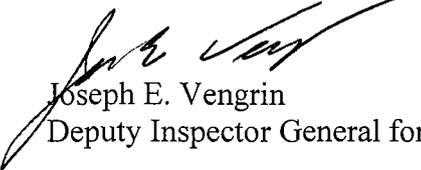




MAR 16 2007

**TO:** Margot Bean  
Commissioner, Office of Child Support Enforcement  
Administration for Children and Families

**FROM:**   
Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Review of Undistributable Child Support Collections in Indiana  
From October 1, 1998, Through December 31, 2005 (A-05-06-00038)

Attached is an advance copy of our final report on undistributable child support collections in Indiana. We will issue this report to the Indiana Department of Child Services (the State agency) within 5 business days.

Our objectives were to determine whether the State agency appropriately recognized and reported program income for undistributable child support collections and interest earned on child support collections.

For the period October 1, 1998, through December 31, 2005, the State agency did not recognize or report program income of \$2,019,859 (\$1,333,107 Federal share) for undistributable child support collections and interest earned. This amount consisted of (1) unclaimed collections totaling \$1,320,722 (\$871,677 Federal share) held by county Clerk of the Circuit Court offices and the State agency that should have been presumed abandoned and transferred to the Attorney General pursuant to State law, (2) undistributable collections totaling \$650,566 (\$429,373 Federal share) that county Clerk of the Circuit Court offices transferred to the Attorney General but did not report as program income, and (3) interest earned on collections held in Marion County totaling \$48,571 (\$32,057 Federal share).

These deficiencies occurred because (1) the State agency did not implement procedures and controls or provide adequate training to county Clerk of the Circuit Court offices, (2) the State agency did not provide sufficient oversight of county Clerk of the Circuit Court offices to ensure that undistributable collections and interest earned were reported as program income, and (3) the Indiana Support Enforcement Tracking System's (ISETS) software programs did not identify all undistributable collections.

We recommend that the State agency:

- ensure that undistributable collections totaling \$1,320,722 (\$871,677 Federal share) are transferred to the Attorney General and reported as program income;
- report program income for undistributable collections totaling \$650,566 (\$429,373 Federal share) that were transferred to the Attorney General and interest earned on child support funds held in Marion County totaling \$48,571 (\$32,057 Federal share);
- review undistributable child support collections for all county Clerk of the Circuit Court offices to ensure proper transfers to the Attorney General and proper reporting of program income;
- implement procedures and controls to ensure that undistributable child support collections are identified in the ISETS and at the county Clerk of the Circuit Court offices, transferred to the Attorney General, reported on Form OCSE-34A, “Child Support Enforcement Program Quarterly Report of Collections,” and recognized as program income on Form OCSE-396A, “Child Support Enforcement Program Financial Report”; and
- provide program oversight and training to county Clerk of the Circuit Court offices to ensure that undistributable collections and interest are identified and reported as program income on Form OCSE-396A.

In its comments on the draft report, the State agency agreed with our recommendations and said that it (1) had taken corrective action to report program income for undistributable collections and (2) would expand oversight of and provide training to county Clerk of the Circuit Court offices.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Joseph J. Green, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at [Joe.Green@oig.hhs.gov](mailto:Joe.Green@oig.hhs.gov). Please refer to report number A-05-06-00038.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES  
OFFICE OF AUDIT SERVICES  
233 NORTH MICHIGAN AVENUE  
CHICAGO, ILLINOIS 60601

REGION V  
OFFICE OF  
INSPECTOR GENERAL

MAR 19 2007

Report Number: A-05-06-00038

The Honorable James W. Payne  
Director, Indiana Department of Child Services  
402 West Washington Street, W392  
Indianapolis, Indiana 46204

Dear Judge Payne:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Review of Undistributable Child Support Collections in Indiana From October 1, 1998, Through December 31, 2005." A copy of this report will be forwarded to the HHS action official noted on the next page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. 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 (5 U.S.C. § 552, as amended by Public Law 104-231), OIG reports issued to the Department's grantees and contractors are made available to the public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-05-06-00038 in all correspondence.

Sincerely yours,

A handwritten signature in black ink that reads "Marc Gustafson".

Marc Gustafson  
Regional Inspector General  
for Audit Services

Enclosures

**Direct Reply to HHS Action Official:**

Regional Administrator  
Administration for Children and Families  
U.S. Department of Health and Human Services, Region V  
233 North Michigan Avenue, Suite 400  
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF UNDISTRIBUTABLE  
CHILD SUPPORT COLLECTIONS  
IN INDIANA  
FROM OCTOBER 1, 1998,  
THROUGH DECEMBER 31, 2005**



Daniel R. Levinson  
Inspector General

March 2007  
A-05-06-00038

# ***Office of Inspector General***

<http://oig.hhs.gov>

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The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

## ***Office of Audit Services***

The Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations. These assessments help reduce waste, abuse, and mismanagement and promote economy and efficiency throughout HHS.

