

**STATE OF WEST VIRGINIA
PRELIMINARY PERFORMANCE
REVIEW OF THE**

**CHILD SUPPORT ENFORCEMENT DIVISION OF THE
DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**One-third of Cases have Inaccurate
Data**

OSCAR Contract Mismanagement

**Electronic Fund Transfer Can Save
Millions**

**OFFICE OF LEGISLATIVE AUDITOR
Performance Evaluation & Research Division
Building 5, Room 751
State Capitol Complex
CHARLESTON, WEST VIRGINIA 25305
(304) 347-4890**

PE 97-01-72

JOINT COMMITTEE ON GOVERNMENT OPERATIONS

House of Delegates

Vicki Douglas, Chair
David, "O. B." Collins, Vice-Chair
Scott G. Varner
Douglas Stalnaker
James E. Willison

Senate

Larry Wiedebusch, Chair
Billy Wayne Bailey, Jr., Vice-Chair
Edwin J. Bowman
Martha Y. Walker
Sarah M. Minear

Citizen Members

Andy Gurtis
Jack McComas
W. Joseph McCoy
Phyllis Presley
Ronald Solomon

Aaron Allred, Legislative Auditor
Office of Legislative Auditor

Antonio E. Jones, Ph.D., Director
Performance Evaluation and Research Division

John Sylvia, Research Manager

June 1997

**STATE OF WEST VIRGINIA
PRELIMINARY PERFORMANCE
REVIEW OF THE**

**CHILD SUPPORT ENFORCEMENT DIVISION OF THE
DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**One-third of Cases have Inaccurate
Data**

OSCAR Contract Mismanagement

**Electronic Fund Transfer Can Save
Millions**

**OFFICE OF LEGISLATIVE AUDITOR
Performance Evaluation & Research Division
Building 5, Room 751
State Capitol Complex
CHARLESTON, WEST VIRGINIA 25305
(304) 347-4890**

WEST VIRGINIA LEGISLATURE
Performance Evaluation and Research Division

Building 5, Room 751A
1900 Kanawha Blvd, E.
Charleston, WV 25305-0610
(304) 347-4890
(304) 347-4889 FAX



Antonio E. Jones, Ph.D.
Director

June 8, 1997

The Honorable Larry Wiedebusch
State Senate
403 Fern Drive
Glen Dale, West Virginia 26038-1005

The Honorable Vicki Douglas
House of Delegates
1003 Chestnut Drive
Martinsburg, West Virginia 25401

Dear Cochairs:

Pursuant to the West Virginia Sunset Law, we are transmitting this Preliminary Performance Review of the Child Support Enforcement Division of the Department of Health and Human Resources, which we will report to the Joint Committee on Government Operations, Sunday, June 8, 1997. The issues covered are "One-third of Cases have Inaccurate Data; OSCAR Contract Mismanagement; and Electronic Fund Transfer Can Save Millions."

Sincerely,

A handwritten signature in black ink, appearing to read "Antonio E. Jones".

Antonio E. Jones

AEJ/wsc

Enclosure

TABLE OF CONTENTS

Executive Summary	7
Review Objective, Scope and Methodology	13
ISSUE AREA 1: Almost one-third of Cases in CSED's Database Contains Inaccurate Information, Which Causes Serious Problems for Children, Caretakers and Non-Custodial Parents	15
ISSUE AREA 2: CSED's Mismanagement of the OSCAR Data Conversion Contract has Cost the State Over \$5 Million Dollars.	31
ISSUE AREA 3: The Child Support Enforcement Division Could Save Millions of Dollars by Reducing the Use of Checks and Converting to Electronic Transfer	45
APPENDIX A: Sampling Methodology	49
APPENDIX B: OSCAR Generated Affidavit	53
APPENDIX C: Chronological Order of Events During Data Conversion	57
APPENDIX D: Addendum to the OSCAR Contract	65
APPENDIX E: Agency Response	69

Executive Summary

The Child Support Enforcement Division (CSED) is responsible for establishing and enforcing court ordered child support obligations. The enforcement efforts include collecting child support from the absent (non-custodial) parent and distributing the payments to the caretaker (custodial) parent. The primary focus of this review is on the **accuracy of the CSED's enforcement information contained within CSED's automated system known as OSCAR.** Issue One describes the findings of a sample of cases which were used to measure the accuracy of the enforcement information.

The On-line Support Collections And Reporting (OSCAR) computer system used by CSED for enforcing child support was implemented in the early part of 1994. Part of this implementation involved converting financial data from paper file folders into OSCAR. This data conversion was not performed satisfactorily by the vendor, nor did CSED manage this part of the contract very well. This is described in Issue Two.

Issue 1: Almost One-third of Cases in CSED's Database Contains Inaccurate Information, Which Causes Serious Problems for Children, Caretakers and Non-Custodial Parents.

A sample of 340 child support cases revealed that **one-third of the agency's cases with support orders were enforced incorrectly because of inaccurate information.** The incorrect enforcement actions generally involved collecting the wrong amount from absent parents, or distributing the wrong amount to caretakers. Sample estimates showed that the agency wrongfully collected an estimated \$1.7 million from 3,788 absent parents for FY 1996. In individual cases the amount incorrectly collected was thousands of dollars. Sample estimates also showed that 2,557 caretakers received the wrong amount of child support. A serious consequence of this is that **an estimated 1,428 caretakers received money by mistake which had to be paid back to CSED under a repayment program.** In some individual cases, the amounts to be paid back were several thousand dollars. The children and their parents which CSED is mandated to serve are significantly affected by these errors.

There are a variety of reasons for these errors. **In general, there are two major sources of errors: 1) incorrect information that was stored into the computer system, and 2) delays in updating the information.** Most of the incorrect information in the system occurred when OSCAR was implemented in 1994. These errors were fairly widespread and CSED is still in the process of correcting them. However, other incorrect data stored in the system occur during the daily course of operating. A major cause for delays in updating information results from CSED's untimely preparation of support orders and the untimely entry of the information into OSCAR. There are other sources of delays that are outside of CSED. However, CSED can do a great deal to reduce the delays in updating information.

These errors have created a great deal of inefficiencies within the agency. The need to resolve consumer complaints and correct case information divert legal assistants' time from doing other important functions, such as locating absent parents, establishing paternity, keeping case information current, and monitoring the enforcement efforts of support orders. The Legislative Auditor's Office estimates that the State's share of the personnel costs associated with correcting cases is a conservative figure of \$518,000 annually. While there will always be a need to correct some cases because of factors outside of CSED's control, there are potential savings in the hundreds of thousands of dollars if the error rate in case information can be reduced to an acceptable level.

Although the amount of money that is erroneously collected or distributed is relatively small as a percent of the total amount collected and distributed, over 41,000 West Virginia citizens are affected. Of this total, nearly half are children who depend on the child support received by caretakers. The very purpose of CSED is to accurately enforce support orders for the benefit of children. When such a large number of mistakes are made that delay the distribution of child support or cause errors in the distribution, the children are the ultimate victims. Furthermore, the individual amounts of money is significant to each parent trying to balance a family budget. In addition, there are *emotional* costs associated with the frustration parents feel towards these delays and errors.

Issue 2: CSED's Mismanagement of the OSCAR Data Conversion Contract has Cost the State Over \$5 Million.

The development of the automated system known as OSCAR was required by Federal law. Federal funding for the system was at an enhanced rate of 90% of total costs. The original contract for OSCAR, with change orders, was \$10.8 million. The entire contract was awarded to Network Six Inc (NSI). The Federal Government gave the OSCAR system a conditional certification.

A critical phase of implementing OSCAR required NSI to calculate certain financial balances for over 46,000 cases based on the information contained in the case folders and store the information into OSCAR. **This procedure is referred to as manual data conversion. CSED internal documents and the Federal Court's independent review concluded that the calculations stored into OSCAR by NSI were incorrect in as many as 50% of cases converted.** The Court's review of OSCAR in September 1994 stated:

The data quality problem in the financial information is by far the greatest problem for the local offices. It generates numerous phone calls from irate absent parents whose arrearages are wrong and from custodial parents whose funds are not distributed even though received by the CAO. It is jeopardizing the respect of the courts, employers, custodial parents, and the public which the local offices

have worked so hard to earn.

In December of the same year, the Court's consultant issued another report that stated:

The financial data quality problems were discussed in great detail in the last report. This situation is a catastrophe, its consequences for local office operations are impossible to exaggerate.

To summarize, the manual data conversion was a failure; yet, NSI was paid in full. CSED was clearly dissatisfied with NSI's work because of widespread errors. CSED withheld three payments totaling over \$367,000 on data conversion because it questioned the accuracy of the information. Withholding payments on various tasks until work was approved by CSED was allowed under the contract. However, CSED eventually released those payments through a compromise, in which NSI received all of the held money and CSED received from NSI a computer calculation tool valued at approximately \$73,000 at no cost to the State. CSED stated that this compromise was made to avoid litigation that could have delayed work on OSCAR and possibly lose enhanced Federal funding.

What makes this situation worse is that the OSCAR system was given a conditional certification. One of the conditions of certification is to correct the erroneous case information entered in OSCAR by NSI. Under the terms of the contract, NSI was responsible for "*completing, testing and implementing the changes required to bring the system into compliance with and be eligible for Federal certification at no additional cost to the State.*" However, the State is paying the additional costs to implement changes to bring OSCAR into compliance with Federal certification.

Moreover, the State is currently paying NSI \$49 an hour for one of its employees to oversee the process of correcting the errors NSI made. There was no change order to the original contract and no formal written agreement was created. This arrangement violates the terms of the contract, and it reinforces the indifference CSED has in this entire matter. The Legislative Auditor estimates that CSED has paid NSI over \$125,000 to date to assist in correcting errors. If this arrangement is extended into FY 1998 and 1999, which is how long it could take to correct all case data, an additional \$170,000 will be paid to NSI. Therefore, NSI could be paid up to \$300,000 to assist CSED in correcting these errors. **Consequently, NSI is now profiting from assisting CSED in correcting case information which NSI created.**

CSED's compromise with NSI showed significant indifference towards the State's interest in this matter. This compromise is costly for four reasons. One, to correct the errors caused by NSI, the State appropriated \$692,000 in the 1996 legislative session as its 34% Federal match. The Federal share is \$1,343,294. The total cost equals \$2,035,295. During the 1997 legislative session, \$523,972 was appropriated to continue the correction process through FY 1998. Furthermore, the clean-up project is behind schedule and it is projected to extend into FY 1999. **Therefore, the State's current commitment to the clean-up project is \$1.2 million and will be close to \$2 million if the legislature commits funding into FY 1999.** Also, the clients

who depend on CSED's services have been frustrated and angered by these errors. The children ultimately become victims of this impaired system. Third, **CSED paid NSI \$2.9 million for a bad data conversion project which CSED acknowledged was not performed according to the specifications of the contract.** Finally, the data conversion errors have created inefficiencies within CSED which are costly as well. The time needed to correct cases, reconstruct case history, and resolve client complaints over the telephone and through correspondence, have diverted CSED staff from other important agency functions such as locating absent parents, establishing paternity, keeping case information current, and monitoring the enforcement efforts of support orders. A conservative estimate of the costs associated with staff time being diverted to correct cases and resolve client complaints is several hundred thousands of dollars.

Although the Legislative Auditor acknowledges the risk of litigation and reduced enhanced Federal funding if the system had not been completed before the deadline, the actions taken by CSED guaranteed that the state would incur costs exceeding \$5 million when one considers the \$2.9 million spent on a bad data conversion, the eventual costs of nearly \$2 million to correct the errors, the resulting inefficiencies that presently exist in the agency, and the payments to NSI to assist correcting cases under a separate contract. In fact, the former Director stated in a December 1994 letter that she estimated it would cost the State nearly \$800,000 to correct the case information. Furthermore, at the time the dispute developed (June 1994), much of the project was completed, OSCAR was operational statewide, and only about \$5 million of the contract eligible for enhanced funding was still outstanding. **Therefore, the most the State stood to lose in enhanced funding would have been a little more than \$1 million.** However, the State was locked-in to a cost that exceeds \$5 million as a result of CSED's compromise. The Table below summarizes these costs.

Actual and Estimated Costs of Bad Data Conversion versus Potential Costs of Reduced Enhanced Federal Funding		
		Potential Loss of Enhanced Funding
Cost of Data Conversion	\$2.9 Million	
Cost to Correct Data Conversion Errors	\$2.0 Million	
Inefficiencies Within CSED	\$0.5 Million	
Payments to NSI to Assist Correcting Data Conversion Errors	\$0.3 Million	
Totals	\$5.7 Million	\$1.2 Million

Furthermore, other States have faced similar situations with respect to developing an automated child support system as required by Federal law. Some of these issues concerned data conversion and some concern the computer system. However, faced with the same risks CSED faced, several States were more aggressive with their respective vendors than West Virginia. The Table below summarizes the actions taken by other States in similar situations. Four States, Florida, Maryland, Ohio and Oregon litigated issues with their vendors. Oregon finally settled out of court over an issue related to the financial logic of the computer system. The terms of the settlement were confidential.

Actions Taken by Other States	
States	Actions
Florida, Maryland, Ohio, Oregon	Litigated Issues with Vendors.
Pennsylvania, Texas, Massachusetts, California	Negotiated a settlement with their vendor following threat of legal action.
Hawaii, Indiana, North Carolina	Terminated their contract with the vendor.

Unfortunately, CSED has no legal recourse at this time because it amended the contract to accept the failed data conversion. In this regard, CSED made this compromise with no feedback from appropriate State officials. When CSED was asked if it sought legal advice from outside sources, some of the individuals referenced by CSED informed the Legislative Auditor that CSED did not approach them for legal advice.

ISSUE AREA 3: The Child Support Enforcement Division Could Save Millions of Dollars by Reducing the Use of Checks and Converting to Electronic Transfer.

The Child Support Enforcement Division currently sends child support payments to caretakers through printing paper checks. With the advancement of computer technology, this practice has become inefficient. Electronic funds transfer (EFT), or direct deposit is much more efficient in terms of time and cost savings. Caretakers would receive child support faster and with greater security of their money. The state would benefit from significantly lower costs of sending child support.

CSED issues between 60,000 and 70,000 checks each month. At \$0.52 per check, the cost of issuing paper checks is between \$31,000 and \$37,000 per month. That is over \$400,000 each year. Direct deposit has the potential of reducing the costs of child support disbursements by over 80%, or \$0.07 for each caretaker who enrolls. In addition, the State is charged \$0.46 for processing each receipt of payments made by absent parents through their employer. The number of receipts also averages between 60,000 and 70,000 each month. One Valley Bank

charges CSED close to \$400,000 a year to process payments received. This cost can also be reduced from \$0.46 to \$0.07 per receipt if employers elected to electronically transmit payments.

CSED should develop and phase-in a plan to make direct deposit of child support available to caretakers served by CSED. CSED should also aggressively market EFT/EDI to all employers who send child support payments to CSED.

Review Objective, Scope and Methodology

The Child Support Enforcement Division (CSED) administers the Federal/state Child Support Enforcement Program commonly referred to as the IV-D program. The program is designed to secure and enforce support obligations for children from non-custodial parents. The primary purpose of the program was to capture funds expended as public welfare payments to families whose non-custodial parent did not or could not meet their support obligation. Funding for the agency operations is 66% Federal with the state providing the matching 34%. CSED employed 397 people during FY 1995 and its annual budget was approximately \$22 million in FY 1996. Total child support collected during FY 1996 was over \$89 million.

The Child Support Enforcement Division provides four essential services: (1) locate absent parents; (2) establish paternity; (3) establish orders for child support; (4) collect and distribute (enforce) child support payments.

Objective and Scope

The focus of this review is on the accuracy of the agency's enforcement information. The enforcement efforts include collecting child support from the absent parent and distributing the payments to the caretaker parent who has custody of the children. The accuracy of enforcement information was a concern because during the implementation of CSED's new automated system (OSCAR) in 1994, incorrect data was stored (converted) into the system for most child support cases. Since most cases contain errors and it is not known which ones, every case is suspect. Therefore, each converted case must be audited for accuracy.

Although the data conversion problem is a major source of error for CSED, there are other sources of error. The Performance Evaluation and Research Division examined these error sources, as well as the costs these errors impose on CSED and the recipients of the agency's services. This review also examines CSED's management of the contract to convert case information into OSCAR. Part of the cause of the unfortunate data conversion results was poor oversight by CSED over the contractor's work.

Methodology

A stratified random sample of child support cases with support orders being enforced in February 1995 was examined. The data collected during May and June 1996 provided at least one year of case management activity to review. The cases were stratified by the CSED's 10 geographical regions. The cases for each region were arranged in alphabetical order and with sequential numbers. A random set of numbers was used to match the sequential numbers associated with a case. The sample size was 340 cases out of a population of 37,607 with a five percent margin of error. A more detailed description of the sampling methodology is contained in Appendix A.

Case information was collected directly from the active OSCAR system using the current information from various computer screens, particularly the track adjustment and track narrative screens. Attention was focused on cases in which corrections were required to correct errors that resulted from incorrect information, erroneous payment collections, erroneous payment distributions, or errors resulting from outdated information.

