

Office of the Auditor General
Performance Audit Report

**Statewide Child Support Program:
Establishment of Child Support
Cases and Orders**

Michigan Department of Health and Human Services

January 2019

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

Article IV, Section 53 of the Michigan Constitution



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Office of the Auditor General

Report Summary

Performance Audit

Statewide Child Support Program:

Establishment of Child Support

Cases and Orders

Michigan Department of Health and Human

Services (MDHHS)

Report Number:

431-0701-15

Released:

January 2019

MDHHS's Office of Child Support is the State agency that administers the Statewide Child Support Program and partners with Prosecuting Attorney (PA) offices and Friend of the Court offices in each county to deliver child support services, including the establishment of child support cases and orders. From October 1, 2012 through July 17, 2016, MDHHS established 281,160 child support cases. From October 1, 2012 through July 19, 2016, PAs established 65,277 child support orders.

Audit Objective			Conclusion
Objective: To assess the effectiveness of the Statewide Child Support Program's efforts to establish child support cases and orders.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS did not always make timely determinations of custodial parents' good cause claims for not cooperating with establishing paternity and/or child support orders. Determinations were delayed more than 1.5 years for over 75% of the entire population of 5,095 good cause claim cases that existed as of August 22, 2016. The impact of MDHHS's untimeliness caused it to inappropriately provide at least \$2.3 million in public assistance benefits to those parents who ultimately had determinations of noncooperation and should have had their benefits reduced or terminated (<u>Finding #1</u>).		X	Agrees

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Doug A. Ringler, CPA, CIA
Auditor General

January 8, 2019

Ms. Farah Hanley, Acting Director
Michigan Department of Health and Human Services
South Grand Building
Lansing, Michigan

Dear Ms. Hanley:

This is our performance audit report on the Statewide Child Support Program: Establishment of Child Support Cases and Orders, Michigan Department of Health and Human Services.

Your agency provided preliminary responses to the recommendations at the end of our fieldwork. The *Michigan Compiled Laws* and administrative procedures require an audited agency to develop a plan to comply with the recommendations and submit it to the State Budget Director upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office, is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Doug Ringler
Auditor General

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AUDIT OBJECTIVES, CONCLUSIONS, FINDINGS, AND OBSERVATIONS

ESTABLISHING CHILD SUPPORT CASES AND ORDERS

BACKGROUND

The Statewide Child Support Program is a partnership among the Office of Child Support (OCS), Michigan Department of Health and Human Services (MDHHS); Prosecuting Attorney (PA) offices; and Friend of the Court (FOC) offices.

Establishment of a child support* case occurs when an individual submits an application for child support services to MDHHS or when an automated referral is created because a child's family applies for, or receives, public assistance* and the family has one or both parents residing outside the home. Federal regulations require MDHHS to open a child support case by establishing a case record within no more than 20 calendar days from receipt of an individual's application for support services or a request/referral for public assistance. Federal law requires parents receiving public assistance to cooperate with OCS or risk reduction or termination of their assistance. MDHHS established 281,160 child support cases from October 1, 2012 through July 17, 2016.

OCS specialists obtain necessary information from custodial parents*, conduct parent locating services, and submit court action referrals* to a PA to establish a court order for paternity and/or family support. Federal regulations require that within 90 calendar days of locating the alleged noncustodial parent*, a child support order* must be established or service of process* must be completed. PAs established 65,277 child support orders from October 1, 2012 through July 19, 2016.

In Michigan, all child support orders must be prepared and completed by the applicable county PA office on the Uniform Child Support Order (USO) document. The USO becomes effective the date a judge signs it. The recommended amount of child support is prepared using the Michigan Child Support Formula (MCSF) in accordance with federal regulations and Michigan law. Michigan law allows deviations from the MCSF if the court determines that applying the MCSF would be unjust or inappropriate for either the custodial or noncustodial parent.

AUDIT OBJECTIVE

To assess the effectiveness* of the Statewide Child Support Program's efforts to establish child support cases and orders.

CONCLUSION

Effective.

FACTORS IMPACTING CONCLUSION

- 96% of child support cases that we analyzed were appropriately established within the 20-day requirement.

