



PERFORMANCE AUDIT REPORT

**Examining Child Support
Enforcement Activities in Kansas**

Executive Summary ***with Conclusions and Recommendations***

**From a Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
February 1996**

Legislative Post Audit Committee

Legislative Division of Post Audit

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February 16, 1996

To: Members of the Kansas Legislature

This executive summary contains the findings, conclusions, and recommendations from our completed performance audit, *Examining Child Support Enforcement Activities in Kansas*.

The report includes a number of recommendations for improving the Child Support Enforcement Program's management information, collections, process service, and overall efficiency. We also recommended steps to ensure that cases get the attention they deserve, that the Program works effectively with court personnel, and that the Legislature is kept informed about the Department of Social and Rehabilitation Services' new child support enforcement computer system.

If you would like a copy of the full audit report, please call our office and we will send you one right away. We would be happy to discuss these recommendations or any other items in the report with you at your convenience.

A handwritten signature in black ink that reads "Barbara J. Hinton". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Barbara J. Hinton
Legislative Post Auditor

Examining Child Support Enforcement Activities in Kansas

EXECUTIVE SUMMARY **LEGISLATIVE DIVISION OF POST AUDIT**

Question 1: How Effective Is the Child Support Enforcement System In Kansas?

Compared with surrounding states, Kansas ranks highest on the number of child support cases that have some collections, but about average on the percentage of total child support owed that is collected. *For example, in fiscal year 1994 Kansas collected at least some money on 56% of its child support cases, compared with a national average of just 33%. However, Kansas collected about 55% of the current child support owed, about the same as the national average.* page 11

Within Kansas, child support collections have increased over the past five years, although collection rates vary significantly by area office. *From fiscal years 1991 through 1995, the percentage of current support collected increased from 47% to 55%. Within the Department's various area offices, the percent of current child support collected ranged from 41% to 67% in fiscal year 1995. The average collection rate for offices that contracted with court trustees for enforcement services was about the same as the collection rate for offices that did their own enforcement work.* page 13

Through its child support collection efforts in 1995, the Department recouped around \$9 million of the amount paid out to public assistance recipients. *The Department also has closed a number of public assistance cases for families that became self-supporting after they started receiving their child support payments. The number of cases closed has grown steadily from 2,300 in fiscal year 1991 to more than 4,700 in fiscal year 1995. If all those 4,700 families stay off public assistance for a full year, the State would save more than \$19 million.* page 15

Conflicts between the Department and the Office of Judicial Administration and court trustees appear to have had a negative impact on the effectiveness of the Program. *Department staff are responsible for locating absent parents, establishing paternity and support orders, and enforcing support orders. In areas that have court trustees, the Department contracts with the trustees to provide the support orders, but continues to provide all the other Program services.* page 16

Most of the conflicts relate to issues of accountability and who the Department has to contract with for enforcement services. Part of the problem stems from the existence of two apparently conflicting statutes regarding enforcement services. Other conflicts seemed to stem from a lack of clear and mutually agreed-upon performance expectations. Because of its concerns related to accountability, the Department plans to seek bids for enforcement services in the last half of fiscal year 1996.

When we reviewed the Department's handling of 159 cases,page 18
we found problems with 1 in 5 cases. *In 34 cases, we noted problems that could have affected the success of the Department's collection efforts. Twenty of those problem cases weren't handled according to federal requirements, most often because all appropriate sources to help locate absent parents weren't checked on a timely basis. Another six appeared to simply have fallen through the cracks. Two cases were backlogged because staff didn't have time to work on them, and six others were so poorly documented we couldn't tell what had happened.*

A lack of basic management information hampers thepage 22
Department's ability to know how effectively the Program is operating. *For example, the computer system couldn't break out Program cost information by area office or by individual worker, and it couldn't provide readily available historical information to show how collection rates had changed. The Department has spent \$16 million to date on a new computer system for tracking child support cases. (The system's projected cost estimate of \$21 million is significantly higher than the original estimate of about \$3 million.) The new system is not designed to provide cost information, which still will need to be gathered to assess how well the Program is working.*

Department staff we surveyed offered a number of reasons.....page 26
why they thought the Program wasn't as effective as it could be.
Those reasons included the following:

- *Caseloads were too high to effectively manage the Program, or additional staff were needed.*
- *A lack of phones and computer terminals.*
- *Lack of access to all the information sources staff need to find absent parents and their employers.*
- *Two legal issues: getting legal papers served to clients, and a lack of strong sanctions for failure to pay child support.*

Custodial parents we surveyed also identified problems with the Program that decreased its effectiveness:

- *Department and court trustee staff were not always responsive to their calls and questions.*
- *The child support enforcement process takes too long.*
- *The Department gives a higher priority to public assistance cases.*

Other states have taken a number of steps to increase thepage 31
effectiveness of their child support enforcement programs. *Those steps include using administrative hearings, changing some payment practices, improving information-gathering techniques, offering monetary incentives to employees for meeting target collection rates, and imposing stronger penalties against parents who refuse to pay their child support.*

Question 1 Conclusion: *The picture that emerges from thispage 34*
audit is one of a child support enforcement system that is working fairly well at collecting the current child support owed—often against some pretty tough odds—but that is hampered by a number of problems that diminish its effectiveness.