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# *Notices*

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**THIS REPORT IS AVAILABLE TO THE PUBLIC**  
at <http://oig.hhs.gov>

In accordance with the principles of the Freedom of Information Act (5 U.S.C. 552, as amended by Public Law 104-231), Office of Inspector General, Office of Audit Services reports are made available to members of the public to the extent the information is not subject to exemptions in the act. (See 45 CFR part 5.)

## **OAS FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed, as well as other conclusions and recommendations in this report, represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the HHS divisions will make final determination on these matters.



## **EXECUTIVE SUMMARY**

### **BACKGROUND**

The Child Support Enforcement program is a Federal, State, and local partnership, established in 1975 under Title IV-D of the Social Security Act, to collect child support payments from noncustodial parents for distribution to custodial parents. Within the U.S. Department of Health and Human Services, Administration for Children and Families, the Office of Child Support Enforcement (OCSE) provides Federal oversight. Within the Indiana Department of Child Services, the Child Support Bureau (the State agency) supervises the program and provides child support data to the Indiana Family and Social Services Administration for Federal financial reporting. The State agency and county Clerk of the Circuit Court offices manage child support collection and distribution information using the Indiana Support Enforcement Tracking System (ISETS), which was implemented statewide in 1999.

OCSE requires States to offset Child Support Enforcement program costs by recognizing and reporting income from undistributable child support collections and interest earned on child support collections. States report undistributable collections and program income quarterly on Federal Forms OCSE-34A, "Child Support Enforcement Program Quarterly Report of Collections," and OCSE-396A, "Child Support Enforcement Program Financial Report," respectively. Undistributable collections are unclaimed collections that are considered abandoned under State law.

In Indiana, child support collections are presumed abandoned after various time periods depending on whether the State agency or county Clerk of the Circuit Court offices held the funds. After the expiration of the relevant time period, State law requires that these funds be reported and transferred to the Attorney General for deposit into an abandoned property fund. Federal criteria require these funds to be counted as program income and used to reduce Title IV-D program expenditures, which the Federal Government generally reimburses at a rate of 66 percent.

### **OBJECTIVES**

Our objectives were to determine whether the State agency appropriately recognized and reported program income for undistributable child support collections and interest earned on child support collections.

### **SUMMARY OF FINDINGS**

For the period October 1, 1998, through December 31, 2005, the State agency did not recognize or report program income of \$2,019,859 (\$1,333,107 Federal share) for undistributable child support collections and interest earned. This amount consisted of (1) unclaimed collections totaling \$1,320,722 (\$871,677 Federal share) held by county Clerk of the Circuit Court offices and the State agency that should have been presumed abandoned and transferred to the Attorney General pursuant to State law, (2) undistributable collections totaling \$650,566 (\$429,373

Federal share) that county Clerk of the Circuit Court offices transferred to the Attorney General but did not report as program income, and (3) interest earned on collections held in Marion County totaling \$48,571 (\$32,057 Federal share).

These deficiencies occurred because (1) the State agency did not implement procedures and controls or provide adequate training to county Clerk of the Circuit Court offices, (2) the State agency did not provide sufficient oversight of county Clerk of the Circuit Court offices to ensure that undistributable collections and interest earned were reported as program income, and (3) the ISETS's software programs did not identify all undistributable collections.

## **RECOMMENDATIONS**

We recommend that the State agency:

- ensure that undistributable collections totaling \$1,320,722 (\$871,677 Federal share) are transferred to the Attorney General and reported as program income;
- report program income for undistributable collections totaling \$650,566 (\$429,373 Federal share) that were transferred to the Attorney General and interest earned on child support funds held in Marion County totaling \$48,571 (\$32,057 Federal share);
- review undistributable child support collections for all county Clerk of the Circuit Court offices to ensure proper transfers to the Attorney General and proper reporting of program income;
- implement procedures and controls to ensure that undistributable child support collections are identified in the ISETS and at the county Clerk of the Circuit Court offices, transferred to the Attorney General, reported on Form OCSE-34A, and recognized as program income on Form OCSE-396A; and
- provide program oversight and training to county Clerk of the Circuit Court offices to ensure that undistributable collections and interest are identified and reported as program income on Form OCSE-396A.

