The Judiciary
Child Support Enforcement Program

July 1, 1999 to December 31, 2000

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State Auditor
Enclosed is our report on the audit of the Judiciary, Child Support Enforcement Program for the period July 1, 1999 to December 31, 2000.

If you would like a personal briefing, please call me at (609) 292-3700.

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The Judiciary
Child Support Enforcement Program

Scope
We have completed an audit of The Judiciary, Child Support Enforcement Program for the period July 1, 1999 to December 31, 2000. Our audit included financial activities accounted for in the Judiciary Child Support and Paternity Fund.

Cash receipts and disbursements of the fund are $800 million annually. The prime responsibility of the program is to oversee the enforcement and collection of obligations for child support.

Objectives
The objectives of our audit were to determine whether financial transactions were related to the program, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology
Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal controls.
A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were selected judgmentally. Other transactions were randomly selected.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the agency and walked through the system to determine if the corrective action was effective.

**Conclusions**

We found that the financial transactions included in our testing were related to the program, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses meriting management’s attention. We also found that the agency has resolved the significant issues noted in our prior report except for matters related to monitoring of demographic changes and Automated Child Support Enforcement System (ACSES) security. These issues have been updated and restated in our current report.

During our field visits to the vicinages we noted variations in the methods used to process and record transactions. There should be some consistency in the way transactions are processed at the counties. The supporting documentation on file at the vicinages should be consistent throughout the state.

- Some vicinages had standardized forms that provided evidence of who initiated, authorized, and recorded a hold release or manual check.

- The highest level of access to ACSES was limited to four employees in one vicinage. In others, as many as 30 employees had been afforded the highest level of access and the ability to change child support case information.
• One county escheated unclaimed escrow balances to the state treasury while others allowed these funds to remain unclaimed for extended periods.

• Checks returned by the post office are not handled the same at the vicinages. In some cases, all returned checks are voided and new checks reissued to the correct address. Other counties redirect the same returned check to the correct address.

The Administrative Office of the Courts (AOC) should document the methods used in all 21 counties to perform basic functions. Then, formal procedures and standardized forms should be developed, using the best practices for each process. Implementation of best practices could correct some of the conditions noted in the following findings.
Manual Checks

Manual checks are generated, signed, and entered into ACSES at the local vicinages and are controlled differently at each location. We found that while some vicinages maintained adequate records and controls, others did not retain copies of their manual checks and 20 percent of our sample lacked supporting documentation. We also found that ACSES does not have adequate edits programmed into the system to detect certain errors. We noted instances where the amounts recorded in ACSES were different on the actual check. Examples of errors included one check for $7,931 entered into ACSES as $793,100 and another for $40 entered as $12,454 which was the check number. These errors increase the risk that improper activity can occur and not be detected and they also increase the time spent on bank reconciliations. In some counties, including the one in which these errors occurred, the ACSES reports are not properly reviewed for reasonableness.

We also noted that ACSES does not show all the digits of the check number on its screens and reports. Therefore it appears that some check numbers are used more than once. There are no edits in ACSES to prevent a duplicate check.

Recommendation

We recommend the AOC promulgate a statewide policy for the documentation of manual checks that would incorporate the best practices of the vicinages. We also recommend that the ACSES be enhanced to include reasonableness edits to detect the errors such as those noted.

Auditee’s Response

The vicinage finance managers recently developed and adopted statewide Internal Control guidelines which incorporate policies for check disbursements, including the proper handling of verification of manual checks to ACSES before mailing.

The examples of incorrect check amounts entered to ACSES are detected through our disbursing bank’s
computerized positive payment system. When presented with a check whose face amount differs from the entered amount, the bank will immediately contact the AOC Banking and Cash Management Unit for resolution, thus ensuring the correct check amount is honored.

Manual checks are pre-numbered and controlled by county. ACSES truncates the two digit county code prefix from the manual check number and replaces with the letter M (Manual) for ease of lookup. These checks are separated on ACSES by county.

The NJ Department of Human Services recently issued a RFP through the NJ Department of the Treasury, Purchase Bureau for the services of a vendor who will assist the State in improving or replacing the existing computer system for Child Support. Requirements to address financial weaknesses of ACSES, including the above recommendations, will be incorporated in the financial functionality of the resultant Child Support computer system.