Issue Area 1: Almost One-third of Cases in CSED’s Database Contain Inaccurate Information, Which Causes Serious Problems for Children, Caretakers and Non-Custodial Parents.

A sample of 340 CSED cases showed that 31.5% of the cases required corrections to case information. The inaccuracies have been a source of frustration for over 41,000 CSED clients. Of this total, nearly half are children which is the population CSED was created to serve. Correcting such a high percent of cases has also resulted in inefficiencies within CSED. For example, the time required to correct cases and communicate with parents has diverted staff from other important functions. The sources of inaccuracies are: 1) Delays in receiving court order obligations; 2) Computer programming deficiencies; 3) Incorrect data stored in the database; 4) Agency errors; 5) Lack of annual reviews; 6) Backlog of cases to be corrected; and 7) Tax refund intercept information not being updated timely. These error sources have impaired the agency’s effectiveness in accurately enforcing child support orders.

Impact on Parents and Children.

From a sample of 340 CSED cases, 107 (31.5%) required corrections (or adjustments) in case information. Extrapolated to the total population for the time period of the audit, this amounts to 11,827 adjustments of all cases with support orders established.¹ Table 1 illustrates the impact on parents and children by specifying the types of problems created because of inaccurate case information.

Table 1 Impact on Clients:Types of Problems Encountered		
	Number of Cases	Percent of Total Sample
Incorrect Amounts Collected from Absent Parents Incorrect Tax Interceptions Caretakers Repaying Incorrect Amounts	36	10.1%
Caretakers Receiving Wrong Amounts Delays in Sending Payments to Caretakers	22	6.8%
Incorrect Past-Due Balances	22	6.6%
Others	27	8.0%
Totals	107	31.5%
Source: From a Sample of 340 CSED cases with Child Support Orders Established		

¹See Appendix A for Sampling Methodology.

Incorrect Amounts Collected From Non-Custodial Parents

In 10% of the cases, or 3,788 cases extrapolated to the total population, CSED collected more than it should have from non-custodial parents. These overpayments were refunded to the non-custodial parents. An extrapolation from the sample estimates that over \$1.7 million was refunded to non-custodial parents. In several cases the agency did not detect the overpayment for several months. Past-due balances were incorrect, leading to tax refund interceptions collecting more than the non-custodial parent actually owed. In four sample cases, overpayments occurred because of delays by CSED in making changes to wage withholding when a child reached 18 years of age. When child support is ordered to be on a per-child basis, support will be lowered when a child becomes 18. The CSED worker is prompted by the automated system (OSCAR) to make the appropriate changes. In three sample cases non-custodial parents directly paid support to the caretaker and CSED was not informed by either parent. Below is a list of case examples from the sample describing the types of errors non-custodial parents encountered:

- Case 1: Wage withholding should have been stopped in May 1995 because the child became 18 years of age. Wage withholding continued through January 1996 causing the non-custodial parent to overpay \$2,307 dollars. The caretaker received most of the money during this time and was required to pay the money back to CSED.*
- Case 2: A non-custodial parent overpaid child support by \$1,038 dollars because CSED did not have a previous court order in its computer system.*
- Case 3: A non-custodial parent had paid directly to the caretaker prior to the beginning of wage withholding. State and Federal tax refunds were intercepted by CSED but had to be returned to the non-custodial parent.*
- Case 4: CSED was taking \$93 dollars a month from the non-custodial parent when the court order was for a smaller amount.*
- Case 5: A non-custodial parent was contacted about past due child support. It was found that no arrearages were owed and the non-custodial parent was overpaid by \$786 dollars.*

Caretakers Pay Back Thousands of Dollars to CSED

A serious consequence of overpayments occurs when CSED sends the overpayments to the caretakers. In nine sample cases, CSED collected more than it should have from non-custodial parents and distributed the money to the caretaker. CSED refunded the non-custodial parent's money and then required the caretaker to repay the erroneous payments to CSED.² This can be a tremendous burden on caretakers because some repayments are thousands of dollars. It also has a significant affect on the children being cared for. The larger the repayment amount,

² Recapturing overpayments from caretakers is required by Federal regulations.

the more indicative of the many months that went by before the error was detected.

The CSED management did not know how many caretakers were in repayment, but an estimate from the sample is approximately 1,428. This does not include incorrect payments received by AFDC recipients, who are reported to the Income Maintenance Unit of the Department of Health and Human Resources. CSED maintains a list of all caretakers, including those on AFDC, which have not made a repayment in over three months. A total of 399 individuals were delinquent in repayments. The list showed that the total amount owed by delinquent caretakers was \$212,213. Individual amounts owed were as high as \$7,200.

Incorrect Amounts Distributed to Caretakers

In 6.8% of the sample, or 2,557 cases for the total population, caretakers received the wrong amount of child support or payments were delayed. In cases where the caretaker received the wrong amount of child support, they were required to repay the money or return the check. Below are several case examples from the sample of the types of errors caretakers encounter:

- Case 1: Caretaker did not receive her February child support because she was coded as being an AFDC case when she wasn't.*
- Case 2: Caretaker agreed to repay money she received that should have been sent to another case.*
- Case 3: Another caretaker received child support in error and was required to repay.*
- Case 4: A caretaker received \$238 three years after she should have received it because a tax refund was erroneously paid to the State.*
- Case 5: A caretaker was not receiving money for arrearages because the employer was not withholding for arrears.*
- Case 6: One caretaker was receiving all of another caretaker's child support because the non-custodial parent had child support payments for more than one caretaker and the money was not divided correctly.*
- Case 7: A non-custodial parent had two cases and \$1,192 was sent to the wrong case.*
- Case 8: A court order was entered incorrectly in OSCAR and the caretaker received \$335 less in child support for two months.*
- Case 9: A caretaker received \$3.50 instead of \$50 because the case was incorrectly coded as an AFDC case when it was actually a Post-AFDC.*

In another case, a check was issued for \$0.01 when no check should have been issued. The OSCAR system will issue a check, even if the cost of processing and sending the check exceeds the amount of the check.

Incorrect Past-Due Balances

In 6.6% of cases, or 2,482 of the total population, the past-due account balances (arrearages) were incorrect. Data conversion problems experienced during the implementation of the OSCAR system contributed to incorrect past-due balances. During the implementation period, case information was stored (converted) into the OSCAR system. **For a variety of reasons, most of the information stored was incorrect.** Past-due balances were also incorrect because non-custodial parents paid child support directly to the caretaker and the CSED was not informed of the payment.

Incorrect arrearages cause significant problems for non-custodial parents and caretakers. The most obvious problem for non-custodial parents is the frustration of being informed that they owe past-due child support when in fact they do not. Incorrect arrearages can also cause CSED to intercept tax refunds that will have to be returned to the non-custodial parent. A worse case scenario, which does occur, is when CSED collects money for arrearages and distributes it to the caretaker. When CSED later finds out that the past-due balance was incorrect, CSED will not only have to refund money to the non-custodial parent, but the caretaker will be required to repay the money erroneously received.

Other Types of Inaccuracies

There were a variety of other corrections made in 8% of the sample, or 3,008 cases for the total population. Generally, these corrections involved various financial balances, correcting how OSCAR should distribute balances, or crediting non-custodial parents with payments not credited to their accounts. Below are types of corrections made in this category:

- Case 1: The interest calculation had to be corrected because the Court ordered a lump sum payment without interest.*
- Case 2: OSCAR credited payments to the wrong non-custodial parent.*
- Case 3: Corrected the distribution of balances because all arrearages collected were to be distributed to the State and not the caretaker.*
- Case 4: Corrected balances because not all payments were credited.*
- Case 5: Balances corrected to included AFDC grant amounts.*

Sources of Inaccuracies

Table 2 illustrates a CSED report on the percentages of adjustments made to case information. In 1996, 13,045 adjustments were made to child support cases. Generally, information in CSED's automated system becomes incorrect because of delays in receiving updated data or because incorrect information is entered into the system. During the intervening time that updated data have not been received, the CSED's enforcement actions are either inaccurate or less effective.

TABLE 2 Reasons For Adjustments 1996		
Judgements, Affidavits, Modifications	4,895	38%
Conversion Incorrect	1,563	12%
Cases Set Up Incorrectly	1,158	9%
Bank Errors	570	4%
ROPE Ran Wrong ³	308	2%
Court Order Entered Wrong	402	3%
IV-A Interface Problems	311	2%
Out-of-State Order (No Interest)	469	4%
Absent Parent Paid Caretaker Directly	548	4%
IRS Offsets by Another State	99	1%
Employer Error	89	1%
Hierarchy Error	244	2%
Other	2,389	18%
Totals	13,045	
Source: Child Support Enforcement Division, Adjustment Unit		

Cause 1 - Delays in Receiving Court Order Obligations

The largest source (38%) of adjustments was for *Judgements, Affidavits and Modifications*. **Within this category are adjustments made as a results of court ordered obligations that are delayed in being received by CSED and entered into OSCAR.** CSED cannot enforce orders until they are received. If a support order has not been received by the CSED for three months after the order's effective date, and the absent parent has not voluntarily paid during that time, then the CSED's enforcement of the order has been delayed for three months. When the caretaker complains to the CSED about the delay, the CSED will make an attempt to determine where the order is in the court system. If the absent parent pays voluntarily during the three months, the CSED puts the money on hold until it receives the order. Again, enforcement is delayed. When the order has been received, the CSED must make adjustments to the balances for each of the three intervening months so that case information is accurate as to what was owed (according to the order) and what was paid (or not paid) during the three

³ROPE is an OSCAR function that is used to establish the beginning arrearage (past-due) balances in setting up a case. Incorrect data entered in the ROPE screens will require the balances to be corrected.

months. When the adjustments have been made, retained money can be released to the caretaker.

If an existing order is modified to reduce (or increase) child support, and the CSED does not receive it until months after the order's effective date, the CSED's enforcement actions will be inaccurate during the intervening months. Assuming child support was reduced, the CSED will continue to withhold from the absent parent's wages the higher amount until the modified order is received. The higher amount will be distributed to the caretaker. Once the modified order is received, the case will be adjusted for each intervening month to reflect what was paid and what was owed during those months. If there are no arrearages in the case, the absent parent will be overpaid and CSED will have to return the overpayment to the absent parent. In addition, the caretaker will be required to repay to CSED the amount that was received erroneously. This is illustrated below in an actual case example:

A court modified child support by reducing it from \$100 monthly to \$50 monthly. Payment of the lower amount was to begin in February. The CSED did not receive the modified court order until July of that year. In the intervening time the agency continued to withhold wages for the higher amount. By the time the modified court order was received by the agency and adjustments were made to the case, the absent parent overpaid his child support by \$286.24. This amount had to be returned to the absent parent, and the same amount had to be paid back to CSED by the caretaker.

If court ordered obligations were received by the CSED in the month for which they are effective, **adjustments to cases would not be needed.** This would relieve CSED staff from making adjustments to thousands of cases. Not only do the delays increase CSED's staff time to make corrections, the agency's enforcement efforts are impaired. Correct payments to caretakers are delayed and amounts withheld from wages are incorrect. The Support Enforcement Commission is aware of this problem and has created a task team to study ways of expediting the process of receiving support orders.

To measure the significance of the delays in receiving court ordered obligations, a sample of 143 orders were selected from a list of 3,718 OSCAR generated support orders.⁴ These orders were prepared by CSED staff after the final hearing in which the Family Law Master established the amount of child support. The sample consisted of the dates of the final hearing, when the Law Master signed the recommended order, when the Judge signed the final order, and when the order was entered into OSCAR.

According to West Virginia Code §48A-4-13, Law Masters are required to have recommended orders sent to both parties and the Circuit Court within 10 days of the final hearing. The parties have 10 days to review the order and file with the Circuit Clerk any objections to the order, or request an extension of the 10 day review period. If no exceptions

⁴ The sample size has a 99 percent confidence interval.

or extensions are filed, the Circuit Judge must sign the order and have it entered within 10 days after the expiration date of the review period. In short, if no exceptions to an order are filed, CSED should receive the order for enforcement within 20 to 33 days from the hearing date.⁵ Only three cases in the sample had evidence of extensions filed, and in those cases the judge denied the request. Generally, exceptions are filed in a small number of cases. One Family Law Master reviewed her cases for 1996 and determined that only 2% of the litigants filed for exceptions.

Table 3 shows the time requirements for orders to move through the court system when no exceptions are filed compared to the average time from the sample. In reality, it takes an average of 66 days from the time of the hearing to when CSED enters an order into OSCAR for enforcement. This is more than twice the time requirement.

However, much of the delay is at the CSED end of the process, which entails having the order prepared for the Law Master's review and signature. On average, it takes 33 days or three times the statutory time requirement for Law Masters to have recommended orders signed from the final hearing. With much of the delays occurring before the Law Master signs the order, exceptions filed by litigants cannot be the cause of delays because exceptions are filed after the Law Master signs the recommended order. After the Law Master signs the order, the Judge will sign the order making it a final order. Although there are some extreme cases in which orders were delayed in being signed by the Judge, on average, the date of the Judge's signature was 22 days from the date of the Law Master's signature. This is within the statutory time frame. After the Judge signs the final order, it takes approximately 11 days for it to be entered into OSCAR for enforcement. CSED should examine ways to shorten the time to receive the final order after the Judge has signed it. It may be that CSED is not picking up orders at the courthouse timely or CSED is delayed in entering the orders in OSCAR when they are received. This also does not take into consideration the amount of time CSED needs to start the enforcement process, such as wage withholding.

⁵If the Family Law Master sends the recommended order to the parties by first-class mail, a rule adds 3 days to the 10 day review period, for a total of 13 days to review the order or file an exception.

Table 3		
Analysis of the Time Requirements for Support Orders to Move Through the Court System Compared to the Average Time Frame		
	Statutory Time Frame	Average Time
Family Law Master (FLM) Signature from Date of Final Hearing	10 Days	33 Days
Judge's Signature from Date of FLM's Signature (Includes the 10 day review Period and Mailing)	23 Days	22 Days
Entry of Order into OSCAR from the Date of Judge's Signature	n/a	11 Days
Totals	33 Days	66 Days

Table 4 illustrates the distribution of intervening time. **Only 7% of the cases were entered into OSCAR within 20 to 33 days of the final hearing.** Although the average of 66 days is reason for concern, 20% of the cases took over 80 days to be entered into OSCAR from the time of the hearing.

Table 4	
Number of Days for CSED to Enter Support Orders Into OSCAR From the Date of the Final Hearing	
20 to 33 Days	7%
34 to 40 Days	20%
41 to 50 Days	20%
51 to 60 Days	10%
61 to 70 Days	13%
71 to 80 Days	10%
81 to 100 Days	8%
Over 100 Days	12%
Source: Sample of 143 OSCAR generated Support Orders from a total of 3,718.	

The analysis indicates that the delay in CSED receiving court obligations from the court system is in large part caused by CSED and Family Law Masters not preparing and

reviewing the orders timely. To identify if this problem is prevalent more for one of the two entities, the Legislative Auditor's Office reviewed the sample of OSCAR generated orders for cases in which CSED noted in the case narratives the date the order was completed and/or sent to the Law Master. From the sample of 143 OSCAR orders, 58 had notations by CSED of the date the order was prepared or sent to the Law Master. In this sub-sample of 58 cases, the average time CSED had the order from the date of the hearing was 19 days, and the amount of time Law Masters had the order was 17 days.

By rule, Law Masters have the discretion to ask one of the attorneys to prepare a proposed recommended order. Since Law Masters must have recommended orders signed within 10 days of the final hearing, the proposed orders prepared by the attorneys must be given to the Law Master **within 7 days of the final hearing.** CSED attorneys are taking about 19 days to prepare these orders and send them back to the Law Masters. The Law Masters are taking an additional 17 days to get them reviewed and signed.

There are two major reasons for the delay in preparing orders. In several cases where a private attorney represented one of the parents, CSED sent the order to the attorney before it was sent to the FLM. This is not required by law. The practice is primarily a courtesy and it is done to avoid a lengthy process of correcting an order if the order has a mistake. However, it creates a significant amount of inefficiency. After the private attorney reviews the order it is sent back to CSED with any recommended changes. CSED will make needed changes and forward the order to the FLM, which by law must send the order to the private attorney. This is redundant. In a few cases in the sample, private attorneys had the orders for several weeks (sometimes for a few months) and CSED lost track of them only to be reminded by caretaker complaints about their orders. CSED is tracking these orders through a manual paper system. CSED needs to examine the practice of sending orders to private attorneys prior to the FLM because its redundancy adds significant time to the process of establishing support orders, and it impairs the enforcement process. If support orders are too complicated that they require frequent review, then a simplified order should be considered.

Another reason for delays is that Law Masters sometimes return an order to CSED for changes. Orders that are prepared from OSCAR do not always have the language Law Masters (or Judges) prefer. OSCAR does not provide CSED workers with enough flexibility to tailor support orders to any specification. In these cases, CSED must prepare the order from a combination of the OSCAR system and from word processor software outside of OSCAR. Another way CSED field workers cope with the inflexible support order menu, which will not allow editing of orders, is to hand write part of the order at the bottom of the page and discard the second page, which may contain only one or two lines of the Notary language (See Appendix B).