## **STATE AGENCY COMMENTS**

In its comments on the draft report, the State agency agreed with our recommendations and said that it (1) had taken corrective action to report program income for undistributable collections and (2) would expand oversight of and provide training to county Clerk of the Circuit Court offices. The State agency's comments are included as the Appendix.

# TABLE OF CONTENTS

	<u>Page</u>
<b>INTRODUCTION</b> .....	1
<b>BACKGROUND</b> .....	1
Child Support Enforcement Program.....	1
Requirements for Reporting Program Income.....	1
Prior Audit of Indiana Child Support Costs Claimed.....	3
<b>OBJECTIVES, SCOPE, AND METHODOLOGY</b> .....	3
Objectives .....	3
Scope.....	3
Methodology .....	4
<b>FINDINGS AND RECOMMENDATIONS</b> .....	5
<b>UNCLAIMED COLLECTIONS HELD BY COUNTIES AND THE STATE</b> .....	5
Federal and State Requirements .....	6
Unclaimed Collections Held by County Clerk of the Circuit Court Offices .....	7
Unclaimed Collections Held by the State Agency.....	7
<b>UNCLAIMED COLLECTIONS TRANSFERRED BY COUNTIES</b> .....	7
Federal and State Requirements .....	8
Undistributable Collections Not Reported to the State Agency .....	8
Undistributable Collections Not Reported by the State Agency .....	8
<b>COUNTY INTEREST EARNED ON COLLECTIONS</b> .....	8
<b>RECOMMENDATIONS</b> .....	9
<b>STATE AGENCY COMMENTS</b> .....	9
<b>APPENDIX</b>	
<b>STATE AGENCY COMMENTS</b>	

## **INTRODUCTION**

### **BACKGROUND**

#### **Child Support Enforcement Program**

The Child Support Enforcement program is a Federal, State, and local partnership, established in 1975 under Title IV-D of the Social Security Act, to ensure that noncustodial parents provide support for their children. The program collects child support payments from noncustodial parents for distribution to custodial parents. Within the U.S. Department of Health and Human Services, Administration for Children and Families, the Office of Child Support Enforcement (OCSE) provides Federal oversight by setting program standards and policy, evaluating performance, and offering technical assistance. Within the Indiana Department of Child Services, the Child Support Bureau (the State agency) supervises the program and provides child support data to the Indiana Family and Social Services Administration for Federal financial reporting. The Indiana Family and Social Services Administration compiles child support collections and cost data from State and county accounting systems for Federal financial reporting quarterly. The State agency receives Federal reimbursement, generally at a rate of 66 percent of program costs.

The State agency and county Clerk of the Circuit Court offices manage child support collection and distribution information by using the Indiana Support Enforcement Tracking System (ISETS), which was implemented statewide in 1999. The ISETS is an automated Child Support Enforcement data processing and information retrieval system used to record collections from noncustodial parents and track distributions to custodial parents. The State agency and county Clerk of the Circuit Court offices use the ISETS to identify annually those unclaimed collections that meet the State's abandoned property requirements. For unclaimed collections that counties received prior to 1999 that are not recorded in the ISETS, county Clerk of the Circuit Court offices must report to the State agency any collections transferred to the Attorney General as abandoned property so that the State agency can report them as program income. The Attorney General, through the State Treasurer, is responsible for holding abandoned collections until a valid claim is made or the funds are deposited into the State's general fund.

#### **Requirements for Reporting Program Income**

OCSE requires States to offset Child Support Enforcement program costs by recognizing and reporting program income from undistributable child support collections and interest earned on child support collections. Undistributable collections are unclaimed collections that are considered abandoned under State law. States report undistributable collections and program income quarterly on Federal Forms OCSE-34A, "Child Support Enforcement Program Quarterly Report of Collections," and OCSE-396A, "Child Support Enforcement Program Financial Report," respectively.

### *Undistributable Collections*

The OCSE Policy Interpretation Question (PIQ)-88-7 and OCSE-PIQ-90-02 require States to offset Child Support Enforcement program costs by recognizing and reporting undistributable collections as program income at the time the funds are considered abandoned. OCSE-PIQ-88-7 states:

If a . . . collection is truly undistributable, the State may dispose of it in accordance with State law. States may, for example, provide that such collections must be refunded to the obligor or that they become the property of the State if unclaimed after a period of time. In the latter case, . . . this revenue must be counted as program income and be used to reduce IV-D program expenditures, in accordance with Federal regulations at 45 CFR § 304.50.

