

REPORT BY THE U.S.

General Accounting Office

U.S. Child Support: Needed Efforts Underway To Increase Collections From Absent Parents

The Department of Health and Human Services' (HHS') Child Support Enforcement Program was created in 1975 to help collect support from absent parents. The program is overseen by HHS' Office of Child Support Enforcement and operated through state and local agencies.

At the Senate Budget Committee's request, GAO reviewed collection activities at five state child support offices and seven local offices. GAO found that

- absent parents paid about half the support owed, and about two-thirds of these parents' payments were delinquent by more than 30 days at least once during the study year;
- there were few standards governing collection activities, and the agencies were not acting consistently to collect past due amounts; and
- the availability of certain information in the Automated Families with Dependents (AFWD) system was limited.

Enacted in August 1984, the Child Support Enforcement Amendments could significantly enhance collection efforts and correct the deficiencies GAO noted.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

HUMAN RESOURCES
DIVISION

B-183433

The Honorable Pete V. Domenici
Chairman, Committee on the Budget
United States Senate

The Honorable Ernest F. Hollings
Ranking Minority Member
Committee on the Budget
United States Senate

As you requested on December 21, 1982, we reviewed the Child Support Enforcement Program authorized under title IV-D of the Social Security Act.¹ In your letter, and in later discussions, you asked us to focus on how well the program was doing in collecting support payments from absent parents and to recommend ways to increase the effectiveness of collection efforts. Your letter pointed out that although the program performs other necessary functions--locating absent parents, proving paternity, and establishing support obligations--the Committee was most concerned that the collection function be strengthened and improved before we focused on other program functions.

On January 24, 1984, we provided a letter to your Committee setting forth the preliminary results of our work at five state child support offices and seven local offices. On the same date, we testified at Senate Finance Committee hearings on the then-proposed Child Support Enforcement Amendments of 1984. In summary, we testified that

- absent parents in our study paid 50 percent of the support they owed during the 1-year study period;
- there were few standards for determining how and when support orders should be enforced or overdue amounts collected from absent parents;
- the agencies had poor management control over case files and records of absent parents owing child support;

¹On January 20, 1983, we also received a request from Congressman Mario Biaggi to separately report on child support collection efforts for families not participating in the Aid to Families with Dependent Children program. Our report (GAO/HRD-85-3) to Congressman Biaggi is being issued on the same day as this report.

--the agencies were not taking prompt or, in many cases, any action to follow up on past due payments;

--the availability of child support collection services for families not participating in the Aid to Families with Dependent Children program (AFDC) varied among the states; and

--enforcement techniques varied, but we observed a higher collection rate when support payments were withheld from absent parents' wages.

On August 16, 1984, the Child Support Enforcement Amendments of 1984 became law. Beginning in October 1985, the amendments require states to begin the process of withholding child support from the wages of a parent when past due support equals at least 1 month's payment and to make other improvements in their child support collection efforts on behalf of AFDC and non-AFDC families. The new law's provisions address the collection weaknesses identified during our review. This report provides our final study results and further views on certain of the new law's potential effects on AFDC and non-AFDC case collections. The material is summarized below and discussed in more detail in appendix I.

OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed collection efforts at five state child support offices (California, Florida, Maryland, Michigan, and New York) and seven local offices in Sacramento County, California; Jacksonville and St. Petersburg, Florida; Montgomery County, Maryland; Oakland and Wayne Counties, Michigan; and Schenectady County, New York. At each local agency, we reviewed how it managed selected child support cases--both newly established and ongoing cases during calendar year 1982. However, our fieldwork took place from December 1982 to May 1984. In total, we analyzed 532 cases with court-established support orders. These cases involved 297 for families receiving cash assistance from the AFDC program and 235 cases for non-AFDC families.

All but one local agency we visited was an above-average performer--based on the national ratio of total collections to total expenditures--but all local agencies were above-average performers in their respective states. Although this is a somewhat conservative approach to study design, we believe that operational deficiencies found in this high-performance group would probably be found in lower performing agencies.

We made our review in accordance with generally accepted government auditing standards but did not verify the accuracy of data generated by the agencies' computer systems.

Appendix II contains a detailed discussion of the review's objectives, scope, and methodology.

BACKGROUND

Established in 1975, the Child Support Enforcement Program is a federally supervised state and local effort to obtain child support payments for both AFDC and non-AFDC families. The Office of Child Support Enforcement (OCSE), within the Department of Health and Human Services (HHS), supervises the program at the federal level. Local agencies of states or their political subdivisions are the program's principal managers.

Usually, the local welfare office is the child support agency's primary referral source for families that have applied for welfare and also are entitled to--but not receiving--child support. Families eligible to receive AFDC must sign over their rights to support payments to the state AFDC program. Non-AFDC families normally apply for services directly to the child support agencies. For such families, support collected by the agencies is provided to the custodial parent. The federal government currently pays 70 percent of state and local agencies' total child support administrative expenses and an incentive equal to 12 percent of total AFDC collections.^{2,3} The federal, state, and local governments also retain AFDC child support collections in the same proportion that they contribute to AFDC program costs.⁴ For example, if a state contributes 50 percent of the AFDC program costs, it receives 50 percent of the AFDC child support collected.

²The Child Support Enforcement Amendments of 1984 reduce the federal share of administrative expenses to 68 percent in fiscal year 1988 and to 66 percent beginning in fiscal year 1990.

³As a result of the 1984 Child Support Amendments, incentives will equal from 6 to 10 percent of both AFDC and non-AFDC collections beginning in October 1985.

⁴As a result of the Deficit Reduction Act of 1984, the first \$50 of child support received per AFDC family per month will be given to the family and not counted toward reducing the AFDC payment. This is effective October 1984.

Although significant gains have been made under the program, unpaid child support remains a major national problem. Since program establishment, for example, total collections for AFDC and non-AFDC families have increased more than fourfold, from \$500 million in fiscal year 1976 to \$2.0 billion in fiscal year 1983. Further, from 1976 to 1983, 2.7 million support orders have been established and paternity determined for more than 1 million children under program auspices. Nonetheless, Census Bureau data show that nationwide in 1981, less than half of all the women (4 million) due child support received the full amount, and about 60 percent of the total support due that year was paid. Census reported that the unpaid child support in 1981 totaled about \$4 billion.

Because some absent parents have not adequately supported their children, welfare costs, particularly cash assistance from the AFDC program, have been increasing. A major Child Support Enforcement Program goal is the reduction of AFDC costs. In fiscal year 1983, the total support collected for AFDC families, minus the costs of collections and other program expenses, amounted to about 1.4 percent (about \$174 million) of the AFDC payments made to the families.

PAYMENT OF SUPPORT DURING THE
STUDY YEAR WAS A PROBLEM

We examined the paying patterns of the 532 cases involving absent parents for which support orders had been established in the seven local offices included in our review. Besides determining the total amount of support due compared to the amount paid in 1982, we recorded when payments were late by more than 30 days--a delinquency period generally coinciding with the wage withholding threshold prescribed by the 1984 Child Support Enforcement Amendments. Absent parents paid about half of the support that was due in 1982. Of \$972,000 due, \$492,000 was paid. Absent parents associated with non-AFDC sample cases showed better payment performance than absent parents whose children received AFDC.

	<u>Type of case</u>		
	<u>AFDC</u>	<u>Non-AFDC</u>	<u>Combined</u>
Percent of total child support due that was paid	39	59	51
Percent of cases paying all support due	6	19	12
Percent of cases making no payments	36	24	32
Percent of cases making some but not all payments	58	57	56

About 66 percent of the sample absent parents were delinquent in their support payments by more than 30 days at least once during the study year. This included 210 (75 percent) of the AFDC cases and 126 (55 percent) of the non-AFDC cases. The average period of nonpayment was 8 months. Delinquencies usually occurred when the first payment to the child support agency was due. Forty-nine percent (84 cases) of the AFDC absent parents and about 40 percent (51 cases) of the non-AFDC absent parents were more than 30 days late in making their first payment.