* See glossary at end of report for definition.

- For all cases examined:
 - Locating activities were completed and paternity was established in accordance with State and federal requirements.
 - Court action referrals were completed in a timely manner and were in accordance with State and federal requirements.
 - Service of process was completed in a timely manner.
 - Child support orders were prepared on the USO.
 - The recommended calculated child support amount was correctly determined using the MCSF.
- Reportable condition* related to the timeliness of determinations for custodial parents' good cause claims to not cooperate with paternity and/or child support order establishment and the reduction or termination of associated public assistance benefits.

** See glossary at end of report for definition.*

FINDING #1

Improvement needed in the timeliness of determinations for good cause claims.

MDHHS did not always make timely determinations of custodial parents' good cause claims for not cooperating with establishing paternity and/or child support orders. MDHHS also did not always reduce or terminate the associated public assistance benefits of custodial parents who did not have good cause for noncooperation. Untimely determinations caused significant delays in establishing child support orders to ensure that parents fulfilled their financial obligations to their children and resulted in the inappropriate use of public assistance benefits.

A custodial parent is considered in noncooperation with the Statewide Child Support Program when, without good cause, the parent willfully and repeatedly fails or refuses to provide information or take actions needed to establish paternity or a child support order. MDHHS policy allows cooperation to be waived for good cause as a safeguard when it may result in physical or emotional harm to the child or to the parent. The policy also requires MDHHS to review the claim for good cause and make a determination of acceptance or rejection within 45 days from the date the claim was filed.

Federal law and regulations governing public assistance benefits require:

- Recipients to cooperate with the Program in locating the noncustodial parent, establishing paternity, and establishing a child support order.
- The Program to suspend all activities to establish, secure, or enforce a child support order until a determination is made that good cause for noncooperation does not exist.
- MDHHS to reduce or terminate benefits when the parent does not cooperate as an incentive for cooperation.

We reviewed the entire population of 5,095 child support cases that had at least one instance of a good cause claim as of August 22, 2016. We also reviewed 80 of the 90,568 cases in which the custodial parents received public assistance and were in noncooperation status anytime from October 1, 2012 through May 31, 2016. We noted:

- a. MDHHS did not make timely determinations for 2,781 (55%) cases. On average, the determinations were outstanding for 1 year and 9 months. We also noted that for 1,484 (53%) cases, MDHHS ultimately rejected the good cause claim and the custodial parents were not eligible for public assistance benefits. The impact of MDHHS's untimeliness caused it to inappropriately issue \$2.3 million of public assistance benefits to the associated 1,484 custodial parents while a determination was outstanding.

Determinations were outstanding more than 1.5 years for over 75% of the cases analyzed.

MDHHS provided at least \$2.3 million in public assistance benefits to custodial parents who ultimately had determinations of noncooperation and should have had their benefits reduced or terminated.

- b. As of August 22, 2016, determinations were still pending and exceeded the 45-day requirement for 1,169 (23%) cases. On average, these claims had been filed and awaiting a determination for approximately 1 year and 10 months. Based on the results of good cause claims that were ultimately rejected in part a. of this finding, it is likely that these pending determinations would have resulted in MDHHS inappropriately issuing public assistance benefits of approximately \$1.4 million to the associated custodial parents while a determination was pending.
- c. MDHHS did not appropriately reduce or terminate the Family Independence Program (FIP), Child Development and Care (CDC), and Food Assistance Program (FAP) benefits totaling \$18,366 for 17 (21%) of the 80 sampled custodial parents in noncooperation status. The reduction or termination of benefits may have motivated the custodial parents to cooperate with the State to seek financial support for their children from the noncustodial parent.

MDHHS provided approximately \$10.3 billion in FIP, CDC, and FAP benefits to individuals and families from October 1, 2012 through May 31, 2016. MDHHS's controls and oversight were not adequate to ensure that caseworkers made timely determinations for good cause claims and reduced or terminated public assistance benefits when appropriate.

RECOMMENDATIONS

We recommend that MDHHS make timely determinations of custodial parents' good cause claims for not cooperating with establishing paternity and/or child support orders.

