

DEPARTMENT OF HEALTH AND HUMAN SERVICES

**OFFICE OF
INSPECTOR GENERAL**

**DISTRIBUTING COLLECTED CHILD
SUPPORT TO FAMILIES EXITING TANF**



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EXECUTIVE SUMMARY

PURPOSE

To evaluate the process State Child Support Enforcement agencies use to transfer child support to families leaving Temporary Assistance to Needy Families.

BACKGROUND

When families apply for Temporary Assistance to Needy Families (TANF), Federal law requires the families to assign their right to child support payments to the State and cooperate with child support enforcement efforts. By law, the “assignment” of child support to the State is supposed to end upon a family’s exit from TANF. The State Disbursement Unit must send support collections to the family within two business days of receipt in the month following TANF exit.¹

Families may be most vulnerable during the months before and immediately following the end of their receipt of TANF assistance. Payment of child support at this juncture is likely to have a great impact on the success of the transition from TANF to self-sufficiency.

We collected data through in-depth site visits in five States and a survey of 51 State TANF and Child Support Enforcement agencies.

FINDINGS

States Pay Less in TANF Cash Assistance Than They Collect in Child Support for Some Current TANF Families

In the five case-study States, 47 current TANF recipients experienced at least one month when their TANF cash assistance amount was less than the amount of child support paid by the non-custodial parent. Only in one case-study State were these families eligible to receive the difference between their TANF grant and the collected child support.

None of the case-study States have automated systems designed to automatically close TANF cases when collected child support exceeds the TANF grant, nor do they distribute this excess support to current TANF families. Without such State systems in place to automatically close these cases, TANF recipients receive less money and accrue unnecessary months on their TANF life-time clocks.

After TANF Exit, Eight Percent of Custodial Parents in Our Case-Study States Experienced Child Support Payment Delays, and Three Percent Were Underpaid

In each of the five States we chose for our case-studies, we conducted case file reviews to determine whether child support payments were correctly distributed to families after TANF exit. Payment delays and underpayments ranged from 2 of 30 cases (7 percent) in one State to 8 of 27 cases (30 percent) in another State.

Eleven States Report They Were Not Always Able to Accurately Transfer Child Support. Problems May Increase When Caseworkers Must Intervene.

Nationally, eleven States report difficulties accurately transferring child support to families leaving TANF. These impediments include problems with automated interfaces, incorrect client addresses and caseworker intervention in the transfer process.

Twenty-eight of the 51 States surveyed report problems with their automated interfaces. Interface problems, including incompatible design of State TANF and Child Support Enforcement agencies' automated systems and timing of information exchanges, may cause child support payment delays and underpayments after TANF exit.

Reliance on child support caseworkers to transfer collected payments, as opposed to an automated process, is plausibly associated with increased payment error rates.

Child Support Enforcement Agencies Have No Systematic Oversight of the Transfer Process in Most Case-Study States

According to State child support staff in all five case-study States, these States have no policy requiring systematic review of TANF leavers' child support distribution. Under federally-mandated State self-assessments, State CSE agencies are not required to specifically sample cases where TANF case status changed. Furthermore, State self-assessments are not designed to catch inaccurate child support distribution when a client leaves TANF cash assistance.

RECOMMENDATIONS

The Office of Child Support Enforcement and the Office of Family Assistance should ensure that State child support and TANF systems effectively share information about their joint caseload and accurately and efficiently disburse payments to TANF leavers. We believe comprehensive automated systems are the best way to achieve desired outcomes.

We recommend that the Office of Child Support Enforcement and the Office of Family Assistance provide technical assistance to the State Child support and TANF agencies to:

- Improve automated system interfaces' capacity to accurately and efficiently share caseload information and automatically redistribute collected child support,
- Ensure timely disbursement of collected support by emphasizing custodial parent address verification in the TANF discontinuation notice and the Child Support Enforcement continuing services notice,
- Implement policies and procedures for handling excess child support, and
- Improve accountability through a State self-assessment process that addresses the outcome of collections and distributions for TANF leavers.

AGENCY COMMENTS

The Administration for Children and Families (ACF) reviewed this report and agreed with most of our findings and recommendations. Where appropriate, we changed the report to reflect their comments. The full ACF comments are contained in the Appendix.

The ACF agreed with our recommendation that OCSE and OFA should work together to provide additional assistance to improve State agencies' automated interfaces' capacity, as well as help States implement policies and procedures for handling excess support. In addition, the ACF agreed that some of the findings and recommendations from this report could be included among the topics considered for Special Improvement Project grants in the future.

The ACF questioned why the waiting period of two months for automatic TANF closure was specified in our recommendation. While cases could be closed on a monthly basis, we believe that a two month time period is a better indicator that consistent child support payments will be made to the custodial parent.

The ACF disagreed with our recommendation that the State self-assessment process should address the outcome of collection and distribution for TANF leavers. However, there is no other required mechanism that measures whether States are accurately distributing child support payments on a timely basis. The ACF also disagreed that all TANF leavers' cases reviewed by States should be subject to a higher compliance rate for accurate disbursement of collections than the current 75 percent requirement. We believe that a 75 percent compliance rate is not a high enough standard of success for States to gauge their accuracy in distributing child support to all families, not just families leaving TANF.

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INTRODUCTION

PURPOSE

To evaluate the process State Child Support Enforcement agencies use to transfer child support to families leaving Temporary Assistance to Needy Families.

BACKGROUND

The Child Support Enforcement program was created in 1975 with the addition of Part D to Title IV of the Social Security Act. State Child Support Enforcement (CSE) agencies are responsible for administering the program, including locating absent parents, establishing and enforcing orders, and collecting and disbursing the support due. The Federal Office of Child Support Enforcement (OCSE) contributes matching funds, sets requirements for certain design features, and monitors and evaluates State child support program implementation. The OCSE also provides State CSE agencies with technical and operational assistance to carry out program functions.

