

**ADVISORY REPORT OF THE
NEBRASKA HEALTH AND HUMAN
SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM

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BACKGROUND

In 1975, Congress created the Child Support Enforcement (CSE) Program by enacting Title IV-D of the Social Security Act for the purpose of establishing and enforcing the support obligations owed by noncustodial parents to their children. Within the Federal Department of Health and Human Services, the Administration for Children and Families' (ACF) Office of Child Support Enforcement (OCSE) provides federal oversight of the Program.

Child Support is a court-ordered monetary amount to be paid by a noncustodial parent for the financial welfare of his/her children. The Child Support Enforcement Program helps children obtain financial support from both parents, helps public assistance recipients to end their reliance on welfare, and can help prevent parents from entering public assistance.

Child Support services include locating noncustodial parents, establishment of child and medical support orders, enforcement of child and spousal support orders, and the review and modification of court orders. Child Support services are provided through a network of HHS system staff, county attorneys, authorized attorneys, and contracted service providers.

When a person applies for Temporary Assistance to Needy Families (TANF) in Nebraska, any past, present, or future support is assigned to the State. Current child support collections usually reimburse the State and Federal governments for TANF payments made to the family. Child support collected can also be used to repay the Medicaid and Foster Care programs.

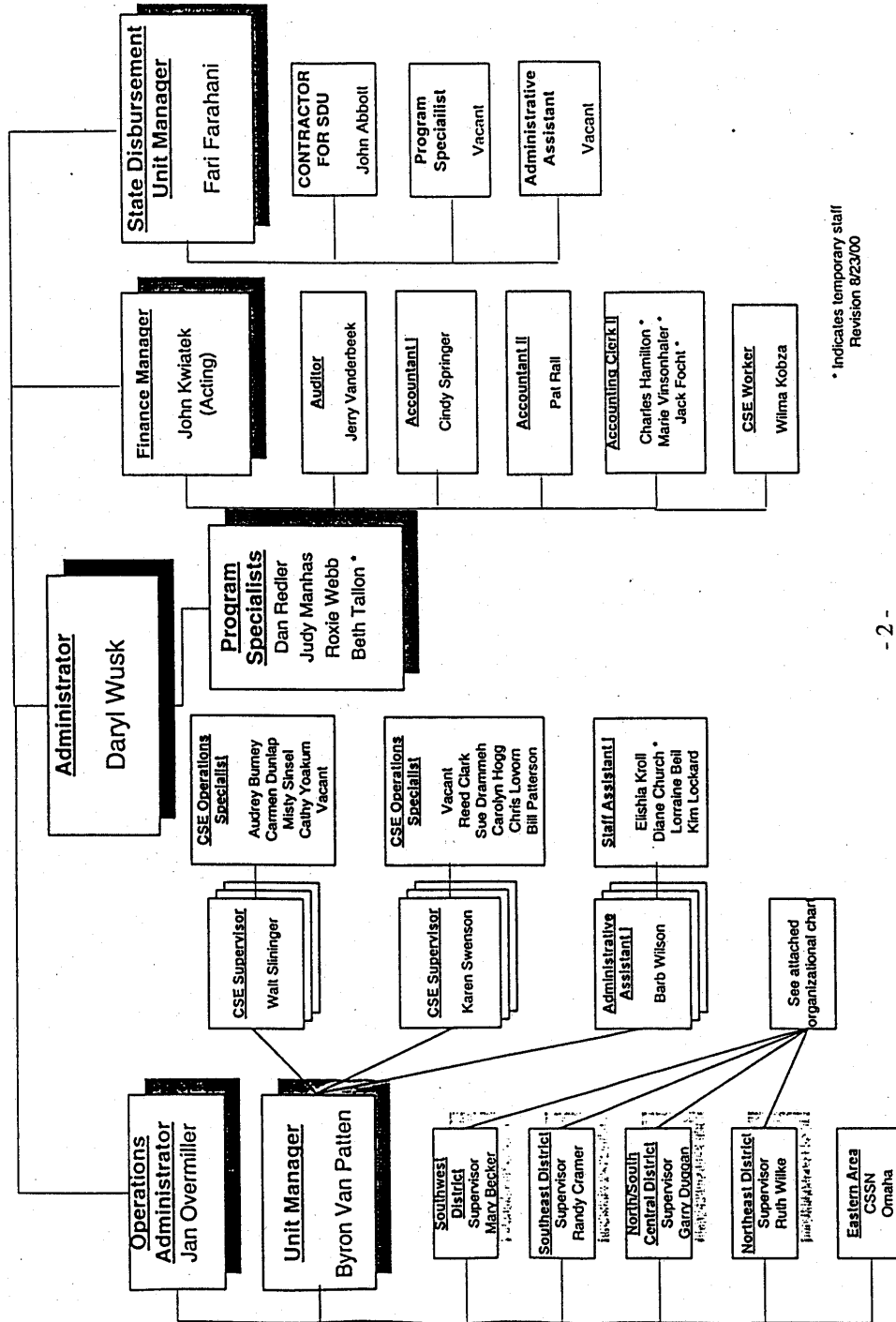
The Child Support Enforcement Program was previously administered by the Department of Social Services. Effective January 1, 1997 the Departments of Social Services, Public Institutions, Aging, Health, and the Office of Juvenile Services of the Department of Corrections, were redesigned to form the Nebraska Health and Human Services System.

MISSION STATEMENT

“We help people live better lives through effective health and human services.”

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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Child Support Enforcement



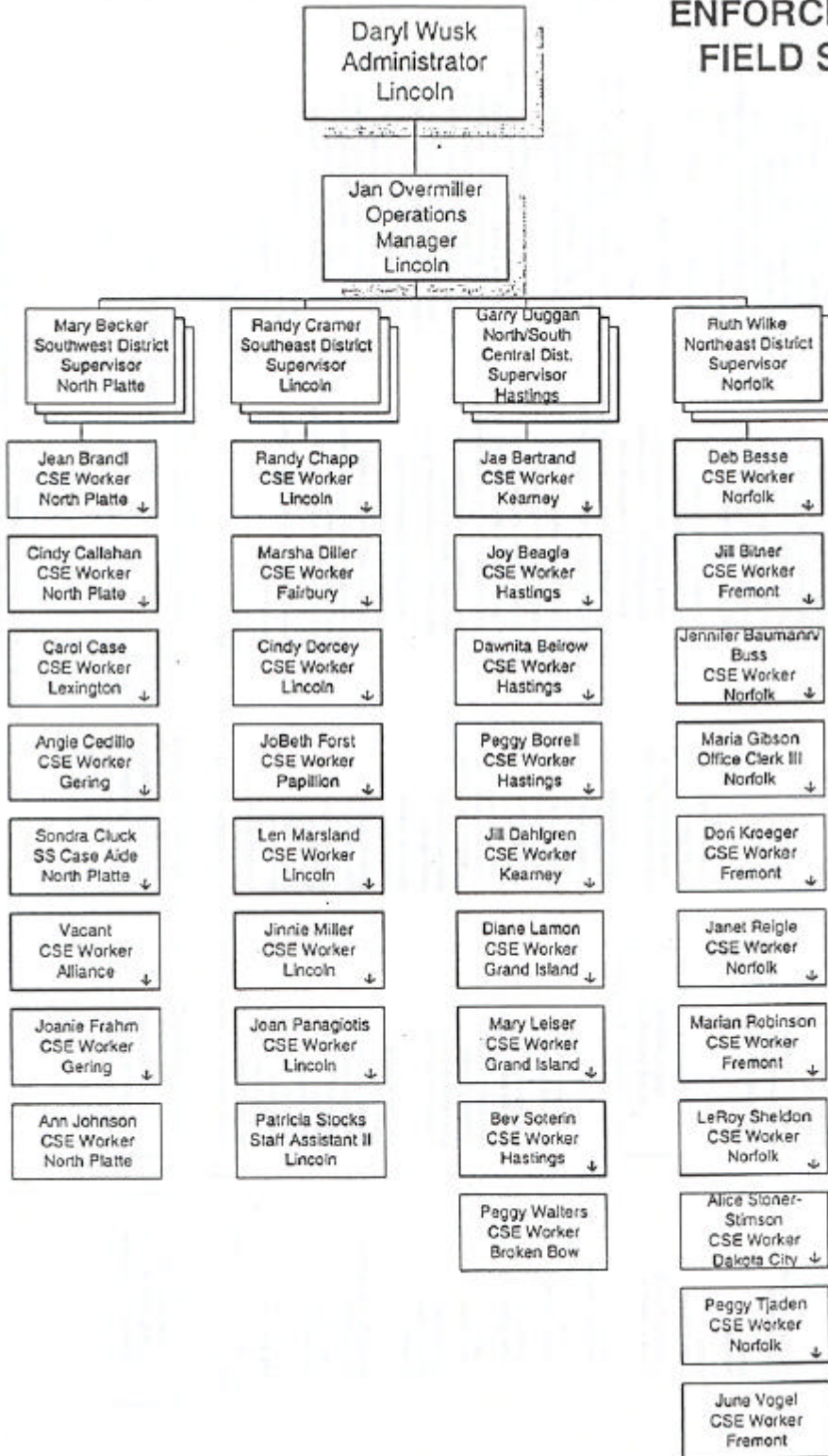
* Indicates temporary staff
Revision 8/23/00

**NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM**

ORGANIZATIONAL CHART

**CHILD SUPPORT
ENFORCEMENT
FIELD STAFF**

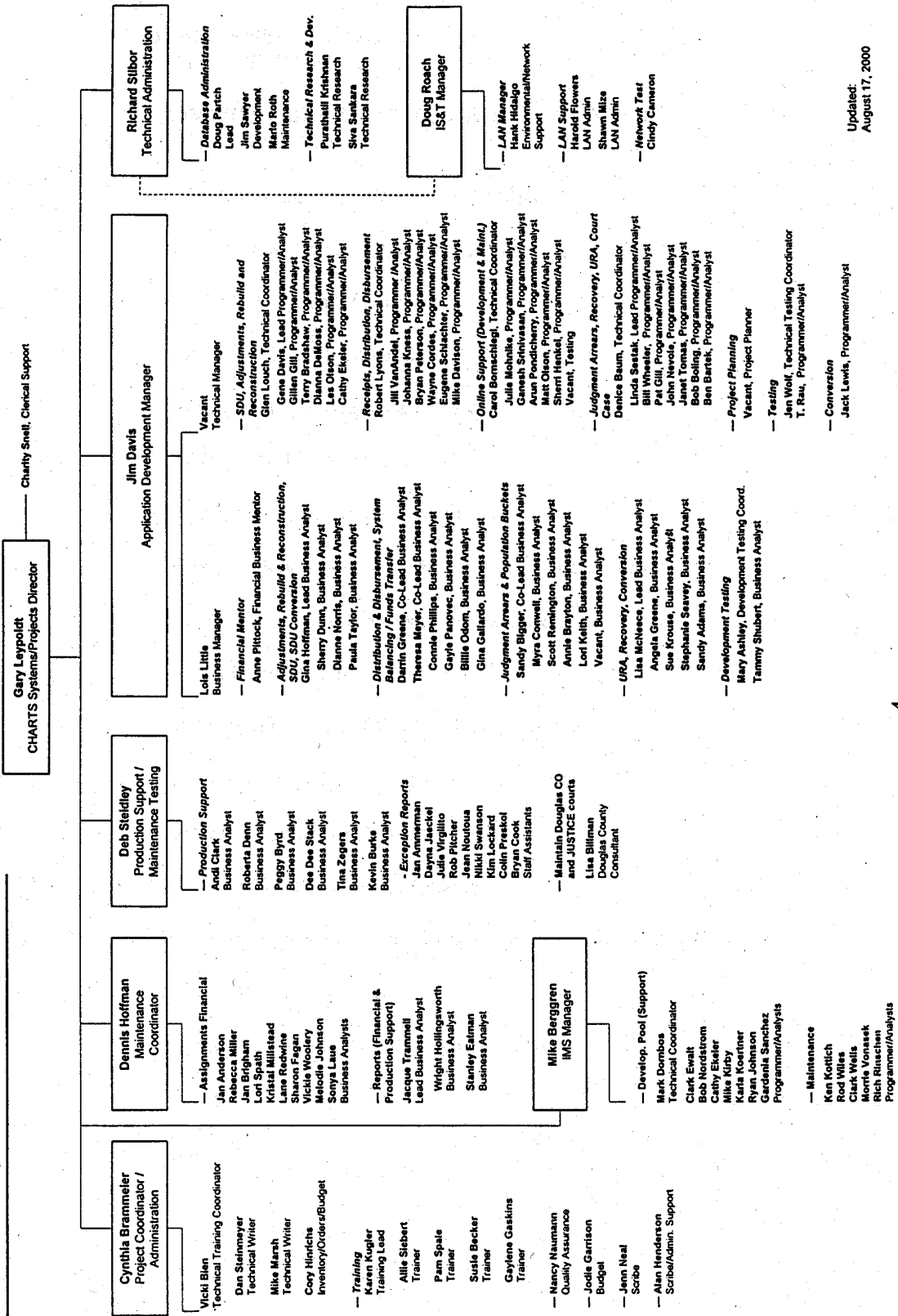
Rev. 7/21/00



NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM CHILD SUPPORT ENFORCEMENT PROGRAM

ORGANIZATIONAL CHART

CHARTS Project Status Assignments



Updated:
August 17, 2000

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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COMMON ABBREVIATIONS AND ACRONYMS

ACF	Administration for Children and Families
APD	Advance Planning Document
CDC	Clerk of the District Court
C.F.R.	Code of Federal Regulations
CHARTS	Children Have A Right To Support
CSE	Child Support Enforcement
DAS	Department of Administrative Services
DHHS	(Federal) Department of Health and Human Services
FFY	Federal Fiscal Year (October 1 through September 30)
FSA	Family Support Act of 1988
HHS	(Nebraska) Health and Human Services System
JUSTICE	Judicial User System to Improve Court Efficiency
NAS	Nebraska Accounting System
OCSE	Office of Child Support Enforcement
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
SDU	State Disbursement Unit
SFY	State Fiscal Year (July 1 through June 30)

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Stephen Curtiss, Director
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Dear Mr. Curtiss:

We have studied the policies and procedures related to the Health and Human Services System – Child Support Enforcement Program for the fiscal year ended June 30, 2000. Our study was made under the authority of Nebraska Revised Statutes Section 84-304, R.R.S. 1999, which authorizes the examination of agency records. This advisory report provides the results of that study and is intended for the information of the Health and Human Services System; however, this report is a matter of public record and its distribution is not limited.

