

STATE OF NEW MEXICO
HUMAN SERVICES DEPARTMENT
CHILD SUPPORT ENFORCEMENT DIVISION

Review of Administrative and Program Functions

February 25, 1999

REPORT to
the LEGISLATIVE FINANCE COMMITTEE

From LFC Performance Audit Staff



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State of New Mexico
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416 State Capitol, Santa Fe, New Mexico 87501
(505) 986-4550 Fax: (505) 986-4644

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March 8, 1999

Alex Valdez, Secretary Designate
New Mexico Human Services Department
2009 South Pacheco, Pollon Plaza
P.O. Box 2348
Santa Fe, New Mexico 87504

Dear Secretary Valdez:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit a report issued by our performance audit team which addresses certain functions within the Child Support Division (CSED) of the New Mexico Human Services Department. We believe this report addresses issues the Committee asked us to review and hope the CSED benefits from our efforts. An exit conference was also held with your staff on February 25, 1999. CSED concurred with the findings and recommendations and will provide written responses and a plan to implement the recommendations no later than March 31, 1999. As agreed by the CSED this report will become a public document on March 10, 1999.

We appreciate your cooperation and the assistance of your staff which contributed greatly to the completion of this project.

Sincerely,

A handwritten signature in cursive script that reads "David Abbey".

David Abbey
Director

DA:mmp/gm

EXECUTIVE SUMMARY

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Executive Summary

As directed by the Audit and Computer System subcommittee of the Legislative Finance Committee (Committee), the performance audit team reviewed administrative and program functions of the Human Services Department's Child Support Enforcement Division (CSED). The objective of the review was to evaluate optimal case loads, identify the extent of caseload backlogs, determine causes for such backlogs, ascertain whether the CSED has/had sufficient resources to minimize such backlogs, and to identify areas where procedures could be improved. It was also our purpose to determine efficiency and effectiveness of CSED operations. The review period was FY97 through FY99 (through December 31, 1998).

The Child Support Enforcement Division services families seeking child support from absent parents--families which might otherwise be self-supporting were it not for the lack of child support payments. CSED indicates that its workload increased 15 percent between FY95 and FY99 (December 1998) to approximately 83,950 active cases. There were approximately 89 CSEOs during FY95 and 171 positions in FY99. One hundred ten (110) employees were directly working cases as of December 1998.

Has CSED been able to maintain reasonable service levels during the review period? ***The short answer is no.*** We found:

- Federal mandates, including the required implementation of the automated information Child Support Enforcement System (CSES), have diverted experienced caseworkers away from core program functions;
- Significant variation in the way regional offices operate within our state;
- Failure to meet national standards for performance (such case closures, etc.) ultimately results in more cases per CSEO;
- Inadequate training of staff;
- Significant morale problems among CSEOs; and
- Expenditures increasing substantially faster than collections. Cost effective ratios in New Mexico are substantially below the national average.

Conclusion

As in all states, the New Mexico program is heavily directed and controlled by the federal government which funds 66 percent of the program. Mandated "reforms" have been extensive and costly to the state, and the CSED expects them to continue. For example,

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in 1988 Congress ordered states to build similar child support enforcement systems (CSES) so they could share information in going after deadbeat parents. However, according to the *Governing Magazine of States and Localities*, September 1998, "everyone had built very complex applications at the same time with limited expertise" and one of the biggest problems with the mandate was that the vendors were being asked to build to meet a complex set of federal requirements, with very little attention paid to the needs of caseworkers. "They were building for the wrong customer and the wrong requirements." CSED is also concerned that federal reimbursement assumptions may change. For example, the U.S. Congress is currently considering a proposal to reduce the federal share of child support enforcement program costs to 50 percent, thus increasing state share from 34 percent to 50 percent.

New Mexico's Child Support Enforcement program is not currently operating in a cost-effective manner and is below national standards in cost effectiveness. Because of the significant variation in field office procedures and the conversion to a vastly more complex information processing system, a determination as to the number of additional positions which might be needed could not be made at the present time. However, ***at the present time, additional staff appear to be needed.*** All of these positions should not be CSEOs, however. There ***should be a mix of clerical, legal, and CSEO positions.*** Consideration should also be given to the use of paralegal staff.