These delays create significant frustration for clients of CSED. The delays also create inefficiencies for CSED in terms of having to answer inquiries about where orders are, tracking the whereabouts of orders, and adjusting the cases when the orders are received. In three cases where orders were delayed, child support was being paid to CSED but it could not distribute the

money to the caretakers because it did not have the new orders. Caretakers can go months without their child support because CSED is holding money while it waits for support orders. Below are two examples from the sample of OSCAR orders reflecting the frustration that results from these delays:

Case 1: On June 7, 1995 child support was established at \$194 a month. Child support payments were being paid to CSED by the absent parent soon after the hearing. CSED held the payments until it received the final order. The payments were finally released to the caretaker on September 11, 1995, three months after the hearing. The Law Master signed the recommended order more than a month after the hearing, the Judge signed the final order a month after the Law Master, and CSED released the held money a month later.

Case 2: A court hearing was held on August 15, 1996 which reduced child support from \$300 to \$90 a month. The order was entered into OSCAR on October 16, 1996. In the intervening time CSED continued receiving and distributing to the caretaker \$300 because it did not have the new order. By the time the adjustments to the case were completed, the caretaker was required to repay CSED \$630, and CSED refunded the same amount to the absent parent.

Cause 2 - Judgements not Being Enforced by OSCAR

Another type of correction within the *Judgements, Affidavits and Modifications* category includes corrections that were made because the OSCAR system did not enforce a judgement. A judgement is a court ordered obligation that a noncustodial parent is required to pay. Under certain conditions, OSCAR does not recognize these judgements in the system and therefore they are not being enforced. **A programming deficiency in OSCAR prevents it from detecting when it should be enforcing these judgements.** In each of these cases, CSED must go through the adjustment process to enter the judgement manually, thus circumventing the programming glitch. **It is not uncommon that caretaker complaints make CSED aware of these judgements not being enforced by OSCAR.** CSED stated that it is aware of the problem and it is on a priority list for re-programming. Given that this has been a problem for over two years, CSED needs to give this matter higher priority. The re-programming would improve service to CSED clients, and free CSED workers from responding to complaints and making adjustments to cases.

Cause 3 - Incorrect Data Conversions

Incorrect data conversion is another major source of inaccurate data in OSCAR. These adjustments were to correct information that was incorrectly calculated during the implementation

of the OSCAR system in 1994. Until recently, the agency would correct these cases as parents became aware of the errors and complained to the CSED. The result of these errors has caused CSED to intercept tax refunds in error, which adds to the frustration. Currently, CSED is in the process of correcting these cases, and the completion date is August 1998. When these cases are corrected, adjustments for converted cases will be eliminated. The problems associated with data conversion is such a problem in OSCAR, it is addressed in Issue 2.

Cause 4 - Agency Errors

Three categories, "*Cases Set Up Incorrectly*", "*ROPE Ran Wrong*", and "*Court Order Entered Wrong*", combined for 14% of adjustments. These corrections were needed primarily because of data entry mistakes made by CSED staff. After information is keyed into the system, the legal assistant cannot change it. If the error is detected immediately after it is entered, the legal assistant can call the help desk and inform the worker of the incorrect entry. The help desk worker can make the correction without going through the formal adjustment process. If the incorrect entry goes unnoticed by the legal assistant, the CSED's enforcement actions will be incorrect and may be noticed by the parent. However, once the error is detected, the case will have to be corrected.

Court orders entered wrong could be influenced by complicated or individualized language in support orders. In one case, CSED corrected arrearage balances because the court order stated that no child support was to be collected in July and August of each year. This apparently was missed when the order was entered. A brief review of several child support orders from around the state revealed a wide range of complicated orders, some of which are often nestled within highly complicated divorce decrees. This supports the finding that CSED at times is at the mercy of a court system which has created a wide variety of unique child support orders. The Support Enforcement Commission is considering the use of a uniform temporary order that will allow faster processing of the order and a clearer understanding of the order's content.

Some agency errors can be attributed to inadequately trained legal assistants and inconsistent application of agency policy. CSED is aware that there is confusion on important procedures, such as the calculation of interest on judgements and determining the effective date of a support order. This confusion results in errors and inconsistent practices statewide. The agency has provided staff with policy memoranda to clarify current policy. This is a good practice. However, this practice can be enhanced if CSED compiles adjustment statistics and performance measures on a regional basis as a means of identifying types of errors or poor performance that are more prevalent in certain regions or even by certain workers. The Legislative Auditor's Office requested for each region the major adjustment categories that are presented in Table 2 of this report. However, the information was not being collected on a regional basis. Compiling regional statistics is one aspect of the OSCAR system that CSED should take greater advantage of in order to improve its monitoring of the quality of service.

Agency errors are also resulting from CSED legal assistants not keeping up with required

enforcement actions. Legal assistants receive dozens of messages a day from the system informing them of what needs to be done on certain cases. For example, OSCAR informs the legal assistant of when a child turns 18 years of age. The worker must take necessary steps to prevent incorrect enforcement actions. Below is a case example of what can occur when the worker fails to take those necessary steps:

A review of a case found that the last child turned 18 years of age in May. Wage withholding should have stopped at that time. However, wage withholding and payments to the caretaker continued until January of the following year. As a result, the absent parent overpaid by the amount of \$2,307. The caretaker received \$1,802 that had to be repaid to the CSED. Fortunately for the caretaker, the absent parent agreed to deduct from his overpayment the amount owed by the caretaker.

Cause 5 - Lack of Annual Reviews

The system also reminds the worker of cases that require annual case reviews. Annual reviews provide the opportunity to update information that may have changed. The sample of CSED cases indicates that 41% of the cases had not been reviewed in over a year. Also, agency policy indicates that case narratives should reflect when annual case reviews were completed. There were only four cases in the sample of 340 that made a reference to an annual review being completed.

The lack of annual reviews for a large percent of cases is indicative of the competition for staff time between correcting cases and other aspects of the child support enforcement process. Case narratives from the sample indicate that resolving erroneous cases is time consuming. Frequent communication occurred between the agency's legal assistants and parents to listen to complaints, verify information, and explain the circumstances of a case. Legal assistants also had frequent communication with adjustment workers who correct information after the legal assistant provides relevant information on the case.

The Support Enforcement Commission has advocated hiring additional legal assistants. Currently, legal assistants have an average number of 711 cases to enforce support orders, establish paternity, and locate absent parents. Considerable time is spent on correcting cases while reducing the quality of the enforcement process. One approach to reduce the impact of correcting cases is being tested in a pilot county; it involves redirecting telephone calls to a centralized financial unit. One or more legal assistants in the pilot county are assigned a worker who is responsible for resolving all financial matters in the legal assistant's caseload. One of the objectives of this program is to free more time for legal assistants to be more effective.

Cause 6 - Backlog of Cases Waiting to Be Corrected

The workers who make the necessary corrections to case information work are in the adjustment unit located in Charleston. When corrections to case information is necessary, legal

assistants from around the state request adjustments by filling out a *Miscellaneous 20* form, and attaching any supporting documentation. The Miscellaneous 20 form and supporting documents help the adjustment worker to understand what needs to be corrected. This information is sent to Charleston by mail or sometimes by fax. Adjustment workers review the forms and begin the process of correcting case information. Usually, the adjustment workers will communicate with legal assistants for additional information or clarifications.

There are also field adjustment workers (FAW) located in some county offices. These workers are trained in the adjustment process and they are responsible for reviewing information to determine if there is a need for adjustments in the case and if the information to be sent to Charleston is complete.

Currently, there are nine adjustment workers in the adjustment unit. The unit completed 13,045 adjustments in 1996. According to agency statistics, it took an average of 1.3 hours to complete an adjustment. This amounts to approximately 6 adjustments per day for each worker. However, at times it takes months to complete an adjustment because of the complexity of the case and because of a backlog of adjustments. At the end of 1996, there was a backlog of incomplete adjustments totaling 1,872. This backlog amounts to about 35 days of work for nine workers averaging 6 adjustments per day. **Furthermore, the adjustment unit returned 355 adjustment requests to the field to be reworked because there were problems with the information submitted that could not be resolved over the telephone.**

The inefficiency in this system is apparent in that there is no correlation between the number of cases returned for reworking and the counties that use FAW's. It is expected that the number of returned adjustments would be lower in counties that use FAW's. However, this is not the case. Also, adjustments that take months to complete may need to be adjusted soon after completion because of other changes that occur while the case is being adjusted. Adjustments that are being returned are a result of a lack of training in the adjustment process, and inconsistent application of agency policy. Adjustments that are weeks from being completed or are sent back only exasperate the agency's problems.

Cause 7 - State Tax Refund Amounts to Be Intercepted Not Being Updated Timely

When the CSED submits tax refund offset information to Federal or state tax departments, the offset information can change between when the data are submitted and when the offset amounts are intercepted. The change in the offset amounts can occur because the overdue child support was incorrect or it was paid in the intervening time.

With respect to Federal tax refund offsets, Federal regulations (45 CFR 303.72) require that the CSED submit on magnetic tape past-due support amounts that qualify for tax refund offset to the Secretary of the Treasury through the Federal Office of Child Support Enforcement. The CSED is required to verify the accuracy of the offset amounts. Also, the CSED is required to submit any deletions or significant decreases in the amounts to be offset to prevent incorrect refund interceptions.

With respect to State tax offsets, Federal regulations (45 CFR 303.102) require that Child Support Enforcement agencies establish procedures to ensure that:

(1) Amounts referred for offset have been verified and are accurate; and (2) the appropriate State office or agency is notified of any significant reductions in (including an elimination of) an amount referred for collection by State income tax refund offset.

However, CSED does not notify the State's tax department of significant reductions or deletions of offset amounts.⁶ CSED originally informed the Legislative Auditor that there was some difficulty with interfacing between the two agency's computer systems. However, after further examination and discussions with the State Department of Tax and Revenue, the Legislative Auditor found that CSED simply is not updating this information. CSED stated that "This has not been addressed due to its being low priority." CSED submits a list of offset amounts to the Department of Tax and Revenue in January of each year. This information is not updated until the following January. In January 1996, CSED submitted 31,945 names and arrearage balances to the State Tax Department for tax year 1995. A total of \$760,381 in 1995 tax refunds were intercepted and transferred to CSED by the State Tax Department. CSED was unable to provide the Legislative Auditor's Office with information on how much of this total was subsequently returned to absent parents due to incorrect information. However, CSED was able to show that for the first four months of 1997 (for tax year 1996), it returned 59 state tax refunds to absent parents in the amount of \$12,070, and 132 Federal refunds were returned for \$139,217. These were refunded to absent parents who provided tax offset notification letters to CSED and who could prove that their tax refund would be or were intercepted in error. The above figures would only be a portion of the total amount of refunds returned because absent parents or CSED may find out that the tax interception was in error after the interception.

State offset amounts that prove to be incorrect will still be intercepted in the intervening time, and subsequently have to be returned to absent parents by the CSED. **CSED and the State Tax Department have the equipment to update offset amounts, but CSED is not providing the update information as required by Federal regulations.** Although CSED updates Federal tax offset amounts weekly, CSED acknowledges that the process it uses is not accurate or timely because the agency is not directly on-line with the Internal Revenue Service. The Federal government has strongly recommended that every state be on direct connect prior to next tax year.

Furthermore, CSED receives State offset collections from the State Tax Department on paper instead of on tape which would allow CSED to store the data directly into OSCAR overnight. The Federal government provides this same information to CSED each month on tape. Consequently, the Tax Offset Unit of CSED had to manually store the State offset amounts

⁶Federal regulations allow the state agencies to define a significant reduction. Currently, CSED updates any size reduction amount with the Federal government.

into OSCAR for more than 5,000 cases last year which CSED estimates took 380 man hours, or nearly 8 weeks for one person to enter. This is inefficient and it increases the probability of further data entry mistakes. In addition, CSED has stated that if an absent parent has more than one child support case, manual entry of the offset amount will not pro-rate the amount between each case as it should. As a result, the Tax Offset Coordinator evenly divides the offset amount between each of the absent parent's cases, which is not correct. If the information were stored into OSCAR electronically, the pro-rated calculation would be done correctly.

The Legislative Auditor's examination of this issue suggests that CSED and the State Tax Department need to meet on resolving this issue. There is not a lack of equipment on either side, nor is there any additional monetary cost for either agency. **CSED needs to have this matter resolved and it is simply a matter of both agencies not taking the time to meet on this issue.**

Conclusion

An error rate of 31.5% of cases with support orders established is unacceptable. The Performance Evaluation and Research Division recognizes that enforcing court ordered child support is dynamic and influenced by numerous factors, some of which are outside of CSED's control, such as employers, out-of-state child support agencies, and the parents themselves. However, the causes for the high error rate identified in this report are under the influence of CSED to various degrees. There are significant monetary cost savings in reducing the error rate, as well as greater efficiency for CSED, and improved service for CSED clients.

A pervasive problem that impairs CSED's performance is the amount of time it takes CSED to receive and enter court obligations into OSCAR after the final hearing. It takes on average twice the amount of time required by law, and 20% of the cases take nearly 3 months, or 3 times the statutory time frame. When modifications of existing support orders are involved, CSED's information is incorrect in the intervening time. To some extent, CSED can reduce the error rate and improve the quality of service by preparing orders for Law Masters within 7 days of the final hearing. Furthermore, CSED needs to devise a system whereby it can receive and enter final orders (those signed by the Judge) into OSCAR within a few days, instead of 11 days. This may require some coordination with Circuit Courts.

There are other areas in the process of establishing support orders that are not within CSED's control. The overall process is not as expeditious as it could be. One reason for the delays in orders being prepared timely is the need of frequent reviews and editing of proposed orders. Also, errors arise from misunderstanding complicated orders. This creates problems for CSED and its clients. A simplified and uniform support order should be considered to expedite the process of establishing support orders. The *Support Enforcement Commission* is examining ways to further expedite the process of establishing support orders. One recommendation from a Commission Task Team is to establish a uniform temporary order that would be filled out, executed and entered by the Family Law Master on the same day of the hearing. The Legislative Auditor also suggests a support order summary sheet which

summarizes the order in basic terms so that CSED interprets the order correctly and the key information is up front.

Recommendation 1

The Child Support Enforcement Division should reduce delays in preparing support orders by delivering proposed recommended orders to Family Law Masters within 7 days from the final hearing. CSED should also reduce the number of days it takes to enter support orders into the OSCAR system after they are entered by Circuit Clerks by developing a system which ensures the timely pick up of the order from the courthouse and timely entry of the order into OSCAR.

Recommendation 2

CSED should consider expediting the establishment of support orders through creating a uniform and simplified support order.

Recommendation 3

CSED should give higher priority to providing the necessary programming changes to the OSCAR system in order that every court ordered judgement is enforced automatically.

Recommendation 4

Additional training should be provided to Field Adjustment Workers and Legal Assistants who are involved in providing information to the Adjustment Unit within CSED in order to reduce the number of adjustments that are returned to the field because of missing information, or incorrect application of policy.

Recommendation 5

CSED and the State Department of Tax and Revenue should develop a cooperative agreement to allow CSED to update state tax offset information electronically and to allow CSED to electronically receive state offset collections data from the State Tax Department.

Recommendation 6

CSED should comply with its own administrative policy and review each case annually for the purpose of checking the accuracy of financial information.

Issue Area 2: CSED's Mismanagement of the OSCAR Data Conversion Contract has Cost the State Over \$5 Million Dollars.

In April 1992, CSED contracted with Network Six Inc. (NSI) to design a statewide automated Child Support Enforcement system known as the On-line Support Collections and Reporting (OSCAR) system. The development of OSCAR was required by Federal law. Federal funding for the system was at an enhanced rate of 90% of expenditures (instead of the standard 66%), which was scheduled to expire after September 30, 1995. However, late in 1995 the expiration date was amended to September 30, 1997. The original contract for OSCAR with change orders included was for \$10.8 million.⁷ The contract stipulated that the system would have to meet the requirements for Federal certification. The Federal Government granted conditional certification to the OSCAR system in 1996.

One of the conditions of certification which must be complied with by the State is to develop and implement a plan to correct data stored in OSCAR by NSI. Under the OSCAR contract, NSI was required to store (or convert) data into OSCAR from the old computer system and from paper case folders. This process is defined as automated and manual *data conversion*. The data conversion was approximately \$2.9 million of the overall contract amount of \$10.8 million. **The manual data conversion process required NSI to calculate certain financial balances for over 46,000 cases based on the information contained in the case folders and store the information into OSCAR.**

To summarize this issue, the manual data conversion was a failure; yet, NSI was paid in full.⁸ CSED was clearly dissatisfied with NSI's manual data conversion because of widespread errors. However, to avoid litigation that could have delayed work on OSCAR and possibly lose enhanced Federal funding, CSED paid NSI in full. This was done even though the contract allowed CSED to withhold payments on OSCAR tasks until tasks were completed satisfactorily and approved by CSED. It is the Legislative Auditor's estimation that the most the state stood to lose in enhanced funding would have been a little more than \$1 million, yet the costs of paying for a failed data conversion, the costs of correcting the case information, and the inefficiencies within CSED as a result of the errors approaches \$5 million.