As a result of our study of the Child Support Enforcement Program, we noted certain issues which the Nebraska Health and Human Services System should consider relative to those procedures. These issues are included in the Comments and Recommendations section of our report.

September 27, 2000

Pat Reding, CPA
Pat Reding
Manager

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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SUMMARY OF COMMENTS

During our study of the Nebraska Health and Human Services System – Child Support Enforcement Program, we noted certain matters involving internal control and other operational matters that are presented here. Comments and recommendations are intended to improve internal controls, ensure compliance, or result in operational efficiencies.

1. ***Incentive Funds:*** HHS did not properly account for State incentive payments resulting in an \$8.4 million liability balance. Incentive payments should have been used to offset the State match for administrative costs of the program.
2. ***Reported Expenditures:*** HHS over-reported \$10,074,523 in CSE expenditures to the federal government for State fiscal year 2000. Also, federal monies expended did not agree to federal expenditures reported. Federal expenditures per NAS were \$22,550,229 and the amount reported was \$21,797,039.
3. ***CHARTS Deficiencies:*** The CHARTS system had several deficiencies noted. The System did not include a reconciliation with NAS and was unable to provide data at the county level.
4. ***Case Compliance:*** HHS was not in compliance with federal regulations for several cases selected in testing. Errors were noted in 15 of 85 cases tested.
5. ***Internal Control Over Collections:*** Control over collections was not adequate at the HHS West Campus office. One person posted, deposited, and reconciled collections, thus increasing the risk for loss or misuse of collections.
6. ***Untimely Distribution of Collections:*** HHS did not distribute collections for June through November 1999 due to the State until January 2000. HHS held the collections and earned interest; however, the interest was not distributed to the programs to which the money was due.
7. ***Contractual Services:*** Two contracted services agreements tested did not have signed contracts on file, and six contracts tested did not specify the total cost of the contract.
8. ***Reimbursements to Counties:*** In State fiscal year 2000, HHS paid \$7,453,029 to Nebraska counties for their expenses related to the collection and enforcement of child support cases. HHS had inadequate procedures to ensure expenses were allowable and adequately supported.
9. ***Inadequate Supporting Documentation:*** Payments to a temporary employment agency did not include adequate documentation, such as authorized pay rate or length of employment. Documentation for other payments did not include information to support the program charged. HHS did not adequately review invoices to prevent overpayments.

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SUMMARY OF COMMENTS (Concluded)

10. ***Noncompliance With OMB Circular A-87:*** HHS did not have detailed timesheets or a semi-annual certification for employees, as required by the OMB.
11. ***Equipment Not Coded as Capital Outlay:*** Computer equipment was not coded to a capital outlay account and was not added to the Statewide Inventory System.

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it only contains our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to HHS to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Where no response has been included, HHS declined to respond. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time.

We appreciate the cooperation and courtesy extended to our staff.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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COMMENTS AND RECOMMENDATIONS

1. Incentive Funds

States receive incentive payments from the federal government based on a ratio of collections to administrative costs. Counties also share in the incentive payments based on the ratio of collections to expenditures for each county. At June 30, 2000 there was approximately an \$8.4 million liability recorded, representing incentive payments received from the federal government and due to the State. The cash balance recorded at June 30, 2000 was approximately \$3 million.

45 C.F.R. Section 304.12(b) details the computation for "Incentive payments to States." 45 C.F.R. Section 301.1 defines the IV-D agency as "the single and separate organizational unit in the State that has the responsibility for administering or supervising the administration of the State plan under Title IV-D of the Act." Since Section 304.12(b) requires the incentive payments to be made to the State, not to the IV-D agency (HHS), these payments should be used to offset the State match used for child support administration costs.

The balance in the liability account should be reduced each year as the counties are paid for their share of the incentives and the remainder used to offset the State match for child support administration costs. During our review, we noted HHS had not made the proper entry for several years to reduce the liability balance for the State share of the incentive. Although HHS did use a portion of the incentives for child support administration, there is a substantial cash balance earning interest that should be transferred to the General Fund.

We also noted that since the CHARTS system is unable to produce the collection information on a county by county basis, the county share of incentives has not been paid by HHS to the counties for State fiscal year 2000.

We recommend HHS implement procedures to ensure incentive funds are accounted for properly. We further recommend HHS use the incentive fund to offset the State match of administrative expenses. Incentive funds should be used in a timely manner and should not be allowed to accumulate. Any interest earned should also be used in a timely manner. We also recommend HHS implement procedures to ensure incentive payments to counties are made in a timely manner and include a share of interest earnings if applicable.

HHS RESPONSE: HHS IS UNABLE TO REACH THE SAME CONCLUSIONS AS THE AUDITOR REGARDING INCENTIVE FUNDS. HHS AGREES THE INCENTIVE PAYMENT BELONGS TO THE STATE OF NEBRASKA BUT DISAGREES THE CASH BALANCE SHOULD BE TRANSFERRED TO THE GENERAL FUND.

BOTH THE STATE OF NEBRASKA AND COUNTIES RECEIVE THEIR RESPECTIVE PORTION OF THE INCENTIVE PAYMENTS EARNED FROM THE FEDERAL GOVERNMENT AS A RESULT OF THEIR RESPECTIVE COLLECTION EFFORTS AND EFFICIENCIES. THE FEDERAL REGULATIONS REGARDING CHILD SUPPORT ENFORCEMENT APPEAR TO USE THE TERMS "STATE" AND "IV-D

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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COMMENTS AND RECOMMENDATIONS

1. Incentive Funds (Concluded)

AGENCY” SOMEWHAT INTERCHANGEABLY THROUGH THE ENTIRE 45 C.F.R. PARTS 301, 302, 303 AND 304. 45 C.F.R. PART 303, SECTION 303.52 STATES “THE STATE MUST CALCULATE AND PROMPTLY PAY INCENTIVES TO POLITICAL SUBDIVISIONS AS FOLLOWS: (A) THE STATE IV-D AGENCY MUST DEVELOP A STANDARD METHODOLOGY FOR PASSING THROUGH AN APPROPRIATE SHARE OF **ITS** [EMPHASIS ADDED] INCENTIVE PAYMENT TO THOSE POLITICAL SUBDIVISIONS OF THE STATE THAT PARTICIPATE IN THE COSTS OF THE PROGRAM, TAKING INTO ACCOUNT THE EFFICIENCY AND EFFECTIVENESS OF THE ACTIVITIES CARRIED OUT UNDER THE STATE PLAN BY THOSE POLITICAL SUBDIVISIONS. IN ORDER TO REWARD EFFICIENCY AND EFFECTIVENESS, THE METHODOLOGY ALSO MAY PROVIDE FOR PAYMENT OF INCENTIVES TO OTHER POLITICAL SUBDIVISIONS OF THE STATE THAT ADMINISTER THE PROGRAM.” RECENT CONVERSATIONS WITH THE FEDERAL GOVERNMENT INDICATE THEY DO NOT DIFFERENTIATE BETWEEN THE “STATE” AND “IV-D AGENCY” FOR PURPOSES OF INCENTIVE FUNDS. THEY VIEW IT ALL AS THE “STATE”. HHS ARGUES INCENTIVE FUNDS ARE PROPERLY REFLECTED UNDER THE “IV-D AGENCY” AND THUS, COMPLYING WITH FEDERAL INTENT AS BELONGING TO THE STATE.

THE RATIONALE FOR HHS’ ARGUMENT IS AS FOLLOWS:

1. INCENTIVE FUNDS ARE INCLUDED AS A FUNDING SOURCE FOR CHILD SUPPORT OPERATIONS IN THE BUDGET DOCUMENT THAT IS SUBMITTED TO THE LEGISLATURE FOR DETERMINATION AND APPROVAL OF HHS’ BUDGET AND HAVE BEEN INCLUDED AS A FUNDING SOURCE FOR SEVERAL YEARS.
2. INCENTIVE FUNDS ARE PAID TO THE IV-D AGENCY (HHS) THROUGH A FEDERAL GRANT AWARD, AS SPECIFIED BY FEDERAL REGULATION 45 C.F.R. PART 301 SECTION 301.15.

NEXT, HHS AGREES THE BALANCE IN THE LIABILITY ACCOUNT SHOULD BE REDUCED EACH QUARTER AS COUNTIES ARE PAID FOR THEIR RESPECTIVE SHARE OF THE INCENTIVE AND HHS REALIZES ITS SHARE OF THE INCENTIVE WHICH IS THEN USED TO FUND CHILD SUPPORT OPERATIONS. THE LIABILITY ACCOUNT BALANCE HAS BEEN CORRECTED. HHS WILL IMPLEMENT PROCEDURES TO PROPERLY ACCOUNT FOR THE INCENTIVE EARNED BY THE COUNTIES AND HHS.

FINALLY, THE CHARTS SYSTEM HAS BEEN CORRECTED TO PRODUCE COLLECTION INFORMATION FOR THE COUNTIES. INCENTIVE PAYMENTS TO THE COUNTIES WILL BE FORTHCOMING. NO INTEREST EARNINGS WILL BE SHARED WITH THE COUNTIES AS THE CONTRACT BETWEEN HHS AND THE COUNTY DOES NOT SPECIFY INTEREST WILL BE PAID IN THE EVENT OF A LATE INCENTIVE PAYMENT.

AUDITORS’ RESPONSE: 45 C.F.R. SECTION 304.12(B) REQUIRES INCENTIVE PAYMENTS TO BE MADE TO THE STATE. THEREFORE, WE BELIEVE THESE PAYMENTS SHOULD BE USED TO OFFSET THE STATE MATCH USED FOR CHILD SUPPORT ADMINISTRATION COSTS. THE MAJORITY OF CHILD SUPPORT ADMINISTRATION EXPENSES REQUIRE PAYMENT USING 66% FEDERAL FUNDS AND 34% STATE FUNDS. THE SOURCE OF STATE FUNDS IS THE STATE GENERAL FUND. IN OUR OPINION, THE STATE SHARE OF THE INCENTIVE FUND SHOULD BE EXHAUSTED BEFORE PAYMENTS ARE MADE FROM THE STATE GENERAL FUND.

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COMMENTS AND RECOMMENDATIONS

2. Reported Expenditures

Neb. Rev. Stat. Section 81-3007(3)(d) R.S. Supp. 1998, states that HHS Finance and Support has the responsibility to “develop and manage a consistent accounting, contracting, disbursement, and fiscal compliance system.” 45 C.F.R. Section 74.21 requires financial management systems to provide for: accurate and complete disclosure of financial results; records that adequately identify the source and application of funds; written procedures; and accounting records that are supported by source documentation. Good internal control requires a plan of organization, procedures, and records designed to provide reliable records. This includes adequate reconciliation procedures to ensure all costs are properly recorded and reported.

The Office of Child Support Enforcement (OCSE) Form-396A was used to report IV-D expenditures to the federal government. The OCSE used the expenditures reported to calculate the grant award for the CSE program. Good internal control requires procedures to ensure amounts reported are accurate.

During our review, we noted expenditures reported for the CSE program were overstated by \$10,074,523 for State fiscal year 2000. HHS did not have adequate procedures to ensure amounts reported were accurate.

We further noted HHS did not have adequate procedures to reconcile actual expenditures to amounts reported. Federal expenditures per NAS did not agree to federal expenditures reported. For State fiscal year 2000, the federal expenditures per NAS were \$22,550,229 and the federal expenditures reported (after adjusting for the federal share over-reported) were \$21,797,039. The difference was \$753,190. Without a proper reconciliation, HHS could overspend State funds.

We recommend HHS implement procedures to ensure funds are properly recorded, reconciled, and reported. We further recommend HHS revise the most current federal financial report to correct the overstatement of expenses.

HHS RESPONSE: HHS CONCURS WITH THIS FINDING. EFFORTS WERE MADE TO SUBMIT THE QUARTERLY REPORT OF EXPENDITURES AND ESTIMATES (OCSE-396A) IN A MORE TIMELY MANNER. IN DOING SO THE DETERMINATION OF IN-KIND EXPENDITURES FOR THE COUNTIES WAS CALCULATED TWICE BY TWO INDIVIDUALS. THIS WAS AN OVERSIGHT AND HAS BEEN RECTIFIED. IN THE FUTURE, THE STAFF PERSON AT HHS FINANCE AND SUPPORT WILL ENTER THIS FIGURE.

CHILD SUPPORT ENFORCEMENT FINANCE HAS CONTACTED THE OFFICE OF CHILD SUPPORT ENFORCEMENT (OCSE) IN KANSAS CITY AND WASHINGTON D.C. AND INFORMED THEM OF THE OVERSTATEMENT OF EXPENSE. A REVISED REPORT (OCSE-396A) WAS COMPLETED FOR THE QUARTER ENDING JUNE 30, 2000. PRIOR QUARTER ADJUSTMENTS FOR THE QUARTERS ENDING DECEMBER 31, 1999 AND MARCH 31, 2000 WERE ALSO COMPLETED ON THE REVISED JUNE 30, 2000 QUARTER REPORT. OCSE WAS IN AGREEMENT WITH THESE ADJUSTMENTS AND REVISION. THERE IS NO NEGATIVE EFFECT ON STATE OR FEDERAL FUNDS.

