



AUG 26 2008

**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 Mississippi From  
October 1, 1998, Through June 30, 2006 (A-04-07-03515)

Attached is an advance copy of our final report on undistributable child support collections in Mississippi from October 1, 1998, through June 30, 2006. We will issue this report to the Mississippi Department of Human 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 October 1, 1998, through June 30, 2006, the State agency did not report any program income from undistributable child support collections. During that period, \$927,293 (\$612,013 Federal share) met the State's definition of abandoned property and should have been reported as program income. However, the State agency did not consider undistributable child support collections to be State funds and therefore considered them exempt from Mississippi's abandoned property laws. Because the State agency failed to recognize that child support funds are subject to State abandoned property laws and had not developed or implemented policies and procedures to identify and report such collections as abandoned property, an additional \$2.3 million in undistributed child support collections that were outstanding but did not yet meet the State's definition of abandoned property may never be reported as program income.

The State agency also did not recognize or report program income totaling \$94,796 (\$62,565 Federal share) from interest earned on child support collections because it did not have adequate policies and procedures to comply with Federal reporting requirements.

We recommended that the State agency:

- transfer to the State treasurer and report as program income the balance of undistributable child support collections totaling \$927,293 (\$612,013 Federal share), or \$401,213 (\$264,801 Federal share), in accordance with Federal and State requirements;

- recognize and report program income totaling \$94,796 (\$62,565 Federal share) for interest earned on child support collections;
- ensure compliance with State laws regarding abandoned property by developing and implementing adequate policies and procedures to recognize and report as program income child support collections that meet the State’s definition of abandoned property;
- develop and implement policies and procedures to recognize and report as program income the interest earned on child support collections; and
- recognize and report program income from collections that have become eligible for abandonment and from interest earned on collections subsequent to our audit period.

In comments on our draft report, the State agency did not specifically address our recommendations. The State agency said that since March 3, 2008, it had distributed \$558,971 of the \$927,293 in undistributable child support collections that we found. The State agency did not address the remaining \$368,322. The State agency concurred with our finding regarding unreported interest earned on its child support bank account. The State agency said that it also had not recognized or reported any monthly service charges related to the account.

After submitting its comments, the State agency provided detailed support for \$526,080 of the \$558,971 in child support collections that it said it had distributed. We verified that this amount was distributed. We maintain that the remaining \$401,213 should be transferred to the abandoned property fund and reported as program income. The State agency also provided additional information about its bank interest and service charge process. After reviewing that information, we continue to recommend that the \$94,796 in interest be recognized and reported as program income.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Lori S. Pilcher, Assistant Inspector General for Grants, Internal Activities, and Information Technology Audits, at (202) 619-1175 or through e-mail at [Lori.Pilcher@oig.hhs.gov](mailto:Lori.Pilcher@oig.hhs.gov). Please refer to report number A-04-07-03515.

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

AUG 29 2008

Report Number: A-04-07-03515

Mr. Donald R. Taylor, Executive Director  
Mississippi Department of Human Services  
750 North State Street  
Jackson, Mississippi 39202

Dear Mr. Taylor:

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 Mississippi From October 1, 1998, Through June 30, 2006." 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 P.L. No. 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 pt. 5). Accordingly, this report 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](mailto:John.Drake@oig.hhs.gov). Please refer to report number A-04-07-03515 in all correspondence.

Sincerely,

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  
MISSISSIPPI FROM OCTOBER 1,  
1998, THROUGH JUNE 30, 2006**



Daniel R. Levinson  
Inspector General

August 2008  
A-04-07-03515

# *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:

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General 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).

## **OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS**

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating 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. In Mississippi, the Department of Human Services (the State agency), Division of Child Support Enforcement, administers the program.

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. Under Mississippi law, intangible property unclaimed for 5 years is presumed abandoned and subject to the custody of the State. State agency policy documents provide that stale-dated and uncashed checks expire after 120 days.

### **OBJECTIVES**

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

### **SUMMARY OF FINDINGS**

From October 1, 1998, through June 30, 2006, the State agency did not report any program income from undistributable child support collections. During that period, \$927,293 (\$612,013 Federal share) met the State's definition of abandoned property and should have been reported as program income. However, the State agency did not consider undistributable child support collections to be State funds and therefore considered them exempt from Mississippi's abandoned property laws. Because the State agency failed to recognize that child support funds are subject to State abandoned property laws and had not developed or implemented policies and procedures to identify and report such collections as abandoned property, an additional \$2.3 million in undistributed child support collections that were outstanding but did not yet meet the State's definition of abandoned property may never be reported as program income.