What makes this situation worse is that the OSCAR system was given a conditional certification. One of the conditions required to obtain full certification is to correct the erroneous case information entered in OSCAR by NSI. Under the terms of the contract, NSI was responsible for "*completing, testing and implementing the changes required to bring the system into compliance with and be eligible for Federal certification at no additional cost to the State.*"

⁷As of April 1996, the total estimated cost of the OSCAR project was \$20,870,648. Of this amount, \$6,892,711 was reimbursed at the regular (66%) funding rate, and \$13,977,937 was reimbursed at the enhanced rate.

⁸A chronology of events of the data conversion project is contained in Appendix C.

However, the State is paying the additional costs to implement changes to bring OSCAR into compliance with Federal certification. Unfortunately, according to legal counsel of the Office of Legislative Services, CSED eliminated any legal recourse in this matter by amending the terms of the contract to accept the failed data conversion.

From CSED's own admission and from a Federal Court ordered independent review, the calculations of financial balances stored by NSI into OSCAR were incorrect in a high percent of the cases.⁹ According to the Court's review, the error rate appeared to be as high as 50%. Once case data were loaded into OSCAR in various counties, CSED staff began to notice errors in the arrearage calculations in their cases. The CSED Director of Conversion received an electronic mail message on June 29, 1994 from a worker which stated:

Something must be done about the volume of gross errors that are being made by the people who are doing the manual arrearage conversion. I have just seen another one where the person failed to apply payments which were obvious.

Eugene Lourey, a consultant retained by the Federal Court's Implementation Coordinator to review the OSCAR system as part of the Brinkley decision, issued a report in September 1994 based on site visits. His report assessed the situation as follows:

The conversion of the financial information to compute arrearage balances yielded error rates which is estimated to exceed fifty percent by the local offices and the central office. This data quality problem is so severe that the system's utility to field office staff is compromised. A system with unreliable information cannot be the kind of valuable tool for workers which was envisioned. The reason this problem is so troubling is because there is no good solution. It will take at least one year, and more likely two years to correct all these errors. Any method employed will be very demanding of field office staff and will require verification with the local case records. (Emphasis added)

The microfilming process was imperfect.¹⁰ Validation of results requires access to the paper records because the microfilm is frequently missing critical information. Furthermore, the temporary help which was employed to microfilm the files did not return the files to their original condition. This is very disturbing to those local offices which took pride in their record keeping. They have no staff to assign to restoring these records. The data entry of the demographic case

⁹The December 1990 Brinkley vs. Terry case resulted in the Federal court assuming active oversight of the daily operations of CSED. The Court ordered a review of the OSCAR system in March 1994 in response to concerns about the implementation of the system.

¹⁰NSI hired a subcontractor, Anacomp, to perform the microfilming and to store demographic data such as names, and addresses into OSCAR.

information appears to have been quite successful, but the entry of the financial information from the microfilm was extremely error prone. Only part of the problem resulted from the missing information on the microfilm. These errors are so pervasive that every case must be verified against the paper case record. (Emphasis added)

This data quality problem in the financial information is by far the greatest problem for the local offices. It generates numerous phone calls from irate absent parents whose arrearages are wrong and from custodial parents whose funds are not distributed even though received by the CAO. It is jeopardizing the respect of the courts, employers, custodial parents, and the public which the local offices have worked so hard to earn. (Emphasis added)

CSED Informs NSI of the High Error Rate

CSED sent a memorandum on June 30, 1994 to NSI indicating concerns over the accuracy of the converted data. **This memo was sent over four months after pilot data conversion projects in Putnam and Mason Counties were completed on February 11, 1994.** A sample of 106 cases from six counties was drawn by CSED showing a high rate of errors. Table 5 illustrates the results of the sample.

Table 5			
Results from a CSED Sample Illustrating Error Rates			
Counties	Putnam & Mason (PILOT)	Logan & Mingo	Lincoln & Wayne
Cases Sampled	43	25	38
Cases with Errors	16	15	12
Error Rate	37%	60%	31%
Source: June 30, 1994 Memorandum from CSED to NSI			

Some of the errors in these cases were identified as:

- 1) Calculation did not include AFDC grant information.
- 2) Some payments were not included in calculations.
- 3) Some payments were duplicated.
- 4) Wrong starting dates of obligations were used.
- 5) Wrong obligation amounts were used.

However, CSED further stated in the memo that *"The number of the cases sampled is too small for an accurate evaluation. Because of the procedure we must follow to recalculate the*

arrearage, we do not have the time or manpower to reach a 10% sample as originally planned.” The last sentence indicates that CSED intended to take a larger sample, but management felt it did not have the time or resources to recalculate the arrearages for the larger sample. **Thus, not only was CSED’s accuracy test long overdue, it was also insufficient.** The pilot test in Putnam and Mason Counties was ignored. Ironically, by not devoting the resources to verify the accuracy of the data, the State has subsequently spent much more to correct the inaccurate data.

NSI Responds to CSED’s Claim of High Error Rate

NSI reviewed the cases of the sample that had errors, and other reported error cases identified prior to the June 30th memo. In a July 28, 1994 memo to CSED, NSI agreed that errors were made in 33 of the 47 cases it reviewed. NSI disagreed in the remaining 14 cases. In its defense, NSI reiterated CSED’s own assertion that *“the sample taken was too small for an accurate evaluation.”* Furthermore, in NSI’s opinion *“The State method for selection of QA cases does not constitute a statistically valid random sample and for that reason we feel the results cannot be classified as our ‘error rate.’”* It was also stated in NSI’s memo that:

All of the cases involved in your study were early in the arrearage calculation project (Pilot and Group A). We have made repeated efforts to increase the skill levels of our arrearage researchers throughout the project. We believe the competency level of the researchers increased as we proceeded through the state.

Other arguments made by NSI were that some of the errors were the result of programming errors and other situations that NSI discovered early in the process and were corrected. Therefore, NSI contended that these types of errors did not happen in other counties. NSI asserted its commitment to accuracy by revealing that:

We have released any researcher who could not overall measure up to the task of providing an accurate product for you. We can identify at least 10 researchers who have been terminated or helped to leave because of work problems.

NSI also claimed that:

The condition of the case files do not lend themselves to extraction of accurate case information. Often times we are left with numerous instances of missing information. In addition, each county, and to some extent, each CAO worker, handles information in different ways... We believe field staff interprets different results as being incorrect results... That [arrearage] balance is not necessarily wrong as field staff sometimes believes, but it may be different.

Attached to the memo were two memos from NSI to its arrearage researchers and its discrepancy researchers informing them of the types of errors CSED feels NSI is prone to make. It can be inferred from the above quotes from NSI that it had some incompetent staff working on the data

conversion project.

CSED Withholds Three Data Conversion Payments

CSED was clearly dissatisfied with the accuracy of NSI's calculations. In September 1994, CSED withheld three deliverable payments totaling \$367,185. These payments were withheld for several months while the two entities disputed the data conversion accuracy. In an attempt to resolve the issue, NSI proposed providing CSED with three of NSI's best arrearage calculator staff for six months at no charge to the State. CSED's response was in a December 1994 memorandum to NSI which stated:

The State is unable to accept your proposal to resolve the arrearage calculation issue. Although, three qualified individuals to calculate arrearages would be of some assistance, this proposal does not adequately address the problem. Given the unreliability of the arrearage calculations, the State at this point has no choice but to review every court ordered case in which we are providing services. We estimate that this would cost approximately \$787,500 based on a court ordered caseload of 35,000 and a cost of \$22.50 per case. At most, three people working for six months could review and recompute arrearages on 1,560 cases. Clearly, this option contributes very little to a problem for which NSI maintains some degree of responsibility.

NSI attempted to show CSED that the data conversion met the 90% accuracy criteria specified in the Request For Proposals (RFP). A random sample of 397 cases was taken by NSI. NSI argued that the results of the sample showed that the arrearage calculations were within the 90% threshold. **However, in making this argument, NSI included as "correct" those cases in which the arrearage calculations were wrong but the errors were within 90% or more of the correct calculations.** This was not CSED's intended criteria for determining accuracy. The RFP stated the accuracy criteria as follows:

The Transfer Agent (NSI) will be responsible for applying quality control techniques to verify the accuracy of data input to OSCAR. A sample of case records will be used to verify the work of each data entry clerk. Specific error rate thresholds will be established, which will require a 90 percent sample verification of each clerk's work, or a higher percentage for specific data fields identified by the state.

NSI interpreted the accuracy criteria as stating that financial balances in every case had to be at least 90% correct, while CSED wanted at least 90% of all cases to be 100% correct. Consequently, CSED did not agree with NSI's sample results.

A Compromise is Reached Between the Parties

In July 1995, an addendum modified the terms of the original contract (see Appendix D). The addendum essentially stated that CSED and NSI could not “agree on whether Contractor has reached the mandated 90% accuracy level on converted data.” CSED and NSI also agreed that redoing the data conversion or further attempts to verify the accuracy would not be cost effective or a productive use of the Contract resources. **Therefore, CSED accepted the accuracy of the manual data conversion and released the \$367,185 being withheld.** There was one condition of the agreement. CSED held a payment in the amount of \$73,437 that would be paid to NSI after NSI provided CSED with a functional, mainframe-based arrearage calculation tool. This tool would be used by CSED to correct arrearages.

Causes for Manual Data Conversion Problems

There were several reasons for the poor performance of the data conversion. These reasons are listed below:

- 1) CSED’s request for proposals did not clearly define the criteria to evaluate the accuracy of the converted data.
- 2) CSED did not adequately monitor the vendor to periodically verify the accuracy of converted information.
- 3) The microfilming process did not always copy all relevant information in many case folders for NSI to make accurate calculations.
- 4) The vendor’s staff was inadequately trained for calculating arrearages.
- 5) Paper records at the local office level in some instances were not complete.

Cause 1 - Accuracy Criteria was Disputed

The dispute over whether the data conversion met the accuracy criteria in the RFP centered over the interpretation of the 90% accuracy test. Both parties had distinctly different interpretations as indicated above. However, it is unreasonable to believe that NSI thought that CSED’s intention was to have all of its case information between 90% and 100% correct. An agency responsible for enforcing child support can ill-afford to have inaccurate information in all of its cases.

Causes 2 & 3 - CSED Did Not Adequately Monitor the Contracted Work and Microfilming Mistakes were Made

CSED was responsible for monitoring the data conversion work of NSI. A second contractor, Maximus, was engaged by CSED as Monitoring Contractor. Maximus was not responsible for providing quality control over the data conversion process. However, Maximus’ role was to monitor the development of OSCAR to ensure that the system would include all that

was necessary to meet the requirements for Federal certification. Since certification was conditional partially because of the poor data conversion, Maximus is partially responsible as the Monitoring Contractor.

Examination of CSED documents indicates that it did not make attempts to verify the accuracy of the manual data conversion at different phases of the conversion process. Even when CSED made the effort to review the accuracy, it was half-hearted. For example, taking a sample of cases that it acknowledged was too small to give an adequate evaluation of the accuracy was inadequate. Given the importance of having correct information, CSED should have had an active involvement in verifying the information at various junctures of the data conversion process. **Essentially, the Pilot Project in Putnam County was ignored.**

The lack of periodic accuracy verification by CSED also was identified as part of the problem by Mr. Lourey in a June 1995 report for the Federal Court. The consultant indicated that the tight time frame CSED was under was a major contributing factor to the lack of adequate review. The Federal funding for the OSCAR system was at an enhanced rate of 90% of all costs. However, the enhanced funding was scheduled to expire on September 30, 1995. Consequently, CSED was under pressure to complete all aspects of implementing OSCAR before the expiration of enhanced funding. Mr. Lourey's report had the following statements:

The greatest contributing factor to the difficulties experienced was the very short time-frame imposed by Federal funding requirements. The necessity to proceed with State-wide installation without a beta test of either the data conversion process or the application software is partly responsible for the system's remaining weaknesses.

There are two remaining major weaknesses in the system: financial data quality for converted cases; and, the financials software logic. Both are the result of very early project decisions which did not have the expected results. Both would have been apparent in time to take remedial action during a beta test, had there been such a phase. In addition, some attention must be given to consolidating the success achieved to date into a long term, stable operating environment.

The methodology used for data conversion yielded the most disappointing results imaginable. Not only is the financial data so questionable that every record must be verified by the worker, and up to 50% require manual correction, but the paper records were frequently not restored to their original state by the microfilers. Therefore the local workers cannot accept responsibility for the quality of these physical records. This is so obviously a worst case scenario for a conversion effort that it certainly would have been revealed by any effective beta test of data conversion.¹¹

¹¹*West Virginia OSCAR System Observation Report, June 1995, by Eugene D. Lourey.*

The lack of adequate oversight also led to payments being made that should have been withheld along with the three payments CSED eventually withheld. For example, Task 21 of the contract involved manual data conversion into OSCAR. This task was to be paid after five separate groups were completed, each group had a cost of \$176,584. The last step of Task 21 was to verify the converted information to determine if CSED's 90% accuracy threshold was achieved. CSED made payments on Task 21 for all five groups between September and December 1994, totaling \$882,920. This occurred despite the fact that questions were raised concerning the accuracy of the information, and the fact that CSED was at the time withholding three payments totaling \$367,185. Another payment valued at \$73,437 under a change order was paid for completion of data conversion which should have been held upon verification. The total amount of money that could have been withheld was \$1,323,542. CSED's inconsistent and indecisive response to the accuracy dispute is summarized below in a December 1994 report issued by Mr. Lourey:

The financial data quality problems were discussed in great detail in the last report. This situation is a catastrophe, its consequences for local office operations are impossible to exaggerate. Progress has been made in addressing this problem, but there is concern that the response is not yet commensurate with the seriousness of the problem. This concern might reflect an actual failure to do everything possible to get on top of this problem, but it might also reflect a residual effect of management's (both OSCAR and CAO) initial support of the contractor's assessment of the magnitude of the problem over the user's collective assessment. When the user's worst fears were realized, the effort to establish blame in order to get concessions from the contractor was necessary, but it should not have held up an all-out effort to resolve this problem as quickly as possible. The delayed response occasioned first by denial, and then by determining fault, eroded user confidence that their information needs are driving the decision-making.

Causes 4 & 5 - NSI's Researchers were Inadequately Trained and Case Records were Often Incomplete

NSI's staff was inadequately trained to perform accurate arrearage calculations. In NSI's response to CSED's June 1994 memo on the error rate, NSI stated that when it found cases with discrepancies of 10% or \$100, whichever was more, the case went through a *second review* in order to fix the information. As of the date of the memo (July 1994), NSI indicated that each of the six regions the state was divided into for data conversion had second reviews in 58% to 66% of the cases. NSI acknowledged that a large number of cases were going through second reviews. However, NSI cited three reasons. While NSI admitted one reason was its researchers made errors in those cases, it also pointed out that some CSED documents were not in the file, or when they were in the file they were in error.

Furthermore, NSI acknowledged that "*Arrearage calculation research involves knowing*

and understanding many complex rules which must be applied by the researcher. The situation has been made even more complex by additional rules which have been interjected in the process all along the way.” Yet, judging by the complex nature of making arrearage calculations, the large number of second reviews of cases, the number of people terminated by NSI because of inaccurate work, and judging by the errors discovered by CSED, the amount of time NSI researchers spent in training was insufficient. Below is a statement by NSI on the type of training its researchers received:

Each arrearage researcher was provided 3 to 5 days of classroom instruction on policy and procedures and then was placed with an experienced researcher for a minimum of 2 days before being allowed to work on his own. The formal training included a Researchers Handbook which has been constantly updated when new and different twists to the calculation policies were asked of us or we discovered a change was required. When widespread errors are discovered, we brought researchers together and verbally instructed them on proper policies and procedures.

The case discrepancy Reports which are used by the QA researcher to review and fix the case, if necessary, is used as a training tool for the arrearage researcher. The QA researcher and the supervisor are all involved in constant re-training based on discovered errors. The QA researcher uses a red pen to make notes and mark up the case discrepancy report which is verbally discussed and left with the researcher to review the cause of their errors.

Summary

The reason given by CSED for making full payment despite its dissatisfaction with the manual data conversion was to avoid litigation that would have delayed work on OSCAR. If expenditures on OSCAR were not made on or before the September 30, 1995 deadline, the state would have lost the enhanced Federal funding rate on OSCAR expenditures made after the deadline. Essentially, the State would have gone from a 90%/10% match to a 66%/34% match on OSCAR expenditures. The former Director of CSED stated that:

NSI, overall met the requirements of the contract(s). In some cases their efforts exceeded requirements, while in some instances they fell short. There were a number of gray areas in the contract that necessitated compromise from both parties. We do not believe there were basis for seeking restitution.

Many other states have indicated similar problems to ours in converting data to their automated system. We do not believe our situation is unique, nor that fault for the results achieved lies solely with the vendor. We know that the case files in some instances were incomplete or contained faulty information. To the best of our knowledge, options to recover additional cost of cleaning up balances have

been exhausted.