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COMMENTS AND RECOMMENDATIONS

2. Reported Expenditures (Concluded)

HHS FINANCE AND SUPPORT WILL TAKE STEPS TO RECONCILE ACTUAL EXPENDITURES TO AMOUNTS REPORTED.

3. CHARTS Deficiencies

Good internal control and sound accounting practice requires a reconciliation to ensure transactions are recorded properly when more than one computer system is used to record transactions. Good internal control also requires a reconciliation between the expenditures reported in the APD for the CHARTS project and the actual expenditures per the Nebraska Accounting System (NAS) or the federal reports to ensure accurate information is reported for the cost of the CHARTS project. Good internal control requires procedures to ensure the collections were properly distributed. Sound business practice requires the use of statistical information in order to evaluate the entities providing child support services within the State. Sound business practice also requires the objective presentation of information on the CHARTS system to the users of the data.

During our review, we noted the following deficiencies with the CHARTS system:

- There was no reconciliation between CHARTS and NAS. CHARTS was used to record child support collection activity. The actual deposit and disbursement of support sent to the State was recorded through NAS. CHARTS was not programmed to perform a reconciliation. The risk for loss or misuse of funds increases significantly when the two systems are not reconciled.
- HHS reported cost figures for the CHARTS project to the OCSE in the form of an APD. The APD was also the only source of information covering the history of expenditures related to the CHARTS project. The expenditures reported for the CHARTS project in the APD for federal fiscal year ended September 30, 1999 were \$8,455,854; actual expenditures per NAS were \$9,245,552; total expenditures for federal fiscal year 2000 reported to the federal government on Form - 396A were \$13,662,307; the federal share was \$9,017,123. HHS did not reconcile the expenditures reported on the APD to expenditure information per NAS or the federal reports. Without a reconciliation of project expenditures between the APD and NAS, inaccurate information could be reported, which could result in misleading information provided to any user of the APD.
- HHS did not have procedures to ensure child support collections were properly distributed. CHARTS could be utilized to trace child support collections to the distribution of the collection; however, it was not a procedure that was performed periodically, as CHARTS was not programmed to produce the information. The risk of child support collections being lost, stolen, or misused greatly increases without a verification that all amounts collected were properly distributed.

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3. CHARTS Deficiencies (Continued)

- CHARTS did not provide information for individual counties. During our review, we noted CHARTS did not provide financial information, paternity or support order establishment figures, or case numbers on a county or district basis. Therefore, HHS was unable to analyze such information to determine possible problem areas or where improvements may be needed.
- The cost benefit analysis of the CHARTS system derived by HHS and printed in the APD may be misleading. HHS used expenditure information from the APD, which was not reconciled to NAS or the federal reports. The benefit portion was derived from two measurements: the projected increase in collections, and the potential cost savings from the implementation of the JUSTICE system. These measurements were only two of many possible measurements and variables that should have been considered to compute an accurate and reliable cost benefit analysis. For example, variables such as the divorce rate and caseloads, should factor into the cost benefit analysis of the CHARTS system. Without consideration of these variables and without the use of accurate expenditure information, the information presented in the analysis may be misleading.

We recommend HHS implement procedures to:

- ensure CHARTS agrees to NAS
- ensure CHARTS expenditures reported per the APD agree to NAS or the federal Form - 396A
- ensure collections are properly distributed
- ensure CHARTS provides data at the county level
- measure the cost benefit analysis using accurate expenditure information and consider other variables for the analysis or provide a clear explanation of the benefit information provided.

HHS RESPONSE: AN EXCHANGE OF INFORMATION FROM NEBRASKA'S VITAL STATISTICS SYSTEM TO CHARTS IS BEING DEVELOPED. THE PATERNITY INFORMATION FROM VITAL STATISTICS WILL INCLUDE THE COUNTY OF BIRTH.

4. Case Compliance

Sound business practice requires cases be properly maintained in order to accurately report IV-D cases. 45 C.F.R. Section 303.11(b) documents the criteria needed to close a child support enforcement case. Two of the most common criteria to close a case include the death of the noncustodial parent and a non-current support order with arrearages under \$500.

45 C.F.R. 303.4(d) requires the IV-D agency to establish an order for support or complete service of process (or document unsuccessful attempts to serve process), regardless of whether paternity has been established, within 90 days of locating the alleged father or noncustodial parent.

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4. Case Compliance (Continued)

The CHARTS computer system was designed to assist caseworkers with case initiation, case management, location efforts, establishment of paternity, and enforcement of child support orders. CHARTS is able to search various databases on daily, weekly, and monthly intervals and link that information to child support cases actively logged in CHARTS. CHARTS will send the caseworker notice (a tickler) that information has been received for the case. 45 C.F.R. Section 303.6(c)(2) states, enforcement action must be taken within 30 calendar days of identifying a delinquency or other support-related noncompliance with the order or location of the noncustodial parent, whichever occurs later. There are several enforcement methods CSE may apply to the noncustodial parent, including: income withholding, federal or state tax refund intercept, contempt of court, license suspension, or attaching liens to located assets. Failure to respond to location leads within 30 calendar days reduces the recovery of arrearages owed to the state or to the custodial parent.

Neb. Rev. Stat. Section 42-358.02(1) R.R.S. 1998 requires that all delinquent child support payments shall draw interest as specified in Section 45-103. Neb. Rev. Stat. Section 45-103 R.R.S. 1998, states that interest shall be fixed at a rate equal to one percentage point above the bond equivalent yield, as published by the Secretary of the Treasury of the United States.

During our review, we tested 50 open cases and 5 closed cases from CHARTS, and 30 additional cases from 3 counties. We noted the following:

- Seven of 50 open cases should have been closed. In one case the noncustodial parent died in 1995. Two cases were incorrectly converted as open cases in July 1999 when CSE converted from the old system (Job 148) to CHARTS. Two case files were closed at the local office in a prior year, but the cases were not closed on Job 148 and, therefore, were incorrectly converted to CHARTS. One case involved participants who were no longer receiving IV-D services. In one case the parents had joint custody, therefore, no support was ordered, and no IV-D services were utilized. If cases are not closed timely, the number of IV-D cases reported to the Federal government could be inaccurate, which could affect the incentive payment.
- One of five closed IV-D cases was incorrectly closed during State fiscal year 2000. The case had two support orders, one in Polk County, and the other in Hamilton County. When the Polk County order expired, the caseworker in Polk County incorrectly closed the case on CHARTS. It was reopened by the Hamilton County caseworker after the end of the State fiscal year. Child support collections could be lost if a case is incorrectly closed. This may include collections due to the State for assigned public assistance cases as well as those collections that are paid to the custodial parent.
- In five cases tested, a physical case file could not be located. Because the case file could not be located, two of the cases also did not have a support order established. Both were foster care cases. When case files are misplaced the potential for loss of child support collections greatly increases.

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4. Case Compliance (Concluded)

- One of 29 open IV-D cases with arrears did not have enforcement initiated once the non-custodial parent was located. CHARTS received five potential employers for the non-custodial parent from the Federal Parent Locator Service. The caseworker did not respond to a tickler regarding the employment information. Again, by not properly responding to CHARTS information, the risk for loss of child support collections greatly increases.
- We tested one delinquent case to determine whether the interest charged was proper. We noted an incorrect rate of 6.68% was charged on the case. The rate should have been 8.22%.

We recommend HHS implement procedures to:

- ensure cases are closed as appropriate and the number of IV-D cases reported is accurate
- accurately maintain and safeguard case files
- ensure compliance with federal regulations
- ensure interest charged on IV-D cases is accurate.

HHS RESPONSE: HHS CONCURS WITH THIS FINDING.

5. Internal Control Over Collections

45 C.F.R. Section 302.20(a) requires the IV-D agency to maintain methods of administration designed to assure that persons responsible for handling cash receipts of support do not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse of support receipts. Good internal control also requires adequate segregation of duties over the collection of child support.

During our review, we noted a lack of segregation of duties over the collection of child support at the HHS West Campus location. One person posted, deposited, and reconciled child support collections received by the State from the Clerks of the District Courts and out-of-state entities. There was no initial control established by the individuals who opened the mail. After the mail was opened the checks were forwarded to the individual who posted the collections to CHARTS. This individual also prepared the deposit to NAS. We also noted there was no independent review or reconciliation between the child support received at West Campus to the child support posted and deposited to NAS. Further, there was no independent review of non-monetary collections, which are child support checks received at West Campus, recorded in CHARTS, and forwarded to the appropriate CDC rather than deposited to NAS. There was also no independent review of adjustments made to child support collections on CHARTS.

The risk of loss or misuse of funds greatly increases without proper control over child support collections.

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5. Internal Control Over Collections (Concluded)

We recommend HHS implement an adequate segregation of duties over child support collections. An initial control should be established for any collection received at West Campus. A reconciliation should be performed to ensure amounts posted on CHARTS agree to amounts deposited in NAS. Finally, we recommend independent reviews of non-monetary collections and adjustments made to CHARTS.

HHS RESPONSE: DURING THE STATE AUDITOR REVIEW OF SEGREGATION OF DUTIES OVER THE COLLECTION OF CHILD SUPPORT AT THE WEST CAMPUS ONE PERSON WAS POSTING, DEPOSITING AND RECONCILING CHILD SUPPORT COLLECTIONS RECEIVED. THIS WAS DUE TO UNEXPECTED MEDICAL COMPLICATIONS TO THE STAFF MEMBER WHO SHARES THESE DUTIES. NORMALLY ONE STAFF PERSON POSTS THE COLLECTIONS TO THE SYSTEM AND A SECOND STAFF PERSON DEPOSITS AND RECONCILES THE COLLECTIONS. THE STAFF PERSON ON MEDICAL LEAVE RETURNED TO WORK ON SEPTEMBER 18, 2000. AS OF THAT DATE SEGREGATION OF DUTIES OVER CHILD SUPPORT COLLECTIONS HAS BEEN IMPLEMENTED AGAIN. OTHER STAFF HAVE BEEN TRAINED TO BACKUP THIS PROCESS IN CASE OF STAFF LEAVE IN THE FUTURE.

CSE FINANCE IS IN THE PROCESS OF IMPLEMENTING AN INITIAL CONTROL OF ALL COLLECTIONS RECEIVED AT WEST CAMPUS. THE CLERICAL STAFF OPENING THE MAIL WILL LOG ALL CHECKS BY NAME, CHECK NUMBER, SOCIAL SECURITY NUMBER AND ANY OTHER IDENTIFYING INFORMATION. THIS LOG WILL BE USED TO COMPARE WHAT WAS RECEIVED WITH WHAT WAS DEPOSITED OR POSSIBLY FORWARDED TO OTHER AGENCIES.

WITH THE IMPLEMENTATION OF THE STATE DISBURSEMENT UNIT OVER THE NEXT YEAR CHANGES TO THE CSE FINANCE UNIT WILL OCCUR. PART OF THIS CHANGE IS THE CHANGE IN DUTIES FOR CSE FINANCE STAFF. STAFF WILL BE ASSIGNED TO AUDIT SYSTEM ADJUSTMENTS ALONG WITH AUDITING CONTRACTS AND COOPERATIVE AGREEMENTS HHS CHILD SUPPORT ENFORCEMENT HAS WITH PRIVATE COMPANIES AND LOCAL GOVERNMENTS.

6. Untimely Distribution of Collections

Individuals receiving public assistance are required to assign their rights to child support collections to the State. Collections are first used to reimburse those aid programs. Good internal control and sound business practice require collections be distributed in a timely manner. The aid program that should be reimbursed loses access to funds and interest when the distribution is not timely. If collections are not distributed timely, any accrued interest should be transferred to the aid program due for reimbursement.

We noted IV-D collections for June through November 1999, which were due to aid programs for reimbursement, were not distributed until January 2000. The collections earned interest for several months; however, the interest earned was not transferred to the aid program that received the distribution.

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COMMENTS AND RECOMMENDATIONS

6. Untimely Distribution of Collections (Concluded)

We recommend HHS implement procedures to ensure collections are distributed timely. We also recommend HHS transfer any interest earned to the appropriate program.

HHS RESPONSE: HHS CONCURS WITH THIS FINDING. CSE FINANCE WILL PROVIDE HHS FINANCE AND SUPPORT PUBLIC ASSISTANCE COLLECTION FIGURES BY THE 15TH OF EACH MONTH. HHS FINANCE AND SUPPORT WILL THEN PROPERLY TRANSFER THESE FUNDS TO THE PUBLIC ASSISTANCE PROGRAM.

AUDITOR'S RESPONSE: AGAIN, WE ALSO RECOMMEND HHS TRANSFER ANY INTEREST EARNED DURING THE UNTIMELY DISTRIBUTION TO THE APPROPRIATE PROGRAM.

7. Contractual Services

Good internal control requires a signed contract be maintained between the State and the vendor. The contract should include terms of the contract, such as the total dollar amount of the contract and the length of the contract. HHS contracts with DAS – Information Management Services (IM Services) for computer services. DAS – IM Services has a list of approved vendors and maintains the contracts with the vendors. Work orders are assigned to the contracted employees conducting State business. The work order specifies the start date, end date, and pay rate for the contractor. The work orders can be reviewed as needed. Good internal control also requires the terms of a contract be complied with. DAS – IM Services completes a standard “Agreement For Professional Data Processing Services.” Part V(A) states, where travel for contractor personnel is approved on the work order by the State, all necessary and reasonable travel expenses by contractor personnel directly related to any State projects will be billed to the State.

