New Jersey State Legislature
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Office of the State Auditor

Judiciary
Child Support Enforcement Program

July 1, 2002 to June 30, 2003

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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, 2002 to June 30, 2003. If you would like a personal briefing, please call me at (609) 292-3700.

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Judiciary
Child Support Enforcement Program

Scope

We have completed an audit of the Judiciary, Child Support Enforcement Program for the period July 1, 2002 to June 30, 2003. Our audit included financial activities accounted for in the Child Support and Paternity Fund.

Cash receipts and disbursements of the fund are $950 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 the 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, 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.
We used both a statistical and nonstatistical sampling approach when selecting transactions for testing. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Nonstatistical sample populations were sorted and transactions were judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the Judiciary 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 and matters of compliance with laws and regulations 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 Automated Child Support Enforcement System (ACSES) access. This issue has been restated in our current report.
Funds held should be disbursed to the proper recipient in a timely manner.

**Funds Kept in Hold Status**

Child Support cases can be placed in hold status for a variety of reasons such as inability to find the absent or custodial parent, lack of court order for emancipating the child, or removal of the child from public assistance grants. Once a case has been placed in a hold status, funds collected will not be disbursed. During our audit period 6,600 cases with balances totaling $3.4 million were maintained in this status. Balances from 700 cases totaling $1 million have been in this status for a period exceeding one year. These funds belong to one of the principals involved in the case. Failure to restore these cases to active status deprives the rightful recipient use of their funds. Another 700 cases have been in a hold status for a period in excess of a year where no funds have been collected.

We reviewed the records for 74 of the cases over one year old where funds had been collected. In 21 cases, some dating back to 1993, there was no evidence of any enforcement activity. Cases maintained in a hold status require the same constant monitoring as active cases. This affects the probation unit’s ability to effectively administer and enforce court issued support orders. It could also adversely affect performance indicators which could reduce federal incentive payments to each vicinage.

Administrative Office of the Courts (AOC) Directive 1-91 provides instruction to the vicinages on how to file a motion with the court to terminate its continuing supervision while a support order remains in effect. Filing such a motion allows any amount held to be disbursed to the rightful owner and removes the program’s supervising responsibility. The rights and responsibilities of any party involved are not altered by this action. Only Mercer, of the nine counties tested, indicated they had implemented this directive.
**Recommendation**

We recommend each vicinage monitor and review cases placed in hold status. The vicinages should implement the AOC directive dealing with the closure of cases. Additionally, we recommend the AOC enforce its directives. The vicinages should disburse the funds held to the proper recipient on a timely basis.

**Auditee’s Response**

It is inevitable that a certain amount of funds will be on hold for several circumstances; the number of instances will be minimized through an effort of effective monitoring and status reporting. The Judiciary has already implemented several actions to minimize the amount of child support funds that are placed on hold. Changes are currently being made to the ACSES system to establish a table of “hold” reason codes. This table will limit the number of reasons for initially placing a case on hold and also facilitate monitoring of cases. Hold procedures have also been established as part of the revised Child Support Operations Manual.

Administrative Directive 1091, which provides instructions for closing cases, will be enforced through our best practice efforts and the monitoring of case status by vicinage.

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**ACSES Security**

The Automated Child Support Enforcement System (ACSES) maintains case management data critical to the operation of the child support enforcement program. As a result, access to this data by program employees is required. The proper development and maintenance of security procedures ensure that related internal controls are properly implemented and achieved.

The Administrative Office of the Courts (AOC) does not consistently document the request, change, or
termination of access for users of ACSES. This system is not included in their current system access procedures. In addition, the type of access provided users who have the same job responsibilities differs by county. Guidelines are not maintained to ensure the assignment of access is appropriate and consistent with a user’s function.

A formal approval procedure outlining the access privileges to be granted should be maintained. These procedures would provide access based on the individual’s demonstrated need to view, add, change, or delete data. In addition, formal procedures would ensure timely removal of user access privileges upon separation or termination of employment.