The costs of the data conversion errors are substantial. To correct the errors caused by NSI, the State appropriated \$692,000 in the 1996 legislative session as its 34% Federal match. The Federal share is \$1,343,294. The total cost equals \$2,035,295. During the 1997 legislative session, \$523,972 was appropriated to continue the correction process through FY 1998. The clean-up project is behind schedule and it is projected to extend into FY 1999. **Therefore, the State's current commitment to the clean-up project is \$1.2 million and will be close to \$2 million if the legislature commits funding into FY 1999.** Also, the clients who depend on CSED's services have been frustrated and angered by these errors. Third, **CSED paid NSI \$2.9 million for a bad data conversion project which CSED acknowledged was not performed according to the specifications of the contract.** Finally, the data conversion errors have created inefficiencies within CSED which are costly as well. The time needed to correct cases, reconstruct case history, and resolve client complaints over the telephone and through correspondence, have diverted CSED staff from other important agency functions such as locating absent parents, establishing paternity, keeping case information current, and monitoring the enforcement efforts of support orders. A conservative estimate of the annual costs associated with staff time being diverted to correct cases and resolve client complaints is \$518,000.

Although the Legislative Auditor acknowledges the risk of litigation and reduced enhanced Federal funding if the system was not completed before the deadline, the actions taken by CSED guaranteed that the state would incur costs exceeding \$5 million. First, \$2.9 million has been spent on a bad data conversion. Second, \$2 million to correct the errors, and third the resulting inefficiencies that presently exist in the agency. In fact, the former Director stated in a December 1994 letter that she estimated it would cost the State nearly \$800,000 to correct the case information. Furthermore, at the time the dispute developed (June 1994), much of the project was completed, OSCAR was operational statewide, and only about \$5 million of the contract eligible for enhanced funding was still outstanding. **Therefore, the most the State stood to lose in enhanced funding would have been a little more than \$1 million.¹²** However, the State was locked-in to a cost that exceeds \$5 million as a result of CSED's compromise. In the Legislative Auditor's estimation, **CSED's compromise with NSI showed significant indifference towards the State's interest in this matter.** Table 6 summarizes these costs.

¹² This is based on the difference between \$5 million being reimbursed at 10% (\$500,000) compared to 34% (\$1.7 million). The difference equals \$1.2 million.

Table 6 Actual and Estimated Costs of Bad Data Conversion versus Potential Costs of Reduced Enhanced Federal Funding		
		Potential Loss of Enhanced Funding
Cost of Data Conversion	\$2.9 Million	.
Cost to Correct Data Conversion Errors	\$2.0 Million	
Inefficiencies Within CSED	\$0.5 Million	
Payments to NSI to Assist Correcting Data Conversion Errors	\$0.3 Million	
Totals	\$5.7 Million	\$1.2 Million

Moreover, the State is currently paying NSI \$49 an hour for one of its employees to oversee the process of correcting the errors NSI made. When OSCAR became operational statewide in 1994, CSED entered into another contract with NSI to provide training to CSED staff on the use of OSCAR, to provide for enhancements to OSCAR, and administrative and technical support. One of the contract rules was that “*NSI understands that work under this contract will not include warranty or services for certification of OSCAR.*” However, work is being performed under this contract that is for the purpose of complying with the conditions of certification. This arrangement was established through changing the responsibility of an NSI employee who was specified in the second contract as an OSCAR trainer. Now, this NSI employee is assigned as the Project Manager of Reconversion (correcting data conversion errors). The Legislative Auditor estimates that CSED has paid NSI over \$125,000 to assist in correcting errors. If this arrangement is extended into FY 1998 and 1999, which is how long it could take to correct all case data, an additional \$170,000 will be paid to NSI. Therefore, NSI could be paid up to \$300,000 to assist CSED in correcting these errors. There was no change order to the second contract and no formal written agreement was created. This arrangement violates the rules of the contract, and it reinforces the indifference CSED has in this entire matter because **NSI is now profiting from assisting CSED in correcting case information which NSI created.**

Furthermore, other States have faced similar situations with respect to developing automated child support systems as required by Federal law. Some of these issues concerned data conversion and some concerned the computer system. However, faced with the same risks CSED faced, several States were more aggressive with their respective vendors than West

Virginia. Table 7 summarizes the actions taken by other States in similar situations. Four States, Florida, Maryland, Ohio and Oregon litigated issues with their vendors. Oregon finally settled out of court over an issue related to the financial logic of the computer system. The terms of the settlement were confidential.

Table 7 Actions Taken by Other States	
States	Actions
Florida, Maryland, Ohio, Oregon	Litigated Issues with Vendors.
Pennsylvania, Texas, Massachusetts, California	Negotiated a settlement with their vendor following threat of legal action.
Hawaii, Indiana, North Carolina	Terminated their contract with the vendor.

The Legislative Auditor asked CSED's Interim Director what legal advice was sought from other sources on the OSCAR contract. Although CSED informed The Legislative Auditor that it sought legal advice on this matter from several sources within DHHR and outside sources, several of these sources deny ever providing CSED with legal advice. The Support Enforcement Commission Chairman told The Legislative Auditor that he was not approached by CSED for legal advice, nor was the matter brought before the Commission. Two members of the House of Delegates were also named by CSED as providing legal advice on the contract. Chairman Staton of the House Judiciary Committee stated in a letter:

I have no recollection whatsoever of a meeting with any CSED representatives wherein I or any other member of the Legislature gave CSED "legal advice" concerning its OSCAR contract....if I were giving legal advice to CSED on this issue, it would have been my legal opinion that the agency had a good chance of legal redress against NSI. To interpret the contract to allow NSI an error rate of up to ten percent in each case is, I believe, contrary to standard contract law interpretation of such contract clauses.

Minority Whip Delegate Trump stated in a written response:

I take issue with the assertion of Mr. Matherly that he or the CSED sought legal advice from me or from any committee on which I ever served "concerning the OSCAR contract with NSI." I do not ever remember the issue of whether or not the CSED should pay for bad data conversion being a part of the agenda for a meeting of a subcommittee on which I ever served.

Betty Justice, Brinkley Implementation Coordinator, a member of the Brinkley Committee which Director Matherly stated CSED sought legal advice from, stated:

Brinkley authority does not extend to the administrative management processes of the Child Support Enforcement Division unless these are somehow related to the outcomes for class members. For that reason, *Brinkley* attention to the relationship of the Child Support Enforcement Division to its automation vendor has been very limited.

According to a legal opinion of the Office of Legislative Services, the State could have legally withheld payments from NSI for tasks until the tasks were approved by the CSED as satisfactorily completed. Also under the terms of the contract, the State could also have withheld the Performance Bond of \$887,918 which was payable upon completion of obtaining Federal certification. The contract stipulated that "the performance bond will only be released upon satisfactory completion of the OSCAR project as set forth in this contract, final acceptance by the State of all deliverables, and satisfactory completion of Federal certification." Given that the State received a conditional certification which obligates the State to correct cases information incorrectly converted by NSI, NSI did not satisfactorily complete the requirements of the contract. Legal counsel of the Office of Legislative Services stated:

"...for the State to have implemented the plan [to correct errors] at its own expense appears to have relieved the Contractor of its above mentioned contractual obligations and liabilities."

In short, CSED is paying to perform work which NSI was legally responsible to perform at no cost to the State under the original contract. If certification of OSCAR is dependent on correcting erroneous financial balances, then NSI was obligated contractually to perform this task.

Any dispute concerning whether NSI provided an accurate data conversion should be dismissed immediately based on the effects of NSI's work. The fact that the State has 20 people employed to correct case information stored by NSI is evidence enough. The effects of the poor data conversion are costly to the State and its citizens who rely on CSED's services. The errors have impaired CSED's outcome objective in enforcing child support accurately for the children served by CSED. CSED clients have been frustrated and angered by errors that cause payments being delayed, tax refunds intercepted in error, and significant time spent to have their cases corrected. The children ultimately become victims of this impaired system.

Unfortunately, CSED has no legal recourse at this time because it amended the contract to accept the failed data conversion in July 1995. In this regard, CSED made this compromise with no feedback from appropriate State officials. When CSED was asked if it sought legal advice from outside sources, some of the individuals referenced by CSED informed the Legislative Auditor that CSED did not approach them for legal advice. Furthermore, CSED should have filed a Vendor Performance Form as recommended by the Purchasing Division when state agencies have performance problems with vendors. In the Legislative Auditor's opinion, this should be required by statute for all state agencies. The following recommendations are made in an attempt to prevent this type of situation from occurring in the future.

Recommendation 7

CSED should terminate all other contracts with NSI.

Recommendation 8

CSED should submit a Vendor Performance Form reflecting the failure of NSI's data conversion contract to the Purchasing Division of the Department of Administration.

Recommendation 9

The Legislature should consider amending the statute for purchasing to require all state agencies to submit Vendor Performance Forms to the Purchasing Division within the Department of Administration in cases where vendor performance has been unsatisfactory. These performance forms should become part of the evaluation process of prospective vendors.

ISSUE AREA 3: The Child Support Enforcement Division Could Save Millions of Dollars by Reducing the Use of Checks and Converting to Electronic Transfer.

The Child Support Enforcement Division currently sends child support payments to caretakers through printing paper checks. With the advancement of computer technology, this practice has become inefficient. Electronic funds transfer (EFT), or direct deposit is much more efficient in terms of time and cost savings. The transfer works in receiving and distributing funds. Caretakers would receive child support faster and with greater security of their money. The state would benefit from significantly lower costs of receiving and sending child support.

At least the states of Colorado and Washington currently direct deposit child support to caretakers. Colorado has used direct deposit of child support for two years. The Child Support System Manager for Colorado indicated that 12% of caretakers have taken advantage of direct deposit. Colorado also plans to increase public awareness of this program to have a greater number of caretakers in the program because the cost savings are significant.

The West Virginia State Treasurer's Office currently deposits state employee's wages into their bank accounts via direct deposit. According to the Treasurer's Office, direct deposit costs about \$0.07 per transaction. CSED pays One Valley Bank \$0.52 per paper check issued, \$0.46 per receipt of funds by check, and additional charges. The State Treasurer's staff stated that setting up such a system is not costly nor is it a major technical problem to set up electronic fund transfer. The only significant cost is marketing the program.

Furthermore, CSED acknowledges that direct deposit is an efficient means of disbursing child support payments to caretakers, and it is a goal which CSED agrees should be implemented. Article five of the contract with One Valley Bank states:

The parties recognize that the Division must develop the capacity to receive electronically transmitted support payments remitted by employers, 45 C.F.R. §303.100(g)(3), and that payments could be efficiently disbursed by electronic means. Therefore, the Bank and the Division shall, as soon as possible after implementation of this Agreement, develop an electronic funds transfer/electronic data interchange ("EFT/EDI") system connected with OSCAR. (Emphasis added)

CSED issues between 60,000 and 70,000 checks each month. At \$0.52 per check, the cost of issuing paper checks is between \$31,000 and \$37,000 per month. That is over \$400,000 each year. **Direct deposit has the potential of reducing the costs of child support disbursements by over 80%, or \$0.07 for each caretaker who enrolls.** In addition, the State is charged \$0.46 for processing each receipt of payments made by absent parents through their employer. The number of receipts also averages between 60,000 and 70,000 each month. One Valley Bank charges CSED close to \$400,000 a year to process payments received. This cost can also be reduced from \$0.46 to \$0.07 per receipt if employers elected to electronically

transmit payments.

Table 8 illustrates the total costs over the last twelve months to receive child support payments and disburse the payments to caretakers. Other costs include the costs for envelopes, reconciliation of the account (\$0.04 per transaction), stop payments and a variety of other relatively small charges. Most of the other payments are for envelopes (around \$2,000 per month) and account reconciliation (about \$2,500 per month).

TABLE 8					
Monthly Invoice Amounts from One Valley Bank Costs to Disburse Child Support Checks & Receive Support Payments					
Month/Year	Costs to Receive Payments	Costs to Disburse Checks	Other Costs	Actual Total Costs	Potential Total Costs Based on 100% Enrollment
Jun 1996	\$26,861	\$31,335	\$4,521	\$62,717	\$10,733
Jul 1996	\$30,822	\$36,484	\$9,570	\$76,876	\$12,842
Aug 1996	\$28,842	\$33,593	\$6,018	\$68,453	\$11,535
Sep 1996	\$29,301	\$32,800	\$5,759	\$67,860	\$11,407
Oct 1996	\$31,500	\$36,809	\$8,014	\$76,323	\$12,487
Nov 1996	\$29,042	\$33,208	\$6,333	\$68,583	\$11,370
Dec 1996	\$31,815	\$36,424	\$4,649	\$72,888	\$12,447
Jan 1997	\$30,899	\$34,249	\$8,195	\$73,343	\$12,047
Feb 1997	\$29,168	\$32,842	\$3,865	\$65,875	\$11,349
Mar 1997	\$32,800	\$36,227	\$9,690	\$78,717	\$12,712
Apr 1997	\$30,105	\$34,397	\$6,661	\$71,163	\$11,892
May 1997	\$30,105	\$34,397	\$6,661	\$71,163	\$11,892
TOTALS	\$361,260	\$412,764	\$79,932	\$853,961	\$142,713
The fund used by CSED has only been in existence since June 1996, therefore an average of the ten invoices was used for the months of April and May 1997.					

To meet federal certification requirements, the OSCAR system was required to have the ability to send and receive funds through EFT/EDI with other state child support enforcement agencies, as well as be able to accept wage withholdings from employers who choose to transmit

them in this manner. This must be accomplished by September 30, 1997. During the inspection of the OSCAR system in early 1996, the federal government determined that:

The OSCAR EFT/EDI functionality appears to meet certification requirements, and is ready to be put into production. The agreement with the bank has been finalized, and the bank has notified the State that it is ready to process EFT/EDI transactions. West Virginia is currently working with two employers, and expects to begin receiving EFT/EDI transactions from the larger employer by July 1, 1996.

Although the Federal government wrote in its conditional certification report that this requirement of OSCAR was met and expected transfers by July 1, 1996, as of May 1997, **no transfers have been made.**

It is in the best interest of the State that further attempts in marketing EFT/EDI be continued, particularly with large employers. Furthermore, the state should pursue direct deposit of child support payments into caretakers' checking accounts. At an annual cost of over \$850,000, the long-term cost savings to the State are millions of dollars, and the benefits in timely payments to caretakers and the children are also obvious.

Recommendation 10

CSED should aggressively market the use of Electronic Funds Transfer of child support payments by employers.

Recommendation 11

CSED should develop a mandatory phase-in of electronic deposit to caretakers receiving child support payments.

Recommendation 12

CSED should meet with officials of the State Treasurer's Office for assistance in developing a cost efficient EFT/EDI system.

APPENDIX A

Sampling Methodology

**Child Support Enforcement Division
Sampling Methodology**

Thirty-four cases were randomly selected from each of the ten CSED geographical regions, for a total stratified sample of 340 cases (see table below). The sample was drawn from the total population of cases with support orders in place during February 1995. This allowed us to have at least one year of enforcement activity to judge the accuracy of the information.

Child Support Cases with Support Orders for February 1995			
Region	Total Cases	Sample Size	Weights
Region 1	2,420	34	0.064
Region 2	3,453	34	0.092
Region 3	4,276	34	0.114
Region 4	4,450	34	0.118
Region 5	3,303	34	0.088
Region 6	3,832	34	0.102
Region 7	3,901	34	0.104
Region 8	3,286	34	0.087
Region 9	4,631	34	0.123
Region 10	4,055	34	0.108
Totals	37,607	340	1.000

Instead of randomly selecting a number of cases from the total population of cases, regardless of the region, a stratified sample was taken. A stratified sample combines all cases in their respective stratum (region) and selects a number of cases from each region. This selection method was used for two reasons. One reason was to measure performance indicators by region, and the second reason was to reduce the variation around the statewide statistics that would be calculated from each regional sample. Enforcement efforts of child support were expected to vary by region. Regional variations would cause large variations in the statewide statistics if the sample were taken from the total population, as opposed to a stratified sample.

We requested that the CSED arrange the cases for each region in alphabetical order using the caretaker's last name. Each case was assigned a sequential number starting with the number one. Cases were selected for the sample by matching a random set of numbers to the sequential number associated with a case.

Several descriptive statistics were calculated for each region, such as the inaccuracy rates, the average number of children in each region, etc. This arrived at a set of statistics for each region. Each regional statistic was multiplied by a weight assigned to each region. These regional weights were simply percentages that equaled the total number of cases in the region divided by the total number of cases for all ten regions. Once each statistic was multiplied by its respective regional weight, each statistic would be added to the respective statistic of the other regions. The combined total for each statistic represents the statewide weighted average.

Appendix B

OSCAR Generated Affidavit

IN THE CIRCUIT COURT OF COUNTY, WEST VIRGINIA

STATE OF WEST VIRGINIA, EX-REL
WEST VIRGINIA DEPARTMENT OF HEALTH
AND HUMAN RESOURCES,
CHILD SUPPORT ENFORCEMENT DIVISION, AND

social security no.:

Plaintiffs,

vs.

