	Ohio	\$38
7.	Indiana	\$32
8.	Massachusetts	\$20
9.	Texas	\$18
10.	Missouri	\$16

(Source: Health and Human Services – June 21, 2002)

Audit Scope, Objectives and Methodology

We audited the manner in which OTDA handled undistributed child support funds during the period of April 1, 2000 through August 31, 2002. The objectives of our performance audit were to evaluate the efforts of OTDA and the

districts to reduce the amount of undistributed child support balances, and to determine what the OTDA is doing to monitor the districts' compliance with the requirement to resolve in Family Court cases of undistributed child support that are two years old or older. To accomplish our objectives, we evaluated OTDA's internal controls, policies, procedures, and other internal processes for analyzing and disbursing undistributed child support. Our evaluation was based on meetings with OTDA officials and reviews of applicable laws, rules and regulations, and relevant agency records. We also visited three districts -- New York City (large), Suffolk County (medium), and Albany County (small) -- to review their procedures for analyzing and disbursing undistributed child support collections.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations, which are included within our audit scope. Further, these standards require that we understand the OTDA's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operations, which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Response of OTDA Officials to Audit

A draft copy of this report was provided to OTDA officials for their review and comment. Their comments were considered in preparing this report, and are included as Appendix B. In addition, State Comptroller's Notes to OTDA's response are included as Appendix C.

OTDA officials agreed with our recommendations and indicated that they have contracted with a national firm to analyze annual growth, and to develop automated and non-automated approaches that will reduce existing undistributed child support balances substantially. OTDA officials also cited several other initiatives they are taking to facilitate undistributed collections.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of OTDA shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

OTDA EFFORTS TO REDUCE UNDISTRIBUTED CHILD SUPPORT BALANCES

Child support collected by OTDA on behalf of individuals who are not receiving public assistance is to be forwarded to custodial parents in a timely manner. When undistributed funds have accumulated in a child support case for four months or longer, districts are required to make a diligent effort to locate the custodial parent so the funds can be disbursed. As of August 2002, OTDA reported that the 57 districts and New York City had balances of undistributed child support totaling more than \$70.1 million, representing more than 156,000 cases. Information provided by OTDA officials shows that annual child support collections have increased significantly throughout the six-year period that ended on December 31, 2001 -- from \$671.6 million in 1995 to \$1,288.3 million in 2001. OTDA data also shows that accumulated undistributed child support more than doubled during that period from \$28.9 million to \$61.9 million. Exhibit A of this report lists each district and the level of its undistributed child support as of December 31 in the years 2001, 2000, and 1999; and on August 31, 2002.

If the funds remain undistributed after two years, the districts must petition Family Court for directions on dispersal, either transferring them to the County Treasurer or the New York City Commissioner of Finance, or returning them to the non-custodial parent. Under the law, undistributed child support that remains on deposit with the County Treasurer or New York City Commissioner of Finance for five years is to be forwarded to the Abandoned Property Account managed by the Office of the State Comptroller (OSC). OTDA is required to report quarterly to Health and Human Services (HHS) undistributed child support funds transferred to the OSC Abandoned Property Account. HHS considers these transfers to be Program income, which reduces the Federal share of the Program's cost.

Family Court can rule that, because the district SCU has not made a "diligent effort" to locate the custodial parent, the undistributed child support is to remain in the district. Family Court could also determine that enough effort has been made, and that the funds can now be transferred or returned to the

payer. The five-year limit on deposits with the County Treasurer or New York City Commissioner of Finance begins at the time the funds are first forwarded to either of those offices.

Once undistributed child support leaves the SCU, it is no longer under the authority of OTDA – e.g., it has been forwarded to County Treasurers, the New York City Commissioner of Finance, or the Abandoned Property Account – and is not accounted for in OTDA’s reports on the matter. During the period of April 1986 through February 2002, the Abandoned Property Account received more than \$1,386,000 in undistributed child support, of which more than \$1,345,000 had been forwarded from the New York City Commissioner of Finance. Determining the amounts that remained with the County Treasurers or the New York City Commissioner of Finance was not within the scope of this audit.