The State agency also did not recognize or report program income totaling \$94,796 (\$62,565 Federal share) from interest earned on child support collections because it did not have adequate policies and procedures to comply with Federal reporting requirements.

## **RECOMMENDATIONS**

We recommend that the State agency:

- transfer to the State treasurer and report as program income the balance of undistributable child support collections totaling \$927,293 (\$612,013 Federal share), or \$401,213 (\$264,801 Federal share), in accordance with Federal and State requirements;
- recognize and report program income totaling \$94,796 (\$62,565 Federal share) for interest earned on child support collections;
- ensure compliance with State laws regarding abandoned property by developing and implementing adequate policies and procedures to recognize and report as program income child support collections that meet the State's definition of abandoned property;
- develop and implement policies and procedures to recognize and report as program income the interest earned on child support collections; and
- recognize and report program income from collections that have become eligible for abandonment and from interest earned on collections subsequent to our audit period.

## **STATE AGENCY COMMENTS**

In comments on our draft report, the State agency did not specifically address our recommendations. The State agency said that since March 3, 2008, it had distributed \$558,971 of the \$927,293 in undistributable child support collections that we found. The State agency did not address the remaining \$368,322. The State agency concurred with our finding regarding unreported interest earned on its child support bank account. The State agency said that it also had not recognized or reported any monthly service charges related to the account.

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

## **OFFICE OF INSPECTOR GENERAL RESPONSE**

After submitting its comments, the State agency provided detailed support for \$526,080 of the \$558,971 in child support collections that it said it had distributed. We verified that this amount was distributed. We maintain that the remaining \$401,213 should be transferred to the abandoned property fund and reported as program income. The State agency also provided additional information about its bank interest and service charge process. After reviewing that information, we continue to recommend that the \$94,796 in interest be recognized and reported as program income.

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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.

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. States are required to 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.

#### **Mississippi's Child Support Enforcement Program**

In Mississippi, the Department of Human Services (the State agency), Division of Child Support Enforcement, administers the Child Support Enforcement program. Before March 1999, 82 counties were responsible for collecting and distributing child support payments. In 1999, the State agency established the Central Receipting and Disbursement Unit to collect and distribute child support payments. In 2005, the State agency began using debit cards issued by a third-party contractor to distribute child support collections.

Pursuant to Mississippi Code, Title 89, Chapter 12, the Uniform Disposition of Unclaimed Property Act (the Act), section 89-12-14(1), all intangible property held by any State or local government, agency, or entity that remains unclaimed for 5 years after delivery is presumed abandoned and subject to the custody of the State. Section 89-12-13 of the Act provides that any intangible personal property held in a fiduciary capacity for the benefit of another person is presumed abandoned within 5 years after it became payable or distributable unless the owner has corresponded in writing concerning the property. For these unclaimed funds, section 89-12-37 of the Act established the Abandoned Property Fund within the State treasury.

Section 89-12-23 of the Act requires the State agency to file with the State treasurer a report on any presumed abandoned property in its possession according to the requirements listed. Section 89-12-29 requires the State agency to transfer the property to the State treasurer at the time of filing, at which time the amounts should be reported as program income.

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

### **Objectives**

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

### **Scope**

We reviewed undistributable child support collections and interest earned on child support collections for the period October 1, 1998, through June 30, 2006. We limited our review of the State agency's internal control structure to controls over undistributable child support collections and interest earned on child support collections. We also evaluated internal controls over the debit card program as they related to the custodial parents' ownership of their accounts, debit card issuance, transaction processing, and the third-party contractor's reporting of inactive accounts to the State agency.

The scope of our testing of program income from child support collections remaining on deposit in State agency and third-party contractor bank accounts was limited. We requested, but the State agency and its contractor did not provide, information about (1) the balance in the bank account from which the contractor transferred collections to debit cards and (2) the dollar value of unused debit cards to which the collections were transferred.

We performed fieldwork at the State agency in Jackson, Mississippi, from September 2006 through March 2007.