In fiscal year (FY) 1999, State child support agencies had a total caseload of almost 16.4 million cases. The national CSE caseload was comprised of 3.6 million current TANF or Foster Care recipients, 6.8 million former TANF or Foster Care recipients, and 6 million families who never received TANF or Foster Care assistance. Approximately 9.9 million of all cases had child support orders established. Just over 6.1 million cases had collections, and over \$15.8 billion in child support payments were collected. Approximately 24 percent of current and 40 percent of former TANF or Foster Care recipients had collections.

Transfer of Child Support Payments

When families apply for Temporary Assistance to Needy Families, Federal law requires the families to assign their rights to child support payments to the State and cooperate with child support enforcement efforts. According to a departmental report to Congress, one in four families leaving TANF have child support collected on their behalf while they are on TANF. By law, the “assignment” of child support to the State must end upon a family’s exit from TANF.

When a family no longer receives TANF cash assistance, the TANF agency is required to notify the Child Support Enforcement agency of the change in status so that the CSE

agency can change payment distribution. The CSE agency is required to notify the family that child support services will continue and describe the State's distribution policies. In the month following TANF exit, the State Disbursement Unit (SDU) must send support collections to the family within two business days of the initial date of receipt by the State.²

According to the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), States must annually assess the performance of their Child Support Enforcement program and report their findings and progress to the Secretary. To meet the requirements for State self-assessment, States must choose a sampling methodology that provides a picture of performance over a 12-month period. Federal regulations dictate that the States' self-assessments include review of their State Disbursement Units' success in distributing collected child support within two business days. A State must disburse collected payments within two business days of receipt for 75 percent of the cases reviewed.

Families Leaving TANF

A substantial number of families have been exiting TANF in recent years due to welfare reform and other factors. The number of TANF recipients declined by 50 percent from January 1997 to June 2000. The PRWORA requires that States limit the time most families can receive cash assistance under the TANF program to 60 months. States have the option of allowing for a shorter time period, and some have adopted time limits as short as 24 months. In addition to the time limits, families leave the TANF rolls because of earned income, sanctions and voluntary withdrawal.

The TANF agencies have structured processes for determining when a TANF cash assistance case is considered closed. Typically, TANF caseworkers enter a case closure reason into their automated system which automatically sends the TANF recipient a notice of the proposed action. A TANF recipient has 10 days to respond to the case closure notice before the automated system closes the case. In most States, TANF case closure is timed to occur immediately before the next TANF grant is due to be distributed.

Enhanced Need for Child Support

The timely receipt of child support payments upon exit from TANF is critical to custodial families' self-sufficiency in the first few months after TANF exit. Families may be most vulnerable during the period immediately following the end of their receipt of TANF assistance. The family may be adjusting to new arrangements, including changes in work, housing, daycare and transportation. Payment of child support at this juncture is likely to have a great impact on the success of the transition from TANF to self-sufficiency. Receipt of child support payments and the timely transfer of these payments

from the State to the family plays an important role in ensuring that families do not return to the TANF rolls.

After a custodial parent's earnings, child support is the most important income source for poor, single female-headed families receiving child support. For these families, the child support amounts to an average of 26 percent of the family's budget, or \$2,000 per year.³ When families headed by single mothers get at least some child support during the year, their poverty rate drops significantly, from 33 percent to 22 percent.⁴ According to one study, women who did not receive child support had a 31 percent chance of returning to welfare after 6 months off the rolls, while those who did receive monthly support had only a 9 percent chance of returning to the welfare rolls.⁵ In addition, child support is complimentary to work in that it helps increase single mothers' labor force participation by stabilizing and supplementing low-wage earnings.

Child Support Distribution for Current TANF Recipients: Disregards/Pass-throughs, Excess Collected Child Support and Zero TANF Grants

Current Temporary Assistance to Needy Families recipients may receive some or all of the child support collected on their behalf. While PRWORA ended the requirement that States "pass through" or "disregard" up to \$50 of collected child support to families receiving cash assistance, twenty-three States still pass through a portion of collected child support to TANF recipients. That is, in these States, up to \$50 of child support is provided to the TANF recipients without counting the money as income against continuing TANF eligibility and benefits. Additionally, Federal waivers have been granted to some States to expand their disregard allocation. Wisconsin, for instance, provides the full amount of child support collected for most TANF recipients without impacting their TANF benefits or continuing eligibility.

TANF recipients are also entitled to receive the amount of child support collected up to the obligated amount that exceeds the TANF grant when there are no unreimbursed arrears on their TANF account. States may also pass through excess child support to TANF recipients even if there are unreimbursed arrears. In these States, a TANF recipient may receive a portion of the collected child support that exceeds their TANF grant, up to the obligated amount of child support. This scenario happens most frequently in States that award lower than average grant amounts or when a TANF recipient is in "zero-grant status." In some States, a client may be considered an active TANF cash assistance recipient, but receive a zero cash grant for one or more months. This usually occurs when the client receives a full TANF sanction or when his or her earned income reaches a level that bars further cash assistance without immediately ending eligibility.

Related Prior Office of Inspector General Work

In a March 2000 Office of Inspector General (OIG) report entitled, “Client Cooperation with Child Support Enforcement,” OEI-06-98-00042, child support and TANF agency staff indicated problems contacting one another to discuss cases. Although many local offices have access to automated interfaces between the two agencies, there are often problems with the interfaces such as system prohibitions on accessing certain necessary fields. The report indicated that staff of both child support and TANF agencies expressed frustration in trying to reach one another to discuss cases. Staff complained of unanswered telephones and unreturned calls from workers and managers of both agencies.

In August 2000, the Inspector General released “Child Support Enforcement State Disbursement Units: State Implementation Progress,” OEI-06-00-00040. This study described States' experiences in developing and operating State Disbursement Units (SDUs). As of April 2000, 38 States and territories had SDUs that process payments for the Federally required caseload. Forty-nine States had or were planning to have automated telephone response systems to access such information as the last payment received on a case. Finally, 35 States track the percent of payments disbursed within 2 business days of receipt, and 11 States reported that meeting this requirement was a continuing problem.

