



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

MANAGEMENT AUDIT

THE DEPARTMENT OF PUBLIC AID'S
CHILD SUPPORT STATE DISBURSEMENT UNIT

MARCH 2000

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OFFICE OF THE AUDITOR GENERAL
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*To the Legislative Audit Commission, the
Speaker and Minority Leader of the House
of Representatives, the President and
Minority Leader of the Senate, the members
of the General Assembly, and the Governor:*

This is our report of the Management Audit of the Illinois Department of Public Aid's Child Support State Disbursement Unit.

The audit was conducted pursuant to Legislative Audit Commission Resolution Number 117, which was adopted January 11, 2000. This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

The audit report is transmitted in conformance with Section 3-14 of the Illinois State Auditing Act.

A handwritten signature in black ink, appearing to read "William G. Holland". The signature is stylized and includes a long, sweeping line that extends upwards and to the right.

WILLIAM G. HOLLAND
Auditor General

Springfield, Illinois
March 2000

REPORT DIGEST

Management
Audit of

THE DEPARTMENT OF PUBLIC AID'S CHILD SUPPORT STATE DISBURSEMENT UNIT

Released: March 2000



State of Illinois
Office of the Auditor General

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SYNOPSIS

Legislative Audit Commission Resolution Number 117 directed the Auditor General's Office to conduct a management audit of the Department of Public Aid's Child Support State Disbursement Unit (SDU). The audit examined causes of implementation problems, the SDU contract, and emergency payments. The audit concluded the following:

Inadequate Planning in Implementing the SDU

- Public Aid executed the contract with the DuPage County Circuit Clerk to serve as the SDU two and one-half years after the federal requirement passed but only seven months before the SDU had to be operational.
- In May 1999, just one month after it had been conditionally certified by the federal government, Public Aid determined that the Key Information Delivery System (KIDS) would not be capable of providing the necessary data link between Public Aid, circuit clerks and the SDU.
- The SDU system was not adequately tested before its start-up.
- The SDU was significantly understaffed when it became operational. On October 1, 1999, the SDU had on-board 25 staff; revised staffing plans now call for a headcount of 201.

Data Limitations on Information Provided by Public Aid, Circuit Clerks, and Employers

- Public Aid and circuit clerks' records were not reconciled and provided conflicting data to the SDU.
- Some circuit clerk and employer information was incomplete or not submitted timely. Public Aid also sent conflicting notices to employers concerning SDU requirements.

Contract Lacked Performance Provisions

- The contract lacked provisions to require satisfactory performance through incentives or penalties. The SDU did not submit to Public Aid many contractually required monitoring reports detailing key processing statistics.

Inadequate Controls over Emergency Payments

- Public Aid issued over \$10 million in emergency payments without adequate controls. Public Aid did not verify that the support order given was valid or that regular support payments had not been received.
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MANAGEMENT AUDIT OF THE CHILD SUPPORT STATE DISBURSEMENT UNIT

REPORT CONCLUSIONS

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 amended the Social Security Act to require states to operate a centralized state disbursement unit (SDU) to handle the collection and disbursement of payments under child support orders. Pursuant to federal law, Illinois' SDU was required to be in place and operational by October 1, 1999. Prior to implementation of the SDU, most child support payments in Illinois were processed through the circuit clerks. To fulfill the federal requirement, the Department of Public Aid contracted with the DuPage County Circuit Clerk to operate an SDU for the State of Illinois.

Within days of its October 1 start date, the SDU experienced backlogs of checks received from employers for distribution to custodial parents that could not be matched to the correct child support order. In addition, some checks processed by the SDU were sent to the wrong address or to the wrong person.

Legislative Audit Commission Resolution Number 117, adopted January 11, 2000, directed the Auditor General to conduct a management audit of Public Aid's State Disbursement Unit which examined the possible causes of implementation problems, the manner in which the SDU contract was procured, and the issuance of emergency payments.

Causes of Implementation Problems

Factors contributing to implementation problems included:

Inadequate Planning. The Department of Public Aid did not adequately plan for implementation of the SDU.

- Although the federal requirement was passed in 1996, Public Aid procured legal services for the purpose of drafting the SDU contract through an emergency purchase in October 1998;
- Public Aid executed a contract with the DuPage County Circuit Clerk to operate the SDU in February 1999 -- two and one-half years after the federal requirement passed but only seven months before the SDU had to be operational. According to documents provided by Public Aid, the Department did not competitively procure the SDU services because of "time constraints." The contract's effective date was made retroactive to October 1, 1998. The original contract amount of \$8.5 million has been increased by

amendments to \$17.5 million and further increases are in negotiation.

- Public Aid entered into the SDU contract five months prior to legislation being enacted specifically authorizing its implementation. Public Aid has varying statutes that it believes authorized its actions.
- Contrary to industry standards, no comprehensive test of the SDU system was made prior to its start-up on October 1, 1999. We conducted a survey of 7 other states having state disbursement units and found that 5 of the 7 either phased-in or tested their systems prior to start-up and those 5 states experienced few problems upon implementation. The remaining 2 states that did not phase-in their SDU, like Illinois, experienced implementation problems.

Computer Interface Failure. Successful implementation of the SDU required that a computerized system be in place for the purpose of exchanging information on child support orders among the SDU, Public Aid, and circuit clerks. Public Aid's plans for implementing the SDU were predicated on using the Department's Key Information Delivery System (KIDS) to serve as this computer interface. However, in May 1999--just one month after the KIDS system was conditionally certified by the federal government and less than five months before the SDU had to be operational--Public Aid determined that the KIDS system would not be capable of providing the necessary data link for operation of the SDU. Consequently, the original SDU contract was amended in August, 1999--just two months prior to implementation of the SDU--to provide for an alternative computer system at an additional cost.

Conflicting Notices Sent to Employers and Incomplete Employer Information. Employers submitting payments to the SDU for disbursement to custodial parents did not always provide adequate or accurate information to allow the SDU to match the payment to a valid support order in the SDU database. Between August 1999 and January 2000, Public Aid sent four notices to employers about SDU procedures. Each notice contained differing requirements concerning information that employers must submit with their payments.

Missing or Inaccurate Information Provided by Public Aid and Circuit Clerks. Public Aid did not complete a reconciliation of support order information between its system and circuit clerks' records prior to the data being submitted to the SDU. Consequently, when case information from Public Aid and the circuit clerks was merged into the SDU system, information for the same case sometimes differed (such as

custodial parents' addresses and court order numbers). As a result, even in those cases where employers submitted their payments with correct information, the SDU could not always determine where to distribute the check because of conflicting data within its own system.

SDU Understaffing. The SDU was significantly understaffed when the SDU became operational. On October 1, 1999, the SDU had on-board 25 of a planned 51 staff operation. The SDU's revised staffing plans now call for a headcount of 201.

Contract Procurement and Provisions

Regarding the method used to procure the SDU contract and the adequacy of contract provisions, the audit concluded the following:

Contract Was Not Competitively Procured. Since the contract to operate the State Disbursement Unit was with the DuPage County Circuit Clerk, an Illinois government entity, Public Aid officials stated the contract was not required to be competitively procured under an exemption from the State Procurement Code (30 ILCS 500/1-10). While not required, competitive procurement might have given additional assurance that the most qualified vendor was selected to serve as the SDU, as well as eliciting a more rigorous planning process and identification and examination of potential implementation problems.

Contract Lacked Performance Provisions. The SDU contract lacked provisions to require satisfactory performance through either incentives or penalties. Several of the other states' contracts we reviewed had sections establishing rigorous performance measures and financial penalties for falling short of those standards. Furthermore, many contractually required monitoring reports detailing key payment processing statistics were not submitted to Public Aid by the SDU.

Emergency Payments

Our review of the issuance of emergency checks found the following:

Emergency Payments Issued Without a Decision Whether to Recover. To provide relief to custodial parents whose receipt of child support payments was delayed due to operational problems at the SDU, Public Aid issued over \$10 million of emergency child support payments between October 19, 1999 and January 5, 2000. Half a million dollars of those emergency payments were inappropriately made using trust funds received from employers on behalf of custodial

parents. Public Aid has not yet determined whether it will attempt to recoup these emergency payments and, if so, through what mechanisms.

Inadequate Controls over Emergency Checks. Public Aid lacked adequate controls over the issuing of the emergency checks. For example, when emergency checks were issued, Public Aid did not verify that the support order given was valid or that regular child support payment had not been received. We questioned the need for emergency checks in 16 percent (11 of 68) of emergency checks randomly sampled, for reasons such as the individual receiving the check had not been receiving regular child support payments, or when the emergency check was issued, all regular child support payments had been mailed to the individual by the SDU.

BACKGROUND

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 amended the Social Security Act to require states to operate a centralized state disbursement unit (SDU) to handle the collection and disbursement of payments under child support orders. Pursuant to federal law, Illinois' SDU was required to be in place and operational by October 1, 1999. Prior to implementation of the SDU, most child support payments in Illinois were processed through the circuit clerks. To fulfill the federal requirement, the Department of Public Aid contracted with the DuPage County Circuit Clerk to operate an SDU for the State of Illinois.

Within days of its October 1, 1999 start date, the SDU experienced backlogs of checks received from employers for distribution to custodial parents that could not be matched to the correct child support order. In addition, some checks processed by the SDU were sent to the wrong address or to the wrong person. On October 19, it was announced Public Aid would begin issuing emergency checks to individuals who had not received their regular support payments. (Pages 4-5, 17-18)

On January 11, 2000, the Legislative Audit Commission adopted Resolution Number 117 directing the Auditor General's Office to conduct a management audit of the Illinois Department of Public Aid's Child Support State Disbursement Unit (SDU). The Resolution directed the Auditor General to determine:

- 1) Possible causes of the problems in implementing the State Disbursement Unit, such as the adequacy of the computer interface system, management planning, and staffing;

- 2) The manner in which the contract establishing the State Disbursement Unit was procured and whether the contract establishing the State Disbursement Unit contains terms and conditions sufficient to protect the State's interest; and
- 3) The extent of emergency payments made by the Department of Public Aid; its authority for making such payments; the source of funds for such payments; and what issues may affect the Department's ability to require and/or obtain repayment of emergency payments.

SDU IMPLEMENTATION ISSUES

All major parties involved in the SDU's implementation (Public Aid, SDU, circuit clerks, and employers) contributed to its start-up problems. As the agency charged with administering the State's child support system, however, Public Aid was ultimately responsible for planning, assisting, and monitoring the contractual implementation of the SDU. In several respects, Public Aid did not effectively fulfill these responsibilities.

The Department of Public Aid did not adequately plan for implementation of the Child Support SDU. Public Aid executed a contract with the DuPage County Circuit Clerk to operate the SDU in February, 1999 -- two and one-half years **after** the federal requirement passed but only seven months before the SDU had to be operational. According to documents provided by Public Aid, the Department did not competitively procure the SDU services because of "time constraints." The contract's effective date was made retroactive to October 1, 1998. (Pages 17-18)

Inability of KIDS to Serve as Interface. Successful implementation of the SDU required that a computerized system be in place for the purpose of exchanging information among the SDU, Public Aid, and circuit clerks. The plans to implement the SDU were premised on Public Aid's Key Information Delivery System (KIDS) serving as the computer interface to exchange information among the SDU, Public Aid, and the circuit clerks. However, in May 1999, just one month after the KIDS system was conditionally certified by the federal government, Public Aid determined that KIDS would not be capable of providing the necessary data link for the SDU's operation. Just two months before the SDU was to be operational, the SDU contract was amended to require the SDU to develop an alternative computer system at an additional cost. (Pages 10, 22-23)

All major parties involved in the SDU's implementation (Public Aid, SDU, circuit clerks, and employers) contributed to its start-up problems.

In May 1999, just one month after the KIDS system was conditionally certified by the federal government, Public Aid determined that KIDS would not be capable of providing the necessary data link for the SDU's operation.

Incomplete Record Reconciliation. Public Aid had not completed a reconciliation of support order information between KIDS and circuit clerks' records. Consequently, when case information from Public Aid and the circuit clerks was merged into the SDU system, information for the same case sometimes differed (such as custodial parents' addresses and court order number formats) which contributed to late or misdirected payments. (Pages 25-26)

Contrary to industry standards, a comprehensive test of the SDU disbursement system was not performed before the system was implemented.

No Comprehensive Pre-Test of System. Contrary to industry standards, a comprehensive test of the SDU disbursement system was not performed before the system was implemented. This test should have included a realistic simulation of how the system would operate. We conducted a survey of 7 other states having state disbursement units and found that 5 of the 7 either phased-in or tested their systems prior to start-up and those 5 states experienced few problems upon implementation. Of the remaining 2 states that did not phase-in their SDU, like Illinois, those states experienced implementation problems. (28, 32-33)

Inadequate SDU Staffing Levels. Initially, the SDU was significantly understaffed to fully and effectively carry out its operations. On October 1, 1999, the SDU's first day of operation, the SDU had 25 staff, as shown in Digest Exhibit 1. This was half the headcount of 51 staff in the SDU's original budget. By December 31, 1999, the SDU's headcount increased to 127 personnel (55 permanent and 72 temporary). The SDU's revised budget calls for a headcount of 201 staff to more adequately perform its functions. (Pages 28-29)

Initially, the SDU was significantly understaffed to fully and effectively carry out its operations.

Digest Exhibit 1 SDU STAFFING LEVELS DURING IMPLEMENTATION		
<u>Actual Dates</u>	<u>Budgeted or</u>	<u>Total Staff</u>
Original Budget		51
Actual – October 1, 1999		25
Actual – October 31, 1999		65
Actual – November 30, 1999		112
Actual – December 31, 1999		127
SDU Revised Budget Proposal		201
Source: SDU data summarized by OAG.		

Circuit Clerk Data Late or Incorrect. Child support information submitted to the SDU by clerks was not always complete, accurate, or submitted timely.

Digest Exhibit 2 shows the number of counties by week that their data was loaded into the SDU system. Eighty-one counties had their data loaded by the SDU before the October 1, 1999 deadline, while the data from 21 counties was loaded by the SDU after October 1, 1999. According to the SDU, the last county data was not received and loaded into the SDU system until October 25, 1999.

Digest Exhibit 2			
NUMBER OF COUNTIES AND RECORDS BY THE WEEK THAT DATA WAS LOADED* BY SDU			
Week Ended	# of Counties	# of Records	Accumulating % of Records**
9/23	20	324,394	53%
9/30	61	160,316	79%
before 10-1	<u>81</u>	<u>484,710</u>	79%
10/7	7	21,247	82%
10/14	7	85,076	96%
10/21	5	19,758	99%
10/28	2	5,273	100%
after 10-1	<u>21</u>	<u>131,354</u>	21%
Total	102	616,064	100%
* County data may have been received by the SDU on a date earlier than it was loaded to the SDU system.			
** Accumulating percentage of circuit clerk records loaded through 10/28/99.			
Source: OAG analysis of SDU data.			

Some data provided by the circuit clerks was corrupted. This corrupted data included blank fields, reversed names (i.e., custodial/non-custodial parents), duplicate cases, incorrect addresses, and deceased individuals. SDU officials also said the overlay of data provided either by Public Aid or the circuit clerks created additional data problems by overwriting good data with bad. (Pages 18-19)

Incomplete Employer Data. Many checks submitted by employers did not have the information needed to disburse child support payments. This may have resulted from minimal warning to employers prior to the SDU's October 1 start-up and various and conflicting notices after implementation.

Public Aid's first letter notifying employers of the change was mailed August 13, 1999, just six weeks prior to the SDU's implementation. This notice indicated that the employers should provide two pieces of information to the SDU—the case number (order docket number) and the name of the county where the child support order was entered. This was the only notice to employers before the SDU's October 1 start-up. Subsequent to October 1,

Child support information submitted to the SDU by clerks was not always complete, accurate, or submitted timely.

Incomplete employer information may have resulted from minimal warning to employers prior to the SDU's October 1 start-up and various and conflicting notices after implementation.

three additional bulletins were issued by Public Aid each of which instructed employers to submit differing information. (Pages 21, 29-31)

Having the extra cases on the system allows SDU staff to make bad choices as to which accounts to post the payments. As a result, payments may be sent to the incorrect person or address.

Duplicate Data on the SDU System. The SDU computer system has case data which is inaccurate and invalid. As of January 2000, there are over 800,000 cases in the SDU computer system of which only 144,000 have received payments. Officials are unable to definitively determine what portion of the 800,000 cases are active (e.g., should be on the system) and what portion are inactive. SDU officials stated that the large number of cases does not significantly impact system performance. However, having the extra cases on the system allows SDU staff to make bad choices as to which accounts to post the payments. As a result, payments may be sent to the incorrect person or address. (Pages 20-21)

Current SDU Interface with Clerks Is Limited. The present interface between most circuit clerks and the SDU limits clerks' ability to view activity on a case and requires clerks to take information from their computer systems and enter it into the computer link to the SDU. Similarly, when payment information is received from the SDU, the clerks must take the information off the SDU computer link and re-enter it into their computer. This process results in inefficient use of clerks' time, as well as increases the opportunity for erroneous data entry. (Pages 23-24)

Public Aid Did Not Request an Exemption. Public Aid did not request an exemption or an extension to the SDU's required implementation date of October 1, 1999. Although a reading of federal law shows them to be very strict, in practice, at least two exemptions have been granted because states did not have computer systems in place which are required for a successful SDU implementation. Although there is documentation that Public Aid spoke with and even worked with the federal government, the Department never requested an exemption or an extension. (Pages 26-27)

Circuit clerks did not receive training prior to the SDU's implementation from either the SDU or Public Aid on the use of the computer hardware and software programs necessary to send information to, or receive information from, the SDU.

Lack of Clerk Training. Circuit clerks did not receive training prior to the SDU's implementation from either the SDU or Public Aid on the use of the computer hardware and software programs necessary to send information to or receive information from the SDU. In late September 1999, and in many cases only a few days prior to the implementation of the SDU, the SDU sent computers equipped with software to the circuit clerks. Using these computers, the clerks were to send payment instructions and case updates to the SDU; in turn, the SDU would use the computers to send payment information to the clerks so the clerks could update their court accounts. (Page 33)

CONTRACT PROCUREMENT AND PROVISIONS

The Department of Public Aid did not adequately plan to allow them to prepare an RFP to competitively procure the contract for the State Disbursement Unit (SDU). Since the SDU contract is with a governmental unit, Public Aid officials stated the agreement was exempt from the Illinois Procurement Code and its general requirement that contracts be competitively procured (30 ILCS 500/1-10.) However, competitively procuring the contract may have provided several advantages, including assurance that the most qualified vendor was selected and obtaining other prospective vendors' perspectives on the most appropriate planning and implementation process.

In an internal Decision Memorandum dated February 26, 1999, recommending DuPage's selection as the SDU contractor, Public Aid stated that "time constraints" did not allow for the option of developing an RFP for the project. However, given that the federal requirement was passed in 1996 and the SDU did not have to be operational until October 1999, the Department had approximately three years to plan for and procure the necessary services to implement Illinois' SDU.

Not only was the contract itself not competitively procured, but also the legal services to develop the contract were not. According to an affidavit filed by Public Aid, the contract for legal services was done as an emergency purchase because there was not enough time to procure the contract competitively. Again, considering the three year time frame available, it appears sufficient time was available if Public Aid had engaged in reasonable and timely planning efforts to implement this significant project. (Page 38-40)

SDU Contract and Other Costs

Public Aid's contract with the DuPage County Circuit Clerk to operate the SDU has been amended four times since it was signed in February 1999. The amendments were entered into in August, October, and November of 1999, and February 2000, increasing the original contract amount of \$8.5 million to a total of \$17.5 million. Through January 2000, Public Aid paid the SDU \$13.6 million of the total \$17.5 million, as shown in Digest Exhibit 3.

In addition to the costs incurred pursuant to the contract with the SDU, Public Aid has incurred extraordinary and unplanned costs due to the SDU's implementation problems. Public Aid's costs include extra staff, overtime, equipment, and phone lines needed to operate the child support hotline that was established to handle phone calls from parents,

Competitively procuring the contract may have provided several advantages, including assurance that the most qualified vendor was selected and obtaining other prospective vendors' perspectives on the most appropriate planning and implementation process.

From August 1999 through February 2000, the SDU contract has been amended 4 times, more than doubling the original contract amount.

MANAGEMENT AUDIT OF THE CHILD SUPPORT STATE DISBURSEMENT UNIT

Digest Exhibit 3 PUBLIC AID EXPENDITURES FOR THE SDU March 1999 through January 2000				
	FY 1999	FY 2000 (Before Oct. 1 st)	FY 2000 (After Oct. 1 st)	TOTAL
<i>Payments to the SDU Under the Contract</i>				
Development & Design	\$ 954,956	\$ 2,066,204	\$ 117,181	\$ 3,138,341
Operational	\$ 0	\$ 0	\$ 304,947	\$ 304,947
Emergency Payments*	\$ 0	\$ 0	\$ 9,500,000	\$ 9,500,000
Circuit Clerk Interface	\$ 0	\$ 448,856	\$ 200,000	\$ 648,856
<i>Total Contract</i>	<i>\$ 954,956</i>	<i>\$ 2,515,060</i>	<i>\$ 10,122,128</i>	<i>\$13,592,144</i>
<i>Unexpected Costs Outside of the Contract</i>				
Salaries of IDPA Employees Re-assigned to SDU Functions	0	0	\$169,738	\$169,738
Employee Travel	0	0	\$63,964	\$63,964
Overtime	0	0	\$1,218,602	\$1,218,602
Temporary Employees	0	0	\$80,759	\$80,759
Delivery Costs for Transporting Data to and from the SDU	0	0	\$13,572	\$13,572
Other Circuit Clerk Costs Outside the SDU Contract	0	0	Not Available	Not Available
Phone Installation/Monthly Fees	0	0	Not Available	Not Available
Janitorial/Security	0	0	\$3,259	\$3,259
Office Furniture	0	0	\$5,765	\$5,765
Office Supplies	0	0	\$2,950	\$2,950
Building Lease, Parking, Utilities	0	0	**	**
Mailing Service	0	0	\$51,396	\$51,396
Postage	0	0	\$341,854	\$341,854
Miscellaneous	0	0	\$556	\$556
SDU Audit/Data Scrubbing	0	0	***	***
<i>TOTAL Outside Contract</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1,952,415</i>	<i>\$1,952,415</i>
GRAND TOTAL	<u>\$954,956</u>	<u>\$2,515,060</u>	<u>\$12,074,543</u>	<u>\$15,544,559</u>
<p>* \$4.5 million of emergency payments were paid out of the operational line of the contract. Although there were \$10.6 million of emergency payments, Public Aid paid only \$9.5 million to the SDU for them.</p> <p>** According to Public Aid officials, hotline space was leased through February for other Child Support functions. Additional costs for the lease and related utilities and parking will begin March 1st.</p> <p>*** Public Aid entered into a \$159,925 contract for an audit of the SDU during December 1999, and entered into a contract for up to \$750,000 for data scrubbing in February 2000; however, no funds had been expended on either contract as of 1-31-00.</p> <p>Source: Public Aid data summarized by OAG.</p>				

circuit clerks, legislators, and others. These costs are also summarized in Digest Exhibit 3. (Pages 10-11)

SDU Contract Provisions Lacking

The SDU contract lacked provisions to require satisfactory performance through either incentives or penalties. Several of the other states' contracts we reviewed had sections establishing rigorous performance measures and financial penalties for falling short of those standards.

Many contractually required monitoring reports detailing key payment processing statistics were not submitted to Public Aid by the SDU. While reports on total disbursements and deferred case reports were submitted, other required reports detailing total dollars collected by the SDU, all payments received but not disbursed by the SDU, and exception reports detailing checks returned as undeliverable and misapplied payments were not submitted to Public Aid by the SDU.

Furthermore, the contract did not require the SDU to submit reports which detailed payment processing times. Federal law requires that checks with appropriate information be processed by the SDU within 48 hours of receipt. The SDU was not preparing a regular report that accurately tracked payment processing times.

The contract did not define the term "transaction", even though the amount paid to the SDU under the contract is determined by how many transactions are processed. Not defining the term "transaction" exposes the State to unknown liability. (Pages 39-44)

The SDU contract lacked specific performance standards, incentive and penalty provisions, and a definition of the term "transaction" which determines the amount the SDU is paid.

EMERGENCY PAYMENTS

To provide relief to custodial parents whose receipt of child support payments was delayed due to operational problems at the SDU, Public Aid issued over \$10 million of emergency child support payments between October 19, 1999 and January 5, 2000. Through February 18, 2000, a total of \$658,602 has been returned or repaid by emergency check recipients.

Public Aid cited Section 10-26 of the Public Aid Code as its authority for issuing emergency payments. That section of the Code states that the SDU shall collect and disburse support payments. As such, the Department has determined that the emergency payments are a form of child support.

Public Aid did not make a determination whether or how such funds would be recouped prior to issuing the payments. The Department's legal

Public Aid issued over \$10 million of emergency child support payments between October 19, 1999 and January 5, 2000. Through February 18, 2000 a total of \$658,602 has been returned or repaid by emergency check recipients.

counsel indicated that a determination whether emergency payments could be recouped is being postponed pending receipt of an opinion on this matter by the Attorney General. Prudent business practice dictates the legal nature of the payments and any federal or State restrictions on their recoupment should have been established before the payments were issued.

Half a million dollars of emergency payments were inappropriately made using trust funds received from employers.

Half a million dollars of emergency payments were inappropriately made using trust funds received from employers. Payments the SDU receives from employers for custodial parents are fiduciary funds, which according to government accounting standards, cannot be used to support the government's own programs. (Pages 47, 58-65)

Inadequate Controls Over Issuing Emergency Checks

Public Aid lacked adequate controls over the issuing of emergency checks. For example, before authorizing emergency payments, the Department did not verify that the support order given was valid or that regular child support payments had not been received. These lapses in controls resulted in individuals receiving emergency checks who did not have a valid support order, who were current in receiving regular child support payments, or who received emergency payments significantly exceeding the amount of overdue regular support payments.

In our analysis we identified 6,357 individuals who received more than one emergency payment. These checks totaled \$4,189,274. As shown on

Digest Exhibit 4, one custodial parent received 12 checks totaling \$2,910.

Digest Exhibit 4 NUMBER OF INDIVIDUALS RECEIVING MULTIPLE EMERGENCY CHECKS		
<u>No. of Checks Received</u>	<u>No. of Individuals</u>	<u>Total Dollars</u>
12	1	\$2,910
10	3	\$4,981
9	3	\$6,257
8	5	\$7,386
7	10	\$16,095
6	25	\$38,211
5	66	\$85,636
4	282	\$315,680
3	974	\$830,387
2	4,988	\$2,881,732
1	<u>20,874</u>	<u>\$6,366,969</u>
Total	27,231	\$10,556,243*

Note: Individuals receiving multiple checks may have had multiple court orders.
 * Does not add due to rounding.
Source: SDU Emergency Check data analyzed by OAG.