We also recommend that MDHHS properly reduce or terminate the public assistance benefits of custodial parents who do not cooperate in establishing paternity and/or child support orders.

AGENCY PRELIMINARY RESPONSE

MDHHS provided us with the following response:

MDHHS agrees with the recommendations. However, OCS does not determine good cause for clients, nor does it terminate assistance benefits. MDHHS's OCS and Field Operations Administration (FOA) have convened a workgroup to look at the process and recommend training and system improvements.

SUPPLEMENTAL INFORMATION

Survey Description

We e-mailed an online survey to all 78 county PA offices. The survey focused on child support order processes, staffing levels, case management effectiveness, and MDHHS and State Court Administrative Office (SCAO) timely communications. We received a total of 38 responses, reflecting a response rate of 49%.

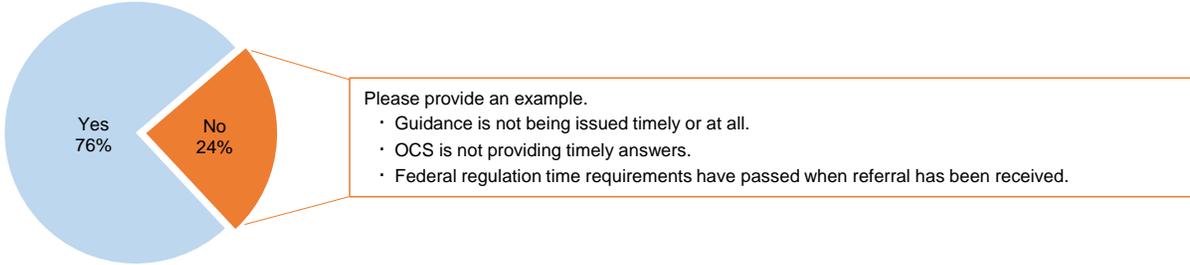
Following is a summary of the survey results that includes the number and percentage of selected responses received for each item. The total number of responses for each item may not agree with the total number of survey responses because respondents were instructed to answer only the questions that were applicable to them.

STATEWIDE CHILD SUPPORT PROGRAM: ESTABLISHMENT OF CHILD SUPPORT CASES AND ORDERS
Michigan Department of Health and Human Services

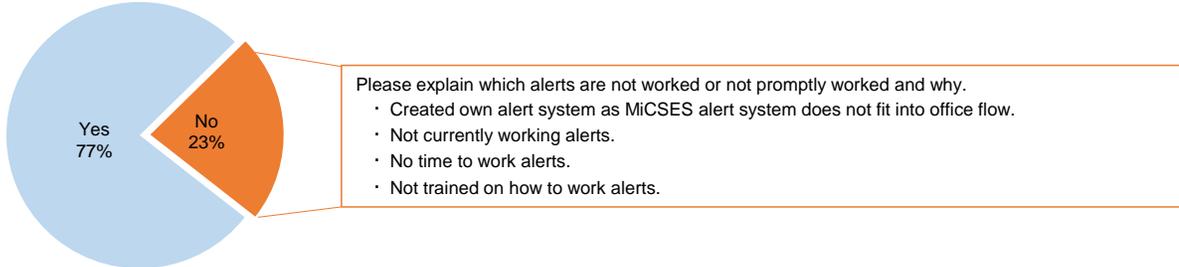
Summary of Selected Survey Responses From Prosecuting Attorney Offices

