



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

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Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Report Number: A-07-07-04106

Mr. John Bernhart
Director
Division of Child Support Enforcement
Colorado Department of Human Services
1575 Sherman Street, 5th Floor
Denver, Colorado 80203-1714

Dear Mr. Bernhart:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Review of Colorado's Undistributable Child Support Collections for the Period October 1, 1998, Through September 30, 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.

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If you have any questions or comments about this report, please do not hesitate to call me, or contact Raylene Mason, Audit Manager, at (816) 426-3203 or through e-mail at Raylene.Mason@oig.hhs.gov. Please refer to report number A-07-07-04106 in all correspondence.

Sincerely,

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Direct Report to HHS Action Official:

Mr. Thomas Sullivan
Regional Administrator, Region VIII
Administration for Children and Families
U.S. Department of Health and Human Services
1961 Stout Street, Suite 924
Denver, Colorado 80294-3538

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF COLORADO'S
UNDISTRIBUTABLE CHILD
SUPPORT COLLECTIONS FOR THE
PERIOD OCTOBER 1, 1998,
THROUGH SEPTEMBER 30, 2005**



Daniel R. Levinson
Inspector General

November 2007
A-07-07-04106

Office of Inspector General

<http://oig.hhs.gov>

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OAS FINDINGS AND OPINIONS

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

EXECUTIVE SUMMARY

BACKGROUND

The Child Support Enforcement program is a Federal, State, and local partnership, established in 1975 under Title IV-D of the Social Security Act, to collect child support payments for distribution to custodial parents. Within the U.S. Department of Health and Human Services, the Administration for Children and Families, 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 Title IV-D undistributable child support collections and interest earned on child support collections. Specifically, the instructions for Federal forms OCSE-34A, "OCSE Child Support Enforcement Program Quarterly Report of Collections," and OCSE-396A, "Child Support Enforcement Program Financial Report," used to report undistributable collections and program income, respectively, require States to report program income for undistributable collections when State law considers them abandoned.

In Colorado, the Department of Human Services (State agency) administers the federally mandated program through the Office of Self Sufficiency. The State agency uses the Automated Child Support Enforcement System (ACSES) as a tool to help locate absent parents, establish paternity, establish and monitor child and medical support, enforce child and medical support, monitor collection and distribution of support payments, and to interface and cooperate with Federal and other State systems.

Before 1994, the Clerk of the District Court offices for each county in Colorado processed child support collections. In 1994, the Family Support Registry was established, and the State of Colorado contracted with Affiliated Computer Services (ACS) to process all child support collections and disbursements. By July 2000, all child support payments in Colorado, except those paid by the non-custodial parent directly to the custodial parent, were to be processed through the Family Support Registry.

As the county Clerk of the District Court offices stopped processing child support collections, they generally transferred the remaining undistributable child support collections to either the Family Support Registry or the State Treasurer as abandoned property. Although the Family Support Registry processes all child support collections, the Clerk of the District Court offices continued to hold undistributable child support collections they collected before July 2000.

Pursuant to the Colorado statutes, undistributable child support collections are considered abandoned if the owner has not claimed them within one year.

OBJECTIVE

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

SUMMARY OF FINDINGS

The State agency did not recognize and report program income for undistributable child support collections because the State agency did not follow its own policies and procedures. As a result, for the period October 1, 1998, through September 30, 2005, the State agency did not recognize and report program income totaling \$8,336 (\$5,502 Federal share) of Title IV-D undistributable child support collections recorded within the ACSES system. The State agency presented us evidence that many of these collections were internal accounting adjustments; however, the State reported these amounts on line 9b of form OCSE-34A, as of September 30, 2005. Line 9b should not include internal accounting adjustments.

In addition, the County Clerk of the District Court offices either transferred or held \$129,807 of undistributable child support collections that met the State's definition of abandoned property, which consisted of:

- \$14,654 of undistributable child support collections transferred to the State agency by one Clerk of the District Court office (Denver County), and
- \$115,153 of undistributable child support collections that remained in an open bank account at another Clerk of the District Court office (Arapahoe County) at the end of our audit period but that was later transferred to the State agency.

