



JAN 25 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 Connecticut From  
October 1998 Through December 2005 (A-01-06-02502)

Attached is an advance copy of our final report on undistributed child support collections in Connecticut from October 1998 through December 2005. We will issue this report to the Connecticut Department of Social Services (the State agency) within 5 business days.

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

As of the quarter that ended December 2005, the State agency had not reported program income totaling \$1,616,270 (\$1,066,738 Federal share) in outstanding unclaimed or undistributed child support collections that were held more than 3 years. These amounts included \$1,121,914 (\$740,463 Federal share) in outstanding uncashed child support checks held by the fiscal agent since 2001 and \$494,356 (\$326,275 Federal share) identified on the quarterly Office of Child Support Enforcement (OCSE) forms as undistributed child support collections that the State agency had not declared as abandoned.

This deficiency occurred because the State agency did not have adequate controls to ensure that undistributable child support collections were reported in accordance with Federal and State requirements.

The State agency did not earn interest on balances in the child support collections account because the account was not interest bearing. Accordingly, we performed no further audit work in this area.

We recommend that the State agency:

- report child support collections totaling \$1,616,270 (\$1,066,738 Federal share) as abandoned and undistributable on Federal Form OCSE-34A, "Child Support Enforcement

Program Quarterly Report of Collections,” transfer this amount to the State treasurer, and report this amount as program income on the next quarterly Federal Form OCSE 396-A, “Child Support Enforcement Program Financial Report,” and

- implement controls to ensure that State unclaimed property procedures are adhered to and that all future collections remaining undistributable for more than 3 years are declared abandoned, transferred to the State treasurer, and reported as undistributable and program income on the quarterly Federal financial reports.

In its comments on our draft report, the State agency generally agreed with our recommendations.

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-01-06-02502.

Attachment



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF INSPECTOR  
GENERAL

JAN 29 2007

Office of Audit Services  
Region I  
John F. Kennedy Federal  
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Boston, MA 02203  
(617) 565-2684

Report Number: A-01-06-02502

Ms. Patricia Wilson-Coker  
Commissioner  
Department of Social Services  
25 Sigourney Street  
Hartford, Connecticut 06106

Dear Ms. Wilson-Coker:

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 Connecticut From October 1998 Through December 2005." A copy of this report will be forwarded to the HHS action official noted on the following 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 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).

Should you have any questions or comments about this report, please do not hesitate to call me, or contact George Nedder, Audit Manager, at (617) 565-3463 or through e-mail at [George.Nedder@oig.hhs.gov](mailto:George.Nedder@oig.hhs.gov). Please refer to report number A-01-06-02502 in all correspondence.

Sincerely yours,

Michael J. Armstrong  
Regional Inspector General  
for Audit Services

Enclosures

**Direct Reply to HHS Action Official:**

Hugh Galligan  
Regional Administrator  
Administration for Children and Families – Region I  
U. S. Department of Health and Human Services  
JFK Federal Building, Room 2000  
Boston, Massachusetts 02203

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**REVIEW OF UNDISTRIBUTABLE  
CHILD SUPPORT COLLECTIONS  
IN CONNECTICUT FROM  
OCTOBER 1998 THROUGH  
DECEMBER 2005**



Daniel R. Levinson  
Inspector General

January 2007  
A-01-06-02502

# ***Office of Inspector General***

<http://oig.hhs.gov>

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## **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 and State 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. In Connecticut, the Department of Social Services (the State agency) administers the program through its Bureau of Child Support Enforcement and receives Federal reimbursement at a rate of 66 percent of program costs. The State agency contracts with a local bank to act as its fiscal agent for processing child support collections.

Undistributable collections result when the State agency receives a child support payment but cannot identify or locate the custodial parent or return the funds to the noncustodial parent. OCSE requires States to offset Child Support Enforcement program costs by recognizing and reporting undistributable child support collections as program income at the time that the collections are considered abandoned under State law. Connecticut's abandoned property laws state that unclaimed property that the State has held for the owner for more than 3 years is presumed abandoned and must be transferred to the State treasurer.

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.

### **OBJECTIVES**

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

### **SUMMARY OF FINDINGS**

As of the quarter that ended December 2005, the State agency had not reported program income totaling \$1,616,270 (\$1,066,738 Federal share) in outstanding unclaimed or undistributed child support collections that were held more than 3 years. These amounts included \$1,121,914 (\$740,463 Federal share) in outstanding uncashed child support checks held by the fiscal agent since 2001 and \$494,356 (\$326,275 Federal share) identified on the quarterly OCSE forms as undistributed child support collections that the State agency had not declared as abandoned.

