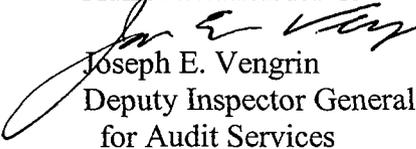




NOV - 3 2005

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 Ohio
From October 1, 1998, Through September 30, 2004 (A-05-04-00075)

Attached is an advance copy of our final report on undistributable child support collections in Ohio. We will issue this report to the Ohio Department of Job and Family Services, Office of Child Support (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.

The State agency did not report program income totaling \$2,870,137 (\$1,894,291 Federal share) for undistributable child support collections for the quarters ended December 1998 through September 2004 and did not recognize program income of \$500,352 (\$330,233 Federal share) for unclaimed and undistributable collections that should have been considered abandoned. The unreported program income included (1) \$2,608,472 that the county agencies held in trust fund accounts for more than 5 years without referring to the State agency; (2) \$255,386 that the State agency reported as undistributable but did not recognize as program income; and (3) \$6,279 that the county agencies referred to the State agency, which did not report the amount as undistributable collections or program income.

These deficiencies occurred because (1) State and some county agency personnel were not aware of the reporting requirement and (2) the State agency did not provide sufficient oversight of county reporting of undistributable collections and county and State recognition of unclaimed collections. Because these collections were not properly reported, the State agency did not fully recognize and report program income to offset program expenditures.

The State agency properly reported interest earned on program funds as program income and offset this amount against program expenditures.

We recommend that the State agency:

- adjust program income for undistributable collections of \$2,870,137 (\$1,894,291 Federal share);
- work with State officials and county agencies to transfer \$500,352 (\$330,233 Federal share) of unclaimed collections to trust fund accounts and recognize undistributable collections as program income after 5 years; and
- work with State officials and county agencies to implement policies and procedures and provide program oversight to ensure that future undistributable collections, after being unclaimed for 5 years, are recognized as program income on the quarterly Federal financial report.

The State agency agreed with the audit findings and believed that the proper direction and systems were now in place to assist the State and the counties in following the regulations and complying with the recommendations.

If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact Donald L. Dille, Assistant Inspector General for Grants and Internal Activities, at (202) 619-1176 or through e-mail at Donald.Dille@oig.hhs.gov. Please refer to report number A-05-04-00075 in all correspondence.

Attachment



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

REGION V
OFFICE OF
INSPECTOR GENERAL

NOV - 7 2005

Report Number: A-05-04-00075

Ms. Barbara Riley
Director
Ohio Department of Job and Family Services
30 East Broad Street, 32nd Floor
Columbus, Ohio 43215

Dear Ms. Riley:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General final report entitled "Review of Undistributable Child Support Collections in Ohio From October 1, 1998, Through September 30, 2004." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act (5 U.S.C. § 552, as amended by Public Law 104-231), Office of Inspector General reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-05-04-00075 in all correspondence.

Sincerely yours,

A handwritten signature in cursive script that reads "Paul Swanson".

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures

Direct Reply to HHS Action Official:

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

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF UNDISTRIBUTABLE
CHILD SUPPORT COLLECTIONS
IN OHIO
FROM OCTOBER 1, 1998,
THROUGH SEPTEMBER 30, 2004**



**Daniel R. Levinson
Inspector General**

**November 2005
A-05-04-00075**

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

OAS FINDINGS AND OPINIONS

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



EXECUTIVE SUMMARY

BACKGROUND

The Child Support Enforcement program is a Federal, State, and local partnership, established in 1975 under Title IV-D of the Social Security Act, to collect child support payments from noncustodial parents for distribution to custodial parents. Within the U.S. Department of Health and Human Services, Administration for Children and Families, the Office of Child Support Enforcement (OCSE) provides Federal oversight. Within the Ohio Department of Job and Family Services, the Office of Child Support (the State agency) supervises the county-administered child support program. Each county has a County Support Enforcement Agency (the county agency) that administers the program and maintains records for the county.

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 program funds. Undistributable collections are those that are considered abandoned under State law.