SCOPE AND METHODOLOGY

This report examines the processes used by State Child Support Enforcement and TANF agencies to transfer current child support payments to custodial parents upon exit from TANF. We also examined the processes States use to distribute child support to current TANF recipients. All data collection occurred between February and April 2001.

We focused our case file review on the transfer of support in paying cases. We did not examine TANF and CSE agencies' enforcement efforts to collect support for families in non-paying cases.

We collected data through the following four mechanisms:

1. Case file review of 145 TANF leavers with consistent child support collections,
2. Phone interviews with 26 of these TANF leavers,
3. On-site interviews with administrative and casework staff from five State TANF and CSE agencies, and
4. Fax survey of 51 State TANF and CSE agencies.

We made onsite visits to five States — California, Colorado, Louisiana, Massachusetts and Washington — to conduct case file reviews and staff interviews. We selected our

five case-study States based on TANF and child support caseloads and larger than average percent decline in their TANF population. In addition, we selected these States based on whether their TANF and/or CSE systems were State or county administered, as well as their geographic location.

Case-file Reviews

To evaluate the efficiency and accuracy of States' processes to disburse collected child support within the required 2 day time frame, we selected a sample of cases in Colorado, Louisiana, Massachusetts and Washington based on the following criteria:

- The custodial parent's TANF case closed in June 2000 and stayed closed in July, August and September.⁶
- Child support payments were collected on the custodial parent's behalf every month between January and June 2000.

Based on these criteria, we randomly selected 30 cases to review in each State, with the exception of California.

In California, which has county-administered child support and TANF systems, we chose to limit our evaluation to two counties. In each county, we reviewed 15 cases. In one county, staff were unable to provide us with the universe of all cases meeting our selection criteria from which to choose a random sample. The sample in this county, therefore, was not selected through the same methods and is not included in any weighted data presented. The total number of cases reviewed was 145. (Five cases were eliminated prior to our analysis because they did not meet the above-mentioned criteria.)

For each sampled case, we examined the child support amount ordered, collected and distributed between January and December 2000. Through this review, we assessed whether the payments were distributed to the appropriate party in a timely manner and for the correct amount. Specifically, we determined the extent to which child support payments were disbursed to TANF leavers within the 2 day requirement. Two types of transfer errors can occur: 1) cases in which the first payment after exit is delayed; and, 2) cases in which the family never receives one or more payments owed to them after TANF exit, which are heretofore referred to as "underpayments." We calculated the amount owed to these parents, as well as the amount of time they waited to receive their first full payments.

In addition, we examined the payments made to custodial parents prior to June 2000, while they were TANF recipients. In all five case-study States, we determined whether custodial parents received TANF grants that were lower than the amount of obligated child support collected and examined the systems in place to distribute this "excess" collected support.

We reviewed the case files in our sample on-site in both the State CSE and TANF offices on their respective automated case file systems.

We stratified the sample by State within our universe defined as the four case-study States mentioned above and one California county. We weighted the sample in accordance with the sample design. Six hundred and nineteen cases in the four States and one county met our evaluation criteria.

Recipient Interviews

In order to learn first hand about custodial parents' experiences receiving child support after leaving TANF, we interviewed by phone 26 families randomly-selected from our case file sample. We interviewed five from each of four case-study States and six randomly-selected recipients (three in each county) from California.

Case-study Interviews

To obtain information on the process used by the TANF and CSE agencies to distribute support in these cases, we interviewed State TANF and Child Support Enforcement policy staff responsible for oversight and guidance pertaining to this issue, as well as one TANF and one CSE caseworker in each of two local offices in each case-study State. In California and Colorado, which both have county-run child support systems, we also interviewed county-level CSE and TANF administrative and policy staff. In addition, we reviewed copies of relevant State and county policy guidance, education materials and TANF discontinuance and CSE continuation of services notices.

We examined States' automated processes for sharing information between the TANF and CSE agencies. We examined coordination between State agencies regarding the transfer of client information. We examined State policies regarding the education of this population.

Fifty-one State Survey

We also conducted a 51-State survey (including Washington D.C.) of State Child Support Enforcement and TANF agencies. The intent of the survey was to determine State processes for ensuring timely disbursement of child support payments to TANF leavers. In particular, we gathered information regarding automated systems, case management, client education and inter-agency collaboration. We received 94 out of 102 (92 percent) surveys — 45 from State CSE agencies and 49 from TANF agencies.

Our review was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

FINDINGS

States Pay Less in TANF Cash Assistance Than They Collect in Child Support for Some Current TANF Families

All of the case-study States' automated child support systems respond to the TANF agencies' automated submission of case status changes. In such systems, only when case status changes in the TANF agency system is the CSE agency notified to redistribute collected support from the State to the custodial parent. If the TANF agency does not alert the CSE of TANF case closure, child support payments will continue to be distributed to the State.

In some cases, however, TANF recipients have zero TANF grants due to working their way off TANF assistance and collecting earned income, or sanctions for non-compliance with a State TANF requirement. Other recipients may receive a TANF grant that is lower than the amount of collected obligated child support. Without State systems in place to either temporarily or permanently close a TANF case to distribute collected child support that exceeds the TANF cash grant, TANF recipients may accrue unnecessary months on their TANF lifetime clocks. Some of these families will lose the opportunity to receive a greater amount of assistance through their child support than through their TANF cash assistance. In effect, TANF recipients who are working their way off TANF may be worse off because they are neither receiving TANF cash assistance nor collected child support.

Additionally, TANF recipients are entitled to all collected child support payments up to the obligation amount that exceeds their TANF grant when there are no unreimbursed TANF arrears (URA) on their accounts.⁷ While most TANF recipients have URA, States must have processes in place to accurately distribute payments to recipients who do not.

In the case-study States, 12 of 145 TANF recipients had zero TANF grants for one or more months preceding TANF exit due to either earned income or a sanction. Both the TANF and CSE agencies considered these cases to be active TANF recipients, and the families did not receive child support collected on their behalf. Thirty-five TANF recipients had one or more months when their TANF grants were more than zero, but less than the amount of collected obligated child support.