One of those problems is something we've found over and over again during audits of the Department of Social and Rehabilitation Services: a lack of good management information. Without such information, the Department can't make the best decisions about what additional resources it may need, what existing resources can or should be reallocated, what services should be contracted, or what program improvements are needed. Further, when such decisions are made, the Department often can't judge whether the actions taken have been effective.

The Department claims the new computer system it's developing—at a cost far exceeding original estimates—will provide much of the needed information. Close monitoring of this computer system's final development will be critical to its eventual usefulness at providing needed management information.

Another major problem is the apparent conflict, "turf" battles, and lack of communication between some court trustees, the Office of Judicial Administration, and the Department. The initial decision to contract with court trustees for enforcement services seemed to make great sense, given that the trustees already were providing such services to private clients. However, in some areas the working relationship between these groups has deteriorated to such an extent that collection efforts are being affected. All parties involved have a big task ahead of them to try to work out their differences and refocus their energies on the primary goals of the program. If those differences can't be worked out, other arrangements for providing enforcement services may have to be considered.

Other problems we identified were more procedural in nature. We found problems that reduced the likelihood of collecting child support with one in every five cases we sampled. Any program that handles 120,000 cases in a year is bound to have its share of problems. Nonetheless, the types of problems we've identified need to be addressed.

In this question, we've provided a lot of the available comparative information about how well Kansas' child support enforcement program is working. We also were able to identify a number of approaches Kansas and other states are considering to improve the effectiveness of their programs. Such information—used in conjunction with the information provided in question two—should be helpful to the Department, the courts, and the Legislature as they explore ways to improve the effectiveness and efficiency of Kansas' child support enforcement system.

Question 1 Recommendations. A brief summary of the report's recommendations, together with a summary of applicable comments from the agencies, is presented below.

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We recommended the Department ensure that it has the management information it needs to make informed decisions about the efficiency and effectiveness of the Program, that it has realistic collection goals, that all child support enforcement cases are given the attention they need to maximize collections, and that it has the necessary resources and tools to encourage parents to pay child support.

We also recommended that the Department and the Office of Judicial Administration work to identify and discuss the problems that exist between them, and develop a plan to solve them, including signing a formal contract that spells out clear standards of performance and accountability.

We recommended that the Legislative Post Audit Committee review the law to clarify the Legislature's intent regarding who the Department can contract with for enforcement services.

Finally, we recommended that all parties involved identify practices that can be implemented in Kansas to make the Program work more effectively, and that they work with the Legislature to get any necessary legislation enacted.

With one exception, the Office of Judicial Administration concurred with these recommendations. It did not support having an administrative process to establish or modify support orders. It noted that if any district experienced delays in getting hearings set, additional judges would be temporarily assigned to that court.

The Department of Social and Rehabilitation Services generally concurred with our recommendations as well. It agreed that performance-based contracts need to be developed. It also noted that it has attempted to negotiate such a contract--with the Office of Judicial Administration acting as a contracting agent for court trustees--but that its attempts have been unsuccessful in a number of ways. As a result, the Department said it has to be able to engage in the competitive bidding process for enforcement services, and urged the Legislature to avoid forcing it to contract with any particular person or office.

Question 2: Is the Child Support Enforcement System In Kansas Designed to Collect Child Support Payments At the Lowest Possible Cost?

Based on available data, it appears Kansas has spent more than the national average and than surrounding states for each dollar collected. For example, for each \$100 of current collections in fiscal year 1994, Kansas spent \$35. For that same year, the national average was \$26. Social and Rehabilitation Services' officials suggested that Kansas' expenditures appear high because the State is trying to maximize its reimbursement from the federal government. However, without an in-depth audit of other states' programs, we couldn't tell why Kansas' expenditures were higher. Also, because no cost data were available, we couldn't make comparisons about the relative cost-efficiency of the Department's area offices. page 38

Kansas allocated \$19 million more in indirect costs than it should have to the Child Support Enforcement Program, which could result in the need to pay some money back to the federal government.

The Department's collection efforts appear to cost about the same as collection efforts by the court trustees it contracts with, although the efficiency of individual court trustees varied. For each \$100 of child support collected in fiscal year 1995, court trustees spent an average of \$10.75 on enforcement services. For the same period, the Department spent \$10.09. page 40

The Department's cost to have court trustees handle enforcement activities varies significantly. In fiscal year 1995, the amount spent by the Department per \$100 collected ranged from \$19.56 (Kansas City) to \$5.47 (Emporia). The differences among the court trustees are fairly significant, suggesting a number of efficiencies are possible.