Also, very little of the child support that was in arrears at the start of the study period was paid during the period, and further arrearages accumulated during the study year for the ongoing and newly established cases. A total of \$774,000 was owed by 232 of the sampled absent parents at the start of the year. At year's end, the balance had grown to \$943,000. Further, 261 of 300 sampled cases with newly established orders by year's end owed a total of \$287,000. The overall arrearage balance for the sample was \$1.2 million by the end of the study year.

FEW COLLECTION STANDARDS
FOR ENFORCEMENT OF CHILD
SUPPORT ORDERS

Collection experts generally agree that fast, systematic follow-up on past due child support payments is essential to (1) curb the development of poor payment habits, (2) promote the perception that program enforcement is persistent and effective, and (3) optimize collections. Before the Child Support Enforcement Amendments of 1984, the federal and state governments had allowed the local agencies wide latitude in determining how and when support orders would be enforced and moneys collected from the absent parent. Although OCSE encouraged agencies to develop standards to measure their work products, services, or tasks, the only federal requirement was that delinquencies be identified within 30 days and payers contacted "as soon as possible."

None of the state or local agencies we visited had set any maximum allowable time to follow up on an identified delinquency. Although each location was able to identify delinquencies within 30 days of their occurrence, each informally allowed the staff to decide when to initiate follow-up actions, how to contact obligors, and what enforcement actions to take.

Of the 532 sample cases, 510 had support payments due. Of these 510 cases, 336 involved 613 instances where support payments were late by more than 30 days. During the study period,

the local agencies took no action in such instances nearly 26 percent of the time. When they did act, an average 94 days had passed from the time of the absent parent's last payment.

We also examined how the agencies reacted when for the first time an absent parent in our new case sample was late in making a payment. We found that 60 percent of the sample new order cases (181 cases) were late at least once by more than 30 days. The agencies took no action in about 25 percent of these instances, and when action was taken, 102 days had passed from the time of the last payment.

For the 232 cases that were in arrears at the start of the study year, we observed that the agencies acted in 77 of the cases to require payments toward the arrearages.

AVAILABILITY OF CHILD SUPPORT COLLECTION
SERVICES FOR NON-AFDC FAMILIES VARIED

The availability of collection services for non-AFDC clients varied among the states. Michigan's child support agency required all child support orders--both AFDC and non-AFDC case related--to be enforced and collected. California and New York assisted those non-AFDC clients who apply for services. Florida set a quota on the number of non-AFDC clients that could be served, and applicants were placed on a waiting list if the local agency had reached its quota of non-AFDC clients. In Maryland, counties began in March 1983 to limit services by using an income eligibility test to qualify non-AFDC applicants. This test was found to be illegal by a January 1984 court ruling.

LACK OF STAFF
CITED AS PROBLEM

According to state and local officials, lack of staff contributed to service shortfalls and irregular collection efforts. We did not evaluate the adequacy of staffing levels, but observed that the agencies generally did not have staffing standards (except in Florida) that could be used to develop or assess staffing needs. State and local officials added that one reason for the lower emphasis given to serving non-AFDC cases was the lack of federal incentive payments or rewards for collecting on non-AFDC cases. Before the Child Support Enforcement Amendments of 1984, federal incentive payments for collection performance were based only on AFDC case collections.

CHILD SUPPORT ENFORCEMENT
AMENDMENTS OF 1984

The 1984 Child Support Enforcement Amendments were designed to improve the enforcement and collection of child support for both AFDC and non-AFDC families. In addition to withholding support from absent parents' wages, beginning in October 1985, the new law requires states, among other matters, to develop processes enabling the (1) use of absent parent's state income tax refunds to cover delinquent support payments; (2) imposition of liens against property; and (3) reporting of delinquent absent parents to credit bureaus. In addition, states will begin to receive federal incentive payments for their non-AFDC as well as AFDC support collections and receive additional incentive payments when their total administrative costs are kept low relative to total collections.

Regarding mandatory wage withholding--of the 532 cases we reviewed, withholding was used sometime during the study year in 98 cases. For those cases, about 74 percent of the support due was collected, compared to 45 percent for the other cases.

Although we did not analyze the new incentive payment provision's possible effects on future collections, we estimated that under such a system, most states in 1982 could have received higher incentive payments if their non-AFDC collections were greater relative to administrative costs, or their overall (AFDC and non-AFDC case) collections to cost ratios were improved. It remains to be seen, however, how states will respond to the new incentive formulas.

CONCLUSIONS

We believe that the 1984 Child Support Amendments could significantly reform the enforcement and collection of child support in the United States. With the new wage withholding requirements, state and local agencies, in effect, will have a prescribed time for following up on past due payments, and a prescribed enforcement technique applicable to wage earners, which includes most absent parents. In addition, the new incentive payment system could enhance collections for non-AFDC clients and otherwise improve the availability of services for such clients.

We believe that in implementing the new law, OCSE should remain cognizant of those factors--such as the lack of staff cited by state and local officials--that may have limited past collection performance and might under the new law. Also, because the new law places special emphasis on collecting child

support, we believe that during implementation, OCSE should plan to monitor the new law's effects, if any, on local agencies' ability to carry out the program's other functions--locating absent parents, proving paternity, and establishing support orders.

AGENCY COMMENTS

As requested by your office, we obtained oral comments on the report from OCSE officials. Overall, they agreed with the report's findings and conclusions and believed that the 1984 Child Support Enforcement Amendments, together with OCSE initiatives, will greatly enhance the ability of child support agencies to collect support, including arrearages. They commented that OCSE audit regulations, recently published as a notice of proposed rulemaking, will establish specific program performance standards to complement the new law's requirements. They also commented that OCSE was working together with such groups as the National Governors' Association and the National Council of Juvenile and Family Court Judges to urge expanded data processing, recordkeeping, and case management capabilities in conjunction with the new law's implementation.

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As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to other interested parties and make copies available upon request.



Richard L. Fogel
Director

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U.S. CHILD SUPPORT: NEEDED
EFFORTS UNDERWAY TO INCREASE
COLLECTIONS FROM ABSENT PARENTS

By letter dated December 21, 1982, the Chairman and Ranking Minority Member of the Senate Committee on the Budget requested that we review efforts to collect child support under the Child Support Enforcement Program. The Committee expressed concern that without an effective Child Support Enforcement Program, absent parents may neglect their responsibilities, thus shifting the child support burden to taxpayers through the Aid to Families with Dependent Children (AFDC) program and other welfare programs.^{1, 2}

On January 24, 1984, we provided a letter to the Chairman, Senate Committee on the Budget, setting forth the preliminary results of our work. On the same date, we testified at Senate Finance Committee hearings on the then-proposed Child Support Enforcement Amendments of 1984. On August 16, 1984, the Child Support Enforcement Amendments of 1984 became law. Beginning in October 1985, the amendments require states, among other matters, to begin the process of withholding child support from the wages of a parent when past due support equals at least 1 month's payment. In effect, agencies will have a prescribed time for following up on past due payments and a prescribed enforcement technique applicable to wage earning, which includes most absent parents (see app. III for details). Because the new law's requirements are representative of our observations on measures needed to strengthen the collections process, this report does not contain recommendations. The purpose of this report is to provide our final results, conclusions, and further views on the 1984 Child Support Enforcement Amendments. The objectives, scope, and methodology of our review are detailed in appendix II.

¹On January 20, 1983, Congressman Mario Biaggi asked that we also review collection efforts for families not participating in the AFDC program. We are issuing a separate report to Congressman Biaggi. Our report (GAO/HRD-85-3) to Congressman Biaggi will be issued on the same day as this report.

²The AFDC program is a state-sponsored, federally supported effort to provide for the basic needs of children who are deprived of the financial support of one of their parents due to death, disability, absence from the home, or in some states, unemployment.

BACKGROUND

In 1975, the Congress enacted the Child Support Enforcement Program under title IV-D of the Social Security Act to meet the problem of absent parents not supporting their children and to help reduce welfare costs. The Office of Child Support Enforcement (OCSE), within the Department of Health and Human Services (HHS), supervises the program at the federal level. Local agencies of states, or their political subdivisions, are the program's principal managers. The agencies help locate absent parents, help determine paternity, obtain court or other legally binding orders requiring the payment support, and collect the ordered support payments from absent parents.

