

EXECUTIVE DIGEST

CHILD SUPPORT ENFORCEMENT SYSTEM

INTRODUCTION

This report contains the results of our performance audit of the Child Support Enforcement System (CSES), Family Independence Agency (FIA), for the period January 1, 1985 through April 30, 1996.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

The federal Family Support Act of 1988 mandates that each state implement, by October 1, 1995, an automated statewide child support enforcement system that meets federal certification requirements established by the Administration for Children and Families, U.S. Department of Health and Human Services (HHS). That deadline was extended to October 1, 1997. Through October 1, 1995, the HHS Office of Child Support Enforcement (OCSE) provided funding for 90% of the cost to develop and implement CSES.

Since October 1, 1995, OCSE has provided funding for 66% of the cost of CSES.

The FIA Office of Child Support (OCS) is responsible for administering the Statewide Child Support Program. FIA entered into an interagency agreement with the State Court Administrative Office (SCAO) for the development and implementation of CSES. The Department of Management and Budget (DMB) subcontracted with a computer consulting firm, Atek Information Services, Inc., in 1987 for software development. In 1990, SCAO began to assemble its own project team to assist Atek. In 1992, Atek filed for bankruptcy. SCAO contracted with various consulting firms to continue the development, implementation, and training of CSES.

In March 1996, FIA canceled its interagency agreement with SCAO, effective April 19, 1996, citing a lack of legislative support for additional project funding. Full responsibility for CSES now resides with FIA. FIA will directly manage the continued development and implementation of CSES and DMB will manage the CSES data center. In April 1996, FIA hired a consultant to develop alternative strategies for Michigan to consider regarding the implementation of CSES. The consultant made recommendations in a report issued on September 12, 1996 regarding organizational structure, user involvement, and user friendliness of CSES.

We concluded our audit fieldwork on April 30, 1996 and provided FIA with draft copies of our findings and recommendations on May 24, 1996. However, due to the complexity of this report and the fact that FIA engaged a new

consultant in April 1996 that required FIA's attention, time, and effort, the due process to complete the report was longer than normal which delayed finalization and issuance of the report.

Except for Finding 1, we have addressed our findings and recommendations to the CSES project team* which, for this purpose, consists of managers and staff from the FIA OCS, SCAO, and subcontracted consultants. Compliance with a number of the recommendations will require the cooperation of these agencies and entities. Compliance with other recommendations will require cooperation with the other agencies involved in CSES, including Friends of the Court (FOC's), OCS support specialists, and the Prosecuting Attorney Association of Michigan. FIA and DMB will have final responsibility for compliance.

The purpose of CSES is to improve the sharing of child support information by setting a common standard for organizing information and by connecting county and State-level offices through a Statewide area network. CSES contains modules for establishing and maintaining court order information; cash receipting, distribution, and other financial transactions; and child support enforcement for arrearage cases.

CSES was piloted in Barry, Eaton, and Gratiot Counties in 1991. As of April 30, 1996, CSES was implemented in 59 FOC's, which represent 20% of the Statewide FOC case load, and in the support specialist offices in 68 counties, which represent 68% of the Statewide support specialist case load. In addition, CSES was fully implemented with

electronic referral capability in 12 prosecuting attorney (PA) offices, which represent less than 5% of the Statewide PA case load. As of April 30, 1996, FIA had expended approximately \$103.3 million to develop and operate CSES. This includes approximately \$72.0 million in development and implementation costs and \$31.3 million in operations and maintenance costs. The CSES project team consisted of 46 full-time State employees and up to 124 consultants.

**AUDIT
OBJECTIVES
AND
CONCLUSIONS**

Audit Objective: To assess the effectiveness of CSES project management.

Conclusion: FIA did not effectively manage the CSES project. As a result, our assessment disclosed one material condition* involving FIA:

- FIA had not provided sufficient project management and oversight to CSES system development to ensure effective and timely completion of the CSES project (Finding 1).

FIA agreed with the corresponding recommendation and has taken steps to comply.

Our assessment also disclosed three material conditions involving CSES project management. The CSES project team:

- Did not adequately plan the development of CSES to ensure the design and implementation of a useful system after assuming development responsibilities for CSES (Finding 2).

FIA agreed with the corresponding recommendation and hired an independent contractor to review and evaluate the CSES application.

- Had not determined the feasibility of the CSES Next Generation* (NG) project (Finding 3).

FIA agreed with the corresponding recommendations and informed us that it will discontinue development of CSES NG.