Civil Action No. _____

social security no.:

Defendant.

STATE OF WEST VIRGINIA
COUNTY OF BERKELEY, to-wit:

AFFIDAVIT

COMES now who avers as follows:

1. That she is the mother of , born on
the ch day of ; born on the
10th day of November, 1988.

2. That the Defendant is the father of her children,

3. That she did not have sexual intercourse with anyone
other than the Defendant during the period of time when the
children could have been conceived.

Affiant

Taken, subscribed and sworn to before me on ____ day of
_____, 19____.

My Commission expires: _____

NOTARY PUBLIC

Appendix C

Chronological Order of Events During Data Conversion

Order of Events of the Data Conversion

August 1991 - Request for Proposals was Released to Vendor Community

A request for proposals (RFP) was released to interested vendors on August 2, 1991. One problem with the RFP was it lacked clear specifications on how accurate the data conversion was required. The RFP stated that “*Specific error rate thresholds will be established, which will require a 90 percent sample verification of each clerk’s work, or a higher percentage for specific data fields identified by the state.*” This language was vague and subject to different interpretations. It would eventually be interpreted by NSI that all of the converted cases had to be at least 90% accurate, while CSED intended for at least 90% of all cases had to be 100% correct.

The RFP also indicated that some data items would have to exceed the 90% accuracy threshold. However, at the vendors conference, CSED was asked by a vendor “*Which data fields will require a verification rate in excess of 90%?*” CSED’s response was “*All data converted to OSCAR must meet the 90% threshold.*” This answer suggests that CSED did not have clearly defined specifications for the data conversion project.

April 1992 - NSI is Awarded the Contract

Proposals were received from five vendors. NSI had the highest evaluation scores and consequently it was awarded the contract. The contract was for approximately 30 months. The original amount of the contract was \$8.8 million. There were several change orders, the most significant one increased the purchase order by \$991,398. This increase was necessitated by a Judge’s order that closed cases, which CSED intended to purge, were to also be converted into OSCAR. This required NSI to convert case data for an additional 60,000 cases, bringing the total to 110,000 cases. The contract amount, with all change orders, was \$10.8 million. Of this amount, \$2.9 million was to perform the data conversion.

February 1993 - NSI Foresees Difficulties in Manual Data Conversion

The planning of data conversion began in the Fall of 1992. This involved making site visits, examining case folders, and testing alternative conversion procedures to arrive at the best practice for manual data conversion. By February of 1993, NSI acknowledged that:

We have not found an easy way to ensure that the arrearages will be accurate in OSCAR. It seems that the only acceptable alternative is to manually key payment information that can be found in the case files. NSI is concerned that the resulting OSCAR financial information will be at odds with current case figures

*and there will be no control against which to balance the accounts.*¹³

June 1993 - NSI Determines Best Method for Manual Data Conversion

After a manual data conversion pilot test in Putnam County, NSI concluded that microfilming case information would be the method used for manual data conversion. This would involve microfilming all of the paper documents in the case folders. Over 46,000 case folders from around the state were microfilmed. The data conversion would be based on the microfilmed information. NSI used Anacomp as a subcontractor for microfilming.

November 1993 - Manual Data Conversion Begins

Putnam and Mason Counties represented the Pilot counties where manual data conversion began. Data conversion was completed for these two counties in February 1994. During the first four months of 1994, counties were at various stages of data conversion. Some counties were finished, some were in the process of calculating arrearages and loading them into OSCAR, and other counties were in the process of microfilming case records.

May 1994 - Complaints Surface by CSED Staff on the Accuracy of the Data Conversion

Once case data was loaded into OSCAR in various counties, CSED staff began to notice errors in the arrearage calculations in their cases. On one occasion, the CSED Director of Conversion received an electronic mail message from a worker which stated:

Something must be done about the volume of gross errors that are being made by the people who are doing the manual arrearage conversion. I have just seen another one where the person failed to apply payments which were obvious.

June 30, 1994 - CSED Informs NSI of Error Rate

CSED sent a memorandum to NSI indicating concern over the accuracy of the converted data. A sample of 106 cases from six counties was drawn by CSED showing a high rate of errors. Table 1 illustrates the results of the sample.

¹³ OSCAR Status Report, February 19, 1993, NSI.

Table 1			
Results from a CSED Sample Illustrating Error Rate			
Counties	Putnam & Mason	Logan & Mingo	Lincoln & Wayne
Cases Sampled	43	25	38
Cases with Errors	16	15	12
Error Rate	37%	60%	31%
Source: June 30, 1994 Memorandum from CSED to NSI			

Some of the errors in these cases were identified as:

- 1) Calculation did not include AFDC grant information.
- 2) Some payments were not included in calculations.
- 3) Some payments were duplicated.
- 4) Wrong starting dates of obligations were used.
- 5) Wrong obligation amounts were used.

However, CSED further stated in the memo that *"The number of the cases sampled is too small for an accurate evaluation. Because of the procedure we must follow to recalculate the arrearage, we do not have the time or manpower to reach a 10% sample as originally planned."* The last sentence indicates that CSED intended to take a larger sample, but it did not have the time or resources to recalculate the arrearages for the larger sample.

July 1994 - NSI Responds to CSED's June Memo on the Error Rate

NSI reviewed the cases of the sample that had errors, and other reported error cases identified prior to the June 30th memo. In a July 28, 1994 memo to CSED, NSI agreed that errors were made in 33 of the 47 cases it reviewed. NSI disagreed in the remaining 14 cases. In its defense, NSI reiterated CSED's own assertion that *"the sample taken was too small for an accurate evaluation."* Furthermore, in NSI's opinion *"The State method for selection of QA cases does not constitute a statistically valid random sample and for that reason we feel the results cannot be classified as our 'error rate.'"* It was also stated in NSI's memo that:

All of the cases involved in your study were early in the arrearage calculation project (Pilot and Group A). We have made repeated efforts to increase the skill levels of our arrearage researchers throughout the project. We believe the competency level of the researchers increased as we proceeded through the state.

Other arguments made by NSI were that some of the errors were the result of programming errors and other situations that NSI discovered early in the process and were

corrected. Therefore, these types of errors did not reoccur in other counties. NSI asserted its commitment to accuracy by revealing that:

We have released any researcher who could not overall measure up to the task of providing an accurate product for you. We can identify at least 10 researchers who have been terminated or helped to leave because of work problems.

NSI also claimed that:

The condition of the case files do not lend themselves to extraction of accurate case information. Often times we are left with numerous instances of missing information. In addition, each county, and to some extent, each CAO worker, handles information in different ways.... We believe field staff interprets different results as being incorrect results.... That [arrearage] balance is not necessarily wrong as field staff sometimes believes, but it may be different.

Attached to the memo were two memos from NSI to its arrearage researchers and its discrepancy researchers informing them of the types of errors CSED feels NSI is prone to make.

September 1994 - CSED Withheld Three Payments Because of Error Rate

In September of 1994, CSED withheld three deliverable payments totaling \$367,185 because the accuracy of the manually converted data was in question. In a draft report during the same month, the overall OSCAR project was assessed. The report stated:

The conversion of the financial information to compute arrearage balances yielded error rates which appear to exceed fifty percent. This data quality problem is so severe that the system's utility to field office staff is compromised. A system with unreliable information cannot be the kind of valuable tool for workers which was envisioned. The reason this problem is so troubling is because there is no good solution. It will take at least one year, and more likely two years to correct all these errors. Any method employed will be very demanding of field office staff and will require verification with the local case records.

The microfilming process was imperfect. Validation of results requires access to the paper records because the microfilm is frequently missing critical information. Furthermore, the temporary help which was employed to microfilm the files did not return the files to their original condition. This is very disturbing to those local offices which took pride in their record keeping. They have no staff to assign to restoring these records. The data entry of the demographic case information appears to have been quite successful, but the entry of the financial information from the microfilm was extremely error prone. Only part of the problem resulted from the missing information on the microfilm. These errors are

so pervasive that every case must be verified against the paper case record.

The data quality problem in the financial information is by far the greatest problem for the local offices. It generates numerous phone calls from irate absent parents whose arrearages are wrong and from custodial parents whose funds are not distributed even though received by the CAO. It is jeopardizing the respect of the courts, employers, custodial parents, and the public which the local offices have worked so hard to earn.

December 1994 - CSED Rejects an NSI Proposal to Resolve Incorrect Data

To resolve the issue of incorrect arrearage calculations, NSI proposed providing CSED with three of NSI's best arrearage calculators for six months at no charge to the State. CSED's response was in a December 1994 memorandum to NSI which stated:

The State is unable to accept your proposal to resolve the arrearage calculation issue. Although, three qualified individuals to calculate arrearages would be of some assistance, this proposal does not adequately address the problem. Given the unreliability of the arrearage calculations, the State at this point has no choice but to review every court ordered case in which we are providing services. We estimate that this would cost approximately \$787,500 based on a court ordered caseload of 35,000 and a cost of \$22.50 per case. At most, three people working for six months could review and recompute arrearages on 1,560 cases. Clearly, this option contributes very little to a problem for which NSI maintains some degree of responsibility.

The memo further stated that unless NSI could show evidence that the 90% accuracy rate was met, the State was unwilling to sign off on any additional conversion deliverables.

April 1995 - NSI Takes Its Own Samples to Prove the Accuracy

NSI attempted to show CSED that the data conversion met the 90% accuracy criteria. A random sample of 397 cases was taken by NSI. NSI argued that the results of the sample showed that the arrearage calculations were within the 90% threshold. However, in making this argument, NSI included as "correct" those cases in which the arrearage calculations were wrong but the errors were within 90% or more of the correct calculations. This was not CSED's intended criteria for determining accuracy. Since the RFP was not very clear on this matter, the criteria was subject to debate. Consequently, CSED did not agree with NSI's sample results.

July 1995 - CSED and NSI Compromise on the Issue of Accuracy

An addendum was added to the original contract which modified the terms (see Appendix D). The addendum essentially stated that CSED and NSI could not “*agree on whether Contractor has reached the mandated 90% accuracy level on converted data.*” CSED and NSI also agreed that redoing the data conversion or further attempts to verify the accuracy would not be cost effective or a productive use of the Contract resources. Therefore, CSED accepted the accuracy of the data conversion and released the held money totaling \$367,185. There was one condition of the agreement. CSED held a payment in the amount of \$73,437 that would be paid to NSI after NSI provided CSED with a functional, mainframe-based arrearage calculation tool. This tool would be used by CSED to correct arrearages.

Appendix D

Addendum to the OSCAR Contract

CONTRACT ADDENDUM #1

Pursuant to Article 9 of the Contract (DHS 4000), dated April 14, 1992, by and between the State of West Virginia, Department of Health and Human Resources ("State") and Network Six, Inc. ("Contractor"), the terms of that Contract are hereby modified by this Contract Addendum #1. In the event of a conflict between the terms and conditions of this Addendum #1 and the terms and conditions of the original April 14, 1992 Contract, including any and all change orders, attachments, the RFP and Contractor's proposal and amendments thereof, the terms and conditions of this Addendum #1 shall control.

1. Task 21 of the RFP for the statewide, computerized child support enforcement system ("OSCAR") requires the Contractor to perform detailed data conversion for automated and manual data to the OSCAR system. Task 21 and Change Order #2, dated July 22, 1993, requires the Contractor to ensure that the conversion accuracy level is at least 90 percent (90%) or higher.
2. The Contractor has performed an analysis of data conversion accuracy and the State has tested the results of that analysis.
3. State and Contractor agree that the Contractor has completed data conversion but State and Contractor cannot agree on whether Contractor has reached the mandated 90% accuracy level on converted data.
4. The State and Contractor agree that redoing the data conversion, additional conversion or prolonged accuracy level verification at this point would not be cost effective or a productive use of Contract resources. Therefore, the State and Contractor agree as follows:
 - a. The State agrees to the current conversion accuracy level on converted data and agrees to partial acceptance of the data conversion deliverables and, upon the submission of an uncontested invoice, will remit to Contractor deliverable payment in the amount of \$293,748 for work performed to date.
 - b. Contractor agrees to provide to State, at no additional cost, a functional, mainframe-based arrearage calculation tool to replace multiple inadequate LOTUS tools now in use, in order to standardize arrearage calculations.
 - c. The State and Contractor agree that payment of the remaining balance for this deliverable of \$73,437, will be paid upon delivery and State acceptance of the

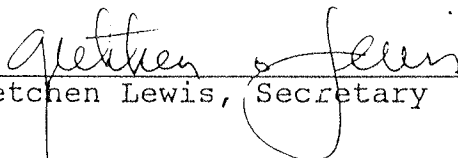
arrearage tool.

- d. State and Contractor acknowledge that this Contract Addendum #1 and accompanying change order does not increase the total agreed upon Contract price.

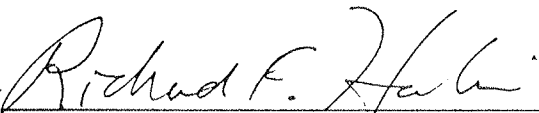
All other terms and conditions of the original Contract dated April 14, 1992 shall remain unchanged and in full force and effect.

This Contract Addendum #1 shall be effective from July 13th, 1995 and run concurrently with the term of the original Contract.

WEST VIRGINIA DEPARTMENT OF HEALTH AND HUMAN RESOURCES

By 
Gretchen Lewis, Secretary

NETWORK SIX INC.

By 
Title President

Appendix E



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Cecil H. Underwood
Governor

Office of the Secretary
State Capitol Complex
Building 3, Room 206
Charleston, West Virginia 25305
Telephone: (304) 558-0684 FAX: (304) 558-1130

Joan E. Ohl
Secretary

June 4, 1997

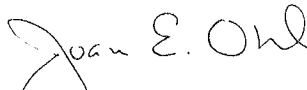
Antonio E. Jones, Ph.D.
West Virginia Legislature
Performance Evaluation and Research Division
State Capitol Complex
Building 5, Room 751A
Charleston, West Virginia 25305

Dear Dr. Jones:

Enclosed is the Department's response to the draft copy of the Preliminary Performance Review of the Child Support Enforcement Division for your consideration in finalizing your report. I also understand that this response will also be included with the report when it is submitted to the Joint Committee on Government Operations.

If I can be of any further assistance, please let me know.

Sincerely,


Joan E. Ohl
Secretary

JEO/bc

Enclosure

RECEIVED

JUN 05 1997

RESEARCH AND PERFORMANCE
EVALUATION DIVISION

DEPARTMENT OF HEALTH AND HUMAN RESOURCES'
RESPONSE TO
PRELIMINARY PERFORMANCE REVIEW
OF THE
CHILD SUPPORT ENFORCEMENT DIVISION
BY THE
OFFICE OF THE LEGISLATIVE AUDITOR
PERFORMANCE EVALUATION & RESEARCH DIVISION

June 1997

RECEIVED

JUN 05 1997

RESEARCH AND PERFORMANCE
EVALUATION DIVISION

Department of Health and Human Resources
State Capitol Complex, Building 3, Room 206
Charleston, West Virginia 25305
Telephone: (304) 558-0684 FAX: (304) 558-1130

DEPARTMENT OF HEALTH AND HUMAN RESOURCES' RESPONSE TO
PRELIMINARY PERFORMANCE REVIEW OF THE CHILD SUPPORT ENFORCEMENT DIVISION
BY THE LEGISLATIVE AUDITOR'S OFFICE PERFORMANCE EVALUATION & RESEARCH DIVISION

While the Department of Health and Human Resources (DHHR) and the Child Support Enforcement Division (CSED) have found the draft report of the Performance Evaluation and Research Division (PERD) to be helpful in identifying certain discreet recommendations that will improve the efficiency and effectiveness of the CSED, we believe that it does not fully portray the overall condition of the CSED as it exists today. As the report itself clearly states, it focused entirely on three very narrow aspects of CSED operations: accuracy of data within cases, the management of the OSCAR data conversion contract, and the use of electronic transfer of payments. Only two of these relate to how CSED services can be improved in the future. There are many more aspects to the effective and efficient establishment and enforcement of child support obligations than those addressed by this review. One such overall measure of effectiveness is the total amount of money CSED collects and disburses on an annual basis. During the twelve calendar months of 1992, for example, \$37,580,454.00 was collected in child support. By comparison, after the implementation of OSCAR, \$113,547,156.00 in collections are projected for the 12 calendar months of 1997. Similarly, as the total dollar amount of collections has increased, so too has our efficiency of distribution. In December 1994, prior to OSCAR, it took in excess of 17 days to process one days' receipts. Today, however we process more than 96% of the money received the same day. This means that children now receive their support checks within a day or two of our receipt of them as opposed to the weeks it took prior to OSCAR. Although we still experience difficulties with the receipt and distribution process, it should be recognized that we have made major improvements and continue to give priority to those areas that have been identified as needing attention.