Some custodial parents received emergency payments significantly exceeding the amount of overdue regular support payments. For example, a custodial parent received \$4,500 in emergency payments (two checks on October 30 and one check on October 31 -- each check was for \$1,500). The custodial parent's regular support check was \$500 per week. While, in October, the custodial parent received only one regular support payment of \$500, on November 2, the SDU began sending the custodial parent regular support payments of \$500 per week. As a result, the custodial parent received \$2,500 more than she would have been entitled from regular support payments.

Some custodial parents received emergency payments significantly exceeding the amount of overdue regular support payments.

To handle requests for emergency checks, Public Aid had 82 telephone lines available as of November 1999. The lines were open from 7:30 a.m. to 8:00 p.m. Monday through Friday and 7:30 a.m. to 6:00 p.m. on Saturdays. Hotline operators began collecting caller information using manual inquiry forms and later switched to a computerized log.

In a random sample of 68 cases in which an emergency check was issued, we determined that in 56 of 68 (82%) cases sampled, there was an apparent need for an emergency check based upon a review of SDU and circuit clerk information. Of the 56 cases where there was apparent need, disbursements were delayed due to:

- the SDU backlog (23 cases);
- late or missing information from the circuit clerks (9 cases);
- late or missing information from employers (6 cases);
- late information from Public Aid or incorrect cost recoveries by Public Aid (3 cases); or
- a combination of factors, including the SDU backlog, and incomplete information from clerks, employers, or Public Aid (15 cases).

There was questionable need for an emergency check in 16 percent of the emergency checks we sampled. The 16 percent were determined to have questionable need because:

- neither the SDU nor the circuit clerk reported receiving payments for the individual for the period in question (6 cases);
- the custodial parent was behind in support payments when the emergency check was requested but was current in support

There was questionable need for an emergency check in 16 percent of the emergency checks we sampled.

payments when the emergency check was finally issued (3 cases);
or

- it appeared that the custodial parent was receiving regular payments through the circuit clerk and, therefore, support checks were not being delayed by the SDU (2 cases).

For one case in our sample we were unable to determine need for an emergency check.

When we completed our testing in late January 2000, 99 percent (67 of 68) of the cases sampled had a fully paid account without emergency checks.

When we completed our testing in late January 2000, 99 percent (67 of 68) of the cases sampled had a fully paid account without emergency checks. In other words, employers' payments had been received and regular checks had been issued to the custodial parents. Therefore, any emergency payments retained by the custodial parent represented an overpayment. The total overpayment for the 68 cases in our sample was \$32,771. (Pages 47-65)

RECOMMENDATIONS

The audit report contains 15 recommendations. Eleven recommendations are directed to the Department of Public Aid, which recommended that Public Aid:

- conduct a detailed audit of KIDS to identify the nature and cause of its deficiencies (**Recommendation Number 1**);
- continue efforts to reconcile case information with circuit clerks and ensure that account balances are accurately stated (**Recommendation Number 4**);
- ensure that employer notices are clear and consistent, and that the SDU promptly informs employers of missing information in their submissions (**Recommendation Number 5**);
- institute management controls to ensure that projects are reasonably planned, implemented timely, and adequately controlled (**Recommendation Number 6**);
- assure that contracts include provisions to appropriately protect the State's interests (**Recommendation Number 7**);
- institute management controls to ensure that all reports necessary to effectively monitor the quality and accuracy of services are received timely, reviewed, and acted upon (**Recommendation Number 8**);
- require reports from the SDU which accurately assess payment processing times and regularly review such reports (**Recommendation Number 9**);

MANAGEMENT AUDIT OF THE CHILD SUPPORT STATE DISBURSEMENT UNIT

- ensure that basic contract terms are defined to avoid possible contract disputes (**Recommendation Number 10**);
- require regular reviews and SAS 88 reports be done of the SDU (**Recommendation Number 11**);
- refrain from expending State funds until clear statutory and contractual authority to do so is obtained (**Recommendation Number 13**); and
- immediately review federal and State restrictions on child support collections and disbursements and determine what restrictions may apply to recoupment of erroneous or excessive emergency payments (**Recommendation Number 15**).

The remaining four recommendations are directed to both the Department of Public Aid and the SDU. They include recommendations to:

- remove inactive or duplicate cases from the SDU system and ensure that the remaining data is accurate (**Recommendation Number 2**);
- ensure that clerks receive the necessary reports and have adequate access to the SDU system (**Recommendation Number 3**);
- take immediate action to ensure the timely and accurate disbursement of child support (**Recommendation Number 12**); and
- cease using funds collected and held in trust for child support payments for anything other than the purpose for which they were collected (**Recommendation Number 14**).

Public Aid generally agreed with the recommendations but responded that three of the recommendations should be dropped. However, we concluded that the recommendations were valid and they remained in the report. The SDU responded to recommendations addressed to them. Both agencies' comments have been incorporated into the report and the full responses are included in Appendix G.

WILLIAM G. HOLLAND
Auditor General

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INTRODUCTION AND BACKGROUND

REPORT CONCLUSIONS

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 amended the Social Security Act to require states to operate a centralized state disbursement unit (SDU) to handle the collection and disbursement of payments under child support orders. Pursuant to federal law, Illinois' SDU was required to be in place and operational by October 1, 1999. Prior to implementation of the SDU, most child support payments in Illinois were processed through the circuit clerks. To fulfill the federal requirement, the Department of Public Aid contracted with the DuPage County Circuit Clerk to operate an SDU for the State of Illinois.

Within days of its October 1 start date, the SDU experienced backlogs of checks received from employers for distribution to custodial parents that could not be matched to the correct child support order. In addition, some checks processed by the SDU were sent to the wrong address or to the wrong person.

Legislative Audit Commission Resolution Number 117, adopted January 11, 2000, directed the Auditor General to conduct a management audit of Public Aid's Child Support State Disbursement Unit which examined the possible causes of implementation problems, the manner in which the SDU contract was procured, and the issuance of emergency payments.

Causes of Implementation Problems

Factors contributing to implementation problems included:

Inadequate Planning. The Department of Public Aid did not adequately plan for implementation of the SDU.

- Although the federal requirement was passed in 1996, Public Aid procured legal services for the purpose of drafting the SDU contract through an emergency purchase in October 1998;
- Public Aid executed a contract with the DuPage County Circuit Clerk to operate the SDU in February 1999--two and one half years after the federal requirement passed but only seven months before the SDU had to be operational. According to documents provided by Public Aid, the Department did not competitively procure the SDU services because of "time constraints." The contract's effective date was made retroactive to October 1, 1998. The original contract amount of \$8.5 million has been increased by amendments to \$17.5 million and further increases are in negotiation.

- Public Aid entered into the SDU contract five months prior to legislation being enacted specifically authorizing its implementation. Public Aid has varying statutes that it believes authorized its actions.
- Contrary to industry standards, no comprehensive test of the SDU system was made prior to its start-up on October 1, 1999. We conducted a survey of 7 other states having state disbursement units and found that 5 of the 7 either phased-in or tested their systems prior to start-up and those 5 states experienced few problems upon implementation. Of the remaining 2 states that did not phase-in their SDU, like Illinois, those states experienced implementation problems.

Computer Interface Failure. Successful implementation of the SDU required that a computerized system be in place for the purpose of exchanging information on child support orders among the SDU, Public Aid, and circuit clerks. Public Aid's plans for implementing the SDU were predicated on using the Department's Key Information Delivery System (KIDS) to serve as this computer interface. However, in May 1999--just one month after the KIDS system was conditionally certified by the federal government and less than five months before the SDU had to be operational--Public Aid determined that the KIDS system would not be capable of providing the necessary data link for operation of the SDU. Consequently, the original SDU contract was amended in August, 1999--just two months prior to implementation of the SDU--to provide for an alternative computer system at an additional cost.

Conflicting Notices Sent to Employers and Incomplete Employer Information. Employers submitting payments to the SDU for disbursement to custodial parents did not always provide adequate or accurate information to allow the SDU to match the payment to a valid support order in the SDU database. Between August 1999 and January 2000, Public Aid sent four notices to employers about SDU procedures. Each notice contained differing requirements concerning information that employers must submit with their payments.

Missing or Inaccurate Information Provided by Public Aid and Circuit Clerks. Public Aid did not complete a reconciliation of support order information between its system and circuit clerks' records prior to the data being submitted to the SDU. Consequently, when case information from Public Aid and the circuit clerks was merged into the SDU system, information for the same case sometimes differed (such as custodial parents' addresses and court order numbers). As a result, even in those cases where employers submitted their payments with correct information, the SDU could not always determine where to distribute the check because of conflicting data within its own system.

SDU Understaffing. The SDU was significantly understaffed when the SDU became operational. On October 1, 1999, the SDU had on-board 25 of a planned 51 staff operation. The SDU's revised staffing plans now call for a headcount of 201.

Contract Procurement and Provisions

Regarding the method used to procure the SDU contract and the adequacy of contract provisions, the audit concluded the following:

Contract Was Not Competitively Procured. Since the contract to operate the State Disbursement Unit was with the DuPage County Circuit Clerk, an Illinois government entity, Public Aid officials stated the contract was not required to be competitively procured under an exemption from the State Procurement Code (30 ILCS 500/1-10). While not required, competitive procurement might have given additional assurance that the most qualified vendor was selected to serve as the SDU, as well as eliciting a more rigorous planning process and identification and examination of potential implementation problems.

Contract Lacked Performance Provisions. The SDU contract lacked provisions to require satisfactory performance through either incentives or penalties. Several of the other states' contracts we reviewed had sections establishing rigorous performance measures and financial penalties for falling short of those standards. Furthermore, many contractually required monitoring reports detailing key payment processing statistics were not submitted to Public Aid by the SDU.

Emergency Payments

Our review of the issuance of emergency checks found the following:

Emergency Payments Issued Without a Decision Whether to Recover. To provide relief to custodial parents whose receipt of child support payments was delayed due to operational problems at the SDU, Public Aid issued over \$10 million of emergency child support payments between October 19, 1999 and January 5, 2000. Half a million dollars of those emergency payments were inappropriately made using trust funds received from employers on behalf of custodial parents. Public Aid has not yet determined whether it will attempt to recoup these emergency payments and, if so, through what mechanisms.

Inadequate Controls over Emergency Checks. We found Public Aid lacked adequate controls over the issuing of the emergency checks. For example, when emergency checks were issued, the Department did not verify that the support order given was valid or that regular child support payments had not been received. These lapses in controls resulted in individuals receiving emergency checks who did not provide a valid support order, who were current in receiving regular child support payments, or who had received emergency payments significantly exceeding the amount of late regular support payments. We questioned the need for emergency checks in 16 percent (11 of 68) of emergency checks randomly sampled, for reasons such as the individual receiving the check had not been receiving regular child support payments, or when the emergency check was issued, all regular child support payments had been mailed to the individual by the SDU.

BACKGROUND

On January 11, 2000, the Legislative Audit Commission adopted Resolution Number 117 directing the Auditor General to conduct a management audit of the Illinois Department of Public Aid's Child Support State Disbursement Unit (SDU). (See Appendix A for a copy of the Resolution.) The Resolution directed the Auditor General to determine:

1. Possible causes of the problems in implementing the State Disbursement Unit, such as the adequacy of the computer interface system, management planning, and staffing;
2. The manner in which the contract establishing the State Disbursement Unit was procured and whether the contract establishing the State Disbursement Unit contains terms and conditions sufficient to protect the State's interests; and
3. The extent of emergency payments made by the Department of Public Aid; its authority for making such payments; the source of funds for such payments; and what issues may affect the Department's ability to require and/or obtain repayment of emergency payments.

STATE DISBURSEMENT UNIT REQUIREMENT

The federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 amended the Social Security Act to require states to operate a centralized state disbursement unit (SDU) to handle the collection and disbursement of payments under child support orders. The law applies to support orders enforced by the State under the Social Security Act (i.e., IV-D cases) and all other cases issued after January 1, 1994 which are paid through withholding the wages of the non-custodial parent (i.e., non-IV-D cases). The law required that the SDU system be operational by October 1, 1998 unless child support payments are processed through local court clerks. If payments go through local court clerks, as they did in Illinois, the deadline was extended to October 1, 1999.

The federal law provided for only one exemption, that was if states could link local disbursement units through an automated information network. However, even with an exemption, one central place to which employers could send all child support payments was still required.

Federal Law

The federal law was intended to allow employers to submit one check to a central disbursement unit to remit wages withheld from their employees who owe child support payments. Under federal law, the following types of child support are required to go through a central disbursement unit:

1. payments made on behalf of individuals who are receiving State assistance with child support (public aid recipients and others [IV-D cases]); and

2. payments made on behalf of persons who are not receiving State assistance (non-IV-D cases) but whose payments are made through withholding the wages of the non-custodial parent pursuant to orders entered on or after January 1, 1994.

As written, federal law does not require centralized disbursement of income withholding payments due to custodial parents who are not receiving State assistance with the child support (IV-D) for orders entered prior to 1994. Federal law also does not affect non-IV-D child support payments that are not made through income withholding. Therefore, if implemented as written, a large employer may still have to send withholding checks to individual circuit clerks for pre-1994 non-IV-D cases plus a check to the SDU with supporting documentation for all IV-D cases and any non-IV-D cases entered after January 1, 1994. Exhibit 1-1 shows the proportion of IV-D and non-IV-D cases.

Illinois Law

Illinois law was revised to implement the federal requirement. Public Act 91-212 was signed into law on July 20, 1999. Public Aid officials stated that an earlier attempt to get legislation establishing the SDU had not been successful. In the 90th General Assembly, Senate Bill 1700, as introduced in February 1998, would have authorized the establishment of an SDU. However, less than a month later, SB1700 was amended in committee to delete the language pertaining to the SDU. Apparently, Public Aid made no further attempts at obtaining legislation to authorize an SDU until February 1999--the

same month the contract with the SDU was signed--when the legislation that would become P.A. 91-212 was introduced. Public Aid officials had already begun work on the SDU implementation process prior to the law becoming effective on July 20, 1999.

Public Act 91-212 required the following categories of child support payments to be submitted to the SDU:

1. payments made on behalf of individuals who are receiving State assistance with child support (public aid recipients and others (IV-D cases)); and
2. payments made on behalf of persons who are not receiving State assistance (non-IV-D cases) but whose payments are made through withholding the wages of the non-custodial parent pursuant to orders entered on or after January 1, 1994.

Exhibit 1-1 PROPORTION OF CASES COVERED BY THE FEDERAL LAW		
Type of Case	Description	% in OAG Sample
IV-D Cases – (Section IV-D of the federal Social Security Act)	Child support cases for Public Assistance clients and others who receive assistance from Public Aid	40%
Non IV-D cases 1-1-94 and after	Private child support cases who do not receive assistance from Public Aid	37%
Non IV-D cases before 1994		22%
<p>Note: Total does not add due to rounding.</p> <p>Source: OAG sample of cases and federal regulations.</p>		

Audit of the Child Support State Disbursement Unit

As originally written, P.A. 91-212 mirrored federal law concerning the types of child support payments that must be processed through the SDU.

During the veto session, the General Assembly passed legislation which the Governor signed into law as Public Act 91-677, eliminating the January 1, 1994, requirement for non-IV-D income withholding payments. As a result, all child support payments made through income withholding, regardless of the date the order was entered, are now required to go through the SDU.

Because the SDU is a federally mandated requirement, the federal government shares in the administrative costs of the program. The SDU contract estimates that the federal share will be 66 percent of total charges. However, federal officials noted that they will only share in administrative costs related to those orders which are required by federal law to go through the SDU. Therefore, the State will have to cover all of the administrative costs related to cases going through the SDU which are exempt from the federal law, such as payments processed on behalf of non-IV-D recipients whose orders were entered prior to January 1, 1994. In our sample, 22 percent of cases would not be eligible for reimbursement of administrative costs from the federal government under this criteria.

Public Act 91-677 made some other changes to try to address the problems of the SDU, including:

- Certain employers are required to send payments to the SDU by electronic funds transfer (EFT) beginning in July 2000.
- Spousal maintenance payments are excluded from the SDU requirement.
- Non income withholding in non-IV-D cases should be made as directed by the order.
- Public Aid shall notify the circuit clerk, the obligor, and the obligor's employer, to make payments to the SDU as required by the amended law.
- Public Aid shall provide training to circuit clerks.
- Public Aid shall provide training to employers.
- Circuit clerks must notify the obligor to make non-income-withholding payments to the clerk in non-IV-D cases if required by the order.
- The SDU should return to the sender any support payments that should not have been made to the SDU and include instructions detailing where to send the payments.

OVERVIEW OF SDU OPERATIONS

In September 1998, Public Aid signed a letter of intent with the DuPage County Circuit Clerk to develop the system for, and to serve as, the SDU for Illinois. In February 1999, Public Aid executed a contract with the SDU for both system development costs and operating expenses for Fiscal Years 1999 and 2000.

The SDU was to operate like a check clearinghouse. Checks would come in from employers, the payment information would be matched with case records obtained from Public Aid and the circuit clerks, and support payments would be disbursed to the custodial parents. However, as will be discussed in Chapter 2, a variety of conditions contributed to the SDU implementation problems.

Overview of SDU Payment Processing

Exhibit 1-2 summarizes the SDU's system to process employer checks and disburse support payments to custodial parents. The data in the Exhibit were supplied by the SDU and represent checks received for selected days in January 2000.

Staff in the SDU mail room open the mail and make a determination whether the check contains information sufficient to enable the payment to be matched to the appropriate child support case. An employer's check may contain a payment for only one child support case, or it may be an aggregate amount for multiple child support cases (e.g., if the employer is submitting withholding payments for several of its employees).

Information needed to process a check includes docket number, county identifier, and the dollar amount to be allocated to each case. If key information is missing, the SDU sends the check back to the employer and asks that they either process the payment (and give the SDU a photocopy of the check with all necessary information) or resubmit the check to the SDU with complete information for processing. As shown in Exhibit 1-2, the SDU reported less than one percent of the checks received (342 of 45,169) were returned to employers at this stage.

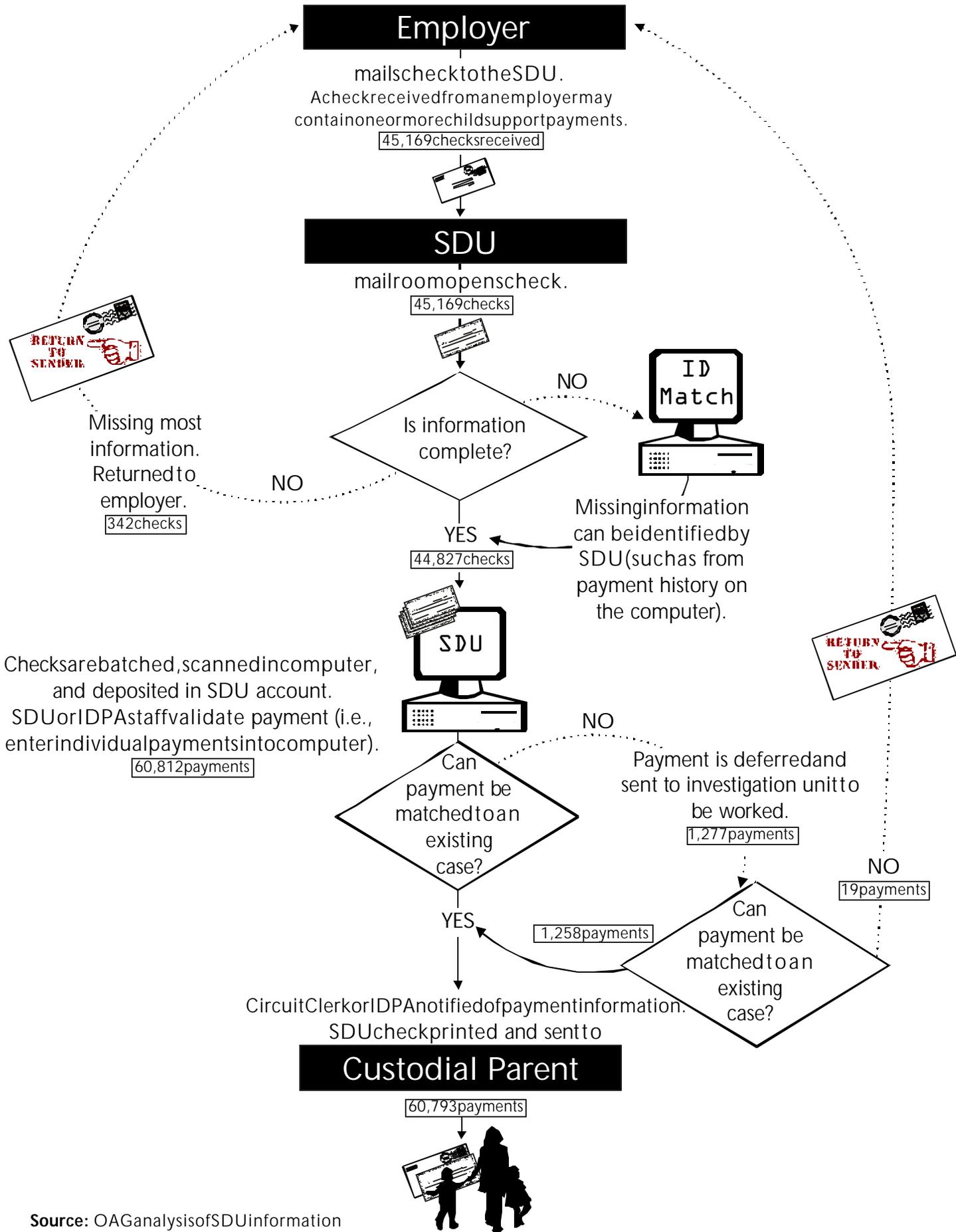
The employers' checks are then batched into groups of approximately 25, scanned into the computer, and deposited into the SDU bank account. The SDU or Public Aid staff then validate the check (i.e., post the payment(s) contained in the check to the appropriate custodial parent's account). During the validation process, sometimes the payment cannot be readily matched to a custodial parent's account (such as due to incomplete case information in the system). These payments are then placed in "deferred" status and sent to an investigations unit to be worked. The investigation unit researches the deferred payment and tries to identify the account to which to apply the payment. If an account cannot be identified, the payment may be returned to the employer.

Once the payment has been posted to a custodial parent's account, an SDU check is printed and sent to the custodial parent. At the same time, Public Aid and the circuit clerks are provided with disbursement information so their records can be updated.

Deferred Payments

The SDU reported that 49,204 payments had been deferred from the period of September 29, 1999 through February 5, 2000. As of February 5, 41,742 of the deferred payments had been removed from deferred status and mailed to the recipient, according to the SDU. As of that same date 7,026 had been sent back to the employer for additional information.

EXHIBIT 1-2
SDU PAYMENT PROCESSING



Source: OAG analysis of SDU information from selected days in January 2000.

Exhibit 1-3 shows that 3,276 payments continued to be reflected on the SDU deferred payment reports and were being reviewed to try to match the payment to a case in the computer system. Exhibit 1-3 shows the age of payments listed in SDU deferred reports as of January 20, 2000.

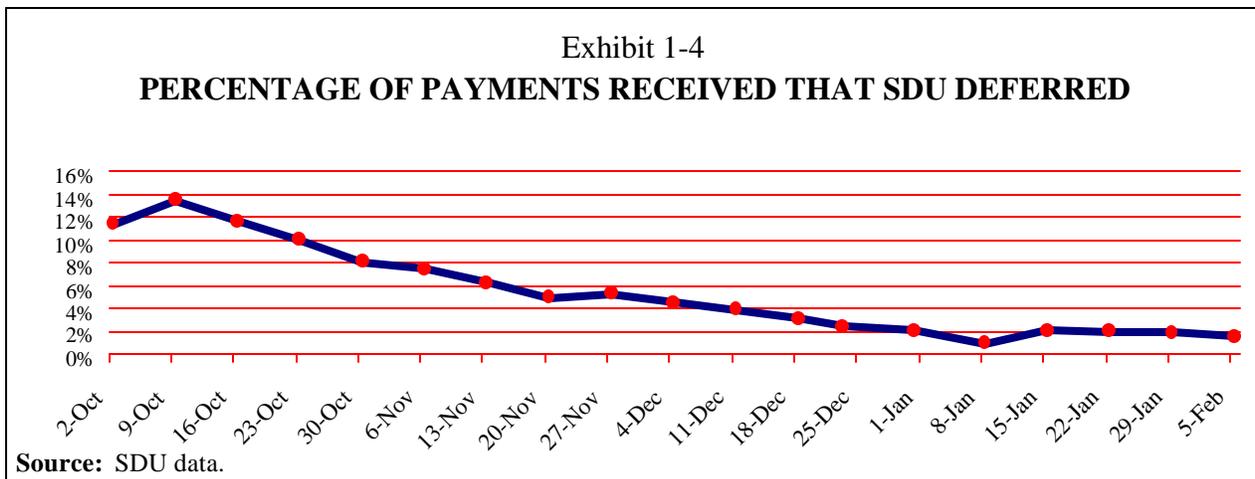
The percentage of payments the SDU receives that are being placed in deferred status is decreasing, as shown in Exhibit 1-4. In October 1999, the percent of payments being deferred ranged between 8 and 13.5 percent. As of January, the percent of payments placed in deferred status had decreased to approximately two percent.

Part of the decrease in deferral rates is attributable to a change in the way the SDU handles payments received from employers that lack sufficient information to process. As shown in Exhibit 1-2, if a payment lacking sufficient information is submitted by an employer, the SDU has begun returning the payment directly back to the employer. This practice began in December 1999. Prior to that time, the payment would not have been immediately returned but, rather, placed in deferred status. So a contributing factor to the decrease in the percent of payments being reported as deferred is that payments lacking required information are being immediately returned to employers, rather than going into deferred status. An SDU official estimated that 1,300 payments were returned in this manner but did not track and could not provide the actual number of employer checks returned.

The SDU was required by the contract to report to Public Aid monthly on all payments received that had not been disbursed. The SDU was not submitting these required reports. In Chapter Three we recommend that Public Aid ensure that required reports are submitted so that officials can properly monitor the SDU contract.

Exhibit 1-3 AGE OF DEFERRED EMPLOYER PAYMENTS As of January 20, 2000	
Month of Payment	# of Payments
October 1999	74
November 1999	68
December 1999	1,618
January 2000	<u>1,516</u>
TOTAL	3,276

Source: SDU Deferred Payment Report.



COST OF THE SDU

Public Aid's contract with the DuPage County Circuit Clerk to operate the SDU has been amended four times since it was signed in February 1999. The amendments were entered into in August, October and November of 1999, and February 2000, increasing the original contract amount of \$8.5 million to a total of \$17.5 million. A more complete discussion of the contract is included in Chapter Three of this report. However, because of the problems that occurred at the SDU and the urgency of resolving them, the total cost of running the SDU has significantly outpaced the amounts established in the contract.

As shown in Exhibit 1-5, through January of 2000, Public Aid had paid the SDU \$13.6 million of the total available under the current contract. At the close of our audit fieldwork, Public Aid and the SDU were negotiating a contract increase to allow for the SDU's continued operation through the end of the fiscal year. That budget estimated that an additional \$9.5 million would be needed over the original budget.

