An Audit Report on the

Child Support Enforcement Program at the Office of the Attorney General

Overall Conclusion

The Office of the Attorney General (Office) generally administers the Child Support Program so that child support payments are disbursed to custodial parents accurately and in a timely manner. The majority of payments are processed by the Office's State Disbursement Unit (SDU) vendor, and we determined that the vendor processes payments in accordance with federal law and the terms of the contract. We also determined that the Office's contract monitoring function generally does a good job of managing the $130 million SDU contract.

However, the Office needs to improve the physical security and tracking of the payments processed by its Payment Processing section, which totaled more than $172 million in fiscal year 2002. In addition, weaknesses in controls over access to child support information systems create a risk that unauthorized individuals could make inappropriate changes to case information. Child support collections totaled approximately $1.5 billion in fiscal year 2002.

We did not identify any irregularities in our tests of the accuracy of data shared between the major information systems used for processing child support transactions, the Texas Child Support Enforcement System (TxCSES) and Stradus.

> ### Child Support Program
>
> Federal law requires the Office to establish and operate a state disbursement unit for centralized collections and disbursement of child support payments in Texas (Chapter 234 of the Family Code and 42 USC Sections 654(a)(e) and 654b). The Office has contracted with Affiliated Computer Services, Inc. (ACS) to provide these services in a $130 million, five-year contract that expires in August 2005. The contract amount for fiscal year 2003 was approximately $40 million.
>
> Child support collections totaled approximately $1.5 billion in fiscal year 2002 and $1.9 billion in fiscal year 2003. According to the Office, its State Disbursement Unit processed approximately $1.1 billion of the collections in fiscal year 2002 and $1.5 billion in fiscal year 2003.
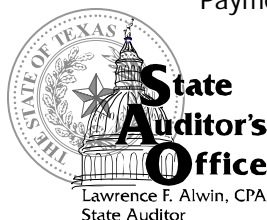
Key Points

Child support payments are distributed accurately and on time.

During fiscal year 2002, the Office's State Disbursement Unit (SDU) distributed $1.1 billion in child support payments from noncustodial parents to custodial parents accurately and on time. Our testing of a sample of payments showed that the vendor with which the Office contracts to run the SDU processed payments within the timeframes required by federal law and the contract.

Improvements are needed in the security and tracking of child support payments processed by the Payments Processing section.

The Office needs to improve physical security and tracking of payments processed by its Payment Processing section, which totaled more than $172 million in fiscal year 2002. Payment Processing is responsible for payments that are sent to a suspense account

An Audit Report on the
Child Support Enforcement Program at the Office of the Attorney General
SAO Report No. 04-024

because they cannot be linked to a specific case or were sent back for other reasons such as an incorrect address. The Office keeps returned warrants in a vault while Office employees attempt to determine the correct address or case. Weaknesses in the physical security and tracking of these items increase the risk that they could be misappropriated without detection.

The two major systems used to process child support transactions, TxCSES and Stradus, appear to have controls in place to share data accurately; however, insufficient access controls leave them vulnerable to unauthorized access.

Our review of the controls and processes involved in the exchange of information between TxCSES and Stradus, two systems that maintain child support data, did not identify any irregularities. However, during our review of users' access to TxCSES and Stradus, we noted significant security risks such as easy-to-guess passwords and terminated employees who still had system access.

The Office effectively manages its $130 million State Disbursement Unit contract with the exception of not collecting in a timely manner $446,000 owed by the vendor for processing errors.

The Office generally managed its $130 million SDU contract in fiscal year 2002 effectively. This assessment is based on our audit of the SDU vendor's compliance with three key contract provisions. These provisions are (1) "payments received by 2:00 p.m. shall be processed and transmitted to TxCSES the same day," (2) "balance and deposit of payments," and (3) "billing and invoicing."

The Office's Monitoring Division did not recoup in a timely manner at least $446,000 in funds that the SDU vendor owed the Office for SDU processing errors. For errors that occurred between July 2000 and May 2003, the Monitoring Division did not request repayment from the SDU until September 2003, during our fieldwork. According to management, the SDU vendor has since repaid the funds. These processing errors allowed the vendor to keep State funds for six months to more than three years in some instances.

Summary of Management's Response

The Office generally agrees with our recommendations. However, the Office took exception to some specific issues related to payment processing and monitoring of the SDU contract. We provided auditor follow-up comments for the findings with which the Office took exception.

Summary of Information Technology Review

The Office uses two systems to maintain child support data. Stradus is the SDU's collection and disbursement system. This system receives and disburses child support payments and manages case data for the State of Texas. TxCSES is the Office system that was certified by the federal government in July 1999 and that maintains case information for cases in which a guardian parent is receiving child support services offered by state and local agencies.