We further recommend that CSED:

- Address the wide variation in office procedures and implement the most effective **procedures in all regional offices.** In particular, we suggest the blocking of time for casework without interruption from telephones or appointments and the assignment of a specific case to the same caseworker. Clerical support should also be provided to caseworkers. This would immediately serve to boost CSEO productivity and likely boost morale as well. CSEO caseload could then be more properly assessed and a determination made as to the number of additional child support enforcement officers which might be needed;
- Require that the central office training unit provide on-going training to regional office staff (CSEOs and supervisors) rather than regional offices conducting training themselves. Training should include regular review of federally mandated standards, status of compliance in New Mexico, CSES, and CSED policies and procedures; and
- Re-evaluate need for additional CSEO positions after implementation of the above and training of current staff to use the CSES.

BACKGROUND INFORMATION

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Overview

The Child Support Enforcement (CSE) program is a joint effort by the Federal, State and local (in other states) governments to collect child support from absent parents. The program began in 1975 with the enactment of Title IV-D of the Social Security Act. It was designed to ensure that children are supported financially by their parents and to foster family responsibility as well as reduce the cost of child support to taxpayers.

Section 27-2-27 NMSA 1978 designates the New Mexico Human Services Department (Department) as the single state agency for the enforcement of child and spousal support obligations. The Department's Child Support Enforcement Division (CSED) administers the program. CSED functions are to:

- Locate absent parents;
- Establish paternity (if necessary);
- Establish (or enforce existing) court orders for support;
- Ensure the collection of court ordered support;
- Establish medical support orders when needed; and
- Modify existing court orders, as needed.

Lack of child support in the US is strongly linked with families in poverty. State child support agencies are therefore required by federal law to help these families by collecting support payments. Increased income for such families can reduce or eliminate poverty for many, but also alleviates other problems directly associated with poverty, such as child abuse, child neglect, foster care, teenage runaways, teen pregnancy and teen parenting. Improved child support enforcement can also benefit New Mexico financially through various cost savings, especially with reimbursement of TANF (Temporary Assistance to Needy Families) program and Medicaid payments.

Authority for review

The Legislative Finance Committee (Committee) has the statutory authority under Section 2-5-3 NMSA 1978 to examine the laws governing the finances and operations of departments, agencies, and institutions of the state of New Mexico and all of its political subdivisions, the effects of laws on the proper functioning of these governmental units, the policies and costs of governmental units as related to the laws, and to recommend changes to the legislature. In the furtherance of its statutory responsibility, the Committee

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may conduct inquiries into specific transactions affecting the operating policies and costs of governmental units and their compliance with state law.

Objective

To provide an independent and objective evaluation of

- Optimal case loads (possibly by region);
- Identify extent of caseload backlogs;
- Determine causes for such backlogs;
- Ascertain whether the CSED has sufficient resources to minimize such backlogs;
- Identify areas where procedures could be improved; and
- Determine efficiency and effectiveness of those functions.

Procedures

The review period included FY97 through December 31, 1998 of FY99. Our procedures included the following:

1. Reviewed state and federal statutes, regulations, policies and procedures relating to the Human Services Department/Child Support Enforcement Division (CSED).
2. Reviewed training and user manuals.
3. Reviewed organizational charts and job descriptions.
4. Reviewed financial reports prepared by the CSED.
5. Reviewed case load and other statistics prepared by the federal and state government FY92 through FY99.
6. Reviewed audits performed by other states relating to child support.
7. Reviewed audits performed by the federal government.
8. Gained an understanding of internal control structure and financing process.
9. Interviewed four county office managers (regions III, V, VI and VII).

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Exit Conference

The contents of this report were discussed on February 25, 1999, with the Child Support Enforcement Division deputy director Helen Nelson, Joanne Browne, Larry Trujillo, Richard Quillen, Susan Steinberg and Don Levering, and Legislative Finance Committee staff Manu Patel, performance audit manager, and La Vonne Cornett, senior performance auditor. CSED concurred with the findings and recommendations and will provide written responses and a plan to implement the recommendations no later than March 31, 1999.