In addition to the costs incurred pursuant to the contract with the SDU, Public Aid has incurred extraordinary and unplanned costs due to the SDU's implementation problems. Public Aid's costs include extra staff, overtime, equipment, and phone lines needed to operate the child support hotline that was established to handle phone calls from parents, circuit clerks, legislators and others. These costs are also summarized in Exhibit 1-5.

THE KIDS SYSTEM

Public Aid's Child Support Key Information Delivery System or KIDS was to be the link between the SDU and the circuit clerks' systems, allowing information to flow both ways. Payments processed by the SDU would be disbursed according to the circuit clerks' and Public Aid's records and the circuit clerks would receive the payment information back from the SDU. The KIDS system was conditionally certified by the federal government in April 1999. According to the certification review report, the total estimated KIDS cost was \$66,997,726.

Between October 1998, the contract effective date, and May 1999, the SDU's efforts at software development and establishing operational systems were predicated upon use of the KIDS system as the computer interface to exchange information among the SDU, circuit clerks and Public Aid. However, based on a test run of the KIDS system, Public Aid determined that statewide implementation of KIDS in time to facilitate SDU operations would not be possible. KIDS was abandoned as the link between the SDU and circuit clerks in May 1999--just one month after the KIDS system was conditionally certified by the federal government and less than 5 months before the SDU had to be operational. Public Aid now states that KIDS will not be fully operational until December 2000.

As a result, the SDU was forced to develop an alternative interface. Contract Amendment 1 was signed by Public Aid and the SDU in August 1999, retroactive to July 1, 1999. Prior to this amendment, the responsibility for providing an electronic interface with the circuit clerks had rested with Public Aid. As a result of the amendment, this responsibility became the SDU's.

Exhibit 1-5 PUBLIC AID EXPENDITURES FOR THE SDU March 1999 through January 2000				
	FY 1999	FY 2000 (Before Oct. 1st)	FY 2000 (After Oct. 1st)	TOTAL
<i>Payments to the SDU Under the Contract</i>				
Development & Design	\$ 954,956	\$ 2,066,204	\$ 117,181	\$ 3,138,341
Operational	\$ 0	\$ 0	\$ 304,947	\$ 304,947
Emergency Payments*	\$ 0	\$ 0	\$ 9,500,000	\$ 9,500,000
Circuit Clerk Interface	\$ 0	\$ 448,856	\$ 200,000	\$ 648,856
<i>Total Contract</i>	<i>\$ 954,956</i>	<i>\$ 2,515,060</i>	<i>\$ 10,122,128</i>	<i>\$13,592,144</i>
<i>Unexpected Costs Outside of the Contract</i>				
Salaries of IDPA Employees Re-assigned to SDU Functions	0	0	\$169,738	\$169,738
Employee Travel	0	0	\$63,964	\$63,964
Overtime	0	0	\$1,218,602	\$1,218,602
Temporary Employees	0	0	\$80,759	\$80,759
Delivery Costs for Transporting Data to and from the SDU	0	0	\$13,572	\$13,572
Other Circuit Clerk Costs Outside the SDU Contract	0	0	Not Available	Not Available
Phone Installation/Monthly Fees	0	0	Not Available	Not Available
Janitorial/Security	0	0	\$3,259	\$3,259
Office Furniture	0	0	\$5,765	\$5,765
Office Supplies	0	0	\$2,950	\$2,950
Building Lease, Parking, Utilities	0	0	**	**
Mailing Service	0	0	\$51,396	\$51,396
Postage	0	0	\$341,854	\$341,854
Miscellaneous	0	0	\$556	\$556
SDU Audit/Data Scrubbing	0	0	***	***
<i>TOTAL Outside Contract</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1,952,415</i>	<i>\$1,952,415</i>
GRAND TOTAL	<u>\$954,956</u>	<u>\$2,515,060</u>	<u>\$12,074,543</u>	<u>\$15,544,559</u>
<p>* \$4.5 million of emergency payments were paid out of the operational line of the contract. Although there were \$10.6 million of emergency payments, Public Aid paid only \$9.5 million to the SDU for them.</p> <p>** According to Public Aid officials, hotline space was leased through February for other Child Support functions. Additional costs for the lease and related utilities and parking will begin March 1st.</p> <p>*** Public Aid entered into a \$159,925 contract for an audit of the SDU during December 1999, and entered into a contract for up to \$750,000 for data scrubbing in February 2000; however, no funds had been expended on either contract as of 1-31-00.</p> <p>Source: Public Aid data summarized by OAG.</p>				

The amendment gave an additional \$1 million to the SDU for the purchase of 106 personal computers (one for each county and five for Cook County) and developing the communication link between the SDU and circuit clerks. The computers could not be distributed to the clerks until the clerks signed contracts with the SDU outlining their respective responsibilities as to upkeep and use of the computers. Most of the computers were distributed at the end of September, right before the SDU became operational on October 1.

HISTORY OF OAG AUDIT FINDINGS

The KIDS system and its predecessor system, the Family Support Information System (FSIS), has been under development since 1991. Since that time, a long history of problems with the project have been reported by the Auditor General's Office (OAG). These findings include delays in implementation of the system, cost overruns, and data integrity problems.

The Federal Family Support Act of 1988 mandated that states have an automated child support information system in place by October 1, 1995. Illinois, as well as numerous other states, did not meet the October 1, 1995 deadline for implementation of a FSIS. The deadline was extended by two years to October 1, 1997. In a 1997 OAG Information Systems review of Public Aid, we reported on the status of the new FSIS-KIDS system. We recommended that management should ensure that there are adequate controls to ensure timely completion of the system, its reliability, and security.

The financial and compliance audit of Public Aid for the year ended June 30, 1999, is being released simultaneously with this management audit. That audit, as well as financial and compliance audits for prior years, have noted Public Aid's weaknesses in planning, managing, and implementing information systems' projects. For instance, both the 1998 and 1999 financial and compliance audits contained findings on delayed project completion for the KIDS system. The 1999 audit noted the "Department did not adequately monitor the development and implementation of the Key Information Delivery System (KIDS), which resulted in major cost overruns, failure to meet critical deadlines, and errors in KIDS data." After paying over \$17 million to a private contractor for the KIDS system, Public Aid ultimately took over responsibility for the system's development from the contractor in December 1997. Prudent business practice and sound procurement procedures require proper planning and scoping of the project and adequate management controls over deliverables and costs.

Both the 1998 and 1999 financial and compliance audits of Public Aid also reported that KIDS had numerous data integrity problems. As a result, Public Aid was unable to provide reliable support for the Child Support Enforcement accounts receivable balance and the auditors issued a qualified opinion on Public Aid's financial statements. Among other errors, we found that Public Aid charged the wrong amounts to child support accounts and applied payments improperly. Other errors occurred when balances in the old FSIS system were converted to the KIDS system. The auditors also noted that Public Aid's internal audit department failed to conduct a review of the KIDS system prior to its implementation. Such a review may have allowed Public Aid to detect some of these deficiencies in a more timely manner.

AUDIT OF KIDS	
RECOMMENDATION 1	<p><i>The Department of Public Aid should conduct a detailed audit of the KIDS system to identify the nature and cause of its deficiencies. Public Aid should devise and implement a timely corrective action plan to enable the KIDS system to be used in a reliable manner on a Statewide basis.</i></p>
PUBLIC AID RESPONSE	<p>We request that this recommendation be dropped.</p> <ul style="list-style-type: none"> • The KIDS interface with Circuit Court Clerks is not necessary for the SDU to disburse payments • Bad data from source systems and flawed information from employers are the primary reasons for the delay of child support payments. • The consensus of the Circuit Court Clerks was that the IV-D KIDS System should not handle non-IV-D cases. (Non-IV-D case data is solely controlled by the Circuit Court Clerks.) • The SDU had to develop an interface for non-IV-D case data. • The solution developed by the SDU for the non-IV-D cases was the best solution for all cases. • The SDU became the Hub between the SDU, KIDS and the Circuit Court Clerk's system. • That solution obviated the need for the interface between the Circuit Court Clerks and KIDS.
	<p><i>AUDITOR COMMENT: Given the significant system development costs incurred and data integrity problems experienced, (such as inaccurate account balances), the recommendation calls for an audit of KIDS by Public Aid. Also, KIDS continues to be used to transmit IV-D data to the SDU and, therefore, data maintained in this system is critical to the success of the SDU.</i></p> <p><i>The report does not take issue whether the revised interface was better or worse than the originally proposed KIDS interface. The report, however, does cite the development of a new interface to replace the KIDS interface less than five months prior to the start-up of the SDU as an example of inadequate planning by Public Aid.</i></p>

SCOPE AND METHODOLOGY

This audit was conducted in accordance with generally accepted government auditing standards and the audit standards promulgated by the Office of the Auditor General at 74 Ill. Adm. Code 420.310.

We obtained and reviewed information from the Department of Public Aid and the DuPage County Circuit Clerk's Office that acts as the State Disbursement Unit. The information reviewed included contracts between the SDU and Public Aid and between the SDU and the circuit clerks. Other information reviewed included correspondence between Public Aid and employers, memos from Public Aid and the SDU, and Public Aid internet home page information relating to the implementation of the SDU. We interviewed Public Aid and SDU officials, circuit clerks and one of their vendors, as well as some employers.

In conducting the audit, we reviewed federal law as well as State statutes governing the SDU. We reviewed compliance with those laws to the extent necessary to meet the audit's objectives. Any instances of non-compliance are noted as findings in this report.

To identify how Illinois' program compares to other states, we reviewed research and studies. We also contacted other states to find out information about their SDUs and obtained copies of contracts with their SDU vendors.

The previous financial, compliance, and performance audits released by the Office of the Auditor General for Public Aid were reviewed to identify any issues related to child support. We reviewed management controls relating to the audit objectives which were identified in Legislative Audit Commission Resolution Number 117 (see Appendix A). This audit identified some weaknesses in those controls which are included as findings in this report.

In addition, we tested two samples from emergency checks that were sent out. For the first sample we verified emergency check information to SDU information and circuit clerk information. For the second sample, we verified with circuit clerks the validity of child support docket numbers provided by individuals who requested emergency checks. A more detailed description of the testing and analytical methodologies used for this report is included as Appendix B.

REPORT ORGANIZATION

The remainder of this report is organized into the following chapters:

CHAPTER TWO – SDU IMPLEMENTATION ISSUES

CHAPTER THREE – THE SDU CONTRACT

CHAPTER FOUR – EMERGENCY PAYMENTS

Chapter Two

SDU IMPLEMENTATION ISSUES

CHAPTER CONCLUSIONS

The Department of Public Aid did not adequately plan for implementation of the Child Support State Disbursement Unit (SDU). The plans to implement the SDU were premised on Public Aid's Key Information Delivery System (KIDS) serving as the computer interface to exchange information among the SDU, Public Aid, and the circuit clerks. However, in May 1999, Public Aid determined that KIDS would not be capable of providing the necessary data link for the SDU's operation. Just two months before the SDU was to be operational, the SDU contract was amended to require the SDU to develop an alternative computer system at an additional cost.

Public Aid had not completed a reconciliation of support order information between its system and the circuit clerks' records. Consequently, when case information from Public Aid and the circuit clerks was merged into the SDU system, information for the same case sometimes differed (such as custodial parents' addresses and court order numbers) which contributed to late or misdirected payments.

Contrary to industry standards, a comprehensive test of the SDU disbursement system was not performed before the system was implemented. This test should have included a realistic simulation of how the system would operate.

Initially, the SDU was significantly understaffed to fully and effectively carry out its operations. On October 1, 1999, the SDU's first day of operation, the SDU had 25 staff. This was half the headcount of 51 staff in the SDU's original budget. By January 2000, the SDU's headcount increased to 127 personnel (55 permanent and 72 temporary). The SDU's revised budget calls for a headcount of 201 staff to more adequately perform its functions.

Many checks submitted by employers did not have the information needed to disburse child support payments. This may have resulted from minimal warning to employers prior to the SDU's October 1 start-up and various and conflicting notices after implementation.

Electronic information on support orders submitted by circuit clerks was not always complete, accurate, or submitted timely. This may have resulted from unclear instructions from Public Aid on what was required.

PUBLIC AID'S ROLE

As will be detailed in this chapter, all major parties involved in the SDU's implementation (Public Aid, SDU, circuit clerks, and employers) contributed to its start-up

problems. As the agency charged with administering the State's child support system, however, Public Aid was ultimately responsible for planning, assisting, and monitoring the contractual implementation of the SDU. In several respects, Public Aid did not effectively fulfill these responsibilities.

This chapter is divided into three sections. The first section lays out some issues that contributed to the SDU's implementation problems. These are issues that were not anticipated and to some degree were outside of Public Aid's control. The second section lays out some of the reasons that Public Aid should have considered delaying the SDU's implementation. The final section deals with issues that probably should have been handled differently. In addition, Appendix C includes a chronology of the SDU implementation.

ISSUES CONTRIBUTING TO SDU PROBLEMS

Within days of its October 1 start date, the State Disbursement Unit experienced significant problems in processing payments and disbursing checks. Checks coming in from employers sat without being entered into the system for days. Once the checks were opened, many lacked the necessary information to process them. Others with correct employer information could not be matched to a recipient record in the computer, so the check to the custodial parent could not be mailed. Other checks were mailed but were sent to the wrong address or to the wrong person. SDU officials stated that approximately 1,800 checks per day in the month of November were returned to the SDU as "address unknown."

The following sections in this chapter describe some of the factors contributing to the SDU's implementation problems. These issues to varying degrees were outside of the control of Public Aid and the SDU.

Circuit Clerk Issues

Circuit clerks were responsible for providing support order disbursement data electronically to the SDU. However, the information submitted by clerks was not always complete, accurate, or submitted timely. This condition was exacerbated by delays in providing the computers to the circuit clerks which were to be used as the electronic interface with the SDU.

The submission of data by the circuit clerks also was problematic for the SDU. Exhibit 2-1 shows the number of counties by week that their data was loaded into the SDU system. Eighty-one counties had their data loaded by the SDU before the October 1, 1999 deadline, while the data from 21 counties was loaded by the SDU after October 1, 1999. According to the SDU, the last county data was not received and loaded into the SDU system until October 25, 1999. Appendix F of the report shows the counties, the vendor they used for extracting data and the date their data was loaded by the SDU.

Further, some of the data provided by the circuit clerks was corrupted. This corrupted data included blank fields, reversed names (i.e., custodial/non-custodial parents), duplicate cases, incorrect addresses, and deceased individuals. Another problem discussed by SDU officials was

the overlay of data provided either by Public Aid or the circuit clerks. This overlay of data created additional data corruption problems by overwriting good data with bad.

Delays in signing contracts shortened the time available to distribute and set up computers which were to be used as the interface with the SDU. According to SDU officials, they wanted a contract signed in late July with the circuit clerks for the PC that was to act as the interface. The contract outlines the parties’ responsibilities for use and upkeep of the computer. Signing the contract was a prerequisite to receiving the PC from the SDU. However, most clerks delayed signing the contract until after a circuit clerks' association meeting was held in early September 1999. As a result, several clerks indicated that they didn’t receive their computers until 2-3 days prior to October 1.

Data Integrity Issues

According to SDU officials, the SDU's effectiveness was premised on having accurate records. If information was complete and accurate, then the SDU should have been able to receive payments and disburse them to the custodial parents. However, when the information was incomplete or inaccurate, then payments either were not disbursed, or were disbursed to the

wrong individuals, to the wrong address, or for the wrong amount. Information in the SDU's computer system from the outset was not accurate and some data continues to be inaccurate. A deliverables report from the SDU to Public Aid submitted in December 1999 noted that missing addresses and invalid social security and case identifier numbers were among the "several problems" in the circuit clerk data.

Although the accuracy of the data provided was outside of Public Aid and the SDU’s control, some of these problems may have been corrected if Public Aid’s reconciliation with circuit clerk data was complete and if testing of the data had occurred before implementation. These issues are discussed in the “Reasons to Delay” and “What Could Have Been Done Differently” sections of this chapter.

Exhibit 2-1 NUMBER OF COUNTIES AND RECORDS BY THE WEEK THAT DATA WAS LOADED* BY SDU			
Week Ended	# of Counties	# of Records	Accumulating % of Records**
9/23	20	324,394	53%
9/30	61	160,316	79%
before 10-1	<u>81</u>	<u>484,710</u>	79%
10/7	7	21,247	82%
10/14	7	85,076	96%
10/21	5	19,758	99%
10/28	2	5,273	100%
after 10-1	<u>21</u>	<u>131,354</u>	21%
Total	102	616,064	100%

* County data may have been received by the SDU on a date earlier than it was loaded to the SDU system.
 ** Accumulating percentage of circuit clerk records loaded through 10/28/99.

Source: OAG analysis of SDU data.

Direct Pays to the Custodial Parent

One factor contributing to the SDU's inability to disburse some payments were payments that an employer or spouse previously made directly to the custodial parent. In some instances, the employer withheld the child support from the non-custodial parent's pay, and then issued a check in the custodial parent's name either directly to the custodial parent or to the clerk who would simply pass the money on to the custodial parent. Many of these direct pays were not in the clerk's computer system, and, therefore, when employer payments came to the SDU there was no case information against which to match the payment. Unless the employer provided an address for the custodial parent, the SDU did not know where to disburse the funds.

Duplicate Data on the SDU System

The SDU computer system has case data which is inaccurate or invalid. As of January 2000, there are over 800,000 cases in the SDU computer system of which only 144,000 have received payments. Officials are unable to definitively determine what portion of the 800,000 cases are active (e.g., should be on the system) and what portion are inactive (e.g., are not receiving child support payments and should not be on the system). However, in its revised budget document dated December 31, 1999, SDU officials estimated that, of the approximately 800,000 cases in the database, only 187,280 are active.

SDU officials stated that when some counties submitted data to the SDU, they did not designate which cases were active or inactive. If the computer file sent to the SDU did not indicate whether the case was active or inactive, the SDU initially assumed that the case was inactive and did not load it onto their system. Subsequently, when payments from employers came in for an active case which the SDU had not loaded into the computer, the system could not match the payment to a case and no disbursement could go out. To address this problem, in mid-October, the SDU modified its software programs to accept all data not explicitly labeled as "inactive." As a result, inactive cases were entered into the system and the SDU indicated that payments have erroneously been posted to some of these cases.

There are also duplicate cases that should not be on the system. For example, the circuit clerk's docket number may differ slightly from a Public Aid docket number for the same case (e.g., 99-D-0054 v. 1999D54), resulting in the same case being entered twice.

A computer vendor for some of the clerks conducted a comparison of cases in three of the counties they serve with the records of the SDU and found significant differences between the systems. For example, in one county, 12 percent of the cases in the SDU system could not be found in the clerk's system. These discrepancies appeared to have occurred because of:

- the "inactive" cases which were added from Public Aid downloads;
- improperly formatted duplicate case numbers; and
- very old cases on which the clerk never processed a payment but, due to erroneous matching, the SDU is.

SDU officials stated that the large number of cases does not significantly impact system performance. However, having the extra cases on the system allows SDU staff to make bad choices as to which accounts to post the payments. As a result, payments may be sent to the incorrect person or address. The SDU and Public Aid are in the process of initiating an effort to clean-up the SDU's database.

SDU INACTIVE CASES	
RECOMMENDATION 2	<i>With the assistance of circuit clerks, the SDU and Public Aid should take the steps necessary to remove inactive or duplicate cases from the SDU database and ensure that the remaining data in the SDU system is accurate.</i>
PUBLIC AID RESPONSE	<p>Implemented. Both IDPA and the SDU identified bad data as a problem very early. Software developers at the SDU made changes to correct part of the problem and IDPA programmers designed a new interface record to combine duplicate records at the SDU. IDPA and the SDU are working, on an ongoing basis, to eliminate duplicate records and install system edits to prevent future duplication problems.</p> <p>An internal operational audit also identified bad data as a root cause of the problems at the SDU. In late December 1999, IDPA retained an independent third party to "scrub" the data contained in the SDU data base to eliminate erroneous data. IDPA has coordinated the development of this project with the SDU, the Circuit Clerks and their vendors. This independent third party is developing "scrubbing" software which will become part of the on-going SDU data scrubbing activities.</p>
SDU RESPONSE	The SDU fully supports the concept of a third party reviewing and validating the data. IDPA has entered into an agreement with a third party to perform this task. To assure that the third party is successful, the requirements of the SDU, before any updates take place, will include complete information including County FIPS, Docket Number, Payor Name, Payee Name and a valid complete address for the payee.

Missing Employer Information

Employers providing inadequate information with checks sent to the SDU contributed to the difficulties the SDU had in disbursing payments. The SDU must have certain critical data to match payments to cases and promptly disburse the funds. Such data includes the civil case number (docket), the county in which the support order originated, and the dollar amount to be allocated to each case. In several cases in our sample the employer did not provide the county where the support order was established. In addition, employers sent checks with little or no

information. In total, we found that 6 of the 68 cases (9%) in our sample were delayed because of late or missing employer information.

Inconsistent Support Order Data

Some of the problems that the SDU experienced related to the inconsistent format of child support order numbers and inconsistent information provided. Some examples of docket number formats are shown in the adjacent box.

Sample Docket Numbers
98D000052
98D52
1998-D-52
Source: Examples provided by the SDU.

According to SDU officials, this variation has resulted in duplicate cases being entered into the system. Because these order numbers came from different sources, the data associated with one may be correct while the data associated with the others may be wrong. SDU staff then have difficulty identifying which order was the correct one. If they pick the wrong one, a check may be sent to the wrong address. In February, SDU officials reported that they had developed a mechanism to assure that information with order numbers like these would be combined.

In addition to the inconsistent format, information included in court orders from around the State may vary. The SDU has noted that missing information makes matching payments to cases a complex process. SDU officials stated in a report to Public Aid that:

Few counties collect or maintain Participant’s personal identification information such as Social Security Numbers or the Public Aid RIN or even dates of birth which simplify the matching and identification processes necessary to insure data integrity through the Circuit Clerk interface.

RIN
Recipient Identification Number – A number which identifies individual members of a family on a child support case.

While SDU officials note that such information is important, the SDU did not list such information as required in the requested record formats provided to clerks in January and May of 1999. The SDU stated that it did not require the information because it did not believe that circuit clerks had the data. However, because the data was optional, some clerks that had the data may not have provided it.

REASONS TO DELAY

The Child Support KIDS System

The inability of the KIDS system to transfer data between the clerks and the SDU adversely impacted the SDU's implementation. The U.S. Department of Health and Human Services (DHHS) performed a certification review of Public Aid’s KIDS system the week of September 21, 1998, with a follow up visit the week of November 16, 1998. The review conditionally certified Illinois’ KIDS on April 5, 1999. The report listed four conditions that

needed to be addressed by Public Aid before KIDS would be unconditionally certified. Two of the conditions are directly related to the implementation of the SDU and are discussed below.

One such condition noted was that the circuit clerks' computer interface was not fully implemented. At the time of the federal review in September 1998, only Sangamon and Marshall counties were transmitting payments using an electronic interface. The report stated that "full statewide implementation" was required for full unconditional certification. At this time, Public Aid's response was that the SDU was going to transmit payment information using KIDS. The Department assured federal officials that the SDU would be operational by September 30, 1999. However, only a few weeks after KIDS was certified, Public Aid determined that KIDS would not be operational in time for the SDU's implementation. SDU officials have been told that the system will not be available until December of 2000.

A second condition noted in the federal certification review was a lack of data integrity. The report found that "data integrity problems have resulted in delays or reduced effectiveness of KIDS implementation." DHHS recommended that Public Aid consider establishing a "temporary data cleanup workgroup" to correct the data integrity problems. They also recommended that Public Aid reemphasize worker training in the field offices. SDU officials indicated that Public Aid spent time in the field reconciling data with the circuit clerks but that the data clean-up was never completed. Public Aid hired a reconciliation project director in November 1998. This reconciliation process is discussed in more detail later in this chapter.

These two issues contributed greatly to the SDU problems. Public Aid failed to address these problems prior to signing the SDU contract in February 1999. It wasn't until May 1999, that Public Aid determined that KIDS would not be capable of providing the necessary data link for operation of the SDU. The SDU contract had already been signed, and the SDU was already in the process of designing its system to interface with KIDS. Consequently, the original SDU contract was amended in August 1999--just 2 months prior to implementation of the SDU--to provide an alternative system at an additional cost (see Chapter Three for more details on the contract).

The National Child Support Enforcement Association notes:

Successful implementation and operation of a statewide automated system is a prerequisite for successful implementation of an SDU because SDUs build on the capacity of the statewide system.

The importance of having a statewide automated child support system for successful implementation of a centralized state disbursement unit is noted in the background notes of a January 1999 resolution of the National Child Support Enforcement Association.

Interface Between Circuit Clerks and the SDU

Circuit clerks do not have an interactive interface with the SDU that allows them to identify and correct problems with support orders from their county. The present interface between clerks and the SDU was introduced as an alternative to KIDS and does not allow clerks to view activity on a case. Also, the current interface requires clerks to take information from their computer systems and enter it into the computer link to the SDU. Similarly, when payment information is received from the SDU, the clerks must take the information off the SDU

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computer link and re-enter it into their computer system. This process results in inefficient use of clerks' time, as well as increases the opportunity for data to be incorrectly entered into one of the systems.

Several clerks we interviewed stated that, in some instances, changes in case information sent to the SDU were either not made or were made but subsequently the SDU reverted back to the old information. Allowing clerks to directly look-up cases in the SDU system would allow them to better monitor their cases and provide customer service.

The SDU has been forwarding to circuit clerks listings of deferred cases in that county to see whether the clerk can determine to which case the payment applies. However, of the 3,300 deferrals as of January 20, 2000, over 2,000 were missing the appropriate county code. Consequently, these cases could not be sent to the circuit clerks for review. If the SDU were to periodically forward a listing of all payments without a county code to all clerks, clerks may be able to identify cases which apply to their county (based on payee name, docket number, or employer), thereby removing the payment from deferred status and getting the support to the custodial parent.

CIRCUIT CLERKS' ACCESS TO SDU SYSTEM	
RECOMMENDATION 3	<i>The Department of Public Aid and the SDU should ensure that the circuit clerks are receiving the necessary reports and access to the SDU system to allow them to monitor their county's support cases and provide effective customer service.</i>
PUBLIC AID RESPONSE	<p>Accepted. IDPA has provided training to all Circuit Clerks and has established regional technical support "HUBS" at ten locations statewide, beginning in December 1999. All HUBS are currently operational. These HUBS provide training and enhanced access to the SDU, allowing all Circuit Clerks to receive training and to work through any payment problems for their cases. IDPA, the SDU, and the Circuit Clerks are currently establishing an enhanced electronic interface between the SDU and the Circuit Clerks' Offices through web-based technology which will be completed next month.</p> <p>IDPA has been informed by the SDU that reports of payment activity are transmitted on a daily basis to all Circuit Clerks.</p>
SDU RESPONSE	The SDU currently provides daily reports to the Circuit Clerks on all payments, checks disbursed and any IDPA distribution records for application of the payments to the official court record. The SDU requests daily disbursement instructions (report) from either KIDS or the Clerk for any payment which requires determining to whom moneys, held by the SDU, should be distributed.