OCSE-PIQ-90-02 states: “Every State has statutes and regulations governing the handling of unclaimed or abandoned property left in its care. OCSE-PIQ-88-7, dated July 11, 1988, recognizes this fact and encourages each State to utilize these individual State procedures to report undistributable or uncashed . . . collections as title IV-D program income.” This guidance concludes that “[c]ollections determined to be undistributable should be reclassified and reported as program income when the State, in accordance with State law, defines these funds to have been abandoned.”

The instructions for Forms OCSE-34A and OCSE-396A require States to report program income for undistributable collections when State law considers them abandoned. The Form OCSE-34A instructions for line 9a define undistributable collections as “[t]he portion of collections reported on Line 9 that, despite numerous attempts, the State has determined it will be unable to distribute . . . and unable to return to the non-custodial parent. Under State law, these amounts are considered to be ‘abandoned property.’ ”

The Form OCSE-396A instructions for line 2b define program income as “[t]he total amount of other income to the State used to offset the administrative costs reported on Lines 1a or 1b. Include: . . . (ii) undistributable child support collections as reported on Line 9a of Form OCSE-34A, the ‘Quarterly Report of Collections;’ . . . .”

Pursuant to Indiana law, child support collections are presumed abandoned and must be transferred to the Attorney General and deposited in the abandoned property fund when held by the State agency for 1 year or by the court or court clerk for at least 5 years. When the abandoned collections are transferred to the Attorney General, Federal criteria require the State agency to report the undistributable collections as program income.

### *Interest Earned on Child Support Collections*

The OCSE Action Transmittal (AT)-89-16 requires States to offset Child Support Enforcement program costs by recognizing and reporting program income from interest earned on child support collections received in the administration of the Child Support Enforcement Program.

Specifically, OCSE-AT-89-16 states: “Although not required by either statute or regulation, many States have chosen to invest or deposit these funds in income-producing accounts. Any amount earned through these activities is considered program income and must be used by States to offset program expenditures.”

### **Prior Audit of Indiana Child Support Costs Claimed**

The OCSE Division of Audit conducted a limited review of administrative costs that Indiana claimed from January 1 through December 31, 1997, and issued a final report (IN-98-LC) on November 30, 1999. The report identified abandoned collections of \$533,514 that were not reported as program income and used to reduce Title IV-D program expenditures. Additionally, the report identified \$20,462 in interest earned on county Clerk of the Circuit Court offices’ bank accounts that contained child support collections and \$2,903 in interest earned on trust funds that were not reported as program income. The OCSE Division of Audit recommended that Indiana make an adjustment for the unreported program income, and the State agreed.

In a follow-up report (IN-01-SR) dated January 22, 2003, the OCSE Division of Audit concluded that the State had adjusted its expenditure reports for the unreported income. However, the State still needed to design a system to identify undistributable collections transferred by county Clerks of Court offices to the Attorney General so that program income could be properly reported.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to determine whether the State agency appropriately recognized and reported program income for undistributable child support collections and interest earned on child support collections.

### **Scope**

We reviewed undistributable collections reported on the Form OCSE-34A and program income reported on the Form OCSE-396A for the period October 1, 1998, through December 31, 2005. During this timeframe, the State agency reported program income totaling \$9,149,881 from undistributable collections and interest earned. We reviewed undistributable collections pertaining to (1) unclaimed child support collections that could not be identified with or disbursed to the custodial parent or returned to the noncustodial parent and (2) checks for child support collections that were disbursed to the recipient but not cashed.<sup>1</sup>

For collections received after the ISETS was implemented statewide in 1999, we relied on the information in the ISETS to identify undistributable collections. For collections received prior to 1999 and not recorded in the ISETS, we selected for review child support data for the four

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<sup>1</sup>During the audit period, checks and warrants that were not cashed did not meet the abandoned property law requirements.

county Clerk of the Circuit Court offices with the highest amounts of unclaimed collections held or transferred to the Attorney General:

- For Marion County, we reviewed \$922,279 of unclaimed child support collections held that met the requirements of the State unclaimed property law and had not been transferred as abandoned property to the Attorney General. We did not review unclaimed collections transferred to the Attorney General before the county began using the ISETS because the county could not provide us with the requested data. We could not rely on the Attorney General's data because reported abandoned property was not properly coded as child support. We also verified interest earned on the unclaimed collections.
- For St. Joseph County, we reviewed \$322,568 of unclaimed child support collections held that the county had received from 1996 through 1998 but had not transferred to the Attorney General. We did not review unclaimed child support collections before this period because the county could not provide us with the requested data. Collections after 1998 were processed in the ISETS, and we reviewed them using the ISETS information. We also verified interest earned on the collections.
- For Lake and Vanderburgh Counties, we limited our review to unclaimed child support collections of \$823,533 and \$73,632, respectively, that the counties had transferred to the Attorney General because the counties either were not currently holding unclaimed collections or the amount held was immaterial.