Automated systems in the case-study States are not designed to distribute excess collected child support, and States need to implement manual procedures for accurately handling these situations. Three case-study States have policies and procedures to close TANF cases when support exceeds the TANF grant, while two case-study States have no process to ensure that excess support will be distributed to clients.

Three case-study States and one county rely on caseworkers to close TANF cases when support exceeds the TANF grant

Three case-study States and one county have policies to handle the closure of TANF cases when collected child support exceeds a family's TANF grant. These States and county depend on TANF caseworkers to manually close TANF cases when excess support has been received for a specified amount of time. These systems do not require caseworkers to consider the amount of URA that exist on a recipient's account before closing the case. These States have no specific review processes in place to certify that case closures are accurately occurring in this situation.

In one case-study State, excess support is distributed to current TANF recipients on a monthly basis, regardless of unreimbursed arrears, and caseworkers are instructed to close these TANF cases when excess support has been collected for two consecutive months. Another State has procedures to close a case after excess support is collected for one month. The third State and the county require support to be collected for 2 months before a case may be closed. This process, however, results in a 3 month period of time during which a recipient could have avoided accruing time toward the lifetime TANF limit and/or could have received a greater amount of money through child support.

In one case-study State and one county, there are no processes to ensure excess support is distributed

One case-study State and one county do not have procedures in place to ensure that excess collected child support will be distributed to TANF recipients. One case-study State TANF agency considers regularly collected child support exceeding a recipient's cash grant to be income, and reports that TANF caseworkers should close cash assistance in these situations. However, TANF staff in one of the county offices in this State reported that TANF caseworkers were not regularly reviewing collected child support. Further, county CSE administrative and caseworker staff report that the automated interface is not designed to alert TANF caseworkers of child support collections. These respondents also believed that TANF recipients were not entitled to excess support unless they did not have URA. In cases without URA, one CSE caseworker reported that excess support is held until TANF exit. In this county, 5 of the 14 case files reviewed (36 percent) had excess support, four of which occurred due to zero TANF grants.⁸

In the other case-study State without a process regarding excess collected support, confusion among State policy staff regarding clients' entitlement to excess support may account for the lack of a process to ensure accurate distribution. In this State, the TANF agency believes that the TANF case is automatically considered closed when there is a zero grant, while the CSE agency believes the case is open. In practice, if a TANF recipient has a zero grant, the CSE caseworker receives an "error message" and must call the TANF agency to follow up before the CSE system changes the TANF case status. Ultimately, State staff report that they rely on clients to request case closure when collected child support exceeds the TANF grant.

After TANF Exit, Eight Percent of Custodial Parents in our Case-Study States Experienced Delays and Three Percent Were Underpaid

In each of the five case-study States, we conducted case file reviews to determine whether child support payments are correctly distributed to families after TANF exit. According to Federal law, States have two business days after receipt of a payment to disburse the full amount of collected support to the custodial parent.⁹

Eleven percent of custodial parents in the case-study States experienced delays and underpayments. Payment delays and underpayments ranged from 2 of 30 cases (7 percent) in one State to 8 of 27 cases (30 percent) in another State. In 7 percent of the cases in our case-study States, the first payment after TANF exit was delayed for an average of 11 days. In an additional 3 percent of the cases, the first payment was never correctly distributed. These recipients waited an average of 23 days to receive any payment, and the States owe them an average of \$84.80. In one county, 2 of the 14 (14 percent) sampled custodial parents never received any child support payments after leaving TANF, and they are still owed an average of \$499.50.

Child Support Payment Errors After TANF Exit

State	Universe	Total Cases Reviewed	Total Cases with Delays or Underpayments	Percent Cases with Delays or Underpayments
State 1- county 1	n/a	14	4	28.57%
State 1- county 2	45	14	4	28.57%
State 2	49	27	8	29.63%
State 3	66	30	3	10.00%
State 4	87	30	3	10.00%
State 5	367	30	2	6.67%
UNWEIGHTED TOTALS:	614	145	24	16.55%
WEIGHTED TOTAL:				10.94% (+/- 5%)¹⁰

OIG Collected Data

NOTE: In assessing the number of payment errors in each State, we determined the date of the first child support payment received by the State from the non-custodial parent after the custodial parent had exited TANF. We counted cases in which this payment was disbursed after the 2 day requirement or had never been correctly distributed to the custodial parent. To determine the number of days delayed, we examined each case in which the first payment after exit was sent to the custodial parent three or more business days after it was received by the State. We did not, however, subtract non-business days from the number of days delayed after the first 3 days.

Nationally, Eleven States Report Difficulties Transferring Child Support. Problems May Increase When Caseworkers Must Intervene.

Eleven of the 51 States surveyed (22 percent) cite difficulties accurately transferring child support payments to families who have left Temporary Assistance to Needy Families. Complications include problems with automated interfaces, incorrect client addresses, clients cycling on and off TANF, and caseworker intervention in the transfer process.

Most States Rely on Automated Interfaces to Transfer Child Support

States use electronic interfaces to exchange case information between the State TANF and CSE agencies' automated systems. Most States rely on automated information exchanges to distribute child support. Nationally, 73 percent of States' systems interface on a nightly basis. Three of the five case-study States have automated systems that interface overnight, while one State's interface occurs every 2 days and another occurs weekly.

In four out of five case-study States, TANF case closures are electronically transmitted to the CSE automated system, which automatically changes recipients' TANF status and redistributes subsequent child support payments to the custodial parent. In one case-study State, while the systems exchange information on a nightly basis, child support caseworker intervention is required to change a recipient's TANF status on the CSE automated system.

Over One-Half of States Report Problems With Their Automated Interfaces

Twenty-eight of the 51 States surveyed (55 percent) report problems with their automated interfaces. Flaws in a State's automated interface may lead to distribution errors. States' problems included incompatibility between TANF and CSE automated systems, repeated system redesigns and frequency of automated information exchange. In one case-study State and one county, according to policy staff, design problems may contribute to incorrect distribution of child support. For instance, one county caseworker explained that the CSE system can only capture last names from the TANF interface. Consequently, when a child changes custody between individuals with the same last name, CSE continues to send support to the original custodial parent, rather than redistributing it to the currently-entitled recipient.