The program can point to significant accomplishments since its creation. All states now have a child support program. Total collections have increased fourfold from \$500 million in fiscal year 1976 to more than \$2 billion in fiscal year 1983. Further, from 1976 through 1983, 2.7 million support orders were established, and paternity was determined for more than 1 million children under program auspices. Establishing paternity is a significant program function, considering that 18 percent of live births and nearly half of the children receiving AFDC are children born out of wedlock. In addition, the Child Support Enforcement Program helped locate more than 4.6 million parents in the 5 years ended with fiscal year 1983.

Despite these gains, nonpayment of child support remains a significant national problem. The Census Bureau reported that in 1981, less than half of the 4 million women due child support received the full amount and only 60 percent of support due that year was paid. Census reported that unpaid child support in 1981 totaled about \$4 billion. The most recent HHS study of AFDC recipient characteristics showed about 87 percent of the children receiving AFDC in 1979 were eligible because absent parents did not regularly pay child support. A Child Support Enforcement Program goal is the reduction of AFDC costs. In fiscal year 1983 the total support collected for AFDC families, minus the costs of collections and other program expenses, amounted to about 1.4 percent (about \$174 million) of the \$12.4 billion in AFDC payments made to these families.

The Child Support Enforcement Program provides collection services both to families eligible to receive AFDC and to families not eligible to receive such aid. Usually, the local welfare office is the child support agency's primary referral source for families that have applied for welfare and also are entitled to--but not receiving--child support. As a condition of eligibility for AFDC assistance, families receiving child

support services must relinquish to the state their rights to the support payments collected on their behalf. Sums collected are thus used to reduce AFDC program costs. Any support payments not made while a family was receiving AFDC payments become a debt to the state. Non-AFDC families normally apply for services directly to the child support agencies. For such families, the collection of support is usually initiated only at the family's request, and support collected by the local agencies is turned over to the custodial parent. In some states, however, all support orders are required to be enforced by the child support agencies.

In addition to providing technical assistance, the federal government currently funds 70 percent of state and local agencies' total child support administrative expenses.³ The federal government shares in the support collected for AFDC families in the same proportion as it funds (usually about 50 percent) states' AFDC programs and currently pays an incentive equal to 12 percent of total AFDC collections.⁴ Besides being reimbursed for administrative expenses and receiving AFDC collection incentives from the federal government, state and local governments retain AFDC child support collections (after any payments to the family) in the same proportion as they fund (usually jointly about 50 percent) the AFDC program.⁵

Program funding and activity

During fiscal year 1983, the nationwide AFDC and non-AFDC case loads at state and local child support agencies as well as total collections were as follows:

³The 1984 Child Support Enforcement Amendments reduce the federal share of administrative expenses to 66 percent by fiscal year 1990. See appendix III for details.

⁴As a result of the 1984 Child Support Enforcement Amendments, collection incentives will equal from 6 to 10 percent of both AFDC and non-AFDC collections beginning in October 1985. See discussion on page 15.

⁵Effective October 1984, the Deficit Reduction Act of 1984 provides that the first \$50 of child support received per AFDC family per month will be turned over to the family and not counted toward reducing the AFDC payment.

Fiscal Year 1983
Case Loads and Total Collections

	<u>Cases</u>	<u>Cases receiving payment</u>	<u>Total fiscal year 1983 collections</u> (millions)
AFDC	5,828,422	594,604	\$ 880
Non-AFDC	<u>1,687,152</u>	<u>504,305</u>	<u>1,142</u>
Total	<u>7,515,574</u>	<u>1,098,909</u>	<u>\$2,022</u>

The state and local agencies incurred \$691 million in administrative expenses to make these collections. The federal, state, and local agencies' share of AFDC collections and total administrative expenses is shown in the following table.

	<u>Federal share</u>	<u>State/local share</u>	<u>Total</u>
	----- (millions) -----		
AFDC collections	\$349 ^a	\$516 ^b	\$865 ^c
Total administrative expenditures	<u>487</u>	<u>204</u>	<u>691</u>
Net benefit (cost)	<u>(\$138)</u>	<u>\$312</u>	<u>\$174</u>

^aAfter incentive payment is deducted.

^bAfter incentive payment is added.

^cReduced to reflect collections of \$15 million paid to AFDC families.

PAYMENT OF SUPPORT DURING
THE STUDY YEAR WAS A PROBLEM

We visited five state child support offices and seven local offices and reviewed how each agency managed selected child support cases--both newly established and ongoing cases--for a 1-year period beginning around January 1982. In total, we analyzed a sample of 532 cases involving families receiving AFDC and not receiving AFDC. Besides determining the total amount of

support due compared to the amount paid for the study year, we recorded when payments were late by more than 30 days--a delinquency period generally coinciding with the wage withholding threshold prescribed by the 1984 Child Support Enforcement Amendments (see app. III).

Of the 532 child support cases sampled, support was to be paid during the study year in 510 cases. The other 22 cases had no study-year obligation but had arrearages as a result of unpaid child support before the study year. As shown in the following table, about half of the total support due during the study year was paid.

<u>Type of case</u>	<u>Number of cases with support due</u>	<u>Due</u>	<u>Paid</u>	<u>Not paid</u>
AFDC	280	\$406,132	\$156,563	\$249,569
Non-AFDC	<u>230</u>	<u>565,895</u>	<u>335,825</u>	<u>230,070</u>
	<u>510</u>	<u>\$972,027</u>	<u>\$492,388</u>	<u>\$479,639</u>

As shown below proportionally more non-AFDC child support was paid compared to AFDC cases. In addition, while 12 percent of absent parents paid all their obligation, 32 percent made no payments.

	<u>Type of case</u>		
	<u>AFDC</u>	<u>Non-AFDC</u>	<u>Combined</u>
Percent of total child support due that was paid	39	59	51
Percent of cases paying all support due	6	19	12
Percent of cases making no payments	36	21	32
Percent of cases making some but not all payments	58	57	56

About 66 percent of the total sample absent parents were delinquent by more than 30 days at least once during the study year. This included 210 (75 percent) of the AFDC cases and 126 (55 percent) of the non-AFDC cases--as shown in the following table.

Percent Late by More Than 30 Days

	<u>New</u>	<u>With arrears</u>	<u>Combined</u>
AFDC	70	84	75
Non-AFDC	48	63	55
Combined	60	74	66

The average period of nonpayment for the sample cases was about 8 months. Delinquencies (payments late by more than 30 days) usually occurred when the first payment to the child support agency was due. Forty-nine percent of the first payments due for AFDC cases were late, while about 40 percent of the first payments for non-AFDC cases were late.

Study-year support payments were more likely to be made by absent parents with newly established orders, than by those who were in arrears at the beginning of the study year--as shown in the following table.

	<u>New cases</u>	<u>Cases with arrears</u>	<u>Combined</u>
Percent of child support due that was paid	54	45	51
Percent paying all support due	13	10	12
Percent making no payments	21	33	32

Little past due support was paid

Little of the child support that was in arrears at the start of the study period was paid during the period, and further arrearages accumulated. The following table summarizes the study-year payment activity of AFDC and non-AFDC cases that were in arrears at the beginning of the study year.

<u>Type of case</u>	<u>Number of cases reviewed</u>	<u>Owed at start of study year</u>	<u>Payments toward arrears</u>	<u>Support not paid during study year</u>	<u>Owed at end of study year</u>
AFDC	126	\$350,397 ^a	\$21,226 ^c	\$ 80,726	\$409,897
Non-AFDC	<u>106</u>	<u>423,724^b</u>	<u>2,504^d</u>	<u>112,167</u>	<u>533,387</u>
Total	<u>232</u>	<u>\$774,121</u>	<u>\$23,730</u>	<u>\$192,893</u>	<u>\$943,284</u>

^aIncludes \$13,459 non-AFDC arrears.

^bIncludes \$46,804 AFDC arrears.

^cNo payments made toward non-AFDC arrears.

^dIncludes payments of \$545 toward AFDC arrears.