SDU RESPONSE CONTINUED	<p>Twice a week the SDU faxes a report containing all deferred payments to the Clerks for case identification. The SDU sends, via fax, a report containing all cases which need an address. Payments can be identified to a docket for the county, however without a valid address a payment is held.</p> <p>The SDU is in development of an enhanced Circuit Clerk Interface via a browser, which allows the Clerks interactive access to the SDU database (for their respective county).</p>
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Reconciliation of Clerks' Data

Public Aid has been working to reconcile its data with the circuit clerks' data. As of February 2000, 80 of 102 counties had completed phase one reconciliation. This includes reconciling county, case docket number, participants in the support order, participant addresses, and the terms of the order (how much and how often). No clerks had completed phase two of the process which will certify balances. According to Public Aid, this process will start in June 2000.

The fact that the reconciliation was not completed has caused matching problems with the different sources of data received by the SDU. SDU officials, some circuit clerks and a major circuit clerk vendor have all noted that this has caused major problems. The example to the right shows one clerk's experience.

Circuit Clerk Example
<p>Marshall County was one of the two counties with a demonstration KIDS program. As part of the process of linking with KIDS, Marshall County's records were reconciled with those of Public Aid. According to the Marshall County Clerk, "We spent many weeks and months comparing our records to IDPA records and making the necessary adjustments and corrections. In most instances our data was correct and was adopted by IDPA. While I have had some errors and problems with my child support clients since the SDU took over, they have not been as numerous as other counties that did not have the benefit of account reconciliation with IDPA."</p>

Public Aid and the SDU knew conflicting information was a problem and developed the idea to "sandwich" the data. This meant that the Public Aid data would be input first. Second, the clerks' data would be loaded as it was received. Data from 21 counties was not loaded into the SDU system until after October 1st. Further, SDU officials noted that most data provided by circuit clerks needed some adjustments by SDU staff to clean it. The final step in the sandwich, which was to overwrite the SDU system a second time with data provided by Public Aid, did not occur until October 20, 1999.

The second phase of the reconciliation process, which had not begun, calls for circuit clerks to reconcile their non-custodial parents' account balances with those recorded by Public Aid. Account balance records are used by Public Aid to determine whether non-custodial

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parents are delinquent in their child support payments. Such a determination may lead to collection efforts by Public Aid, including tax refund intercepts.

Audits performed by the Auditor General’s Office have noted errors in Public Aid’s child support accounts receivable balance. In both the 1998 and 1999 financial and compliance audits of Public Aid, the auditors qualified their opinion on the Department’s financial statements because it could not provide supporting documentation for its child support accounts receivable balance. Among other errors, we found that Public Aid charged the wrong amounts to child support accounts and applied payments improperly. As a result of errors in account balances, exacerbated by the difficulties in establishing a viable computer interface with the circuit clerks for the purpose of keeping payment records up-to-date, non-custodial parents may find errors in their individual account balances. If these errors are not timely corrected, individuals may be subject to erroneous collection efforts.

RECONCILE CASE INFORMATION	
RECOMMENDATION 4	<i>The Department of Public Aid should continue its efforts to reconcile IV-D case information with the circuit clerks and ensure that non-custodial parents’ account balances are accurately stated.</i>
PUBLIC AID RESPONSE	<p>Implemented. A non-custodial parent's account balance is irrelevant to the timely processing of payments by SDU whether IV-D or non-IV-D.</p> <p>IDPA has control over IV-D case data only and does not have any authority over non-IV-D data retained by Circuit Clerks. IDPA has retained an independent third party to undertake a statewide "scrubbing" of all SDU case data. The intended result is for all IV-D and non-IV-D child support cases to have accurate case docket numbers and demographic information in the SDU data base.</p> <p><i>AUDITOR COMMENT: The report does not suggest that inaccurate account balances have an impact on the timely distribution of child support payments. The report does conclude if errors in account balances are not corrected, Public Aid’s collection of overdue child support may be adversely affected.</i></p>

Circuit Clerk Vendors

Problems with circuit clerk vendors have been identified by Public Aid as contributing to the delays that were experienced by the SDU. The agreement with the computer vendor used by about 75 clerks to assist in providing electronic information from clerks to the SDU was not signed until September 14, 1999. This only allowed the vendor two weeks to extract the data for 75 clerks and transmit the case information to the SDU.

No Exemption Was Requested

Public Aid never requested an exemption or an extension to the SDU's required implementation date of October 1, 1999. Although a reading of federal law shows them to be very strict, in practice, at least two exemptions have been granted because states did not have computer systems in place which are required for a successful SDU implementation. Although there is documentation that Public Aid spoke with and even worked with the federal government, the Department never requested an exemption or an extension.

Within Section 454(27) of the Social Security Act mandating the establishment of an SDU, there is a provision for an exemption from this requirement. A federal action transmittal from May 15, 1997 summarized the exemption provision this way:

A State may apply for an exemption to establish its disbursement unit by linking disbursement units through an automated information network, provided that the State can prove, to the satisfaction of the Secretary of the Department of Health and Human Services, that it will be neither more costly nor more time-consuming to establish or operate than a centralized system. However, even if the State is granted an exemption, there must be one central place to which all monies collected from employers through wage withholding are sent.

Exemption requests were to be made by the State by April 1, 1998 in order to give the State time to implement an SDU if the exemption request was denied. In a September 1998 letter, Public Aid indicated that with the decision to have the DuPage County Circuit Clerk act as the SDU, the State would not seek any special waivers or conditions from the federal Department of Health and Human Services (DHHS) pertaining to the SDU.

Four states--Michigan, South Carolina, Nevada and, later, Indiana--have been granted exemptions by the federal DHHS. Indiana's original exemption request in April 1998 was denied, but a subsequent request submitted in August of 1999 was approved. Indiana received a waiver that allows them to continue to process their child support payments through their local circuit clerks. They must still have one address to which all employers can mail their checks. However, the money is then distributed to the circuit clerks who then mail the child support payments to the custodial parents.

Michigan delayed implementation of its SDU in part because its statewide child support computer system was not operational or certified by DHHS. Michigan submitted its exemption request in February 1999. In its exemption request, Michigan indicated that the main barrier to the implementation of an SDU was that the State was still in the process of implementing a statewide Child Support Enforcement System. Michigan received a time-limited exemption that requires them to have a centralized SDU by October 1, 2001. Michigan's exemption request states:

It has been documented that no state without a **statewide** system has been successful in fully implementing an SDU. [*emphasis added*]

Like Michigan, Illinois did not have a Statewide child support system in place prior to implementing the SDU and, on that basis, Illinois may have considered filing an exemption

request. At the time of the exemption request, Michigan estimated that their statewide child support computer system would not be ready until September 30, 2000. In addition, Statewide capability was one of the conditions identified as missing when the federal government reviewed and conditionally certified the Illinois' KIDS system.

WHAT COULD HAVE BEEN DONE DIFFERENTLY

Testing Was Insufficient

The SDU did not follow accepted industry standards for systems development and testing, such as the General Accounting Office's (GAO) Federal Information System Controls Audit Manual. Specifically, a set of test transactions and data that contains examples of various types of situations and information that the newly designed system will have to handle was not used during testing. For example, the SDU system was not tested with a representative sample of data from all 102 counties. Finally, the system's ability to process the anticipated volume within the 48-hour time frame was not tested. Because of the lack of testing, a realistic simulation of how the system would operate was never achieved and the universe of problems was not identified prior to implementation.

Prior to the start-up of the SDU on October 1, 1999, the SDU only had data from Public Aid and Sangamon, DuPage and Cook counties. SDU officials indicated that this data was "modified as necessary to elicit specific test conditions." They also indicated they ran "ad hoc" tests but no comprehensive testing was conducted. The other counties did not start submitting their data to the SDU until mid-September 1999, and according to SDU officials, data from each county had to be worked on or modified before it could be loaded. This left no time for a comprehensive test of the system. Also, because the SDU did not conduct test runs with actual files from other counties, data limitations and formatting problems were not identified until after October 1, when the SDU became operational. These problems resulted in checks going out to incorrect parties and delays in check disbursements.

Staffing Was Too Low

Initially, the SDU was significantly understaffed to fully and effectively carry out its operations. On October 1, 1999, the day the SDU became operational, there were 25 staff employed by the SDU. This was half the headcount of 51 staff in the SDU's original budget. By December 31, 1999, the SDU's headcount increased to 127 personnel (55 permanent and 72 temporary staff). In addition, during this time period, many Public Aid staff and numerous staff from circuit clerk offices assisted the SDU in processing payments. The exact amount of such assistance could not be determined because the SDU did not keep track of help provided by other circuit clerks.

In January of 2000, SDU officials proposed a revised budget to Public Aid to cover the additional expenses related to running the SDU. Exhibit 2-2 shows that the staffing levels changed from 25 at the beginning of the implementation to a proposed level of 201.

Exhibit 2-2 SDU STAFFING LEVELS DURING IMPLEMENTATION	
	Total Staff
Original Budget	51
Actual – October 1, 1999	25
Actual – October 31, 1999	65
Actual – November 30, 1999	112
Actual – December 31, 1999	127
SDU Revised Budget Proposal	201
Source: SDU data summarized by OAG	

Exhibit 2-2 shows that the staffing levels changed from 25 at the beginning of the implementation to a proposed level of 201.

While there may have been some unanticipated factors impacting staffing needs—such as completeness of data submitted by employers—the level of staffing needed to operate the SDU was significantly underestimated by both the SDU and Public Aid.

Employer Notification Could Have Improved

The Department of Public Aid sent mixed and confusing instructions to employers regarding submission of child support withholding to the State Disbursement Unit. Public Aid's first letter notifying employers of the change was mailed August 13, 1999, just six weeks prior to the SDU's implementation. This notice indicated that the employers should provide two pieces of information to the SDU—the case number (order docket number) and the name of the county where the child support order was entered. This was the only notice to employers before the SDU's October 1 start-up.

Three additional bulletins were issued by Public Aid, for a total of four employer bulletins. The second bulletin, undated but distributed in early October, listed ten pieces of information required to be submitted along with the check to the SDU. A third bulletin, dated October 26, 1999 required eight pieces of information to be sent with the check to the SDU. A fourth bulletin from January 2000 listed similar required information but again was inconsistent with previous requests. A summary of the required information in the four Public Aid notices is shown in Exhibit 2-3. All of the employer notices are included in Appendix E of this report.

In addition to Public Aid's four bulletins, employers may have received additional instructions if a new or revised child support withholding order was entered for one of their employees during this time period. Public Aid's "Order/Notice to Withhold Income for Child Support" (DPA 3683) which would be sent states: "When remitting payment, provide the pay date/date of withholding, the order/docket number, FIPS number (which designates the county in which the order was entered), the employee/obligor's first and last name, and make payable to the State Disbursement Unit." These instructions are also included in Exhibit 2-3.

Internet Notices

In addition to written notices, Public Aid also had varying instructions available to employers on the Internet. In early November we found three different sources of information on the Internet, as well as a copy of the August 13th letter. The following information related to child support income withholding was on Public Aid's web site:

- A question and answer page had the following information regarding the SDU: Question: What information should be included on payments? Answer: At a minimum, each withholding amount should be identified by the case number (docket/order number) and the county in which the order was entered. Additional information is appreciated and may speed processing.

- A page which provided general background information on child support made no mention of the SDU. Instead, this information indicated that the circuit clerks receive and disburse child support payments from non-custodial parents.

Exhibit 2-3 REQUIRED EMPLOYER INFORMATION NOTED IN PUBLIC AID NOTICES				
August 13, 1999	October 1999	October 26 1999	January 2000	New Order
Case or Docket Number	Docket Number	Docket Number	Case or Docket Number	Docket Number
County Name	County ID	County Name	County	FIPS # designates county
	Name of Payee, if known	Name of Custodial Parent	Name and Address of Payee, if known	
	Company Name	Company Name		
	Employee/ Payor Name	Employee Name	Employee Name	Employee/ Obligor Name
	SSN of Employee/ Payor	SSN of Employee	SSN of Employee	
	Pay Period End Date	Pay Period End Date		Pay Date
		Child Support Amount	Payment per employee or per case	
	Check Date			
	Check Amt.			
	Check No.			

Source: Public Aid documents summarized by OAG.

- Specific information related to employer withholding contained no information relating to the SDU or what information was required to be submitted to the SDU for processing of child support payments. A Frequently Asked Question section for Employers on Public Aid’s web site did refer to a centralized address for payments but gave no implementation date or any other specific information on how this process was to work.

Employers’ Perspective

We contacted a few employers during our audit work who told us that had they had received an increased amount of calls as a result of the problems that occurred during and soon after the implementation of the SDU. According to employers we contacted, communication with the SDU usually resulted from the employer calling the SDU to find out what was going on or what needed to be done.

Most employers that we contacted were not able to tell parents who called why they were not getting their money. These employers believed that they were following the instructions that were provided to them

and in most instances did not have checks returned and were not ever told that something was wrong. Some employers that we contacted did not have any checks returned until mid-December when the first checks from October were returned. Therefore, the employers continued to send checks the same way, never realizing that there ever was a problem.

The State of Illinois, as an employer, was told by SDU officials early in February that they would probably have one more batch of checks that would be returned because they were unable to be processed. State officials told us on February 7th that they had just received returned checks from a November payroll.

Employers told us that instructions sent to them by Public Aid were not clear as to which type of orders should be sent to the SDU. One employer relied on its legal counsel to interpret the law, while some contacted the SDU and were told to send everything because the SDU was prepared to handle it. Employers we spoke with were never told by the SDU to stop sending the payments that they had sent directly to the custodial parent. One employer changed from sending these payments to the SDU to straight to the custodial parent after receiving calls and recognizing the problem. Employers seem to agree that they were not given clear guidance on which withholdings to send to the SDU or what documentation should accompany the checks.

Starting December 16, 1999, the SDU began returning checks, or portions thereof, to employers if the SDU could not determine to which case the payment applies. However, when the SDU could identify to which case to apply the payment (such as by searching for previous disbursements in their computer for the same dollar amount and from the same employer), they applied the payment to that case. They did not, however, inform the employer that certain required information was missing from the check. Consequently, employers continued to send the SDU checks lacking certain information which required the SDU to manually try to link the check to a case, resulting in an inefficient use of staff time as well as delays in disbursing the check to the custodial parent.

Employer Example
One employer summarized that there was not enough lead-time, they were given vague instructions that were either generic or not detailed, and there wasn't any phase in or pilot test of the system.

EMPLOYER NOTICES	
RECOMMENDATION 5	<i>The Department of Public Aid should ensure that its employer notices are clear and consistent, and that the SDU promptly informs individual employers with problems what to change in its submissions to the SDU.</i>
PUBLIC AID RESPONSE Continued next page	Accepted. New state law requires IDPA to conduct regional training sessions for employers. Seven regional training sessions have been conducted to date with one more scheduled and others in the planning stage. Training sessions are a better approach than notices. Notices sent out in the fall of 1999 built one upon another
PUBLIC AID RESPONSE	as the SDU and IDPA witnessed the various types of flawed information, and were written to be targeted more toward the types

(continued)	of problems evidenced.
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Implementation Was Not Phased In

Public Aid and SDU officials did not phase in implementation of the SDU over a period of time. Other states we contacted that phased in their SDU experienced few problems. As part of our audit work, we contacted ten states to obtain information about their state disbursement units (SDU). Exhibit 2-4 compares Illinois to the other states we contacted.

Three of the ten states (Indiana, Michigan, and Ohio) did not have an operational SDU. Five of the states (Georgia, Kentucky, Missouri, Pennsylvania and Wisconsin) phased in implementation of their SDU and experienced few problems. Two states (North Carolina and Tennessee) did not phase in implementation of their SDU

and experienced problems similar to those experienced in Illinois. Both of these states had delays in disbursing checks and issued emergency checks.

Officials from Michigan and Ohio stated that their SDU would not work until the statewide computer system was operational. Both of these states are going to implement their SDU in phases. Michigan is planning to implement its SDU approximately six months after its statewide computer system is operational. Ohio is implementing their SDU in three phases beginning April 1, 2000 and ending September 30, 2000. Both states, during the first phase of their implementation, are going to focus on employers with the capability of using electronic fund transfers.

Georgia, Kentucky, Missouri, Pennsylvania and Wisconsin phased in the implementation of their SDU. Prior to implementing the SDU, child support collections in those states flowed through the local court clerks or local child support enforcement offices. In Georgia, testing was

Exhibit 2-4 PHASE IN OF OTHER STATES' SDU		
States where SDU was or will be phased in:	Date Operational by	Issued Emergency Checks?
Georgia	10-1-99	No
Kentucky	10-1-99	No
Missouri	10-1-99	No
Pennsylvania	10-1-99	No
Wisconsin	10-1-99	No
Ohio	9-30-00	N/A
Michigan	10-1-01	N/A
States where SDU was <u>NOT</u> Phased in:	Date Operational by	Issued Emergency Checks?
Illinois	10-1-99	Yes
North Carolina	10-1-99	Yes
Tennessee	10-1-99	Yes
N/A – Not Applicable		
Source: OAG contacts with other states, DHHS web site.		

done in advance of the implementation and the SDU was phased in over a period of four months. In Kentucky, testing began well in advance and implementation of the SDU began in March 1998 with a few counties converted at a time. Missouri began testing early and implemented its system during the last three months of 1999, first for 40 percent of its counties and then for the remaining 60 percent. Pennsylvania implemented its SDU in two phases. The first phase involved all non-wage attached payors and the second phase involved wage attached payors. Wisconsin began testing and phase in three months before implementation beginning with direct pay non-custodial parents and out of state employers in January 1999, followed by 50 percent of in-state employers in February 1999 and the remaining 50 percent in March 1999. Overall, these five states experienced few problems, although Pennsylvania and Wisconsin reported problems with employers supplying inadequate information. All five states received certification for their statewide child support computer systems from DHHS and four of the states use their system as the source of information to disburse payments to non-custodial parents.

Clerks Should Have Been Trained

Circuit clerks did not receive training prior to the SDU's implementation from either the SDU or Public Aid on the use of the computer hardware and software programs necessary to send information to or receive information from the SDU. In late September 1999, in many cases only a few days prior to the implementation of the SDU, the SDU sent computers equipped with software to the circuit clerks. Using these computers, the clerks were to send payment instructions and case updates to the SDU; in turn, the SDU would use the computers to send payment information to the clerks so the clerks could update their court accounts.

Since the SDU's implementation, Public Aid has taken steps to provide training to clerks. According to the Department, by January 2000, circuit clerk training either was planned or had been held at circuit clerk's offices. In addition, regional assistance hubs, hosted by circuit clerks, were set up around the State. These hubs had Public Aid technical staff who could provide support to circuit clerks in training and resolving problem cases. Public Act 91-677, passed during the veto session, required that Public Aid conduct at least four regional seminars for circuit clerks by February 1, 2000.

Circuit clerks with whom we spoke noted their lack of training on the SDU's implementation. In addition, they noted that technical documentation for the computers they received in late September and early October was missing or inadequate. Further, about half of the computers distributed to circuit clerks by the SDU had initial configuration problems. Many of these problems went undetected for several weeks after implementation.

Chapter Three

THE SDU CONTRACT

CHAPTER CONCLUSIONS

The Department of Public Aid did not adequately plan to allow them to prepare a request for proposal (RFP) to competitively procure the contract for the State Disbursement Unit (SDU). According to the Department, the contract was exempt from the requirement under the Illinois Procurement Code that it be competitively procured because it was with a governmental unit. However, allowing competition for the contract may have given Public Aid different options in implementing the SDU.

The SDU contract did not include provisions to require satisfactory performance through either incentives or penalties. Several of the other states' contracts we reviewed had sections establishing rigorous performance measures and penalties for falling short of those standards. Furthermore, many contractually required monitoring reports detailing key payment processing statistics were not submitted to Public Aid by the SDU.

Public Aid signed the contract with the SDU five months prior to legislation being enacted specifically authorizing its implementation. Public Aid officials have provided various statutory citations that it believes gave the Department the authority for entering into the SDU contract prior to the law establishing the SDU being effective.

CONTRACT ESTABLISHED

Public Aid contracted with the DuPage County Circuit Clerk to act as Illinois' SDU in February, 1999—two and one half years after the federal law requiring the establishment of the SDU was passed and only seven months before the SDU had to be operational. The SDU contract was effective retroactive to October 1, 1998, and the original contract amount for Fiscal Years 1999 and 2000 expenses was \$8.5 million.

Prior to Public Aid finalizing DuPage as the SDU site, the Illinois Association of Circuit Court Clerks unanimously voted in September 1998 to endorse Public Aid's choice of the DuPage County Circuit Clerk to be the State Disbursement Unit. A letter of intent was signed between Public Aid and the SDU later in that same month.

Both the letter of intent and the original contract with DuPage required the SDU to develop a computer system to operate interactively with Public Aid's statewide Child Support computer system called Key Information Delivery System or KIDS. The contract specifically stated that "the SDU Computer System **shall not** include the management information and data processing systems, including all hardware, software and databases, and telecommunication

systems used to transmit and receive information between the State Computer System (“KIDS”) and the Circuit Clerks.”

However, in May 1999, Public Aid determined that KIDS was not functioning statewide and could not be used as the mechanism to interface with the SDU system. Therefore, the contract was amended on August 24, 1999, retroactive to July 1, 1999. The amendment stated that “the SDU Computer System **shall** include the management information and data processing systems, including all hardware, software and databases, and telecommunication systems used to transmit and receive information between the State Computer System, the Circuit Clerks and the SDU Computer System (“Clerk Interface”).”

This meant that the SDU had to design and implement an entirely new mechanism to receive data from the circuit clerks in only a few months. To establish the interface between the SDU and the 102 circuit clerks, contracts detailing the responsibilities of each party concerning use of the computer and maintenance needed to be signed, computers needed to be installed in all 102 circuit clerk offices, and hardware and software had to be selected or developed. Because of this, the SDU budget was increased by \$317,000 to purchase 106 computers and communication links for the 102 circuit clerks. The total increase to the contract for this amendment was \$1 million. Prior to this amendment, the responsibility for providing the communication link between the SDU and the circuit clerks was Public Aid’s, not the SDU’s.

The second, third, and fourth amendments to the contract (signed on October 26, 1999, November 5, 1999, and February 16, 2000 respectively) replaced a section of the contract entitled “Operational Services Fees” to establish a specific amount that could be used for emergency payments. The second amendment provided an additional \$2 million, the third amendment provided an additional \$3 million, and the fourth amendment an additional \$3 million, bringing the total to \$8 million for this purpose, as stated in the latter amendment:

DuPage may also draw upon an additional \$8,000,000.00, subject to the prior approval of and repayment to the State (by offset or otherwise), as initial cash flow for the orderly operation of the SDU.

Length of the Contract

The original SDU contract was signed in February of 1999 but was retroactive to October 1, 1998. The contract provides that it will continue until June 30, 2000, and thereafter will automatically renew for one-year terms. None of the amendments changed the length of the contract. The contract allows either party to terminate the contract with notice of intent not to renew 90 days prior to the end of the initial term. In addition, either party may terminate with 30 days written notice for cause and Public Aid may terminate the contract without cause with 30 days written notice.

LEGAL AUTHORITY FOR THE CONTRACT

Public Aid has cited various sections of the statutes as its authority for entering into the SDU contract prior to the passage of Public Act 91-212 which specifically provided for the establishment of the SDU. Public Aid officials have stated that passage of P.A. 91-212 was not

necessary to provide the Department with the requisite authority to enter into the SDU contract. Public Act 91-212 did not become law until July 20, 1999—five months after the SDU contract was signed and less than three months before federal law required Illinois’ SDU to be operational.

An introductory clause in the SDU contract cites the Intergovernmental Cooperation Act and provisions in the Illinois Constitution as authorizing Public Aid and DuPage to enter into the SDU agreement. However, the cited provisions are not legal sources of authority; they are merely methods of carrying out authority that otherwise resides in one or the other of the contracting entities.

When questioned further concerning its authority, Public Aid provided Section 10-3.1 of the Public Aid Code in a written response to the auditors. This section of the statutes appears to relate to cases involving persons receiving certain types of public assistance and pertains to investigative and enforcement functions, not disbursement of child support. Upon further questioning, Public Aid officials stated that Section 10-3.1 was not authority for the SDU contract.

When asked again about its source of authority for the SDU contract, Public Aid officials provided two additional statutory cites. The first, Section 12-4.5 of the Public Aid Code provides that the Department shall “cooperate with the Federal Department of Health and Human Services, or with any successor agency thereof, or with any other agency of the Federal Government providing federal funds, commodities, or aid, for public aid and other purposes, in any reasonable manner not contrary to this Code, as may be necessary to qualify for federal aid for the several public aid and welfare service programs established under this Code. . .” (305 ILCS 5/12-4.5.) Although this section of the statutes provides clear authority for working with the federal government, that authority is limited to programs established under the Public Aid Code. The State Disbursement Unit was not established in the Public Aid Code until five months after Public Aid entered into the SDU contract. Further, this section does not provide clear authority for working with units of government other than the federal government.

The second citation provided by Public Aid as additional authority for the SDU contract is Section 12-4.7 of the Public Aid Code. This section provides that Public Aid shall “make use of, aid and cooperate with State and local governmental agencies, and cooperate with and assist other governmental and private agencies and organizations engaged in welfare functions.” When questioned, Public Aid officials stated that the child support program constitutes a “welfare function.” This definition of “welfare function” would encompass even those persons who are not otherwise receiving public assistance but for whom the SDU, pursuant to law, merely acts as a disbursement agent.

Before our audit of the SDU began, members of the House Child Support Committee requested an opinion from the Attorney General relating to the legality and validity of the contract. As of the close of our audit work, no opinion had yet been issued.

PROCUREMENT OF THE SDU CONTRACT

The Department of Public Aid did not adequately plan to allow it to prepare an RFP to competitively procure the contract for the State Disbursement Unit (SDU). Since the SDU contract is with a governmental unit, Public Aid officials stated the agreement was exempt from the Illinois Procurement Code and its general requirement that contracts be competitively procured (30 ILCS 500/1-10.) However, competitively procuring the contract may have provided several advantages, including assurance that the most qualified vendor was selected and obtaining other prospective vendors' perspectives on the most appropriate planning and implementation process.

In an internal Decision Memorandum dated February 26, 1999, recommending DuPage's selection as the SDU contractor, Public Aid stated that time constraints did not allow for the option of developing an RFP for the project. However, given that the federal requirement was passed in 1996 and the SDU did not have to be operational until October 1999, the Department had approximately three years to plan for and procure the necessary services to implement Illinois' SDU.

Not only was the contract itself not competitively procured, but also the legal services to develop the contract were not. According to an affidavit filed by Public Aid, the contract for legal services was done as an emergency purchase because there was not enough time to procure the contract competitively. Again, considering the three-year time frame available, it appears sufficient time was available if Public Aid had engaged in reasonable and timely planning efforts to implement this significant project.