Responses Received: 38

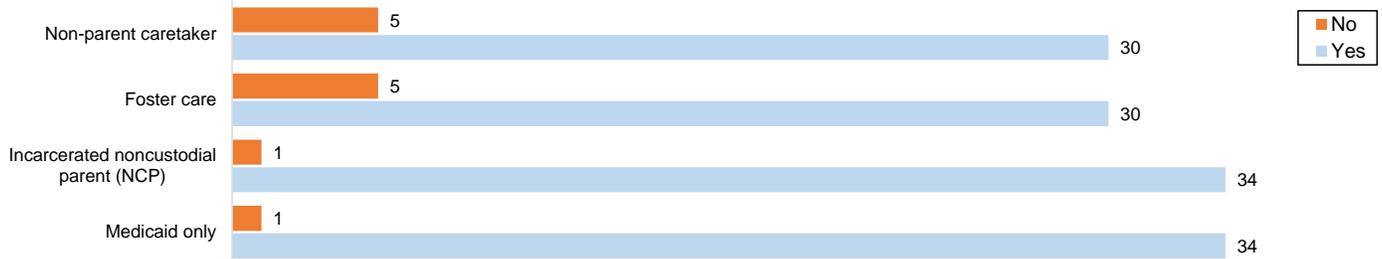
1. In your experience, has OCS and SCAO provided timely and consistent guidance for properly administering new business processes and child support-related laws, rules, and regulations?



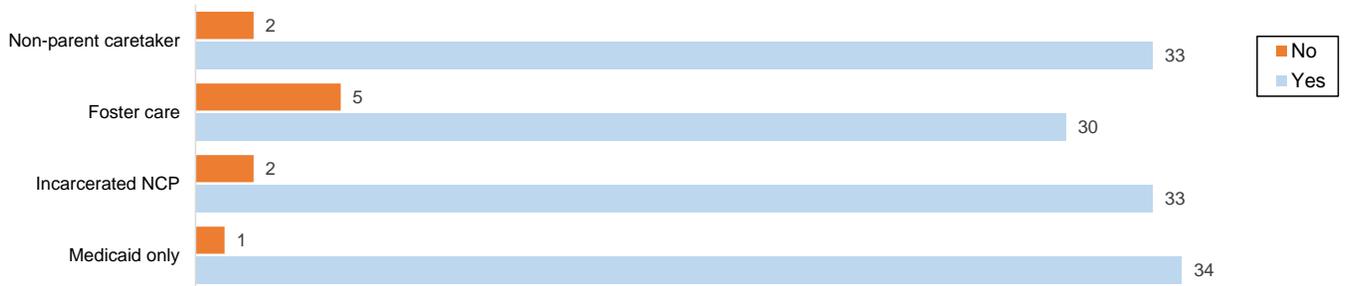
2. Do your office's IV-D staff promptly take action in response to all system-generated action alerts and required informational alerts?