In addition, State CSE automated systems typically track each family member in a case, while TANF agencies track cases by custodial parent. In some States, the CSE agency must be notified about a specific household member, in order to properly distribute child support. For example, in one case-study State with a "Family Cap" policy, children born to a current TANF recipient are not entitled to TANF, but are entitled to collected child

support. The TANF caseworkers in this State report concern that distribution errors occur due to automated system glitches.

The frequency of the automated information exchange may impact accurate payment disbursement. In one case-study State, the semi-monthly payment of TANF grants and weekly automated exchange of case closures between the State TANF and CSE agencies may create delays and cause incorrect disbursement of child support payments. In response, the State has developed an automated monthly reconciliation process between the State TANF and CSE automated systems. However, State TANF staff are concerned that clients still may have to wait up to one month before receiving a post-TANF child support payment. Three of the 30 cases reviewed (10 percent) in this State exhibited payment errors. Two of these custodial parents waited more than 3 months to receive their first payments and are still owed \$315 and \$420 respectively.

Incorrect client addresses and cycling on and off TANF may cause payment problems

Nationally, only three States (six percent) require child support caseworkers to update clients' addresses at TANF exit. However, CSE agency respondents from an additional four States are concerned that recipient addresses are not updated adequately and view incorrect addresses as a large contributor to payment delays. One respondent believes that, "Not having current address information for the former TANF recipient is our [State's] biggest challenge." Thirty-nine State TANF agencies disburse cash assistance via Electronic Benefits Transfer (EBT), while most State CSE agencies disburse child support payments through paper checks. In a State with EBT, TANF recipients may have less incentive to regularly update their addresses than they would in a State that sends paper checks. In one case-study State that provides TANF grants via EBT and child support via paper checks, five of the eight cases with payment problems (63 percent) were caused by incorrect client addresses.

In three States, respondents believe that recipients cycling on and off TANF may cause incorrect distribution of child support payments. In one State, TANF cases may be closed on any day of the month, and CSE policy staff report that their automated systems are unable to manage recipients' frequent case openings and closings. Most other States report that their automated systems can respond accurately to frequent client status changes.

Reliance on Child Support caseworkers to transfer collected payments is plausibly associated with increased payment error rates

Nationally, five States, including one case-study State, require CSE caseworker intervention to redistribute collected child support payments from the State to custodial parents after TANF exit. Three of these States reported difficulty redistributing support to families who have exited TANF.

The case-study State with the highest percentage of delays and underpayments requires caseworker intervention to redistribute payments after TANF exit. In this State, the TANF agency transmits a file of all monthly case closures to the CSE agency on the last day of each month. This process triggers a list of clients to be sent to the appropriate CSE caseworkers on the first of each month.

Caseworkers in this State must change the status of the clients who have left TANF by the third of the month in order to ensure that collected child support payments are accurately distributed. On the fourth of the month, the State CSE automated system generates an “exception report,” a list of cases for which TANF case status differs on the CSE and TANF automated systems. Collected support for these cases is put on hold until the TANF case status is reconciled.

According to the staff in one local office in this State, in February 2001, there were 161 cases with conflicting TANF status on their exception report, which indicates that caseworkers had not changed the status quickly enough to ensure accurate payment distribution. For the cases reviewed, we found that CSE caseworkers wait an average of six days after receiving notification to change clients’ TANF status.¹¹ In this State, payments collected in the first few days of the month, which are supposed to be distributed to the TANF leaver, are likely to be delayed.¹²

Child Support Enforcement Agencies Have No Systematic Oversight of the Transfer Process in Most Case-Study States

According to the PRWORA, each State must assess annually the performance of its child support enforcement programs and report their findings to the Secretary. “...[T]he Federal government’s audit responsibilities now focus primarily on results and fiscal accountability while States are to focus on the responsibilities for child support service delivery in accordance with Federal mandates.” The OCSE will assist the States by providing “comments, recommendations for additional or alternative corrective action, and any technical assistance that a State may need.”¹³

Under the final rule on State self-assessment, States must review whether their State Disbursement Units disburse collected child support within two business days. Specifically, States need only review the last payment made on each sampled case. Because distribution of support is not required to be examined over time, changes in distribution due to TANF case closure may not be captured. One case-study State auditor explained that, formerly, his State’s review process covered the last eight payments collected for each sampled case, which might catch distribution errors caused by changing TANF case status. Currently, with the implementation of State self-assessment procedures, the State is only required to review the disbursement of one payment.

According to State child support policy staff in all five case-study States, there is no policy requiring systematic review of TANF leavers' child support distribution

State CSE agencies are not required to specifically sample cases where TANF case status has changed. State self-assessments are not designed to catch inaccurate child support distribution when a client leaves TANF cash assistance. If a case is closed on the TANF automated system, and the CSE automated system does not capture this change, child support will continue to be distributed to the State. Thus, if selected for self-assessment, child support for these cases will appear to have been accurately distributed.

Case-study States report that they rely on their internal fiscal audit processes and required self-assessment to ensure accurate collection and distribution. There are no explicit requirements, however, that self-assessments specifically cover collection and distribution for TANF leavers. Additionally, CSE State policy staff in the five case-study States report that child support caseworkers are not required to routinely review TANF leavers' accounts for this purpose.

Caseworkers' account reviews in case-study States may not be sufficient

Two case-study States have developed processes for caseworker review of TANF leavers' accounts. In one State, reviews occur at local office discretion, while the other State's process only requires review of cases for which TANF case status differs on the CSE and TANF automated systems. Neither of these approaches ensures systematic oversight of all TANF leavers' cases, and there is no State-level oversight to ensure the local reviews take place.