Issue One: Almost One-third of Cases in CSED's Database Contains Inaccurate Information, Which Causes Serious Problems for Children, Caretakers and Non-custodial Parents

The findings of the Legislative Auditors with regard to this area of concern appears to be fairly accurate for the period of the initial review (approximately FY-96). The overall quality of the information contained in the case records has been an area of concern for the CSED and the Child Support Enforcement Commissioner (Commission) prior to the initiation of this review. During the implementation of OSCAR, the CSED had already begun to plan for a Central Financial Unit to deal with the necessary adjustments to case financial records that would be needed on an ongoing basis. With the help of the Commission, funding was obtained from the Legislature and this concept was initiated in the Fall of 1996. Although we have fallen short of initial time line goals, we have been able to accomplish a portion of our original objectives. Dr. Carl Hadsell, with the WVU Center for Entrepreneurial Studies, recently completed a review of the Central Financial Unit's

program. This review was conducted at the request of Richard Douglas, Chairman of the Child Support Enforcement Commission. Dr. Hadsell indicated that out of the 42,122 original converted cases, 11,437 (27.15%) have been reviewed to date. The remaining 30,685 cases have only 15,343 that are active and of those only 6,137 are considered to be "High Impact," those in which an adjustment would result in a check being issued to either the caretaker or absent parent. This represents 5.31% of the open cases as of the end of the first quarter of 1997. An obvious and substantial improvement in the problem observed by the PERD in the spring of 1996 has taken place as a result of considerable efforts to correct and update information in the CSED data base.

Further, Dr. Hadsell recommended an immediate move to a limited, full service concept for the Central Financial Unit. This forward plan has been accepted by the Child Support Enforcement Commission and will allow for the Legal Assistants in the field will be able to devote more time on the establishment and enforcement of court orders. A task team is currently being established for the purpose of developing a workable procedure for implementing this forward plan. This plan will allow the Central Financial Unit to address all cases needing correction of data, not just converted cases, which constitute a relatively small percentage of the overall caseload.

The other major contributing factor to inaccurate data mentioned in the report is the delay in getting updated information into the system. The problem is getting Court Orders prepared and filed in a timely manner following a hearing. We agree that CSED shares some of the blame in this area. We must do a better job of preparing Orders and submitting them to the Family Law Master in a timely manner. As noted in the report, the Commission in conjunction with the CSED, has already established a Task Team to address this problem.

The great bulk of the problem, however, lies outside of the control of the CSED. Once CSED prepares an Order it must be forwarded to opposing counsel for signature. CSED must then wait for opposing counsel to either return it to CSED or forward it to the Family Law Master. The Family Law Master must then sign the Order and forward it to the Circuit Court. If no exceptions are filed, the Order is signed by the Circuit Judge and filed. Obviously, the CSED has no control over how quickly opposing counsel, Family Law Masters, or Circuit Judges fulfill their responsibility. Without timely action on all of their parts, adjustments required as a result of these delays will continue.

In terms of the specific recommendations made in the report, we agree that these need to be implemented and that they will contribute to increased efficiency and effectiveness of the agency.

Recommendation 1: *The Child Support Enforcement Division should reduce delays in preparing support orders by delivering proposed recommended orders to Family Law Masters within 7 days from the final hearing. CSED should also reduce the number of days it takes to enter support orders into the OSCAR system after they are entered by Circuit Clerks by developing a system which ensures the timely pick up of the order from the courthouse and timely entry of the order into OSCAR.*

Response: The CSED will explore ways of reducing delays in preparing Orders so that they are submitted to Family Law Masters within 7 days of the hearing and of reducing the time it takes to enter Orders into OSCAR.

Recommendation 2: *CSED should consider expediting the establishment of support orders through creating a uniform and simplified support order.*

Response: The CSED is in favor of uniform Orders, but has been met with reluctance from some Family Law Masters in the past. CSED cannot implement this recommendation without cooperation of Law Masters and Judges.

Recommendation 3: *CSED should give higher priority to providing the necessary programming changes to the OSCAR system in order that every court ordered judgement is enforced automatically.*

Response: CSED will give high priority to programming OSCAR so that Court Orders are enforced automatically.

Recommendation 4: *Additional training should be provided to Field Adjustment Workers and Legal Assistants who are involved in providing information to the Adjustment Unit within CSED in order to reduce the number of adjustments that are returned to the field because of missing information, or incorrect application of policy.*

Response: CSED has begun planning for additional training for field staff related to adjustments and will see that this is done.

Recommendation 5: *CSED and the State Department of Tax and Revenue should develop a cooperative agreement to allow CSED to update state tax offset information electronically and to allow CSED to electronically receive state offset collections data from the State Tax Department.*

Response: CSED will work with the State Department of Tax and Revenue to develop a cooperative agreement which will allow CSED to update state tax offset information electronically and more frequently.

Recommendation 6: *CSED should comply with its own administrative policy and review each case annually for the purpose of checking the accuracy of financial information.*

Response: CSED will review each case annually to check financial data.

Issue Area Two: **CSED's Mismanagement of the OSCAR Data Conversion Contract Has Cost the State Nearly Five Million Dollars.**

In retrospect, the Department agrees that there were many instances in which the process of contracting for the OSCAR System could have been handled better; however, the Department does not agree that CSED's mismanagement of the OSCAR Data Conversion Contract cost the State nearly \$5 million. The Department believes that this conclusion is based upon several erroneous assumptions contained in the report.

First, the consequences of failing to receive system certification by October 1, 1995, would not have been limited to the loss of approximately \$1 million in enhanced funds. As indicated in our attachments, if a state does not meet the deadline for certification, that state may be found to be out of compliance with the State Plan, and be **at risk of losing Federal program funds**, i.e., the 66% matching funding extended to states to operate their Child Support Enforcement programs. To West Virginia, this is a sum amounting to approximately \$14.5 Million annually. In other words, the consequences of failure to obtain Federal Certification (conditional or otherwise) are grossly understated in the Legislative Auditor Report.

Second, the report does not take into account the likelihood of success in litigating with NSI or the costs associated with that litigation. Due to the vagueness of the contract requirement for data conversion quality, the poor condition of many of the files that had to be converted, and the CSED's lack of any reliable data as to NSI's actual performance, the outcome of any litigation against NSI was far from certain. There would also have been substantial direct litigation costs incurred which should be factored into this analysis. Additionally, litigating would have had substantial indirect effect on the program in terms of staff resources and time. Finally, the track record of other states who chose to litigate with their vendors is not encouraging. The following table illustrates the problems encountered by those states who chose to litigate with vendors.

State	Action	Outcome
Florida	Hardware Payment Withheld	Florida's vendor was EDS. System transfer was going very badly. EDS developed a memorandum of understanding to terminate the contractual relationship. System development was incomplete, and the hardware installed was inadequate to support the system. Florida refused to pay for the hardware. EDS sued Florida. Florida lost, and paid for the hardware. Florida does not yet have a certified system.
Maryland	Negotiation	Maryland never litigated with the vendor, System House. Maryland was not satisfied with the vendor's performance and negotiated a termination of its contract with System House. While Maryland did not pay the entire amount of the original contract with System House, Maryland <u>did pay for all work completed by the vendor</u> . Maryland is "going it alone," and will not meet the October 1, 1997 deadline for system certification. As for data conversion, Maryland has been "converting for years." Although 80% of Maryland's counties are converted, less than 1/2 of the state's caseload has been converted, since the greatest number of cases are in the unconverted urban area of the state.
Ohio	Terminated Vendor	Ohio terminated MAXIMUS and ERC approximately 5 years ago after concluding that the system that was proposed for transfer from Florida offered nothing of value other than the design. Ohio is now managing a handful of small contractors in an effort to devise a system. Ohio is hoping for a <u>Level 1</u> review by the October 1, 1997 deadline, but stands no chance of obtaining a Level 2 review and certification before the deadline.
Oregon	Withheld Payment Sued By Vendor	Oregon was not satisfied with the results of the transfer being performed by System House. In May, 1995, Oregon gave notice to SH of its intent to terminate unless SH delivered as promised. SH did not. Oregon did not pay. System House sued Oregon. The matter was settled out of court. Oregon paid most of the \$3 Million billed by System House, but had nothing to show for it. Now "going it alone," the project is not going well. Oregon will possibly pilot by September, and will not meet the October 1, deadline for system certification.

State	Action	Outcome
Pennsylvania California Massachusetts	Threatened Litigation	All Lockheed customers, these states are at the back of the pack, with California and Pennsylvania probably headed to become the very last states to obtain certification. Massachusetts is not well positioned to meet the October 1 certification deadline.
Texas	Threatened Litigation	Texas probably will meet the October 1 deadline for system certification after a protracted struggle with Anderson Consulting. Texas threatened action against Anderson some years ago, but was forced to agree to pay Anderson more than the originally contracted price on the transfer as it was agreed that they had a situation in which Anderson was being "grossly" underpaid for their work.
Hawaii	Vendor Terminated	NSI managed to receive most of the contracted funds allocated to transfer the West Virginia system, but failed to deliver a product even close to completion. A subcontractor, CBSI, remained on to assess the status of the project, and Hawaii has continued to try to develop a system using subcontractor support. Hawaii is far from having a certifiable system.
Indiana	Threat to Litigate	Indiana has been working with the IBM local office to try to transfer the New Hampshire system. Hindered by politics and funding problems, the project is going very slowly.
North Carolina	Vendor Terminated	Similar to Hawaii, North Carolina was working with IBM's consulting subsidiary, ISSC. "Money" issues led to a "mutual" acceptance of a parting of ways between NC and the vendor. NC picked up with vendor subcontractors, and is struggling to bring up a system.

According to Joe Bodmer, of the Administration for Children and Families (ACF), most states who ended up in litigation were county administered states that could not gain consensus among the counties about what kind of system they wanted. Eventually, the vendor, who had agreed to provide a system transfer at a fixed cost, concluded that there was no way to do business with the state and took steps to extricate their company from the fray. Mr. Bodmer points out that litigation almost always brings forward progress to a halt. Mr. Bodmer is available to discuss the pros and cons of litigation with any legislator, or other interested person, from West Virginia. His phone number in Washington, DC, is (202) 690-1234. He, as have Robin Rushton and Carole Maloney (of ACF), has spoken on at least one occasion with John Sylvia, WV Legislative Auditor, and tried to make clear the view that litigation is an action that was generally discouraged by the federal agency as both divisive and disruptive to the objective of system transfer and development.

Federal Official's Comments:

"If West Virginia had chosen to litigate with NSI, and slowed forward progress on system development, total collections and funds turnaround (distribution) would not have shown the positive improvements that they have today as a consequence of pressing forward on the task of system development, implementation, and improved procedures and processes that resulted from system use." - Carole Maloney, Division of Child Support Information Systems, ACF

"Conversion is one of the areas most fraught with difficulty in any system implementation effort, and is the area where states most consistently underestimate the resources and time needed to complete. It is frequently the reason that projects fail, because states have underestimated what it is going to take, because so much can go wrong. . . it is a major problem area." - Carole Maloney, Division of Child Support Information Systems, ACF

"Out of 54 jurisdictions, 14 of which are certified, West Virginia was 6th to make the grade. That is no small accomplishment." - Carole Maloney, Division of Child Support Information Systems, ACF

"For all intents, conditional certification is the equivalent of full certification. There is no meaningful distinction at this point between the two characterizations." - Robin Rushton, Division of Child Support Information Systems, ACF
(Opening Plenary Session of the May, 1997 ACF User Group Meeting in Hartford, CT)

Third, the concept of the Central Financial Unit (CFU) was not brought about by the problems associated with the manual data conversion. It was always management's intention to establish a central unit that could assume responsibility for case financials. This would, of course, allow the field legal assistant to spend more time in the establishment and enforcement of court orders. The problems associated with the manual data conversion did not change the concept, ultimate goal or the cost associated with the CFU. It did, however, temporarily change the direction and the time line for accomplishing full financial service. Consequently, CSED would have incurred most, if not all, of those costs in any event.

Fourth, conditioned certification is in actuality the same as final certification and data reconversion was not a condition of certification. As stated by the Federal representatives responsible for the certification of state systems, conditional certification is, as far as they are concerned, equivalent, in every meaningful respect, to full certification. Program funding is protected, no further certification reviews are required, and, to quote the certification letter from Mark E. Ragan, dated June 11, 1996, "It is with great pleasure that we grant conditional certification to the State of West Virginia's On-Line Support

Collections and Reporting System (OSCAR). We commend West Virginia on being one of the first States to have an automated Child Support Enforcement System certified as meeting the requirements of the Family Support Act of 1988."

Any attempt to diminish the significance and import of conditional certification is unwarranted. It was understood that, as a result of the granting of conditional certification, the Federal certifiers were authorizing West Virginia to make final payment to the contractor, NSI. It was the State's decision to require completion of additional State specifications, prior to the release of final payment to NSI. The State maintained, over protests from NSI, that Federal certification, in itself, did not automatically mean that the contractual agreements made by the vendor to the State were satisfied. Final payment to NSI occurred approximately 6 months after system certification was granted.

Contrary to the assertion in the report, case information quality was not a certification condition. The accuracy of the data was mentioned in the Certification Review Report as an "Implementation Issue."

Only two items were listed as "conditions" of certification:

- 1) The IV-A/IV-D Interface
- 2) the OCSE-34 Collections Report

(Item 1) The IV-A/IV-D Interface was not considered a vendor responsibility, ultimately, because the IV-A (eligibility data system termed RAPIDS) system was not developed to a point that permitted the interface to be developed. West Virginia CSED is working closely and intensively with IV-A system development to implement this interface by the end of 1997.

(Item 2) Work has been completed on the re-run of the OCSE-34 Collections Report. NSI had worked with the State to develop this report, and the CSED chose to take responsibility for the final adjustments as a way of building expertise that we need in-house to maintain the system from now on.

The Certification Review Report Executive Summary concludes by again emphasizing the positive outcome of the vendor-State joint project effort:

"The State of West Virginia is commended on this accomplishment, which can be largely attributed to the determination and competence of the professional staff assigned to the project."

A copy of the Certification Review Report Executive Summary, and its cover letter, are attached.

Fifth, even assuming for the sake of argument that the assumptions contained in the review are accurate, the total additional cost of any alleged mismanagement would be \$2.8 million, not \$5.7 million. Assuming the accuracy of the review's figures, the total cost of obtaining correct data conversion will be \$5.7 million. Had NSI been able to correctly convert all cases originally, the cost would have been \$2.9 million. Thus, any additional cost to the state is the difference, or \$2.8 million. When one compares this amount with the potential loss of \$1.2 million in enhanced federal funding and the expense and disruption caused by litigation, the option of litigating becomes much less attractive. When one of the factors is the potential loss of the \$14.5 million in annual federal funds to the program, litigation becomes even less attractive.

In conclusion, we believe that the report has focused on the wrong issues regarding the OSCAR contract. As we have tried to demonstrate, the decision to reach a compromise with NSI rather than to litigate was a sound decision based on all of the circumstances as they existed at that time. The real issue that needs to be addressed is how CSED got to the point of having to make that decision. We believe that the underlying cause of the problem was lack of specificity in the original RFP and contract and the lack of adequate contract monitoring and quality assurance by the CSED. If the contract had more clearly spelled out our expectations and the criteria by which we were going to measure performance and we had more time and resources to devote to contract monitoring and quality assurance, this decision would never have had to be made. Consequently, we would propose that the following recommendations be added:

DHHR Recommendation 1: That all RFP's and contracts be reviewed and drafted with clearly defined standards of performance and criteria for judging that performance.

DHHR Recommendation 2: That the agency administering a contract dedicate the necessary resources and expertise to the task of monitoring contract compliance.

In terms of the review's specific recommendations, the Department responds as follows:

Recommendation 7: CSED should terminate all other contracts with NSI.

Response: CSED's contracts with NSI all expire on June 30, 1997. CSED will explore alternatives to those contracts.

Recommendation 8: *CSED should submit a Vendor Performance Form reflecting the failure of NSI's data conversion contract to the Purchasing Division of the Department of Administration.*

Response: CSED will submit a Vendor Performance Form to the Purchasing Division of the Department of Administration reflecting our view of NSI's performance under the data conversion contract.

Recommendation 9: *The Legislature should consider amending the statute for purchasing to require all state agencies to submit Vendor Performance Forms to the Purchasing Division within the Department of Administration in cases where vendor performance has been unsatisfactory. These performance forms should become part of the evaluation process of prospective vendors.*

Response: The Department endorses legislation requiring all state agencies to submit Vendor Performance Forms.

Issue Area III: *The Child Support Enforcement Division Can Save Millions of Dollars by Reducing the Use of Checks and Converting to Electronic Transfer.*

- A. The Child Support Enforcement Division, in partnership with One Valley Bank, currently has the capability to process direct deposit child support payments. There are, however, certain characteristics unique to the child support collection and distribution process that do not exist within most direct deposit programs such as corporate payrolls. Direct deposit programs are most commonly based on a regularly reoccurring payment of a fairly static amount. Child Support, although regularly reoccurring, does not necessarily occur on the same date each month and is not necessarily for the same amount for each receipt. This problem can be resolved by making programming changes to the OSCAR system that will allow for a daily tape file submission to One Valley Bank.

The cost for direct deposit is 10 ¢ for each transaction. This represents a potential savings of 42 ¢ per transaction. However, the cost for each daily file transmission is \$20.00. As a comparison, 50 direct deposits would cost \$25.00 while 50 checks would cost \$26.00. Obviously the savings to our agency would increase in direct proportion to the volume of transactions.