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**Escrow Balances**

As of September 30, 2000 there were 1,170 cases recorded in escrow totaling $690,000. Of that total 500 cases totaling $400,000 had been in escrow for over 12 months. The amounts in escrow represent monies received by the state and not distributed to the appropriate parties.

When a child support payment is received, in most cases, it is recorded on ACSES and a payment is issued to the custodial parent within 48 hours. If the case information on ACSES does not include the obligation or amount due, the monies received may be applied to escrow. When the court order is received and the amount due recorded on the system, the appropriate amount will be released from escrow and paid in accordance with the court order.
According to one vicinage finance manager this process should take no more than three months. If it is a court order from another state, it may take up to one year to receive and enter the order.

Escrow balances are not handled consistently among the vicinages. One vicinage escheats unclaimed balances to the State Treasurer while other courts contacted said they did not escheat escrow monies annually. This is apparent by the age of some of the cases still in escrow. In one county we noted 38 cases totaling $79,000 with escrow dates prior to January 1, 1998. In some cases initiated by the New Jersey Division of Family Development (DFD), the money paid by the absent parent may be payable to that agency.

**Recommendation**

We recommend the AOC develop and implement procedures to ensure that monies in escrow are distributed to the appropriate party in a reasonable time. This should include designating who is responsible for following up on escrow balances if no court order is received within an appropriate time period.

**Auditee’s Response**

Concerning the findings, it should be noted that escrow balances are not subject to escheat in the same way that unclaimed or unidentified funds are. As you point out, when funds are received and applied to an established Child Support case that does not have an obligation established, they are placed in escrow by ACSES. It is the responsibility of vicinage probation and financial management to ensure that the court order which established the obligation is obtained timely, entered against the case, and subsequently disbursed to the custodial parent. Failure to obtain the information necessary to establish the obligation, does not subject escrow monies to escheat.

The Judiciary’s Probation and Finance Division Conferences are in the process of reviewing best practices within the Child Support Program. This
includes the delineation of enforcement and fiscal duties and responsibilities. During this process more specific guidelines on the handling of escrow will be developed and follow up responsibilities clearly delineated.

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**Automated Child Support Enforcement System (ASCES) Access**

Automated Child Support Enforcement System (ACSES) access by employees is necessary for the daily operations. Although there are seven levels of access capabilities, we found four were widely used in the counties we reviewed:

- **ACEPRO** allows the user to access and change critical data regarding a case as well as initiate payments through the recording of receipts and through void/reissues, hold releases, and manual checks. Critical data includes absent parents’ obligation and arrears amounts as well as all absent parent and custodial parent demographic data.

- **ACESUP** and **ACEUPD** allow the user to access and change certain critical data without the ability to release payment. Access includes, but is not limited to, demographics, payment histories and arrears balances with the ability to change demographics.

- **ACEINQ** allows the user to view certain screens but has no change or initiation capabilities.

As noted in our prior audit report, employees are routinely assigned access which can create internal control weaknesses. Specifically, caseworkers in the enforcement section were assigned ACESUP or ACEUPD which allowed them to change the address of the custodial parent on the system, automatically
sending subsequent payments to the new address. Some counties grant this high level access to as many as 30 employees in the enforcement and fiscal sections, while others restrict highest access to the data entry unit. Some caseworkers perform address changes based on a phone call from the client. There are no AOC procedures requiring this change to be in writing. Even though not all counties had the caseworkers make necessary changes to demographic data as part of their duties, the ability remained. There were no edit reports or independent reviews by supervisors which would have detected improper address changes. Caseworkers familiar with the individual cases could be selective in their choice of cases from which to misappropriate funds (e.g., cases where regular payments are not received and those with large arrears balances). In addition, clients routinely contact their caseworkers to question nonpayment. By restricting the access to change demographic data to the data entry unit, adequate segregation of duties is achieved.

Some address changes occur as the result of checks returned by the post office, which is requested to not forward checks to a new address. In cases where the post office has a new address, it is attached to the undelivered check. Undelivered checks are returned to the county responsible for managing the case. In some counties, checks are resent to the new address and the system is updated by an employee in the fiscal office. We were unable to find supporting documentation for 12 out of 26 address changes reviewed. Some counties required a formal address change notification prior to issuing a new check, but many did not. Since most staff have the ability to change demographic data on ACSES, there should be formal procedures and adequate documentation of all address changes.

