

EXECUTIVE DIGEST

CHILD SUPPORT ACCRUAL METHODOLOGY

INTRODUCTION

This report contains the results of our financial related audit* of the Child Support Accrual Methodology, Family Independence Agency (FIA), for the fiscal year ended September 30, 1999.

AUDIT PURPOSE

This financial related audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial related audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements. Also, this audit complements the departmentwide financial audit, including the provisions of the Single Audit Act Amendments of 1996, which is conducted pursuant to Act 251, P.A. 1986.

BACKGROUND

FIA's Office of Child Support attempts to recover, for the State, child support* payments made from noncustodial parents on behalf of their minor children. Recipients of public assistance must assign their rights to current, delinquent, and future child support to the State as a condition of eligibility. The assigned child support is used to repay the State and federal governments their respective shares of the public assistance granted to the recipients. Unless otherwise ordered by the court, the payment of all child support is through the county Friend of the Court offices. Also, Friend of the Court offices initiate and maintain income withholding orders* from noncustodial parents' employers and transmit support payments to the State when the children are recipients of public assistance.

The FIA child support accrual is a fiscal year-end accounting process designed to estimate material* accounts receivable and payable related to the child support collections retained by the State. The child support accrual process includes estimates of the child support receivable, unearned receipts payable due to the federal government, and accounts payable for State and federal incentive payments due to Friend of the Court offices.

FIA's child support accrual is a material accrual for FIA and the State. The Office of Financial Management, Department of Management and Budget, approved FIA's revised accrual methodology on November 9, 1999. Total child support collections received by the State on behalf of public assistance recipients in fiscal year 1998-99 were \$132.3 million.

**AUDIT OBJECTIVE
AND CONCLUSION**

Audit Objective: To assess the reasonableness and completeness of FIA's child support accrual methodology for the fiscal year ended September 30, 1999.

Conclusion: We concluded that FIA's child support accrual methodology was generally reasonable and complete. However, our assessment disclosed a material

weakness* in FIA's internal control* over the child support accrual:

- FIA did not maintain sound internal control over the child support accrual (Finding 1).

FIA agreed with the recommendation and informed us that it will develop policies to periodically review the assumptions upon which the child support accrual is based and to independently review the process annually.

Our assessment also disclosed a reportable condition* related to FIA's estimation methodology (Finding 2).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the Family Independence Agency's child support accrual methodology that was followed for the estimation of the accrual for the fiscal year ended September 30, 1999. We examined the reasonableness and completeness of key factors and assumptions of the accrual methodology. Our audit was conducted in accordance with *Government Auditing*

Standards issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

AGENCY RESPONSES

Our audit report includes 2 findings and recommendations. FIA's preliminary response indicated that it agreed with both recommendations and will take the necessary steps to comply with them.