We limited our review of internal controls to understanding the State agency's policies and procedures for reporting undistributable collections and interest earned on collections as program income. Specifically, we reviewed the policies and procedures that the State agency and selected county Clerk of the Circuit Court offices used to identify unclaimed property presumed abandoned under State law and to report undistributable collections and program income according to Federal requirements.

We performed fieldwork at the Indiana Department of Child Services, Indiana Family and Social Services Administration, and selected county Clerk of the Circuit Court offices from February through July 2006.

## **Methodology**

To accomplish our objectives, we:

- reviewed applicable Federal and State laws and regulations;
- reviewed applicable Administration for Children and Families program and policy announcements;

- interviewed State agency and county Clerk of the Circuit Court officials to identify their policies, procedures, training, and internal controls for recognizing and reporting program income pertaining to undistributable collections and interest earned on program funds;
- verified interest on the child support accounts that the State agency earned and reported;
- verified interest earned and reported by selected county Clerk of the Circuit Court offices;
- reviewed unclaimed child support collections data from the State agency and county Clerk of the Circuit Court offices to quantify the amount that met the requirements of the State unclaimed property law and estimated the Title IV-D portion of child support collections using the county caseload data; and
- compared and reconciled undistributable child support collections data to amounts reported on Forms OCSE-34A and OCSE-396A.

We performed our audit in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

For the period October 1, 1998, through December 31, 2005, the State agency did not recognize or report program income of \$2,019,859 (\$1,333,107 Federal share) for undistributable child support collections and interest earned. This amount consisted of (1) unclaimed collections totaling \$1,320,722 (\$871,677 Federal share) held by county Clerk of the Circuit Court offices and the State agency that should have been presumed abandoned and transferred to the Attorney General pursuant to State law, (2) undistributable collections totaling \$650,566 (\$429,373 Federal share) that county Clerk of the Circuit Court offices transferred to the Attorney General but did not report as program income, and (3) interest earned on collections held in Marion County totaling \$48,571 (\$32,057 Federal share).

These deficiencies occurred because (1) the State agency did not implement procedures and controls or provide adequate training to county Clerk of the Circuit Court offices, (2) the State agency did not provide sufficient oversight of county Clerk of the Circuit Court offices to ensure that undistributable collections and interest earned were reported as program income, and (3) the ISETS's software programs did not identify all undistributable collections.

### **UNCLAIMED COLLECTIONS HELD BY COUNTIES AND THE STATE**

The county Clerk of the Circuit Court offices and the State agency did not presume unclaimed collections of \$1,320,722 (\$871,677 Federal share) abandoned and transfer them to the Attorney General pursuant to State law. The county Clerk of the Circuit Court offices and the State agency should have transferred undistributable collections totaling \$1,002,945 and \$317,777, respectively, and these amounts then should have been recognized as program income.

## Federal and State Requirements

OCSE requires States to offset Child Support Enforcement program costs by recognizing and reporting program income from undistributable child support collections.

Indiana's Unclaimed Property Act establishes (1) how long property must be held before it is presumed abandoned and (2) when the State agency and county Clerk of the Circuit Court offices must report and transfer the abandoned property to the Attorney General. The Indiana Attorney General processes unclaimed property reports and holds abandoned property funds. Indiana Code § 32-34-1-20(c) states:

Property that is held . . . is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

(6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3.

(7) For property held by a state or other government, governmental subdivision or agency . . . one (1) year after the property becomes distributable.

For property that is presumed abandoned and held by a court or court clerk, Indiana Code § 32-34-3-2(c) and (d) require the clerk to transfer the property to the Attorney General upon demand, and the funds will then be deposited into the abandoned property fund. On August 2, 2004, the State agency issued Action Transmittal CSB-271 to county Clerk of the Circuit Court offices providing more specific guidance for the transfer of unclaimed collections in the ISETS to the Attorney General. CSB-271 states:

- A program will run **each January** to adjust back into the system, outstanding checks, which by State statute . . . are void (at least 2 years old) . . . .
- A program will run **each November** that will transfer monies from the Clerk to the State Attorney General that are . . . equal to or greater than 5 years as of 10/31 of the current year and . . . the original check date is equal to or greater than 5 years old as of 10/31 of the current year (stale-dated) . . . . A single check will print for these monies at your county payable to the State Attorney General . . . .

For property that is presumed abandoned and held by the State agency, Indiana Code § 32-34-1 requires the State agency to report and transfer unclaimed property to the Attorney General, and the Attorney General is required to deposit these funds in the abandoned property fund.