We have not actively marketed this capability due to the OSCAR programming enhancements that would be required to utilize this service. We currently have an enhancement priority list that is approaching a two year estimation for completion. Most of the enhancements contained within the list are required by federal welfare reform, federal court mandates, and certification issues. We will add this programming to our enhancements priority list.

- B. The potential savings associated with receiving electronic transmissions of child support payments from corporations is recognized by the Child Support Enforcement Division. We currently have the capability to receive electronic transmissions through the ACH network and have marketed this type of service. During the fall of 1994, we sent envelope stuffers regarding this service to all of our corporate wage withholding remitters. We received several thousand responses of which less than 100 expressed an interest. However, some of the positive responders were not interested in this service after learning they would have to have access to a PC, purchase software and establish a banking relationship with a financial institution that has ACH capabilities.

On a more positive note, we are trying to pilot an ACH deposit program with the United States Army Finance Center. We are also actively pursuing this service with all companies who express an interest on a case by case basis.

In terms of the review's specific recommendations, the Department responds as follows:

Recommendation 10: *CSED should aggressively market the use of Electronic Funds Transfer of child support payments by employers.*

Response: CSED will pursue a plan to make direct deposit available to caretakers.

Recommendation 11: *CSED should develop a mandatory phase-in of electronic deposit to caretakers receiving child support payments.*

Response: CSED will continue marketing EPT/EDI to employers.

Conclusion

While the Department has noted its disagreement with some of the underlying conclusions and scope of the review, we believe that all of the eleven recommendations contained in the report have merit and we agree that they should be and will be implemented. The review for the most part focuses on points in time in the past. Our focus and commitment is to move forward. We believe that with the insights provided by this review, the support and assistance of the Commission, and our own hard work and diligence, we can complete our efforts to make CSED an effective, efficient, and accountable agency.

PENALTIES ASSOCIATED WITH MISSING THE DEADLINE

There are two potential penalties for States not developing an automated statewide child support enforcement system in accordance with APD and State plan. Each mechanism has different triggers, processes, procedures and potential penalties.

1. 45 CFR 302.85 & (301.14) Out of Compliance with State plan

Potential Penalty: Loss of all IV-D enhanced and regular funding in future from date of decision.

2. 45 CFR 305.11 Audit penalties

Potential Penalty: Suspension of a portion of IV-A funding. The amount depends on whether the State has previous audit findings. 1-2% for first penalty, 2-3% for second, 3-5% for third time.

913045581121 P.02

10

JUN-03-1997 11:59 FROM RCF/DISM

STATES CERTIFIED AS OF JUNE 1, 1997

<u>State</u>	<u>Date Report Issued*</u>
Montana	9/2/94 - conditional
Delaware	2/9/96 - conditional
Georgia	2/9/96 - conditional
Virginia	2/9/96
Washington	2/9/96
West Virginia	7/3/96 - conditional
Arizona	8/2/96 - conditional
Utah	8/22/96 - conditional
Connecticut	8/22/96 - conditional
Wyoming	8/22/96
Mississippi	12/16/96 - conditional
Louisiana	1/21/97 - conditional
New Hampshire	report not issued yet

NOTE: ACF considers all certifications to be full certifications regardless of whether or not there are conditions on the certification.



DEPARTMENT OF HEALTH & HUMAN SERVICES

RECEIVED

June 11, 1996 05 JUN 17 11:05

ADMINISTRATION FOR CHILDREN AND FAMILIES
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

cc: Sue Sergi
Danny Franco
Phil Welkle
Jeff Matherly
6/17/96 -- GOL

Ms. Gretchen O. Lewis
Secretary
Department of Health and Human Resources
Capitol Complex, Bldg. 3, Room 206
Charleston, West Virginia 25305

Dear Ms. Lewis:

It is with great pleasure that we grant conditional certification to the State of West Virginia's On-line Support Collections and Reporting System (OSCAR). We commend West Virginia on being one of the first States to have an automated Child Support Enforcement System certified as meeting the requirements of the Family Support Act of 1988.

Overall, the review team found OSCAR to be a well designed automated system, fully capable of supporting the requirements of the Family Support Act of 1988. The review team's findings did, however, include necessary modifications/enhancements which must be made to the system prior to granting unconditional certification. These findings are presented in the enclosed report.

Again, we congratulate the State of West Virginia, the State's Department of Health and Human Resources, and all those who have worked so diligently to make the OSCAR project a success. If you have any questions regarding our certification of OSCAR, please contact Ms. Robin Rushton at (202) 401-6519.

Sincerely

Mark E. Ragan
Director
Office of State Systems

Enclosure

cc: Ms. Martha J. Hill, IV-D Director, West Virginia
Mr. Martin Keeley, Acting Regional Administrator,
Region III/ACF
Mr. Norman Thompson, Director, OPS/ACF
Mr. David Ross, Deputy Director, OCSE/ACF
Mr. Joseph Costa, SSPS/ACF

WEST VIRGINIA
ON-LINE SUPPORT COLLECTIONS
AND REPORTING SYSTEM
(OSCAR)

LEVEL II CERTIFICATION
REVIEW REPORT
August 15 - 18, 1995
April 23 - 25, 1996



ADMINISTRATION FOR CHILDREN AND FAMILIES
OFFICE OF CHILD SUPPORT ENFORCEMENT



PREFACE TO THE CERTIFICATION REPORT OF THE STATE OF WEST VIRGINIA'S OSCAR SYSTEM

A State's automated Child Support Enforcement (CSE) system must be comprehensive and statewide in order to be certified. By definition, a comprehensive system must meet all functional requirements in accordance with 45 CFR Part 307. These technical, administrative, operational and management requirements for automated Child Support Enforcement systems are further defined in ACF's publication, *"Automated Systems for Child Support Enforcement: A Guide for States."* *The Guide*, as it is referred to, provides specific requirements for automated Child Support Enforcement systems and defines eight (8) general areas of functional criteria these systems must support. These eight areas are: case initiation, locate, establishment, case management, enforcement, financial management, reporting, and security/privacy.

The findings and conclusions expressed in this certification review report should not be considered as an opinion or judgment as to the State's ability to meet Federal audit standards for Child Support Enforcement program requirements. Though the automated system was tested through the use of a system functionality questionnaire, test case scenario processing, and demonstration testing, not all system capabilities, limitations and/or defects can be identified through the limited testing conducted as part of a certification or compliance review.

The ACF/OCSE conduct program and financial audits of States' Child Support programs to determine their compliance with Federal laws and regulations governing the Title IV-D program. Automated Child Support systems, at all times, remain the responsibility of the State. These systems, developed with Federal assistance and guidance, serve States in their endeavor to implement effective and efficient Child Support programs encompassing all relevant political jurisdictions and program components.

Table of Contents

EXECUTIVE SUMMARY	1
1. INTRODUCTION	3
1.1 BACKGROUND	3
1.2 METHODOLOGY	4
2. FINDINGS AND RECOMMENDATIONS	6
2.1 FINANCIAL MANAGEMENT	7
2.2 IV-A/IV-D INTERFACE	9
2.3 CSENet INTERFACE	10
2.4 CASE MANAGEMENT	12
2.5 CREDIT BUREAU REPORTING	14
2.6 EFT/EDI CAPABILITY	14
2.7 OCSE-34 COLLECTIONS REPORT	16
3. IMPLEMENTATION ISSUES	17
4. MANAGEMENT FINDINGS	19

EXECUTIVE SUMMARY

At the request of the West Virginia Department of Health and Human Resources, the Administration for Children and Families (ACF) conducted a Level II certification review of West Virginia's On-line Support Collections and Reporting system (OSCAR) during the week of August 15 - 18, 1995. Draft review findings and recommendations were released, and the State made additional modifications and enhancements to the system. ACF conducted a follow-up review on April 23 - 25, 1996. This report presents the findings and recommendations from those two reviews.

Certification Findings and Recommendations

ACF conducted an initial Level I (functional) certification review of OSCAR in September 1994. That initial review focused on a detailed examination of the system's functionality with respect to established criteria in ACF's publication, *"Automated Systems for Child Support Enforcement: A Guide for States"*, and assessed the system in eight critical areas of functional comprehensiveness: case initiation, locate, establishment, case management, enforcement, financial management, reporting, and security/privacy. The Level I review team found OSCAR to be a well functioning automated system which, when complete, would be capable of supporting the requirements of the Family Support Act of 1988. However, the review team's findings, primarily in the area of financial distribution, prevented the ACF from granting Level I certification at that time.

The Level II review and subsequent follow-up review focused on those areas which did not meet certification requirements during the initial, Level I review. This report, which is exception based, presents the findings of those two reviews. It should be noted that, in general, only those OSCAR capabilities which do not meet the requirements for Level II certification are cited in detail. Recommendations for improvement or modification of OSCAR are provided when appropriate.

Overall, the Level II review team found OSCAR to be capable of supporting Title IV-D requirements, including the provisions of the Family Support Act of 1988, and for this reason recommended that OSCAR be conditionally granted (Level II) certification. This recommendation is based on the conclusion that the concerns identified in this report do not impede overall system functionality, and that these conditions can be easily corrected prior to a recertification review. However, based on the recommendations of this report, necessary modifications to the system must be made prior to the first anniversary of system certification.

Specifically, the review team found that OSCAR needs to be modified or enhanced in the following areas:

- IV-A/IV-D Interface
- OCSE-34 Collections Report.

The State of West Virginia is commended on this accomplishment, which can be largely attributed to the determination and competence of the professional staff assigned to the project.

PENALTIES ASSOCIATED WITH MISSING THE DEADLINE

There are two potential penalties for States not developing an automated statewide child support enforcement system in accordance with APD and State plan. Each mechanism has different triggers, processes, procedures and potential penalties.

1. 45 CFR 302.85 & (301.14) Out of Compliance with State plan

Potential Penalty: Loss of all IV-D enhanced and regular funding in future from date of decision.

2. 45 CFR 305.11 Audit penalties

Potential Penalty: Suspension of a portion of IV-A funding. The amount depends on whether the State has previous audit findings. 1-2% for first penalty, 2-3% for second, 3-5% for third time.

STATES CERTIFIED AS OF JUNE 1, 1997

<u>State</u>	<u>Date Report Issued*</u>
Montana	9/2/94 - conditional
Delaware	2/9/96 - conditional
Georgia	2/9/96 - conditional
Virginia	2/9/96
Washington	2/9/96
West Virginia	7/3/96 - conditional
Arizona	8/2/96 - conditional
Utah	8/22/96 - conditional
Connecticut	8/22/96 - conditional
Wyoming	8/22/96
Mississippi	12/16/96 - conditional
Louisiana	1/21/97 - conditional
New Hampshire	report not issued yet

NOTE: ACF considers all certifications to be full certifications regardless of whether or not there are conditions on the certification.



DEPARTMENT OF HEALTH & HUMAN SERVICES

RECEIVED

June 11, 1996 96 JUN 17 11:03

ADMINISTRATION FOR CHILDREN AND FAMILIES
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

Ms. Gretchen O. Lewis
Secretary
Department of Health and Human Resources
Capitol Complex, Bldg. 3, Room 206
Charleston, West Virginia 25305

cc: Sue Sergi
Danny Franco
Phil Weikle
Jeff Matherly
6 17 96 -- GOL

Dear Ms. Lewis:

It is with great pleasure that we grant conditional certification to the State of West Virginia's On-line Support Collections and Reporting System (OSCAR). We commend West Virginia on being one of the first States to have an automated Child Support Enforcement System certified as meeting the requirements of the Family Support Act of 1988.

Overall, the review team found OSCAR to be a well designed automated system, fully capable of supporting the requirements of the Family Support Act of 1988. The review team's findings did, however, include necessary modifications/enhancements which must be made to the system prior to granting unconditional certification. These findings are presented in the enclosed report.

Again, we congratulate the State of West Virginia, the State's Department of Health and Human Resources, and all those who have worked so diligently to make the OSCAR project a success. If you have any questions regarding our certification of OSCAR, please contact Ms. Robin Rushton at (202) 401-6519.

Sincerely

Mark E. Ragan
Director
Office of State Systems

Enclosure

cc: Ms. Martha J. Hill, IV-D Director, West Virginia
Mr. Martin Keeley, Acting Regional Administrator,
Region III/ACF
Mr. Norman Thompson, Director, OPS/ACF
Mr. David Ross, Deputy Director, OCSE/ACF
Mr. Joseph Costa, SSPS/ACF

WEST VIRGINIA
ON-LINE SUPPORT COLLECTIONS
AND REPORTING SYSTEM
(OSCAR)

LEVEL II CERTIFICATION
REVIEW REPORT
August 15 - 18, 1995
April 23 - 25, 1996



ADMINISTRATION FOR CHILDREN AND FAMILIES
OFFICE OF CHILD SUPPORT ENFORCEMENT



PREFACE TO THE CERTIFICATION REPORT OF THE STATE OF WEST VIRGINIA'S OSCAR SYSTEM

A State's automated Child Support Enforcement (CSE) system must be comprehensive and statewide in order to be certified. By definition, a comprehensive system must meet all functional requirements in accordance with 45 CFR Part 307. These technical, administrative, operational and management requirements for automated Child Support Enforcement systems are further defined in ACF's publication, *Automated Systems for Child Support Enforcement: A Guide for States.* The Guide, as it is referred to, provides specific requirements for automated Child Support Enforcement systems and defines eight (8) general areas of functional criteria these systems must support. These eight areas are: case initiation, locate, establishment, case management, enforcement, financial management, reporting, and security/privacy.

The findings and conclusions expressed in this certification review report should not be considered as an opinion or judgment as to the State's ability to meet Federal audit standards for Child Support Enforcement program requirements. Though the automated system was tested through the use of a system functionality questionnaire, test case scenario processing, and demonstration testing, not all system capabilities, limitations and/or defects can be identified through the limited testing conducted as part of a certification or compliance review.

The ACF/OCSE conduct program and financial audits of States' Child Support programs to determine their compliance with Federal laws and regulations governing the Title IV-D program. Automated Child Support systems, at all times, remain the responsibility of the State. These systems, developed with Federal assistance and guidance, serve States in their endeavor to implement effective and efficient Child Support programs encompassing all relevant political jurisdictions and program components.

Table of Contents

EXECUTIVE SUMMARY	1
1. INTRODUCTION	3
1.1 BACKGROUND	3
1.2 METHODOLOGY	4
2. FINDINGS AND RECOMMENDATIONS	6
2.1 FINANCIAL MANAGEMENT	7
2.2 IV-A/IV-D INTERFACE	9
2.3 CSENet INTERFACE	10
2.4 CASE MANAGEMENT	12
2.5 CREDIT BUREAU REPORTING	14
2.6 EFT/EDI CAPABILITY	14
2.7 OCSE-34 COLLECTIONS REPORT	16
3. IMPLEMENTATION ISSUES	17
4. MANAGEMENT FINDINGS	19

EXECUTIVE SUMMARY

At the request of the West Virginia Department of Health and Human Resources, the Administration for Children and Families (ACF) conducted a Level II certification review of West Virginia's On-line Support Collections and Reporting system (OSCAR) during the week of August 15 - 18, 1995. Draft review findings and recommendations were released, and the State made additional modifications and enhancements to the system. ACF conducted a follow-up review on April 23 - 25, 1996. This report presents the findings and recommendations from those two reviews.

Certification Findings and Recommendations

ACF conducted an initial Level I (functional) certification review of OSCAR in September 1994. That initial review focused on a detailed examination of the system's functionality with respect to established criteria in ACF's publication, *"Automated Systems for Child Support Enforcement: A Guide for States"*, and assessed the system in eight critical areas of functional comprehensiveness: case initiation, locate, establishment, case management, enforcement, financial management, reporting, and security/privacy. The Level I review team found OSCAR to be a well functioning automated system which, when complete, would be capable of supporting the requirements of the Family Support Act of 1988. However, the review team's findings, primarily in the area of financial distribution, prevented the ACF from granting Level I certification at that time.

The Level II review and subsequent follow-up review focused on those areas which did not meet certification requirements during the initial, Level I review. This report, which is exception based, presents the findings of those two reviews. It should be noted that, in general, only those OSCAR capabilities which do not meet the requirements for Level II certification are cited in detail. Recommendations for improvement or modification of OSCAR are provided when appropriate.

Overall, the Level II review team found OSCAR to be capable of supporting Title IV-D requirements, including the provisions of the Family Support Act of 1988, and for this reason recommended that OSCAR be conditionally granted (Level II) certification. This recommendation is based on the conclusion that the concerns identified in this report do not impede overall system functionality, and that these conditions can be easily corrected prior to a recertification review. However, based on the recommendations of this report, necessary modifications to the system must be made prior to the first anniversary of system certification.

Specifically, the review team found that OSCAR needs to be modified or enhanced in the following areas:

- IV-A/IV-D Interface
- OCSE-34 Collections Report.

The State of West Virginia is commended on this accomplishment, which can be largely attributed to the determination and competence of the professional staff assigned to the project.