The Department also contracts with G.C. Services, a private collection agency, to handle closed public assistance cases with past due child support that the Department hasn't had any success collecting. In fiscal year 1995, the company collected more than \$76,000, and was paid \$13,000.

We found very little overlap among the services provided by the Department of Social and Rehabilitation Services and the court trustees it contracts with. The only significant duplication of effort we found related to the actual recording of child support payments, which are made to court clerks and forwarded to Department officials for distribution. The federal government is considering mandating a central payment system, which would eliminate this duplication. page 43

Five comparison states have somewhat different structures for their child support enforcement programs, but those that contract with private agencies usually contract for more extensive child support enforcement services than Kansas. The states we contacted were happy with the work private companies were doing, but page 46

the contracts weren't necessarily more cost-efficient. The Department may be able to save money by contracting with private companies to collect child support in areas of the State where the Department or the court trustees aren't providing cost-effective services.

Private companies cited a number of reasons why they think they can do a better job than the State. Among those reasons:

- Because their fees are based on a percentage of collections, private firms have a greater incentive to collect.*
- Private firms aren't hampered by the same personnel and purchasing rules that government must operate under.*

Court employees cited some disadvantages to private companies doing child support enforcement:

- Court trustee personnel better know the local people, read the local papers, and generally are better able to keep track of absent parents.*
- Private firms sometimes don't do a good job of preparing legal documents.*
- In one case, a private collection firm went bankrupt and kept the money it had collected.*
- There could be a tendency for private firms to only go after those cases with the greatest chance of collecting.*

Question 2 Conclusion: *Based on national data, Kansas appears to spend more per dollar of child support collected than the surrounding states. There doesn't appear to be anything inherently inefficient in the way Kansas' system is set up, except for some duplication between the court clerks and the Department in processing and recording support payments. Other states have found that a central payment system has worked well to eliminate inefficiencies in the payment process, and such a system may soon be mandated by the federal government under welfare reform efforts.*

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Department officials have indicated a desire to privatize parts of the child support enforcement system to obtain the most cost-effective enforcement services possible and increase accountability. However, except for some information about the cost to have various court trustees enforce child support orders, the Department doesn't have the kind of detailed information it would need to determine where cost inefficiencies exist, and whether it would be cost-effective to replace any of the Department's current operations with one or more private contractors. While good cost information is being developed, the Department can explore options other states have used to make the program operate more like a business, such as offering incentives based on employees reaching certain collection goals. Also, it can study the information it has on the differences in costs between court trustee offices, and can either work with the trustees to improve operations in those offices that appear to be less efficient or seek to contract out enforcement services in those counties.

Everyone needs to be aware that other states have been happy with the services they've received from private contractors, but that the use of these companies has not always saved the states money. In addition, if private contractors take over a large portions of the enforcement activities in Kansas, it's possible that the court trustee system

in Kansas might be curtailed because of the loss of revenue they would sustain.

Question 2 Recommendations: *A brief summary of the report's page 51 recommendations, together with a summary of applicable comments from the agencies, is presented below.*

We recommended that the Department take steps to ensure it doesn't claim more money from the federal government than it is owed. We also recommended that the Department explore private business options for increasing efficiency, including paying employees incentives.

We recommended that the Department operate its Program in the most cost-effective manner possible, and that it get the information it needs to do this. In the interim, the Department should review the information provided in this audit to identify areas of the State where services could be offered more cost-effectively. Whoever the Department decides to contract with, it should develop a contract with clear performance standards.

We also recommended that the Department work with the Office of Judicial Administration, administrative judges, and court trustees to determine ways to make court trustees more efficient.

Finally, we recommended that the Department report to the Legislature on the status of the new computer system, its cost, the information it will be able to provide, and whether it will be able to adapt to new federal welfare reform mandates.

The Office of Judicial Administration concurred with the recommendations, but suggested that even stronger measures were warranted. Two long-term solutions were proposed: Either place responsibility for all enforcement on the court trustees, and change the role of the Department to finding parents and establishing paternity and support orders. Or remove the Office completely from the child support enforcement effort, and give the Department the ability to contract directly with court trustees or put enforcement services out to bid.

The Department of Social and Rehabilitation Services noted it was not really trying to "privatize" child support enforcement functions through its request for proposals. It noted the question was not whether it should contract for enforcement services, because it already is doing so, but rather how it can obtain the accountability it needs to operate the Program.

The Department also provided some reasons for the increased costs of its new computer system, including the decision to use more advanced and flexible technology than originally anticipated, better understanding the needs of end-users, and changing the indirect expense allocation.

The Department addressed a number of other points in the audit, and provided additional comments or clarifications.

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This audit was conducted by Elyn Sipp, Tracey Elmore, Jennifer Hudgins, and Tim Patton. If you need any additional information about the audit's findings, please contact Ms. Sipp at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (913) 296-3792, or contact us via the Internet at LPA@PostAudit.ksleg.state.ks.us.