## **Unclaimed Collections Held by County Clerk of the Circuit Court Offices**

County Clerk of the Circuit Court offices held \$1,002,945 in unclaimed collections beyond the applicable 5-year period. (See the following table.) Because the offices did not transfer the collections to the Attorney General or notify the State agency that the collections were undistributable, the State agency did not report the unclaimed collections as undistributable and program income on Forms OCSE-34A and OCSE-396A, respectively.

### **County Collections Unclaimed After 5-Year Period**

<b><u>County</u></b>	<b><u>Unclaimed Collections</u></b>
Marion	\$816,170
St. Joseph <sup>2</sup>	156,020
Others	<u>30,755</u>
<b>Total</b>	<b>\$1,002,945</b>

The State agency did not request data for unclaimed collections held more than 5 years, and some county personnel were unaware of the requirement to transfer the unclaimed collections. This condition occurred because (1) the State agency did not provide sufficient oversight and training to ensure that county Clerk of the Circuit Court offices transferred unclaimed collections to the Attorney General pursuant to State law and (2) the ISETS's software programs did not identify all undistributable collections.

## **Unclaimed Collections Held by the State Agency**

The State agency held unclaimed collections totaling \$317,777 beyond the applicable 1-year period. Although the State agency used the ISETS to identify unclaimed collections that it held more than 1 year, the ISETS's software programs did not identify all the undistributable collections because the programs used an incorrect date field to identify the age of the collections. Consequently, the State agency did not transfer the collections to the Attorney General after the applicable period or report them as program income.

## **UNCLAIMED COLLECTIONS TRANSFERRED BY COUNTIES**

The State agency did not report program income totaling \$650,566 (\$429,373 Federal share) for undistributable child support collections that were transferred to the Attorney General as abandoned property. This amount consisted of \$625,264 that county Clerk of the Circuit Court offices transferred without notifying the State agency and \$25,302 transferred with the knowledge of the State agency.

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<sup>2</sup>The collections were received during 1996, 1997, and 1998. The St. Joseph County Clerk of the Circuit Court office was unable to provide records for all unclaimed collections that should have been transferred during the audit period.

## **Federal and State Requirements**

OCSE requires States to offset Child Support Enforcement program costs by reporting undistributable child support collections as program income at the time the funds are considered abandoned. In Indiana, the period in which child support collections are presumed abandoned varies depending on whether the State agency or the county Clerk of the Circuit Court offices held the funds. State law requires that funds that are presumed abandoned be reported and transferred to the Attorney General.

### **Undistributable Collections Not Reported to the State Agency**

Two county Clerk of the Circuit Court offices did not notify the State agency of at least \$625,264 in undistributable collections that were transferred to the Attorney General as abandoned property.<sup>3</sup> The State agency did not request data related to transferred collections, and county personnel were unaware of the need to notify the State agency upon transfer of the funds. Consequently, the State agency did not report the collections as undistributable and program income on Forms OCSE-34A and OCSE-396A, respectively, and did not offset program expenditures. This condition occurred because the State agency did not provide sufficient oversight or training to ensure that the county Clerk of the Circuit Court offices reported all undistributable collections that were transferred to the Attorney General.

### **Undistributable Collections Not Reported by the State Agency**

For the quarter that ended December 2004, county Clerk of the Circuit Court offices transferred undistributable collections of \$25,302 to the Attorney General with State agency knowledge, but the State agency did not report the amount as undistributable and program income on Forms OCSE-34A and OCSE-396A, respectively. This condition occurred because the State agency did not implement procedures and controls to ensure that funds transferred to the Attorney General were reported on the OCSE forms.

## **COUNTY INTEREST EARNED ON COLLECTIONS**

Although the State agency reported program income for most interest earned on child support collections for the audit period, the State agency did not report program income totaling \$48,571 (\$32,057 Federal share) for interest earned on child support collections held in Marion County.<sup>4</sup> OCSE-AT-89-16 requires States to report program income from interest earned on collections, fees, or recovered costs and to offset program income against Child Support Enforcement costs. The State agency was unaware that the Marion County Clerk of the Circuit Court office had earned interest on a bank account that contained Title IV-D child support collections, and county personnel were unaware of the requirement to report interest earned to the State agency. This

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<sup>3</sup>Undistributable collections were reduced for Title IV-D child support payments disbursed from the abandoned property fund.

<sup>4</sup>We estimated the interest earned by multiplying Marion County summary account balances by interest rates effective for other State investments during this timeframe. The State agency provided the interest rates.

condition occurred because the State agency did not provide sufficient oversight or training to ensure that the county Clerk of the Circuit Court reported interest earned as program income.

