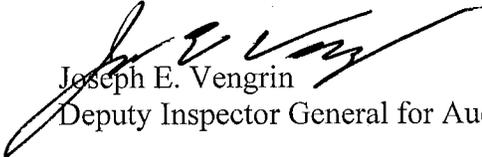




DEC 12 2007

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 Georgia From
October 1, 1998, Through December 31, 2005 (A-04-06-03506)

Attached is an advance copy of our final report on undistributable child support collections in Georgia from October 1, 1998, through December 31, 2005. We will issue this report to the Georgia Department of Human Resources, Division of Family and Children Services, Office of Child Support 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.

From 1998 to 2001, the State agency appropriately recognized and reported program income for undistributable child support collections. However, for 2002 through 2005, the State agency did not report program income totaling \$360,286 (\$237,789 Federal share) for undistributable collections that it had recognized as abandoned. State agency officials said that they did not report the undistributable collections as program income because their accounting personnel were not aware of the Federal reporting requirements.

Except as discussed in the "Other Matter" section of our report, the State agency appropriately reported program income for interest earned on its child support collections.

We recommend that the State agency:

- ensure that the \$360,286 (\$237,789 Federal share) in undistributable child support collections previously reported on Federal Form OCSE-34A, "Child Support Enforcement Program Quarterly Report of Collections," is reported as program income on the next quarterly Federal Form OCSE-396A, "Child Support Enforcement Program Financial Report," and

- provide guidance and training to its accounting personnel on how to accurately report undistributable child support collections recognized as abandoned on Form OCSE-34A as program income on Form OCSE-396A to offset program expenditures.

In its comments on our draft report, the State agency concurred 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 and Internal Activities, at (202) 619-1175 or through e-mail at Joe.Green@oig.hhs.gov or Peter J. Barbera, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750 or through e-mail at Peter.Barbera@oig.hhs.gov. Please refer to report number A-04-06-03506.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

DEC 17 2007

Report Number: A-04-06-03506

Mrs. B. J. Walker
Commissioner
Georgia Department of Human Resources
Office of Child Support Services
2 Peachtree Street NW.
Atlanta, Georgia 30303-3142

Dear Mrs. Walker:

Enclosed is 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 Georgia From October 1, 1998, Through December 31, 2005." We will forward a copy of this report 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 this 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.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me, or contact John Drake, Audit Manager, at (404) 562-7755 or through e-mail at John.Drake@oig.hhs.gov. Please refer to report number A-04-06-03506 in all correspondence.

Sincerely,

Handwritten signature of Peter J. Barbera in cursive script.

Peter J. Barbera
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Carlis V. Williams
Regional Administrator, Region IV
Administration for Children and Families
Atlanta Federal Center
61 Forsyth Street SW., Suite 4M60
Atlanta, Georgia 30303-8909

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

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



Daniel R. Levinson
Inspector General

December 2007
A-04-06-03506

Office of Inspector General

<http://oig.hhs.gov>

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:

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The Office of Evaluation and Inspections (OEI) conducts national evaluations to provide HHS, Congress, and the public with timely, useful, and reliable information on significant issues. Specifically, these evaluations focus on preventing fraud, waste, or abuse and promoting economy, efficiency, and effectiveness in departmental programs. To promote impact, the reports also present practical recommendations for improving program operations.

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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. The Georgia Department of Human Resources, Division of Family and Children Services, Office of Child Support Services (the State agency), administers the State's child support program.

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 program income from undistributable child support collections and interest earned on child support collections. OCSE defines undistributable collections as those that are considered abandoned under State law. In Georgia, child support collections that remain unclaimed by the owner for more than 5 years are presumed abandoned and must be reported and transferred to the Commissioner of Revenue.

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 recognized and reported program income for undistributable child support collections and interest earned on child support collections.

SUMMARY OF FINDING

From 1998 to 2001, the State agency appropriately recognized and reported program income for undistributable child support collections. However, for 2002 through 2005, the State agency did not report program income totaling \$360,286 (\$237,789 Federal share) for undistributable collections that it had recognized as abandoned. State agency officials said that they did not report the undistributable collections as program income because their accounting personnel were not aware of the Federal reporting requirements.

Except as discussed in the "Other Matter" section of this report, the State agency appropriately reported program income for interest earned on its child support collections.

RECOMMENDATIONS

We recommend that the State agency:

- ensure that the \$360,286 (\$237,789 Federal share) in undistributable child support collections previously reported on Form OCSE-34A is reported as program income on the next quarterly Form OCSE-396A and
- provide guidance and training to its accounting personnel on how to accurately report undistributable child support collections recognized as abandoned on Form OCSE-34A as program income on Form OCSE-396A to offset program expenditures.