Although the State agency provided us information that some of the child support cases had included Title IV-D involvement, the State agency claimed that none of the \$129,807 included Title IV-D collections. Therefore, we are setting aside the entire amount for a decision by OCSE.

The State agency properly reported interest earned on child support collections as program income to offset program expenditures.

RECOMMENDATIONS

We recommend that the State agency:

- report on the quarterly Federal financial report (form OCSE-396A) \$8,336 (\$5,502 Federal share) of Title IV-D program income after it transfers these collections to the Family Support Registry's abandoned collections account, or revise the form OCSE-34A to correct these transactions;
- work with OCSE to negotiate the Federal share of the \$129,807 in undistributable child support collections that may be attributable to Title IV-D and report the negotiated amount (if any) on form OCSE-396A;
- work with OCSE to review the other 60 Clerk of the District Court offices and

- o determine whether they have appropriately declared and transferred to the State Treasurer any remaining undistributable child support collections and
- o report any remaining undistributable child support collections as program income on form OCSE-396A; and
- strengthen enforcement of, and training in, policies and procedures to ensure that undistributable child support collections are recognized and properly reported as program income.

STATE AGENCY'S COMMENTS AND OFFICE OF INSPECTOR GENERAL'S RESPONSE

In written comments on our draft report, the State agency disagreed with most of our findings and recommendations, with one exception. The State agency concurred with our recommendation to strengthen enforcement of, and training in, policies and procedures to ensure that undistributable child support collections are recognized and properly reported as program income. After reviewing the State agency's comments, we adjusted our findings and recommendations.

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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, the Administration for Children and Families, Office of Child Support Enforcement (OCSE) provides Federal oversight by setting program standards and policy, evaluating performance, and offering technical assistance.

OCSE requires States to offset Child Support Enforcement program costs by recognizing and reporting program income from Title IV-D undistributable child support collections and interest earned on child support collections. Specifically, the instructions for Federal forms OCSE-34A, "OCSE Child Support Enforcement Program Quarterly Report of Collections," and OCSE-396A, "Child Support Enforcement Program Financial Report," used to report undistributable collections and program income, respectively, require States to report program income for undistributable collections when State law considers them abandoned.

Colorado's Program

In Colorado, the Department of Human Services (State agency) administers the federally mandated program through the Office of Self Sufficiency. The State agency uses the Automated Child Support Enforcement System (ACSES) as a tool to help locate absent parents, establish paternity, establish and monitor child and medical support, enforce child and medical support, monitor collection and distribution of support payments, and to interface and cooperate with Federal and other State systems.

Before 1994, the Clerk of the District Court offices for each county in Colorado processed child support collections. In 1994, the Family Support Registry was established, and the State of Colorado contracted with Affiliated Computer Services (ACS) to process all child support collections and disbursements. By July 2000, all child support payments in Colorado, except those which are paid by the non-custodial parent directly to the custodial parent, were to be processed through the Family Support Registry.

As the county Clerk of the District Court offices stopped processing child support collections, they generally transferred the remaining undistributable child support collections to either the Family Support Registry or the State Treasurer as abandoned property. Although the Family Support Registry processes all child support collections, the Clerk of the District Court offices continued to hold undistributable child support they collected before July 2000.

Pursuant to the Colorado statutes – and as we will discuss later in the report – undistributable child support collections are considered abandoned if the owner has not claimed them within one year.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was 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

For our review period of October 1, 1998, through September 30, 2005, we examined \$3,114,787 in undistributed child support collections and interest reported on child support collections to determine whether these undistributed child support collections met one of three criteria: (1) collections that four Clerk of the District Court offices (Arapahoe, Denver, Jefferson, and El Paso counties) should have transferred to the State Treasurer as abandoned property; (2) collections recorded in the ACSES system that met the definition of abandoned property in accordance with Colorado statutes; and (3) undistributable collections and interest reported on line 2b of form OCSE-396A.

We selected four Clerk of the District Court offices (Arapahoe, Denver, Jefferson and El Paso counties) that had the highest population by county in the State of Colorado according to the U.S. census as of July 1, 2004.¹ For the four counties, we reviewed undistributable child support collections, which totaled \$129,807 during the audit period. We did not review the overall internal control structure of the offices because all four had stopped processing child support collections during our review period.