About 3 percent of the overall beginning arrearage balance was paid during the study year, while arrearages increased at a net rate of 22 percent during the year. Arrearage payments were received in 51 of 126 AFDC cases and 13 of the 106 non-AFDC cases. In addition to the cases that were in arrears at the beginning of the study period, there were 261 of 300 sampled newly established cases which developed an arrearage balance of \$286,746 by the end of the study year. Thus, the overall arrearage balance for the 532 cases was \$1.2 million by the end of the study year.

FEW COLLECTION STANDARDS FOR ENFORCEMENT OF CHILD SUPPORT ORDERS

Collection experts indicate that fast, systematic follow-up on past due child support payments is essential to (1) curb the development of poor payment habits, (2) promote the perception that program enforcement is persistent and effective, and (3) optimize collections. Before the Child Support Enforcement Amendments of 1984, federal and state governments had chosen to allow the local agencies wide latitude in determining how and when support orders would be enforced and moneys collected from the absent parent. Although OCSE encouraged agencies to develop standards to measure their work products, services, or tasks, the only enforcement-related operating standard required by federal regulations during our review was that delinquencies be identified within 30 days and payers contacted "as soon as possible."

During our review, however, neither the federal government nor states we visited set any maximum allowable time to follow up on an identified delinquency. Each location could identify delinquencies within 30 days of their occurrence, but each followed, for the most part, informal procedures allowing staff discretion in deciding when to initiate collection action, how to contact obligors, and what enforcement actions to take.

LOCAL AGENCY PROCEDURES
FOR COLLECTING SUPPORT

The local agencies we visited reviewed their caseloads in cycles, ranging from 1 month to beyond 2 years. Only two of the agencies categorized cases by collection potential, and none gave any special attention to new cases. The following table-- followed by discussion of practices at each location we visited--describes how each location identified delinquent payers and acted on such cases during the study year.

<u>Location</u>	<u>Case review cycle</u>	<u>Basis for action</u>	<u>Initial action</u>
A	Random	Staff discretion	Delinquency notice ^a
B	2 to 2-1/2 years	Delinquencies equal 12 weeks' payments	Computer-generated delinquency notice
C	3 months	Staff discretion	Show cause order ^b
D	Monthly	Staff discretion	Show cause order
E	Monthly	Staff discretion	Delinquency notice
F	Selected from 60-day delinquency list	\$200 or 60 days in arrears	Computer-generated delinquency notice
G	4 months	Staff discretion	Computer-generated delinquency notice

^aA delinquency notice advises the payer of past due support and demands payment.

^bA show cause order requires the payer to appear in court or otherwise be found in contempt of court and subject to arrest.

- At agency A, enforcement personnel identified delinquent accounts from a computer-generated list of delinquencies and investigators' reviews of case files. The enforcement staff exercised its judgment in deciding which cases to pursue. The first contact would be a delinquency letter, but there was no systematic monitoring of responses to such letters to determine if further action was necessary.
- At agency B, each week its computer scanned a small segment of the child support caseload and identified 200 to 600 cases delinquent by 12 weeks or more. Delinquency notices automatically would be sent to absent parents who owed child support payments. Because of the agency's large caseload, handling all the delinquencies that could be identified in any given month might take from 2 to 2-1/2 years to complete. Enforcement staff reviewed cases identified by the computer and used discretion in deciding whether to take follow-up actions beyond the computer-generated delinquency notice. There was no system to determine if further action was necessary. Since July 1983, the number of agency B's delinquency notices increased from about 200 to 600 notices weekly, to about 1,000.
- At agency C, each month during the study year the attorneys assigned to enforce support orders received a computer listing of about one-third of their assigned caseloads. Each attorney would identify delinquent cases and decide which cases to pursue. The usual first action was to issue an order to "show cause," which required absent parents to appear in court or face contempt charges and arrest.
- At agency D, enforcement personnel reviewed on a monthly basis a computerized list of cases delinquent 30 days or more. Enforcement staff exercised discretion in deciding which cases to enforce. The usual first action was to issue an order to show cause, requiring the absent parent to appear or face contempt charges and arrest.
- At agency E, cases were reviewed monthly. A monthly account status report showed delinquencies that had occurred during the prior month. Enforcement staff completed a preprinted letter (delinquency notice) for forwarding to delinquent payers, which was to be followed by a more forceful letter and telephone calls.

--At agency F, case reviews were to be performed within 30 to 45 days from the date payments began. The case investigators, however, decided review dates depending on individual case circumstances. The state's computer system produced a case review list of payers who were 60 days late with their payments or \$200 in arrears. Either computer-generated delinquency notices were sent out, or the first action was to issue an order to the absent parent to show cause.

--At agency G, the enforcement staff reviewed the entire caseload on an alphabetical basis over a 4-month cycle. Each month the computer system generated a delinquency notice to be forwarded for each account that was in arrears. The message in the delinquency notice was the same each month, and the enforcement staff did not routinely follow up each letter.

AGENCIES DID NOT TAKE PROMPT
ACTION TO COLLECT PAST DUE SUPPORT

Of the 510 cases with support due, 336 involved 613 instances where support payments were late by more than 30 days. During the 1-year study period, we found that the local agencies did not take any action 26 percent of the time. When the agencies took action, an average of 94 days had passed since the last payment was received from the absent parent.

We also examined how the agencies reacted when, for the first time, an absent parent in our new case sample was late in making a payment. OCSE recommends giving attention to new cases to prevent poor paying habits from developing and arrears from growing and becoming uncollectable. We found that 60 percent of the sample new order cases (181 cases) were late by more than 30 days at least once. On average, the agencies took no action in 25 percent of the first-time delinquencies, and when action was initiated, 102 days had passed since support was due. The following table summarizes this information.

	<u>AFDC</u>	<u>Non-AFDC</u>	<u>Total</u>
Cases:			
Total	171	129	300
Missed payments	119	62	181
No agency action	22	23	45
Action taken	97	39	136
 Average time to initiate action (days)	 99	 109	 102

Actions to collect arrears

Besides examining agency actions to collect support that became past due during the study period, we reviewed cases with arrears existing at the start of the study year. We observed that agencies had taken action to require absent parents to make payments toward the arrears balance in 77 of 232 AFDC and non-AFDC sample arrears cases. As discussed in the next section, child support agencies are required to provide collection services to any individual who applies--not just families receiving AFDC.

The child support agencies employed two principal tools to obtain payments toward arrearage balances. One method was to modify child support orders so that absent parents were obligated to make regular payments toward the arrears balance in addition to payments to the current support order. During the study year, absent parents were ordered to make payments toward arrears in 77 of 232 arrears cases (57 of 126 AFDC and 20 of 106 non-AFDC cases) by means of modifying existing child support orders.

The other technique was to intercept federal and state income tax refunds. Attempts to intercept tax refunds were made in the 30 cases with AFDC arrears that we reviewed.⁶ We noted that the computer systems in the California and Michigan agencies compiled lists of cases with AFDC arrears, while support enforcement staff in the Maryland and Florida offices made referrals--for intercepting federal and state income tax refunds--based on reviews of case-related data. New York State requires that support orders be modified to provide for a court determination of arrearage amounts, to establish a payment schedule, and to refer for tax refund intercept those absent parents who missed scheduled arrearage payments of more than \$150.

AVAILABILITY OF CHILD SUPPORT COLLECTION SERVICES FOR NON-AFDC FAMILIES VARIED

The Social Security Act currently requires states to provide child support collection services to any individual who

⁶Intercepting federal tax refunds has been limited to AFDC arrears. The 1984 Child Support Enforcement Amendments permit intercepting federal tax refunds for non-AFDC cases. See appendix III for more information.

applies, not just families receiving AFDC.⁷ Regulations require that states (1) establish written procedures for accepting clients and furnishing all appropriate and available child support collection services and (2) have personnel available to perform the services for applicants.

During our study period, the availability of state and local collection services for non-AFDC families varied. One state's child support agency enforced and collected support for all families when a support order existed, while two other states' agencies provided collection services for non-AFDC families only upon request. The other two states we visited limited non-AFDC collection services--one through the use of quotas, and the other through an income-eligibility test.