This deficiency occurred because the State agency did not have adequate controls to ensure that undistributable child support collections were reported in accordance with Federal and State requirements.

The State agency did not earn interest on balances in the child support collections account because the account was not interest bearing. Accordingly, we performed no further audit work in this area.

## **RECOMMENDATIONS**

We recommend that the State agency:

- report child support collections totaling \$1,616,270 (\$1,066,738 Federal share) as abandoned and undistributable on the OCSE-34A, transfer this amount to the State treasurer, and report this amount as program income on the next quarterly OCSE-396A and
- implement controls to ensure that State unclaimed property procedures are adhered to and that all future collections remaining undistributable for more than 3 years are declared abandoned, transferred to the State treasurer, and reported as undistributable and program income on the quarterly Federal financial reports.

## **STATE AGENCY'S COMMENTS**

In its comments on our draft report, the State agency generally agreed with our recommendations. The State agency's comments are included in their entirety as the Appendix.

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## **INTRODUCTION**

### **BACKGROUND**

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

The Child Support Enforcement program is a Federal and State 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 (ACF), the Office of Child Support Enforcement (OCSE) provides Federal oversight. In Connecticut, the Department of Social Services (the State agency) administers the program through its Bureau of Child Support Enforcement and receives Federal reimbursement at a rate of 66 percent of program costs. The State agency contracts with a local bank to act as its fiscal agent for processing child support collections.

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

Undistributable collections result when the State agency receives a child support payment but cannot identify or locate the custodial parent or return the funds to the noncustodial parent. 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 child support collections as program income at the time the funds are considered abandoned under State law. 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 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.”

In addition, 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 program funds.

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.

#### **Connecticut’s Unclaimed Property Laws**

Connecticut’s abandoned property laws are included in the Connecticut General Statutes, Title 3, Chapter 32, section 3-62a, which states that unclaimed property that the State has held for the owner for more than 3 years is presumed abandoned.

Section 3-65a(a) requires that within 1 year before a presumption of abandonment of unclaimed child support collections is to take effect, the State agency must notify the owner at the last known address that the unclaimed collections will be transferred to the State treasurer. Section 3-65a(b) further states that 90 days after the close of the calendar year in which property is presumed abandoned, such property must be transferred to the State treasurer. Once the

unclaimed child support collection checks are declared abandoned property and transferred to the State treasurer, the State agency should recognize the checks as undistributable collections and report them as Child Support Enforcement program income on the OCSE-34A and OCSE-396A quarterly reports.

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

### **Objectives**

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

### **Scope**

We reviewed undistributable collections identified on the OCSE-34A and program income reported on the OCSE-396A for the period October 1, 1998, through December 31, 2005. These reports included (1) checks for child support collections that were disbursed but not cashed by the recipients and (2) child support collections that could not be identified with or disbursed to the custodial parent or returned to the noncustodial parent. During our fieldwork, the State agency located several owners of outstanding uncashed child support checks and subsequently disbursed checks totaling \$746,716 (\$492,833 Federal share) to the appropriate payees.

We limited our review of internal controls to understanding the State agency's policies and procedures governing the distribution of child support collections.

We performed fieldwork at the State agency's business offices in Hartford, Connecticut, from March through May 2006.

### **Methodology**

To accomplish our objectives, we:

- reviewed applicable Federal and State laws and regulations;
- reviewed applicable ACF program and policy announcements;
- interviewed State agency officials to identify their policies and procedures for recognizing and reporting program income pertaining to undistributable collections and interest earned on program funds;
- reviewed undistributed child support collections data, including outstanding checks, from the State agency to quantify collections that had been held beyond the State's 3-year abandoned property period;
- determined whether collections that the State agency deemed abandoned had been transferred to the State treasurer and reported as program income;

- compared and reconciled undistributed child support collections data to the amounts reported on the OCSE-34A and OCSE-396A for the quarter that ended in December 2005; and
- determined whether any interest was earned and properly reported by the State agency on the OCSE quarterly reports for the audit period.