Within the ACSES system, we reviewed \$2,949,021 of child support collections that were still being held by Colorado, as reported on line 9b of form OCSE-34A, as of September 30, 2005. From the \$2,949,021, we identified \$8,336 that met the State's definition of abandoned property in that the collections were more than a year old. We did not find any cases of unidentified receipts.

For the quarter ending September 30, 2005, we reviewed the \$35,961 reported on line 2b of form OCSE-396A. The \$35,961 included \$4,313 of undistributable child support collections and \$31,646 of interest earned on child support collections.² For the \$4,313, we determined whether the amount reported on line 9a of form OCSE-34A was included on line 2b of

¹The State of Colorado has 64 counties. Of the four most highly populated counties we reviewed, two had findings and two did not.

²The total of the undistributable child support collections differed by \$2 from the total of the undistributable child support collections and interest earned.

form OCSE-396A. In addition, we verified whether the State agency had supporting documentation for the \$31,646 of interest earned on child support collections.

We did not review the overall internal control structure of the State agency's operations or financial management. However, we gained an understanding of the State agency's controls with respect to undistributable child support collections and interest earned on child support collections.

We performed fieldwork at the State agency's office in Denver, Colorado.

Methodology

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidance, including OCSE program and policy announcements,
- reviewed forms OCSE-34A and OCSE-396A for mathematical accuracy and to determine the undistributable child support collections that the State agency reported,
- verified interest that the State agency earned and reported in its child support accounts to determine whether the State agency appropriately reported the interest,
- reviewed undistributable child support collections data from the ACSES system that met the State's definition of abandoned property, and
- reviewed undistributable child support collections for the four Clerk of the District Court offices to determine whether these payments were appropriately reported as program income.

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

FINDINGS AND RECOMMENDATIONS

The State agency did not recognize and report program income for undistributable child support collections because the State agency did not follow its own policies and procedures. As a result, for the period October 1, 1998, through September 30, 2005, the State agency did not recognize and report program income totaling \$8,336 (\$5,502 Federal share) of Title IV-D undistributable child support collections recorded within the ACSES system. The State agency presented us evidence that many of these collections were internal accounting adjustments; however, the State reported these amounts on line 9b of form OCSE-34A, as of September 30, 2005. Based on instructions for Line 9b of form OCSE-34A, amounts reported by the State on this line item should only include collections that remain available for distribution in a future quarter and not internal accounting adjustments.

In addition, the County Clerk of the District Court offices either transferred or held \$129,807 of undistributable child support collections that met the State's definition of abandoned property, which consisted of:

- \$14,654 of undistributable child support collections transferred to the State agency by one Clerk of the District Court office (Denver County), and
- \$115,153 of undistributable child support collections that remained in an open bank account at another Clerk of the District Court office (Arapahoe County) at the end of our audit period but that was later transferred to the State agency.

Although State agency provided us information that some of the child support cases had included Title IV-D involvement, the State agency claimed that none of the \$129,807 included Title IV-D collections. Therefore, we are setting aside the entire amount for a decision by OCSE.

The State agency properly reported interest earned on child support collections as program income to offset program expenditures.

FEDERAL AND STATE REQUIREMENTS TO REPORT PROGRAM INCOME

The OCSE policy interpretation question memorandums OCSE-PIQ-88-7 and OCSE-PIQ-90-02 require States to offset Child Support Enforcement program costs by recognizing and reporting program income from Title IV-D undistributable child support collections when the funds are considered abandoned. Specifically, OCSE-PIQ-88-7 states:

If a [Title] 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 [Title] IV-D collections, this revenue must be counted as program income and be used to reduce [Title] IV-D program expenditures, in accordance with Federal regulations at 45 CFR 304.50.

OCSE-PIQ-90-02 states that: "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."