OTDA and the districts need to improve their on going efforts to reduce the balances of undistributed child support. Each is aware of the growth in undistributed child support and has attempted to reduce this amount and distribute these funds. For example, during the drafting of the Federal Welfare Reform law, OTDA representatives suggested revisions that made it possible to obtain addresses of custodial parents through the Federal Parent Locator Search process. OTDA representatives have suggested that this resource could be used for locating custodial parents and distributing undistributed child support.

In an effort to reduce the balance of undistributed child support, DCSE applied for a Federal grant during March 2000. The purpose of the Federal grant was to analyze and determine the cause of undistributed child support, and develop recommendations for ways to reduce these funds. However, Federal funding for this project was not approved.

OTDA completed two pilot projects directed at reducing the balance of undistributed child support. OTDA’s letter announcing the first such project in early 1999 indicated that undistributed child support continues to grow significantly and the State is under heavy pressure from the HHS to immediately commit to reducing these funds. The first project, conducted during 1999, resulted in the locating of 1,943 custodial parent addresses and the distribution of more than \$1.5 million in undistributed child support. It involved 18 districts and New

York City, all of which had identified undistributed collection balances greater than \$200,000 as of September 1998.

OTDA completed a second pilot project in March 2000 that resulted in the disbursement of more than \$12.1 million in child support payments in more than 8,160 cases, to either the custodial or non-custodial parent. This project improved on the first project because OTDA established a reporting system this time, officials were able to identify, by districts, the number of cases closed and the funds distributed.

OTDA officials stated that future efforts might include information about undistributed child support collections in a website they are developing. In our opinion, this idea should be pursued, but may not reach everyone because all families do not have access to the Internet and individuals would need to be prompted to seek out the website.

Recommendation

1. Implement a public service outreach program that may include a website as well as print, radio, and/or television advertisements announcing that undistributed child support funds exist and offering suggestions on how to make inquiries of districts.

DISTRICTS' EFFORTS TO REDUCE UNDISTRIBUTED CHILD SUPPORT BALANCES

Districts are responsible for refunding overpayments to payors, applying tax refund offset payments, reducing undistributed child support balances, locating custodial parents, and identifying the child support cases that are to be credited when payments are received with missing information. We visited the New York City, Suffolk, and Albany districts, and found that the three made varying levels of effort to reduce undistributed child support. We also identified several initiatives that could help OTDA reduce its undistributed child support balances.

The number of staff, their skills, and the level of effort they invest in reducing undistributed child support balances differed at the districts we visited. For example, Suffolk's SCU has a dedicated special project unit with two experienced, full-time workers assigned to work exclusively on these cases. The number of cases resolved and the amounts disbursed are monitored weekly to ensure and identify progress. In 2001, Suffolk forwarded to families more than \$2 million in undistributed child support. As a result Suffolk's undistributed balance has remained relatively-constant at about \$6.6 million.

In New York City, the Administration for Children Services (ACS) is responsible for child support enforcement. ACS has set up two specific units to handle undistributed child support: a Suspense Account Unit (part of the larger Payment Adjustment Unit) and a Tax Offset/Lottery Unit staffed by four full-time employees. Using many of the same techniques as the Suffolk SCU to resolve undistributed child support cases ACS forwarded about \$1 million during 2001 to custodial and non-custodial parents. Despite this effort, ACS' balance still grew by almost \$10 million between fiscal year 1999 and fiscal year 2001 to \$37.6 million.

In Albany, one investigator works part-time on reducing undistributed child support balances; and the SCU generally waits to hear from the custodial parent before conducting location searches. Albany district officials told us they believe

that attempts to locate the custodial parent are not cost-effective.

At ACS, cases that are two years old or older are transferred to a Trust and Agency Account. ACS has facilitated the Family Court-petitioning process by batching cases that meet the longevity requirement and submitting the entire batch to the Court. If the Court agrees, the funds are transferred from the ACS to the New York City Commissioner of Finance. For the five-year period that ended in May 2002, ACS forwarded more than \$2.4 million in undistributed child support to the New York City Commissioner of Finance.

OTDA officials were not aware that the Albany SCU was no longer petitioning Family Court on behalf of older cases, or that the Suffolk SCU had revised its petitioning process. In addition, districts are not required to report the number of cases submitted to Family Court and the amount of undistributed child support forwarded to County Treasurer or the New York City Commissioner of Finance.