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

## **FINDINGS AND RECOMMENDATIONS**

As of the quarter that ended December 2005, the State agency had not reported program income totaling \$1,616,270 (\$1,066,738 Federal share) in outstanding unclaimed or undistributed child support collections that were held more than 3 years. These amounts included \$1,121,914 (\$740,463 Federal share) in outstanding uncashed child support checks held by the fiscal agent since 2001 and \$494,356 (\$326,275 Federal share) identified on the quarterly OCSE forms as undistributed child support collections that the State agency had not declared as abandoned.

This deficiency occurred because the State agency did not have adequate controls to ensure that undistributable child support collections were reported in accordance with Federal and State requirements.

The State agency did not earn interest on balances in the child support collections account because the account was not interest bearing. Accordingly, we performed no further audit work in this area.

### **UNDISTRIBUTABLE CHILD SUPPORT COLLECTIONS**

#### **Federal and State Requirements**

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.

The instructions for the OCSE-34A and the OCSE-396A require States to report program income for undistributable collections when State law considers them abandoned. The OCSE-34A instructions for line 9a define undistributable collections as “the 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.” The OCSE-396A instructions for line 2b define program income as “the 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’ . . . .”

Section 3-62a of Connecticut's unclaimed property law states: "All property held for the owner by any . . . public authority or public officer of this state . . . which has remained unclaimed by the owner for more than 3 years is presumed abandoned."

Section 3-65a of the unclaimed property law states: ". . . within one year before a presumption of abandonment is to take effect . . . the holder shall notify the owner thereof, by first class mail directed to the owner's last-known address, that evidence of interest must be indicated . . . or such property will be transferred to the Treasurer and will be subject to escheat to the state."

### **Outstanding Uncashed Checks**

The State agency's prior fiscal agent had an outstanding balance of uncashed checks totaling \$1,121,914 (\$740,463 Federal share) in its child support collections account. The checks had been outstanding since October 31, 2001. Even though these uncashed checks were more than 3 years old, they were not declared abandoned, transferred to the State treasurer, or reported as uncashed or stale-dated checks on the OCSE-34A and OCSE-396A quarterly reports.

State agency officials indicated that, in transitioning to a new fiscal agent in 2001, the State agency had kept the prior fiscal agent's bank account open to ensure that as many outstanding checks as possible could be cashed and cleared. However, the State agency had not taken steps to locate the owners of the checks.

### **Undistributed Collections**

For the quarter ended December 2005, the State agency reported on the OCSE-34A \$494,356 (\$326,275 Federal share) in undistributed child support collections that were more than 3 years old. The State agency was unable to determine the names and addresses of the payees and, as a result, never disbursed the checks. Pursuant to the State's unclaimed property laws, these collections are presumed abandoned and should have been credited to the Child Support Enforcement program as program income.

The State agency did not adhere to procedures established by the State treasurer's office for processing unclaimed property. Specifically, it did not attempt to locate the appropriate payees and disburse the unclaimed child support payments to them. The State agency said that it did not follow these procedures because it was understaffed.

### **UNREPORTED PROGRAM INCOME**

The State agency should have declared a total of \$1,616,270 (\$1,066,738 Federal share) as abandoned, transferred this amount to the State treasurer, and reported it as program income. However, the State agency did not have adequate controls to ensure that unclaimed child support collections were disposed of in accordance with Federal and State requirements.

## **RECOMMENDATIONS**

We recommend that the State agency:

- report child support collections totaling \$1,616,270 (\$1,066,738 Federal share) as abandoned and undistributable on the OCSE-34A, transfer this amount to the State treasurer, and report this amount as program income on the next quarterly OCSE-396A and
- implement controls to ensure that State unclaimed property procedures are adhered to and that all future collections remaining undistributable for more than 3 years are declared abandoned, transferred to the State treasurer, and reported as undistributable and program income on the quarterly Federal financial reports.

## **STATE AGENCY'S COMMENTS**

In its comments on our draft report, the State agency generally agreed with our recommendations and said that it had significantly reduced undistributed child support collections. Specifically, the State agency said that it had transferred to the State treasurer \$1,032,604 of the \$1,121,914 in uncashed checks that we identified, reported the amount on the OCSE-34A, and distributed the remaining \$89,310 to the appropriate payees. The State agency also said that it had reported \$488,841 of the \$494,356 in undistributed collections more than 3 years old on the OCSE-34A and planned to report \$659 for the quarter ended December 31, 2006, if it could not locate the payees. The State agency remarked that the difference between the amount that we recommended and the amount that it was transferring “is due to distribution of receipts to the appropriate payee.”