During our review we noted the following:

- Signed contracts could not be located for two of eleven vendors tested. However, after this was brought to the attention of HHS, they obtained a copy of one of the contracts. The two vendors were paid \$296,807 in State fiscal year 2000.
- We tested six payments for temporary computer service contracts. All six were considered “open-ended,” meaning they did not stipulate the total dollar amount of the contract. Additionally, two of the six vendors had work orders signed after the work started. One of six vendors did not have timesheets signed and approved by a HHS supervisor. This vendor submitted electronic timesheets to the contractor. HHS copied and maintained the timesheets. We noted the same vendor had an invoice that did not agree to the hours on an employee’s timesheet. The total amount of payments to these six vendors for State fiscal year 2000 totaled \$2,529,549.
- HHS contracted with a private company for Douglas County child support services. The contract required HHS to make payments based on collections. However, CHARTS was

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COMMENTS AND RECOMMENDATIONS

7. Contractual Services (Continued)

unable to provide collection information at the county level and payments were based on estimated collection data. Payments for State fiscal year 2000 totaled \$5,334,750. The amount that should have been paid is unknown.

- Payments for contractor travel expenses were not authorized. One payment tested contained reimbursements for mileage, hotel, and meals related to a CSE conference attended by a vendor's employees. A second payment included reimbursement for parking expenses for a vendor's employee. However, the attached work orders did not state travel expenses were reimbursable, as required in the contract. The total unauthorized expenses totaled \$634.

The risk of loss or misuse of State funds greatly increases without adequate contract procedures.

We recommend HHS implement procedures to ensure:

- a signed contract is on file for all contracted services
- all contracts contain specific terms including the total amount of the project
- all work orders are signed by an HHS employee prior to the start date
- vendor invoices and related work orders are reviewed to verify expenses are allowable per the terms of the contract.

HHS RESPONSE:

- A. THE FIRST VENDOR PAYMENT TESTED BY THE AUDITOR WAS A PAYMENT FOR MOVING SERVICES. HHS IS REQUIRED TO CONTACT ANOTHER STATE AGENCY, DEPARTMENT OF ADMINISTRATIVE SERVICES – BUILDING DIVISION (DASB), FOR ALL SERVICES RELATING TO THE BUILDING, INCLUDING MOVING. DASB WAS NOT AVAILABLE TO PERFORM THE SERVICE; THEREFORE, THEY INDICATED HHS SHOULD CONTACT A SPECIFIC VENDOR FOR THE REQUESTED SERVICE. THE PAYMENT TESTED BY THE AUDITOR WAS THE PAYMENT TO THE SPECIFIC VENDOR REFERRED BY DASB. WHEN HHS CONTACTED DASB AS A RESULT OF THE AUDIT FINDING DASB INDICATED THEY DID NOT HAVE A CONTRACT WITH THIS SPECIFIC VENDOR AND NONE WAS NEEDED. AS INDICATED, THE CONTRACT FOR THE SECOND VENDOR PAYMENT WAS LOCATED AFTER THE AUDITOR REQUESTED IT.
- B. HHS IS REQUIRED TO HIRE COMPUTER TEMPORARY EMPLOYEES THROUGH ANOTHER STATE AGENCY, DAS-IM SERVICES AS INDICATED BY THE AUDITOR. AS SUCH, HHS IS REQUIRED TO FOLLOW THE DAS-IM SERVICES HIRING PROCESS THAT IS ALSO INDICATED. THE REFERENCED "WORK ORDER" IS A DAS-IM SERVICES FORM THAT IS INITIATED AND PREPARED BY DAS-IM SERVICES. THE WORK ORDER DOES NOT CONTAIN A PLACE TO INDICATE THE TOTAL DOLLAR AMOUNT OF THE CONTRACT. HHS AGREES SOME OF THE WORK ORDERS WERE SIGNED AFTER THE WORK STARTED. THE SIGNATURE DATES VARIED FROM ONE DAY TO SEVERAL MONTHS. HHS IS DEPENDENT UPON DAS-IM SERVICES FOR INITIATION AND COMPLETION OF THE WORK ORDER. THE LARGEST VARIANCES SEEMED TO OCCUR WITH RENEWALS OF EXPIRING WORK ORDERS FOR COMPUTER TEMPORARY EMPLOYEES WHO WERE ALREADY PERFORMING WORK FOR

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7. Contractual Services (Continued)

HHS. FINALLY, AS INDICATED BY THE AUDITOR, ONE OF THE COMPUTER TEMPORARY AGENCIES UTILIZED ELECTRONIC TIMESHEETS. SINCE IT WAS NOT POSSIBLE FOR A HHS SUPERVISOR TO "SIGN" THE ELECTRONIC TIMESHEET, HHS RETAINED A PAPER COPY OF THE ELECTRONIC TIMESHEET TO COMPARE AGAINST THE AGENCY'S INVOICES. THE DISCREPANCY BETWEEN THE TEMPORARY EMPLOYEE'S ELECTRONIC TIMESHEET AND VENDOR INVOICE FOR THE SAME TIME PERIOD WAS NOT PREVIOUSLY BROUGHT TO HHS' ATTENTION. THE HHS EMPLOYEE WHO HAS THE KNOWLEDGE TO ADDRESS THIS DISCREPANCY IS PRESENTLY ON LEAVE. UPON HER RETURN, THE MATTER WILL BE INVESTIGATED.

- C. WHEN THE NEW CHILD SUPPORT SYSTEM (CHARTS) WAS APPLIED IN JULY 1999, AN AGREEMENT WAS MADE WITH POLICY STUDIES INC., THE PRIVATE COMPANY CONTRACTED FOR CHILD SUPPORT SERVICES IN DOUGLAS COUNTY, TO ESTIMATE COLLECTION INFORMATION UNTIL CHARTS WAS CAPABLE (PROGRAMMED) OF PROVIDING ACTUAL COLLECTION FIGURES FOR DOUGLAS COUNTY. ONCE ACTUAL COLLECTION FIGURES WERE PROVIDED AN ADJUSTMENT TO PAYMENTS FOR SERVICES WOULD BE MADE. ACTUAL COLLECTION FIGURES WERE OBTAINED AND ADJUSTMENT PAYMENT FIGURES WERE PROVIDED TO POLICY STUDIES INC. MARY ANN MILLER FROM POLICY STUDIES INC. IS REVIEWING THESE FIGURES FOR SUBMITTAL OF AN ADJUSTMENT INVOICE.

STARTING WITH SEPTEMBER 2000, CSE FINANCE HAS SUBMITTED THE ACTUAL FIGURES FOR DOUGLAS COUNTY CHILD SUPPORT COLLECTIONS TO POLICY STUDIES INC. IN TURN POLICY STUDIES INC. HAS SUBMITTED AN INVOICE FOR PAYMENT ON THE ACTUAL SEPTEMBER 2000 COLLECTIONS.

- D. IN BOTH PAYMENTS CITED BY THE AUDITOR, HHS REQUESTED THE TEMPORARY EMPLOYEE TRAVEL ON STATE BUSINESS AND REIMBURSEMENT FOR TRAVEL EXPENSES WAS APPROVED. HHS WILL REQUEST DAS-IM SERVICES CHANGE THE STANDARD WORDING ON THE WORK ORDER TO ALLOW TRAVEL UPON REQUEST BY HHS.

THE MAJORITY OF DEFICIENCIES CITED IN THIS FINDING APPEAR TO BE CRITICISM OF DAS-IM SERVICES RATHER THAN HHS AS IT IS DAS-IM SERVICES WHO HIRES THE COMPUTER TEMPORARY EMPLOYEES. IT IS NOT POSSIBLE FOR HHS TO IMPLEMENT THE AUDITOR'S RECOMMENDATIONS UNLESS AND UNTIL DAS-IM SERVICES CHANGES THEIR HIRING PROCESS AND PROCEDURES.

AUDITORS' RESPONSE:

- A. **IT IS THE RESPONSIBILITY OF HHS TO ENSURE ALL VENDORS PROVIDING SERVICES HAVE A SIGNED CONTRACT PRIOR TO THE SERVICES BEING PERFORMED.**
- B. **ALTHOUGH THE DAS-IM SERVICES WORK ORDER DOES NOT CONTAIN A PLACE TO INDICATE THE TOTAL DOLLAR AMOUNT OF THE CONTRACTS, IT IS THE RESPONSIBILITY OF HHS TO ENSURE ALL CONTRACTS HAVE A TOTAL DOLLAR AMOUNT STATED, WHETHER IN THE WORK ORDER OR IN THE CONTRACT. REGARDING THE EMPLOYEE'S ELECTRONIC TIMESHEET THAT DID NOT AGREE TO THE INVOICE, THE AUDITOR'S OFFICE INCLUDED THIS FINDING ON THE EXIT AGENDA THAT WAS PROVIDED TO HHS MORE THAN TWO WEEKS PRIOR TO THE EXIT CONFERENCE THAT WAS HELD ON SEPTEMBER 27, 2000. WHEN IT WAS DISCUSSED**

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COMMENTS AND RECOMMENDATIONS

7. Contractual Services (Concluded)

WITH HHS STAFF BEFORE THE EXIT CONFERENCE, THEY INFORMED US THE VENDOR SUBMITTED ELECTRONIC TIMESHEETS. AFTER THE DRAFT REPORT WAS SENT TO HHS, HHS STAFF CONTACTED THE AUDITOR'S OFFICE REGARDING THE SPECIFIC EMPLOYEE. THE AUDITOR'S OFFICE PROVIDED THE NAME OF THE SPECIFIC EMPLOYEE AT THAT TIME.

C. THE AGREEMENT BETWEEN HHS AND POLICY STUDIES INC., DESCRIBED ABOVE WAS NOT IN WRITING.

WE FEEL IT IS POSSIBLE, AS WELL AS THE RESPONSIBILITY OF HHS, TO ENSURE CONTRACTS INCLUDE TOTAL DOLLAR AMOUNTS, AND THAT INVOICES FOR COMPUTER TEMPORARY EMPLOYEES AGREE TO TIMESHEETS.

8. Reimbursements to Counties

Good internal control requires supporting documentation be examined prior to the payment of claims to ensure payments are for eligible expenses and are adequately supported. This would also include a review of any calculations used to determine the amount of reimbursement. Good internal control also requires procedures to ensure payments are timely.

HHS paid \$7,453,029 in State fiscal year 2000, to Nebraska counties for expenses related to the collection and enforcement of child support cases. We reviewed one quarterly reimbursement for the applicable offices (County Attorney, CDC, and Referee) in three counties and noted the following:

- HHS did not have adequate procedures to ensure amounts claimed by counties were eligible IV-D expenses. Agreements did not require the county offices to provide HHS with the documentation to support claims, and HHS did not have a formal schedule regarding site visits to examine supporting documentation at the counties. HHS did not provide a listing of the last visit made to each county or the type of documentation each office sends in.
- County claims for reimbursement were not proper. Claims tested in one CDC office were missing supporting documentation for office supplies. The same office had two footing errors totaling \$214. In one County Attorney office tested, we noted a claimed payroll expense included two errors totaling \$74. In addition, two prorated salaries contained no documentation to support the calculation. One Sheriff fee claimed for reimbursement by a County Attorney office also lacked supporting documentation. One invoice for office supplies included a credit from a previous invoice; however, this was not deducted when the expense was claimed. Claims filed for reimbursement were not adequately reviewed by HHS to ensure the claims were accurate and supported by adequate documentation.

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8. Reimbursements to Counties (Continued)

- Five of the six offices tested were not reimbursed by the third month following the quarter for which reimbursement was being claimed, in accordance with the cooperative agreements. The sixth office tested did not have the requirement in its agreement.

We recommend HHS:

- implement procedures to ensure county claims are allowable IV-D expenses
- review calculation of time-study percentages to assure accuracy
- implement procedures for receiving reports and reimbursing counties in a timely manner.

HHS RESPONSE:

- A. CSE FINANCE FEELS THERE ARE ADEQUATE PROCEDURES TO ENSURE AMOUNTS CLAIMED BY COUNTIES WERE FOR ELIGIBLE IV-D EXPENSES. THE COUNTIES ARE REQUIRED IN THE IV-D QUARTERLY BILLING DOCUMENT INSTRUCTIONS TO PROVIDE DOCUMENTATION OF THEIR ALLOWABLE IV-D EXPENSES. PAT RALL, ACCOUNTANT II, FIRST REVIEWS EACH COUNTY BILLING DOCUMENT. IF A IV-D EXPENSE IS IN QUESTION, THE COUNTY IS CONTACTED FOR FURTHER DOCUMENTATION. IF FURTHER DOCUMENTATION IS NOT OBTAINED, THE EXPENSE IS DISALLOWED. JERRY VANDERBEEK, AUDITOR, OR JOHN KWIA TEK, CSE FINANCE MANAGER REVIEWS THE COUNTY BILLING DOCUMENT A SECOND TIME. THE BILLING DOCUMENT IS INITIALED AND DATED BY BOTH INDIVIDUALS REVIEWING THE CLAIM.

THE OFFICE OF CHILD SUPPORT ENFORCEMENT (OCSE) HAS AUDITED THE COUNTY IV-D EXPENSE BILLING PROCESS. OCSE HAS NOT TAKEN EXCEPTION TO THE DOCUMENTATION TO COUNTY IV-D EXPENDITURES.

CSE FINANCE WILL REVIEW THE COUNTY IV-D EXPENSE BILLING DOCUMENTS TO ENSURE THAT COUNTY AGENCIES ARE FULLY AWARE THAT DOCUMENTATION OF IV-D EXPENSES IS NEEDED FOR PAYMENT. COUNTIES WILL BE CONTACTED WITH ANY UPDATES.

- B. CALCULATIONS OF TIME-STUDY PERCENTAGES ARE NOW BEING PROVIDED OFF THE JUSTICE COMPUTER SYSTEM. THE SYSTEMS COMPUTES THE PERCENTAGE BASED ON WORK DONE ON JUSTICE.
- C. CSE FINANCE WILL FOLLOW THE COUNTY COOPERATIVE AGREEMENT FOR CHILD SUPPORT ENFORCEMENT SERVICES FOR TIME FRAMES REGARDING RECEIVING BILLING DOCUMENTS AND PAYING EXPENSES.