OTDA should monitor such districts more closely to verify that undistributed child support is being reduced and, to the extent applicable, should emphasize the need to reduce undistributed child support balances and locate custodial parents. OTDA should be more aware of district efforts to reduce the undistributed balances and should know which districts are successful in reducing the balances, as well as the methods some of them employ. For example, OTDA officials told us they have not reviewed district operations to verify that OTDA policies and procedures are being followed. They also indicated that other child support enforcement activities are a higher priority for districts. OTDA officials have reported that districts are reviewed on a regular basis, citing Oneida and Westchester counties as two with which OTDA staff has worked closely to manage undistributed support collections.

In response to Federal concerns by HHS in 1999, OTDA initiated several Statewide pilot projects. During these projects, OTDA emphasized to districts that they are to review suspense accounts and undistributed cases periodically, that they must commit resources to the reduction of balances, that they should allocate sufficient staff for such operations, and that OTDA is obligated to demonstrate to HHS officials that it is taking serious action to reduce the balances.

We believe districts should develop and submit formalized strategic plans, with the objective of reducing undistributed child support, for OTDA's review and approval. Such formalized plans could identify the resources and staffing levels dedicated to this effort, along with descriptions of the districts' methodologies for reducing their balances. They could also include the establishment of goals, such as the amount of funds to be distributed and the number of cases to be closed.

Recommendations

2. Require districts to develop and submit formalized plans for OTDA's approval, with the objective of reducing undistributed child support. Such a plan should address the current status of undistributed child support for the district, as well as staffing utilization, reduction methodologies, the number of cases and amount of undistributed child support to be disbursed, and the maximum level of undistributed child support that should remain in the balance.
3. Require the districts to issue periodic reports of funds disbursed, cases closed, growth in new cases and undistributed funds, the number of cases submitted to Family Court, and the number of cases forwarded to County Treasurers or to the New York City Commissioner of Finance.
4. Identify best practices at the district level that can be shared with other districts.

CHILD SUPPORT MANAGEMENT SYSTEM

The Child Support Management System (CSMS), the Statewide computer system, was designed in 1979 to provide case management and fiscal accounting controls. CSMS provides two basic Statewide undistributed child support categories: collections that can be credited to a specific child support case in a particular district that remain undistributed, and those that cannot be credited to a specific case and are credited to a suspense account. The first category may result from a variety of circumstances – e.g., mailed payments that are returned as undeliverable, payments received before the obligation was due, a paid-up obligation for which the funds have not been returned, a suspended obligation pending legal action, or the need for further review by the local district. However, CSMS does not capture such distinctions and cannot sort by the more-precise causes of undistributed child support. For example, collections can be credited to a suspense account for two distinctly-different reasons: an inability to identify the proper child support case, or tax refund intercepts that occur when joint tax returns are kept on a six-month hold, while amended tax returns are filed.

OTDA's August 2001 report included more than 147,000 cases of undistributed child support. Within this figure were 1,727 suspense accounts with a value of more than \$9.1 million. Because each suspense account can represent more than one child support case, the actual number of cases is greater than 147,000. As a result, CSMS cannot identify the actual number of undistributed child support cases.

CSMS also does not capture the age of undistributed child support cases. When a case is first identified, districts do perform routine processing to learn what is preventing the payment from being made and to locate the custodial parent. At this time, aging of the case could be calculated only at the district level. To verify that the districts were performing these routine activities, we asked OTDA officials for documentation that would support their monitoring efforts. They did not provide us with such documentation, but claimed to be aware that districts perform search activities on a routine basis.

Within or by local district, CSMS can sort cases only in descending order by dollar amount. Therefore, districts cannot readily identify more-recent undistributed cases for which more-current case information might be obtained that would make it easier to locate the custodial parents. Because new cases become commingled with older cases, they may go uninvestigated until they happen to be randomly-selected for review at a later time.

CSMS is also unable to provide a Statewide frequency distribution by dollar amount ranges and the number of cases associated with that dollar range. This information is also not readily available at the district level through CSMS, although CSMS does list cases in the order of descending dollar amounts by district, allowing the districts to sort and count the cases manually by frequency distribution ranges.