3. Please indicate whether your office establishes paternity orders for the following cases:



4. Please indicate whether your office establishes child support orders for the following cases:

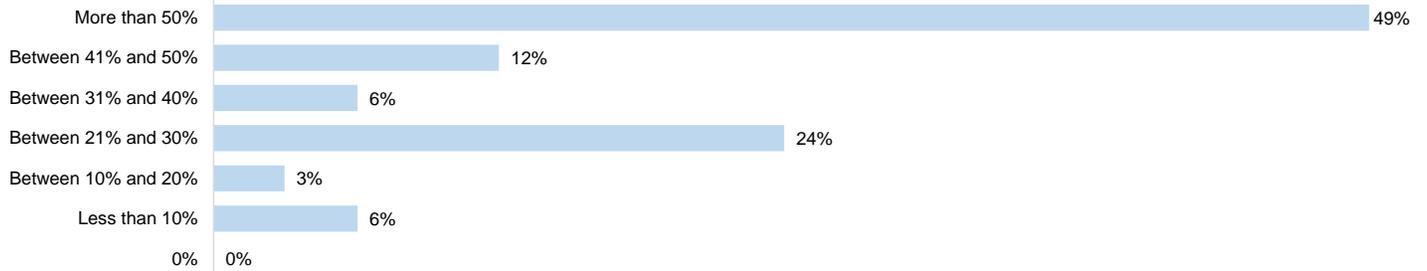


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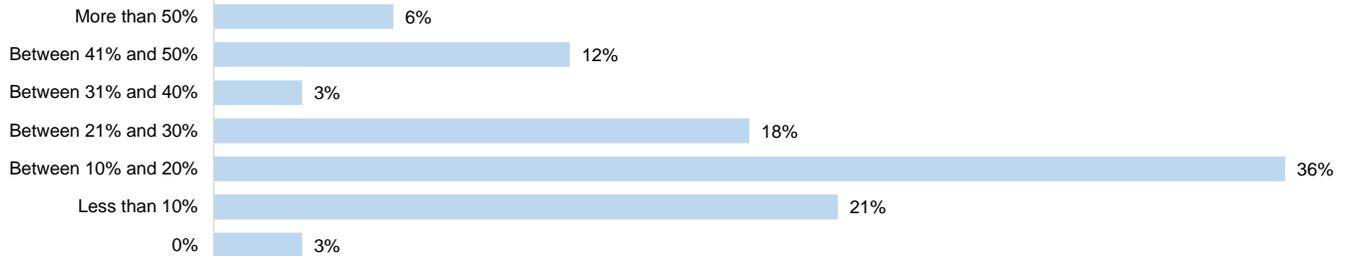
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Summary of Selected Survey Responses From Prosecuting Attorney Offices
(Continued)

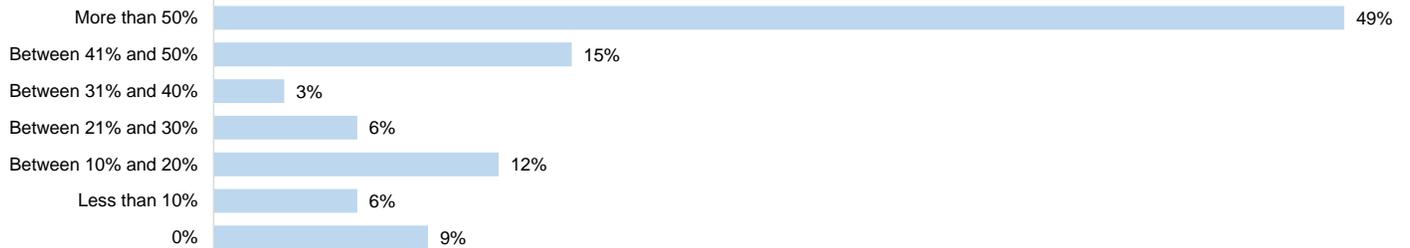
5. Please estimate the percentage of child support orders established during the past year based on imputed income*.



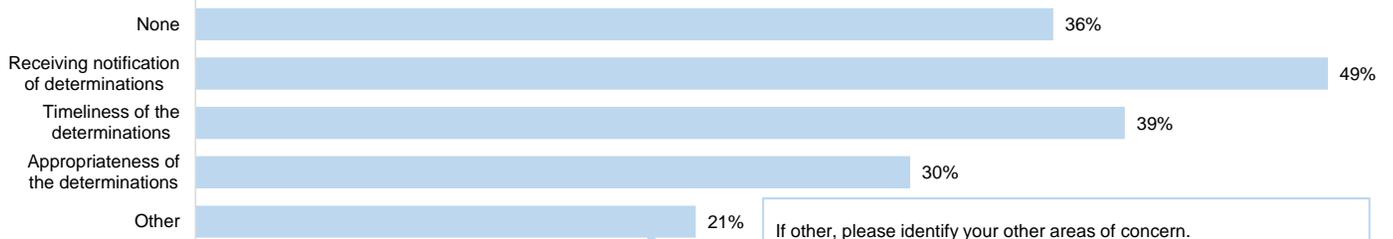
6. Please estimate the percentage of default child support orders* established during the past year.



7. Please estimate the percentage of child support orders established during the past year that included birthing expenses.



8. Please indicate your area(s) of concern with the process for making good cause determinations. (Please select all applicable areas.)



If other, please identify your other areas of concern.

- MDHHS worker needs training to ensure good cause is properly determined.
- Prosecuting Attorney office needs to be more involved in the good cause process as current OCS policy allows only MDHHS workers to make good cause determination.
- More substantial evidence is needed when granting good cause.
- Office reviews each case on an individual basis to determine if good cause is warranted.
- Not applicable.