The following chart shows the general availability of collection services for non-AFDC families during the study year in the states that we visited.

State	Availability of Collection Services
Michigan	Collection services made available for all support orders issued.
California	Custodial parent has to apply to receive collection services.
New York	Custodial parent has to apply to receive collection services.
Florida	Collection services restricted by quotas established for non-AFDC cases.
Maryland	Custodial parent had to apply and meet income eligibility means test to receive collection services. (Recently changed, see p. 13.)

Both California and New York offer collection services to non-AFDC custodial parents who apply for agency assistance. Both states will receive payments from an absent parent, and

⁷The Child Support Enforcement Amendments of 1984, effective October 1, 1984, changed the treatment of child support services for non-AFDC families (see app. III).

local agencies will act to collect past due payments only if specifically requested to do so by the custodial parent. The New York State Deputy Director of Child Support Enforcement told us that although local offices may initiate administrative actions, such as phone calls and letters to enforce orders, this usually is not done. In the event payments are not made, the custodial parent normally must visit the local office and sign a petition for court action or otherwise self-initiate judicial remedies.

Florida has limited to about 9,000 statewide the number of non-AFDC cases that its local agencies will collectively service. The quota is based on a fixed number of staff dedicated to non-AFDC services--which the Florida legislature has established--and state case load standards of 300 non-AFDC cases per non-AFDC caseworker. Local offices in Florida that reach their quotas put applicants on a waiting list. As a result, one local office that we visited reached its 1,200-case quota in September 1982 and, by October 1983, had accumulated 1,175 names on its waiting list. The resulting average waiting time for services was about 11 months. This occurred because in September 1982, when this local office's quota was reached, the director instructed the legal staff not to activate or reopen non-AFDC cases without approval. He also instructed the staff to continue placing greater emphasis on AFDC cases to recoup tax dollars for the state.

In Maryland, counties were using an income-eligibility test for custodial parents who applied for services. A three-person family's income, for example, could not have exceeded \$10,368 for it to receive services. The income test was implemented in March 1983 but found illegal by a court ruling in January 1984. Presently, all non-AFDC families that apply receive child support collection services.

Although program regulations required that states provide services to non-AFDC families that applied, states were not required to publicize that such services were available. Michigan, which enforces all support orders, was the only state of those we visited that had a policy to publicize service availability. As a result, those needing collection services in other states may not be aware that the services are available. New York's State Child Support Director told us that publicizing the services would likely increase caseloads and costs because he believed that there were many who would use the services but were unaware of the program.

Staffing limitations cited as problems

According to state and local officials, staff limitations contributed to service shortfalls and irregular collection efforts. We did not evaluate the adequacy of staffing levels. The agencies generally did not have staffing standards (except in Florida) that could be used to develop staff needs.

According to agency officials, one reason for the possible lower emphasis on providing non-AFDC services is that there has been no incentive payments for collecting non-AFDC support. Before the Child Support Enforcement Amendments of 1984, incentive payments were based only on AFDC case collections. Servicing non-AFDC families may keep the family off welfare, but such savings have not been estimated. Presently, HHS has a study underway to determine the financial benefits of helping non-AFDC families.

THE CHILD SUPPORT ENFORCEMENT AMENDMENTS OF 1984

The 1984 Child Support Enforcement Amendments were designed to improve the enforcement and collection of child support for both AFDC and non-AFDC families. For the first time, specific time and procedure standards governing collections will be required. In addition to withholding support from absent parents' wages, states will also be required to have procedures to impose liens against property, intercept state income tax refunds, report delinquent absent parents to credit bureaus, and have absent parents guarantee, through a security instrument, their payment of overdue support. In addition, states will receive incentives for collecting non-AFDC support and will added incentive payments when costs remain low relative to collections.

Wage withholding

Beginning in October 1985, child support agencies will be required to implement wage withholding procedures when past due support equals at least 1 month's payment. Wage withholding was used in 98 of the 532 cases we examined. For those 98 cases, about 74 percent of the support due was collected as opposed to 45 percent for the other 434 cases where this technique was not used. Wage withholding may have been underutilized, considering that 343 of the absent parents for the 434 cases were employed sometime during the study year. Also, in 32 of 51 ongoing cases with arrears at the start of the study year and with withholding orders, there was no provision in the orders for collecting the arrearages. Where wage withholding was implemented in our

sample of cases with newly established orders after arrears had developed, provision was made in one-third of the cases to collect the past due support.

The implementation of wage or other forms of income withholding will require that sources of an absent parent's income be known to the child support agency. The child support agencies we visited, however, did not have information recorded on the absent parent's employment status in 121 of the 532 cases. In cases where the absent parent was known to be employed during the study year, 16 percent of the records did not contain the absent parent's employer's name.

We also noted that in Michigan, which we visited, staff shortages reportedly were experienced when state-mandated wage withholding was implemented in July 1983. The enabling state legislation required that every support order issued or modified after July 1, 1983, contain an income withholding order and that withholding be involved when arrears equaled 12 weeks. The threshold to begin withholding action was to be gradually reduced to 4 weeks' equivalent payments by January 1985. One local office we visited phased in the law by adding 11 temporary staff to its permanent enforcement staff of 28. The local office director anticipated that once wage withholding was fully implemented, the temporary staff would no longer be needed. To orderly phase in the law, however, the local office treated all cases as if they were without arrears. In other words, cases with arrears that had accrued before July 1983 were not being pursued until additional arrears equal to 4 weeks had accrued for payments due after July 1, 1983.

The other office in Michigan that we visited estimated that 120 staff would have to be added to the 230 on-board to fully implement the law. We were informed that because of staff limitations, the agency had initiated income withholding proceedings on only a small fraction of cases where arrears equal to 12 weeks had accrued on orders issued during the 8-month period after July 1, 1983, and that action was not being taken on cases where arrears had accrued before July 1983.

Federal incentive payments

The present federal incentive payments to states equal to 12 percent of only AFDC support collected will be replaced in October 1985 with incentives based on both AFDC and non-AFDC collections. Under the new incentive system, states can receive a bonus of 6 to 10 percent of the state's total amount of AFDC support collected plus 6 to 10 percent of the state's total amount of non-AFDC support collection for the year. The incentive factor will depend on the ratios of AFDC and non-AFDC

collections to total administrative costs--as shown in the following table.

<u>AFDC incentive payment</u>		<u>Non-AFDC incentive payment</u>	
<u>Ratio of AFDC collections to combined AFDC/non-AFDC administrative costs</u>	<u>Incentive equal to this percent of AFDC collections</u>	<u>Ratio of non-AFDC collections to combined AFDC/non-AFDC administrative costs</u>	<u>Incentive equal to this percent of non-AFDC collections</u>
less than 1.4 : 1	6.0	less than 1.4 : 1	6.0
1.4 : 1	6.5	1.4 : 1	6.5
1.6 : 1	7.0	1.6 : 1	7.0
1.8 : 1	7.5	1.8 : 1	7.5
2.0 : 1	8.0	2.0 : 1	8.0
2.2 : 1	8.5	2.2 : 1	8.5
2.4 : 1	9.0	2.4 : 1	9.0
2.6 : 1	9.5	2.6 : 1	9.5
2.8 : 1	10.0	2.8 : 1	10.0

The amount of the non-AFDC incentive payment cannot exceed a state's AFDC incentive payment in fiscal years 1986 and 1987. The cap on non-AFDC incentive payments will rise to 105 percent of AFDC incentive payments in fiscal year 1988, 110 percent in fiscal year 1989, and 115 percent for fiscal year 1990 and later.