We judgmentally selected six local districts (four large districts and two small districts) and manually reviewed the August 2001 undistributed child support report to determine the number of such cases by dollar amount frequency ranges, as illustrated in the following table. The 6 local districts had more than 26,000 individual cases with undistributed child support. We found more than 2,500 cases with undistributed child support balances ranging between \$650 and \$25,000, and more than 23,600 cases with balances of less than \$650. We also found that the highest-valued case for an individual custodial parent was \$43,000 in the August 2001 report. DCSE and the districts could use this information, if available, to more effectively manage and possibly reduce undistributed child support balances.

**UNDISTRIBUTED CHILD SUPPORT CASES BY DOLLAR AMOUNT
AS OF AUGUST 2001 (Selected Counties)**

DOLLAR RANGES	TOTALS	WAYNE	ROCKLAND	NASSAU	MONROE	ERIE	ONONDAGA
\$10,000.00 - 24,999.99	8	0	0	3	0	2	3
\$5,000.00 - \$9,999.99	76	0	1	8	22	26	19
\$1,000.00 - \$4,999.99	1,462	9	71	305	361	455	261
\$650.00 - \$999.99	1,011	13	67	250	221	294	166
\$100.00 - \$649.99	10,720	234	537	2,538	2,218	3,454	1,739
\$50.00 - \$99.99	4,877	177	209	712	1,141	1,775	863
\$1.00 - \$49.99	7,397	359	293	803	1,559	2,929	1,454
\$0.01 - \$0.99	637	22	23	121	128	167	176
Totals	26,188	814	1,201	4,740	5,650	9,102	4,681

On a Statewide basis, OTDA has not enhanced CSMS capabilities so that they would provide the type of data needed for more-efficient management of undistributed child support cases. These capabilities were not foreseen when CSMS was created 23 years ago. OTDA officials announced in early 2002 that they had selected a private contractor to provide districts with management and consulting services to help them address the accumulation of undistributed child support since 1975. According to the project definition, the goal for this contractor is to analyze the sources of undistributed collections, identify strategies for minimizing annual growth, and develop automated and non-automated approaches that will reduce existing balances substantially. These activities are expected to reap multiple benefits, including the following:

- Disbursing funds to the families who need them.
- Providing a uniform approach to problem-solving and sharing those solutions with other child support programs in the State.
- Contributing to the self-sufficiency of families who leave public assistance in response to Welfare Reform initiatives and time limits.

- Encouraging current and future obligors to cooperate and comply with child support orders by assuring them that their children are the ultimate beneficiaries of the dollars paid.
- Closing cases when child support services are no longer requested.

OTDA officials acknowledge that districts will always have an undistributed collection balance. However, they told us they believe this project should help districts keep these balances to a minimum.

Resolving individual undistributed child support cases is a labor-intensive task. Because CSMS cannot age undistributed cases, provide frequency distribution ranges by dollar amounts, or sort cases by category of undistributed child support, OTDA and the districts cannot make informed decisions regarding where to apply their limited resources in efforts to reduce the balances.

Recommendation

5. Determine the feasibility of enhancing CSMS' capabilities so that OTDA staff will be able to perform the following functions when they prepare management reports:
 - Capture and sort undistributed child support cases by cause;
 - Identify the actual number of cases, including those in suspense;
 - Age undistributed child support cases; and
 - Calculate Statewide frequency distributions by dollar amount.