In addition, the State agency pointed out that it had recently implemented controls and processes for identifying amounts that were approaching the 3-year limit and for locating the payees. The State agency's comments are included in their entirety as the Appendix.

# **APPENDIX**



Patricia A. Wilson-Coker, JD, MSW  
COMMISSIONER

## STATE OF CONNECTICUT

DEPARTMENT OF SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

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November 16, 2006

Department Of Health & Human Services  
Office Of Inspector General  
Office of Audit Services  
Region I John F. Kennedy Federal Building  
Boston, MA 02203

Report Number: A-01-06-02502

Dear Mr. Armstrong:

This is in response to the Draft Audit Report noted above entitled: "Review of Undistributable Child Support Collections in Connecticut From October 1998 Through December 2005." The Bureau of Child Support Enforcement (BCSE) has reviewed the draft report, and based upon their analysis, I am providing the following comments.

Connecticut has made substantive gains in reducing undistributed collections (UDC). At the end of the 9/30/06 quarter, only \$659 of the UDC was older than 3 years. In addition, for that quarter, the overall category of "undistributed collections unresolved" had dropped to \$245,007 from \$1,038,794 for the quarter ending 12/31/05. Also of note is that only \$11,449 of UDC is currently unidentified, with the State Disbursement Unit working to identify such amounts. The steps that DSS has taken to standardize the process and ensure that UDC is resolved in a timely manner are detailed as the response to the second audit finding.

### OIG Audit Recommendations

We recommend that the State agency:

1. Report child support collections totaling \$1,616,270 (\$1,066,738 Federal share) as abandoned and undistributable on the OCSE-34A, transfer this amount to the State treasurer, and report this amount as program income on the next quarterly OCSE-396A;

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Response Page 2: OIG Draft Report Number: A-01-06-02502

**BCSE response:**

In reference to the draft audit recommendation that Connecticut should transfer to the State treasurer and report as program income an outstanding balance of uncashed checks totaling \$1,121,914 (\$740,463 Federal share) in its child support collections account, DSS advises:

- \$1,032,604 of this amount was escheated to the Treasurer on 3/31/06. This was reported on line 9a of the OCSE-34A for the quarter ending 3/31/06, which was submitted on 5/10/06. Similarly, this amount was reported on line 2b of the OCSE 396A for the quarter ending 3/31/06, which was submitted on 06/07/06.
- \$89,310, the remainder of this amount, which was owed to obligors and custodial parents from other states, has all been sent to the appropriate payees. The manual research of approximately 600 receipts took place between May 1, 2006 and the last receipt was completed on October 26, 2006.

In reference to the draft audit recommendation that Connecticut should transfer to the State treasurer and report as program income an outstanding balance of \$494,356 (\$326,275 Federal share) in undistributed child support collections that were more than 3 years old, DSS advises:

- The UDC older than 3 years as reported on the OCSE 34A has decreased as follows:
  - \$494,356 as of quarter ending 12/31/05
  - \$497,804 as of quarter ending 3/31/06
  - \$3,513 as of quarter ending 6/30/06
  - \$659 as of quarter ending 9/30/06

These amounts include not only UDC as of 12/31/05 as reported in the OIG draft report, but also amounts of UDC that reached the 3 year time frame between 12/31/05 and 9/30/06. The decreases noted above are due to both an identification and distribution of the receipts to the appropriate payees, as well as identification and appropriate reporting of receipts determined undistributable and abandoned.

- \$481,811 was reported on line 9a (undistributable collections, determined undistributable and abandoned) of the OCSE-34A for the quarter ending 6/30/06, which was submitted on 7/25/06. Similarly, this amount was reported as program income on line 2b of the OCSE 396A for the quarter ending 6/30/06, which was submitted on 09/13/06. Please note that the escheatment to the Treasurer of any amount of UDC on line 9a cannot take place until after 1/1/07, according to Connecticut General Statutes.
- \$7,030 was reported on line 9a of the OCSE-34A for the quarter ending 9/30/06, which was submitted on 10/25/06. The OCSE 396A for this quarter has not yet been submitted, but when it is, it will reflect this amount as program income.
- \$659, the amount of undistributed collections over 3 years old reported on the OCSE 34A for the quarter ending 9/30/06, will be reported on line 9a of the OCSE 34A for the quarter ending 12/31/06 and line 2b of the OCSE 396A for that same quarter, unless the amount can be distributed to the appropriate payee prior to that date. Similarly, if additional UDC reaches 3 years prior to 12/31/06 and cannot be distributed to the appropriate payees, it will also be reported at the same time.