In one of these case-study States, at the beginning of every month, the CSE automated system produces a list of the previous month's TANF cash assistance leavers, which is distributed to local office administrators. Use of the lists to verify TANF exit occurs at the discretion of these administrators. The two local offices visited in this State have designed a review process to ensure that the automated system correctly changes the TANF case status and that child support payments are accurately distributed. In both offices, administrators deliver the lists to caseworkers, who must verify that the TANF case status is correct on the CSE automated system, as well as ensure that payments have been correctly distributed. However, local office staff do not verify that caseworkers complete these reviews.

The automated system in the other case-study State requires child support caseworker intervention to change a TANF leaver's status to ensure that collected support is accurately distributed. Because caseworkers may not make these changes in a timely manner, the State runs a monthly "exception report," which catches cases with conflicting TANF case status on the CSE and TANF automated systems. Lists of these cases are sent to local CSE offices, where both administrative staff and caseworkers review them to make case status changes and distribution corrections if necessary.

This review process will not catch distribution errors that occur for reasons other than differing case status on the automated systems. In addition, neither the local office administrators, nor the State ensures that caseworkers conduct this verification. In addition, there is no policy that dictates how quickly caseworkers must make the necessary system changes. Consequently, custodial parents may wait weeks before receiving collected support payments.

Most case-study States rely on custodial parents to alert caseworkers of distribution errors

In four of the five case-study States, CSE caseworkers and policy staff report that families are responsible for ensuring they receive the correct amount of child support. In two case-study States, policy staff reported having a “customer-driven” account review process. Four case-study States review TANF leavers’ accounts only at parent request.

Families may have difficulty fulfilling the responsibility of monitoring their accounts. State CSE agencies are required to provide TANF families with a monthly account report indicating support collection and distribution on their accounts. States may receive a waiver to provide this information on a quarterly basis or through an automated toll free number. In some case-study States, some parents reported difficulty understanding the monthly accounting forms. One parent reported difficulty understanding the accounting report forms because the collection and distribution payments codes were unclear, while a few other parents expressed confusion that may be related to their non-custodial obligor owing support to more than one custodial parent.

In two case-study States, TANF caseworkers routinely call the CSE agency on behalf of their clients who have problems accessing information through the automated phone system. Client complaints about the CSE automated phone systems reported by State staff and families that we interviewed include frequent busy signals and complicated directions.

Client complaints by type of problem are not collected by State child support agencies. In all case-study States, staff from both TANF and CSE agencies report that errors with child support distribution occur. However, States are unable to systematically report error frequency or if they were alerted to such problems from clients. In case-study States, CSE caseworkers handle between 240 to 980 cases and work cases on an as-needed basis. So, rather than call a specific CSE caseworker, recipients with problems or questions are directed to call a general number to report problems. Both CSE caseworkers and call center staff are required to enter casenotes into a client’s file when handling a parent’s call on behalf of his or her case. We found evidence in only two of 145 cases reviewed with a distribution or disbursement error that a parent had called to request assistance reconciling their case.

Recent TANF leavers may also contact the TANF agency with child support complaints. Typically, TANF recipients are assigned a TANF caseworker with whom they have on-

going contact. In contrast, once a child support case has been established and enforced, most clients have limited contact with the CSE agency. However, TANF agencies do not require their staff to record casenotes for closed cases and are also not able to report complaint type or frequency. Further, some TANF caseworkers report that they are not aware of the details regarding child support distribution policies and do not provide information about child support to their clients. The TANF caseworkers in three case-study States typically refer clients with child support related question to the CSE agency.

RECOMMENDATIONS

The TANF caseloads have been rapidly decreasing in the last few years. In the next year, additional TANF recipients in all States will leave welfare as they reach their 5 year lifetime limit. Recent TANF leavers face many challenges making a successful transition from welfare to self-sufficiency. Child support is an important income source for these low-income families. State child support agencies' timely, accurate distribution of collected child support payments to recent TANF leavers plays a critical role in helping these families maintain self-sufficiency.

The Office of Child Support Enforcement and the Office Of Family Assistance Should Work Together to Provide Technical Assistance to the States to Improve State CSE and TANF Agencies' Automated System Interfaces' Capacity to:

Share caseload information accurately, including:

- TANF case status,
- TANF grant amount, and
- child support obligation and collected payment amount.

States rely on electronic information exchanges between their TANF and CSE agencies' automated systems to accurately distribute collected child support. We found problems in the transfer of child support to TANF leavers and current TANF recipients in eleven percent of reviewed cases. Nationally, nearly one-third of States report problems with their automated interfaces. State automated systems do not always accurately share the information listed above, which likely causes payments to be missed, delayed or incorrectly distributed.

Share caseload information efficiently by ensuring that:

- State TANF and CSE automated systems interface on a nightly basis.

States must disburse collected child support within two business days. Not all systems automatically share case information nightly, which likely caused collected child support payment delays in reviewed cases.

Automatically redistribute collected child support

- TANF case closures should automatically trigger redistribution of collected child support from the State to TANF leavers without CSE caseworker intervention.

We found that caseworker intervention in the transfer process may contribute to inaccurate payment distribution. Nationally, three of the five States that require caseworker intervention to redistribute child support payments report difficulty transferring support to families leaving TANF. The case-study State with the highest number of transfer errors also requires manual intervention.

In Order to Ensure Timely Disbursement of Collected Support, the Office of Family Assistance and the Office of Child Support Enforcement Should Encourage States to Emphasize Address Verification and Child Support Distribution Requirements In:

- 1. The TANF Discontinuation Notice,**
- 2. The Child Support Continuing Services Notice, and**
- 3. Monthly/Quarterly Collection and Distribution Notices.**

Specifically, these notices to families leaving TANF cash assistance should include:

- an address verification form to be returned by the TANF leaver to the State CSE within 10 days of receipt,
- language emphasizing the importance of the State requirement to maintain a current address, and
- notice that when collections are made, child support checks will be mailed within 2 days to the recipient's home.