**Recommendation**

We recommend the AOC include ACSES in their procedures for controlling access to systems for which security administration responsibility is maintained. In addition, the AOC should develop guidelines to ensure the assignment of access is appropriate and consistent with a user’s job responsibilities.

**Auditee’s Response**

A review of ACSES system access will be performed and monitored on a quarterly basis to ensure segregation of duties, appropriate users and appropriate user’s functions. Implementation of a standard system access request form for all existing and new employees will ensure approved access and consistency with job responsibilities.

Additional steps will be taken to provide the Judiciary’s Human Resources employee termination data to the Vicinage Information Security Representative so that access rights may be promptly deleted.
Standardized procedures incorporating best practices should be developed to improve internal controls.

Controls Over Cash

The postal service returns child support payment checks to the counties when the intended recipient no longer resides at the address on the payment envelope. Our test of 15 counties indicated procedures concerning these checks varied not only from vicinage to vicinage, but also among counties located within the same vicinage. Additionally, while some counties, such as Burlington, maintained adequate records and controls others did not. Ten counties did not maintain a log listing returned checks and whether or not these checks were voided or remailed. Two counties kept returned and voided checks in an open box. One county did not stamp void or in any other way indicate on a check that it had been voided. This county was unable to locate 22 voided checks. None of the missing checks had been cashed at the date of our tests. The issue of missing void checks has been turned over to the AOC internal audit unit for investigation.

While the majority of child support payments are received at the central processing center, vicinages collect approximately $5.6 million annually. Procedures concerning these collections varied not only from vicinage to vicinage but among counties located within the same vicinage. Additionally, while some counties maintained adequate records and controls, others did not. Four counties did not maintain logs showing checks received. Two counties did not reconcile cash receipts to the register, nor send them to the central processing center on the day they were received. Two counties did not issue receipts when payment was made by check. Three counties did not identify the cashier accepting payments.

Strong internal controls are necessary to assure adequate safeguarding of assets reducing the chance of loss or use in an unauthorized manner. This is
extremely important when dealing with fluid assets such as cash or checks.

**Recommendation**

We recommend the AOC develop, implement, and enforce standard statewide procedures and controls with regards to child support payments received and for checks returned by the postal service. The AOC should consider including the better elements of procedures and controls currently employed by the individual counties.

**Auditee’s Response**

We are currently evaluating statewide best practice procedures regarding child support returned checks from the postal service. The process will be formalized and implemented in each vicinage and county within a vicinage. A committee has been assigned to develop the process and implement statewide.

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**Revocation of Professional and State Licenses**

N.J.S.A. 2A: 17-56.41 provides the courts with the authority to revoke the professional and state licenses of any responsible individual when noncompliance exists regarding their child support obligations and all other enforcement methods have been exhausted. Noncompliance is defined as occurring when child support arrearages equal or exceed the amount of six months’ worth of court ordered child support payments and/or health care coverage. Enforcement of this statute could provide the custodial parent with their court ordered assistance in a more timely manner. No attempt to revoke the professional/state licenses other than drivers’ licenses had been made in 10 of the 12 counties reviewed.

**Recommendation**

We recommend the counties, in conjunction with the AOC, use N.J.S.A. 2A: 17-56.41 in their attempt to collect the payments when a responsible individual
is in noncompliance with child support obligations and all other enforcement methods have been exhausted.

**Auditee’s Response**

Professional licenses are not frequently revoked and most non-custodial parents with professional licenses are frequently not eligible for license suspension as they typically pay at least some child support. The statute that authorizes the suspension of licenses specifies that licenses may suspended if all appropriate enforcement methods have been exhausted, the amount of arrears exceeds six months, medical insurance has not been provided for six months or if the obligor has not responded to a subpoena.

The Administrative Office of the Courts is currently meeting with representative of the Division of Consumer Affairs, who license a variety of trades, to establish a protocol and the possible development of an automated interface for the screening of new licensing applications and existing licensees. In addition, the Department of Human Services, Division of Family Development reports that it is exploring additional automated approaches in this area.