In Ohio, child support collections become unclaimed if neither the beneficiary nor the payer can be identified 6 months after the date of receipt or if a collection remains undisbursable for 6 months after being identified as undisbursable. Child support collections also become unclaimed if a returned check cannot be redispursed for 6 months from the date of return or if a check becomes void 6 months after issuance. Pursuant to the Ohio Administrative Code, these unclaimed collections must be transferred to a trust fund account and held for 5 years or until a claim is made, whichever is earlier. Such collections are considered abandoned and become undistributable collections and program income after 5 years. States must report these collections, associated interest, and interest earned on other program funds as offsets to program costs.

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

The State agency did not report program income totaling \$2,870,137 (\$1,894,291 Federal share) for undistributable child support collections for the quarters ended December 1998 through September 2004 and did not recognize program income of \$500,352 (\$330,233 Federal share) for unclaimed and undistributable collections that should have been considered abandoned. The unreported program income included (1) \$2,608,472 that the county agencies held in trust fund accounts for more than 5 years without referring to the State agency; (2) \$255,386 that the State agency reported as undistributable but did not recognize as program income; and (3) \$6,279 that the county agencies referred to the State agency, which did not report the amount as undistributable collections or program income.

These deficiencies occurred because (1) State and some county agency personnel were not aware of the reporting requirement and (2) the State agency did not provide sufficient oversight of county reporting of undistributable collections and county and State recognition of unclaimed collections. Because these collections were not properly reported, the State agency did not fully recognize and report program income to offset program expenditures.

The State agency properly reported interest earned on program funds as program income and offset this amount against program expenditures.

RECOMMENDATIONS

We recommend that the State agency:

- adjust program income for undistributable collections of \$2,870,137 (\$1,894,291 Federal share);
- work with State officials and county agencies to transfer \$500,352 (\$330,233 Federal share) of unclaimed collections to trust fund accounts and recognize undistributable collections as program income after 5 years; and
- work with State officials and county agencies to implement policies and procedures and provide program oversight to ensure that future undistributable collections, after being unclaimed for 5 years, are recognized as program income on the quarterly Federal financial report.

STATE AGENCY COMMENTS

The State agency agreed with the audit findings and believed that the proper direction and systems were now in place to assist the State and the counties in following the regulations and complying with the recommendations. The State agency comments are included in 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 ensure that noncustodial parents provide support to their children. The program collects child support payments from noncustodial parents for distribution to custodial parents. Within the U.S. Department of Health and Human Services, Administration for Children and Families, the Office of Child Support Enforcement (OCSE) provides Federal oversight by setting program standards and policy, evaluating performance, and offering technical assistance. Within the Ohio Department of Job and Family Services, the Office of Child Support (the State agency) supervises the child support program and receives Federal reimbursement, generally at a rate of 66 percent of program costs. Each County Support Enforcement Agency (the county agency) administers operations for the Title IV-D program and maintains county records.

Requirements for Reporting Program Income

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

Undistributable Collections

The OCSE Policy Interpretation Question (PIQ)-88-7 and OCSE-PIQ-90-02 require States to offset Child Support Enforcement program costs by recognizing and reporting undistributable 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 must be refunded to the obligor or that they become the property of the State if unclaimed after a period of time. In the latter case, . . . this revenue must be counted as program income and be used to reduce IV-D program expenditures, in accordance with Federal regulations at 45 CFR § 304.50.

OCSE-PIQ-90-02 states:

Every State has statutes and regulations governing the handling of unclaimed or abandoned property left in its care. OCSE-PIQ-88-7, dated July 11, 1988, recognizes this fact and encourages each State to utilize these individual State procedures to report undistributable or uncashed . . . collections as title IV-D program income.

The instructions for Federal Forms OCSE-34A and OCSE-396A, used to report undistributable collections and program income, respectively, 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. Under State law, these amounts are considered to be ‘abandoned property.’”