STATE AGENCY COMMENTS

In comments on our draft report, the State agency concurred with our recommendations. The complete text of the State agency's comments is included as the Appendix.

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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 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 by setting program standards and policy, evaluating performance, and offering technical assistance. The Federal Government generally finances 66 percent of the costs of administering a State's child support program. The Georgia Department of Human Resources, Division of Family and Children Services, Office of Child Support Services (the State agency), administers the State's child support program.

Requirements for Reporting Undistributable Collections as 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 title IV-D 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 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.

Georgia's Abandoned Property Laws

Georgia's abandoned property laws are contained in sections 44-12-190 through 44-12-236 of the Georgia Code Annotated (GA. CODE ANN.) and are applicable to the disposition of undistributable child support collections. If, after 5 years, child support collections remain unclaimed, the abandoned property laws require the State agency to presume such collections to be abandoned. At least 60 days but no more than 120 days before reporting and remitting the abandoned property to the Commissioner of Revenue, the State agency must make attempts to inform the owners, if their whereabouts are known, that the collections will become State

property. If there is no response, the State agency must submit a report and transfer the abandoned collections to the Commissioner of Revenue.

Upon report and remittance by the State agency, the Commissioner of Revenue assumes custody of the abandoned collections on behalf of the State and relieves the State agency of all liability from claims attached to the delivered property. Therefore, any person with a legitimate claim to the property may be reimbursed by the State agency, which in turn will be reimbursed by the Commissioner of Revenue.

GA. CODE ANN. § 44-12-214(d) requires the State agency to report all undistributable child support collections that are determined abandoned and transfer them to the Commissioner of Revenue by November 1 of each year. Pursuant to State agency Accounting Procedure Number 1001, "Reporting Unclaimed Property," the State agency determines, as of June 30 each year, those child support collections that are more than 5 years old. In September of each year, the State agency reports those collections to OCSE as undistributable collections on Form OCSE-34A and as program income on Form OCSE-396A.

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 reportable on Form OCSE-34A and program income reportable on Form OCSE-396A for the period October 1, 1998, through December 31, 2005. Specifically, we reviewed collections transferred to the following State agency accounts:

- the Unidentified Funds Account, which contained child support collections that lacked sufficient identifying information, such as a case number or Social Security number, to tie the collections to a specific case;
- the Funds in Error Account, which contained child support collections that could not be posted to a case because the case was already closed; and
- the Funds in Escrow Account, which contained child support collections that were returned because the State agency's automated child support accounting system did not have a valid address for the custodial parent.

We limited our review of internal controls to understanding the State agency's policies and procedures for recognizing and reporting undistributable child support collections and interest earned on child support collections.

We performed fieldwork at the State agency in Atlanta, Georgia, from March through November 2006.

Methodology

To accomplish our objectives, we:

- reviewed applicable Federal and State laws, regulations, and guidance, including OCSE program and policy announcements;
- interviewed State agency officials and reviewed the State agency's policies and procedures for recognizing and reporting program income pertaining to undistributable child support collections and interest earned on child support collections;
- reviewed Forms OCSE-34A and OCSE-396A to identify the undistributable collections and program income reported for the quarters ended December 1998 through December 2005;
- reviewed unclaimed child support collections data to quantify the amount that met the State's abandoned property requirements; and
- verified interest that the State agency earned on its child support collections and reported on Form OCSE-396A.

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

FINDING AND RECOMMENDATIONS

From 1998 to 2001, the State agency appropriately recognized and reported program income for undistributable child support collections. However, for 2002 through 2005, the State agency did not report program income totaling \$360,286 (\$237,789 Federal share) for undistributable collections that it had recognized as abandoned. State agency officials said that they did not report the undistributable collections as program income because their accounting personnel were not aware of the Federal reporting requirements.

Except as discussed in the "Other Matter" section of this report, the State agency appropriately reported program income for interest earned on its child support collections.

UNDISTRIBUTABLE CHILD SUPPORT COLLECTIONS

Federal and State Requirements

OCSE-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. 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 . . . become the property of the State if unclaimed after a period of time [T]his 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.”

Likewise, 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.”

Pursuant to GA. CODE ANN. § 44-12-204, unclaimed child support collections held for more than 5 years after becoming payable or distributable are presumed abandoned. Once these collections are presumed abandoned, and if all attempts to contact the owners, as required under § 44-12-214(e), are unsuccessful, § 44-12-214(d) requires the State agency to report all undistributable child support collections that are determined abandoned and transfer them to the Commissioner of Revenue by November 1 of each year.