## Response Page 3: OIG Draft Report Number: A-01-06-02502

- The difference between the amounts that the OIG draft report advises should be escheated, and the actual amounts reported on the OCSE 34A and OCSE 396A for the quarters ending 3/31/06, 6/30/06 and 9/30/06 is due to distribution of receipts to the appropriate payee. This is attributable especially to work at the State Disbursement Unit, which identified and distributed some previously unidentified receipts, as well as emphasis by Connecticut on locating custodial and noncustodial parents to whom the amount was owed.
2. *Implement controls to ensure that State unclaimed property procedures are adhered to and that all future collections remaining undistributable for more than 3 years are declared abandoned, transferred to the State treasurer, and reported as undistributable and program income on the quarterly Federal financial reports.*

**BCSE response:**

BCSE has implemented a number of controls and processes regarding UDC during the past year which has allowed us to not only decrease the UDC over 3 years from \$494,356 to \$659, but also to quickly identify UDC amounts that will be reaching the 3 year time limit, and locate the payee and distribute whenever possible. Please see attachments I and II for the specifics of the processes that are now in place.

Thank you for the opportunity to comment on this draft. Please contact Diane M. Fray, IV-D Director, 860-424-5253 or [diane.fray@ct.gov](mailto:diane.fray@ct.gov) if you require further information or assistance in this matter.

Sincerely,



Patricia A. Wilson-Coker, JD, MSW  
Commissioner

pc: Claudette Beaulieu, Deputy Commissioner  
Michael Starkowski, Deputy Commissioner  
Diane M. Fray, IV-D Director  
Lee Voghel, Director DFA  
Kevin Loveland, Director Family Assistance  
John Dillon, Program Supervisor  
Johanna Dolge, Public Assistance Consultant  
Jack Dwyer, Public Assistance Consultant

Charles Kehner, OCSE  
Carol Monteiro, OCSE

Attachments

PWC/dmf  
Dmf/OIG/OIG audit response

Response Page 4: OIG Draft Report Number: A-01-06-02502

**Attachment I**

BCSE Undistributed Funds (UDC) Initiative

The following outline details the UDC initiative in five main categories: Escheatment, Application Problem Report – Unidentified, Non-disbursed Funds, Application Problem Report – other payments, and Implementation of Mandatory Electronic Disbursement.

A Escheatment – see attachment II

B Application Problem Report – Unidentified Payments:

The State Disbursement Unit (SDU), under our current vendor, Systems and Methods, Inc. resolves the disposition of all unidentified payments. If the payment cannot immediately be linked to a particular case, but there is information that identifies the payer or sender, the SDU has a process in which they send a series of letters over a 60 day time frame to the employer, payer, or “sender” of the payment requesting sufficient information to link the payment to a case. If the payment still cannot be linked after 60 days, the payment is returned to the sender. As of this date the oldest unidentified payment is May 2006 and there is only \$9020 that is unidentified. The controls on this process are weekly reports that identify the age of the unidentified payments, as well as daily summary and detailed reports. A Public Assistance Consultant within BCSE oversees the process with the SDU to ensure that the payments are processed in a timely manner.

C Non-Disbursed Funds

- (a) The Central Processing unit (CPU) of Support Enforcement Services (SES) is the entity with primary responsibility for working the ‘Non-Disbursed Funds Report’. Matches are also conducted against state and vendor databases to locate valid mailing addresses for non-disbursed child support checks. During the past few months, checking of federal and state sources for locating custodial parents has been automated. For payments that are 2.5 years old or older, another office of SES also works these receipts to locate the payee, including requesting credit checks and death indices.
- (b) BCSE-CO also concentrates on payments close to meeting the 3-year threshold. Weekly reports are generated that separately identify custodial parents, noncustodial parents, and other payees with payments within 2 quarters of potential escheatment. 1-2 staff at BCSE-CO is assigned the responsibility for these payments. In addition, the IV-D director and other appropriate staff receive a weekly report that identifies the number of payees and the dollar amount of UDC that is non-disbursed in 2 categories: the receipts that will be escheatable within 2 quarters and the overall total nondisbursed. The IV-D director meets regularly with the BCSE-CO supervisor and P.A. Consultant that oversees this process. She also is in regular e-mail and telephone contact with the SES manager who oversees the SES responsibilities.
- (c) For those payees for whom an address can be located, every new or re-verified address associated with a non-disbursed check is updated in CCSES and the payment is disbursed.
- (d) Attachment II outlines the process for those payees for whom a valid address cannot be located, and the payment date meets the state statutory requirements for escheatment.