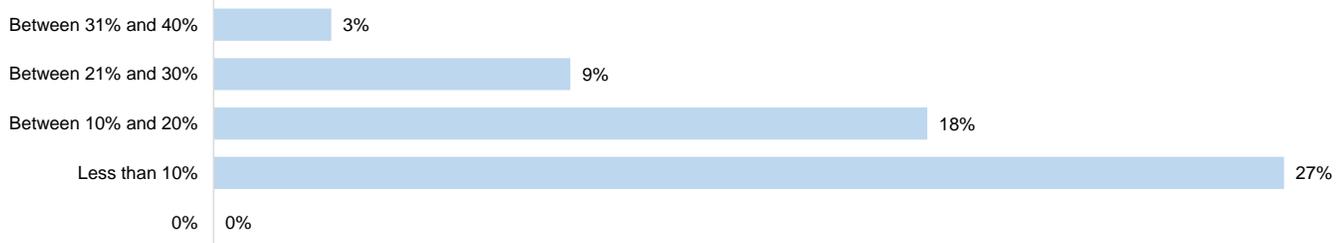
This survey continued on next page.

**See glossary at end of report for definition.*

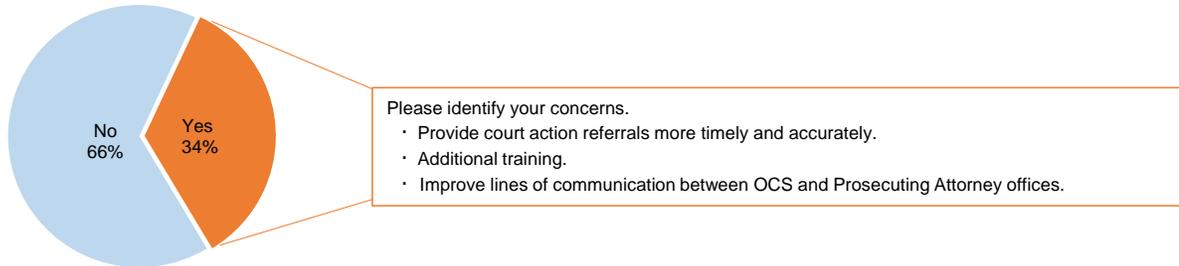
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Michigan Department of Health and Human Services

Summary of Selected Survey Responses From Prosecuting Attorney Offices
(Continued)

9. Please estimate the percentage of court action referrals that your office receives without sufficient time to meet the 90-day service of process/order establishment federal requirement.



10. Do you have any particular concerns with, or recommendations to improve, the Michigan Child Support Program regarding order establishment that you would like to share with us?



PROGRAM DESCRIPTION

The mission* of Michigan's Statewide Child Support Program is to achieve the well-being of children and self-sufficiency of families by delivering consistent, innovative, and holistic services that promote healthy relationships between parents and children and ensure that parents fulfill their financial obligations to their children. The establishment of child support cases and child support orders are essential first steps to enable the Program to achieve its mission.

The Program is a requirement of the Social Security Act, Title IV, part D (Title IV-D). Title IV-D was established to help reduce or avoid the cost of public assistance programs through state enforcement of support obligations owed by parents. Title IV-D requires each state to provide services for locating absent parents; the establishment of paternity; the establishment of child support orders; and the collection, disbursement, and enforcement of child support obligations.

The Program's partners have the following roles in the delivery of child support services:

- OCS
OCS, within MDHHS, is the Title IV-D State agency that administers the Program. OCS also interprets, writes, and disseminates State and federal policy; initiates new child support cases and court action referrals; conducts centralized enforcement activities; collects and disburses child support payments; and manages fiscal and reporting activities.
- PA
PAs represent the counties in matters before the family court, evaluate court action referrals, establish paternity, and establish the court orders.
- FOC
The FOC offices are part of the family division of the circuit court that serves each county and are supervised by the chief judge to monitor cases. The offices are responsible for providing accounting services and enforcement of all the provisions of the court order, including child support and visitation. The SCAO, an administrative arm of the Michigan Supreme Court, is responsible for developing operational policies and procedures for the FOC offices.

The federal Office of Child Support Enforcement (OCSE), U.S. Department of Health and Human Services, establishes federal

* See glossary at end of report for definition.

regulations and guidelines and provides a major share of funding for the Program's operations. OCSE reimburses 66% of all eligible operational expenses/services. The remaining 34% is funded by other sources, including a combination of federal performance incentives, State General Fund/general purpose revenue, and county General Fund/general purpose revenue.