## **RECOMMENDATIONS**

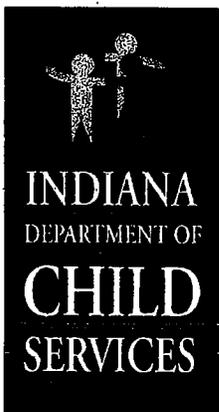
We recommend that the State agency:

- ensure that undistributable collections totaling \$1,320,722 (\$871,677 Federal share) are transferred to the Attorney General and reported as program income;
- report program income for undistributable collections totaling \$650,566 (\$429,373 Federal share) that were transferred to the Attorney General and interest earned on child support funds held in Marion County totaling \$48,571 (\$32,057 Federal share);
- review undistributable child support collections for all county Clerk of the Circuit Court offices to ensure proper transfers to the Attorney General and proper reporting of program income;
- implement procedures and controls to ensure that undistributable child support collections are identified in the ISETS and at the county Clerk of the Circuit Court offices, transferred to the Attorney General, reported on Form OCSE-34A, and recognized as program income on Form OCSE-396A; and
- provide program oversight and training to county Clerk of the Circuit Court offices to ensure that undistributable collections and interest are identified and reported as program income on Form OCSE-396A.

## **STATE AGENCY COMMENTS**

In its comments on the draft report, the State agency agreed with our recommendations and said that it (1) had taken corrective action to report program income for undistributable collections and (2) would expand oversight of and provide training to county Clerk of the Circuit Court offices. The State agency's comments are included as the Appendix.

# **APPENDIX**



Mitchell E. Daniels, Jr., Governor  
James W. Payne, Director

**Indiana Department of Child Service  
Child Support Bureau**  
Room W360 – MS11  
402 W. Washington Street  
Indianapolis, Indiana 46204-2739

317-233-5437  
FAX: 317-233-4925

[www.in.gov/dcs](http://www.in.gov/dcs)

**Child Support Hotline: 800-840-8757  
Child Abuse and Neglect Hotline: 800-800-5556**

Mr. Marc Gustafson  
Regional Inspector General for Audit Services  
Region V  
233 North Michigan Avenue  
Chicago, Illinois 60601

RE: Draft Report # A-05-06-00038

Dear Mr. Gustafson:

Thank you for the opportunity to respond to the OIG draft report entitled "Review of Undistributable Child Support Collections in Indiana From October 1, 1998, Through December 31, 2005." Your recommendations and our responses are provided below.

**RECOMMENDATION:**

We recommend that the State agency ensure that undistributable collections totaling \$1,320,722 (\$871,677 Federal share) are transferred to the Attorney General and reported as program income.

**RESPONSE:**

The State agency agrees with this recommendation. Changes to the automated system are required to fully implement the recommendation. From a systems standpoint, the State agency projects that it will have the programming in place by November, 2008, to automatically transfer funds annually from the county Clerks and the State undistributable collections. Until the system changes can be implemented, a task force will be assigned to manually review and adjust the transactions that currently meet the one year and five year statutory rules for abandoned property.

For the quarter ended 12/31/06, \$169,460 was reported as transferred to the Indiana Attorney General from Indiana county Clerk offices, and as of January, 2007, \$329,878.87 was transferred from the State.

**RECOMMENDATION:**

We recommend that the State agency report program income for undistributable collections totaling \$650,566 (\$429,373 Federal share) that were transferred to the Attorney General and interest earned on child support funds held in Marion County totaling \$48,571 (\$32,057 Federal share).



*Protecting our children, families and future*

**RESPONSE:**

The State agency agrees with this recommendation and reported on the OCSE-34A dated 9/30/2006 the previous transfers of undistributable collections from Lake and Vanderburgh counties in the amount of \$683,225 and \$25,302 from the State. Marion County generally agrees with the recommendation and is working with the State agency to determine and report the interest earned. The interest income will be reported to the Indiana Child Support Bureau by the county on or before June 30, 2007 and will flow to the OCSE-396A in that quarter.

**RECOMMENDATION:**

We recommend that the State agency review undistributable child support collections for all county Clerk of the Circuit Court offices to ensure proper transfers to the Attorney General and proper reporting of program income.

**RESPONSE:**

The State agency worked with all 92 Indiana counties to determine all undistributable child support collections outside of the automated child support system that had not been previously transferred to the Attorney General. On the OCSE-34A report for the quarter ended 9/30/2006 a total of \$1,343,689 was reported that had been transferred during that period to the Attorney General.