Distribution of Report

This report is intended for the information of the Office of the Governor, Human Services Department Child Support Division, Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "Manu Patel".

Manu Patel
Performance Audit Manager
Legislative Finance Committee

FINDINGS AND RECOMMENDATIONS

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Cost Effectiveness

Although child support collections increased approximately 38 percent from FY95 to FY98, budgeted expenditures doubled during this time period. Excluding systems development costs, they more than tripled! Included in these costs is the removal of the VIPERS system from the remittance processing unit which doubled the number of positions from six to 13 and increased costs from \$144,826 to \$258,669.

Within New Mexico, CSED cost effectiveness ratios for FY 98 range from \$1.25 to \$3.97 (actual expenditures plus encumbrances). The statewide average of all regional offices is \$2.21. With the exception of the Roswell office (Region VI), all other field offices are substantially lower than the national cost effectiveness ratio of approximately \$3.90.

Region VI also leads in collections, percentages of obligated cases, monthly billings, and percentages of regular paying cases, despite having comparatively lower costs and fewer FTE's (full time positions and equivalents) than other field offices. Region VI also has a very high caseload per CSEO.

We noted the following organizational and procedural differences in the Roswell office that appear to contribute to its superior performance:

- Caseworkers are generalists. They work a case from beginning to end which may encourage more personal commitment.
- Region VI has support staff dedicated to all secretarial, receptionist and clerical work (including filing).
- Caseworkers are given uninterrupted time **every morning** to actually work their cases. During this time, caseworkers don't answer telephones or meet with clients. All telephone calls are routed through the receptionist who only transfers a call to a caseworker in an emergency-type situation.
- Each caseworker is assigned to a specific county which helps to develop and maintain a good working relationship with each court system.
- Caseworkers are not granted flex time in their first year of employment. It is felt that at least a full year is required to train a caseworker.

Recommendations:

Review procedures at Region VI and **immediately address the wide variation in procedures** at other regional offices. Implement the most effective policies and procedures in other regional offices. Require all regional offices to set-aside daily blocks of time for

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casework without interruption from telephones, appointments or walk-ins. Provide clerical staff to support CSEOs for tasks such as reception, filing, etc.

Caseloads and Staffing

Average caseloads vary from 550 to 2,150 depending upon the regional office. Staffing also varies, but these variances are not necessarily consistent with the average caseloads. We were informed that some cases are simply not being worked because of the heavy caseload and that caseloads up to 500 would be workable. However, we are hesitant to set this as a benchmark due to success of the Roswell office which averages the highest caseload per CSEO.

Caseload varies greatly from month to month and even day to day: On August 21, 1998 there were 74,741 cases; 83,951 as of December 4; and 81,596 as of December 22. At any given time, nearly one fourth are in the first stage of locating the absent parent (however most have not been started), a third are having court orders established, and one-sixth are returning to court to enforce a payment order. Only seventeen percent of non-custodial parents are actually paying at any given time—however, this is consistent with the national average. Of the December 22 cases, CSED reports 1,470 being opened in the past 30 days, 5,670 during the prior three months, and the rest more than four months ago.

The new data processing system (CSES) provides caseworkers with a daily list of actions needed; however, caseworkers prioritize their work and often the "squeaky wheels" are the ones that are worked. CSES also provides managers with tools to monitor caseload actions by caseworkers, but at least one manager indicated that they also ignore them because of the high caseload. The new information processing system (CSES) can not succeed if the data generated by CSES is ignored by staff.

We also found that as a result of eliminating the CSEO I position, a sort of "career ladder" for CSEOs was eliminated. Regional managers no longer have the flexibility to time the promotion of employees from trainee positions to the full-fledged CSEO 2 position with assigned caseload.

Another matter negatively affecting morale was the transfer of Income Support Division (ISD) employees to certain regional offices at higher rates of pay than some CSEOs were making. Those offices also thought that the ISD transfers were unable to perform adequately, although it may be that adequate training was not provided. We were informed that some transfers were also unhappy and had retired or quit their positions. However, one region was very happy with their transfers though they "were not able to receive all the training". That office would welcome help from temporary employees.