Undistributable Child Support Collections Recognized as Abandoned but Not Reported as Program Income

For 2002 through 2005, the State agency did not report \$360,286 (\$237,789 Federal share) of undistributable collections as program income in accordance with Federal requirements. The State agency recognized the \$360,286 as abandoned property and reported this amount as undistributable child support collections on its Form OCSE-34A. However, the State agency did not report this amount as program income on its Form OCSE-396A to offset program expenditures. State agency officials said that they did not report program income for the undistributable collections because their accounting personnel were not aware of the Federal reporting requirements.

RECOMMENDATIONS

We recommend that the State agency:

- ensure that the \$360,286 (\$237,789 Federal share) in undistributable child support collections previously reported on Form OCSE-34A is reported as program income on the next quarterly Form OCSE-396A and
- provide guidance and training to its accounting personnel on how to accurately report undistributable child support collections recognized as abandoned on Form OCSE-34A as program income on Form OCSE-396A to offset program expenditures.

STATE AGENCY COMMENTS

In comments on our draft report, the State agency concurred with our recommendations. In response to our first recommendation, the State agency said that the \$360,286 was reported as program income on the Form OCSE-396-A dated September 30, 2007. In response to our

second recommendation, the State agency described measures that it had implemented in an effort to ensure the accurate reporting of undistributable child support collections recognized as abandoned.

The complete text of the State agency's comments is included as the Appendix.

OTHER MATTER

During the period October 1998 through December 2005, the State agency appropriately reported program income for most of the interest earned on its child support collections. However, it did not report interest totaling \$682,133 (\$450,208 Federal share) that was earned from August 2003 to March 2006.

In May 2003, the State agency opened a new bank account for its child support collections. State agency officials said that they were not aware that the new account was interest bearing. As a result, the State agency did not report \$682,133 of interest earned on its child support collections until it filed its Form OCSE 396-A for the quarter ended June 2006. We are not making any recommendations regarding the untimely reporting of interest because the State agency has taken corrective action.

APPENDIX



Georgia Department of Human Resources • Suite 29.250 Two Peachtree Street, NW • Atlanta, Georgia 30303-3142 Phone: 404/651-6314

B. J. Walker, Commissioner

November 1, 2007

RECEIVED

NOV 07 2007

Office of Audit Svcs.

Peter J. Barbera
Regional Inspector General
OIG/Office of Audit Services
61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

Subject: Draft Audit Report Number: **A-04-06-03506**

Dear Mr. Barbera:

The Georgia Department of Human Resources (DHR), Office of Child Support Services (OCSS) submits this response to the Office of Inspector General (OIG), **draft** report entitled "Review of Undistributable Child Support Collections in Georgia from October 1, 1998, Through December 31, 2005."

We request your consideration of the corrective measures taken in response to your finding and recommendations.

Finding:

For 2002 through 2005, the State agency did not report program income totaling \$360,286 (\$237,789 Federal Share) for Undistributable collections that it had recognized as abandoned. State agency officials said that they did not report the Undistributable collections as program income because their accounting personnel were not aware of the Federal reporting requirement.

Recommendations:

1. Ensure that the \$360,286 (\$237,789 Federal share) in Undistributable child support collections previously reported on Form OCSE-34 A is reported as program income on the next quarterly Form OCSE-396 A.
2. Provide guidance and training to its accounting personnel on how to accurately report Undistributable child support collections recognized as abandoned on Form OCSE-34A as program income on Form OCSE-396A to offset program expenditures.

Response to recommendation 1:

Form OCSE-396A Process:

The \$360,286 (\$237,789 Federal Share) in Undistributable child support collections previously reported on Form OCSE-34A is reported as program income on the next quarterly Form OCSE-396A dated September 30, 2007.

Response to recommendation 2:

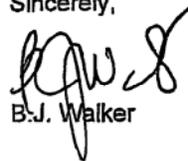
The following guidance and training measures have been implemented in an effort to assure the accurate reporting of Undistributable child support collections recognized as abandoned:

- OCSS Accounting personnel will receive completed Form OCSE-34A from the Office of Financial Services (OFS)
- OCSS will thoroughly review the Form OCSE-34A data
- OCSS will obtain the check that generates from the Escheat program in July of each year
- OCSS will personally contact OFS and hand-deliver the check
- OCSS will specify as abandoned funds to count as program income to offset expenditures

We are confident the above stated measures will ensure future Undistributable child support collections reported on Form OCSE-34A is reported as program income on Form OCSE-396A.

If you have any questions or comments, please call me or contact Keith Horton, OCSS, Acting IV-D Director, at (404) 657-2347 or e-mail at KVHorton@dhr.state.ga.us.

Sincerely,



B.J. Walker

cc:
Russell W. Hinton, State Auditor
Georgia Department of Audits and Accounts

Joseph J. Green
Assistant Inspector General
For Grants and Internal Activities

Carlis V. Williams
Regional Administrator
Administration for Children and Families
Atlanta Regional Office