Federal forms OCSE-34A and OCSE-396A require States to report program income for Title IV-D undistributable collections when State law considers them abandoned. Specifically, instructions for OCSE-34A, line 9a (undistributable child support collections), refer to "[t]he portion of collections reported on Line 9 [Gross Undistributable Collections] that, despite numerous attempts, the State has determined it will be unable to distribute in accordance with the provisions 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.' "

The OCSE-396A instructions for line 2b (interest earned and other program income received) refer to “[t]he 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; (ii) undistributable child support collections as reported on Line 9a of Form OCSE-34A”

To determine the time period after which child support collections could be regarded as abandoned, it was necessary for us to research several State laws. Colorado Revised Statute, chapter 26, section 26-13-115.5 created within “the state treasury a fund to be known as the family support registry fund, which shall consist of any moneys credited thereto from the investment earnings on moneys deposited with the state treasurer, moneys accruing from collections for child support received by the family support registry, any undeliverable child support payments, and any fees collected pursuant to section 26-13-114(13).” This section also states that non-Title IV-D undistributable child support collections that “are undeliverable after two years shall be considered unclaimed property”; however, this statute does not address Title IV-D undistributable child support collections. This statute would also not be applicable to the claims processed by the counties (i.e., Clerk of the District Court offices) because their claims would not have been processed through the Family Support Registry fund. As a result of these limitations in the span of what section 26-13-115.5 covers, we reviewed chapter 38, section 38-13-108.2 of the Colorado Revised Statutes.

Chapter 38, section 38-13-108.2 states that “Intangible property held for the owner by the court, state or other government, governmental subdivision or agency, public corporation, or public authority which remains unclaimed by the owner for more than one year after becoming payable or distributable is presumed abandoned.” Accordingly, Title IV-D undistributable child support collections are considered to be abandoned after one year of becoming payable or distributable.

Based on our review of the State policies and procedures, the State should declare undistributable child support collections over 180 days to the abandoned collections account on the disbursement record on the ACSES. Specifically, the Colorado Department of Human Services Staff Manual, volume 6, section 6.805.87 indicates that “If the payee (either the custodial party or the noncustodial parent) cannot be located within 180 calendar days of the original warrant issue date, the Child Support Enforcement worker shall, by the 181st calendar day, transfer the collection to the abandoned collections account on the disbursement record on the Automated Child Support Enforcement System.” In addition, the Child Support Enforcement Procedures Manual, number 8.2, section VI, states that after the 180th day, the collection “is then used to reimburse CSE [Child Support Enforcement] state programmatic expenditures administered at the state level. The reimbursement is done by reporting this account to the federal government on the federal quarterly expenditure report (OCSE-396) as funds reimbursing CSE expenditures.”

UNDISTRIBUTABLE CHILD SUPPORT COLLECTIONS NOT PROPERLY REPORTED AS PROGRAM INCOME

Undistributable Child Support Collections Reported Within the Automated Child Support Enforcement System and Not Properly Recognized as Program Income

The State agency did not recognize and report, as program income, \$8,336 (\$5,502 Federal share) of Title IV-D undistributable child support collections that met the definition of abandoned property, as recorded in the ACSES system as of the end of the audit period. The 22 undistributable child support collections that made up the \$8,336 were outstanding for an average of 4 years.

The 22 transactions that made up the \$8,336 were identified from the \$2,949,021 in “Net Undistributed Collections” reported on line 9b of form OCSE-34A for the period ending September 30, 2005. The instructions for line 9b specifically state that the amount to be reported is “[t]he amount of collections that remain available for distribution in a future quarter.”

The State agency presented us evidence that many of these collections were internal accounting adjustments; however, the State reported these amounts on line 9b of form OCSE-34A, as of September 30, 2005. Based on instructions for line 9b of form OCSE-34A, amounts reported by the State on this line item should only include collections that remain available for distribution in a future quarter and not internal accounting adjustments.

Undistributable Child Support Collections Transferred to the State Treasurer But Not Reported

One Clerk of the District Court office (Denver County) transferred to the State Treasurer undistributable child support collections totaling \$14,654 during our review period. The Denver County Clerk of the District Court office was unable to provide documentation demonstrating what portion of the collections, if any, were Title IV-D.

