

## Follow-up Performance Audit of the Statewide Child Support Collections and Disbursements Unit

### Report Highlights

In 1996, Congress required states to establish units to collect and disburse child support payments (SDUs). The Department of Public Welfare contracted with Lockheed Martin IMS to operate Pennsylvania's unit. The SDU became operational in October 1999 and experienced initial implementation problems, as described in our June 2000 performance audit. In early 2001, the Committee requested a follow-up audit to assess the current status of operations.

- **Initial implementation problems have been resolved, but important problems remain.** DPW no longer receives the large volume of complaints it did in the past, as PA's SDU can now quickly process a high volume of child support payments. DPW has now turned its attention to assuring that the SDU addresses important problems that remain, including:
  - *Handling "exceptional" items.* SDU needs to improve its payment processing for collection "exceptions," which require some type of SDU staff work to be processed timely and correctly.
  - *SDU employer coupons.* SDU's systems for removing former employees from employers' coupons have improved, but only after DPW imposed fiscal sanctions. Problems, however, remain. SDU coupons can be confusing and result in the SDU closing the court's wage withholding orders for seasonal and temporary workers who are not "officially" terminated from employment.
  - *Resolving problems with employer checks and processing errors.* SDU staff are to contact employers within two days to attempt to resolve problems with checks of more than \$1,500. SDU, however, has not been consistently following these procedures, and it has not developed contract required management reports identifying all of its payment processing errors.
  - *Researching payments cashed and posted to "suspense."* The SDU is not researching these items in the way agreed to by DPW, DRSs, and the SDU.
- *Response to county DRS offices.* SDU customer service procedures do not include time frames for responses to DRS information requests; 13 DRS offices expressed concern over response timeliness.
- **The SDU vendor may owe several million dollars to the child support bank account.** Contractually, the SDU is financially responsible for all overpayments resulting from its posting errors, including certain NSF (bounced) checks. The SDU has not kept accurate records of NSF checks, or performed the required recovery services. The Comptroller's Office is currently assessing the amount owed the account. For one type of overpayment alone, we estimate the SDU may owe as much as \$3 million.
- **Families may still lose their child support if a payment is misapplied.** This can happen if a payment is posted to the wrong account and if the SDU does not assume responsibility for the error. Funds were appropriated to establish a revolving fund to compensate such families, but the fund is not yet operational, and key policy and operational questions are not yet resolved.

**Recommendations.** The Department should:

- ❖ Strengthen contract requirements when a new SDU contract is re-bid or negotiated in 2002.
- ❖ Ensure the SDU vendor pays all monies owed to the child support bank account.
- ❖ Require the SDU vendor to revise and adhere to its processing procedures.

Nine other recommendations address specific problems identified in the report.