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: . . . (b) undistributable child support collections as reported on line 9a of Form OCSE-34A, the ‘Quarterly Report of Collections;’”

Interest Earned on Program Funds

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

Prior Audit of Ohio Child Support Costs Claimed

The OCSE Division of Audit conducted an audit of selected program costs that Ohio claimed from October through December 1996 and issued a final report (OH-97-SR) on December 10, 1998. The report identified undistributable collections of \$86,744 that some counties had held for more than 5 years but had not transferred to a trust fund and reported as program income. The report also identified unclaimed collections at two counties that had not been transferred to a trust fund as required. The OCSE Division of Audit recommended that the State agency report the undistributable collections as program income, instruct the county agencies to deposit unclaimed collections in trust funds, and ensure that all unclaimed child support collections are reported as program income once considered abandoned. The State agency agreed with the recommendations.

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 reported on the Child Support Enforcement Program Quarterly Report of Collections and program income reported on the Child Support Enforcement Program Financial Report for the period October 1, 1998, through September 30, 2004.

Undistributable collections in this report pertain to (1) child support collections that could not be identified with or disbursed to the custodial parent or returned to the noncustodial parent and (2) checks for child support collections that were disbursed to the recipient but not cashed. We performed fieldwork at the Ohio Department of Job and Family Services from May through September 2004.

Methodology

To accomplish the objectives, we:

- reviewed applicable Federal and State laws and regulations;
- reviewed applicable Administration for Children and Families program and policy announcements;
- interviewed State agency officials to identify their policies, procedures, and internal controls for recognizing and reporting program income pertaining to interest earned from program funds and undistributable collections;
- verified interest that the State agency earned and reported on the child support accounts;
- reviewed unclaimed child support collections data from the State and county agencies through September 30, 2004, to quantify the amount that met the requirements of State unclaimed property regulations; and
- compared and reconciled undistributable child support collections data to amounts reported on the Child Support Enforcement Program Quarterly Report of Collections and the Child Support Enforcement Program Financial Report for the quarter ended March 2004.

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

FINDINGS AND RECOMMENDATIONS

The State agency did not report program income totaling \$2,870,137 (\$1,894,291 Federal share) for undistributable child support collections for the quarters ended December 1998 through September 2004 and did not recognize program income of \$500,352 (\$330,233 Federal share) for unclaimed and undistributable collections that should have been considered abandoned. These deficiencies occurred because (1) State and some county agency personnel were not aware of the reporting requirement and (2) the State agency did not provide sufficient oversight of

county reporting of undistributable collections and county and State recognition of unclaimed collections.

The State agency properly reported interest earned on program funds as program income and offset this amount against program expenditures.

PROGRAM INCOME NOT REPORTED

The State agency did not report program income totaling \$2,870,137 (\$1,894,291 Federal share) for undistributable child support collections for the quarters ended December 1998 through September 2004. The unreported program income included (1) \$2,608,472 that the county agencies held in trust fund accounts for more than 5 years without referring to the State agency; (2) \$255,386 that the State agency reported as undistributable but did not recognize as program income; and (3) \$6,279 that the county agencies referred to the State agency, which did not report the amount as undistributable collections or program income.

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 . . . become the property of the State if unclaimed after a period of time . . . this revenue must be counted as program income and be used to reduce IV-D program expenditures, in accordance with Federal regulations

Ohio Administrative Code 5101:1-29-71.2 (State Code) specifies how child support collections become unclaimed collections:

An “unclaimed collection” is a collection meeting one or more of the following criteria: (1) A collection that remains unidentified for six months from the date of receipt and for which the payor is unknown . . . (2) A collection that remains undisbursable for six months from the date the collection was identified as undisbursable . . . (3) A returned check that for six months from the date of return cannot be redispursed . . . and (4) A check that becomes void six months after issuance

Once identified as unclaimed, a collection must be transferred within 5 business days to a trust fund account for holding until a claim is made to obtain the collection or for 5 years, whichever occurs earlier. The above-cited State Code further specifies:

. . . the unclaimed collection loses unclaimed status after five years in a trust fund . . . and reverts to the . . . general fund After a collection loses unclaimed status and reverts to the . . . general fund, the following shall apply:

- (1) The amount losing unclaimed-collection status and reverting to the . . . general fund shall no longer be a reportable collection [i.e., undistributable collection]
- (2) . . . the amount losing unclaimed-collection status and becoming property of the county [i.e., abandoned property] shall be reported . . . as Title IV-D program income;¹

Undistributable Collections Not Referred to State Agency

Although the county agencies transferred \$2,608,472 in unclaimed collections to trust fund accounts, the county agencies failed to refer the undistributable collections to the State agency after the 5-year abandoned property period lapsed. (See Table 1.) Consequently, the State did not report the unclaimed collections as undistributable collections or program income on Forms OCSE-34A and 396A, respectively.