Undistributable Child Support Collections Not Properly Transferred and Recognized

One Clerk of the District Court (Arapahoe County) continued to hold \$115,153 of undistributable child support collections in an open bank account at the end of our review period. The County had not properly transferred these funds to the State Treasurer as abandoned property. However, these funds were later transferred after our review period ended.

The Arapahoe County Clerk of the District Court office was unable to provide documentation demonstrating what portion of the collections, if any, were Title IV-D.

STATE AGENCY DID NOT FOLLOW ITS POLICIES AND PROCEDURES

These errors occurred because, although the State agency had established policies and procedures governing the documentation and reporting of undistributable child support payments, it did not follow these policies and procedures.

RECOMMENDATIONS

We recommend that the State agency:

- report on the quarterly Federal financial report (form OCSE-396A) \$8,336 (\$5,502 Federal share) of Title IV-D program income after it transfers these collections to the Family Support Registry's abandoned collections account, or revise the form OCSE-34A to correct these transactions;
- work with OCSE to negotiate the Federal share of the \$129,807 in undistributable child support collections that may be attributable to Title IV-D and report the negotiated amount (if any) on form OCSE-396A;
- work with OCSE to review the other 60 Clerk of the District Court offices and
 - o determine whether they have appropriately declared and transferred to the State Treasurer any remaining undistributable child support collections and
 - o report any remaining undistributable child support collections as program income on form OCSE-396A; and
- strengthen enforcement of, and training in, policies and procedures to ensure that undistributable child support collections are recognized and properly reported as program income.

STATE AGENCY'S COMMENTS AND OFFICE OF INSPECTOR GENERAL'S RESPONSE

In written comments on our draft report, the State agency disagreed with most of our findings and recommendations, with one exception. The State agency concurred with our recommendation to strengthen enforcement of, and training in, policies and procedures to ensure that undistributable child support collections are recognized and properly reported as program income. The State agency's comments, which we summarize below, appear in their entirety as the Appendix.

After reviewing the State agency's comments, we revised and reordered our findings and recommendations to address the questioned costs before the set-aside costs.

Undistributable Child Support Collections Reported Within the Automated Child Support Enforcement System and Not Properly Recognized as Program Income

State Agency's Comments

The State agency stated that the \$8,336 (\$5,502 Federal share) of Title IV-D undistributable child support collections recorded in ACSES was program income – not abandoned collections – and therefore was not subject to the State's Unclaimed Property Act. The State agency therefore

stated that it was correct in not recognizing any of these collections as abandoned property. The State agency further stated that it had conducted research into the 22 transactions that made up the \$8,336 amount and determined that “[f]or various reasons, most of these transactions were internal accounting adjustments, but had no bearing on the original payments being sent out and redeemed by the parties.” The State agency indicated that its research of these transactions “did result in one instance of held monies, and the county has been notified and is processing appropriately.” The State agency stated that in this regard, it would “react in accordance with the results of the county’s action.”

Office of Inspector General’s Response

We disagree with the State agency’s position that the State’s Unclaimed Property Act did not apply to the amounts recorded within ACSES. During the audit, we received written notification from the State agency’s Director of the Division of Child Support Enforcement stating that, because the State did not have a specific statute covering Title IV-D child support payments, the State’s Unclaimed Property statute would apply to these payments. The State agency did not provide any other relevant applicable statute for Title IV-D undistributable child support collections or any other documentation that would have allowed us to reach a different finding.

With respect to the 22 transactions that made up the \$8,336, we identified these transactions from the \$2,949,021 in “Net Undistributed Collections” reported on line 9b of form OCSE-34A for the period ending September 30, 2005. The instructions for line 9b specifically state that the amount to be reported is “[t]he amount of collections that remain available for distribution in a future quarter.” Based on these instructions, the “internal accounting adjustments” that the State agency contended had “no bearing on the original payments being sent out and redeemed by the parties” would not qualify to be listed on line 9b of form OCSE-34A. If that was the case, we must conclude that the State agency’s certification of its OCSE-34A—information on which the auditors relied during the conduct of the audit—was inaccurate. Accordingly, the State agency should either transfer these undistributable collections in accordance with our recommendation, or it should amend its OCSE-34A report for these transactions. We revised our recommendation based on the State agency’s comments on our draft report.