Through our case file review and interviews, we found that the lack of a current address impacts State CSE agencies' ability to disburse collected support within the 2 day requirement. While families are required to provide address changes to both the TANF and CSE agencies, most TANF agencies provide benefits through Electronic Benefits Transfer. As such, neither caseworkers, nor parents may currently focus on keeping addresses current, and families may not be regularly providing updated addresses to either the TANF or CSE agency. As families leave TANF, State CSE agencies must ensure that they have recipients' updated addresses so that payments via U.S. mail are sent correctly.

States are required to send families TANF discontinuation and child support continuing services letters at TANF exit. Written notices, unlike checks, can be forwarded to new mailing addresses and can serve as needed reminders to recent TANF leavers regarding their right to collected support and their responsibility to notify the CSE agency of new addresses in order to ensure timely collected payment receipt.

The Office of Family Assistance and the Office of Child Support Enforcement Should Provide Technical Assistance to the State TANF and CSE Agencies to Implement Policies and Procedures for Handling Excess Support

TANF agencies and CSE agencies should be encouraged to redesign their automated systems to:

- flag zero grant cases;
- accurately distribute collected child support that exceeds the TANF grant without TANF or CSE caseworker intervention;
- automatically close TANF cases when excess support is collected for two consecutive months; and
- retroactively reduce a recipient's accrued months on TANF by one month for every month in which excess support is collected.

The TANF recipients are entitled to all collected child support payments that exceed their TANF grant, up to the obligation amount, when there are no unreimbursed TANF arrears. TANF recipients with collected support that equals or exceeds their TANF grants, regardless of URA, accrue unnecessary months against their TANF lifetime limit when they could be receiving a greater amount of assistance through child support.

The TANF recipients may receive small TANF grants or zero grants as their earnings increase. The absence of policies to close cases or retroactively credit TANF recipients' time clocks actually may be a deterrent to work or to cooperation with child support enforcement efforts. States should reward, not penalize, TANF recipients who are working their way off TANF.

In lieu of system redesign and/or while States are in the redesign process, TANF recipients should be informed that support in excess of their TANF grant has been collected and that they should contact their TANF caseworker to discuss possible case closure.

To Improve Accountability and Program Effectiveness, the State Child Support Self-Assessment Processes Should Address the Outcome of Collection and Distribution for TANF leavers

For all cases sampled for review as part of the self-assessment process, State CSE agencies should ensure that CSE automated systems are accurately identifying closed TANF cases by:

- Verifying that TANF case status is identical in both the CSE and TANF automated systems.

This practice will identify system discrepancies between State TANF and CSE automated systems and enable States, if applicable, to retroactively issue payments to custodial parents who did not receive their collected payments after TANF exit.

- Purposively sampling cases of TANF leavers.

Current audit procedures in the States are not designed to catch errors in child support distribution to families who have recently left TANF. Distribution problems may arise when the TANF case closure notification process breaks down between the States' TANF and CSE agencies. State CSE agencies may incorrectly distribute collected support to the State, and not the TANF leaver, either because they have not been properly notified of the case status change by the TANF agency, or because they have not accurately processed this information. In order to ensure accurate case status, purposive samples of TANF leavers must be drawn by the CSE agency from the TANF agency's case status records.

Finally, all TANF leavers' cases reviewed by States under the self-assessment provision should be subject to a higher compliance rate than the current 75 percent requirement for accurate disbursement of collections.

Current Federal regulation requiring a 75 percent rate for correct disbursement of child support collections is not sufficient for families exiting TANF. In order to reduce recidivism and help these vulnerable families remain off the TANF rolls and become self-sufficient, States must meet a higher level of compliance. The vast majority of these families should receive collected support within the two-day Federal requirement.

States Should Consider the Use of Special Improvement Projects Grants to:

- 1. Facilitate Automated System Improvements, and**
- 2. Enhance Consumer Education Initiatives.**

The Office of Child Support Enforcement annually invites States to submit competitive grant applications for special improvement projects which further the national child support goals and advance the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act. States could access resources through these grants to make the needed changes outlined above.

AGENCY COMMENTS

The Administration for Children and Families (ACF) reviewed this report and agreed with most of our findings and recommendations. Where appropriate, we changed the report to reflect their comments. The full ACF comments are contained in the Appendix.

The ACF agreed with our recommendation that OCSE and OFA should work together to provide additional assistance to improve State agencies' automated interfaces' capacity. In addition, the ACF agreed that some of the findings and recommendations from this report could be included among the topics considered for Special Improvement Project grants in the future.

The ACF agreed with the OIG's recommendation that OFA and OCSE should provide technical assistance to State TANF agencies to implement policies and procedures for handling excess support. Further, ACF indicated that both OFA and OCSE should jointly engage in providing such assistance. We have made changes in our report to reflect the importance of joint agency efforts. The ACF expressed concern that State TANF systems would have to undergo significant changes in order to implement this recommendation. We maintain that TANF agencies should be encouraged to redesign their automated systems to ensure that excess support is managed appropriately.

The ACF questioned why the waiting period of two months for automatic TANF closure was specified in our recommendation. While cases could be closed on a monthly basis, we believe that a two month time period is a better indicator that consistent child support payments will be made to the custodial parent. On the other hand, to wait a period of three months for closure unnecessarily depletes a recipient's lifetime TANF benefit. Language incorporated in a draft version of this report did not mean to infer that excess child support should not be accurately distributed from the time of receipt.

The ACF disagreed with our recommendation that the State self-assessment process should address the outcome of collection and distribution for TANF leavers. However, there is no other required mechanism that measures whether States are accurately distributing child support payments on a timely basis. Therefore, we believe that regulations should be changed to require that States use the self-assessment as a monitoring tool. Because TANF leavers are a small percentage of all cases, this monitoring should address the collection and distribution for TANF leavers through a purposive sample.