AUDITORS' RESPONSE: THE COOPERATIVE AGREEMENTS BETWEEN HHS AND THE COUNTIES DO NOT REQUIRE THE COUNTIES TO SEND DOCUMENTATION OF EXPENSES, ONLY TO MAINTAIN IT. DURING OUR REVIEW, HHS STAFF INDICATED MOST COUNTIES DID NOT SEND DOCUMENTATION TO SUPPORT THEIR EXPENSES. HHS WAS UNABLE TO PROVIDED US WITH SPECIFIC INFORMATION REGARDING WHICH COUNTIES PROVIDED DOCUMENTATION WITH THEIR QUARTERLY REPORTS. IF NO DOCUMENTATION WAS PROVIDED, HHS WOULD HAVE BEEN UNABLE TO DETERMINE WHETHER THE EXPENSES WERE ELIGIBLE IV-D EXPENSES.

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8. Reimbursements to Counties (Concluded)

ADDITIONALLY, THE COUNTY BILLING DOCUMENT DOES NOT CONTAIN ADEQUATE INFORMATION TO DETERMINE WHETHER AN EXPENSE IS ELIGIBLE. THE COUNTY BILLING DOCUMENT IS A ONE-PAGE SUMMARY OF EXPENDITURES.

FINALLY, HHS DOES NOT HAVE A FORMAL SCHEDULE REGARDING SITE VISITS TO EXAMINE SUPPORTING DOCUMENTATION AT THE COUNTIES.

IN OUR OPINION, THESE PROCEDURES ARE NOT ADEQUATE TO ENSURE AMOUNTS CLAIMED BY COUNTIES WERE FOR ELIGIBLE IV-D EXPENSES.

9. Inadequate Supporting Documentation

Good internal control requires adequate documentation to support expenditures. Adequate documentation should include information to support the program charged. Documentation should be reviewed to ensure the expenditures are accurate.

During our testing we noted the following:

- One disbursement to a temporary employment agency did not include proper supporting documentation. There was no contract on file and no documentation to support the dates the employees were hired or the rates paid. The total paid to this employment agency for the fiscal year was \$114,999.
- Two documents tested did not have adequate documentation to support the NAS coding. NAS coding determines which program is charged. The total amount of these documents was \$93,295.
- A payment to DAS-Personnel for temporary employees was over paid. HHS incorrectly paid one of five DAS employees tested. The invoice included 16 regular hours and 40 over-time hours during a two-week time period. The actual charges should have been for 56 regular hours. HHS did not reconcile vendor invoices to temporary employee timesheets. The total amount paid to DAS-Personnel for temporary employees was \$279,125.

We recommend HHS implement procedures to ensure adequate supporting documentation exists for all expenditures. We further recommend HHS implement procedures to ensure invoices are accurate before they are paid. Temporary employee charges should be compared to timesheets to ensure the hours billed agreed to the hours worked.

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COMMENTS AND RECOMMENDATIONS

9. Inadequate Supporting Documentation (Continued)

HHS RESPONSE:

- A. HHS IS REQUIRED TO HIRE NON-COMPUTER TEMPORARY EMPLOYEES THROUGH ANOTHER STATE AGENCY, DEPARTMENT OF ADMINISTRATIVE SERVICES – PERSONNEL DIVISION (DASP) UTILIZING THE HIRING PROCESS SPECIFIED BY DASP. THIS REQUIREMENT WAS EFFECTIVE JULY 1, 1999. IN THE DISBURSEMENT CITED IN THE FINDING, HHS DID FOLLOW THE DASP HIRING PROCESS.

THE HIRING PROCESS SPECIFIED BY DASP IS AS FOLLOWS:

- THE REQUESTING AGENCY COMPLETES AND FORWARDS THE TEMPORARY EMPLOYMENT JOB ORDER FORM TO DASP. THIS FORM IS NOT RETURNED TO THE REQUESTING AGENCY.
- DASP DETERMINES WHETHER THE REQUEST CAN BE FILLED FROM DASP'S EMPLOYEE POOL OR AN OUTSIDE TEMPORARY SERVICE.
- DASP NOTIFIES THE REQUESTING SUPERVISOR AND HHS HUMAN RESOURCES, USUALLY BY TELEPHONE, IF THE REQUEST CAN BE FILLED FROM DASP'S POOL. NOTIFICATION INCLUDES THE NAME OF THE TEMPORARY EMPLOYEE AND THE START DATE.
- DASP NOTIFIES THE REQUESTING SUPERVISOR AND HHS HUMAN RESOURCES, USUALLY BY TELEPHONE, IF THE REQUEST CANNOT BE FILLED FROM DASP'S POOL AND SEEKS VERBAL PERMISSION TO CONTACT AN OUTSIDE TEMPORARY AGENCY. IF PERMISSION IS GIVEN, DASP CONTACTS THE TEMPORARY AGENCY DIRECTLY. THE REQUESTING SUPERVISOR IS NOTIFIED, USUALLY BY TELEPHONE, OF THE NAME OF THE TEMPORARY EMPLOYEE AND THE START DATE.
- THE TEMPORARY EMPLOYEE COMPLETES A WEEKLY OR BIWEEKLY TIMESHEET AND THE RESPECTIVE SUPERVISOR SIGNS THE TIMESHEET. THE TIMESHEET IS SUBMITTED TO DASP OR THE OUTSIDE TEMPORARY AGENCY. IT IS THE REQUESTING AGENCY'S RESPONSIBILITY TO OBTAIN A COPY OF THE TIMESHEET AS NONE IS PROVIDED BY DASP OR THE TEMPORARY AGENCY, EXCEPT FOR KELLY SERVICES.
- DASP SUBMITS A BIWEEKLY REQUEST, AND INTRASTATE TRANSACTIONS DOCUMENT (ITD), FOR PAYMENT TO HHS. THE "SOS BILLING REPORT" ACCOMPANIES THE ITD. THIS IS A SPREADSHEET PREPARED BY DASP THAT IDENTIFIES THE TEMPORARY EMPLOYEES' NAME, SUPERVISOR NAME, TOTAL HOURS PAID, TOTAL AMOUNT PAID, AND TIMEFRAME COVERED BY PAYMENT.
- THE OUTSIDE TEMPORARY AGENCY SUBMITS AN INVOICE REQUESTING PAYMENT FOR THE TEMPORARY EMPLOYEE DIRECTLY TO HHS. THE INVOICE DETAILS THE TEMPORARY EMPLOYEE NAME, TOTAL HOURS BILLED, RATE BILLED, TOTAL AMOUNT BILLED AND A COPY OF THE SIGNED TIMESHEET (KELLY SERVICES ONLY).

THE DEFICIENCIES THAT ARE CITED IN THE FINDING ALL APPEAR TO BE CRITICISM OF DASP RATHER THAN HHS AS IT IS DASP WHO HIRES THE TEMPORARY EMPLOYEE. IT IS NOT POSSIBLE FOR HHS TO IMPLEMENT THE AUDITOR'S RECOMMENDATIONS UNLESS AND UNTIL DASP CHANGES THEIR HIRING PROCESS AND PROCEDURES.

- B. THE TWO DOCUMENTS IN QUESTION ARE THE ITD DOCUMENT #371613, JANUARY 2000 OPERATING COSTS TO SUPPORT JUSTICE AND ITS USERS, AND THE IRS INTERCEPT COLLECTIONS TRANSFERRED TO MEDICAL REIMBURSEMENT.

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9. Inadequate Supporting Documentation (Concluded)

BACKUP DOCUMENTATION TO ITD DOCUMENT #371613 WAS FAXED TO THE STATE AUDITOR'S OFFICE ON OCTOBER 2, 2000. THE FAX PROVIDED A COPY OF THE AGREEMENT AMENDMENT FOR THE AUTOMATION OF CHILD SUPPORT ENFORCEMENT FUNCTIONS OF DISTRICT COURTS IN NEBRASKA. THE AGREEMENT SPECIFIES THE CALCULATION RATES APPLIED TO THE COSTS.

CHARTS DOES NOT PROVIDE BACKUP DOCUMENTATION FOR THE IRS INTERCEPT COLLECTIONS TRANSFERRED TO MEDICAL REIMBURSEMENT. CSE HAS REQUESTED A PROJECT CHANGE REQUEST TO RECEIVE A PRINTOUT WITH THE INDIVIDUAL CASE AMOUNTS ON IRS INTERCEPT COLLECTION TRANSFERS.

- C. SEE INFORMATION REGARDING THE HIRING PROCESS LISTED UNDER HHS' RESPONSE TO 9A. IN THE FINDING CITED, THE ERROR APPEARED TO BE A DATA ENTRY ERROR THAT OCCURRED WHEN DASP PREPARED THE "SOS BILLING REPORT". HHS DID COMPARE THE EMPLOYEES TIMESHEET TO THE "SOS BILLING REPORT"; HOWEVER, WITHOUT THE EMPLOYEE'S RATE OF PAY, IT WAS NOT POSSIBLE TO CATCH THE DATA ENTRY ERROR. A REFUND HAS BEEN REQUESTED FOR DASP.

AUDITORS' RESPONSE:

- A. **AGAIN, WE FEEL IT IS POSSIBLE, AS WELL AS THE RESPONSIBILITY OF HHS, TO ENSURE ALL PAYMENTS FOR TEMPORARY SERVICES WERE SUPPORTED BY ADEQUATE DOCUMENTATION.**
- B. **BACKUP DOCUMENTATION WAS RECEIVED BY THE AUDITOR'S OFFICE TO SUPPORT ITD NUMBER 100526. AS INDICATED ON AUGUST 18 WHEN THE FINDING WAS DISCUSSED WITH THE CSE FINANCE MANAGER, NO SUPPORT WAS AVAILABLE FOR ITD NUMBER 371613 FOR THE MONTHLY JUSTICE SHARE OF \$104,182.**
- C. **AGAIN, HHS SHOULD ENSURE ALL AMOUNTS PAID ARE SUPPORTED BY ADEQUATE DOCUMENTATION.**

10. Noncompliance with OMB Circular A-87

The Federal Office of Management and Budget (OMB) Circular A-87 requires that payments to personnel from Federal funds should be supported by at least monthly detailed timesheets signed by the individual employee. In addition, OMB requires the preparation of semi-annual certifications by employees who work solely on a single Federal award.

During our review, we noted three of four CSE employees tested were paid from Federal funds and did not prepare and sign detailed timesheets on a monthly basis, nor did they prepare semi-annual certifications supporting their work on a Federal program. Instead, HHS prepared consolidated reports showing only vacation and sick leave used. A supervisor approved these reports; however, the employees did not sign them.

We recommend CSE employees maintain individual, signed timesheets or submit signed semi-annual certifications.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
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10. Noncompliance with OMB Circular A-87 (Concluded)

HHS RESPONSE: HHS CONCURS WITH THIS FINDING AND HAS IMPLEMENTED A NEW TIMESHEET EFFECTIVE 7/1/2000.

11. Equipment Not Coded as a Capital Outlay

Per the NAS manual, expenditures that result in the acquisition of or an addition to fixed assets should be coded to a capital outlay account. Equipment should be added to the Statewide Inventory System (SWIS).

During our testing, we noted two disbursements for acquisitions of computer equipment that were not coded to a capital outlay account and were not included on SWIS. When equipment is not properly recorded there is an increase in the risk of loss due to theft.

We recommend HHS implement procedures to ensure all acquisitions of equipment are coded to a capital outlay account and included on the SWIS.

HHS RESPONSE: HHS CONCURS WITH THIS FINDING. IN ONE OF THE DISBURSEMENTS NOTED, THE ITEM PURCHASED WAS CODED AS SOFTWARE. IN THE OTHER DISBURSEMENT, THE ITEM WAS CODED AS NON-CAPITAL EQUIPMENT. NEITHER SOFTWARE NOR NON-CAPITAL EQUIPMENT ITEMS WOULD BE INVENTORIED.

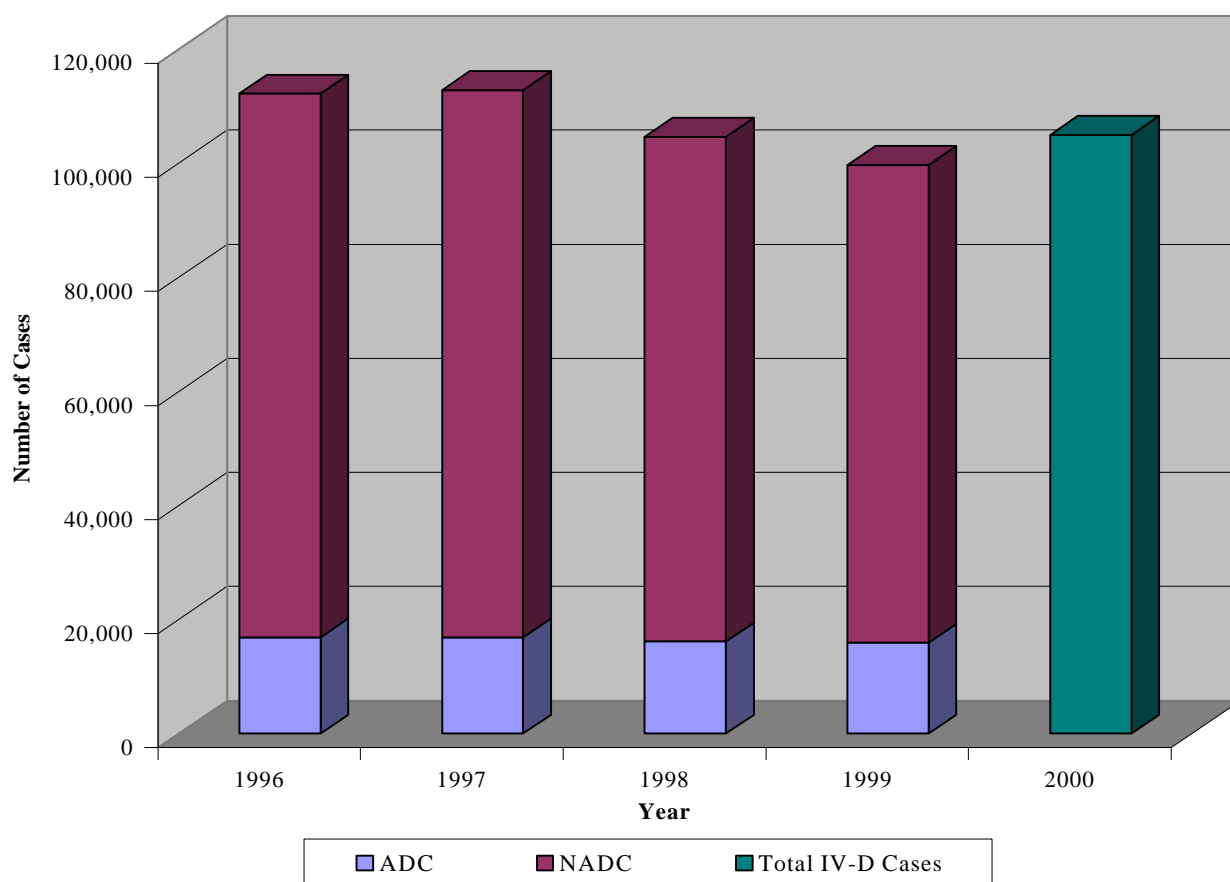
HHS WILL PROVIDE MORE TRAINING TO STAFF WHO ARE RESPONSIBLE FOR CODING DISBURSEMENTS AND, IN INSTANCES WHERE THE INVOICE DESCRIPTION DOES NOT CLEARLY INDICATE WHAT IS BEING PURCHASED, STAFF WILL BE ENCOURAGED TO CONTACT THE ORDERING DIVISION FOR CLARIFICATION.