We have not analyzed the incentive provision's possible effects on future collections. We did, however, apply the incentive formula to fiscal year 1982 collections and observed that, with non-AFDC incentive payments capped at 100 percent of AFDC incentives, only 7 of the 54 states and territories would have received a higher incentive payment in fiscal year 1982, 16 would have received the same, and 31 would have received less.⁸ The 31 states that would have received lower incentive payments would have higher payments if non-AFDC collections had been greater relative to costs. In addition, three of the seven states that would have received higher incentives theoretically would have realized greater incentive payments by increasing non-AFDC collections. The other 20 states would have to increase AFDC collection incentives. This is because the amount

⁸For fiscal years 1986 and 1987, a state would be eligible to receive the higher payment of the amount due under the new incentive and federal reimbursement provisions or 80 percent of what would have been received. In fiscal year 1985, under the existing 12-percent incentive formula, a state would be eligible for 70-percent reimbursement of administrative expenses.

of the non-AFDC incentive, while computed to be larger than the AFDC incentive, was limited to an amount no greater than the AFDC incentive payment.

Two-thirds of the states could improve AFDC incentives by improving the ratio of collections to costs. In fiscal year 1982, 32 states' ratios of AFDC collections to costs were less than 1.4:1. They qualified only for the minimum incentive factor of 6 percent. Only three states qualified for the maximum incentive factor of 10 percent.

It remains to be seen how states will react to the incentive formula. Despite offering collection incentives for non-AFDC cases, state and local governments likely will find collection of AFDC support more financially rewarding because of the potential to reduce AFDC program expenses from retained collections on behalf of AFDC recipients.

We have not evaluated the other provisions of the Child Support Enforcement Amendments of 1984. However, we have provided a brief description of these provisions in appendix III.

CONCLUSIONS

Our review of collection efforts at five state child support offices and seven local offices indicated that for a 1-year period, child support collections amounted to about half of the support due. About 66 percent of the sample absent parents were delinquent by more than 30 days at least once during the study year. The average period of nonpayment was 8 months. Little of the child support that was in arrears at the start of the study period was paid during the period, and further arrearages accumulated for the ongoing and newly established cases. Before the Child Support Enforcement Amendments of 1984, the federal and state governments had allowed the local agencies wide latitude in determining how and when support orders would be enforced and moneys collected from the absent parent. The only federal requirement was that delinquencies be identified within 30 days and payers contacted "as soon as possible." None of the states or local agencies we visited had set any maximum allowable time to follow up on an identified delinquency.

We believe that the 1984 Child Support Enforcement Amendments could significantly reform the enforcement and collection of child support in the United States. With the new wage withholding requirements, state and local agencies, in effect, will have a prescribed time for following up on past due payments and a prescribed enforcement technique applicable to wage earners, which includes most absent parents. In addition, the new incentive payment section could enhance collections for non-AFDC

families and otherwise increase the availability of collection services.

We believe that in implementing the new law, OCSE should remain cognizant of those factors--such as the lack of staff cited by state and local officials--that may have limited past collection performance and might do so under the new law. Also, because the new law places special emphasis on collecting child support, we believe that during implementation, OCSE should plan to monitor the new law's effects, if any, on local agencies' ability to carry out the program's other functions--locating absent parents, proving paternity, and establishing support orders.

AGENCY COMMENTS

As requested by your office, we obtained oral comments on the report from OCSE officials. Overall, they agreed with the report's findings and conclusions and believed that the requirements of the Child Support Enforcement Amendments of 1984, together with agency initiatives, will greatly improve the collection performance of state and local Child Support Enforcement agencies.

The officials commented that OCSE audit regulations, recently published as a notice of proposed rulemaking, will establish specific program performance standards that will require states to effectively enforce support orders and improve collections. They said that these standards, coupled with the legal authority for mandatory, automatic wage withholding and intercept of tax refunds at federal and state levels for both AFDC and non-AFDC cases, will greatly enhance the ability of child support agencies to collect support, including arrearages.

OCSE officials also commented that current collection performance often is the result of inadequate legal remedies coupled with management deficiencies, such as poor recordkeeping and case management, and that these problems are exacerbated in many places by organizational fragmentation and poor use of available computer technology. They pointed out that OCSE was working together with the National Governors' Association, American Public Welfare Association, National District Attorneys' Association, National Council of Juvenile and Family Court Judges, and the National Conference of State Legislatures to urge expanded data processing, recordkeeping, and case management capabilities in conjunction with the new law's implementation.

OBJECTIVES, SCOPE, AND METHODOLOGY

In a December 21, 1982, letter, the Chairman and Ranking Minority Member, Senate Committee on the Budget, expressed the Committee's concern that only a small portion of child support obligations are being paid and that without an effective Child Support Enforcement Program, absent parents may neglect their responsibilities and shift the burden of their children's support to the taxpayer through welfare programs, such as the AFDC, Medicaid, and Food Stamp programs. The Committee's request pointed out that although the program includes other functions--locating absent parents, proving paternity, and establishing support obligations--it was most concerned that the collection function be strengthened and improved before we examined other program functions. The Committee requested us to study how well the Child Support Enforcement Program collected child support payments.

In addition, in a letter of January 20, 1983, and in later discussions with his office, Congressman Mario Biaggi asked us to examine the collection of support for individuals not receiving AFDC payments. Based on the Senate Budget Committee's and Congressman Biaggi's requests, we examined federal, state, and local efforts to collect child support for both AFDC and non-AFDC cases.

We performed our work at OCSE headquarters in Rockville, Maryland; in five OCSE regional offices--Atlanta, Georgia; Chicago, Illinois; New York, New York; Philadelphia, Pennsylvania; and San Francisco, California--five state child support offices in California, Florida, Maryland, Michigan, and New York; and seven local offices--Sacramento County, California; Jacksonville and St. Petersburg Districts, Florida; Montgomery County, Maryland; Wayne and Oakland Counties, Michigan; and Schenectady County, New York.

In consultation with OCSE, we selected states that were geographically dispersed, that included a variety of collection and enforcement techniques, and that would typify the program. All but one local agency was an above-average performer based on the national ratio of total collections to expenditures, and all local agencies were above-average performers in their respective states. Though this was a somewhat conservative approach to study design, we felt that any operational deficiencies found in this high-performance sample would be representative of those likely to be found in the lower performing agencies.

The following table provides collection to cost ratio information on the states and sites within the states where we did our review.

<u>Selected states/sites</u>	<u>Collection/cost ratio</u>
Nationwide	2.99
California	2.27
Sacramento County	2.55
Florida	1.44
Jacksonville District	3.64
St. Petersburg District	3.18
Maryland	3.95
Montgomery County	4.32
Michigan	6.64
Wayne County	9.73
Oakland County	29.21
New York	2.15
Schenectady County	4.84

California, Michigan, and New York have the largest AFDC populations and in August 1983, accounted for 33 percent of all recipients receiving AFDC benefits and 42 percent of AFDC payments. We considered AFDC program data to be an important factor in making our site selections because (1) a goal of the Child Support Enforcement Program is to help reduce welfare costs, and (2) AFDC program participants who also are entitled to child support payments are required to assign their rights to such support to the state--through the Child Support Enforcement Program. Also, AFDC recipients are eligible for other welfare assistance, such as Medicaid and food stamps.

We selected Michigan because both OCSE officials and program statistics we reviewed indicated the state has one of the most effective Child Support Enforcement programs. We selected Florida because its program's caseload includes a large number of absent parents who pay support for families residing in other states. According to agency officials, this happens when absent parents in northern states relocate in southern states.

To assist in providing a broad, nationwide perspective on the child support program, we reviewed pertinent studies and literature and held discussions with officials of various child support enforcement groups and organizations. These groups included the National Council of State Child Support Enforcement Administrators, the National Reciprocal and Family Support Enforcement Association, and the National Institute for Child Support

Enforcement. We also reviewed a previous GAO report on child support that addressed the implementation of the Child Support Enforcement Program and ways to improve it.¹

We reviewed enabling federal legislation and implementing regulations. We also reviewed state and local agency policies and procedures for collecting child support. We interviewed the Deputy Director of OCSE and other headquarters and regional staff and the Directors and staff in each of the states and local offices visited. We discussed collection policies and practices with other selected child support enforcement agencies and with debt collection institutions.

At each state and local agency visited, we examined selected cases for which support orders had been established. Support orders obligate absent parents to pay specified amounts of support. We selected support cases for children receiving AFDC (AFDC cases) as well as those not receiving AFDC (non-AFDC cases). We examined case activity for a 1-year period, usually encompassing most of calendar year 1982. Calendar year 1982 was the most current year when the review began and offered the likelihood that all records, transactions, etc., for the case would be complete.