Table 1: County Collections Not Reported as Program Income

<u>County</u>	<u>Program Income</u>
Franklin	\$881,099
Lucas	627,512
Hamilton	461,483
Clark	139,261
Butler	86,072
Jefferson	73,423
Trumbull	71,728
Montgomery	69,305
Fairfield	66,562
Lawrence	31,460
Summit	29,659
Ashland	14,906
Lake	10,975
Other counties ²	<u>45,027</u>
Total	\$2,608,472

¹Effective October 15, 2001, Ohio revised the Administrative Code to make unclaimed collections property of the State instead of the county.

²Other counties include Belmont, Champaign, Greene, Hardin, Jackson, Lorain, Mahoning, Miami, Morgan, Ottawa, Pickaway, and Sandusky.

In Ohio, unclaimed child support collections become undistributable and abandoned 5 years after being transferred to a trust fund. Once notified, the State agency should recognize and report these undistributable collections as program income to offset program costs.

Program Income Not Reported

The State agency reported undistributable collections of \$255,386 but did not recognize the amount as program income. For the quarters ended December 1999 and March 2000, the State agency reported undistributable collections of \$178,501 and \$76,885, respectively, on the Form OCSE-34A. However, the State agency did not report these amounts as program income on the Form OCSE-396A. Form OCSE-396A instructions require undistributable child support collections that are reported on Form OCSE-34A to be captured and reported as program income.

County Agency-Identified Undistributable Collections Not Reported by State Agency

Although the county agencies identified and referred undistributable collections of \$6,279 to the State agency, the State agency did not recognize or report this sum as undistributable collections and program income. Specifically, for the quarters ended December 1998 through March 2004, the counties identified and referred the undistributable collections to the State agency, which failed to capture the amounts on Federal quarterly reports (Form OCSE-34A and Form OCSE-396A).

Even though a prior OCSE audit report recommended that the State agency instruct county agencies to transfer unclaimed collections to a county trust fund and recognize and report all collections remaining undistributable after 5 years as program income, State and some county agency personnel said that they were unaware of the reporting requirements. We attribute the underreporting to this lack of knowledge and to insufficient State agency oversight to ensure that the county agencies reported undistributable collections as program income.

UNCLAIMED COLLECTIONS NOT TRANSFERRED TO TRUST FUNDS

The State and county agencies did not transfer unclaimed collections amounting to \$500,352 (\$330,233 Federal share) to trust fund accounts after the 6-month period as required by State regulations and did not recognize the amount as program income after the State's 5-year abandoned property requirement expired. If these collections had been appropriately transferred after the 6-month period, the collections could have been reported as undistributable collections and program income.

State Requirements

Pursuant to Ohio Administrative Code 5101:1-29-71.2, child support collections become unclaimed if neither the beneficiary nor the payer can be identified 6 months after the date of receipt or if a collection remains undisbursable for 6 months after being identified as such. Child support collections also become unclaimed if a returned check cannot be redisbursed for

6 months from the date of return or if a check becomes void 6 months after issuance. Once identified as unclaimed, collections must be transferred within 5 business days to a trust fund account for holding until a claim is made to obtain the collection or for 5 years, whichever occurs earlier. If the collection remains unclaimed after 5 years, the State unclaimed collections regulations recognize the undistributable collections as property of the State or county (i.e., abandoned) and require them to be reported as program income.

County Agency Transfers Not Accomplished

Four county agencies did not transfer unclaimed collections totaling \$290,827 to a trust fund account after the applicable 6-month period. (See Table 2.) Consequently, the State did not report the unclaimed collections as program income on Form OCSE-396A.