**UNDISTRIBUTED CHILD SUPPORT
MULTI-YEAR COMPARISON
STATEWIDE AND BY LOCAL DISTRICT**

	As of December 31, 1999	As of December 31, 2000	As of December 31, 2001	As of August 31, 2002
New York State	\$49,072,428	\$55,436,226	\$61,929,972	\$70,120,114
New York City	\$27,227,694	\$32,389,198	\$37,699,253	\$44,822,565
Rest of State	\$21,844,734	\$23,047,028	\$24,230,720	\$25,297,549
Albany	\$964,055	\$938,846	\$1,244,010	\$1,376,582
Allegany	\$56,845	\$42,631	\$73,594	\$59,246
Broome	\$251,216	\$196,332	\$224,294	\$261,390
Cattaraugus	\$151,888	\$145,928	\$177,911	\$174,693
Cayuga	\$181,115	\$175,342	\$156,968	\$196,045
Chautauqua	\$562,871	\$654,267	\$581,729	\$614,080
Chemung	\$190,071	\$153,941	\$186,786	\$181,983
Chenango	\$56,390	\$73,353	\$75,836	\$73,144
Clinton	\$58,326	\$66,073	\$73,415	\$104,481
Columbia	\$101,945	\$117,616	\$103,013	\$122,354
Cortland	\$60,484	\$62,585	\$88,447	\$75,101
Delaware	\$51,009	\$71,972	\$93,357	\$68,170
Dutchess	\$343,812	\$397,107	\$348,072	\$473,889
Erie	\$1,803,582	\$2,313,121	\$2,917,794	\$3,358,035
Essex	\$29,684	\$32,031	\$47,526	\$54,555
Franklin	\$56,237	\$57,044	\$85,382	\$57,994
Fulton	\$64,718	\$65,610	\$63,422	\$49,405
Genesee	\$39,475	\$43,554	\$52,165	\$47,235
Greene	\$100,902	\$58,242	\$64,000	\$83,325
Hamilton	\$4,451	\$4,828	\$4,897	\$6,962
Herkimer	\$89,091	\$82,681	\$100,537	\$76,956
Jefferson	\$222,294	\$261,211	\$321,251	\$336,588
Lewis	\$14,978	\$24,343	\$30,996	\$37,982
Livingston	\$46,751	\$42,231	\$42,638	\$41,498
Madison	\$49,932	\$56,442	\$65,506	\$57,421
Monroe	\$2,065,581	\$1,898,230	\$1,528,550	\$1,414,003

	As of December 31, 1999	As of December 31, 2000	As of December 31, 2001	As of August 31, 2002
Montgomery	\$69,595	\$88,633	\$93,361	\$65,203
Nassau	\$1,706,880	\$1,938,696	\$2,134,217	\$2,436,949
Niagara	\$344,741	\$414,732	\$326,016	\$292,220
Oneida	\$281,912	\$328,683	\$379,240	\$427,456
Onondaga	\$1,257,178	\$1,391,464	\$1,475,415	\$1,315,947
Ontario	\$66,927	\$65,034	\$80,215	\$72,835
Orange	\$473,696	\$614,246	\$505,050	\$582,718
Orleans	\$49,707	\$64,426	\$47,169	\$69,524
Oswego	\$132,380	\$114,912	\$126,337	\$146,075
Otsego	\$45,406	\$43,583	\$69,265	\$68,110
Putnam	\$85,574	\$92,962	\$106,631	\$138,479
Rensselaer	\$145,225	\$167,870	\$183,006	\$198,323
Rockland	\$425,858	\$386,547	\$516,305	\$511,397
St. Lawrence	\$117,452	\$143,519	\$141,003	\$188,001
Saratoga	\$164,050	\$178,188	\$216,809	\$223,744
Schenectady	\$379,359	\$493,483	\$477,777	\$407,519
Schoharie	\$24,531	\$19,485	\$29,157	\$28,275
Schuyler	\$15,178	\$22,847	\$21,664	\$28,060
Seneca	\$21,412	\$26,571	\$24,203	\$30,906
Steuben	\$208,580	\$192,853	\$182,164	\$183,686
Suffolk	\$6,593,454	\$6,559,343	\$6,769,672	\$6,451,688
Sullivan	\$227,081	\$257,642	\$224,711	\$200,401
Tioga	\$98,071	\$141,166	\$107,930	\$115,246
Tompkins	\$80,808	\$65,087	\$82,527	\$95,693
Ulster	\$292,396	\$216,545	\$236,143	\$261,278
Warren	\$85,979	\$70,564	\$79,222	\$71,344
Washington	\$60,580	\$85,373	\$135,514	\$131,862
Wayne	\$102,810	\$107,729	\$101,863	\$129,061
Westchester	\$585,268	\$642,988	\$534,584	\$943,347
Wyoming	\$30,054	\$40,878	\$37,734	\$39,601
Yates	\$54,889	\$35,418	\$33,722	\$39,484