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CASELOAD ACTIVITY
FISCAL YEARS ENDED SEPTEMBER 30, 1996
THROUGH SEPTEMBER 30, 2000

The State provides child support enforcement services to individuals who are receiving federally-funded Foster Care maintenance payments, Medicaid, Temporary Assistance to Needy Families (TANF) (or those who cease to receive TANF), and to individuals not otherwise eligible for such services. TANF, Medicaid, and certain Foster Care applicants or recipients must have assigned support rights to the State. Non-TANF individuals must have a signed written application for support enforcement services. The State provides services to locate absent parents, establish paternity, and enforce support obligations.

The following graph details the IV-D caseload for the State for the previous five federal fiscal years:



Source: OCSE 157 or 158 Annual Reports, Year 2000 from CHARTS staff.

Note: Fiscal year 2000 is as of June 30, 2000 and only includes IV-D cases in total.

ATTORNEY TYPE BY COUNTY

A map of Nebraska showing its 93 counties. The counties are colored based on political affiliation: Red for Republican, Yellow for Democrat, and Grey for Independent. The map shows a high concentration of Republican counties (red) in the western and central parts of the state, while Democratic counties (yellow) are more prevalent in the eastern and southern regions. Independent counties (grey) are scattered throughout, often in the central and eastern parts of the state.

County	Color	County	Color	County	Color
Adams	Grey	Franklin	Yellow	Webster	Grey
Antelope	Grey	Garden	Yellow	Wheeler	Red
Arthur	Yellow	Grant	Yellow	Valley	Red
Atchison	Red	Hooker	Red	Washington	Red
Aurora	Red	Lincoln	Red	Wayne	Grey
Bartholomew	Red	McPherson	Yellow	Wood	Red
Benett	Red	Perkins	Red	York	Grey
Blair	Red	Polk	Red	Yuma	Red
Boone	Grey	Rock	Red	Ziehl	Red
Box Butte	Red	Saline	Yellow	Boyd	Red
Brown	Red	Thayer	Yellow	Butler	Red
Butler	Red	Thompson	Red	Cass	Red
Cass	Red	Tioga	Red	Chadron	Red
Chadron	Red	Union	Red	Cherokee	Red
Cherokee	Red	Wagon Wheel	Red	Cheyenne	Red
Cheyenne	Red	Washington	Red	Clay	Grey
Cimarron	Red	Wayne	Grey	Fillmore	Yellow
Coffey	Red	Wichita	Red	Gage	Yellow
Colfax	Grey	Wood	Red	Harlan	Yellow
Cumming	Grey	York	Grey	Hayes	Yellow
Dakota	Red	Yuma	Red	Frontier	Yellow
Dawson	Red	Ziehl	Red	Gosper	Red
Deuel	Yellow	Adams	Grey	Hitchcock	Red
Dixon	Red	Antelope	Grey	Dundy	Red
Dodge	Grey	Box Butte	Red	Furnas	Red
Douglas	Green	Cherokee	Red	Gosper	Red
Dwight	Red	Coffey	Red	Harlan	Yellow
Ellis	Red	Cumming	Grey	Kimball	Red
Ellsworth	Red	Dakota	Red	Morrill	Red
Franklin	Yellow	Dodge	Grey	Scotts Bluff	Red
Gage	Yellow	Dwight	Red	Seward	Red
Garden	Yellow	Ellis	Red	Lincoln	Red
Grant	Yellow	Franklin	Yellow	Logan	Yellow
Harlan	Yellow	Gage	Yellow	Morrill	Red
Hayes	Yellow	Harlan	Yellow	Scotts Bluff	Red
Hitchcock	Red	Hayes	Yellow	Sioux	Red
Holmes	Red	Hitchcock	Red	Stanton	Grey
Holt	Red	Holmes	Red	Thompson	Red
Howard	Red	Hurt	Red	Thurston	Yellow
Howell	Red	Kimball	Red	Valley	Red
Hubbard	Red	Kearney	Yellow	Washington	Red
Hubbard	Red	Lincoln	Red	Wayne	Grey
Imperial	Red	Lancaster	Red	Wood	Red
Iowa	Red	Laramie	Red	York	Grey
Jackson	Red	Lincoln	Red	Ziehl	Red
Jackson	Red	Loup	Red	Adams	Grey
Jay	Red	Madison	Grey	Butler	Red
Jefferson	Yellow	McPherson	Yellow	Cass	Red
Johnson	Red	Perkins	Red	Chadron	Red
Johnson	Red	Polk	Red	Cheyenne	Red
Kearney	Yellow	Rock	Red	Dwight	Red
Kearney	Yellow	Saline	Yellow	Ellis	Red
Kearney	Yellow	Thayer	Yellow	Franklin	Yellow
Kearney	Yellow	Thompson	Red	Gosper	Red
Kearney	Yellow	Tioga	Red	Harlan	Yellow
Kearney	Yellow	Union	Red	Kimball	Red
Kearney	Yellow	Wagon Wheel	Red	Morrill	Red
Kearney	Yellow	Washington	Red	Scotts Bluff	Red
Kearney	Yellow	Wayne	Grey	Sioux	Red
Kearney	Yellow	Wood	Red	Stanton	Grey
Kearney	Yellow	York	Grey	Thurston	Yellow
Kearney	Yellow	Ziehl	Red	Valley	Red
Kearney	Yellow	Adams	Grey	Washington	Red
Kearney	Yellow	Butler	Red	Wayne	Grey
Kearney	Yellow	Cass	Red	Wood	Red
Kearney	Yellow	Chadron	Red	York	Grey
Kearney	Yellow	Cheyenne	Red	Ziehl	Red
Kearney	Yellow	Dwight	Red	Adams	Grey
Kearney	Yellow	Ellis	Red	Butler	Red
Kearney	Yellow	Franklin	Yellow	Cass	Red
Kearney	Yellow	Gosper	Red	Chadron	Red
Kearney	Yellow	Harlan	Yellow	Cheyenne	Red
Kearney	Yellow	Kimball	Red	Dwight	Red
Kearney	Yellow	Morrill	Red	Ellis	Red
Kearney	Yellow	Scotts Bluff	Red	Franklin	Yellow
Kearney	Yellow	Sioux			

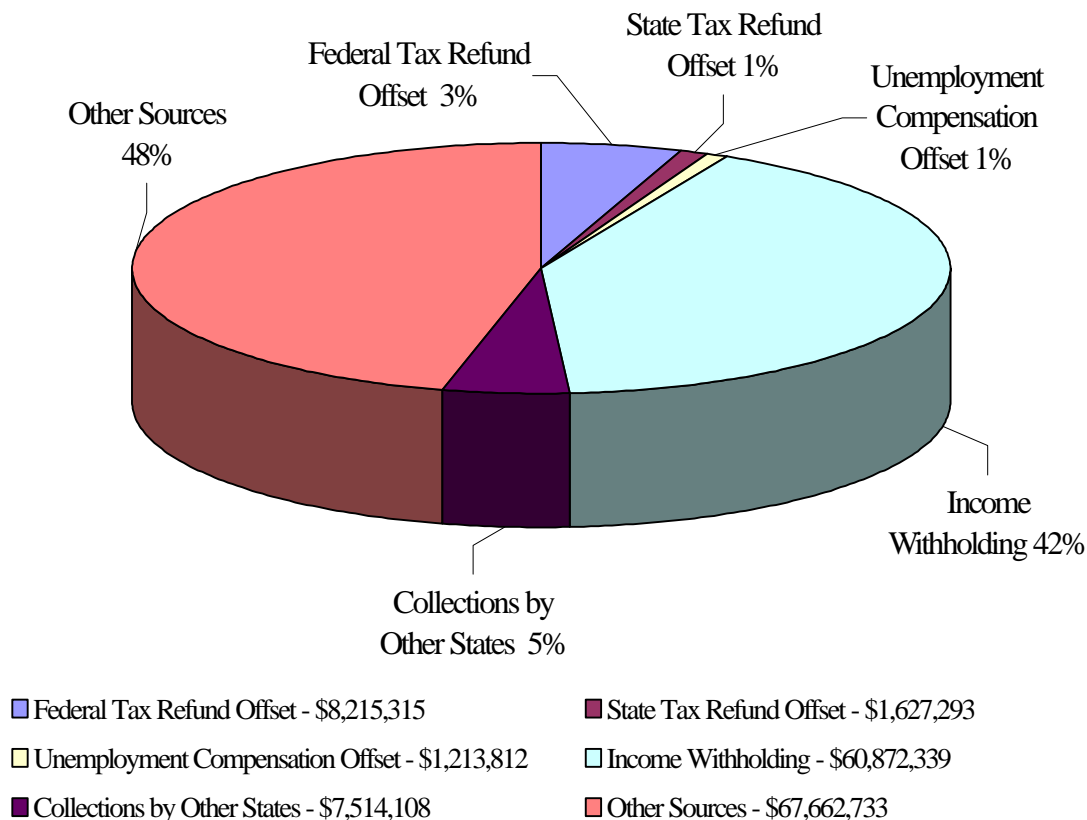
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NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM

COLLECTIONS BY SOURCE

Child Support collections are received from several sources. The primary source of collections for State fiscal year 2000 was received by the Clerks of the District Court directly from payors. Income withholding provided the second largest source of collections. Internal Revenue Service Tax Refund and Department of Revenue Tax Refund Intercepts are collection methods in which a noncustodial parent who is in arrears and over three months behind on the child support obligation has federal or state tax refunds intercepted and used to satisfy the child support obligation or state debt. Collections are also received from other states, and from the Department of Labor, via an unemployment compensation offset.

The following chart depicts the sources of the collections for State Fiscal Year 2000:



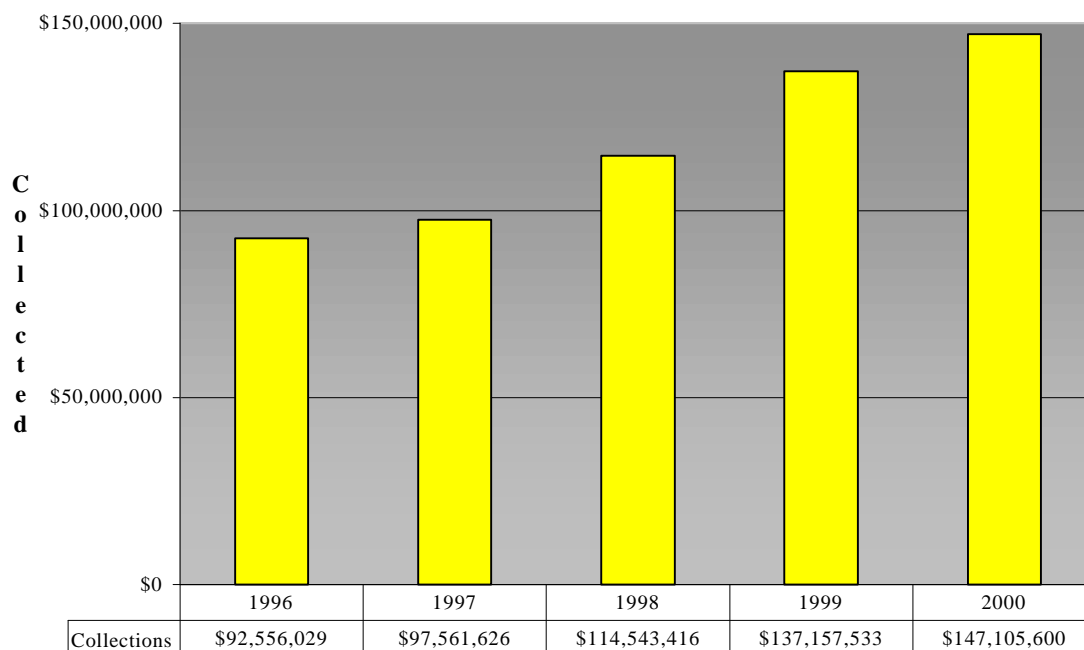
Note: Other Sources consists primarily of collections received by the Clerks of the District Court from the payors.

Collections are distributed to the custodial parent, or, if applicable, to reimburse assistance given to families. Assistance includes Temporary Assistance to Needy Families (TANF), formerly known as AFDC (Assistance to Families with Dependent Children); Foster Care, if the children are in foster care homes; and Medicaid.

