



**Audit Report of the Nebraska Department of Health and Human Services (HHS)
Child Support Enforcement and the Nebraska State Treasurer
State Disbursement Unit Agency Funds (Funds 7263, 7264, and 7265)
July 1, 2001 through June 30, 2002**

Report Highlights

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Our report included ten Comments and Recommendations relating to internal controls, procedures, and compliance with State and Federal laws. A brief summary of the Comments included in the report is listed below.

Comments relating to both HHS - Child Support Enforcement and State Treasurer - State Disbursement Unit (SDU)

Reconciliation Processes: There are three major systems the State of Nebraska uses to account annually for hundreds of millions of dollars of receipts and disbursements of child support (CHARTS, KidCARE, and NAS). There were limited reconciliation procedures for these systems to ensure all activity was properly accounted for and the systems were in balance. There was an unexplained variance between KidCARE and NAS of \$36,097.

Federal Certification Review: In December 2002, the Federal Office of Child Support Enforcement performed a certification review to determine whether the State's Child Support Systems of HHS had met all federal certification requirements. The draft report noted 18 Certification Findings and Recommendations and 7 Management Findings and Recommendations. Subsequently, HHS demonstrated 5 of 18 certification findings were not findings, and thus are not included in this report. The remaining findings and recommendations were summarized and presented in this report.

Bad Debt, Duplicate Warrants, and Cancelled Warrants: The Treasurer's Office did not record bad debt, duplicate warrants issued in error, and cancelled warrant activity December 24, 2001 through June 30, 2002 on the Nebraska Accounting System (NAS) Therefore, resulting in an overstatement of the IV-D Support Payment Distribution - SDU Fund (Fund 7264) cash balance by \$375,017.

Comments relating to HHS - Child Support Enforcement

Case Compliance: HHS caseworkers have the responsibility to ensure child support cases are being properly processed in compliance with federal regulations. Caseworkers keep track of events in both CHARTS and in physical case files. We noted some tasks were not accomplished within the required timeframes and there was some lack of documentation to ascertain that tasks were performed as required.

Conversion Process: In December 2001, the State converted child support records from the JUSTICE system (used by Clerks of the District Courts) and the Douglas County District Court System. Not all the Douglas County District Court records could be validated. Two of twelve balances on CHARTS did not agree to the JUSTICE system at the conversion date; the HHS management stated 1,633 judgments with a negative balance were compared but not validated.

Receipts Processed at the Department: HHS processes Internal Revenue Service intercepts, State Department of Revenue intercepts, voluntary payments, targeted payments, recovery payments, purged orders, and bond payments. HHS processed approximately \$21 million in receipts and in excess of \$11 million in non-monetary receipts. Receipts are processed through CHARTS. Two of 32 receipts tested could not be traced to journal entry detail or disbursement document detail; 3 of 24 non-monetary receipts could not be traced to CHARTS; no initial control was established for monies received and checks were not restrictively endorsed immediately upon receipt; and the amount deposited in NAS did not agree to CHARTS batch information for 1 of 10 documents tested.

CHARTS - System Controls: The Information Technology security administrator's review of weekly RACF logs was not documented, and the CHARTS Disaster Recovery Plan should be improved.

Comments relating to State Treasurer - State Disbursement Unit

Control Structure: During the course of the audit, the State Treasurer significantly restricted the auditors' access to SDU staff. Without having unrestricted access to agency staff the audit staff was greatly hindered in their ability to get complete and accurate information as required by Generally Accepted Government Auditing Standards (GAGAS). In addition, a significant amount of extra time was spent through written communications requesting information that was not always provided to the auditors in a timely manner.

Outstanding Warrant List: A listing of all outstanding child support warrants at June 30, 2002, was not provided to DAS. Additionally, CHARTS does not properly identify cancelled warrants.

KidCARE System: From December 24, 2001 to June 30, 2002 the SDU's receipting system, KidCARE, recorded child support receipts in excess of \$114 million. There was no documentation that management reviewed the Security Audit Log for Logins and Automated System Error Logs; the SDU's Disaster Recovery Plan should be improved; and System access should be changed so the same employee would not have access to process receipts and also apply the receipts to the records.

We have detailed our findings, and responses, in the Comments and Recommendations section of the report, which can be found at www.auditors.state.ne.us.