An Audit Report on the
Child Support Enforcement Program at the Office of the Attorney General
SAO Report No. 04-024

Due to the complexity of the interfaces between TxCSES and Stradus, we were not able to re-create all the steps the systems take to exchange electronic data. However, we looked at the controls and processes related to these TxCSES and Stradus interfaces and did not note any irregularities.

We also reviewed the access of users with edit capabilities (which can include adding, deleting, or changing information related to child support cases) to TxCSES and Stradus. We identified weaknesses in the areas of access controls and user access to these systems that need to be addressed.

Summary of Objective, Scope, and Methodology

The overall objective of the audit was to determine whether the Office is administering the Child Support Program so that child support payments are disbursed to custodial parents in a timely manner.

Our audit scope covered information technology, contract monitoring, payment processing, and financial reporting for fiscal years 2001 to 2003 at the Child Support Division of the Office and the SDU. Testing of SDU payment transactions and contract monitoring work focused on fiscal year 2002. We also reviewed current security and access control processes at offices in Tarrant, Dallas, and Harris Counties.

The audit methodology consisted of collecting information and documentation, creating detailed process maps, performing selected tests, analyzing and evaluating the results of tests, and conducting interviews with the Office, SDU, and county management and staff.

An Audit Report on the
Child Support Enforcement Program at the Office of the Attorney General
SAO Report No. 04-024

Table of Results and Recommendations
🖥 denotes entry is related to information technology

Child support payments are generally distributed accurately and on time. (Page 1)

(no recommendation)

Inadequate security access levels for the vault and payment processing areas could allow inappropriate access. (Page 2)

The Office should develop procedures for granting and removing access to the vault and payment processing area. Specifically, it should:

- Develop follow-up procedures to ensure that requested changes were made to the payment processing and vault areas.

- Review employees' access regularly to ensure that it aligns with their job responsibilities.

- Ensure that the active start and stop dates in the system allow for periodic review of appropriate access levels by management. Also, it should maintain records of who requests access level changes and who makes those changes.

Management does not sufficiently monitor the status of returned payments. (Page 5)

The Office should:

- Develop an internal policy that establishes a suitable timeframe for resolving problems with returned warrants.

- Continue to conduct biweekly inventories of returned warrants in the vault and follow policies and procedures, including conducting a supervisory review to ensure the accuracy of the Returned Warrant Inventory.

- Change the system to include a final disposition of the returned warrants in order to determine who removed a returned warrant from inventory and when it was removed.

- Use internal systems to electronically generate a monthly report for management decision making that includes suspense items and returned warrants. For suspense items, the Office should coordinate the production of the manual spreadsheets to minimize duplication of efforts until the monthly report is available.

- Reconcile the Returned Warrant Inventory against the SDU vendor's monthly reports for accuracy and completeness.

The Office does not track the total dollar amount of payments that the SDU sends to Payment Processing in error. (Page 9)

The Office should monitor the amount that is sent back to the SDU for reprocessing and hold the SDU accountable for putting items in suspense unnecessarily.

TxCSES and Stradus appear to have controls in place to share data accurately; however, insufficient access controls leave them vulnerable to unauthorized access. (Page 11) 🖥

The Office should:

- Ensure that the information technology department is notified of staff terminations so that user access is modified in a timely manner to minimize the risk of unauthorized access.

- Establish a process to review users' access to Stradus on a regular basis.

- Limit the number of invalid access attempts to three in Stradus.

- Change Stradus and TXCSES minimum password requirements to at least eight characters with alphanumeric and special characters.

The Office effectively manages its $130 million SDU contract, with the exception of not collecting in a timely manner $446,000 by the vendor for processing errors. (Page 15)

We recommend that the Office identify, verify, and recoup funds associated with vendor processing errors on a monthly basis.

Administrative funds for the Child Support Enforcement Program are spent in accordance with state restrictions. (Page 17)

(no recommendations)

Quality control reviews reduce the risk that applications will be entered inaccurately or not processed in a timely manner. (Page 18)

(no recommendations)

An Audit Report on the
Child Support Enforcement Program at the Office of the Attorney General
SAO Report No. 04-024

Recent SAO Work		
Number	Product Name	Release Date
03-048	A Review of State Entities' Preparedness for Compliance with the Health Insurance Portability and Accountability Act	August 2003
03-703	A Summary of the Texas State Workforce for Fiscal Year 2002	December 2002
02-065	An Audit Report on the Compensation to Victims of Crime Fund and the Accuracy of Financial Information at the Office of the Attorney General	August 2002
02-049	An Audit Report on Funds Collected as Court Costs	May 2002