In cases where the client moved and left no forwarding address, the case is put on hold. No child support payments are sent until the correct address is
posted on ACSES. The order to release the hold comes from the caseworker. When the hold is released, a check for the entire amount is sent to the client. Given that the caseworker has access to the hold aging report and the ability to change the payment address, we tested a sample of hold releases for supporting documentation. Of 103 hold releases tested we found 42 were unsupported in the case files.

In addition, we found that the county security administrators were not removing terminated employees timely. In one instance an employee was terminated and another caseworker assumed the identity of the terminated employee and processed transactions. This was also noted in our last audit report.

**Recommendation**

We recommend the system access be restricted to the data entry unit so that segregation of duties is accomplished. We further recommend that address changes and hold release orders be supported in the individual case file. Terminated employees should be removed from ACSES access at the time of separation.

**Auditee’s Response**

System access is required by Child Support case workers as well as data entry staff, especially since some vicinages do not have data entry units. A review by vicinage Probation and Finance management of the various assigned access levels has been underway with the objective of restricting access and segregating duties to the extent possible. We will also explore with the Department of Human Services the feasibility of developing a more limited access type which allows update of demographics without the ability to change custodial parent addresses.

The policy covering address changes will be reissued and monitored for compliance.
The responsibility for maintaining security on ACSES will be transferred from Probation Child Support to the Information Technology security officer located in each county. An AOC Child Support staff person will remain as a backup to the local officials to provide support in an emergency.

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**Timeliness of Wire Transfers**

A contract was awarded on December 7, 1998 to a vendor for the operation of a centralized receipt and processing center for child and/or alimony support payments made for cases being administered under the Title IV - D Program of New Jersey. Effective July 1, 1999, Mercer and Camden counties were required to forward child support receipts to the vendor, to be followed by the remaining counties on October 1, 1999. One of the performance standards of the contract states that receipts will be deposited into the state’s Judicial Child Support and Paternity Fund via wire transfer within 24 hours of receipt. On a daily basis, the vendor batches data and deposits child support receipts into their Child Support Depository bank account. At a designated time, the vendor’s data will be exported to the state’s Automated Child Support Enforcement System (ACSES) which includes child support case numbers and amounts received. The next day the vendor is required to wire transfer funds to the state’s Judicial Child Support and Paternity Fund and ACSES disburses checks to the respective custodial parent. The federal law requires that the child support payments be disbursed to the custodial parent within 48 hours. This is done regardless of receipt of the wire transfer from the vendor.

We tested a three month period, October 1 through December 31, 1999. Twenty-four of 61 wire transfers were made between 2 and 13 business days subsequent to the original receipt by the vendor. Due to the amount of time it took to transfer funds, the
Judicial Child Support and Paternity Fund lost interest of $33,600. Interest earned in the fund is subsequently transferred to the state’s General Fund. This loss occurred due to the vendor’s failure to implement procedures that require monitoring of deposits to ensure timely transfers of funds. Once brought to the vendor’s attention, they began monitoring deposits and timeliness of wire transfers.

**Recommendation**

We recommend the vendor continue to monitor deposits and their timely transfer to the state account.

**Auditee’s Response**

The period of time tested coincided with the first quarter of the statewide participation in the centralized collection of family support payments. The primary emphasis during this start-up phase was on processing collections to the proper cases so that payments could be made within the federal requirements. Nevertheless, the AOC instituted monitoring of deposits and their timeliness from the vendor from the beginning. Differences were made known to vendor’s staff via telephone and fax of AOC’s internal reconciliation reports. In addition, delays in receipts of funds were discussed at regular meetings among key staff representing Human services Division of Family Development, the AOC, and the vendor.

Concerning the delay of the wire transfer of the daily deposits, during this period the vendor was hand carrying wire transfer instructions to a local branch of its bank, (in addition to faxing them), but there were delays at times since the local bank branch continued to list the vendor’s account as a one day float and not immediate availability. Since the end of 1999, the vendor converted to a web based wire transfer process which provides for the timely transfer of daily deposits to the Judicial Child Support Program’s bank account. Both the vendor and the AOC continue to monitor wire transfers on a daily basis.

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