Table 2: County Collections Not Transferred to Trust Funds

<u>County</u>	<u>Unclaimed Collections</u>
Cuyahoga	\$205,952
Columbiana	45,647
Medina	27,039
Allen	<u>12,189</u>
Total	\$290,827

Although the county agencies had disbursed the collections as checks, recipients had not cashed the checks. These collections, which the county agencies had held for more than 5 years, should have been designated as unclaimed and transferred to a trust fund account after 6 months. If the counties had properly transferred these collections, the county and State agencies could have recognized these unclaimed collections as undistributable and program income.

The State agency did not provide sufficient program oversight to ensure that county unclaimed child support collections were transferred to trust fund accounts after the applicable 6-month period and were recognized as undistributable collections and program income after being held for 5 years.

State Agency Transfers Not Accomplished

The State agency did not transfer unclaimed collections totaling \$209,525 to a trust fund account after the applicable 6-month period. These collections, which the State agency held for more than 5 1/2 years, should have been transferred to a trust fund account pursuant to State regulations, reported as undistributable, and recognized as program income.

The State agency did not have adequate controls to ensure that all unclaimed collections were transferred to trust fund accounts after the applicable 6-month period and were recognized as undistributable collections and program income after being held for 5 years.

RECOMMENDATIONS

We recommend that the State agency:

- adjust program income for undistributable collections of \$2,870,137 (\$1,894,291 Federal share);
- work with State officials and county agencies to transfer \$500,352 (\$330,233 Federal share) of unclaimed collections to trust fund accounts and recognize undistributable collections as program income after 5 years; and
- work with State officials and county agencies to implement policies and procedures and provide program oversight to ensure that future undistributable collections, after being unclaimed for 5 years, are recognized as program income on the quarterly Federal financial report.

STATE AGENCY COMMENTS

The State agency agreed with the audit findings and believed that the proper direction and systems were now in place to assist the State and the counties in following the regulations and complying with the recommendations. The State agency comments are included in the appendix.

APPENDIX

Bob Taft
Governor



Barbara Riley
Director

30 East Broad Street · Columbus, Ohio 43215-3414
jfs.ohio.gov

October 11, 2005

Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services
233 North Michigan Ave.
Chicago, Illinois 60601

RE: Review of Undistributable Child Support Collections in Ohio from October 1, 1998,
Through September 30, 2004

Report Number A-05-04-00075

Dear Mr. Swanson:

We appreciate the opportunity to provide comments regarding this audit review. The Office of Child Support fundamentally agrees with your findings in this Audit Report. You will note in the following attachments, Ohio has taken a proactive approach to the issues that you raise and would hope that you would consider our actions as a good faith effort to rectify any issues that you have brought to our attention.

Please contact Diana Redman, Office of Child Support at (614) 466-4058 should you need additional information or if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Barbara Riley", is written over the typed name.

Barbara Riley
Director
Ohio Department of Job and Family Services

cc Fred Williams, Assistant Director
Joseph J. Pilat, Deputy Director
Office of the Chief Inspector

Attachments

STATE RESPONSE TO OIG AUDIT (A-05-04-00075)

Over the past four years, the Ohio Department of Job and Family Services (ODJFS) and the ODJFS Office of Child Support (OCS) have experienced a number of changes at the management staff level and as a result, we have a completely new management team in place. Our approach has been to identify existing programmatic and system related weaknesses and take a proactive approach to resolving the same. Prior to the start of your review, the Office of Child Support had identified unclaimed funds as a priority item and had begun to take steps to address this shortcoming. As a result, we were able to demonstrate to your auditors the steps (outlined below) that had been taken to correct this issue. I believe your auditors were satisfied that this would rectify various problems that we faced.

Based upon feedback that we received from your auditors during the review process, we did in fact make further adjustments and began working with the identified counties to develop procedures that will ensure program compliance. Your review does not specifically identify these actions and we believe that it is important to point out the proactive steps that have been taken to correct this situation.