The Program served 881,557 and 881,343 children during fiscal years 2015 and 2016, respectively. The Program's fiscal year 2015 and 2016 administrative costs totaled approximately \$235.8 million and \$201.8 million, respectively.

AUDIT SCOPE, METHODOLOGY, AND OTHER INFORMATION

AUDIT SCOPE

To examine the Statewide Child Support Program's processes, activities, and other records related to establishing child support cases and orders. We conducted this performance audit* in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

PERIOD

Our audit procedures, which included a preliminary survey, audit fieldwork, report preparation, analysis of agency responses, and quality assurance, generally covered October 1, 2012 through August 22, 2016.

METHODOLOGY

We conducted a preliminary survey to gain an understanding of the Program's processes and activities in order to establish our audit objectives, scope, and methodology. During our preliminary survey, we:

- Interviewed Program personnel regarding their functions and responsibilities.
- Reviewed applicable *Michigan Compiled Laws*, federal laws and regulations, and MDHHS policies and procedures related to child support case and order establishment.
- Analyzed available Program records, data, and statistics.
- Obtained an understanding of the processes that the Program uses when establishing child support cases and issuing child support orders.
- Surveyed all 78 county PA offices to further our understanding of child support order processes, child support staffing levels, case management effectiveness, and communication channels with MDHHS and SCAO (see supplemental information).

OBJECTIVE

To assess the effectiveness of the Statewide Child Support Program's efforts to establish child support cases and orders.

* See glossary at end of report for definition.

To accomplish this objective, we:

- Analyzed case initiation data for 155,092 of a population of 281,160 cases established from October 1, 2012 through July 17, 2016 to determine the timeliness of the Program's efforts in establishing cases.
- Randomly and judgmentally sampled 50 foster care referrals* from a population of 10,283 foster care referrals received from October 1, 2012 through May 31, 2016 to determine that each foster care referral was reasonably processed in accordance with the Program's policies and procedures.
- Randomly sampled 50 interstate referrals* from a population of 8,407 initiating and responding referrals received from October 1, 2012 through May 31, 2016 to determine that each referral was processed in accordance with both State and federal regulations.
- Randomly sampled child support cases from a population of 287,837 cases that were open at any time from October 1, 2012 through May 31, 2016. We performed the following:
 - Tested 25 cases to assess MDHHS's efforts in locating noncustodial parents.
 - Tested 25 cases to assess MDHHS's efforts in establishing paternity.
 - Tested 25 cases to assess the PAs' efforts in meeting service of process requirements.
- Randomly sampled 72 court action referrals from a population of 188,891 referrals from October 1, 2012 through May 31, 2016 to determine if OCS processed court action referrals in a timely manner.
- Randomly sampled 60 rejected court action referrals from a population of 33,994 rejected referrals from October 1, 2012 through May 31, 2016 to determine that the rejection was appropriate in accordance with Program policies and procedures.
- Randomly sampled 80 cases from a population of 90,568 cases that were in noncooperation status anytime from October 1, 2012 through May 31, 2016 to determine if MDHHS appropriately sanctioned the case in accordance with State and federal laws.

* See glossary at end of report for definition.

- Analyzed the data of the entire population of 5,095 cases with good cause claims as of August 22, 2016 to determine if MDHHS timely completed good cause claim determinations in accordance with MDHHS policy.
- Randomly sampled 223 child support orders established in 10 judgmentally selected counties from a population of 62,278 orders established from October 1, 2012 through July 19, 2016 and still active as of July 19, 2016 to determine whether the child support order was appropriately established in accordance with both State and federal laws and regulations.
- Tested 40 randomly sampled child support cases from a population of 140,874 that did not have an established order as of July 19, 2016 to determine whether the cases were appropriately in an open status or should have been closed.

We used random sampling to reduce bias and enable us to project to the entire population.

CONCLUSIONS

We base our conclusions on our audit efforts and any resulting material conditions* or reportable conditions.