PROJECT PLANNING	
RECOMMENDATION 6	<i>The Department of Public Aid should institute management controls necessary to ensure that projects are reasonably planned, timely implemented, and adequately controlled. Reasonable efforts should be made to avoid utilizing exceptions to the Illinois Procurement Code's general requirement that contracts be competitively procured.</i>
PUBLIC AID RESPONSE	Implemented. Controls are in place for the review, planning, implementation and control of all major projects. Procedures for the review of all projects requiring an RFP process have been established and a contract negotiation unit, separate from the program area, will be established. There were issues with this project that were outside of the control of IDPA. The majority of the decisions regarding the implementation of the SDU began with the unanimous recommendation of the DuPage Circuit Clerk's Office by the Illinois Association of Circuit Clerks. Following that decision, an RFP process was not considered due to the fact that a contract with another level of government does not require such a process.

CONTRACT CONTROLS

The contract that Public Aid signed with the SDU did not include provisions to require satisfactory performance either through incentives or penalties. Other states we contacted included liquidated damages provisions in their contracts. In Georgia, if the contractor fails to come into compliance with any performance standard in the contract, the State can withhold 10% of the funds due to the contractor. The contractor is given time to correct the noncompliance but if they do not, the State retains the funds withheld as liquidated damages and increases the withholding an additional 10% until compliance is attained.

In North Carolina, if the contractor fails to meet any milestone or project deliverable date, the State may assess liquidated damages of \$500, per work day, per deliverable or milestone, for each day until the deliverable or milestone is completed or accepted. North Carolina can also assess liquidated damages for failure to meet specific performance standards. These performance standards are outlined in the contract and include:

- 99.9% error free posting;
- Resolution of unidentified payments within two business days;
- Pick-up of all mail each day received at the post office boxes by 8:00 a.m.; and
- All collections processed and deposited by 2:00 p.m. each day.

Damage assessment is done in three steps: a warning letter, a corrective action plan, and dollar damages per day.

Wisconsin's contract also details specific performance standards and liquidated damages similar to North Carolina. Wisconsin's performance standards include:

- 99.9% of collections deposited on the same day;
- 99.9% of receipts processed on the same day;
- Correspondence forwarded to counties within 48 hours;
- Monthly average phone queue times less than one minute;
- Data entry error rate of less than .3%; and
- Resolve 95% of unidentifiable collections within three days.

Damage assessment is done in three steps: a warranty letter, a corrective action plan, and varying dollar damages.

The Illinois SDU contract did not include specific performance standards. The contract states that "DuPage shall perform the Services in a cost effective and timely manner in accordance with the terms of this agreement and applicable federal and state laws." DuPage must submit periodic reports that measure and report the quality of service, however, no specific service levels are outlined.

The contract does discuss that the SDU should be functionally able to disburse payments with identifiable payees within two business days. However, it does not establish that as a

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requirement and does not establish any reporting to allow Public Aid to tell whether the SDU is functionally able to do it.

The contract also does not contain any liquidated damage provisions or incentives for performance. A draft version of the contract, dated 12-10-98, contained a penalties section that said “to be drafted.” However, the next draft, dated 12-21-98, deleted the penalties section.

In prior OAG audits of Public Aid’s Healthy Moms/Healthy Kids and dental programs, we reviewed contracts that had performance measures and penalty provisions. However, in those audits, we noted that Public Aid failed to enforce even those safeguards that were present in the contracts.

CONTRACTS THAT PROTECT THE STATE	
RECOMMENDATION 7	<i>The Department of Public Aid should assure that contracts include provisions to appropriately protect the State’s interests. At a minimum, provisions should include specifics concerning the level of performance expected of the contractor and may include, if appropriate, penalty and incentives provisions.</i>
PUBLIC AID RESPONSE	Accepted. Although the SDU contract does contain the most important performance measure, i.e. the disbursement of identifiable child support payments within two business days after receipt, other performance level criteria should be included. The contract does specify the projected number of active cases and an estimate of annual disbursement transactions.

CONTRACT MONITORING

The SDU contract requires DuPage to provide periodic reports to Public Aid. Receipt and review of such reports would enable the Department to monitor the SDU’s performance and determine whether that performance is sufficient under contract terms.

Periodic reports required pursuant to Exhibit E to the contract include:

- The total number of transactions processed by the SDU;
- The total dollars collected by the SDU;
- The total dollars disbursed by the SDU;
- An Exception Report of all payments received but not disbursed by the SDU;
- An Exception Report of all unapplied payments received by the SDU;
- An Exception Report for all checks returned due to insufficient funds and stop payment orders;
- An Exception Report for checks returned as undeliverable;

Exhibit 3-1 CONTRACTUALLY REQUIRED SDU REPORTS RECEIVED BY PUBLIC AID		
<i>SDU Deliverable Required by Contract</i>	<i>Was Information Provided?</i>	<i>Comments</i>
Monthly – Total number of transactions processed by the SDU	Yes	Total disbursements was provided, but the term “transactions” is not defined in the contract.
Monthly – Total dollars collected by the SDU broken down by date received and by Batch/Workgroup upon request	No	
Monthly – Total dollars disbursed by the SDU, broken down by date received and by Batch/Workgroup upon request	Yes	Total dollars of regular disbursements was provided by day. No additional detail was requested or provided.
Exception report of all payments received but not disbursed by the SDU	No	Summary of deferrals was provided, but not a detailed listing of all payments received but not disbursed.
Exception report of all unapplied payments received by the SDU	No	Summary of deferrals was provided, but not a detailed listing of all unapplied payments.
Exception report for all checks returned due to insufficient funds or stop payment orders	No	
Exception report for checks returned as undeliverable	No	
Exception report for misapplied payments which require adjustments due to posting errors	No	
Report on the number of Customer Service inquiries and the source of the inquiry	No	
Source: OAG summary of SDU contract with Public Aid and SDU reports to Public Aid.		

- An Exception Report for misapplied payments which require adjustments due to posting errors; and
- A report on the number of Customer Service inquiries and the source of the inquiry.

Exhibit 3-1 shows the required documents and those that Public Aid has received. While it appears that Public Aid has been receiving some of this information, not all reports have been received by the Department. In a letter dated February 2, 2000, from Public Aid to the SDU, the Department reiterated the periodic reporting requirements contained in the SDU contract and stated that such reports must be provided in accordance with a set schedule (e.g., on either a monthly or a quarterly basis).

MONITOR SDU CONTRACT	
RECOMMENDATION 8	<i>The Department of Public Aid should institute proper management controls to ensure that all reports necessary to provide Public Aid with information to effectively monitor the quality and accuracy of SDU services are received timely, reviewed, and acted upon as appropriate by the Department.</i>
PUBLIC AID RESPONSE	Implemented. The SDU contract contains a listing of reports required to be supplied to IDPA. During the crisis period, key IDPA management staff were deployed to the SDU and were on site monitoring operations. Reports were requested on a regular basis and daily face to face status meetings occurred during the most problematic period of SDU implementation. Due to the direct observation of the SDU operation, IDPA was constantly aware of performance problems. IDPA continues to conduct on-site monitoring. This intensive monitoring of the contract allows IDPA to identify the problems and to direct the SDU to implement corrective action steps. Currently regular reports are provided to DPA by the SDU.

Timeliness of Payment Processing

The contract does not require the SDU to file any reports which detail the timeliness of payment processing. Given that federal law requires that checks with appropriate information be processed by the SDU within 48 hours of receipt, effective Public Aid monitoring of SDU claims processing is critical. Public Aid has not received reports on timely payment processing from the SDU.

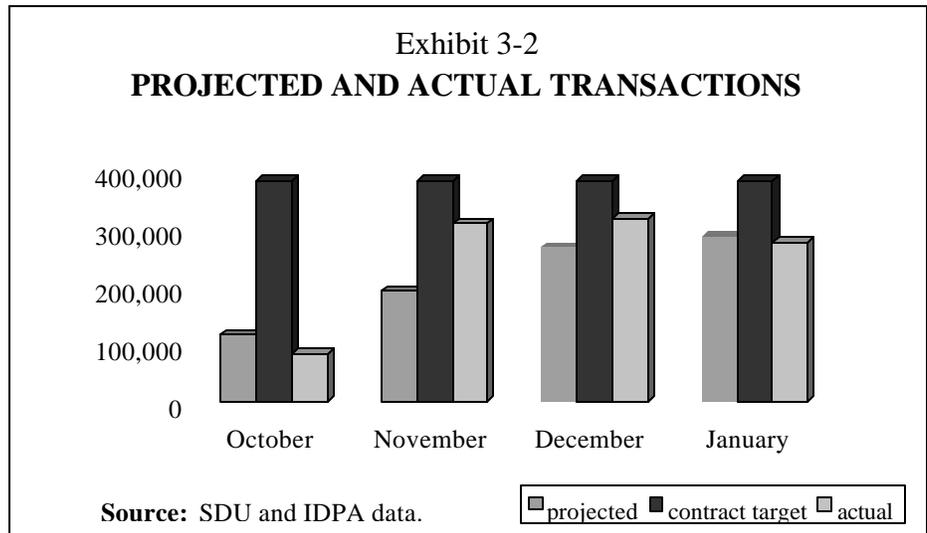
We requested a report from the SDU showing processing times for clean payments. The SDU had not prepared such a report previous to our request and had to write a program to capture payment processing times. These reports showed that the percent of non-deferred payments processed within two business days ranged from 13 percent for the week ending October 30, 1999, to 87 percent for the week ending January 22, 2000.

One limitation to these reports, however, is the manner in which the receipt date is recorded in the computer system. According to SDU officials, the receipt date in the computer defaults to the date the check is scanned into the computer, which may be several days after its actual receipt, unless this field is overridden by the data entry staff and the actual receipt date is entered. Therefore, the processing times reported by the SDU may understate the actual time taken to process a payment.

PAYMENT PROCESSING TIME	
RECOMMENDATION 9	<i>The Department of Public Aid should require the SDU to develop a method of calculating payment processing times which can be used to accurately assess compliance with federal requirements and should regularly review such reports.</i>
PUBLIC AID RESPONSE	Accepted. The SDU has been instructed to develop a method of calculating processing times. SDU’s interim method in place will be improved and payment processing time reports will be submitted to IDPA.

EXPECTED NUMBER OF TRANSACTIONS PROCESSED

The SDU has been processing less disbursements than the number of transactions that were targeted in the contract. The “fixed” contract amount covers up to 4.6 million transactions annually. An additional \$1.10 per transaction would be paid if the total transactions exceed 4.6 million. Through December of 1999, the SDU had processed 712,000 transactions, well below the 1.15 million target for the first quarter of the contract. In addition to the contract target, Public Aid also established expected transaction levels based upon projected lag times in reaching full compliance with the requirement that certain types of payments be sent to the SDU. These projections are percentages of the even monthly amounts targeted in the contract.



For example, the first three months are projected by Public Aid at 30 percent, 50 percent, and 70 percent of the contract monthly target. In December, Public Aid had projected that

transactions would be at 70 percent of the contract monthly target. Public Aid documents note that this level was used because a 70 percent compliance level is considered substantial compliance for federal purposes. A federal official that we contacted said that federal regulations actually require a 75 percent compliance rate (45 CFR 305.20). He explained that the percentage is the compliance criteria for cases reviewed and not the goal that states should try to achieve. Exhibit 3-2 shows Public Aid projections, the contract targets, and actual transactions processed through January 2000. The chart shows that actual transactions were well under the contract target for the entire period.

Transaction is not Defined

A serious limitation in the contract is that it does not define the term “transaction.” During initial contract negotiations between Public Aid and the SDU, correspondence from the SDU suggested that “transactions” be defined. However, no definition was ever incorporated into the contract. Because the term may be variously defined, a contract dispute could arise over whether or at what point the SDU has processed more transactions than the 4.6 million covered in the fixed rate portion of the contract and the State’s liability for excess payments of \$1.10 for each transaction over 4.6 million may be difficult to determine. Not defining the term “transaction” exposes the State to unknown liability.

In discussions with SDU officials in early February, they noted that they are working to come up with a definition of the term "transactions" and what the payment rate per transaction should be. Contracts should include sufficient details to determine what payments under the contract are required.

DEFINE CONTRACT TERMS	
RECOMMENDATION 10	<i>The Department of Public Aid should ensure that basic contract terms are adequately defined to avoid contract disputes and to provide sufficient parameters to each party’s contractual obligations.</i>
PUBLIC AID RESPONSE	<p>Accepted. The term "transactions" should have been defined in the contract. The parties did, however, agree early in the implementation stage not to use a "per transaction" payment methodology. IDPA and the SDU have changed the payment system to one of reimbursement for actual, allowable costs.</p> <p><i>AUDITOR COMMENT: While the involved parties may have agreed to change the method of payment, a contract amendment had not yet been filed.</i></p>

SAS 88 Report on SDU Operations

Financial auditing standards provide guidance on the reporting requirements for organizations that provide services to the principal agency being audited. In the case of the Child Support SDU, it should be considered a service organization to the Department of Public Aid as the principal agency. Among the types of services provided that qualify an entity to be a service organization are electronic data processing of transactions for the principal agency. Based on the volume of child support payments processed by the SDU in November and December 1999, and January 2000, the SDU will process about \$500,000,000 in child support payments annually. Since the primary components of the SDU are computerized, it is essential that a review of the SDU's operations and controls be conducted.

A Statement on Auditing Standards (SAS) Number 88 report done each fiscal year would allow Public Aid to appropriately monitor the SDU as a service organization and would allow the Auditor General's Office as its external auditor to assure that appropriate controls are present.

A SAS 88 review is needed because contracting with the SDU to perform child support disbursement functions for the State creates risk, control, security, and audit considerations similar to those encountered with Public Aid's own computer environment. If these services performed by the SDU were performed in-house at Public Aid, they would be subject to review by internal auditors, external auditors, and agency management.

Some of the issues involved in relying on contractual computer services include the contractor's stability, performance, security controls, data integrity controls, and disaster contingency planning. Therefore, a review and SAS 88 report would provide assurance for Public Aid and the Auditor General, as its auditors, that appropriate controls exist.

SAS 88
American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards Number 88 (SAS 88) deals with reports on the processing of transactions by service organizations.

SAS 88 AUDIT REPORTS	
RECOMMENDATION 11	<i>The Department of Public Aid should require that regular reviews and SAS 88 reports be done of the Child Support State Disbursement Unit.</i>
PUBLIC AID RESPONSE	Accepted. Future contracts of this nature will contain provisions for Third Party Reviews and specifically require the work to be SAS 88 compliant.

Chapter Four

EMERGENCY PAYMENTS

CHAPTER CONCLUSIONS

For the purpose of providing relief to custodial parents whose receipt of child support payments was delayed due to operational problems at the State Disbursement Unit (SDU), the Department of Public Aid issued over \$10 million of emergency payments between October 19, 1999 and January 5, 2000. Half a million dollars of those emergency payments were inappropriately made using trust funds received from employers on behalf of custodial parents. Through February 18, 2000 a total of \$658,602 has been returned or repaid by emergency check recipients.

Public Aid lacked adequate controls over the issuing of emergency checks. For example, before authorizing emergency payments, the Department did not verify that the support order given was valid or that regular child support payments had not been received. These lapses in controls resulted in individuals receiving emergency checks who did not have a valid support order, who were current in receiving regular child support payments, or who had received emergency payments significantly exceeding the amount of overdue regular support payments. We questioned the need for emergency checks in 16 percent (11 of 68) of emergency checks randomly sampled, for reasons such as the individual receiving the check had not been receiving regular child support payments, or when the emergency check was issued, all regular child support payments had been mailed to the individual by the SDU.

Public Aid cited Section 10-26 of the Public Aid Code as its authority for issuing emergency payments. That section of the Code states that the SDU shall collect and disburse support payments. As such, the Department has determined that the emergency payments are a form of child support. Public Aid did not make a determination whether or how such funds would be recouped prior to issuing the payments. The Department's legal counsel indicated during our fieldwork that a determination whether emergency payments could be recouped is being postponed pending receipt of an opinion on this matter by the Attorney General. Prudent business practice dictates the legal nature of the payments and any federal or State restrictions on their recoupment should have been established before the payments were issued.

THE EMERGENCY PAYMENT PROCESS

On October 19, 1999 it was announced through a press release that emergency payments would be available to custodial parents who had not received their regular child support payments. From that date through the beginning of January, 35,559 checks were issued totaling

\$10,556,243. Requests for emergency payments were made by calling the child support hotline number operated by Public Aid and providing certain information. Exhibit 4-1 shows a graphical depiction of possible hotline scenarios based on Public Aid information.

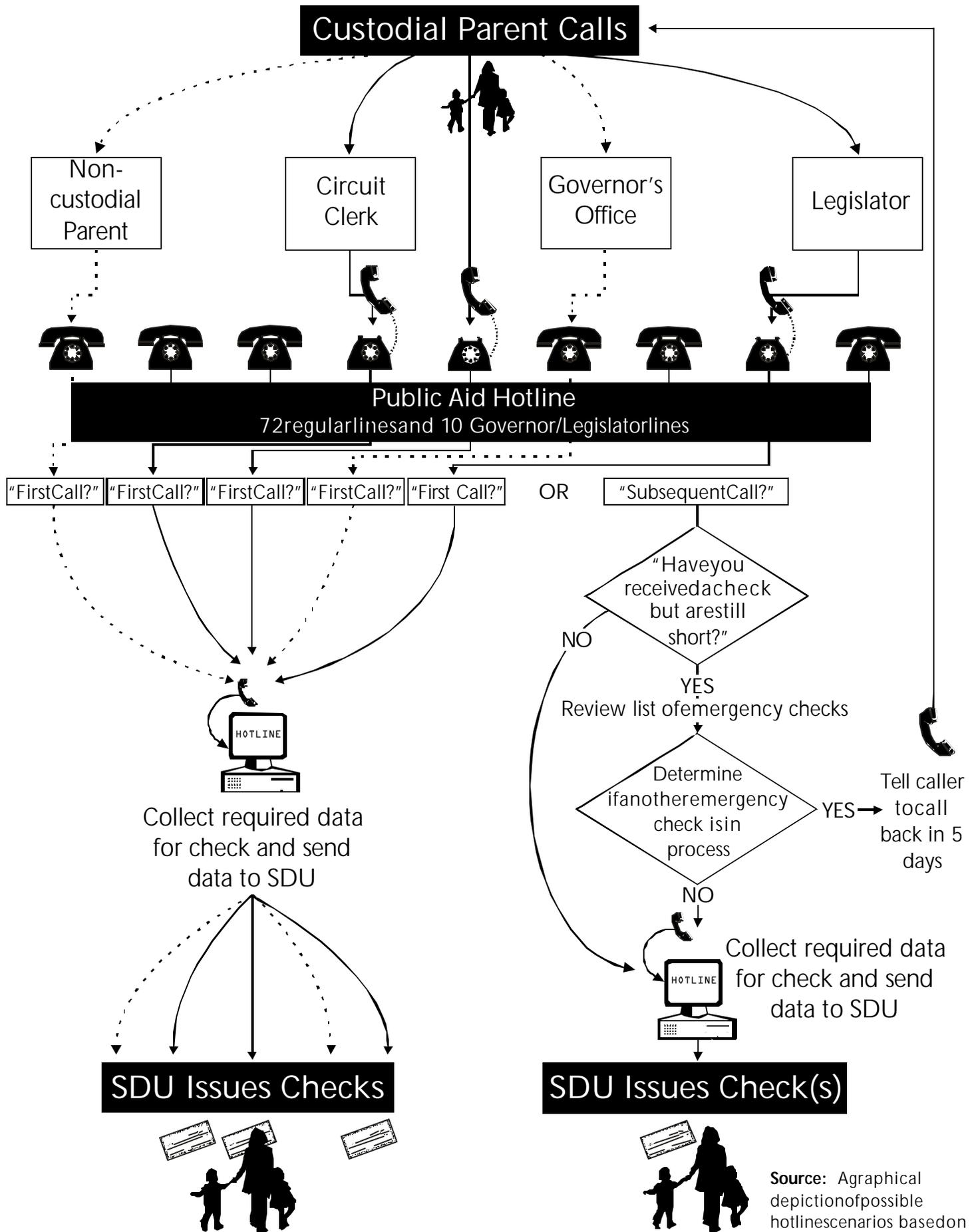
As the Exhibit shows, hotline operators did not verify any of the caller's information to determine whether the order was valid and the payment was being mailed to the correct address. Hotline personnel collected the inquiry forms and faxed them in batches to the SDU for check disbursement.

The basic emergency payment process did not change significantly; however, as more information became available, the scripts used by the hotline operators were modified. The SDU also had input as to which pieces of information on the inquiry form were required for an emergency check to be processed. Exhibit 4-2 shows how the hotline evolved over time.

Emergency check processing began by Public Aid increasing the number of telephone lines available to the hotline. The lines were open from 7:30 a.m. to 8:00 p.m. Monday through Friday and 7:30 a.m. to 6:00 p.m. on Saturdays. Hotline operators began collecting caller information using manual inquiry forms. By October 30, 1999 the inquiry form was available on-line to the operators. Hotline operators also were instructed on October 22nd to indicate whether the caller was calling for the first or second or more times. In addition, on October 26th the operators also gained on-line access to a list of regular and emergency checks that had already been issued. This check information was useful to the hotline operators so they could inform callers of the status of their requests.

Hotline staff did no verification of the data callers provided. On October 26th, the inquiry forms with caller information began to go through a quality control process which ensured that the data the SDU required for check processing was included on the form so it would not be sent back to the hotline for follow-up. Exhibit 4-1 shows the hotline emergency check process as of November 6, 1999 with 82 total operators. As of January 26, 2000 the Public Aid hotline operations were still continuing but total Public Aid operators had decreased with 55 regular lines in Springfield, 5 lines for Governor's Office inquiries, and 5 for Legislative inquiries. However, there were also 10 lines in DuPage County and 15 lines in Cook County which were not staffed by Public Aid employees.

PUBLIC AID'S EMERGENCY CHECK PROCESS



Source: A graphical depiction of possible hotline scenarios based on Public Aid's information.

Exhibit 4-2
EVOLUTION OF THE HOTLINE BY DATE

Date	Hotline Event	Cumulative Emergency Checks Issued
10-18-99	A total of 72 phone lines available to take calls. SDU requests that hotline operators get custodial parent's current address to verify SDU system data.	\$ 0
10-19-99	Hotline instructed to tell callers that a search would be done and that a check would be in the mail within 48 hours. If no check is received call back in five days.	\$ 1,590
10-20-99	Hotline hours extended to 7:30 a.m. to 8:00 p.m. M-F and until 6:00 p.m. on Saturday. Hotline instructed not to deviate from the scripts.	\$ 46,392
10-21-99	New manual inquiry form implemented.	\$ 207,570
10-22-99	Hotline to indicate on inquiry form if caller was calling back for the 2 nd or more times. Hotline operators given alphabetical list of people receiving emergency checks the day before to help inform callers if a check had been sent.	\$ 690,886
10-23-99	Hotline operators began receiving daily lists of emergency checks issued. SDU began requiring the inquiry form to include the case docket number because checks were being written from emergency funds and needed to be tied back to a case for recoupment purposes.	\$ 1,188,505
10-25-99	Attempted to enter hotline information into an electronic database for automated transmittal to the SDU.	\$ 1,846,005
10-26-99	Hotline operator inquiry forms begin to go through quality control to ensure the following information is included: case number, county, full name, address, Social Security number, and telephone number of the custodial parent, amount and frequency of current child support payment.	\$ 2,602,203
10-28-99	Hotline operators instructed to identify if a caller was calling for their first or second emergency check.	\$ 4,048,610
10-30-99	First day of automated hotline inquiry forms.	\$ 5,452,783
11-11-99	Public Aid stopped sending emergency checks and started trying to get regular checks processed.	\$ 9,813,698
11-23-99	Public Aid decided that there were many checks that should have been sent. They capped checks at \$200 and sent a list to SDU for over 3,000 checks.	\$ 10,503,240
12-6-99	Hotline operations moved to central location in Springfield.	\$ 10,519,440
Source: Public Aid and SDU data summarized by OAG.		

ANALYSIS OF EMERGENCY PAYMENTS

Exhibit 4-3 DISBURSEMENTS AND EMERGENCY CHECKS BY MONTH		
Month	Regular Disbursements	Emergency Payments
October	\$10,955,712*	\$5,930,968
November	\$38,485,939	\$4,573,872
December	\$39,481,356	\$47,126
January	<u>\$44,510,687</u>	<u>\$4,277</u>
Totals	<u>\$133,433,694</u>	<u>\$10,556,243</u>

* Includes some September disbursements.
Source: SDU data summarized by OAG.

Exhibit 4-3 shows that during the first four months of operation, the SDU disbursed \$133,433,694 in regular payments and issued \$10,556,243 in emergency checks. Some of the emergency checks issued have been voided and returned to the SDU. Other emergency checks have yet to be cashed by the custodial parents.

To review the emergency checks issued we conducted several different types of testing and analysis. First, we tested to see

whether support order numbers provided by hotline callers were legitimate. Second, we conducted a more detailed review of cases, including the payment history and status. Finally, we did a global analysis of all of the emergency checks issued to try to find cases that were questionable because of large dollar amounts, large numbers of checks to the same individual, or other unusual characteristics.

Legitimacy Review

To review the legitimacy of emergency checks issued we randomly sampled 400 emergency checks. We then verified with the appropriate circuit clerk:

- Whether the support order listed for the emergency check was valid,
- Whether the name listed on the emergency check was the same as cited in the court records, and
- Whether the recipient was receiving regular child support payments through the clerk or the SDU.

Of the 400 cases sampled, clerks’ responses indicated that five percent (18 of 400) were not valid as docket numbers for the name given and in their county. We double checked these cases in the SDU system and found the correct order in all but two cases. In most cases the county of the order listed was incorrect but a correct order for the individual was identified as administrative or in another county.

Exhibit 4-4 SUMMARY OF TESTING 400 CASES VERIFIED WITH CIRCUIT CLERKS	
Clerk Response	# of Cases
Name and Docket # not valid	18
Docket # wrong but Name was valid	28
Clerks handling payments	31
No recent payments of support	8
Valid order with payments	315

Source: OAG sample of 400 emergency check cases.

In addition, we found that in eight percent of the cases (31 of 400) the circuit clerk was still handling the payment, and in two percent of the cases (8 of 400) regular payments had not been received by the clerk for some time (e.g., the case may be inactive making an emergency payment inappropriate). A testing summary is shown in Exhibit 4-4. With this sample we were trying to identify cases where the person requesting the check had a valid support order which was receiving payments.

More Detailed Review

We also tested a random sample of 68 cases in which an emergency check was issued. In addition to determining whether the support order and custodial parent's name were valid, we reviewed the total amount of emergency checks issued to that individual and the regular case payment history at the SDU and the circuit clerk.

Exhibit 4-5 summarizes our testing results from this sample. In 56 of 68 (82 percent) cases sampled, there was an apparent need for an emergency check based upon a review of SDU and circuit clerks' information. Many support payments were delayed by the payment processing backlog experienced by the SDU in October and November 1999. In 23 of the cases where regular support was delayed, the SDU backlog was the primary cause. In another 15 cases, the backlog, in addition to other factors, contributed to the delay in disbursing the support check. Disbursements were also delayed due to late or missing information from the circuit clerks (nine cases) or from employers (six cases). Three of the apparent need cases were IV-D cases which had late information from Public Aid or incorrect cost recoveries by Public Aid. These cases are discussed later in the chapter.