We acknowledge that an audit finding was issued previously (OH-97-SR) which was critical of the way unclaimed funds and program income had been handled. Oversight by this office had not been properly employed to ensure compliance by the county agencies. The collections identified in this audit will resolve the findings from the previous audit. OCS will be monitoring the reporting activities of the counties in question to ensure compliance with the previous audit. With the centralization of the payment processing at the state level, handling of unclaimed funds will now be a state office function. We believe that with the proper direction and systems that are now in place, both the state and the county will be following the regulations and will fully comply with the recommendations offered in your report.

FINDING: PROGRAM INCOME NOT REPORTED

This finding totaled \$2,870,137 (\$1,894,291 federal share). The unreported program income included 1) \$2,608,472 that the county agencies held in trust fund accounts for more than 5 years without referring to the state agency; 2) \$255,386 that the state agency reported as undistributed but did not recognize as program income; 3) \$6,279 that the county agencies referred to the state agency, which did not report the amount as undistributed collections or program income.

Some of the steps that have been taken to alleviate the concerns raised are:

1. The rules governing the method for the proper handling and transferring funds to the Ohio Department of Commerce were changed effective 8/2004 and 1/2005 (copies attached);

2. The automated tracking system (SETS) has been analyzed and reprogrammed to perform the identification of funds eligible for transfer. Once identified, funds will be flagged for transfer and moved to the Department of Commerce in accordance with state law (OAC 5101:12-10-65);
3. Based on the above cited changes, the first transfer of state controlled funds to unclaimed status occurred on 12/13/04;
4. Once transferred, the funds are reported as program income, in accordance with the regulations. This was identified on the federal OCSE 396A report in March 2005;
5. The OCS Payment Analysis and Account Reconciliation (PAAR) unit will monitor and be actively involved in the annual transfer process. PAAR will be responsible for follow up activities;
6. This office has developed a tracking process for the local funds identified in this audit that were not transferred to trust funds to ensure the funds are transferred and reported as program income as appropriate or required;
7. OCS will work with the personnel in the Office of Fiscal Services responsible for completing federal reports in order to ensure that all funds are properly identified and reported;

With regard to this finding and the financial impact it has for Ohio by reporting a large sum of program income at one time, we are looking for some direction that would allow the state and the county some latitude relative to reporting program income. We would like to report the program income involved in this finding over the course of the next four quarters. This would soften the impact on the cash flow for both the state and the counties affected.

FINDING: UNCLAIMED COLLECTIONS NOT TRANSFERRED TO TRUST FUNDS

This finding involves both the state and county agencies where unclaimed collections totaling \$500,352 (\$330,233 federal share) were not transferred to trust funds and were not recognized as program income

With respect to this finding, four counties did not transfer \$290,827. The county agencies were advised to transfer these funds to their trust funds and claim any outstanding funds as program income. Some counties have already accomplished this and others are in the process of doing the same.

The state agency did not transfer \$209,525. Since the conclusion of the audit period, claims have been made on the funds controlled by the state agency. This reduces the dollar amount identified by this finding and the remaining funds will be processed in accordance with current regulations. These funds will be claimed as program income.

**5101:12-10-40.1 Program Income.**

Effective date: January 1, 2005

- (A)** Revenues resulting from Title IV-D case activity shall be considered IV-D program income and shall not be used as any portion of the nonfederal share of program funding. Revenues resulting from Title IV-D case activity are deducted from expenditures presented for federal reimbursement. IV-D program income revenue shall be used for the operation of the IV-D child support program.
- (B)** Only revenues resulting from Title IV-D case activity shall be considered IV-D program income. Revenues resulting from non-IV-D case activity may be used at the discretion of the child support enforcement agency (CSEA) or the Ohio department of job and family services (ODJFS), including being used to provide the nonfederal share of funds for the child support program.
- (C)** The CSEA must report as revenue on the JFS 02750 "Child Support Administrative Fund Monthly Financial Statement" all program income described in this rule that is allocated to the CSEA and income the CSEA collects and retains.
- (D)** The following paragraphs list the various forms of program income.
- (1)** The processing charge collected on Title IV-D cases shall be considered IV-D program income to the CSEA.
- (2)** Any amount earned through investment of IV-D collections, such as interest earned from collections made on behalf of child support obligees, is considered IV-D program income. If a CSEA or ODJFS pays service fees on an income-producing account, only the net amount (investment income less service fees) shall be reported. CSEAs or ODJFS will maintain a record of investment revenue and service fees relative to the depository account. There is no net investment income to report nor transfer if the service fees exceed investment income.
- (3)** Recovered IV-D allowable payments such as IV-D allowable clerk of court fees, court costs, and genetic testing fees for paternity determination made by the CSEA are considered IV-D program income. If any of these items are returned to ODJFS, it is program income to ODJFS. If any is retained at the CSEA, it becomes program income through the administrative fund.
- (4)** If the CSEA does not absorb the non-OWF application fee, the fee is considered IV-D program income to the CSEA.
- (5)** CSEAs may charge miscellaneous fees such as photocopy charges provided the fee charged is sufficient to cover costs, yet nominal enough not to discourage the right of access to information in the files. The fees charged for services on IV-D cases are considered IV-D program income to the CSEA through the administrative fund.
- (6)** Unclaimed funds.
- (a)** A IV-D payment that becomes unclaimed pursuant to rule 5101:12-10-