Undistributable Child Support Collections Transferred to the State Treasurer But Not Reported

State Agency’s Comments

The State agency stated that the \$11,805 amount identified by the OIG was an estimate “derived from the total amount of \$14,654 in undistributable child support collections” transferred to the State Treasurer by the Denver County Clerk of the District Court office. The State agency also stated that the OIG did not find a Title IV-D link to any of these undistributable child support collections and that none of these collections was identifiable as Title IV-D “at the time payments were tendered to the Courts.”

Office of Inspector General's Response

We agree with the State agency that none of the \$14,654 in undistributable child support collections could be identified as Title IV-D. However, neither could these collections be identified as non-Title IV-D. The Denver County Clerk of the District Court office maintained documentation of the total undistributable child support collections, but could not identify whether the collections were either Title IV-D or non-Title IV-D when the collections occurred.

In our draft report, we estimated the Title IV-D portion of these collections because the county and the State agency could not precisely identify the collections that pertained to Title IV-D cases. We believe the estimation methodology that we used resulted in an estimate that was fair and reasonable. However, the State agency did not agree. We have eliminated our estimate and removed our recommendation that the State agency refund \$7,791.

In our judgment, the State agency's inability to determine the Title IV-D portion of undistributable child support collections should not permit the State agency to avoid reporting any undistributable child support collections on line 2b of form OCSE-396A. Therefore, we are setting aside the \$14,654 and recommending that the State agency work with OCSE to negotiate the Federal share of the undistributable child support collections that may be attributable to Title IV-D. We have updated our findings and recommendations accordingly.

Undistributable Child Support Collections Not Properly Transferred and Recognized

State Agency's Comments

The State agency stated that, although the \$115,153 in undistributable child support collections for Arapahoe County had originally included Title IV-D cases, "further research showed that any and all [Title] IV-D involvement in these cases had terminated prior to the payments being tendered to the Arapahoe District Court, thereby making them non-IV-D collections and not subject to reporting by the State agency as program income." The State agency also stated that, as with the previous finding, the OIG had estimated the Title IV-D portion of these collections. In addition, the State agency stated that it "does not have authority to work with the Arapahoe County Clerk of the District Court to close their account and transfer the monies to the State Treasurer."

Office of Inspector General's Response

We agree with the State agency that the \$115,153 in undistributable child support collections includes Title IV-D cases. The Arapahoe County Clerk of the District Court office maintained documentation of the total undistributable child support collections, but could not identify whether the collections were either Title IV-D or non-Title IV-D when the collections occurred. The State agency stated that it conducted research which showed that none of these collections was Title IV-D. However, the State agency did not produce evidence to support the contention that the collections were completely non-Title IV-D, either during the audit or in its written comments on our draft report.

As with the previous finding, in our draft report, we estimated the Title IV-D portion of these collections because the county and the State agency could not precisely identify the collections that pertained to Title IV-D cases. We believe the estimation methodology that we used resulted in an estimate that was fair and reasonable. However, the State agency did not agree. We have eliminated our estimate and removed our recommendation that the State agency refund \$61,227.

In our judgment, the State agency's inability to determine the Title IV-D portion of undistributable child support collections should not permit the State agency to avoid reporting any undistributable child support collections on line 2b of form OCSE-396A. Therefore, we are setting aside the \$115,153 and recommending that the State agency work with OCSE to negotiate the Federal share of the undistributable child support collections that may be attributable to Title IV-D. We have updated our findings and recommendations accordingly.

Although the State agency contended that it does not have the authority to compel Arapahoe County to close the open bank account and transfer these collections to the State Treasurer, we determined that the Arapahoe County Clerk of the District Court office had already closed the account and transferred the collections to the State Treasurer after the end of our audit period.

Recommendation That the State Agency Work With the Office of Child Support Enforcement to Review the Remaining 60 Clerk of the District Court Offices

State Agency's Comments

The State agency disagreed with this recommendation, stating that “[t]he District Court registries are not under the authority of the State agency, nor is it clearly identified that any undistributable child support collections that may be in the Court registries are [Title] IV-D collections, and therefore, it [sic] should not be reported as such on form OCSE-396A.” To support its position, the State agency cited Federal guidance at OCSE-PIQ-88-7: “ ‘If the collection cannot be identified as a [Title] IV-D collection, the [Title] IV-D agency is *not* responsible for disbursing the collection.’ ” (Emphasis added).