### **Methodology**

To accomplish our objectives, we:

- reviewed applicable Federal and State laws and guidance, including OCSE program and policy announcements;
- interviewed State agency officials to identify the State agency's policies and procedures for recognizing and reporting program income pertaining to undistributable collections and interest earned on child support collections;
- evaluated policies and procedures for recognizing and reporting program income pertaining to undistributable collections and interest earned on child support collections;
- reviewed Forms OCSE-34A and OCSE-396A to identify the undistributable collections and program income that the State agency reported for the quarters ended December 1998 to June 2006;

- surveyed 10 counties to determine whether they held undistributable child support collections;<sup>1</sup>
- determined whether the State agency appropriately reported the interest earned on child support collections;
- reviewed the contract between the State agency and its third-party contractor for distributing child support collections electronically through a debit card program; and
- interviewed State agency and contractor officials concerning the debit card program.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **FINDINGS AND RECOMMENDATIONS**

From October 1, 1998, through June 30, 2006, the State agency did not report any program income from undistributable child support collections. During that period, \$927,293 (\$612,013 Federal share) met the State’s definition of abandoned property and should have been reported as program income. However, the State agency did not consider undistributable child support collections to be State funds and therefore considered them exempt from Mississippi’s abandoned property laws. Because the State agency failed to recognize that child support funds are subject to State abandoned property laws and had not developed and implemented policies and procedures to identify and report such collections as abandoned property, an additional \$2.3 million in undistributed child support collections that were outstanding but did not yet meet the State’s definition of abandoned property may never be reported as program income.

The State agency also did not recognize or report program income totaling \$94,796 (\$62,565 Federal share) from interest earned on child support collections because it did not have adequate policies and procedures to comply with Federal reporting requirements.

### **UNDISTRIBUTABLE COLLECTIONS**

#### **Federal Requirements**

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 program income from undistributable child support collections when the funds are considered abandoned.

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<sup>1</sup>The counties surveyed included Hinds, Harrison, Jackson, Washington, Forrest, Lauderdale, Rankin, Warren, Bolivar (East and West combined), and Jones.

OCSE-PIQ-88-7 states:

If a IV-D . . . 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, if clearly identified as IV-D collections, 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 . . . 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.”

OCSE requires States to report program income for undistributable collections when State law considers them abandoned. Instructions for line 9a of Form OCSE-34A 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 in accordance with the provision of Section 457 of the Social Security Act and unable to return to the non-custodial parent. Under State law, these amounts are considered to be ‘abandoned property.’ ”

## **State Requirements**

### *Abandoned Property*

Section 89-12-3(f) of the Act defines intangible personal property as “[m]onies, checks, drafts, deposits, interest, dividends, and income . . . and amounts distributable from a trust or custodial fund established under a plan to provide . . . welfare . . . or similar benefits.”

Section 89-12-14(1) of the Act states: “All intangible property . . . held by a . . . state or local government or governmental subdivision, agency or entity . . . if the owner has not claimed or corresponded in writing concerning the property within five (5) years after the date prescribed for payment or delivery, is presumed abandoned and subject to the custody of this state as unclaimed property . . . .” Section 89-12-13 provides that any intangible personal property held in a fiduciary capacity for the benefit of another person is presumed abandoned within 5 years after it became payable or distributable unless the owner has corresponded in writing concerning the property.

Section 89-12-17 of the Act states, in part: “Unless otherwise provided by statute of this state, intangible personal property shall be presumed abandoned under the provisions of this chapter . . . .” Once property is presumed abandoned, the State agency is required to file a report with the State treasurer (section 89-12-23) and transfer the property to the State treasurer at the time of filing (section 89-12-29).

### *Returned, Stale-Dated, and Uncashed Checks*

State agency policy documents address the treatment of child support collections distributed via check to the custodial parent that later are returned, become stale dated, or remain uncashed. However, these policies are not complete or consistent. For example, with respect to stale-dated and uncashed checks, a State agency policy transmittal (Bulletin #5500, effective January 25, 1999) states that all child support checks issued by the State agency expire or become stale 120 days from the date the check was issued. No policy specifies how these checks should be treated after they expire.

With respect to the checks returned as undeliverable, “Mississippi, Volume VI” (the Manual), section D, requires the cancellation of returned checks if the payee is not located within 30 days. However, section D of the Manual also instructs the State agency to engage in efforts to locate the custodial parent for a total of 60 days; if these efforts are unsuccessful, section D requires the State agency to issue a case closure notice of a non-Title-IV-A (Temporary Assistance for Needy Families) case receiving Title IV-D services and to give the custodial parent another 60 days to respond. At the time of our review, the State agency said that it had never closed a case.

### **Child Support Collections Not Recognized as Abandoned and Not Reported as Program Income**

From October 1, 1998, through June 30, 2006, the State agency failed to recognize as abandoned property and report as program income \$927,293 (\$612,013 Federal share) in child support collections that had been held for more than 5 years.

The State agency believed that because the State’s abandoned property laws did not specifically address child support collections, the collections were exempt from those laws. The State agency also believed that child support collections were not State funds because it was simply holding the funds for the intended recipient and would eventually locate either the noncustodial or custodial parent. However, pursuant to section 89-12-17 of the Act, if no statute exists to the contrary, the abandoned property laws apply to any intangible property held by a holder covered by such laws. The Mississippi Code does not contain any specific provisions exempting child support collections from the abandoned property laws; therefore, such collections are subject to Mississippi’s abandoned property laws.