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D Application Problem Report – other payment types

The CPU of Support Enforcement Services is the entity with primary responsibility for working the other categories of the application problem report. These are payments for which the payee is known, but there are other reasons that the payment has not been disbursed, such as:

- a) The account has been paid in full and a refund is needed to the non-custodial parent
- b) The full amount of the child support has been received for the month and a future payment is received.
- c) The payment is by income withholding, but the automated system does not indicate an attachment record

During the past six months, a special application problem report that divides the payments by specified date ranges was developed and implemented. Since that time period, SES has improved their resolution of payments. As of today, except for the category “no futures” (which is dependent upon responses from other states) the oldest payment not resolved by SES is from July 2006.

E Implementation of Mandatory Electronic Disbursement

The implementation of a new disbursement initiative is expected to significantly reduce undistributed funds due to non-disbursed or returned checks.

Public Act 2006-149 authorized the Department of Social Services to implement electronic funds transfer (EFT) for all support payments processed through the State Disbursement Unit. Implementation of the mandatory electronic disbursement initiative is currently underway. The initiative offers two disbursement alternatives to child support recipients: direct deposit to a financial account of the recipient, or deposit to a debit card account established for the recipient.

There are currently 27,000 child support recipients utilizing direct deposit, representing approximately 50% of Connecticut child support recipients who actively receive child support payments. The initiative targets the remaining 50% of active child support recipients who still receive checks. It is anticipated that the majority of check recipients will be transitioned to electronic disbursement by July 1, 2007.

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**Attachment II**

**Escheatment Processing**

The following is a brief outline of the steps taken to locate payees and reissue child support checks if possible, and to escheat remaining unclaimed child support funds to the Office of the Connecticut State Treasurer.

- ❖ In general, staledating and reissuing of uncashed checks takes place on a monthly basis for checks that have been uncashed for nine months. The checks issued by Wachovia on behalf of the State of Connecticut indicate on the check itself that they cannot be cashed after six months. An additional three months is allowed for a check to clear, prior to reissuing.
- ❖ For those checks or non-disbursed payments that continue to remain outstanding and the payment time frame within 3-6 months of three years, a timeframe that is governed by the state statute that allows unclaimed property to be escheated after three years, a final attempt to issue to the payee is made. Location efforts are intensified, at the beginning of the quarter in which a receipt could be escheated, based upon the reports identified in the previous section in attachment I “non-disbursed funds”.
- ❖ For these remaining outstanding checks and other payments that could not be disbursed due to the lack of a valid address for the payee, an escheatment notice with affidavit is issued to the last known address at the beginning of the final month of the quarter. For each payee that completes the affidavit and forwards it back to the State Disbursement Unit (SDU), the SDU staff voids and reissues the payment.
- ❖ For all escheatment notices returned by Post Office as undeliverable, the Connecticut Child Support Automated System (CCSES) is updated accordingly with forwarding address or an invalid address code. If a forwarding address is obtained, the payment is voided and reissued to that address.
- ❖ For all payments for which escheatment notices have been sent that remain undisbursed at the end of the quarter, these payments are identified for escheatment for reporting on the OCSE 34A on line 9a as undistributable and abandoned and on 396A on line 2a as program income for that quarter. Please note that payments can only be escheated to the Treasurer between January 1 and March 31 of any year. For any other time period the payments are appropriately identified on the federal reports, but are held in the disbursement account until they can be sent to the Treasurer.
- ❖ BCSE follows the Unclaimed Property Holder Reporting Manual for the State of Connecticut, Office of the State Treasurer, Unclaimed Property Division. The reporting manual is available on-line at [www.state.ct.us/ott](http://www.state.ct.us/ott)
- ❖ In cases where a child support receipt is to be escheated to the State Treasurer’s Office,
  - Create an electronic file to accompany paper escheatment report to State Treasurer.
  - Submit escheatment files annually to the State Treasurer by March 31<sup>st</sup> deadline.
  - Escheated funds are documented as such on the OCSE 34A and claimed as program income for the quarter on the OCSE 396A.