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Brian J. Wing
Commissioner

January 24, 2003

Re: Draft Audit Report: OTDA Undistributed
Child Support 2001-S-32

Dear Mr. Challice:

The following is New York State's Office of Temporary and Disability Assistance (OTDA) response to the Office of the State Comptroller (OSC) recommendations offered in the draft report entitled "Office of Temporary and Disability Assistance Undistributed Child Support 2001-S-32," received 12/11/2002. As indicated in our response provided below, OTDA is pleased that the Comptroller's recommendations are compatible with OTDA's direction in managing undistributed collections. We acknowledge and appreciate the OSC staff effort to understand undistributed collections within the context of the overall child support program.

As stated in the Comptroller's report, since the inception of the child support program, OTDA has collected and distributed over \$12 billion in child support collections. More than half of that has been collected since 1995 alone, as annual collections have soared from \$671.6 million to over \$1.326 billion. During this time period, undistributed collections as a percentage of total collections have not increased. In New York State, with the exception of the acceptable business reasons cited in the text of the Comptroller's report, child support payments owed to custodial parents are disbursed within one business day of receipt, well under federal timeframe processing requirements. In addition, undistributed collections have decreased \$2.5 million since the August 2002 figure cited in the Comptroller's report, while at the same time overall collections continue to increase. The following is a point-by-point response to the recommendations offered by the Comptroller, followed by some comments on other selected sections of the report:

1. **Recommendation:** *Implement a public service outreach program that may include a website as well as print, radio, and/or television advertisements announcing that undistributed child support funds exist and offering suggestions on how to make inquiries of local districts.*

Response: The initial phase of the DCSE website was launched on 10/18/2002. One of the key client services provided is the ability for custodial and non-custodial parents to view recent payment histories. Included on this page is the total arrears owed, which identifies as a credit, undistributed amounts for each child support account. On the same web page is a link that prompts both custodial and non-custodial parent to contact local districts if they have any questions about their account. We are exploring modifications to this prompt to include language specific to undistributed collections.

"providing temporary assistance for permanent change"

Other media options cited in the reference such as print, radio and/or television would be considered as a part of our outreach efforts.

2. **Recommendation:** *Require local districts to develop and submit formalized plans for OTDA's approval, with the objective of reducing undistributed child support. Such a plan should address the current status of undistributed child support for the district, as well as staffing utilization, reduction methodologies, the number of cases and amount of undistributed child support to be disbursed, and the maximum level of undistributed child support that should remain in the balance.*

Response: As stated in the report, OTDA entered into a contract a year ago with a national firm with extensive child support experience to provide OTDA and local districts with management and consulting services to specifically address undistributed support. The contractor is charged with analyzing the sources of undistributed collections, identifying strategies for minimizing annual growth, and developing automated and non-automated approaches that will reduce existing balances substantially. OTDA staff has been closely monitoring this project since its inception and are uniquely positioned to evaluate the contractor suggestions in relation to our own experience and research on this subject. Work plans aimed at managing undistributed collections and developed in conjunction with local districts will be monitored accordingly.

3. **Recommendation:** *Require the districts to issue periodic reports of funds disbursed, cases closed, growth of new cases and undistributed funds, the number of cases submitted to Family Court, and the number of cases forwarded to County Treasurers or to the New York City Commissioner of Finance.*

Response: As indicated in our response to recommendation #2 above, while specific reports have yet to be developed, we will monitor local district progress on agreed upon work plans using a variety of techniques including on site visits and periodic reporting.

4. **Recommendation:** *Identify best practices at the district level that can be shared with other districts.*

Response: The contractor is charged with identifying strategies for minimizing annual growth and automated and non-automated approaches that will reduce existing balances substantially, which includes best practices identified in other states as well as local districts within New York. OTDA has a longstanding policy of sharing best practices with local districts (and other states) through a variety of venues including training seminars, regional meetings, semi-annual statewide telecasts and local district on site visits. As successful strategies and tactics emerge for dealing with undistributed collections they will be shared with other local districts.