The ACF also disagreed that all TANF leavers' cases reviewed by States should be subject to a higher compliance rate for accurate disbursement of collections than the current 75 percent requirement. We believe that a 75 percent compliance rate is not a high enough standard of success for States to gauge their accuracy in distributing child support to all families, not just families leaving TANF. To us it seems unacceptable that

States are able to inaccurately retain collected child support payments for 25 percent of families, yet still be considered compliant with Federal regulations. That would be comparable to saying that a business payroll process would be deemed successful even if 25 percent of its employees were not paid on time.

Agency Comments



DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
Office of the Assistant Secretary, Suite 600
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

August 31, 2001

TO: Michael F. Mangano
Acting Inspector General

FROM: Wade F. Horn, Ph.D. *Wade F. Horn*
Assistant Secretary
for Children and Families

SUBJECT: Comments on the Office of Inspector General (OIG) Draft
Report: "Distributing Collected Child Support to Families Exiting
Temporary Assistance to Needy Families" (OEI 05-01-00220)

Attached are the Administration for Children and Families' comments on the OIG Draft Report "Distributing Collected Child Support to Families Exiting Temporary Assistance to Needy Families" (OEI-05-01-00220).

If you have any questions regarding our comments, please call Frank Fuentes, Acting Commissioner, Office of Child Support Enforcement at (202) 401-5122.

Attachment

Agency Comments

COMMENTS OF THE ADMINISTRATION FOR CHILDREN AND FAMILIES
ON THE OFFICE OF INSPECTOR (OIG) DRAFT REPORT, "DISTRIBUTING
COLLECTED CHILD SUPPORT TO FAMILIES EXITING TEMPORARY
ASSISTANCE TO NEEDY FAMILIES" (OEI-05-01-00220)

General Comments

The Administration for Children and Families (ACF) appreciates the opportunity to comment on this draft report, which addresses an important topic. The Office of Child Support Enforcement (OCSE) and the Office of Family Assistance (OFA) have reviewed this report and agree, in general, with the recommendations. However, we have the following comments.

OIG Recommendation

The Office of Child Support Enforcement and the Office of Family Assistance should work together to provide technical assistance to the States to improve State CSE and TANF agencies automated systems interfaces' capacity

ACF Comment

OCSE and the OFA agree with the recommendation of working together to provide technical assistance to the States to improve State CSE and TANF agencies automated systems interfaces' capacity in the areas outlined in the OIG report.

OIG Recommendation

In order to ensure timely disbursement of collected support, the Office of Family Assistance and the Office of Child Support Enforcement should encourage States to emphasize address verification and Child Support distribution requirements

ACF Comment

OCSE and OFA agree with this recommendation.

OIG Recommendation

The Office of Family Assistance should provide technical assistance to the State TANF Agencies to implement policies and procedures for handling excess support.

ACF Comment

We agree that OFA should be involved in providing technical assistance on the implementation of policies and procedures for handling excess support (i.e., collected

Agency Comments

support that exceeds the TANF grant). In fact, we believe that OFA and OCSE should jointly engage in the implementation of this recommendation.

This recommendation goes on to suggest "TANF agencies should be encouraged to redesign their automated systems to: ... automatically close TANF cases when excess support is collected for two consecutive months;" The report does not say why the recommendation is automatic closure of cases following two consecutive months of excess collections, versus some other period (presumably there would be a relationship between the policy on child support collections and for other potential suspension and closure situations). The recommendation also states that "TANF agencies should "... accurately distribute collected child support which exceeds the TANF grant without TANF or CSE caseworker intervention, during the 2 months prior to case closure; and" Again, it is unclear why the period "during the 2 months prior to closure" is proposed; States should accurately distribute collections in all cases with excess payments. Additionally, State CSE agencies, not TANF agencies distribute child support collections. In order to implement the recommendation, significant changes would need to be made to TANF state systems.

OIG Recommendation

To improve accountability and program effectiveness, the State's self-assessment processes should address the outcome of collection and distribution for TANF leavers. Finally, all TANF leavers' cases reviewed by States under the self-assessment provision should be subject to a higher compliance rate than the current 75 percent requirement for accurate disbursement of collections.

ACF Comment

While we agree with OIG's concerns about timely distribution of collections for TANF leavers, the self-assessment process was designed specifically to serve as a management tool for State Child Support Enforcement agencies and to give a State the opportunity to assess whether it is meeting Federal requirements for providing the best services possible. OCSE consulted broadly with its partners and stakeholders before writing the final regulations governing State self-assessment and considered all the recommendations received in developing the final regulations. The final regulations do not require States to distinguish between TANF leavers and all other custodial parents. A State would be free to look more closely at this specific population at its discretion. In addition, for equity reasons, it is unclear whether a higher compliance standard is appropriate in these cases.

OIG Recommendation

States should consider the use of Special Improvement Project Grants.

Agency Comments

ACF Comment

As stated in the above recommendation, OCSE annually invites States to submit competitive grant applications for special improvement projects which further the national child support goals and advance the provisions of the Personal Responsibility and Work Opportunity Reconciliation Act. OCSE agrees that some of the findings and recommendations of this report could be included among the topics considered for Special Improvement Project grants in the future.

END NOTES

1. 45CFR302(b)(ii)
2. 45CFR302.32(2)(ii)
3. “Child Support Offers Some Protection Against Poverty,” Elaine Sorenson & Chava Zibman, Urban Institute, March, 2000.
4. “What if All of the Money Came Home”, Vicki Turetsky, CLASP, March, 2000.
5. Olivia Golden’s testimony before the Subcommittee on Human Resources, May, 2000.
6. One State provided us with a universe of cases that closed in May 2000.
7. Some States choose to distribute excess support even when URA exists for a recipient.
8. We did not record the amount of unreimbursed arrears on these accounts.
9. Child support collected up to the obligated amount must be distributed to the client.
10. The confidence interval was computed at the 90 percent level.
11. In one case, a client cycled on and off of TANF. The Child Support caseworker changed the status to non-TANF in May and never changed it back to TANF. This case was dropped from this calculation, so the average is based on 26 cases.
12. This statement takes into consideration that some payments received by the State in the beginning of a month are collected from non-custodial parents the previous month and should be credited to the State.
13. 45 CFR Part 308