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Finally, there have been five Division directors in the past two and a half years, four since November 1997. Some people reported confusion as to CSED direction and priorities.

Recommendations:

Provide on-going training of all field staff at regular intervals to acquaint new staff with policies and older staff with changes in policies. An internal report suggests that such training should be provided by Division trainers rather than staff in regional offices so that "a more disciplined and uniform approach to meeting timeframes and to the prioritization of work" would be routinely emphasized. Hold managers accountable for monitoring deadlines. Establish a mechanism for reviewing CSES daily action notices to ensure that field managers and staff are meeting deadlines--and utilizing the benefits of the new data processing system. Require each county office manager to report to CSED the actions taken (or not taken) at the end of each week.

Work with the State Personnel Office (SPO) to restructure the CSEO series (possibly resurrecting the CSEO I position) and evaluate the pay ranges of the CSEOs, etc.

Stabilize turnover in the Director's position to provide effective and consistent leadership for middle management.

Perform a review of the caseloads at all offices with the goal of determining an optimal caseload per CSEO. Factors affecting each respective region, including demographics, a proper mix of CSEOs, attorneys, paralegals and clerical support, should be considered, as well as other standardized procedures which could improve efficiency. Consider contracting with the Department of Social Services of Virginia (DSSV) which performed staffing evaluations for the federal Office of Child Support Enforcement which reported significant benefit from the use of temporary help.

Collections and Bank Agreement

While collections are being deposited on the day received, they are posted to CSES manually and are therefore not posted as fast. Because a payment to a non-TANF custodial parent (CP) is contingent upon the posting of a payment received from the non-custodial parent (NCP), the delay causes CPs to complain about not receiving their payments. Personnel are then diverted to researching each complaint which then delays payments to others.

Currently, CSED's procedures include a step to manually compare key data elements (i.e., case numbers and names and employer names and numbers) on all checks to the information in CSES rather than checking only those that have missing information and letting the computer edit for all other errors.

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The following table suggests that the backlog of unposted cash receipts is due to manually comparing all checks rather than just those with missing data.

1999 Date	Previous Day Backlog	Amounts Received From Bank	Posted Receipts	Unposted Unbatched Receipts	Unposted Batched Receipts
1/7	203,541	215,155	165,845	167,921	84,929
1/8	252,851	135,597	167,153	115,148	106,147
1/11	221,295	102,102	206,222	0	117,175
1/12	117,175	128,799	127,660	27,259	91,055
1/13	118,315	232,472	163,764	139,489	47,534

The manual cash receipting procedures were instituted in response to internal control weaknesses noted by the federal Office of Child Support Enforcement. CSED discontinued using its automated cash receipts scanning system (Vipers) and entered into an agreement with the state's fiscal agent bank to perform some of the tasks to avoid the possibility of not receiving certification for CSES. CSED then added back a cash receipts section (consisting of a remittance processing unit, a research unit, and a posting unit) to handle the remaining tasks.

The bank's responsibilities include opening mail, depositing the related checks and then providing copies (checks and deposit slips) to CSED's cash receipts section on a daily basis, which CSED then uses to post collections to CSES. The bank's charge for this service is approximately \$50,000 per year. The following provides detail costs with and without Vipers:

	Costs	
	With Vipers	Post Vipers
Salaries & benefits	\$ 144,826	\$ 258,669
Vipers license	10,200	0
Bank's fee	0	50,000
Total costs	\$ <u>155,026</u>	\$ <u>309,669</u>

Recommendations:

Establish a policy to post all cash receipts on the day received and then manually research only those checks that have missing data elements. Any additional time that may be needed for posting should come from the time saved in researching checks.

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Evaluate current collection and depositing procedures (including those of the fiscal agent) to determine whether the bank agreement is cost beneficial and/or whether it should be modified to include additional steps (such as creating a tape of cash receipts that would automatically upload into CSES rather than manually posting collections into CSES).