Exhibit 4-5 also shows that there was questionable need for an emergency check in 11 of the 68 (16 percent) emergency checks we sampled. In 6 of the 11 cases, neither the SDU nor the circuit clerk reported receiving payments for the individual for the period in question. In three cases, the custodial parent was behind in support payments when the emergency check was requested but was current in support payments when the emergency check was finally issued.

In the remaining two cases where there was questionable need for an emergency check, it appeared that the custodial parent was receiving regular payments through the circuit clerk and, therefore, support checks were not being delayed by the SDU. For one case in our sample we were unable to determine need for an emergency check.

Final Payment Status

When we completed our testing in late January 2000, every case in our sample (with one \$136 exception) had a fully paid account without emergency checks. In other words, employers' payments had been received and regular checks had been issued to the custodial parents. Therefore, any emergency payments retained by the custodial parent represented an overpayment. The total overpayment for cases in our sample was \$32,771.

Exhibit 4-5 ASSESSMENT OF NEED IN EMERGENCY CHECKS SAMPLED			
Apparent Need -- Reasons:			
	Dollars	Cases	% of Cases
SDU payment processing backlog	\$11,996	23	34%
Late or missing circuit clerk data	\$7,389	9	13%
Late or missing employer data	\$3,601	6	9%
Combination of SDU backlog and incomplete circuit clerk, employer or IDPA data	\$6,344	15	22%
Public Aid's late information or incorrect cost recoveries.	<u>\$786</u>	<u>3</u>	<u>4%</u>
Total	\$30,116	56	82%
Questionable Need – Reasons			
No child support payments received for period in question	\$1,106	6	9%
When emergency check was sent, all regular payments had been issued	\$930	3	4%
Circuit clerk was making regular payments	<u>\$515</u>	<u>2</u>	<u>3%</u>
Total	\$2,551	11	16%
Unable to Determine Need	<u>\$240</u>	<u>1</u>	<u>1%</u>
TOTAL - ALL CASES	<u>\$32,907</u>	<u>68</u>	<u>100%</u>
Note: Percentage does not add due to rounding. Source: OAG sample of 68 cases.			

Multiple Checks

In our sample of 68 cases, 28 of the custodial parents received more than one emergency check. Two of the 28 received five emergency checks. One of the custodial parents who received five checks did not receive any child support payments from the SDU until December and was clearly entitled to the emergency checks. Another custodial parent received five emergency checks even though the SDU had issued the first regular child support check before the first request for an emergency check was received. This case is further illustrated in the adjacent case example.

Case Example One
SDU began regular disbursements on 10-14-99. Five emergency checks were sent in October and November for a total of \$2,700, in addition to the regular disbursements. The regular support payments are \$600 per month.

Public Aid's Late Information and Incorrect Cost Recoveries

In 3 of the 68 cases we sampled, Public Aid's late information or incorrect cost recoveries created the need for emergency checks. When the SDU receives a support check for a IV-D case, it checks with

Public Aid to see whether cost recovery should be done. IV-D cases are clients who are receiving assistance from Public Aid in getting child support. IV-D aid cases are also receiving

public assistance (TANF). Normally, on IV-D aid cases, clients receive the first \$50 each month (pass through) and the balance of the child support payments are cost recovered by Public Aid to repay public assistance to the State and federal governments. Whether the amount is cost recovered depends on the individual’s public assistance eligibility for the given month. Public Aid also cost recovers if the State is owed an arrearage and the custodial parent is not owed any prior child support.

In two of the three cases, individuals needed an emergency check because Public Aid cost recovered monies in error. In one case, the individual called the child support hotline on November 4, 1999 requesting \$186. Public Aid incorrectly cost recovered a \$186 payment received by the SDU. According to Public Aid documents, the \$186 payment should have gone to the custodial parent and not have been cost recovered by Public Aid. An emergency check for \$200, more than the amount requested, was issued 19 days after the initial hotline call.

In the second case, Public Aid cost recovered payments totaling \$509 received by the SDU for October and November 1999. The payments were taken by Public Aid to apply toward an arrearage owed Public Aid. However, according to Public Aid officials, this cost recovery was in error because there was a 1997 arrearage due the custodial parent that was not entered into the KIDS system until December 1999. In December 1999 these cost recoveries were manually redirected by Public Aid back to the individual. The custodial parent was issued an emergency check for \$200 on November 23, 1999.

In the third cost recovery case, the SDU received four payments from the employer in October and November. After receiving each payment, the SDU requested disbursement instructions from Public Aid. However, Public Aid did not send disbursement instructions until December. Consequently, the SDU could not disburse any payments received and the custodial parent did not receive the \$50 per month pass through for two months. The custodial parent was sent an emergency check for \$200 on November 23, 1999.

There continues to be many payments which the SDU is not disbursing because they are not receiving disbursement instructions from Public Aid for IV-D cases. According to SDU officials, as of February 12, 2000, there were 4,400 payments which the SDU had not yet disbursed because they were awaiting disbursement instruction from Public Aid. Many of these payments may have been in the SDU system for weeks without being disbursed. One circuit clerk we contacted also noted that disbursements being delayed in Public Aid cost recovery cases was a serious problem.

IV-D TIMELY DISBURSEMENT AND COST RECOVERY	
RECOMMENDATION 12	<i>The Department of Public Aid and the SDU should examine the causes of child support payments not being timely disbursed, or being inappropriately cost recovered, and take immediate action to ensure the timely and accurate disbursements of child support associated with IV-D cases.</i>

<p>PUBLIC AID RESPONSE (to Recommendation 12)</p>	<p>Implemented. IDPA and Circuit Clerks routinely instruct the SDU on the disbursement of payments. The SDU computer system has been redesigned so it does not reject disbursement instructions without a notice of rejection. The SDU computer now sends out timely reports on rejected disbursement instructions to IDPA and the Circuit Clerks.</p> <p>The current number of cases with SDU-rejected disbursement instructions totals approximately 400 IDPA IV-D cases remaining from the period of time before activation of the Reject Interface and approximately 1,300 non-IV-D cases for the 102 Circuit Court Clerk's offices.</p>
<p>SDU RESPONSE</p>	<p>The SDU responds solely to the instructions of IDPA for cost recovery. There is no determination made by the SDU related to cost recovery.</p> <p>Payments which are held waiting for response of disbursement instructions are monitored on a daily basis. The SDU notifies both Clerks and IDPA that these payments exist. In single payee conditions we have elected to give the requested party a seven day window to respond with instructions. If no response is received by the SDU, the SDU will create an instruction and the payment is released.</p> <p>Deferred payments are processed daily by the SDU and reports are sent to the Clerks and IDPA for resolution. We currently have a deferral team which attempts to identify all payments held by the SDU to the correct docket, county and payee. If the SDU cannot identify the payment within seven days, it will be returned to the sender (employer).</p> <p>In addition to pre-sort services utilized by the SDU, we have engaged an additional service which checks the postal database for change of address. Any mail returned to the SDU is worked by a team to locate the proper address. If the address cannot be found the mail is scanned back into the SDU database and the payments are held pending an active address.</p>

Requests from Multiple Parties

There were cases in our sample where requests for emergency checks came from at least two sources. SDU and Public Aid officials acknowledge that one problem was that some individuals may have called their circuit clerk for help, their legislators for help, and may have called the hotline themselves because they had not received their child support check. As a result, when the legislators and clerks called, the custodial parent may have received multiple checks.

Although we identified instances where more than one person requested an emergency payment for the same custodial parent, many of the request forms prepared by hotline operators at Public Aid do not indicate from whom the request was received.

Case Example Two
An individual received four checks for four different amounts. One request was from the custodial parent, one request was faxed from a legislator's office, one request had a legislator's name written on the form and generated two different checks.

Multiplying Order Amounts

When hotline operators took calls they recorded information on order amount and on amount of time that the custodial parent was behind on payments. They then used a multiplier to determine the amount of the emergency check. In forms that we reviewed, it is not always clear how Public Aid decided what multiplier to use.

Analysis of All Emergency Checks

We also used electronic analytical techniques to review all of the emergency checks that were issued to identify potential problems. Generally, there appear to be many problems related to emergency payments and even a cursory review showed questionable checks. Among the problems that we identified were:

Multiple Emergency Payments

In our analysis we identified 6,357 individuals who received more than one emergency payment. These checks totaled \$4,189,274. As shown on Exhibit 4-6, one custodial parent received 12 checks totaling \$2,910.

Checks Exceed Amount Due

As a result of a lack of controls by Public Aid in issuing emergency checks, many custodial parents were issued emergency checks well exceeding the amount of regular child support they were behind.

The following are examples of custodial parents who received emergency checks exceeding the amount of overdue regular child support.

- \$4,500 in emergency payments were made to a custodial parent (two checks on October 30 and one check on October 31) -- each check was for \$1,500. The custodial parent's regular support check was \$500 per week. In October, the custodial parent received \$500 from the

circuit clerk and no payments from the SDU. However, beginning on November 2, regular support payments of \$500 per week were sent to the custodial parent by the SDU. As a result, the custodial parent received \$2,500 more than she would have been entitled to from regular child support payments.

- Based on SDU records, a custodial parent appeared to be current on her child support. However, three emergency checks were issued (October 22, October 31, and November 1) for amounts of \$260, \$260, and \$779.

Operator Taking Request Not Recorded

The identity of the Public Aid staff accepting a hotline call for an emergency check was not regularly recorded. As a result, any inappropriate check requests that were processed may not be able to be traced to a particular hotline operator.

Exhibit 4-6 NUMBER OF INDIVIDUALS RECEIVING MULTIPLE EMERGENCY CHECKS		
<u>No. of Checks Received</u>	<u>No. of Individuals</u>	<u>Total Dollars</u>
12	1	\$2,910
10	3	\$4,981
9	3	\$6,257
8	5	\$7,386
7	10	\$16,095
6	25	\$38,211
5	66	\$85,636
4	282	\$315,680
3	974	\$830,387
2	4,988	\$2,881,732
1	<u>20,874</u>	<u>\$6,366,969</u>
Total	27,231	\$10,556,243*

Note: Individuals receiving multiple checks may have had multiple court orders.
 * Does not add due to rounding.
Source: SDU Emergency Check data analyzed by OAG.

For the first few days operators completed a form which was then faxed to the SDU to issue an emergency payment. From October 19th to October 21st the form that was used did not have a place where the operator could include their name. Later in the process operators input the data into a hotline request database. Although there was a field to input the name of the hotline operator, out of the 21,627 request records, 6,193 (29%) were blank and many more had entries that either were not a name or included a first name which could not identify an individual.

Payments to a Public Aid Temporary Worker

A temporary worker at Public Aid who assisted in taking emergency phone calls appears to have received three questionable emergency payments totaling over \$2,300. When we contacted the circuit clerks of the counties where the request form showed the court orders came from, the clerks responded that the court order numbers given as support for the emergency payment were not valid.

Furthermore, we reviewed 123 emergency checks issued as a result of calls

handled by this temporary worker. We identified five additional questionable emergency payments. In three of the cases, neither the custodial parent's name nor docket number was found in circuit clerk or SDU records; in the remaining two cases, a docket number was found in the clerks' records but it was for a completely different name. We have forwarded these questionable payments to the Department's Inspector General for follow-up.

Large Dollar Emergency Checks

The SDU and Public Aid issued 791 emergency checks that were \$1,000 or greater. We analyzed these cases and found that even with the large dollar checks, multiple checks were still issued. There were 65 individuals who were issued two checks of \$1,000 or more, seven people with three, and five people issued four checks \$1,000 or more. However, we analyzed some of these cases and found that although the amounts were large, regular child support payments were not processed in a timely manner and the emergency checks appeared to be warranted.

Case Example Three
In one case an individual was issued three checks in a two-day period all for more than \$1,000 and all for different amounts. Total payments for the three checks were \$3,597.

GEOGRAPHIC DISTRIBUTION OF EMERGENCY PAYMENTS

Emergency payments were issued to custodial parents residing in every county of Illinois. Exhibit 4-7 shows a map of the breakdown of emergency payments in Illinois. The location identified is the county in which the child support order was established.

Three categories of emergency payments are not included in the map. The first is child support orders which were established by the Department of Public Aid administratively. Because they are established outside of the court and apart from the circuit clerks, administrative orders do not associate with a county. The second category is out of State orders where the child support order was established outside of Illinois but is being administered in Illinois because one or both of the parents is here. The third category are instances where no county information was recorded. These categories are broken out in Appendix D of the report. The Appendix also shows total number and dollar amounts of emergency payments by county.

LEGAL AUTHORITY FOR GIVING EMERGENCY PAYMENTS

Public Aid cited Section 10-26 of the Public Aid Code as its statutory authority for issuing emergency payments. That section of the Code states that the SDU shall collect and disburse support payments. As such, the Department has determined that the emergency payments are a form of child support.

When the Department began authorizing emergency payments, officials believed that payments could be made out of SDU contract funds but had not researched how or whether payments could be recovered under applicable State and federal laws. Because of this failure to do basic research, recollecting monies, even those paid inappropriately, may be difficult.

Statutes

The statute that Public Aid officials cite as authorization for emergency payments was the enabling legislation that created the SDU (305 ILCS 5/10-26). Department officials specifically cited the portion of that Act stating:

The purpose of the State Disbursement Unit shall be to collect and disburse support payments made under court and administrative support orders.

Although it is clear that this is the authority for the SDU to collect and disburse child support, the cite makes no mention of emergency payments. Public Aid has stated that it considers the emergency payments to be a form of child support. As such, emergency payments would be subject to any State or federal restrictions pertaining to the collection and disbursement of child support payments.

The Department's legal counsel indicated during our fieldwork that a determination whether emergency payments could be recouped is being postponed pending receipt of an opinion on this matter by the Attorney General.

The Contract

The section of the SDU contract cited by Public Aid as the provision permitting and funding the emergency payments is entitled "Operational Services Service Fees." This section, as originally written, provided the following:

The State shall compensate DuPage for its Operational Services beginning on October 1, 1999 for the maintenance and operation of the SDU ("Service Fees") in the amount of \$4,804,947.00, based on an estimated 4.6 million transactions annually under the Initial Term of this Agreement (as defined in Section 12.1 of the Agreement).

There is no clear intent in the original contract that any part of the service fees would be used for making emergency payments.

Section 7.2.2 has been amended three times, on October 26th, on November 5th, and on February 16th to include a total of \$8 million in additional money to the SDU. The amendatory language states:

DuPage may also draw upon an additional \$8,000,000.00 subject to the prior approval of and repayment to the State (by offset or otherwise), as initial cash flow for the orderly operation of the SDU.

The \$8 million in funding provided by the amendments does appear to be clearly intended to be used for emergency payments. However, neither the original nor amended contract specifically mentions the collection and distribution of anything other than regular child support payments by the SDU and the term "emergency payment" is neither used nor defined.

AUTHORITY FOR EMERGENCY PAYMENTS	
RECOMMENDATION 13	<i>Public Aid should not expend State monies before assuring that it has clear statutory and contractual authority to do so.</i>
PUBLIC AID RESPONSE	<p>IDPA requests that this Recommendation be dropped. IDPA had proper authority under the Public Code and the contract with the Clerk of the Circuit Court of DuPage County ("DuPage") to expend the monies that it did for purposes of the operation of the SDU. The contract was, in fact, amended to clarify the operational services service fees for operation of the SDU, which includes issuance of emergency checks. The emergency checks issued by the SDU are a form of child support and such expenditures are authorized by 305 ILCS 5/10-26. The Public Aid Code allows IDPA to make payments from the Child Support Enforcement Trust Fund, 305 ILCS 5/12-10.2, for contractual services. Under the contract, operating the SDU includes disbursement of ALL child support checks. Issuance of emergency checks for child support is, therefore, a component of operating the SDU.</p> <p>In early November 1999, representatives of IDPA and the Office of the Comptroller met to discuss issues of payment to the SDU under the contract and pertinent statute. Both concluded that payment was permissible.</p> <p><i>AUDITOR COMMENT: The emergency payments were made out of SDU contract funds. The SDU contract does not specifically mention "emergency" payments. However, on October 26, 1999 the contract was amended to provide for "initial cash flow." The Department has indicated that the purpose of initial cash flow was to provide funds for emergency payments. By early November, when the Department states it met with the Comptroller to determine its authority to make emergency payments, \$7.5 million of emergency checks had already been issued.</i></p>

FUNDS FOR EMERGENCY PAYMENTS

Of the payments made to the SDU through January 2000, only \$5 million of SDU vouchers that had been processed and paid were specifically identified as being for emergency payments. Other vouchers used to reimburse the SDU for emergency payments stated they were for "operational fees for cash flow purposes. . .for the orderly operation of the SDU." Because these vouchers do not clearly state their purpose, it is difficult to determine exactly how much

Audit of the Child Support State Disbursement Unit

the SDU has been reimbursed for the emergency payments it has processed. Public Aid officials have identified \$9.5 million in available funds for the purpose of reimbursing the SDU for emergency payments, including \$4.5 million of a total of \$4.8 million in service fees provided in the original contract plus another \$5 million in “initial cash flow” provided through amendments. Exhibit 4-8 summarizes emergency payments and recoveries from those payments through February 18, 2000.

However, even if \$9.5 million in vouchers had been processed to reimburse the SDU for emergency payments, it would not have been large enough to cover the \$10.5 million that was issued. In a document provided on February 18, 2000, SDU officials indicated that \$500,000 had been borrowed from the money that had been paid by employers but not distributed by the SDU.

Exhibit 4-8 EMERGENCY PAYMENT SUMMARY as of February 18, 2000	
Total Emergency Payments	\$10,556,243
Less:	
Emergency Checks Returned	\$ 538,851
Regular Checks Returned as Repayment	\$ 95,867
Personal Checks as Repayment	\$ 23,884
Checks Not Cashed	<u>\$ 223,255</u>
Emergency Payments Cashed and Not Repaid	<u>\$9,674,386</u>
Source: SDU data summarized by OAG.	

The funds received by the SDU from employers are intended to be disbursed to specific custodial parents. They are fiduciary funds held in trust for a particular purpose by the governmental unit. According to government accounting standards, fiduciary funds cannot be used to support the government’s own programs (NCGAS 1, par. 18 and GASB Statement 34, Paragraph 69).

FUNDS HELD IN TRUST	
RECOMMENDATION 14	<i>The Department of Public Aid and the State Disbursement Unit should not use funds collected and held in trust for child support payments for anything other than the purpose for which they were collected.</i>
PUBLIC AID RESPONSE	We request that this recommendation be dropped. Since the emergency checks issued by the SDU are child support, neither IDPA nor the SDU used funds collected by the SDU for anything other than the purpose for which they were collected. In particular, neither funds provided for emergency checks nor child support collections garnered by the SDU were used for personnel services, travel, equipment or other administrative costs.
	<i>AUDITOR COMMENT: As noted in the report, child support payments submitted to the SDU are for specific custodial parents. We question whether these child support payments can be used to provide emergency payments to parties other than those for whom the support payments were made.</i>

<p>SDU RESPONSE (to Recommendation 14)</p>	<p>Around December 1st, the SDU notified IDPA that the emergency fund account was short of funds to cover the checks that we were directed by IDPA to issue on November 23, 1999. A telephone conference, called by IDPA, was held with their Financial and Budget personnel concerning the need for funding. The SDU was directed to use \$500,000 of the regular disbursement account float to cover the shortages in the emergency fund. The participants in the phone conference were Fred Backfield in Springfield from IDPA, Joel Kagann, Dewey Hartman and Jim Nurss from the SDU. Ann Patla and Bob Lyons were also present at the SDU for the conference. At the time the SDU was assured we would be reimbursed for the bank balance overrun by the following week. We have since invoiced IDPA for these dollars.</p>
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RECOVERING EMERGENCY PAYMENTS

At the completion of our audit work, the Department had made no attempt to recover emergency payments. Two other states we surveyed—North Carolina and Tennessee—experienced problems similar to Illinois in implementing their state disbursement unit and, as a result, those states also issued emergency payments. Although no attempt has been made in Illinois to recover emergency payments, both North Carolina and Tennessee have begun to recover the emergency payments made in their states.

In North Carolina over \$7 million of emergency payments (35,070 checks) were issued and over \$6 million of that amount had been recovered by February 10, 2000. Before an emergency payment was issued, the payment records were checked and if a regular child support payment had been missed an emergency check was issued. Often the undistributed employer payment was identified shortly after the emergency payment was made. So, for example, when a \$100 emergency payment was sent, information provided by the custodial parent allowed the disbursement unit to identify one or two employer payments that were backlogged. One of these backlogged payments was used to pay back the emergency payment and the second was disbursed to the parent. Some North Carolina emergency payment cases could not be resolved as quickly and, in those cases, ten percent of the emergency payment will be recovered from each of the next ten regular child support payments.

In Tennessee, an official estimated that about \$2 million of emergency payments were issued and recoveries were being made by the end of January 2000. He noted that they inserted a notice with the emergency check when it was mailed.

In Illinois, Public Aid received an analytical paper from the federal Department of Health and Human Services which deals with Illinois' emergency payment program. The paper notes that there is no provision in federal law that “allow claims for amounts overpaid under the emergency payment provision for the Federal match.” In other words, neither regular child

support payments nor emergency payments are eligible for any federal reimbursement or matching provision.

In our follow-up discussion with a federal official he noted that for any cases which are required to go through the SDU, federal regulations would apply. Federal regulations require that child support payments received can only be used for their intended purpose. Therefore, recouping overpayments of any type by intercepting subsequent child support payments, cannot be done without the custodial parent's permission. The federal official also clarified that federal regulations apply to all IV-D orders and non IV-D withholding orders that were established January 1, 1994 or thereafter. In our audit work we did not determine whether North Carolina and Tennessee obtained the required permission from the custodial parents before making recoveries.

In early November, the SDU sent notices to people who had received emergency checks. The notice indicated that:

Your account will reflect all checks disbursed to you. Therefore, your account may reflect one or more additional payments and your account may have to be adjusted accordingly.

We will notify you in advance of adjustment and the process for recovery, if this applies to your case.

The notice also indicated where emergency payments could be returned if the individual wanted to return them.

As is discussed earlier in this chapter, we identified a number of payments that appear to be duplicates or were otherwise made in error. In addition, as of the end of January, of our sample of 68 cases, 67 cases appeared to be current in regular child support payments plus they have received a total of \$32,771 extra in emergency payments.

As stated earlier, the Department was postponing making a decision concerning any attempts at recoupment of excessive or erroneous emergency payments pending the receipt of an opinion from the Attorney General on the matter. Prudent business practice dictates the legal nature of the payments and any federal or State restrictions on their recoupment should have been established before the payments were issued. Also, generally speaking, as receivables get older the possibility that they can be collected declines.

RECOUPMENT OF EMERGENCY PAYMENTS	
<p>RECOMMENDATION</p> <p>15</p>	<p><i>The Department of Public Aid should immediately review federal and State restrictions on child support collections and disbursements and determine what restrictions may apply to recoupment of erroneous or excessive emergency payments. If necessary, the Department should consult with the federal government and other states experiencing similar situations. This information should be made available to persons ultimately responsible for deciding whether and by what methods emergency payments will be recouped.</i></p>
<p>PUBLIC AID RESPONSE</p>	<p>Implemented. IDPA did review, and continues to review, both federal law and regulation as well as Illinois law regarding recovery issues. Regarding recovery issues, IDPA consulted with other states who have issued emergency child support payments during the implementation of their SDU. We also consulted the federal government on its position on this issue. Any decision on recovery, generally, will ultimately be decided by the General Assembly, as informed by the Attorney General's Opinion which was requested by two members of the General Assembly.</p> <p>In addition, IDPA requested on February 3, 2000, that the Office of the Inspector General (OIG) initiate a review of all emergency payments. The purpose of the review is to identify any payment made to an ineligible person. The OIG has informed IDPA that the review has been initiated. Obviously, IDPA <u>will</u> attempt to recover all payments made to ineligible persons as discovered by the OIG review. The OIG will refer anyone who is suspected of intentionally defrauding IDPA to state or federal prosecutors.</p>

APPENDICES

APPENDIX A
LAC Resolution Number 117

Resolution Number 117

Presented by Representatives Curry - O'Brien

WHEREAS, on July 20, 1999, the Governor signed into law Senate Bill 1063 (P.A. 91-212) in order to bring Illinois into compliance with the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 which mandated that the State of Illinois establish a State Disbursement Unit by October 1, 1999;

WHEREAS, Senate Bill 1063 created the Child Support State Disbursement Unit centralizing the collection of child support payments through one agency rather than through 102 separate Circuit Clerk Offices throughout the State;

WHEREAS, on February 26, 1999, the State Department of Public Aid executed a contract with the DuPage County Office of the Clerk of the Circuit Court to establish the State Disbursement Unit;

WHEREAS, due to problems in implementing the State Disbursement Unit, thousands of child support checks have been delayed; and

WHEREAS, millions of dollars in emergency funds have been expended to assist custodial parents whose child support checks have been delayed; therefore be it

RESOLVED by the Legislative Audit Commission that the Auditor General be directed to conduct a management audit of the Illinois Department of Public Aid's Child Support State Disbursement Unit; and be it further

RESOLVED, that this audit shall include but need not be limited to the following determinations:

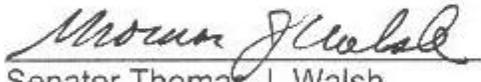
- Possible causes of the problems in implementing the State Disbursement Unit, such as the adequacy of the computer interface system, management planning and staffing;
- The manner in which the contract establishing the State Disbursement Unit was procured and whether the contract establishing the State Disbursement Unit contains terms and conditions sufficient to protect the State's interests; and
- The extent of emergency payments made by the Department of Public Aid; its authority for making such payments; the source of funds for such payments; and what issues may affect the Department's ability to require and/or obtain repayment of emergency payments; and be it further

RESOLVED, that the Department of Public Aid, the State Disbursement Unit, and any other entity that may have information relevant to this audit shall cooperate fully and promptly with the Office of the Auditor General in the conduct of this audit; and be it further

RESOLVED, that the Auditor General commence this audit as soon as possible and

report his findings and recommendations by March 15, 2000, or as soon thereafter as possible, in accordance with the Illinois State Auditing Act.

Adopted this 11th day of January, 2000.



Senator Thomas J. Walsh
Co-chair



Representative Julie Curry
Co-chair

APPENDIX B
Audit Sampling and Methodology

APPENDIX B

AUDIT SAMPLING AND METHODOLOGY

We obtained and reviewed information from the Department of Public Aid and the DuPage County Circuit Clerk's Office that acts as the State Disbursement Unit. The information reviewed included contracts between the SDU and Public Aid and between the SDU and the circuit court clerks. Other information reviewed included correspondence between Public Aid and employers, memos from Public Aid and the SDU, correspondence and memos between SDU and circuit clerk vendors, and Public Aid internet home page information relating to the implementation of the SDU. We interviewed Public Aid and SDU officials, circuit clerks and one of their vendors, as well as some employers.