Office of Inspector General's Response

The State agency asserted that it had no authority over the Clerk of the District Courts' registries. However, the Clerk of the District Court offices were obligated to report undistributable child support collections in accordance with the State's statute governing unclaimed property. Once the Clerk of the District Court offices complied with this statute, the State agency was, in turn, obligated to report the Title IV-D portion of the undistributable child support collections.

The State agency also asserted that the undistributable child support collections held by the Clerk of the District Court offices were not clearly identified as Title IV-D collections, as required by OCSE-PIQ-88-7, and therefore were not reportable on form OCSE-396A. During our fieldwork and as stated earlier, we determined that the Clerk of the District Court offices that we reviewed maintained documentation of the total undistributable child support collections, but could not identify whether the collections were either Title IV-D or non-Title IV-D when the collections occurred.

Furthermore, the State agency acknowledged earlier in its written comments that it could determine that some of the undistributable child support cases within Arapahoe County had been Title IV-D cases – an acknowledgment which indicates that the State agency may be able to make similar determinations for child support cases in other counties. In our judgment, the State agency’s inability to determine the Title IV-D portion of the undistributable child support collections should not permit the State agency to avoid reporting any undistributable child support collections on line 2b of form OCSE-396A.

APPENDIX

STATE OF COLORADO



Colorado Department of Human Services

*people who help people*OFFICE OF SELF SUFFICIENCY
Pauline Burton, Director

DIVISION OF CHILD SUPPORT ENFORCEMENT

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DirectorBill Ritter, Jr.
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Executive Director

September 17, 2007

Patrick J. Cogley
Regional Inspector General for Audit Services
Region VII
601 E. 12th Street, Room 284A
Kansas City, Missouri 64106

Re: A-07-07-04106

Dear Mr. Cogley:

Following is Colorado's response to the draft audit report, Number A-07-07-04106, for the State of Colorado, Department of Human Services, Division of Child Support Enforcement. This document is prepared in response to the Office of Inspector General's draft report entitled "Review of Colorado's Undistributable Child Support Collections for the Period of October 1, 1998 through September 30, 2005" (hereinafter referred to as "the Draft").

1. Finding: (page 3 of the Draft)

The State agency did not report, as program income, \$11,805 (\$7,791 Federal share) of Title IV-D undistributable child support collections that one Clerk of the District Court office (Denver County) transferred to the State Treasurer as abandoned property.

Recommendation: (page 6 of the Draft)

The State agency report on the quarterly Federal financial report (form OCSE-396A) \$11,805 (\$7,791 Federal share) of Title IV-D program income that one Clerk of the District Court office transferred to the State Treasurer as abandoned property.

Response of Nonconcurrency:

The \$11,805 figure identified by the auditors was derived from the total amount of \$14,654 in undistributable child support collections that one Clerk of the District Court office (Denver County) transferred to the State Treasurer as abandoned property during the review period. The auditors “*estimated* the Title IV-D portion to be \$11,805.” (page 6 of the Draft, emphasis added)

The auditors did not find a Title IV-D link to any of the Denver Courts undistributable child support collections. The \$11,805 figure is derived solely on a mathematical calculation of probability inferred by the auditors. Of the cases having been transferred to the State Treasurer from the Denver Courts pursuant to State statute, none were IV-D collections at the time payments were tendered to the Courts.

2. Finding: (page 4 of the Draft)

The State agency did not recognize \$101,104 (\$66,729 Federal share) of Title IV-D undistributable child support collections that were not transferred to the State Treasurer as abandoned property. The \$101,104 amount includes \$92,768 (\$61,227 Federal share) of Title IV-D undistributable child support collections held at one Clerk of the District Court office (Arapahoe County).

Recommendation: (page 6 of the Draft)

The State agency report the \$92,768 of \$101,104 of Title IV-D program income on form OCSE-396A after it works with the Arapahoe County Clerk of the District Court office to close an open bank account and transfer the undistributable child support collections to the State Treasurer.