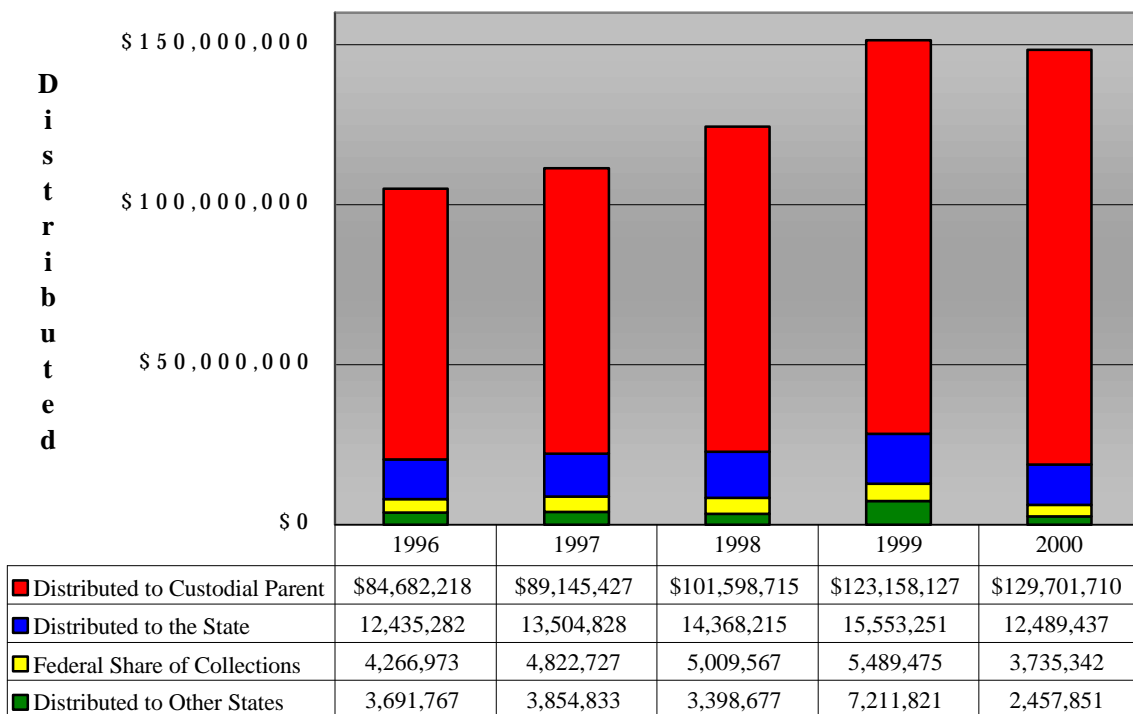
The graphs on the following page depict the total collections over a five year period, and the collections that were distributed for that same period.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM CHILD SUPPORT ENFORCEMENT PROGRAM

Total Collections - Five Year Summary (State Fiscal Year)



Distributed Collections - Five Year Summary (State Fiscal Year)



Note 1: Distributed to the State includes reimbursements of assistance, foster care payments, medical payments, and incentive payments retained by the State. Federal share of collections includes the net federal share of collections, which is used by the State to offset administrative expenditures.

Note 2: The collections do not equal distributed collections due to the timing of certain distributions.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM

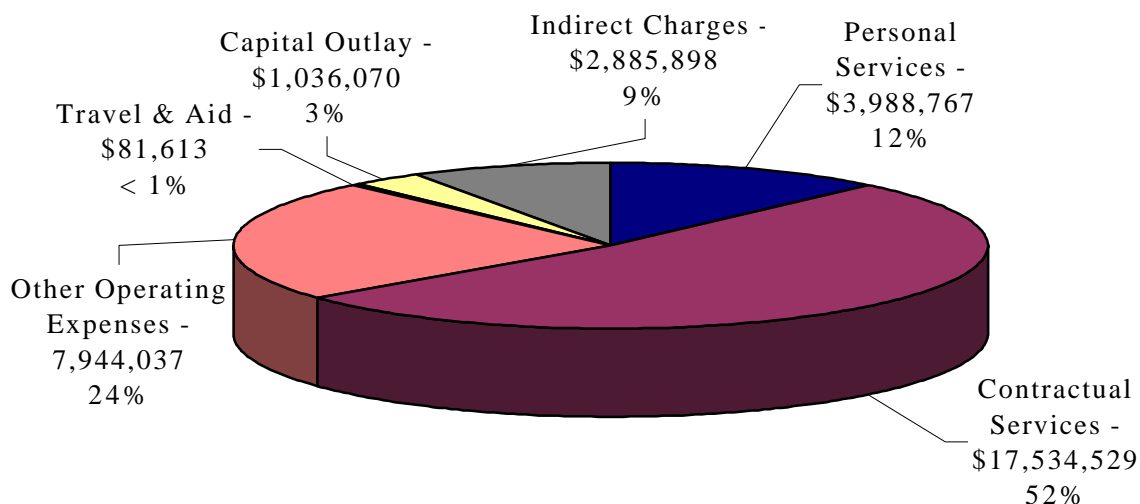
EXPENDITURES BY TYPE

The Child Support Enforcement Program has several divisions that charge administrative costs directly to the CSE program. They include: Child Support Operations; Legal Services, Child Support Enforcement; Computer Systems and Technology, State Disbursement Unit and CHARTS; and Federal Passthroughs, CSE System Project, UNL Child Support Evaluation, and Child Support Federal.

In State fiscal year 2000, HHS expended \$30,585,016 in direct charges to administer the Child Support Enforcement Program. The Program is allowed to use the Federal share of the TANF reimbursement collections to offset administrative expenses. For State fiscal year 2000, the offset was \$4,250,566. In addition, HHS allocated \$2,885,898 in indirect costs to the Program. The following is a summary of the expenditures:

Expenditure Type	Child Support Operations	Legal Services	Computer Systems & Technology	Federal Passthroughs	TOTAL
Personal Services	\$ 2,633,296	\$ 364,508	\$ 990,963	\$ -	\$ 3,988,767
Operating Expenses	6,219,873	14,092	10,844,992	8,399,609	25,478,566
Travel	43,636	6,702	22,275	-	72,613
Capital Outlay	-	-	1,033,766	-	1,036,070
Government Aid	-	-	-	9,000	9,000
Total Direct Costs	4,648,543	385,302	12,891,996	8,408,609	30,585,016
Indirect Costs					2,885,898
Federal Offset	(4,250,566)				(4,250,566)
GRAND TOTAL	\$ 4,648,543	\$ 385,302	\$ 12,891,996	\$ 8,408,609	\$ 29,220,348
Federal Share	(Per NAS)				\$ 22,550,229
State Share	(Per NAS)				<u>\$ 6,670,119</u>

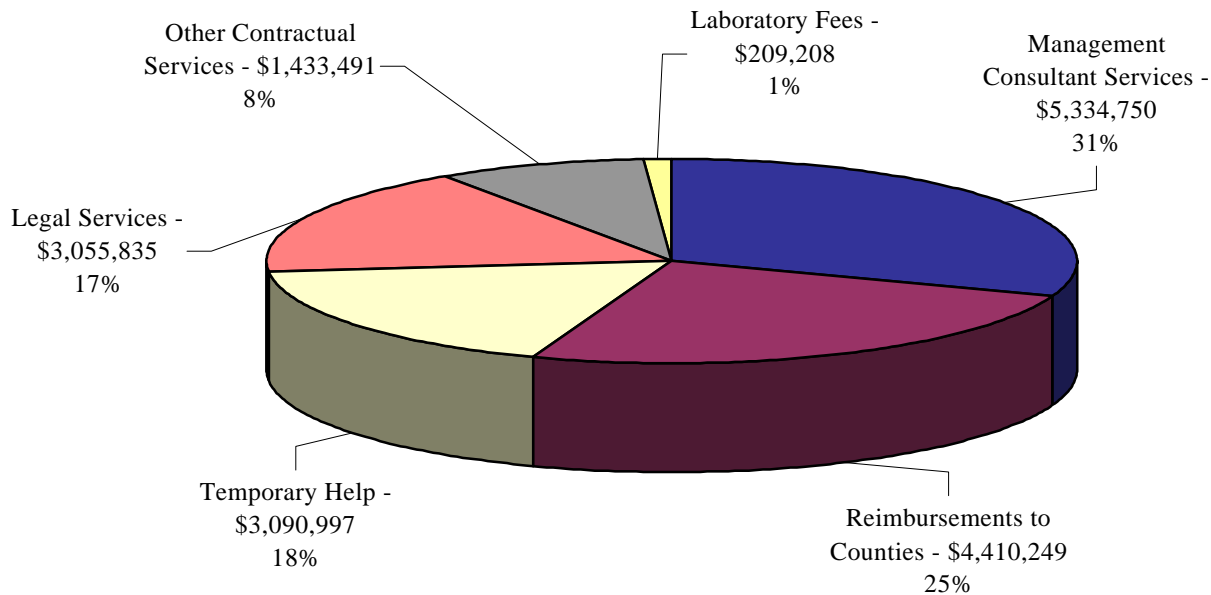
The following chart represents State Fiscal Year 2000 expenditures, excluding the federal administrative offset:



**NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM**

CONTRACTUAL SERVICES

Contractual Services payments represent 52% of the Child Support Program expenditures. The following chart details the types of contractual services of the CSE Program for State fiscal year 2000:



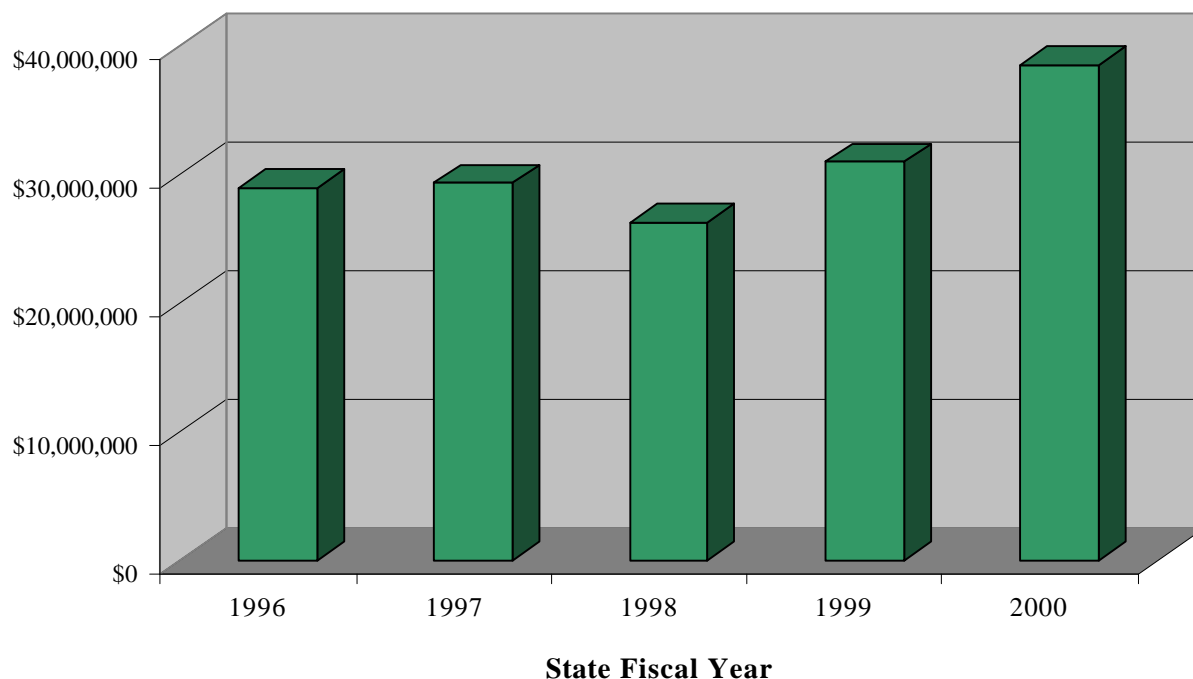
Management Consultant Services consists of payments to Policy Studies, Inc., who is the private contractor for Douglas County child support enforcement. Reimbursements to counties on this chart represent only the payments to the Clerks of the District Courts. The remaining \$3,042,780 was paid to County Attorneys and District Court Referees and is included in Legal Services. Contractual Services – Temporary Help is used primarily to pay contractors obtained through DAS – Information Management Services.

Contractual services by vendors:

Policy Studies Inc.	\$ 5,334,750
Technology Management Resources	2,006,130
Douglas County	1,258,162
Lancaster County	1,239,094
Sarpy County	809,764
Nebraska Supreme Court	479,925
DAS – Information Management Services	301,164
J Douglas Scott and Associates	292,469
DAS – Temporary Help (SOS)	279,125
Other	5,533,946
Total Contractual Services	\$ 17,534,529

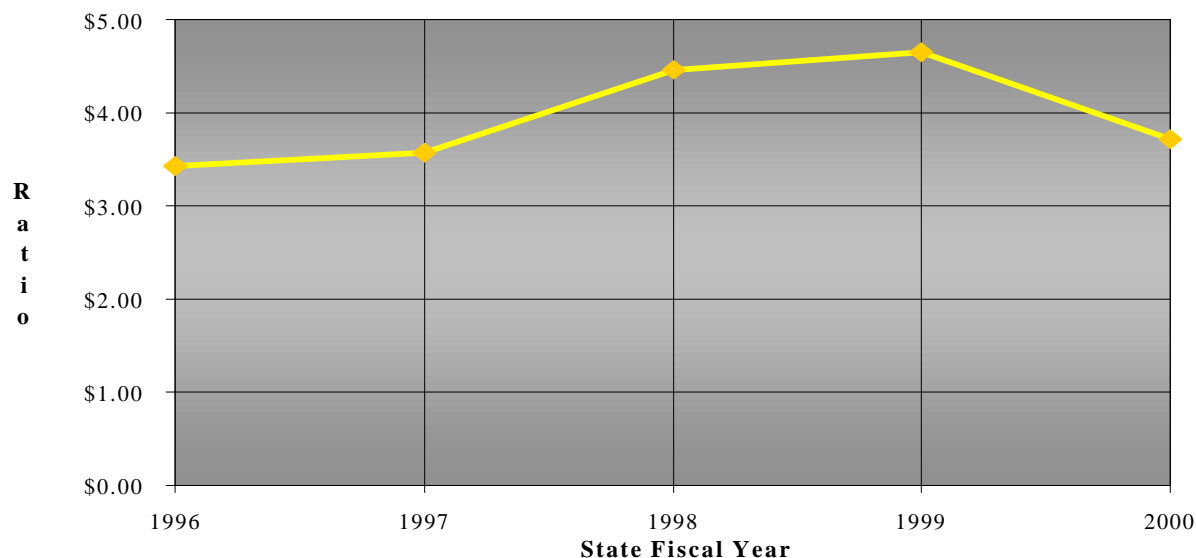
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM

Expenditures Reported - Five Year Summary



Note: Fiscal Year 2000 includes an adjustment of \$10,074,523 that was calculated as over-reported.