When selecting activities or programs for audit, we direct our efforts based on risk and opportunities to improve State government operations. Consequently, we prepare our performance audit reports on an exception basis.

AGENCY RESPONSES

Our audit report contains 1 finding and 2 corresponding recommendations. MDHHS's preliminary response indicates that it agrees with the recommendations.

The agency preliminary response that follows the recommendations in our report was taken from the agency's written comments and oral discussion at the end of our fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and the State of Michigan Financial Management Guide (Part VII, Chapter 4, Section 100) require an audited agency to develop a plan to comply with the recommendations and to submit it to the State Budget Director upon completion of an audit. Within 30 days of receipt, the Office of Internal Audit Services, State Budget Office is required to review the plan and either accept the plan as final or contact the agency to take additional steps to finalize the plan.

SUPPLEMENTAL INFORMATION

Our audit report includes a survey description and a summary of selected survey responses from PA offices. The information was used to gain an understanding of PA processes and activities in order to help establish our audit objectives, scope, and methodology.

* See glossary at end of report for definition.

GLOSSARY OF ABBREVIATIONS AND TERMS

CDC	Child Development and Care.
child support	The payment of money for a child or children that is ordered by the circuit court. Support may include payment of the expenses of medical, dental and other health care, child care expenses, and educational expenses.
child support order	The ongoing obligation for a periodic payment made directly or indirectly by a noncustodial parent to a custodial parent, caregiver or guardian, or the government for the care and support of a child.
court action referral	A request from an MDHHS support specialist to a PA to establish a court order for paternity and/or family support or to the FOC to modify and/or enforce an existing order.
custodial parent	The person who has primary care, custody, and control of the child(ren). This may be a relative or other person or entity (for example, a foster care agency), other than the mother or father, with legal custody of the child(ren).
default child support order	An order assigned when the noncustodial parent fails to appear or does not provide sufficient financial information. These orders are based on the information provided by the custodial parent and/or information that the child support agency was able to obtain.
effectiveness	Success in achieving mission and goals.
FAP	Food Assistance Program.
FIP	Family Independence Program.
FOC	Friend of the Court.
foster care referral	A request from an MDHHS support specialist to a prosecuting attorney to establish a court order for paternity and/or family support or to request modification and/or enforcement of an existing order for children receiving Title IV-E foster care maintenance payments.

imputed income	The court-assigned or credited income to a parent who has reported none or little income. At a minimum, the court determines the amount that the parent could have earned by working a minimum wage job. This amount is then included in the child support amount calculations and must be paid by the parent whom the income is imputed to.
interstate referral	A request from an MDHHS support specialist to a prosecuting attorney to establish a court order for paternity and/or family support when either the custodial parent or noncustodial parent resides in a different state.
material condition	A matter that, in the auditor's judgment, is more severe than a reportable condition and could impair the ability of management to operate a program in an effective and efficient manner and/or could adversely affect the judgment of an interested person concerning the effectiveness and efficiency of the program. Our assessment of materiality is in relation to the respective audit objective.
MCSF	Michigan Child Support Formula.
MDHHS	Michigan Department of Health and Human Services.
mission	The main purpose of a program or an entity or the reason that the program or the entity was established.
noncustodial parent	The parent who does not have primary care, custody, or control of the child(ren) and who may have a court-ordered obligation to pay child support.
OCS	Office of Child Support.
PA	Prosecuting Attorney.
performance audit	An audit that provides findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability.

public assistance	Public assistance benefits provided include Family Independence Program (FIP), Title XIX Medicaid, Child Development and Care (CDC), or Food Assistance Program (FAP).
reportable condition	A matter that, in the auditor's judgment, is less severe than a material condition and falls within any of the following categories: an opportunity for improvement within the context of the audit objectives; a deficiency in internal control that is significant within the context of the audit objectives; all instances of fraud; illegal acts unless they are inconsequential within the context of the audit objectives; significant violations of provisions of contracts or grant agreements; and significant abuse that has occurred or is likely to have occurred.
SCAO	State Court Administrative Office.
service of process	The formal delivery of legal documents to the noncustodial parent which ensures that the noncustodial parent is provided due process.
USO	Uniform Child Support Order.



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