In addition, as of June 30, 2006, the State agency was holding \$2.3 million in undistributed child support collections classified as returned, stale-dated, or uncashed checks that were outstanding but did not yet meet the State’s definition of abandoned property. Because the State agency believed these funds to be exempt from State laws governing abandoned property, it had not developed policies and procedures for dealing with them. Thus, even if the State agency changes its position on the applicability of the State’s abandoned property laws, these funds may never be reported as program income in the absence of such policies and procedures.

## **INTEREST EARNED ON CHILD SUPPORT COLLECTIONS**

### **Federal Requirements**

OCSE-AT-89-16 requires States to offset Child Support Enforcement program costs by recognizing and reporting as program income interest earned on child support collections. 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.”

OCSE Informational Memorandum 89-05 encourages States to deposit child support collections in interest-bearing accounts and states: “. . . Child Support Enforcement Agency funds deposited in State or local accounts must have interest accounted for and offset against CSE [Child Support Enforcement] expenditures . . . .”

OCSE-396A instructions for line 2b, “Interest Earned and Other Program Income . . . .” require that States report “The total amount of other income to the State used to offset the administrative costs reported on Lines 1a or 1b. Include: (i) interest or investment income earned when child support collections, fees or other program income funds are deposited in interest-bearing accounts or used in other investment-type activities . . . .”

### **Interest Earned on Child Support Collections Not Reported**

The State agency did not recognize or report program income totaling \$94,796 (\$62,565 Federal share) from interest earned on child support collections.

The State agency asserted that its child support bank account was not interest bearing. However, the State agency received interest from this account and offset monthly interest earnings against the account’s monthly service charges. After netting the service charges against the bank interest, we determined that the State agency earned interest of \$94,796. The State agency did not recognize and report this interest as program income or the service charges as program expenses.

This deficiency occurred because the State agency did not have policies and procedures to properly report interest or service charges in accordance with Federal reporting requirements.

## **RECOMMENDATIONS**

We recommend that the State agency:

- transfer to the State treasurer and report as program income the balance of undistributable child support collections totaling \$927,293 (\$612,013 Federal share), or \$401,213 (\$264,801 Federal share), in accordance with Federal and State requirements;

- recognize and report program income totaling \$94,796 (\$62,565 Federal share) for interest earned on child support collections;
- ensure compliance with State laws regarding abandoned property by developing and implementing adequate policies and procedures to recognize and report as program income child support collections that meet the State’s definition of abandoned property;
- develop and implement policies and procedures to recognize and report as program income the interest earned on child support collections; and
- recognize and report program income from collections that have become eligible for abandonment and from interest earned on collections subsequent to our audit period.

**STATE AGENCY COMMENTS**

In comments on our draft report, the State agency did not specifically address our recommendations. With respect to our first finding, the State agency said that it works diligently to disburse undistributed child support payments and therefore does not view its undistributed funds as abandoned. The State agency said that since March 3, 2008, it had implemented new tools to help locate custodial parents and, as a result, had distributed \$558,971 in previously undistributable collections. The State agency did not address the remaining \$368,322 of undistributable child support collections that we found.

The State agency concurred with our second finding that it had not recognized or reported as program income \$94,796 earned on its child support bank account. The State agency said that it also had not recognized or reported any monthly service charges related to the account. According to the State agency, monthly earnings offset service charges in subsequent months. The State agency further said that earnings are limited to a calendar year and that any excess earnings as of December 31 of each year are lost.

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

**OFFICE OF INSPECTOR GENERAL RESPONSE**

After submitting its comments, the State agency provided detailed support for \$526,080 of the \$558,971 in child support collections that it said it had distributed. We verified that this amount was distributed. We maintain that the remaining \$401,213 should be transferred to the abandoned property fund and reported as program income.

The State agency also provided additional information about its bank interest and service charge process. After reviewing that information, we continue to recommend that the \$94,796 in interest be recognized and reported as program income.

## OTHER MATTERS

In November 2005, the State agency expanded its existing electronic benefit contract with a third-party contractor to include child support collections. Under this arrangement, the State agency electronically transfers child support collections to a bank account, and the contractor then transfers the collections to debit cards. The contractor issues the cards to custodial parents in lieu of child support checks.

The contract between the State agency and the contractor specifies each party's oversight responsibilities; however, neither the State agency nor the contractor was able to provide evidence of this oversight. State agency officials said that they did not monitor or reconcile the bank account applicable to these child support collections. As a result, we could not quantify the number of unused debit cards or the amount of collections maintained in this account.