At each of the local agencies we selected cases with newly established support orders (new cases). Regarding new cases, OCSE program officials had advised us that

- long-term payment problems can develop if, during the first year that support is due, the child support agencies do not earnestly pursue collections and
- without quick action to deal with delinquent payments, arrearages can become much too large for the absent parent to defray.

We selected all of the new cases in Schenectady County, for which the county was required to begin collecting support in January 1982. We sampled from the universe of January 1982 new cases in Wayne and Oakland Counties. In Montgomery and Sacramento Counties and the Jacksonville and St. Petersburg districts, we selected all January and February 1982 new child support orders in order to have large enough samples at these sites.

¹New Child Support Legislation--Its Potential Impact and How To Improve It (MWD-76-63, Apr. 5, 1976).

In addition, at five local agencies² we randomly selected ongoing cases for which payments of at least \$150 were in arrears as of January 1982. We looked at arrearage cases to determine agency actions to reduce such balances. Families receiving AFDC assign their support rights to the state for the period AFDC payments were received. Child support not paid while a family received AFDC becomes a debt to the state. We used child support arrearages of \$150 as a selection criterion because arrears had to equal at least that amount for an agency to take action to intercept an absent parent's federal income tax refund to cover overdue AFDC-related support. At the time of our review, the intercept technique was not used to recover non-AFDC child support payments.

Overall, we sampled 532 cases consisting of 171 AFDC and 129 non-AFDC new order cases and 126 AFDC and 106 non-AFDC arrearage cases. We used computer-assisted techniques to record and analyze the data. A breakdown of the sample cases by location follows.

<u>Local office</u>	<u>New order cases</u>		<u>Arrearage cases</u>	
	<u>AFDC</u>	<u>Non-AFDC</u>	<u>AFDC</u>	<u>Non-AFDC</u>
Wayne	40	40		
Oakland	25	16	26	25
Montgomery	16	13	27	8
Sacramento	19	20	25	24
Jacksonville	22 ^a	4 ^a	23	24
St. Petersburg	25 ^a	15 ^a		
Schenectady	24	21	25	25
Total	171	129	126	106

^aCases were selected from the active files and did not include the closed or deferred files or non-AFDC interstate cases which are located in the state Attorney's Office.

For sampled cases, we recorded information from case files and court records on how the agency collected child support for a 1-year period, usually encompassing most of calendar year 1982.³ For new cases this was the first year of the order beginning with

²Review of cases with existing arrears not made in St. Petersburg, Florida, and Wayne County, Michigan.

³The study period extended beyond the 1-year time frame to June 30, 1983, to track a payment or enforcement activity with origins in the study year.

the date the first payment was due. We determined the information the agency had available on the absent parents' identity, location, employment, and financial status. We also recorded case payment history, identified when payments were late and by how long a period, recorded if and when the agency initiated collection action, and identified and recorded the actions taken. From our data base, for example, we were able to extract information on cases more than 30 days behind in payments. A 30-day threshold to initiate collection action coincided with regulations that required agencies to have systems to identify delinquencies within 30 days and also the Child Support Enforcement Amendments of 1984 requirement that, beginning in October 1985, agencies act to collect support past due by 1 month.

We identified factors affecting the collectability of support as documented in the child support records, including when the agency could not locate the absent parent or when the absent parent was unemployed, incapacitated, incarcerated, or otherwise unable to pay.

Our sample size for new cases at individual locations was not large enough to statistically project our study results. We concluded, based on the generally consistent case analysis results we were able to preliminarily determine, as well as the prospective time and cost involved in expanding our case samples, that the number of sites visited and cases reviewed were appropriate for the purpose of our study.

Except for not verifying the accuracy of data generated by the child support agencies' computer systems, we made our review in accordance with generally accepted government auditing standards. Our review was performed from December 1982 to May 1984.

SUMMARY OF CHILD SUPPORT ENFORCEMENT AMENDMENTS OF 1984Section 1 - Contents

Section 2 - Purpose of the program.--Language is added to the statement of purpose assuring that services will be made available to non-AFDC families.

Section 3 - Improved child support enforcement through required state laws and procedures.--States are required to enact laws establishing the following procedures:

1. Mandatory wage withholding for all families (AFDC and non-AFDC) if support payments are delinquent in an amount equal to 1 month's support. States must also allow absent parents to request withholding at an earlier date.
2. Imposing liens against real and personal property for amounts of overdue support.
3. Withholding of state tax refunds payable to a parent of a child receiving services, if the parent is delinquent in support payments.
4. Making available information regarding the amount of overdue support owed by an absent parent, to any consumer credit bureau, upon request of such organization.
5. Requiring individuals who have demonstrated a pattern of delinquent payments to post a bond, or give some other guarantee to secure payment of overdue support.
6. Establishing expedited processes within the state judicial system or under administrative processes for obtaining and enforcing child support orders and, at the option of the state, for determining paternity.
7. Notifying each AFDC recipient at least once each year of the amount of child support collected on behalf of that recipient.
8. Permitting the establishment of paternity until a child's 18th birthday.
9. At the option of the state, providing that child support payments must be made through the agency that administers the state's income withholding system if either the custodial or noncustodial parent requests that they be made in this manner.

The Secretary of Health and Human Services may grant an exemption to a state from the required procedures, subject to later review, if the state can demonstrate that such procedures will not improve the efficiency and effectiveness of the state Child Support Enforcement program.

Service fees to non-AFDC families.--States will be required to charge an application fee for non-AFDC cases not to exceed \$25. The state may charge the fee against the custodial parent, pay the fee out of state funds, or recover the fee from the non-custodial parent.

In addition, states may charge absent parents a late payment fee equal to between 3 and 6 percent of the amount of overdue support. The state may not take any action which would have the effect of reducing the amount paid to the child and will collect the fee only after the full amount of the support has been paid to the child. The late payment fee provision is effective upon enactment.

The enforcement provisions are generally effective October 1, 1985.

Section 4 - Federal matching of administrative costs.--The federal matching share is gradually reduced from 70 percent to 68 percent in fiscal years 1988 and 1989, and 66 percent beginning in fiscal year 1990.

Section 5 - Federal incentive payments.--The current incentive formula which gives states 12 percent of their AFDC collections (paid for out of the federal share of the collections) is replaced with a new formula that will be equal to 6 percent of the state's AFDC collections and 6 percent of its non-AFDC collections. States may qualify for higher incentive payments, up to a maximum of 10 percent of collections, if their AFDC or non-AFDC collections exceed combined administrative costs for both AFDC and non-AFDC components of the program as shown below.

<u>AFDC incentive payment</u>		<u>Non-AFDC incentive payment</u>	
<u>Ratio of AFDC collections to combined AFDC/non-AFDC administrative costs</u>	<u>Incentive equal to this percent of AFDC collections</u>	<u>Ratio of non-AFDC collections to combined AFDC/non-AFDC administrative costs</u>	<u>Incentive equal to this percent of non-AFDC collections</u>
less than 1.4 : 1	6.0	less than 1.4 : 1	6.0
1.4 : 1	6.5	1.4 : 1	6.5
1.6 : 1	7.0	1.6 : 1	7.0
1.8 : 1	7.5	1.8 : 1	7.5
2.0 : 1	8.0	2.0 : 1	8.0
2.2 : 1	8.5	2.2 : 1	8.5
2.4 : 1	9.0	2.4 : 1	9.0
2.6 : 1	9.5	2.6 : 1	9.5
2.8 : 1	10.0	2.8 : 1	10.0

The total dollar amount of incentives paid for non-AFDC families may not exceed the amount of the state's incentive payment for AFDC collections for fiscal years 1986 and 1987. Thereafter the incentive paid for non-AFDC collections will be capped at an amount equal to 105 percent of the incentive for AFDC collections in fiscal year 1988, 110 percent in fiscal year 1989, and 115 percent beginning in fiscal year 1990. For fiscal year 1985, the amount of the AFDC incentive will be calculated on the basis of AFDC collections without regard to the provision added by the Deficit Reduction Act of 1984 that requires that the first \$50 collected on behalf of an AFDC family in any month must be paid to the family without reducing the amount of the AFDC payment to the family.