In conducting the audit, we reviewed federal law as well as State statutes governing the SDU. We reviewed compliance with those laws to the extent necessary to meet the audit's objectives. Any instances of non-compliance are noted as findings in this report.

The previous financial, compliance, and performance audits released by the Office of the Auditor General for Public Aid were reviewed to identify any issues related to child support issues, contract management issues, or general issues relating to internal controls. We reviewed management controls relating to the audit objectives which were identified in Legislative Audit Commission Resolution Number 117 (see Appendix A). This audit identified some weaknesses in the controls which are included as findings in this report.

TESTING AND ANALYTICAL PROCEDURES

We tested two samples of emergency checks. These samples were drawn from the universe of all emergency checks issued October 19, 1999 through January 5, 2000, which had not been returned or repaid by the recipient. This allowed us to focus on checks that were potential problems either because the custodial parent had not been receiving her regular child support checks or because checks may not have been needed. For the first sample, we tested a statistically valid random sample of 68 cases with a 90 percent confidence level and a margin of error of 10 percent. For this sample we verified emergency check information to SDU and circuit clerk information. Using this information we were able to determine whether it appeared an emergency check was needed, and regardless of whether it was needed, whether the account was fully paid through a specific point in time.

For the second sample, we verified with circuit clerks the validity of child support docket numbers provided by individuals who requested emergency checks. For this sample we tested 400 cases which allowed the sample to be random and statistically valid with at least a 95 percent confidence level and a margin of error of five percent. The primary purpose of this sample was to

determine the proportion of child support docket numbers that were provided in hot line calls received that were valid for the name provided.

In our testing we also requested recent payment information to try to determine whether payments had been received on this order just before the SDU implementation. Some clerks also provided payments which had been processed through the SDU. This allowed us to make some determination as to whether a check appeared to have been needed.

In addition to the two random samples, we did electronic analysis of the universe of emergency checks that allowed us to report some statistics that related to the universe of cases. This included data analysis on the largest checks, and multiple checks to one name.

At the conclusion of the audit work, the exceptions that we had identified were turned over to the Department of Public Aid's Inspector General.

APPENDIX C

SDU Chronology

APPENDIX C
CHRONOLOGY OF SDU IMPLEMENTATION

August 22, 1996	The federal law is passed which established a deadline that a Statewide SDU must be in place by October 1, 1999. The deadline is 1998 for states that do not have collections that flow through local court clerks.
May 15, 1997	Notice from federal Office of Child Support Enforcement providing instructions for requesting an exemption for one of the mandatory state plan provisions related to SDU requirements.
September 15, 1997	Notice from federal Office of Child Support Enforcement detailing collection and disbursement of support payments through the State Disbursement Unit.
September 4, 1998	(1). Illinois Association of Circuit Court Clerks unanimously voted to endorse Public Aid's choice of the DuPage County Circuit Clerk to be the State Disbursement Unit. (2). Also in September, the DuPage County Circuit Clerk signs a letter of intent to be the SDU vendor with Public Aid.
January 1999	Circuit Clerks are informed as to what types of information they would need to provide and that the data would need to be provided electronically. (through the KIDS system)
February 26, 1999	Public Aid signs a contract with DuPage County Circuit Clerk to develop and maintain a State Disbursement Unit for centralized collection and disbursement of payments under child support orders. This contract is retroactive to October 1, 1998.
April 20, 1999	SDU holds a meeting with circuit clerk vendors to assure they understand required data.
May 1999	Plans to use KIDS as the statewide system to link data for the SDU were cancelled. SDU begins work on an alternate interface to replace KIDS.
July 20, 1999	Public Act 91-212 authorizing operation of a State Disbursement Unit is signed.
August 13, 1999	Public Aid sends a letter to employers noting that child support payments should go to the SDU effective October 1, 1999 and should include docket number and county.

APPENDIX C
CHRONOLOGY OF SDU IMPLEMENTATION

August 24, 1999	SDU contract with Public Aid is revised to buy one computer for each circuit clerk and 5 for Cook. These computers will be used to replace KIDS as the clerks' interface to the SDU information. This contract was retroactive to July 1, 1999.
September 14, 1999	Agreement is reached with the computer vendor used by about 75 clerks to assist in providing electronic information from clerks to the SDU.
September 30, 1999	A new central unit for Child Support Payments is announced.
October 1, 1999	Federal deadline to have a State Disbursement Unit operational.
October 1999	Notice to employers noting the 10 pieces of required information. Notes that all income withholding must be sent to the SDU.
October 15, 1999	Hotline is established to assist parents not receiving their child support.
October 19, 1999	Announcement is made that the State, through the SDU, will provide emergency payments.
October 20, 1999	Hotline hours are extended.
October 25, 1999	SDU added a second shift.
October 26, 1999	Notice to employers noting 8 pieces of required information.
October 27, 1999	Legislative Audit Commission considers an audit resolution relating to the SDU. LAC defers consideration until December and asks the Auditor General's Office to work with Public Aid.
November 29, 1999	Federal legislation is signed extending deadline for SDU implementation.
January 2000	Public Aid releases another letter to employers detailing the information that needs to be submitted with checks as well as other information related to the processing of child support.
January 5, 2000	Public Act 91-677 becomes law which establishes training to be offered to employers and requirements for the use of Electronic Funds Transfer (EFT) by employers. This legislation also eliminated the exception that orders before January 1, 1994 did not have to sent to the SDU.

APPENDIX D
EMERGENCY CHECK DATA
BY COUNTY

From October 19, 1999 to January 5, 2000

APPENDIX D
**NUMBER AND DOLLARS OF EMERGENCY CHECKS
 BY COUNTY**

From October 19, 1999 through January 5, 2000

COUNTY	NUMBER OF CHECKS	DOLLARS OF CHECKS ISSUED	PERCENT OF TOTAL DOLLARS
ADAMS	555	\$142,436	1.35%
ALEXANDER	34	\$8,024	0.08%
BOND	38	\$10,292	0.10%
BOONE	144	\$38,182	0.36%
BROWN	30	\$8,357	0.08%
BUREAU	109	\$34,270	0.32%
CALHOUN	5	\$1,454	0.01%
CARROLL	39	\$8,878	0.08%
CASS	44	\$11,327	0.11%
CHAMPAIGN	760	\$241,436	2.29%
CHRISTIAN	314	\$78,129	0.74%
CLARK	113	\$27,447	0.26%
CLAY	113	\$24,192	0.23%
CLINTON	130	\$38,460	0.36%
COLES	316	\$76,475	0.72%
COOK	7,318	\$1,953,152	18.50%
CRAWFORD	112	\$29,428	0.28%
CUMBERLAND	83	\$18,557	0.18%
DE KALB	194	\$75,480	0.72%
DEWITT	112	\$30,959	0.29%
DOUGLAS	133	\$32,893	0.31%
DU PAGE	1,545	\$764,161	7.24%
EDGAR	77	\$18,471	0.17%
EDWARDS	20	\$4,186	0.04%
EFFINGHAM	182	\$41,487	0.39%
FAYETTE	120	\$29,790	0.28%
FORD	49	\$11,397	0.11%
FRANKLIN	216	\$54,372	0.52%
FULTON	343	\$91,874	0.87%
GALLATIN	39	\$10,944	0.10%
GREENE	82	\$23,199	0.22%

APPENDIX D
**NUMBER AND DOLLARS OF EMERGENCY CHECKS
 BY COUNTY**

From October 19, 1999 through January 5, 2000

COUNTY	NUMBER OF CHECKS	DOLLARS OF CHECKS ISSUED	PERCENT OF TOTAL DOLLARS
GRUNDY	247	\$91,828	0.87%
HAMILTON	41	\$10,705	0.10%
HANCOCK	48	\$15,167	0.14%
HARDIN	29	\$7,097	0.07%
HENDERSON	95	\$22,685	0.21%
HENRY	225	\$62,886	0.60%
IROQUOIS	73	\$18,326	0.17%
JACKSON	187	\$54,077	0.51%
JASPER	30	\$8,515	0.08%
JEFFERSON	299	\$80,391	0.76%
JERSEY	62	\$19,005	0.18%
JO DAVIESS	30	\$8,975	0.09%
JOHNSON	32	\$10,401	0.10%
KANE	1,165	\$394,937	3.74%
KANKAKEE	485	\$138,418	1.31%
KENDALL	169	\$67,315	0.64%
KNOX	511	\$125,397	1.19%
LA SALLE	560	\$155,665	1.47%
LAKE	716	\$288,963	2.74%
LAWRENCE	29	\$5,788	0.05%
LEE	203	\$54,306	0.51%
LIVINGSTON	316	\$95,982	0.91%
LOGAN	174	\$46,003	0.44%
MACON	838	\$199,118	1.89%
Source: SDU data summarized by OAG			
MACOUPIN	123	\$27,627	0.26%
MADISON	1,039	\$307,430	2.91%
MARION	605	\$155,636	1.47%
MARSHALL	56	\$13,299	0.13%
MASON	55	\$12,337	0.12%
MASSAC	59	\$15,664	0.15%

APPENDIX D
**NUMBER AND DOLLARS OF EMERGENCY CHECKS
 BY COUNTY**

From October 19, 1999 through January 5, 2000

COUNTY	NUMBER OF CHECKS	DOLLARS OF CHECKS ISSUED	PERCENT OF TOTAL DOLLARS
MCDONOUGH	103	\$24,482	0.23%
MCHENRY	554	\$203,640	1.93%
MCLEAN	521	\$182,437	1.73%
MENARD	83	\$24,360	0.23%
MERCER	55	\$18,623	0.18%
MONROE	53	\$15,877	0.15%
MONTGOMERY	186	\$43,939	0.42%
MORGAN	183	\$50,091	0.47%
MOULTRIE	90	\$28,603	0.27%
OGLE	288	\$94,261	0.89%
PEORIA	1,082	\$315,035	2.98%
PERRY	118	\$34,772	0.33%
PIATT	114	\$33,755	0.32%
PIKE	91	\$22,491	0.21%
POPE	11	\$2,754	0.03%
PULASKI	29	\$7,865	0.07%
PUTNAM	17	\$5,507	0.05%
RANDOLPH	132	\$37,480	0.36%
RICHLAND	42	\$10,106	0.10%
ROCK ISLAND	837	\$226,407	2.14%
SALINE	119	\$38,688	0.37%
SANGAMON	1,411	\$440,337	4.17%
SCHUYLER	26	\$5,403	0.05%
SCOTT	31	\$8,896	0.08%
SHELBY	94	\$23,476	0.22%
ST CLAIR	1,415	\$402,829	3.82%
STARK	26	\$10,631	0.10%
STEPHENSON	252	\$67,780	0.64%
TAZEWELL	698	\$199,311	1.89%
UNION	54	\$12,940	0.12%
VERMILION	546	\$129,281	1.22%

APPENDIX D
**NUMBER AND DOLLARS OF EMERGENCY CHECKS
 BY COUNTY**

From October 19, 1999 through January 5, 2000

COUNTY	NUMBER OF CHECKS	DOLLARS OF CHECKS ISSUED	PERCENT OF TOTAL DOLLARS
WABASH	30	\$6,559	0.06%
WARREN	180	\$47,025	0.45%
WASHINGTON	61	\$15,317	0.15%
WAYNE	98	\$21,522	0.20%
WHITE	75	\$21,229	0.20%
WHITESIDE	326	\$85,773	0.81%
WILL	1,656	\$621,842	5.89%
WILLIAMSON	181	\$49,018	0.46%
WINNEBAGO	1,214	\$327,048	3.10%
WOODFORD	139	\$42,064	0.40%
ADMINISTRATIVE	219	\$62,892	0.60%
OUT OF STATE	94	\$30,689	0.29%
UNKNOWN	<u>155</u>	<u>\$49,557</u>	0.47%
TOTALS	<u>35,559</u>	<u>\$10,556,243</u>	##### *

NOTE: Administrative orders are established by Public Aid and do not associate with a county. Out of State cases were established outside of Illinois. For unknown orders, either the callers did not provide or the hot line operator did not collect the county of the child support order.

* Percentages do not foot to 100 due to rounding.

Source: SDU data summarized by OAG

APPENDIX E
Copies of Employer Notices



George H. Ryan, Governor
Ann Patla, Director

Illinois Department of Public Aid

201 South Grand Avenue East
Springfield, Illinois 62763-0001

Telephone: (217) 782-1200
TTY: (800) 526-5812

August 13, 1999

Dear Employer:

Recent changes in federal and state laws require the State of Illinois to change the way it handles child support and spousal support payments. Federal P.L. 104-109, enacted August 22, 1996, and State P.A. 91-212, effective July 20, 1999, govern the child support payment processing and disbursement, commonly referred to as a State Disbursement Unit. A support payment is a payment made pursuant to a court or administrative income withholding order for the support of a child or maintenance of a spouse. These changes are being made to make the collection and distribution of support payments easier for employers and families. We need and appreciate your cooperation in complying with the new laws.

AS OF OCTOBER 1, 1999, SEND SUPPORT PAYMENTS TO SDU

On October 1, 1999, a new State Disbursement Unit will take over processing of support payments in Illinois. Starting October 1, employers should send support payments withheld under court or administrative orders to:

**State Disbursement Unit
P.O. Box 8000
Wheaton, IL 60189-8000**

**Make remittances payable to the
STATE DISBURSEMENT UNIT**

There is one exception to this rule. If you are sending a payment on an order for support dated before January 1, 1994, AND the custodial parent has not applied for or is not receiving child support enforcement services from the Illinois Department of Public Aid, you may keep sending those payments to the Circuit Court Clerk. However, the SDU is prepared to accept all payments sent by employers.

Employers must provide the case number (order/docket number) and name of the county where the order was entered for payments sent to the SDU. Court orders are entered through the Office of Circuit Court Clerk. Administrative orders are entered through a state administrative process. Both court and administrative orders contain order numbers and are included in the new laws about payment processing.

**IF YOU WANT TO USE ELECTRONIC FUND TRANSFER (EFT), YOU MUST
CONTACT THE SDU PRIOR TO USE**

If you use EFT services now or you would like to use EFT services in the future to send payments to the State Disbursement Unit, please contact the SDU at (630) 681-2488. The SDU is open from 8:30 am to 4:30 pm, Monday through Friday, except legal holidays. There are certain rules you must follow if you are sending payments to the SDU using EFT. *If you currently use EFT, please contact the SDU as soon as possible to avoid any interruption of payments to the custodial parent.*

FOR ADDITIONAL INFORMATION

- For information about employee withholdings, call the Illinois Department of Public Aid, Division of Child Support Enforcement Employment Verification Unit at (217) 782-1380.
- If you need information about a court order that has been entered for support or order/notice for income withholding, please contact the Circuit Court Clerk from the county in which the order was issued.

Sincerely,



Ann Patla, Dr. HL
Director

Bulletin

REMINDER TO EMPLOYERS

As you are aware, as of October 1, 1999, all income withholding for child support payments must be sent to the State Disbursement Unit, P.O. Box 8000, Wheaton, Illinois 60189-8000. All payments must include the following information:

1. County ID
2. Name of Payee, if known (Last, First)
3. Docket Number
4. Company Name
5. Employee/Payor Name
6. Check Amount
7. Check Number
8. Social Security Number of the Employee/Payor
9. Pay Period End Date
10. Check Date

Without the above information, the State Disbursement Unit cannot forward the payment to the custodial parent.

IT IS PARAMOUNT THAT YOU SEND YOUR PAYMENTS TO THE SDU WITH THE CRITICAL INFORMATION.

If you have any questions, please call 217/782-1380.

Illinois Child Support Program

BULLETIN

October 26, 1999

CHILD SUPPORT PAYMENTS ATTENTION: PAYROLL OFFICE

As you are aware, as of October 1, 1999, federal and state law requires that most income withholding payments must be sent to the State Disbursement Unit (SDU). Income withholding payments made under an order for support entered or modified on or after January 1, 1994 must be sent to the SDU. In addition, income withholding payments made in cases in which the custodial parent is receiving child support services from the Illinois Department of Public Aid must be sent to the SDU, regardless of when the order for support was entered or modified.

The address for the SDU is P.O. Box 8000, Wheaton, Illinois 60189-8000. The following information must be included with payments to the SDU:

1. County Name and Docket Number on the Income Withholding Order/Notice
2. Name of Custodial Parent (Last and First Name of Person Receiving Child Support)
3. Company Name
4. Name of Employee Responsible for Paying Child Support
5. Child Support Amount Withheld
6. Social Security Number of Employee Paying Child Support
7. Pay Period End Date

Without the above information, the State Disbursement Unit cannot forward the payment to the custodial parent. **PLEASE NOTE, CHECKS MUST BE MADE PAYABLE TO THE SDU.**

IT IS IMPORTANT THAT YOU SEND YOUR PAYMENTS TO THE SDU WITH THE ABOVE CRITICAL INFORMATION.

If you have any questions, please call the Employer Hot Line at 217/782-1380.

**ILLINOIS DEPARTMENT OF PUBLIC AID
DIVISION OF CHILD SUPPORT
ORDER/NOTICE TO WITHHOLD INCOME FOR CHILD SUPPORT**

State of Illinois _____
 Co./City/Dist. of _____
 Date of Order/Notice _____
 Court/Case Number _____
 Begin Date of Order _____

_____ Original Order/Notice
 _____ Amended Order/Notice
 _____ Terminate Order/Notice

_____)	RE: *	_____
Employer/Withholder's Federal EIN Number)	Employee/Obligor's Name (Last, First, MI)	RIN
_____)	_____	_____
Employer/Withholder's Name)	Employee/Obligor's Social Security Number	_____
_____)	_____	_____
Employer/Withholder's Address)	Employee/Obligor's Case Identifier	_____
_____)	_____	_____
_____)	Custodial Parent's Name (Last, First, MI)	RIN
_____)	_____	_____
any subsequent employer/payor of income)	_____	_____

Child(ren)'s Name(s):	DOB	Child(ren)'s Name(s):	DOB
_____	_____	_____	_____
_____	_____	_____	_____

ORDER INFORMATION: This is an Order/Notice to Withhold Income for Child Support based upon an order for support from _____. By law, you are required to deduct these amounts from the above-named employee/obligor's income until _____ even if the Order/Notice is not issued by your State. *See Important Information on Employer/Payor of Income Summary Notice.

If checked, you are required to enroll the child(ren) identified above in any health insurance coverage available through the employee/obligor's employment. Print health carrier: _____

\$ _____ per _____ in current support
 \$ _____ per _____ in past-due support Arrears 12 weeks or greater? yes no
 \$ _____ per _____ in medical support
 \$ _____ per _____ in delinquency totaling \$ _____ as of _____
 \$ _____ per _____ in other (specify) _____

for a total of \$ _____ per _____ to be forwarded to the payee below.

You do not have to vary your pay cycle to be in compliance with the support order. If your pay cycle does not match the ordered support payment cycle, use the following to determine how much to withhold:

\$ _____ per weekly pay period. \$ _____ per semimonthly pay period (twice a month).
 \$ _____ per biweekly pay period (every two weeks). \$ _____ per monthly pay period.

REMITTANCE INFORMATION: Follow the laws and procedures of the employee/obligor's principal place of employment even if such laws and procedures are different from this paragraph:

You must begin withholding no later than the first pay period occurring 14 days after the date of this Order/Notice. Send payment within 7 business days of the pay date/date of withholding. You are entitled to deduct a fee of your actual cost not to exceed \$5 monthly to defray the cost of withholding. The total withheld amount, including your fee, cannot exceed _____% the employee/obligor's aggregate disposable weekly earnings. For the purpose of the limitation on withholding, the following information is needed (see #9 on back):

When remitting payment provide the pay date/date of withholding and the case identifier _____. If remitting by EFT/EDI, use this FIPS code: * _____; Bank routing code: * _____; Bank account number: * _____.

Make it payable to: _____

Send check to: _____

Authorized by _____

Print Name _____

ADDITIONAL INFORMATION TO EMPLOYERS/PAYORS OF INCOME AND OTHER WITHHOLDERS

If checked you are required to provide a copy of this form to your employee/obligor.

1. **Priority:** Withholding under this Order/Notice has priority over any other legal process under State law against the same income. Federal tax levies in effect before receipt of this order have priority. If there are Federal tax levies in effect please contact the requesting agency listed below.
2. **Combining Payments:** You can combine withheld amounts from more than one employee/obligor's income in a single payment to each agency requesting withholding. You must, however, separately identify the portion of the single payment that is attributable to each employee/obligor.
3. **Reporting the Pay date/Date of Withholding:** You must report the pay date/date of withholding when sending the payment. The pay date/date of withholding is the date on which the employee/obligor is paid and controls the income, i.e. the date the income check or cash is given to the employee/obligor, or the date in which the income is deposited directly in his/her account.
4. **Employee/Obligor with Multiple Support Withholdings:** If you receive more than one Order/Notice against this employee/obligor and you are unable to honor them all in full because together they exceed the withholding limit of the State of the employee/obligor's principal place of employment (see #9 below), you must allocate the withholding based on the law of the State of the employee/obligor's principal place of employment. If you are unsure of that State's allocation law, you must honor all Order/Notices' current support withholdings before you withhold for any arrearages, to the greatest extent possible under the withholding limit. You should immediately contact the last agency that sent you an Order/Notice to find the allocation law of the state of the employee/obligor's principal place of employment.
5. **Termination Notification:** You must promptly notify the payee/requesting agency when the employee/obligor is no longer working for you. Please provide the information requested and return a copy of this order/notice to the agency identified below.
EMPLOYEE/OBLIGOR'S NAME: _____
EMPLOYEE/OBLIGOR'S CASE IDENTIFIER: _____
DATE OF SEPARATION: _____
LAST KNOWN HOME ADDRESS: _____
NEW EMPLOYER/PAYOR OF INCOME'S ADDRESS: _____
6. **Lump Sum Payments:** You may be required to report and withhold from lump sum payments such as bonuses, commissions, or severance pay. If you have any questions about lump sum payments, contact the person or authority below.
7. **Liability:** If you knowingly fail to pay any withheld amount to the State Disbursement Unit within 7 business days after the date the amount would (but for the duty to withhold income) have been paid or credited to the obligor, a court can impose a penalty against you of \$100 for each day that the withheld amount is not paid to the State Disbursement Unit after the period of 7 business days has expired. See 750 ILCS 28/35. If you willfully fail to withhold or pay over income pursuant to a properly served Order/Notice to Withhold Income, a court judgment could be entered against you for the total amount you fail to withhold or pay over. See 750 ILCS 28/50.
8. **Anti-discrimination:** You are subject to a fine determined under State law for discharging an employee/obligor from employment, refusing to employ, or taking disciplinary action against any employee/obligor because of a child support withholding.
9. **Withholding Limits:** You may not withhold more than the lesser of: 1) the amounts allowed by the Federal Consumer Credit Protection Act (15 U.S.C. § 1673(b)); or 2) the amounts allowed by the State of the employee/obligor's principal place of employment. The Federal limit applies to the aggregate disposable weekly earnings (ADWE). ADWE is the net income left after making mandatory deductions such as: State, Federal, local taxes; Social Security taxes; and Medicare taxes. The Federal CCPA limit is 50% of the ADWE for child support and alimony, which is increased by: 1) 10% if the employee/obligor does not support a second family; and/or 2) 5% if arrears are more than 12 weeks old. (see boxes on front)
10. For the employee/obligor's rights, remedies and duties, if the principal place of employment is Illinois, see The Income Withholding for Support Act, 750 ILCS 28/1 et seq.

Requesting Agency: (Name of Agency and Address)

If you or your employee/obligor have any questions, please contact

APPENDIX F
Circuit Clerks and Their Vendors

Appendix F
CIRCUIT CLERKS AND THEIR VENDORS

Circuit Clerk	Date Data Was	Vendor
County	Loaded*	
Piatt	10/14/99	ACME Computer Services
Lake	9/28/99	Beggs-Heidt
Kane	10/4/99	Beggs-Heidt
Kendall	10/4/99	Beggs-Heidt
Edwards	9/28/99	BRC
Knox	9/28/99	BRC
Wabash	9/28/99	BRC
Lawrence	10/14/99	BRC
St. Clair	9/23/99	Choice Information Systems
McHenry	10/5/99	Choice Information Systems
McDonough	10/7/99	Choice Information Systems
Fulton	10/19/99	Choice Information Systems
Hancock	10/19/99	Choice Information Systems
Warren	10/19/99	Choice Information Systems
Henderson	10/20/99	Choice Information Systems
Cook	9/28/99	CSG - T-KIDS
Stark	9/17/99	Goodin - JIMS
Christian	9/22/99	Goodin - JIMS
Iroquois	9/22/99	Goodin - JIMS
Jackson	9/22/99	Goodin - JIMS
Jefferson	9/22/99	Goodin - JIMS
Marion	9/22/99	Goodin - JIMS
Massac	9/22/99	Goodin - JIMS
Saline	9/22/99	Goodin - JIMS
Vermilion	9/22/99	Goodin - JIMS
Calhoun	9/23/99	Goodin - JIMS
Carroll	9/23/99	Goodin - JIMS
Clark	9/23/99	Goodin - JIMS
Cumberland	9/23/99	Goodin - JIMS
Fayette	9/23/99	Goodin - JIMS
Macoupin	9/23/99	Goodin - JIMS
Morgan	9/23/99	Goodin - JIMS
Pike	9/23/99	Goodin - JIMS
Boone	9/24/99	Goodin - JIMS
* Circuit Clerk data may have been received by the SDU on a date earlier than it was loaded to the SDU system.		
Source: SDU data summarized by OAG		
Bureau	9/24/99	Goodin - JIMS

Appendix F

CIRCUIT CLERKS AND THEIR VENDORS

Circuit Clerk	Date Data Was	Vendor
County	Loaded*	
Cass	9/24/99	Goodin - JIMS
DeWitt	9/24/99	Goodin - JIMS
Grundy	9/24/99	Goodin - JIMS
Jasper	9/24/99	Goodin - JIMS
Jersey	9/24/99	Goodin - JIMS
Johnson	9/24/99	Goodin - JIMS
Lee	9/24/99	Goodin - JIMS
Macon	9/24/99	Goodin - JIMS
Marshall	9/24/99	Goodin - JIMS
Menard	9/24/99	Goodin - JIMS
Mercer	9/24/99	Goodin - JIMS
Monroe	9/24/99	Goodin - JIMS
Montgomery	9/24/99	Goodin - JIMS
Pope	9/24/99	Goodin - JIMS
Pulaski	9/24/99	Goodin - JIMS
Randolph	9/24/99	Goodin - JIMS
Rock Island	9/24/99	Goodin - JIMS
Schuyler	9/24/99	Goodin - JIMS
Shelby	9/24/99	Goodin - JIMS
Stephenson	9/24/99	Goodin - JIMS
Wayne	9/24/99	Goodin - JIMS
White	9/24/99	Goodin - JIMS
Williamson	9/24/99	Goodin - JIMS
Alexander	9/27/99	Goodin - JIMS
Brown	9/27/99	Goodin - JIMS
Clay	9/27/99	Goodin - JIMS
Clinton	9/27/99	Goodin - JIMS
Crawford	9/27/99	Goodin - JIMS
Douglas	9/27/99	Goodin - JIMS
Edgar	9/27/99	Goodin - JIMS
Effingham	9/27/99	Goodin - JIMS
Jo Daviess	9/27/99	Goodin - JIMS
LaSalle	9/27/99	Goodin - JIMS
Richland	9/27/99	Goodin - JIMS
Tazewell	9/27/99	Goodin - JIMS
Union	9/27/99	Goodin - JIMS
Whiteside	9/28/99	Goodin - JIMS

Appendix F

CIRCUIT CLERKS AND THEIR VENDORS

Circuit Clerk	Date Data Was	Vendor
County	Loaded*	
DeKalb	9/29/99	Goodin - JIMS
Washington	9/29/99	Goodin - JIMS
Coles	9/30/99	Goodin - JIMS
Mason	9/30/99	Goodin - JIMS
Ogle	9/30/99	Goodin - JIMS
Adams	10/7/99	Goodin - JIMS
Putnam	10/7/99	Goodin - JIMS
Perry	10/25/99	Goodin - JIMS
Champaign	9/27/99	In House
DuPage	9/28/99	In House
McLean	9/29/99	In House
Peoria	10/8/99	In House
Henry	10/13/99	In House
Franklin	10/25/99	In House
Sangamon	9/24/99	JANO
Madison	9/29/99	JANO
Will	9/30/99	JANO
Winnebago	10/8/99	JANO
Bond	9/27/99	Manatron - GAVEL
Ford	9/29/99	Manatron - GAVEL
Livingston	9/29/99	Manatron - GAVEL
Logan	9/29/99	Manatron - GAVEL
Moultrie	9/29/99	Manatron - GAVEL
Woodford	9/29/99	Manatron - GAVEL
Kankakee	10/19/99	Manatron - GAVEL
Hamilton	9/17/99	Manual
Hardin	9/17/99	Manual
Greene	10/7/99	Manual
Gallatin	10/13/99	Manual
Scott	10/13/99	Manual

* Circuit Clerk data may have been received by the SDU on a date earlier than it was loaded to the SDU system.