We identified several issues during our review of the debit card arrangement:

- Determining ownership of collections maintained in the contractor's bank account is difficult because State law, State agency policy, and OCSE guidance do not address these types of accounts. It is unclear whether the State agency, the custodial parent, or the contractor owns the funds in the account.
- Pinpointing when a collection is "distributed" via a debit card is difficult. The State agency practice is to treat the collection as a distribution when the agency wires the funds to the contractor's account, regardless of when the cardholder accesses the funds.
- When a debit card that never reached the custodial parent is returned, it is unclear whether a collection was actually disbursed. Likewise, it is unclear whether a collection was disbursed if the debit card was never activated.
- State law and State agency policy do not address when unused debit cards become subject to the State's abandoned property laws.

We plan to issue a report to OCSE summarizing our findings in several States and addressing broad policy issues related to undistributable collections.

# **APPENDIX**



RECEIVED

APR 11 2008

Office of Audit Svcs.

STATE OF MISSISSIPPI  
HALEY REEVES BARBOUR, GOVERNOR  
DEPARTMENT OF HUMAN SERVICES  
DONALD R. TAYLOR  
EXECUTIVE DIRECTOR

April 8, 2008

Mr. Peter J. Barbera  
Regional Inspector General for Audit Services  
Department of Health and Human Services  
61 Forsyth Street, S. W., Suite BT41  
Atlanta, Georgia 30303

Re: Report A-04-07-03515

Dear Mr. Barbera:

The Mississippi Department of Human Services (MDHS) submits this response to the Office of Inspector General (OIG) draft report entitled "Review of Undistributable Child Support Collections in Mississippi from October 1, 1998, through June 30, 2006."

**Findings and Recommendations:**

1. From October 1, 1998 through June 30, 2006, the State agency did not report any program income from undistributable child support collections. During that period, \$927,293 (\$612,013 Federal share) met the State's definition of abandoned property and should have been reported as program income. However, the State agency did not consider undistributable child support collections to be State funds and therefore considered them exempt from Mississippi's abandoned property laws. Because the State agency failed to recognize that child support funds are subject to State abandoned property laws and had not developed or implemented policies and procedures to identify and report such collections as abandoned property, an additional \$2.3 million in undistributed child support collections that were outstanding but did not yet meet the State's definition of abandoned property may never be reported as program income.
2. The State agency did not recognize or report program income totaling \$94,796.00 (\$62,565 Federal share) from interest earned on child support collections because it did not have adequate policies and procedures to comply with federal reporting requirements.

The Report recommends that the State agency:

- transfer to the State treasurer and report as program income undistributable child support collections totaling \$927,293 (\$612,013 Federal share) in accordance with Federal and State requirements,
- recognize and report program income totaling \$94,796 (\$62,565 Federal share) for interest earned on child support collections,

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- ensure compliance with State laws regarding abandoned property by developing and implementing adequate policies and procedures to recognize and report as program income child support collections that meet the State's definition of abandoned property,
- develop and implement policies and procedures to recognize and report as program income the interest earned on child support collections, and
- recognize and report program income from collections that have become eligible for abandonment and from interest earned on collections subsequent to our audit period.

**Response to findings 1:**

The Mississippi Division of Child Support Enforcement is committed to collecting and disbursing child support payments to the children of Mississippi. We work diligently to locate and disburse undistributed funds to the families we service; therefore, we do not view the funds as abandoned. We have implemented new locate tools to assist us with the location of custodial parents which allows us to disburse the funds to them as intended. We have currently identified and disbursed \$558,971.10 of funds that are five years old from the undistributed and unidentified account since beginning this project March 3, 2008.

**Response to findings 2:**

The Mississippi Department of Human Services concur that excess earning credits totaling \$94,796.31 associated with the Child Support METSS bank account at June 30, 2006 was not recognized or reported as program income. The monthly service charges for the same period were not recognized or reported as program cost as well.

Earning credits offset the account monthly service charges. If there is an excess, it is carried forward to offset future monthly service charges. Earning credits are limited to a calendar year, any excess at December 31, is lost. A sample of how the earning credit process works is available upon request.

For questions and clarification, please contact Walley R. Naylor, Director, Division of Child Support Enforcement, at (601) 359-4861.

Sincerely,

  
Donald R. Taylor

DRT:WRN:sdt

cc: Stacey E. Pickering, State Auditor  
Mississippi Office of the State Auditor

Lori S. Pilcher, Assistant Inspector General  
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