Response of Nonconcurrency:

The auditors utilized the same methodology as in Finding #1 in deriving an “*estimated*” Title IV-D portion of the undistributable child support collections. Information provided by the auditors led to a determination that there had at one point been IV-D involvement in some of the cases making up the undistributable child support collections in Arapahoe District Court. However, further research showed that any and all IV-D involvement in these cases had terminated prior to the payments being tendered to the Arapahoe District Court, thereby making them non-IV-D collections and not subject to reporting by the State agency as program income.

In addition, the State agency does not have authority to work with the Arapahoe County Clerk of the District Court to close their account and transfer the monies to the State Treasurer.

3. Finding: (page 4 of the Draft)

The State agency did not recognize \$101,104 (\$66,729 Federal share) of Title IV-D undistributable child support collections that were not transferred to the State Treasurer as abandoned property. The \$101,104 amount includes \$8,336 (\$5,502 Federal share) of Title IV-D undistributable child support collections recorded within the ACSES system.

Recommendation: (page 6 of the Draft)

The State agency report the \$8,336 of \$101,104 of Title IV-D program income on form OCSE-396A after it transfers \$8,336 (\$5,502 Federal share) of Title IV-D undistributable child support collections recorded within the ACSES to the Family Support Registry's abandoned collections account.

Response of Nonconcurrency:

Since Title IV-D undistributable child support collections are program income and not abandoned collections, they are not subject to the Unclaimed Property Act. Therefore, the State agency was correct in not recognizing any Title IV-D undistributable child support collections as "abandoned property."

However, in response to the auditor's Recommendation that the State agency report \$8,336 as Title IV-D program income after transferring it to the Family Support Registry's abandoned collections account, the State agency conducted research into ACSES with regards to the 22 identified payments. For various reasons, most of these transactions were internal accounting adjustments, but had no bearing on the original payments being sent out and redeemed by the parties. The research into these 22 transactions did result in one instance of held monies, and the county has been notified and is processing appropriately. The State agency will react in accordance with the results of the county's actions.

4. **Finding:** (page 4 of the Draft)

The State agency properly reported interest earned on child support collections as program income to offset program expenditures.

No Recommendation

Response of Concurrence:

The State agency agrees with the auditors that interest earned on child support collections was properly reported, pursuant to Federal and State statute, as well as our policies and procedures.

5. **Finding:** (page 6 of the Draft)

These errors occurred because, although the State agency had established policies and procedures governing the documentation and reporting of undistributable child support payments, it did not follow these policies and procedures.

Recommendation: (page 7 of the Draft)

The State agency shall strengthen enforcement of, and training in, policies and procedures to ensure that undistributable child support collections are recognized and properly reported as program income.

Response:

While the State agency disagrees with this Finding, the State agency agrees with the Recommendation of the auditors that consistent training in policies and procedures aids in effective enforcement. It is important to the State agency that any undistributable child support collections are properly reported in order to ensure that these funds reimburse CSE expenditures.

6. Page 7 of the Draft states a Recommendation, for which there does not appear to be a specific Finding.

Recommendation: (page 7 of the Draft)

The State agency work with OCSE to review the other 60 Clerk of the District Court offices and determine whether they have appropriately declared and transferred to the State Treasurer any remaining undistributable child support collections and report any remaining undistributable child support collections as program income on form OCSE-396A.

Response of Nonconcurrency:

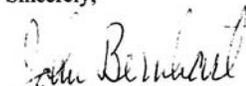
OCSE PIQ-88-7 clarifies:

“If the collection cannot be identified as a IV-D collection, the IV-D agency is *not* responsible for disbursing the collection.” (emphasis added)

The District Court registries are not under the authority of the State agency, nor is it clearly identified that any undistributable child support collections that may be in the Court registries are IV-D collections, and therefore, it should not be reported as such on form OCSE-396A.

Thank you for providing this opportunity to respond to the draft report. If you have any questions or concerns regarding this information, please contact me at 303-866-3985 or john.bernhart@state.co.us.

Sincerely,



John Bernhart, Director
Division of Child Support Enforcement