65 of the Administrative Code will be reported as program income. At such time that the payment is claimed by its owner, unclaimed funds collected by the owner will be reported as a program expenditure and will accordingly reduce program income.

(b) A IV-D payment that loses unclaimed status pursuant to former rule 5101:1-29-71.2 of the Administrative Code shall be reported as program income.

(7) Interest paid pursuant to section 3123.17 of the Revised Code on assigned arrears is considered IV-D program income to ODJFS.

(8) Any fine imposed in a IV-D case that the CSEA or ODJFS has retained is IV-D program income.

Replaces: 5101: 1-31-20

Effective: 01/01/2005

R.C. 119.032 review dates: 09/30/2008

Certification: CERTIFIED ELECTRONICALLY

Date: 12/20/2004

Promulgated Under: 119.03

Statutory Authority: RC Sec. 3125.03, 3125.25

Rule Amplifies: RC Sec. 3121.59, 3123.17

Prior Effective Dates: 1/1/1991, 4/1/1992, 1/1/1993, 6/1/1996, 10/30/1997, 1/1/1998, 4/24/2000 (Emer.), 7/10/2000, 10/15/2001

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**5101:12-10-65 Unclaimed Funds.*****Effective Date: November 8, 2004***

(A) Support payments collected and distributable by the Ohio department of job and family services office of child support which meet the requirements of this rule shall be reported and remitted to the Ohio department of commerce division of unclaimed funds in accordance with the procedures set forth in R.C. Section 169.03.

(B) For the purposes of this rule the following assumptions are made:

(1) In accordance with RC 3125.02 the office of child support is a person formed under the laws of the state of Ohio.

(2) In accordance with RC 3121.48 the office of child support is a holder of money as trustee for remittance of support payments it receives to the person entitled to receive the support payment.

(3) As trustee pursuant to RC 3121.48, the office of child support is a fiduciary for the benefit of the person entitled to receive a support payment.

(4) The person entitled to receive a support payment in accordance with RC chapter 3121 is the owner of the support payment and shall be referred to in this rule and any supplemental rule(s) as the "obligee", as that term is defined in RC 3119.01(B)(3).

(C) A support payment shown by the records of the office of child support to have been distributable to the obligee shall be considered unclaimed funds three years from the date payable or distributable pursuant to either RC 169.02(J) or RC 169.02(K).

(D) The division of unclaimed funds in the Ohio department of commerce, and the office of child support in the Ohio Department of job and family services shall treat the funds described in paragraph (C) of this rule as unclaimed funds, and in accordance with the provisions of RC chapter 169.

Replaces: 5101:1-29-71.2

Effective: 11/08/2004

R.C. 119.032 review dates: 11/01/2009

Certification: CERTIFIED ELECTRONICALLY

Date: 10/05/2004

Promulgated Under: 119.03

Statutory Authority: 3125.25

Rule Amplifies: 3125.03

Prior Effective Dates: 9-1-89; 4-1-92; 12-1-94; 6-1-95; 4-24-00 (emer.); 7-10-00; 10-15-01

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