Ratio of Distributed Collections per \$1 of Reported Expenditures



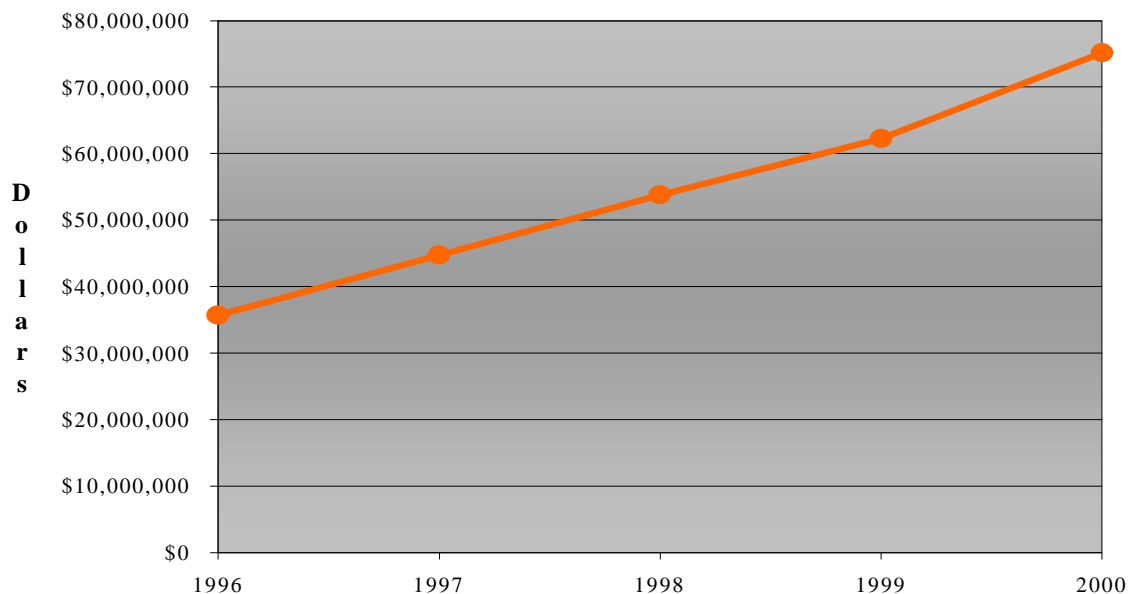
The ratio of distributed collections to the reported expenditures illustrates the amount collected for every dollar expended. For example, in state fiscal year 2000, HHS collected approximately \$3 for every \$1 expended. The ratio used in this graph includes distributed collections reported to the OCSE but not the distributed collections shown on page 22, which includes the federal share of collections and incentive payments to the State.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM

CHARTS (CHILDREN HAVE A RIGHT TO SUPPORT)

The first phase of the CHARTS project, called JOB 148, began in 1984. It was phased into production in 1988 and 1991. The Family Support Act of 1988 (FSA) required states to establish immediate wage withholding and to develop an automated computer system that would perform the distribution process on a single set of software by October 1, 1997. FSA made clear that further development of JOB 148 should not continue, as the system was not set up to meet the federal guidelines established in FSA. The total costs incurred for JOB 148 were \$11.6 million.

The second phase of the CHARTS project began in 1993 and included three projects: 1) State component of the CHARTS project beginning in 1993, 2) costs for JUSTICE (Judicial User System to Improve Court Efficiency) system implementation, and 3) work on development of the State Disbursement Unit (SDU) as required by the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). PRWORA required states to set up an SDU by October 1, 1999. States would still be able to privatize collections and disbursements, but a centralized office in each state must do the distribution (application of the money collected). With the enactment of the PRWORA, the CHARTS project required major programming modifications. Originally, CHARTS was capable of allowing distributions for clients on assignment (public assistance), but not for clients who were not on public assistance. This, in addition to a complete rewrite of the financial portion of CHARTS, would add considerable time before the project would be completed. The completion date set for the Nebraska SDU is September 1, 2001. At that time the SDU and CHARTS system should be able to perform centralized distributions. Total cumulative costs of the CHARTS project per the May 2000 Advance Planning Document were \$62,263,769 after federal fiscal year 1999. However, as noted previously, the APD is not reconciled to NAS. The following graph depicts the cumulative costs of the project over the last five federal fiscal years. Federal fiscal year 2000 numbers are estimated, based on the federal fiscal year 1999 cumulative total and the total expenditures for the project per NAS as of June 30, 2000.



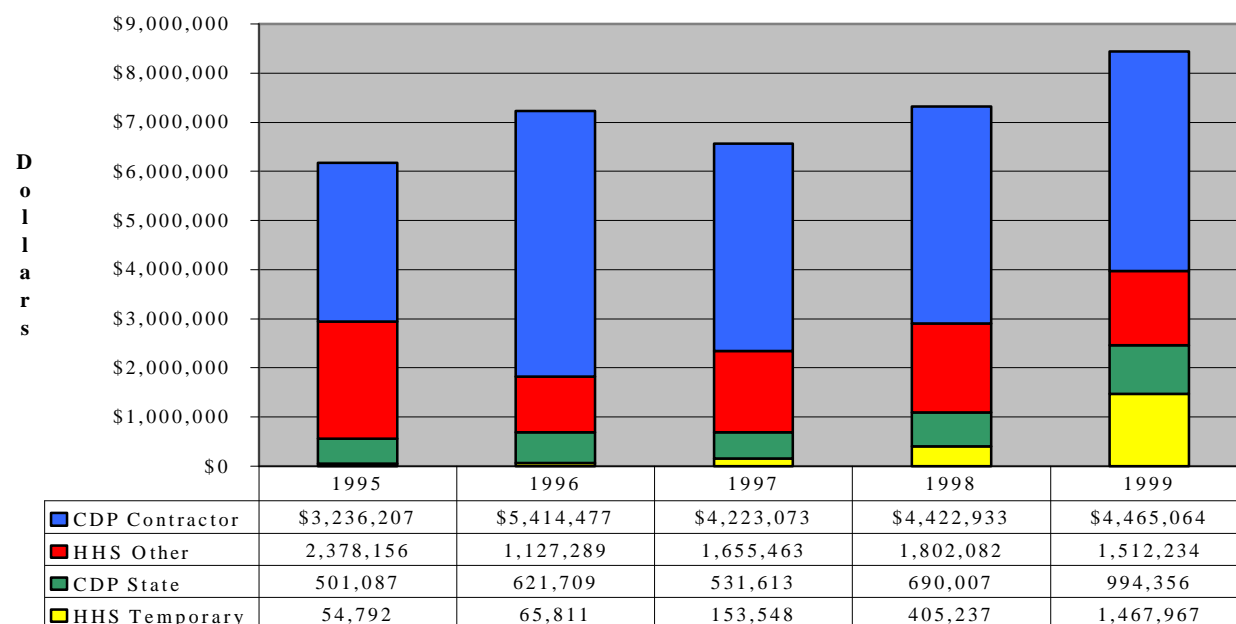
NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM CHILD SUPPORT ENFORCEMENT PROGRAM

CHARTS (CHILDREN HAVE A RIGHT TO SUPPORT)

Nebraska has been imposed \$2,056,114 in penalties for Federal Fiscal Years 1998 and 1999 for not meeting the FSA deadline. The State is set to incur further penalties after Federal Fiscal Year 2000 for failure to meet these deadlines. The system penalty will be \$3,336,000. However, the State expects to get 90% of the system penalty back as 90% of the amount realized for the year the State comes into compliance is forgiven in the year the State comes into compliance. The penalty for the SDU will be an additional \$834,000 for federal fiscal year 2000. This will not be reduced.

A letter dated February 25, 2000 from the Administration of Children and Families (ACF) cited the State's failure to comply with the PRWORA deadline.

Staff working on the CHARTS project include personnel from DAS – IM Services and contractors obtained through DAS IM-Services. HHS also hired its own contractors and also have its own staff of management, business analysts, etc. working on the project. The following graph represents the trend over the last five years with the staffing of the CHARTS project.



Source: HHS Child Support Enforcement September 30, 1999 Advance Planning Document (APD). The more recent APD's did not have these figures updated; therefore, we have only shown amounts through State fiscal year 1999.

Note 1: The figures in this schedule reflect expenditures per the APD. As noted earlier, HHS does not reconcile the costs in the APD to NAS. Therefore, these expenditures are not considered actual.

Note 2: CDP state employees are employees of the DAS division of IM Services (formerly CDP). CDP contractors are independent contractors hired by DAS-IM Services. HHS temporary employees are contractors hired directly by HHS. HHS other employees include project management, business analysts, IBM, JUSTICE Court Staff/NACO, and JUSTICE data processing.

NEBRASKA HEALTH AND HUMAN SERVICES SYSTEM
CHILD SUPPORT ENFORCEMENT PROGRAM

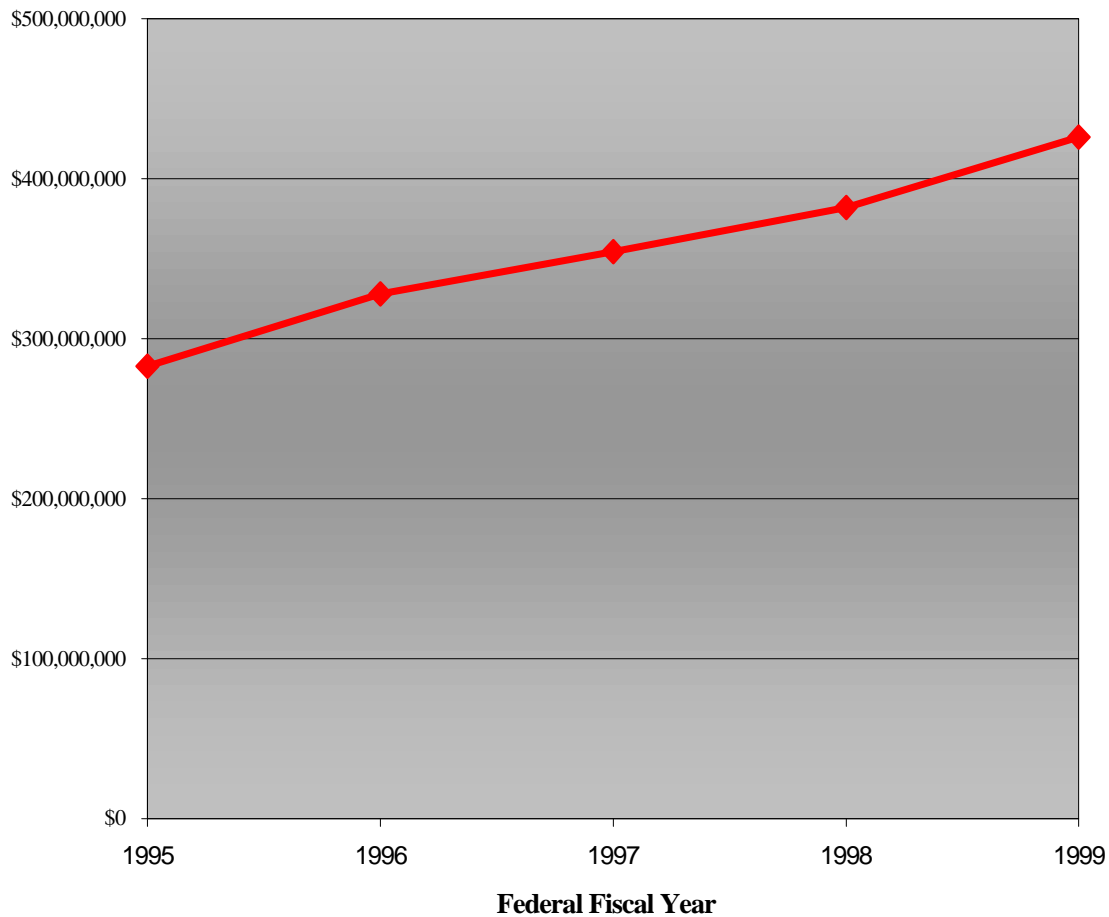
ARREARS

Arrears are past due, unpaid child support owed by a non-custodial parent.

When an account is in arrears, interest is assessed on the amount in arrears. The Clerks of the District Courts are responsible for assessing interest on delinquent child support. The interest rate is fixed at rate equal to one percentage point above the bond equivalent yield, as published by the Secretary of the Treasury of the United States, at the time the court order is established.

HHS contracted with a collection agency from April 1997 to March 2000 to assist with the collection of delinquent accounts. The contract was not extended. The contractor collected \$12,750 in cases involving state debt and \$10,957 in recovery cases for a total of \$23,707. The contractor was reimbursed at a rate of 14.75% for each dollar collected for a total of \$3,497.

The following graph illustrates the cumulative amount of arrears for the past five federal fiscal years, per the federal OCSE 157 or 158 reports.



Note: HHS was unable to provide an arrears amount as of June 30, 2000.