States may exclude the laboratory costs of determining paternity from combined administrative costs for purposes of computing incentive payments.

States are required to pass through to local jurisdictions that participate in the cost of the program an appropriate share of the incentive payments, as determined by the state, taking into account program effectiveness and efficiency. Amounts collected in interstate cases will be credited, for purposes of computing the incentive payments, to both the initiating and responding states.

As part of the new funding formula, "hold harmless" protection is provided for fiscal years 1986 and 1987 which assures the states that for those years they will receive the higher of the amounts due them under the new incentive and federal match provisions, or no less than 80 percent of what they would have received in fiscal year 1985 under prior law.

The provision is effective beginning with fiscal year 1986 (Oct. 1, 1985).

Section 6 - Federal matching for automated management systems used in income withholding and other procedures.--The 90-percent federal matching rate currently available to states to establish an automatic data processing and information retrieval system may be used to develop and improve income withholding and other required procedures. The 90-percent matching is also available to pay for the acquisition of computer hardware.

The provision is effective October 1, 1984.

Section 7 - Continuing support enforcement for AFDC recipients whose benefits are terminated.--States must provide that families whose eligibility for AFDC is terminated will be automatically transferred from AFDC to non-AFDC status without requiring application services or payment of a fee.

The provision is effective October 1, 1984.

Section 8 - Special project grants to promote improvement in interstate enforcement.--The Secretary is authorized to make demonstration grants to states which propose to undertake new or innovative methods of support collection in interstate cases.

Section 9 - Periodic review of state programs; modifications of penalty.--The director of the federal Office of Child Support Enforcement is required to conduct audits at least every 3 years to determine whether the standards and requirements prescribed by law and regulations have been met. Under the penalty provisions, a state's AFDC matching funds must be reduced by an amount equal to at least 1 but no more than 2 percent for the first failure to comply substantially with the standards and requirements, at least 2 but no more than 3 percent for the second failure, and at least 3 but no more than 5 percent for the third and any subsequent consecutive failures.

Annual audits are required unless a state is in substantial compliance. If a state is not in substantial compliance, the penalty may be suspended only if the state is actively pursuing a corrective action plan, approved by the Secretary, which can be expected to bring the state into substantial compliance on a specific and reasonable timetable. If at the end of the corrective action period substantial compliance has been achieved, no penalties would be due. If substantial compliance has not been achieved, penalties would begin at the end of the corrective

action period if the state has implemented the corrective action plan. A state which is not in full compliance may be determined to be in substantial compliance only if the Secretary determines that any noncompliance is of a technical nature which does not adversely affect the performance of the Child Support Enforcement program.

The provision is effective beginning in fiscal year 1984.

Section 10 - Extension of sec. 1115 demonstration authority to the child support system.--The sec. 1115 demonstration authority is expanded to include the Child Support Enforcement program under specified conditions.

The provision is effective upon enactment.

Section 11 - Child support enforcement for certain children in foster care.--State child support agencies are required to undertake child support collections on behalf of children receiving foster care maintenance payments under title IV-E of the Social Security Act, if an assignment of rights to support to the state has been secured by the foster care agency. In addition, foster care agencies are required to secure an assignment to the state or any rights to support on behalf of a child receiving foster care maintenance payments under the title IV-E foster care program.

The provision is effective October 1, 1984.

Section 12 - Collecting spousal support.--Child support enforcement services must include the enforcement of spousal support, but only if a support obligation has been established with respect to the spouse, the child and spouse are living in the same household, and child support is being collected along with spousal support.

The provision is effective October 1, 1985.

Section 13 - Modifying annual report content.--The information requirements of the Secretary's annual report on Child Support Enforcement program activities are expanded to include the following data.

1. The total number of cases in which a support obligation has been established in the past year and the total amount of obligations;

2. The total number of cases in which a support obligation has been established and the total amount of obligations;

3. Cases described in (1) in which support was collected during a fiscal year and the total amount; and

4. Cases described in (2) in which support was collected during a fiscal year and the total amount.

Additionally, the annual report must include information on the child support cases filed and the collections made in each state on behalf of children residing in another state or cases against parents residing in another state. The annual report must also detail how much in administrative costs is spent in each functional expenditure category (including paternity). This information is to be separately stated for current and for past AFDC and non-AFDC cases.

The provision is effective beginning for the report issued for fiscal year 1986.

Section 14 - Requirement to publicize the availability of child support services.--States must frequently publicize, through public service announcements, the availability of child support enforcement services, together with information as to the application fee for services and a telephone number or postal address to be used to obtain additional information.

The provision is effective October 1, 1985.

Section 15 - State Commissions on Child Support.--The governor of each state is required to appoint a state Commission on Child Support. The commission must include representation from all aspects of the child support system, including custodial and non-custodial parents, the IV-D agency, the judiciary, the governor, the legislature, child welfare and social services agencies, and others.

Each state commission is to examine the functioning of the state child support system with regard to securing support and parental involvement for both AFDC and non-AFDC children, including but not limited to such specific problems as: (1) visitation, (2) establishment of appropriate objective standards for support, (3) enforcement of interstate obligations, and (4) additional federal and state legislation needed to obtain support for all children.

The commission shall submit to the governor, and make available to the public, reports on their findings and recommendations no later than October 1, 1985. Costs of operating the commissions will not be eligible for federal matching.

The Secretary may waive the requirement for a commission at the request of a state if he determines that the state has had such a commission or council within the last 5 years or is making satisfactory progress toward fully effective child support enforcement.

Section 16 - Requirement to include medical support as part of any child support order.--The Secretary is required to issue regulations to require state agencies to petition to include medical support as part of any child support order whenever health care coverage is available to the absent parent at a reasonable cost. The regulations must also provide for improved information exchange between the state IV-D agencies and the Medicaid agencies with respect to the availability of health insurance coverage.

Section 17 - Availability of federal parent locator services to state agencies.--The present requirement that the states exhaust all state child support locator resources before they request the assistance of the federal Parent Locator Service is repealed.

The provision is effective upon enactment.

Section 18 - Guidelines for determining support obligations.--Each state must develop guidelines to be considered in determining support obligations.

The provision is effective October 1, 1987.

Section 19 - Availability of social security numbers for purposes of child support enforcement.--The absent parent's social security number may be disclosed to child support agencies both through the federal Parent Locator Service and by the Internal Revenue Service.

The provision is effective upon enactment.

Section 20 - Extending Medicaid eligibility when support collection results in termination of AFDC eligibility.--If a family loses AFDC eligibility as the result (wholly or partly) of increased collection of support payments under the IV-D program, the state must continue to provide Medicaid benefits for 4 calendar months beginning with the month of ineligibility. (The family must have received AFDC in at least 3 of the 6 months immediately preceding the month of ineligibility).

The provision is effective upon enactment. It is applicable to families becoming ineligible for AFDC before October 1, 1988.

Section 21 - Collection of overdue support from federal tax refunds.--Current law requires the Secretary of the Treasury, upon receiving notice from a state child support agency that an individual owes past due support which has been assigned to the state as a condition of AFDC eligibility, to withhold from any tax refunds due that individual an amount equal to any past due support. The amendments extend this requirement to provide for withholding of refunds on behalf of non-AFDC families under specified conditions.

The provision is effective for refunds payable after the year ending December 31, 1985, and prior to January 1, 1991.

Section 22 - Wisconsin child support initiative.--The Secretary is required to grant waivers to the state of Wisconsin to allow it to implement its proposed child support initiative in all or parts of the state as a replacement for the AFDC and child support programs. The state must meet specified conditions and give specific guarantees with respect to the financial well-being of the children involved.

The provision is effective for fiscal years 1987-94.

Section 23 - Sense of the Congress that state and local governments should focus on the problems of child custody, child support, and related domestic issues.--State and local governments are urged to focus on the vital issues of child support, child custody, visitation rights, and other related domestic issues that are within the jurisdictions of such governments.

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