For the long-term, implement a more automated collection and posting system (either by resurrecting Vipers or by creating some other system) and then establish appropriate internal controls to safeguard receipts to ensure accurate and expeditious posting of collections to CSES. Based on review of the Human Services Department's strategic plan, CSED is addressing the issue of automating collection and posting of child support receipts.

Accounts Receivable

The backlog of uncollected accounts receivable is significant. As of November 30 (1998), CSED reports the following in accounts receivable (A/R) owed by non-custodial parents:

	<u>TANF Cases</u>	<u>Non- TANF</u>	<u>Total</u>
Estimated:			
Balance due for November 1998 \$	627,296	\$ 2,478,041	\$ 3,105,337
Balance due for October 1998	691,267	2,556,351	3,247,618
Balance due for September 1998	588,674	3,014,353	3,603,027
Arrearages for Active cases prior to September 1998	2,548,654	11,942,217	14,490,871
Arrearages for Inactive cases	<u>142,221,588</u>	<u>147,483,306</u>	<u>289,704,894</u>
Total A/R \$	<u>146,677,479</u>	<u>\$ 167,474,268</u>	<u>\$ 314,151,747</u>

We attempted to obtain a complete aging of accounts receivable, however CSED was unable to provide us with an aging of cases prior to September 1998 because two data processing systems were in use during FY99. The older an account receivable becomes, the more difficult it is to collect--and the less likely it is that it will be collected.

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Recommendation:

Dedicate some of the additional positions CSED may receive to collection efforts for accounts more than 45 days in arrears while caseworkers are learning the system. These staff might also work staggered hours so that some telephone work can be performed in the evenings.

Data Processing Systems and Reports

As in all states, the New Mexico program is heavily directed and controlled by the federal government which funds 66 percent of the program. Mandated "reforms" have been extensive and costly to the state, and the CSED expects them to continue. For example, in 1988 Congress ordered states to build similar child support enforcement systems (CSES) so they could share information in going after deadbeat parents. However, according to the *Governing Magazine of States and Localities*, September 1998, "everyone had built very complex applications at the same time with limited expertise" and one of the biggest problems with the mandate was that the vendors were being asked to build to meet a complex set of federal requirements, with very little attention paid to the needs of caseworkers. "They were building for the wrong customer and the wrong requirements."

CSES is not a user-friendly system. For example, CSES apparently has several hundred screens (reportedly 400); navigation among them requires caseworkers to enter the acronym of the screen having the information they seek. Learning those acronyms is time consuming. It may take a year or more for caseworkers to learn CSES and use it effectively. There is also duplication of data among screens which are not interfaced so as to minimize the data which CSEOs must enter when navigating between screens. Adequate training has not been provided to CSEOs for most efficient and effective utilization of the new system.

We also found inconsistencies between caseload reports and accounts receivable reports produced by CSED. For example, the *Monthly Summary of Daily Cash Receipts—August 1998* reports collections of \$3,009,280; the *Monthly Accounts Receivable vs. Collections by Region—August 1998* reports \$2,670,130. Unidentified receipts account for some of the differences—but not all of them. Caseload reports had similar differences. We suspect that there may be differences in the date and time that reports are printed. For example, one report may be printed on November 30 at 2 p.m. and another on December 1 at 9 a.m. Both will be labeled November. A report of September accounts receivable could be printed/reported as of September 30, November 30, December 22, etc.

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Recommendations:

Federal mandates to meet "PRWORA" deadlines will require CSED to make enhancements to CSES within the next year. Those changes will most likely be made by a contractor. Consider adding cost effective enhancements to that contract which will make CSES more user friendly and reduce data entry redundancy.

Provide "hands-on" computer training which addresses issues that the caseworkers encounter on a regular basis. We understand that CSED has established training teams at the division level and will travel to regional offices in the spring to provide that training.

Consistently specify parameters when printing reports such as 6 p.m. on the last day of the month; print after all users are off the system. All reports should also indicate a date on them rather than simply a month. For example, a report of accounts receivable balance owed as of November 30 (1998) for the month of September 1998 should be so labeled.