5. **Recommendation:** *Determine the feasibility of enhancing CSMS' capabilities so that OTDA staff will be able to perform the following functions when they prepare management reports:*

Capture and sort undistributed child support cases by cause, Identify the actual number of cases, including those in suspense, Age undistributed child support cases, and Calculate statewide frequency distributions by dollar amount.

Response: Again, as previously stated, the contractor is charged with analyzing the sources of undistributed collections, identifying strategies for minimizing annual growth, and developing automated and non-automated approaches that will reduce existing balances substantially. Automated approaches are expected to result in enhanced statewide and local district reporting of undistributed collections, including frequency distributions such as age, dollar amount and reason/cause along with other reports as needed.

In addition to the responses stated above, OTDA is involved in several other initiatives, which will have a positive impact on undistributed collections. For example, OTDA entered into a contract with a firm to process child support payments that include the implementation of direct deposit services for custodial parent payments. OTDA is in the planning phase of piloting direct deposit in February 2003. In many instances custodial parents change addresses but do not necessarily change bank accounts. This method of disbursing child support payments will assist in reducing the amount of undistributed collections as the result of checks being returned with no forwarding address.

OTDA is also in the process of completing a cost analysis for the implementation of providing child support payments via electronic benefit transfers (EBT). This is another advancement toward preventing undistributed collections. With EBT, child support payments are transferred to a financial institution holding account until the custodial parent collects on the transfer. This process is not dependent on knowledge and communication of the party's mailing address or change of address.

In addition to our comments on the recommendations, there are several instances in the body of the report that require additional comment and clarification. They are:

Page 2, second paragraph, last sentence is outdated. A new five-year contract was recently awarded.

Page 2, third paragraph, first sentence. The reference to "The contractor collects all child support payments in New York State that the non-custodial parent does not pay directly to his or her employer or the custodial parent" is incorrect. Non-custodial parents do not pay employers.

Page 10, second paragraph, first sentence. New York City based staff who are very familiar with the batch process described were unavailable on the day OSC scheduled the site visit to ACS. By making themselves available, Albany based staff were attempting to facilitate OCS timeframes, rather than reschedule until the availability of New York City based state staff, who are knowledgeable of the procedures referenced.

* Note 1
* Note 1
* Note 1

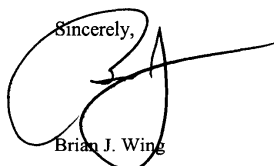
* See State Comptroller's Notes, Appendix C

Page 10, third paragraph. As we indicated on more than one occasion throughout the course of this review, there was an apparent misunderstanding by OSC staff about OTDA's efforts to review local districts' undistributed collection policies and procedures. To further clarify the matter, OTDA staff did conduct reviews and provided examples to OSC prior to the audit end date of August 31, 2002 cited on page 1 of the executive summary and page 3 of the report.

Page 13. First paragraph, second sentence. OSC seems to suggest that it is useful to age the cases because information is more readily available or more valuable on cases with recent undistributed collections. While it may be useful to age the cases, there is no current evidence to support processing undistributed cases in this order. As indicated earlier in this response, we plan to evaluate contractor suggestions in relation to our own experience and research on this subject. Work plans aimed at managing undistributed collections and developed in conjunction with local districts will be monitored accordingly. In the interim, if and when information regarding the location of a custodial parent with unidentified funds becomes available, the account is readily identifiable and disbursing funds is seamlessly integrated into daily disbursement processing routines.

There are also several references throughout the text of the report that OTDA did not emphasize the reduction of undistributed child support until under Federal pressure by HHS in 1999 to do so. This simply is not true and appears to emanate from language taken out of context in OTDA related correspondence that was worded to focus local district attention on undistributed collections.

Thank you for sharing the report with us and we trust that our comments will be considered and the appropriate changes made to the report prior to its final release.

Sincerely,

Brian J. Wing

Mr. William P. Challice
Audit Director
NYS Office of the State Comptroller
110 State Street
Albany, NY 12236

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Note
2

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Note
1

* See State Comptroller's Notes, Appendix C

State Comptroller's Notes

1. We revised our report to address information provided in OTDA's response.
2. The local districts we visited indicated that they have more success locating custodial parents for more recent undistributed child support cases than for older cases. Therefore, we believe the ability of CSMS to age cases would aid the districts in reducing undistributed child support cases.