- Did not effectively manage its system development and hardware contracts and contract payments (Finding 4).

FIA agreed with the corresponding recommendation.

Our assessment also disclosed other reportable conditions* regarding project deliverables*, competitive bidding, and cost-effective resources (Findings 5 through 7).

Agency Preliminary Response: CSES is a very large and complex system with numerous federal system certification requirements. The design of CSES is complicated by the decentralized organization structure for the delivery of child support services in Michigan. Currently, only 7 states have received federal certification.

FIA is in basic agreement with the conclusions and recommendations presented in this audit report and took action to address the seriousness of the report. FIA has

taken the following actions to restructure the CSES project.
FIA:

- Terminated agreements with SCAO for project management.
- Formed the CSES Executive Steering Committee.
- Hired an independent contractor to evaluate CSES alternatives.
- Initiated Office of Inspector General review.
- Proposed Office of Internal Audit reviews.

Audit Objective: To assess the effectiveness of controls over CSES system development, data conversion, and implementation.

Conclusion: Controls over CSES system development, data conversion, and implementation were not effective. Our assessment disclosed four material conditions. The CSES project team:

- Did not involve FOC and support specialist users for maximum benefit to CSES during system development (Finding 8).

FIA agreed with the corresponding recommendation and informed us that it will give due consideration to user involvement in the restructured project.

- Did not develop complete CSES system documentation (Finding 9).

FIA agreed with the corresponding recommendation and informed us that it has taken corrective action.

- Did not establish controls over versions of CSES computer programs (Finding 10).

FIA agreed with the corresponding recommendation.

- Had not established adequate control procedures to ensure the integrity and accuracy of all CSES production computer programs (Finding 11).

FIA agreed with the corresponding recommendation.

Our assessment also disclosed other reportable conditions regarding CSES data conversion and customer support (Findings 12 and 13).

Audit Objective: To assess the effectiveness of CSES application controls in ensuring that child support payments and data were reliably and securely processed.

Conclusion: CSES application controls were not completely effective in ensuring that child support payments and data were reliably and securely processed. Our assessment disclosed two material conditions. The CSES project team:

- Did not ensure the effectiveness of CSES security administration (Finding 14).

FIA agreed with the corresponding recommendation and informed us that planned enhancements will allow for increased security.

- Had not established adequate control procedures to control CSES access at the FOC's (Finding 15).

FIA agreed with the corresponding recommendation and informed us that it will initiate a review to see that security privileges are set properly.

We also noted other reportable conditions regarding suspense account processing, CSES effectiveness and efficiency, Title IV-D quarterly reports, financial history reports, and duplicate individuals (Findings 16 through 20).

Audit Objective: To assess the internal control structure* of CSES related to processing child support payments and data in accordance with federal system requirements.

Conclusion: The internal control structure of CSES did not ensure the processing of child support payments and data in accordance with federal system requirements. Our assessment disclosed one material condition:

- The CSES project team had not established control procedures to prevent unauthorized persons from accessing and using CSES (Finding 21).

FIA agreed with the corresponding recommendation and informed us that it will initiate a review to see that security privileges are set properly.

Our assessment also disclosed other reportable conditions regarding automation of functions, the PA module*, and security risk analysis and disaster recovery (Findings 22 through 24).

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the information processing and other records of the Child Support Enforcement System for the period January 1, 1985 through April 30, 1996. 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.

We collected background information about CSES. We performed an assessment of the internal control structure pertaining to general and application controls over CSES.

To accomplish our audit objective concerning CSES project management, we interviewed project management. We reviewed consultant contracts and procedures for monitoring consultants and project progress. We also reviewed project expenditures.

To accomplish our audit objective concerning system development, data conversion, and implementation, we assessed policies and procedures, the system development

methodology, and system documentation. We also evaluated controls over program changes.

To accomplish our audit objective concerning CSES application controls, we reviewed onsite operations at the FOC's, support specialists, and PA's. We reviewed and tested controls over child support initiation, cash receipts, payment distribution, and financial management. We determined the accuracy and completeness of the data.

To accomplish our audit objective concerning compliance with federal system requirements, we reviewed CSES methods for processing for case initiation, establishment, enforcement, and security.

AGENCY RESPONSES	Our audit report contains 24 findings and 25 corresponding recommendations. The agency's preliminary response indicated that FIA has complied or will comply with 24 of the recommendations. FIA disagreed with 1 recommendation.
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