Source: SDU data summarized by OAG

APPENDIX G

Agency Responses

Note: This Appendix contains the complete written responses of the Department of Public Aid and the DuPage County Circuit Clerk who acts as the SDU. Following the Agency Responses are five numbered Auditor Comments. Numbers for the comments appear in the margins of the agency response.



George H. Ryan, Governor
Ann Patla, Director

Illinois Department of Public Aid

201 South Grand Avenue East
Springfield, Illinois 62763-0001

Telephone: (217) 782-1200
TTY: (800) 526-5812

March 10, 2000

**The Honorable William Holland
Auditor General
Iles Park Plaza
740 East Ash
Springfield, Illinois 62703-3154**

Dear Mr. Holland:

**Please find enclosed DPA's official response to OAG's
Management Audit of The Department of Public Aid's Child Support
Disbursement Unit.**

**The materials submitted to you previously are all background
material.**

**Please let us know if we can provide any additional information.
Thank you.**

Sincerely,

**Ann Patla, Dr. HL
Director**

**AP/m
attachment**

AUDITOR GENERAL'S CONFIDENTIAL REPORT DRAFT

Management Audit of The Department of Public Aid's Child Support State Disbursement Unit

March 10, 2000

RESPONSES TO RECOMMENDATIONS

RECOMMENDATION 1:

AUDIT OF KIDS

The Department of Public Aid should conduct a detailed audit of the KIDS system to identify the nature and cause of its deficiencies. Public Aid should devise and implement a timely corrective action plan to enable the KIDS system to be used in a reliable manner on a statewide basis.

1

RESPONSE: We request that this recommendation be dropped.

- The KIDS interface with Circuit Court Clerks is not necessary for the SDU to disburse payments
- Bad data from source systems and flawed information from employers are the primary reasons for the delay of child support payments.
- The consensus of the Circuit Court Clerks was that the IV-D KIDS System should not handle non-IV-D cases. (Non-IV-D case data is solely controlled by the Circuit Court Clerks.)
- The SDU had to develop an interface for non-IV-D case data.
- The solution developed by the SDU for the non-IV-D cases was the best solution for all cases.

- The SDU became the Hub between the SDU, KIDS and the Circuit Court Clerk's system.
- That solution obviated the need for the interface between the Circuit Court Clerks and KIDS.

RECOMMENDATION 2:

SDU INACTIVE CASES

With the assistance of circuit clerks, the SDU and Public Aid should take the steps necessary to remove inactive or duplicate cases from the SDU database and ensure that the remaining data in the SDU system is accurate.

RESPONSE: **Implemented.** Both IDPA and the SDU identified bad data as a problem very early. Software developers at the SDU made changes to correct part of the problem and IDPA programmers designed a new interface record to combine duplicate records at the SDU. IDPA and the SDU are working, on an ongoing basis, to eliminate duplicate records and install system edits to prevent future duplication problems.

An internal operational audit also identified bad data as a root cause of the problems at the SDU. In late December 1999, IDPA retained an independent third party to "scrub" the data contained in the SDU data base to eliminate erroneous data. IDPA has coordinated the development of this project with the SDU, the Circuit Clerks and their vendors. This independent third party is developing "scrubbing" software which will become part of the on-going SDU data scrubbing activities.

RECOMMENDATION 3:

CIRCUIT CLERKS' ACCESS TO SDU SYSTEM

The Department of Public Aid and the SDU should ensure that the circuit clerks are receiving the necessary reports and access to the SDU system to allow them to monitor their county's support cases and provide effective customer service.

RESPONSE: Accepted. IDPA has provided training to all Circuit Clerks and has established regional technical support "HUBS" at ten locations statewide, beginning in December 1999. All HUBS are currently operational. These HUBS provide training and enhanced access to the SDU, allowing all Circuit Clerks to receive training and to work through any payment problems for their cases. IDPA, the SDU, and the Circuit Clerks are currently establishing an enhanced electronic interface between the SDU and the Circuit Clerks' Offices through web-based technology which will be completed next month.

IDPA has been informed by the SDU that reports of payment activity are transmitted on a daily basis to all Circuit Clerks.

RECOMMENDATION 4:

RECONCILE CASE INFORMATION

Public Aid should continue its efforts to reconcile IV-D case information with the circuit clerks and ensure that non-custodial parents' account balances are accurately stated.

2 **RESPONSE: Implemented.** A non-custodial parent's account balance is irrelevant to the timely processing of payments by SDU whether IV-D or non-IV-D.

IDPA has control over IV-D case data only and does not have any authority over non-IV-D data retained by Circuit Clerks. IDPA has retained an independent third party to undertake a statewide "scrubbing" of all SDU case data. The intended result is for all IV-D and non-IV-D child support cases to have accurate case docket numbers and demographic information in the SDU data base.

RECOMMENDATION 5:

EMPLOYER NOTICES

The Department of Public Aid should ensure that its employer notices are clear and consistent and that the SDU promptly informs individual employers with problems what to

change in its submissions to the SDU.

RESPONSE: Accepted. New state law requires IDPA to conduct regional training sessions for employers. Seven regional training sessions have been conducted to date with one more scheduled and others in the planning stage. Training sessions are a better approach than notices. Notices sent out in the fall of 1999 built one upon another as the SDU and IDPA witnessed the various types of flawed information, and were written to be targeted more toward the types of problems evidenced.

RECOMMENDATION 6:

PROJECT PLANNING

The Department of Public Aid should institute management controls necessary to ensure that projects are reasonably planned, timely, implemented and adequately controlled. Reasonable efforts should be made to avoid utilizing exceptions to the Illinois Procurement Code's general requirement that contracts be competitively procured.

RESPONSE: Implemented. Controls are in place for the review, planning, implementation and control of all major projects. Procedures for the review of all projects requiring an RFP process have been established and a contract negotiations unit, separate from the program area, will be established. There were issues with this project that were outside of the control of IDPA. The majority of the decisions regarding the implementation of the SDU began with the unanimous recommendation of the DuPage Circuit Clerk's Office by the Illinois Association of Circuit Clerks. Following that decision, an RFP process was not considered due to the fact that a contract with another level of government does not require such a process.

RECOMMENDATION 7:

CONTRACTS THAT PROTECT THE STATE

The Department of Public Aid should assure that contracts include provisions to

appropriately protect the State's interests. At a minimum, provisions should include specifics concerning the level of performance expected of the contractor and may include, if appropriate, penalty and incentives provisions.

RESPONSE: **Accepted.** Although the SDU contract does contain the most important performance measure, i.e. the disbursement of identifiable child support payments within two business days after receipt, other performance level criteria should be included. The contract does specify the projected number of active cases and an estimate of annual disbursement transactions.

RECOMMENDATION 8:

MONITOR SDU CONTRACT

The Department of Public Aid should institute proper management controls to ensure that all reports necessary to provide Public Aid with information to effectively monitor the quality and accuracy of SDU services are received timely, reviewed, and acted upon as appropriate by the Department.

RESPONSE: **Implemented.** The SDU contract contains a listing of reports required to be supplied to IDPA. During the crisis period, key IDPA management staff were deployed to the SDU and were on site monitoring operations. Reports were requested on a regular basis and daily face to face status meetings occurred during the most problematic period of SDU implementation. Due to the direct observation of the SDU operation, IDPA was constantly aware of performance problems. IDPA continues to conduct on-site monitoring. This intensive monitoring of the contract allows IDPA to identify the problems and to direct the SDU to implement corrective action steps. Currently regular reports are provided to DPA by the SDU.

RECOMMENDATION 9:

PAYMENT PROCESSING TIME

The Department of Public Aid should require the SDU to develop a method of calculating payment processing times which can be used to accurately assess compliance with federal requirements and should regularly review such reports.

RESPONSE: Accepted. The SDU has been instructed to develop a method of calculating processing times. SDU's interim method in place will be improved and payment processing time reports will be submitted to IDPA.

RECOMMENDATION 10:

DEFINE CONTRACT TERMS

The Department of Public Aid should ensure that basic contract terms are adequately defined to avoid contract disputes and to provide sufficient parameters to each party's contractual obligations.

RESPONSE: Accepted. The term "transactions" should have been defined in the contract. The parties did, however, agree early in the implementation stage not to use a "per transaction" payment methodology. IDPA and the SDU have changed the payment system to one of reimbursement for actual, allowable costs.

3

RECOMMENDATION 11:

SAS 88 AUDIT REPORTS

The Department of Public Aid should require that regular reviews and SAS 88 reports be done of the Child Support State Disbursement Unit (SDU).

RESPONSE: Accepted. Future contracts of this nature will contain provisions for Third Party Reviews and specifically require the work to be SAS 88 compliant.

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RECOMMENDATION 12:

IV-D TIMELY DISBURSEMENT AND COST RECOVERY

The Department of Public Aid and the SDU should examine the causes of child support payments not being timely disbursed, or being inappropriately cost recovered, and take immediate action to ensure the timely and accurate disbursement of child support associated with IV-D cases.

RESPONSE: Implemented. IDPA and Circuit Clerks routinely instruct the SDU on the disbursement of payments. The SDU computer system has been redesigned so it does not reject disbursement instructions without a notice of rejection. The SDU computer now sends out timely reports on rejected disbursement instructions to IDPA and the Circuit Clerks.

The current number of cases with SDU-rejected disbursement instructions totals approximately 400 IDPA IV-D cases remaining from the period of time before activation of the Reject Interface and approximately 1,300 non-IV-D cases for the 102 Circuit Court Clerk's offices.

RECOMMENDATION 13:

AUTHORITY FOR EMERGENCY PAYMENTS

Public Aid should not expend State monies before assuring that it has clear statutory and contractual authority to do so.

4

RESPONSE: IDPA requests that this Recommendation be dropped. IDPA had proper authority under the Public Code and the contract with the Clerk of the Circuit Court of DuPage County ("DuPage") to expend the monies that it did for purposes of the operation of the SDU. The contract was, in fact, amended to clarify the operational services service

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fees for operation of the SDU, which includes issuance of emergency checks. The emergency checks issued by the SDU are a form of child support and such expenditures are authorized by 305 ILCS 5/10-26. The Public Aid Code allows IDPA to make payments from the Child Support Enforcement Trust Fund, 305 ILCS 5/12-10.2, for contractual services. Under the contract, operating the SDU includes disbursement of ALL child support checks. Issuance of emergency checks for child support is, therefore, a component of operating the SDU.

In early November 1999, representatives of IDPA and the Office of the Comptroller met to discuss issues of payment to the SDU under the contract and pertinent statute. Both concluded that payment was permissible.

RECOMMENDATION 14:

FUNDS HELD IN TRUST

The Department of Public Aid and the State Disbursement Unit should not use funds collected and held in trust for child support payments for anything other than the purpose for which they were collected.

RESPONSE: We request that this recommendation be dropped. Since the emergency checks issued by the SDU are child support, neither IDPA nor the SDU used funds collected by the SDU for anything other than the purpose for which they were collected. In particular, neither funds provided for emergency checks nor child support collections garnered by the SDU were used for personnel services, travel, equipment or other administrative costs.

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RECOMMENDATION 15:

RECOUPMENT OF EMERGENCY PAYMENTS

The Department of Public Aid should immediately review federal and State restrictions on child support collections and disbursements and determine what restrictions may apply to

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recoupment of erroneous or excessive emergency payments. If necessary, the Department should consult with the federal government and other states experiencing similar situations. This information should be made available to persons ultimately responsible for deciding whether and by what methods emergency payments will be recouped.

RESPONSE: Implemented. IDPA did review, and continues to review, both federal law and regulation as well as Illinois law regarding recovery issues. Regarding recovery issues, IDPA consulted with other states who have issued emergency child support payments during the implementation of their SDU. We also consulted the federal government on its position on this issue. Any decision on recovery, generally, will ultimately be decided by the General Assembly, as informed by the Attorney General's Opinion which was requested by two members of the General Assembly.

In addition, IDPA requested on February 3, 2000, that the Office of the Inspector General (OIG) initiate a review of all emergency payments. The purpose of the review is to identify any payment made to an ineligible person. The OIG has informed IDPA that the review has been initiated. Obviously, IDPA will attempt to recover all payments made to ineligible persons as discovered by the OIG review. The OIG will refer anyone who is suspected of intentionally defrauding IDPA to state or federal prosecutors.



OFFICE OF THE CIRCUIT COURT CLERK

18th Judicial Circuit Court - DuPage County
Wheaton, Illinois 60189-0707
Area Code 630-682-7111

JOEL A. KAGANN
CIRCUIT COURT CLERK

March 6th, 2000

VIA FAX & US MAIL

The Honorable William G. Holland
Auditor General of the State of Illinois
ILES Park Plaza
740 East Ash Street
Springfield, IL 62703-3154

Dear Auditor General Holland:

Thank you for the *Confidential Draft of the Management Audit of the SDU* that has been authorized by the Legislative Audit Commission pursuant to Resolution No. 117 and the opportunity to respond to same.

I am enclosing our responses to some of the information that was contained in your report that I believe will more fully define the problems from our view point.

I am also enclosing the official SDU responses to the Audit Recommendation where requested.

I personally wish to thank you and your staff for the fine professional manner in which your office conducted this audit.

Sincerely yours,

A handwritten signature in cursive script that reads "Joel Kagann".

JOEL A. KAGANN
Clerk of the Circuit Court
Project Director
State Disbursement Unit

JAK:ce

W/ attachments

SDU HOLLAND 03062000

AUDITOR GENERAL'S CONFIDENTIAL REPORT DRAFT - RESPONSES

CIRCUIT CLERKS' ACCESS TO SDU SYSTEM

Recommendation - 3

SDU Response:

The SDU currently provides daily reports to the Circuit Clerk's on all payments, checks disbursed and any IDPA distribution records for application of the payment to the official court record. The SDU requests daily disbursement instructions (report) from either KIDS or the Clerk for any payment which requires determination, to whom moneys are held by the SDU, should be distributed. Twice a week the SDU faxes a report containing all deferred payments to the Clerks for case identification. The SDU sends, via fax, a report containing all cases which need an address. Payments can be identified to a docket for the county, however without a valid address a payment is held.

The SDU is in development of an enhanced Circuit Clerk Interface via a browser, which allows the Clerks interactive access to the SDU database (for their respective county).

SDU INACTIVE CASES

Recommendation - 2

SDU Response:

The SDU fully supports the concept of a third party reviewing and validating the data. IDPA has entered into an agreement with a third party to perform this task. To assure that the third party is successful the requirements of the SDU before any updates take place will include complete information including County FIPS, Docket Number, Payor Name, Payee Name and a valid complete address for the payee.

IV-D TIMELY DISBURSEMENT AND COST RECOVERY

Recommendation - 12

SDU Response:

The SDU responds solely to the instructions of IDPA for cost recovery. There is no determination made by the SDU related to cost recovery.

Payments which are held waiting for response of a disbursement instructions are monitored on a daily basis. The SDU notifies both Clerks and IDPA that these payments exist. In a single payee conditions we have elected to give the requested party a seven day window to respond with instructions. If no response is received by the SDU, the SDU will create an instruction and the payment is released.

Deferred payments are processed daily by the SDU and reports are sent to the Clerks and IDPA for resolution. We currently have a deferral team which attempts to identify all payments held by the SDU to the correct docket, county and payee. If the SDU cannot identify the payment within seven days, we will be returned to the sender (employer).

In addition to pre-sort services utilized by the SDU, we have engaged an additional service which checks the postal database for change of address. Any mail returned to the SDU is worked by a team to locate the proper address. If the address cannot found the

AUDITOR GENERAL'S CONFIDENTIAL REPORT DRAFT - RESPONSES

mail is scanned back to the SDU database and the payments are held pending an active address.

FUNDS HELD IN TRUST

Recommendation - 14

SDU Response:

Around December 1st, the SDU notified IDPA that the emergency fund account was short funds to cover the checks that we were directed by IDPA to issue on November 23, 1999. A telephone conference, called by IDPA, was held with their Financial & Budget personnel concerning the need for funding. The SDU was directed to use \$500,000 of the regular disbursement account float to cover the shortages in the emergency fund. The participants in the phone conference were Fred Backfield in Springfield from IDPA, Joel Kagann, Dewey Hartman and Jim Nurss from the SDU. Ann Patla and Bob Lyons were also present at the SDU for the conference. At the time the SDU was assured we would be reimbursed for the bank balance overrun by the following week. We have since invoiced IDPA for these dollars.

RESPONSE TO AUDITOR GENERAL'S REPORT DRAFT

Report Conclusions Page 1-2

Missing or Inaccurate Information Provided by Public Aid and Circuit Clerks

It should be noted that the difference in case number formats is a result of inaccurate information from Public Aid and/or the Circuit Clerk as well as data entry from any Notes PC. These differences caused many payment delays.

SDU Understaffing Page 1-2

If possible, it should be noted that the SDU took on additional responsibilities formerly assigned to Public Aid and/or the Circuit Clerk (Customer Support, resolution of unidentifiable Payments, etc.). These additional responsibilities account for much of the difference in headcount between the original 51 and the planned 201.

State Disbursement Unit Requirement Page 1-6 (last bullet item)

Returning payments to the employer is now feasible since the SDU believes its case data is near complete. In October, it was questionable whether the SDU had received cases from all the counties. In fact, based on the data for the emergency checks, lack of information from the Circuit Clerks was at least as likely to be the cause of the SDU's problem. Sending payments back to the employer would have penalized the wrong party in approximately half of the cases.

Inconsistent Support Order Data Page 2-5

The SDU developed and implemented processes in mid-October to prevent any further duplication of cases due to inconsistent Docket Numbering. Also at that time, known duplicate cases were inactivated on the SDU system.

Inconsistent Support Order Data Page 2-6

The SDU requested all data in the format specified for KIDS Participant transactions, which includes RIN and Social Security Number. However, in SDU's discussions with the Circuit Clerks, it was a known fact that the Circuit Clerks did not maintain Social Security Numbers on their records or had incomplete data.. Also known was that the Circuit Clerks in many cases did not maintain RINs for IVD cases. Non-IVD cases do not have RINs at all. At no point did the SDU remove these as required fields from the transaction specifications. Discussions with Clerks and IDPA dictated that we remove the requirements on the load since we would have rejected over 90% of the non-IVD data. Some counties did in fact provide this information for non-IVD cases and it is populated on the SDU database.

Interface Between Circuit Clerks and the SDU Page 2-7

The interface implemented by the SDU in October, 1999 is in accordance with the specifications established for the KIDS - Circuit Clerk interface. Most of this specification predates the SDU. It is important to note that vendor contracts generally prohibit third parties such as the SDU from modifying the vendors software. Thus, the SDU elected to implement a communication with vendor systems by providing a PC's which would import and export files based on the KIDS transaction specifications. Reading and writing the files for a specific counties system were to be implemented by the county or its vendor.

RESPONSE TO AUDITOR GENERAL'S REPORT DRAFT

The SDU implemented its portion of this interface in production on October 1, 1999. In fact, this is the interface Circuit Clerks use today. With notable exceptions (Cook, DuPage, Champaign), the Circuit Clerks computer system vendors / in-house staff failed to implement the file link between their system and the SDU. It is the failure of the Clerks and their vendors to read and write these files from the Clerks system that causes the dual entry of case information using a data entry process designed by the SDU only to support emergency situations. Further, transcription errors as a result of dual entry account for a high percentage of the case update transactions rejected by the SDU.

Since the original data entry facilities of the SDU PC are minimal and since it does not appear at this time that the Circuit Clerks/vendors are near implementation of the file read/write process necessary to link their systems to the SDU PC, the SDU is implementing a new Circuit Clerk interface which will allow direct look up and update of cases. This approach builds on the system implemented in October, 1999. It will take more man-hours to complete than the original and in fact could not have been implemented by October 1 given a start date in July. While the new browser-based interface does allow the Circuit Clerk to review the current state of the case, it does not eliminate duplicate entry of case information in the Circuit Clerk and SDU databases. The SDU continues to believe that the SDU-Circuit Clerk interface is best served by the implementation of the file extract processes originally envisioned. The SDU is able to deliver the properly formatted information to and from the Circuit Clerk today and awaits implementation by the Circuit Clerks and their vendors..

Chapter Conclusions Page 2-1 (third paragraph) **Testing was Insufficient** Page 2-10
The SDU conducted full testing of all functionality of the SDU computer system using test data constructed for this purpose. This test data exercised all operational conditions. It is standard industry practice to develop and test in this manner. Using production data for testing purposes carries with it issues of privacy and completeness. Since test data by definition must be open, privacy issues may be compromised. Since some conditions of a new computer systems will not exist or are not readily found in the production data, separate test data must be constructed to test the system. Thus, test data constructed solely for the purpose of testing system functions was created and the tests were executed.

However, the Auditor General rightly concludes that additional *parallel* testing and assessment of the county production data should have been conducted. In fact, the SDU planned for and solicited such test data from the counties in its original plan. Only Cook, DuPage and Sangamon counties as well as IDPA actually provided some test data. Thus, the SDU was unable to test the actual content of information to be received from the counties. Testing of the counties production data may well have illuminated the differences in case numbering format between KIDS and the county systems and indicated the lack of reconciliation between Public Aid and the counties. However, even this production parallel test data would not have provided the ability to assess most of the actual data problems which caused backlogs and returned mail: incorrect names; incorrect addresses (beyond those that are clearly invalid); incorrect assignment of role (Payor, Payee); and missing direct payees.

RESPONSE TO AUDITOR GENERAL'S REPORT DRAFT

As the record keeper, the counties and Public Aid must reconcile and transmit this data to the SDU in the complete, correct form. The SDU simply cannot determine the correctness of any of this data.

Implementation Was Not Phased In Page 2-14

Since Payments are still being received and processed in the Circuit Clerk offices, the Illinois SDU would qualify as a phased implementation.

The SDU questions the legality of a phased implementation given that the law requires one place to remit child support payments for the entire state. To phase-in the implementation would require commitment from employers to send child support payments for selected counties (a direct contradiction of the law). Alternately, the phase in would require the cooperation of the Circuit Clerks to forward payments to the SDU for processing.

Public Aid's Late Information and Incorrect Cost Recover Page 4-8

Letter dated 03/06/2000 sent to Ann below

This should help explain the auditor general's comments about the disbursement instructions waiting as of 02/12/2000. Please be aware that these are the same instructions we discussed with Cook County in early February and the same instructions we talked about in December. The disbursement instructions waiting, which are referred to, are mainly from October and November. There are some from December also. As of Monday, February 28, 2000, there were 419 Public Aid instructions still waiting. The SDU provided information on these payments to Public Aid several times. KIDS, in some cases, may have sent an instruction back. It is important to understand that the instruction coming back to the SDU could in some cases, may not have applied. Generally this would occur because the payee referenced on the disbursement instruction is not on the SDU's database. It is also possible that the payee may not be uniquely identifiable based on the information (Name, SSN and/or RIN) provided. These problems are generally due to reconciliation problems between County and Public Aid databases.

Please note, a daily interface which returns these errors to IDPA was implemented in February 2000. On an ad-hoc basis the SDU manually sent error files containing all the waiting disbursement instructions on the SDU database. In some cases, the SDU sent an instruction using the docket number format used by the county which was not recognized in KIDS. No instructions were received, because the case was not identifiable within KIDS. The root of the problem is again the lack of reconciliation between the Clerk and KIDS databases.

Another issue that exist relates to some disbursement instructions requested by the SDU to be answered by KIDS were for cases which do not actually involve Public Aid. This is a result of the IV-D status being incorrect at the SDU, generally as a result of the Clerk or Public Aid providing incorrect case status information. In these cases, the KIDS system will again not respond since the case is not a IV-D case. Planned processing changes in KIDS will result in KIDS sending a revised case status of non-IV-D. In most cases, this will release the Payment, as the SDU computer system reevaluates the case's disbursement instructions each time information is received.

AUDITOR COMMENTS:

- 1** Given the significant system development costs incurred and data integrity problems experienced, (such as inaccurate account balances), the recommendation calls for an audit of KIDS by Public Aid. Also, KIDS continues to be used to transmit IV-D data to the SDU and, therefore, data maintained in this system is critical to the success of the SDU.

The report does not take issue whether the revised interface was better or worse than the originally proposed KIDS interface. The report, however, does cite the development of a new interface to replace the KIDS interface less than five months prior to the start-up of the SDU as an example of inadequate planning by Public Aid.

- 2** The report does not suggest that inaccurate account balances have an impact on the timely distribution of child support payments. The report does conclude if errors in account balances are not corrected, Public Aid's collection of overdue child support may be adversely affected.

- 3** While the involved parties may have agreed to change the method of payment, a contract amendment had not yet been filed.

- 4** The emergency payments were made out of SDU contract funds. The SDU contract does not specifically mention "emergency" payments. However, on October 26, 1999 the contract was amended to provide for "initial cash flow." The Department has indicated that the purpose of initial cash flow was to provide funds for emergency payments. By early November, when the Department states it met with the Comptroller to determine its authority to make emergency payments, \$7.5 million of emergency checks had already been issued.

- 5** As noted in the report, child support payments submitted to the SDU are for specific custodial parents. We question whether these child support payments can be used to provide emergency payments to parties other than those for whom the support payments were made.