**RECOMMENDATION:**

We recommend that the State agency implement procedures and controls to ensure that undistributable child support collections are identified in the ISETS and at the county Clerk of the Circuit Court offices, transferred to the Attorney General, reported on Form OCSE-34A, and recognized as program income on Form OCSE-396A.

**RESPONSE:**

The State agency agrees with the recommendation and will make changes to the automated system to expand the definition of undistributable receipts to all receipts other than those specifically held by order of the court.

**RECOMMENDATION:**

We recommend that the State agency provide program oversight and training to county Clerk of the Circuit Court offices to ensure that undistributable collections and interest are identified and reported as program income on Form OCSE-396A.

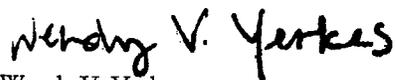
**RESPONSE:**

The State agency agrees with the response and will expand our oversight and training to the county Clerk of the Circuit Court offices. In the past, the direction for the clerks regarding statutory obligations has come from the Indiana State Board of Accounts through annual meetings and their "Accounting and Compliance Guidelines Manual for Clerks of the Circuit Court." See Appendix A for a copy of the appropriate section of this document. The text in bold refers directly to unclaimed child support.

In addition, the State agency has presented training at these annual meetings regarding child support issues. In the future, additional emphasis will be placed on training about undistributable child support funds at the annual meeting. An Action Transmittal was disseminated to the county clerks when the automated system began the scheduled processing of undistributable collections in August of 2004. In the future an action transmittal will be sent when each automated action occurs.

Again, I appreciate this opportunity to respond to your review. In summary, as a direct result of your findings, we have found and transferred to the Indiana Office of the Attorney General over \$2 million dollars in undistributable child support that was not previously identified. The Unclaimed Property division of our Attorney General's office is extremely successful in finding the proper owners, so we expect the majority of those funds to be transferred to the families within the coming year.

Sincerely,

Handwritten signature of Wendy V. Yerkes in black ink.

Wendy V. Yerkes  
Deputy Director  
Child Support Bureau  
Department of Child Services

## APPENDIX A

8-8

### UNCLAIMED OR RETURNED OUTSTANDING CHECKS

The clerk should never allow checks to remain outstanding for an unreasonable length of time. Checks mailed and returned because of inability of delivery to the payee should be receipted to the cash book as an item of trust and reinstated in the register of trust in the name of the payee. The clerk should write a receipt to himself or herself for the unclaimed check and deposit it in the designated depository the same as receiving money from any other person. The check should be endorsed:

FOR DEPOSIT ONLY  
NOT USED FOR PURPOSE INTENDED

CLERK OF CIRCUIT COURT

If the payee does not thereafter claim his money and the money is not related to child support, such amount must be held in trust for five years and paid over to the Attorney General pursuant to the requirements of IC 32-34-3. **All money related to child support that remains in the office of the clerk should be posted in the ISETS System. Child support monies that are not claimed should not be posted to Trust. All money related to child support that remains in the office of the clerk for a period of five years after being distributable without being claimed shall be collected by the Attorney General.**

### OLD OUTSTANDING CHECKS NOT RETURNED

In order to eliminate old outstanding checks from the records, perform the following:

1. Issue a formal stop payment order to the bank upon which each check is drawn.
2. **If the check was for child support, follow the procedures established to enter the check into ISETS. For all other checks, enter the amount of each check as a receipt in the cash book. Post the respective amounts to the trust column of the cash book and enter each amount in the name of the payee in the register of trust.**
3. Since the checks have never cleared the bank, the amount is still on deposit. Therefore, when all such checks are charged to the records and reinstated in the trust register or ISETS, the original check numbers will be eliminated as outstanding in the next reconciliation with the bank.
4. If, at the time such checks are restored to the records, the original dates indicate the checks have been outstanding for five or more years, they should be paid over to the Attorney General immediately. The original date should be shown in the register of trust or on ISETS. If the checks are not old enough to be collected by the Attorney General they should be held until the proper time period has elapsed.

The entry in the cash book, for non-child support outstanding checks, should be:

"Old Outstanding Check No. \_\_\_\_\_ issued \_\_\_\_\_ (date) \_\_\_\_\_, to \_\_\_\_\_  
(Name) \_\_\_\_\_," and extend the amounts to the total and trust fund columns.

### TRUST ITEM

All items that can be legally disbursed should be paid immediately to the person or persons entitled thereto. **All fees and funds five or more years old, including old outstanding checks, should be scheduled on forms provided by the Attorney General and paid over to the Attorney General as required by IC 32-34-3. They should not be allowed to accumulate beyond the proper time period for remittance to the Attorney General.**