

Performance Audit:

Child Support Services

Durham County Internal Audit Department

November 2, 2022



Internal Audit Department

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November 2, 2022

Ms. Kimberly Sowell, PhD County Manager

Dear Dr. Sowell:

Internal Audit completed its audit of Child Support Services (CSS) in the Department of Social Services (DSS). The audit objectives focused on determining whether:

- 1. Internal controls provide reasonable assurance that CSS achieves and maintains compliance with Federal and State statutes and regulations;
- 2. Any relevant corrective actions from previous audits have been appropriately addressed;
- 3. Written policies and procedures sufficiently explain Child Support's practices, and local and federal requirements to ensure consistency in application;
- 4. CSS payments are processed according to legal court orders and disbursed within guidelines;
- 5. Related journal entries are prepared, entered accurately, and reviewed promptly; and
- 6. Employees receive the required training.

Satisfactory controls are in place to ensure Child Support Services' compliance with federal and state statutes and regulations, as well as internal guidelines. Previous State, External and Internal audits contained no actionable findings to follow up on in CSS. Child Support collections and disbursements are handled by North Carolina Central Collections in accordance with legal court orders. The application fees collected by CSS, are receipted, deposited, and journaled appropriately. In addition, Child Support staff received state-required annual trainings as outlined

in the state Child Support Enforcement Manual. However, Child Support policies and procedures need strengthening to include staff training, client contact scripts, acceptable identification, administrative reporting, and regulatory references. Further, the timeliness of application fee receipts and deposits, and deposit validation, Quality Assurance and Training, and child support case files requires attention as recommended in the findings in this Report. This Report also includes findings related to written safekeeping processes and the storing of unnegotiated checks, and undelivered employee purchase cards located in the Business Office safe. Management responses to the findings provide reasonable corrective actions and timeframes for completion. **Please note that none of the findings in this Report are material.**

The audit team appreciates the DSS director and his team's cooperation and assistance during this audit engagement.

Sincerely,

Darlana M. Moore

Darlana M. Moore, Internal Audit Director

INTRODUCTION

The audit was approved by Audit Oversight Committee in the fiscal year 2023 Annual Audit Plan. The audit was conducted to identify and evaluate operational processes designed for regulatory compliance in Child Support Services.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. \(^1\)

Performance audits are defined as audits that provide findings or conclusions based on an evaluation of sufficient, appropriate evidence against criteria. Performance audits provide objective analysis to assist management and those charged with governance and oversight in using the information to improve program performance and operations, reduce costs, facilitate decision-making by parties with the responsibility to oversee or initiate corrective action and contribute to public accountability.²

Some information within the Report has been redacted to protect personal information. In no way does this redacted information distort the report.³

BACKGROUND

In 1975, federal law required that all states establish programs to aid in the establishment and collection of child support, ensuring that both parents support their children. The North Carolina Child Support Services program is administered by the North Carolina Department of Health and Human Services, Division of Social Services. Durham County's Child Support office is administered under the Department of Social Services. Services are available to anyone, regardless of income; parents and/or nonparent caretakers of minor children. CSS is responsible for locating noncustodial participants, the establishment of paternity, the establishment or modification of child support orders, and the enforcement of child support orders. The North Carolina Child Support Services Central Office is responsible for the collection and processing of child support-ordered payments.

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¹ Comptroller General of the United States, *Government Auditing Standards*, Washington D.C.: U.S. Governmental Accountability Office, 2018, p.194.

² Comptroller General of the United States, *Government Auditing Standards*, Washington D.C.: U.S. Governmental Accountability Office, 2018, p.217.

³ Comptroller General of the United States, Government Auditing Standards, Washington D.C.: U.S. Governmental Accountability Office, 2018. p.125.

⁴ Child Support Services Manual: Child Support Program Basics, (North Carolina Department of Health and Human Services – Division of Social Services) 1-2.

AUDIT OBJECTIVES

The audit objectives were to determine whether:

- 1. Internal controls provide reasonable assurance that CSS is managed in compliance with Federal and State statutes and regulations,
- 2. Any relevant corrective actions from previous audits have been appropriately addressed,
- 3. Written policies and procedures sufficiently explain Child Support's practices and local and federal requirements to ensure consistency in application,
- 4. Accurate CSS payments are processed by legal court orders and disbursed within guidelines,
- 5. Related journal entries are prepared, entered accurately, and reviewed promptly, and
- 6. Employees receive the required training.

AUDIT SCOPE AND METHODOLOGY

The audit scope included activities performed and transactions completed during fiscal year 2022 (July 1, 2021 – June 30, 2022). To conduct our audit, we:

- 1. Reviewed the organizational chart, departmental policies and procedures, reports, spreadsheets, forms, and State policies and procedures;
- 2. Researched and reviewed State, Federal, and Local regulations related to Child Support Services;
- 3. Inquired of management regarding any investigations or legal proceedings of potential fraud or exposure;
- 4. Discussed CSS processes with program managers;
- 5. Performed testing to determine compliance with regulatory requirements, internal controls, and policies and procedures; and
- 6. Inventoried the safe in the Business Office.

We judgmentally selected a sample of 25 Child Support case files.

CONCLUSIONS, FINDINGS, AND RECOMMENDATIONS

Internal Audit identified findings and discussed conclusions and recommendations below.

Application Fee Receipts and Deposits

Receipts are not always turned over by Child Support to the Business Office by the following business day. Deposits are not always made by the Business Office to the bank the following business day when total deposits exceed \$100, per CSS and Business Office policies. Additionally, application fee receipts do not always agree to the Log of Cash Receipts and/or to the deposit slip. Specifically,

• Sixty out of 102 (59%) receipts were not turned over by CSS to the Business Office by the next business day.

- Nineteen out of 102 (19%) receipts exceeding \$100 were not deposited in the bank the following business day after CSS turned them over to the Business Office.
- Twelve out of 102 (12%) receipts did not reconcile to either the deposit slip or the deposit form sent to Finance. These reconciliation differences stem from date differences, incomplete receipts, and dollar amount differences.
- Three out of 102 (3%) receipts did not agree to the DSS Log of Cash Receipts. These differences stem from incomplete receipts, incorrect dollar amount on receipt, and incorrect receipt date on receipt.

Delayed processing and depositing of receipts affect all units serviced by the Business Office. Holding cash and cash equivalent on hand for extended periods of time creates opportunities for received payments to be misplaced or stolen.

Recommendation: All payments and receipts should be delivered to the Business Office daily. In addition, a specific time of day to receive payments and receipts and processing of deposits should be established to ensure payments are processed and deposited promptly.

Management Response: Management agrees with this finding. The Business Office has implemented a process starting April 2022 to collect from Child Support daily. The Business Office will have a manager-level or designee review weekly to ensure deposits are completed daily. The Business Office will conduct training with staff to ensure that these processes are understood and followed. Additional training will be conducted for timeliness, process of completing the paperwork, and reconciliation. **Proposed Completion Date: November 30, 2022.**

Deposit Validation

Bank deposit receipts/validation are not part of the deposit package retained by the Business Office. Further, Business Office deposit packages, are not stored in Laserfiche as stated in the policy. The bank receipt serves as verification that the deposit was made, agrees with the deposit slip, and should be a part of all deposit packages. Without the validated bank receipt, the deposit package does not have proof of the deposit nor is the deposit amount in agreeance with the amount received by the bank.

Recommendation: We recommend that validated bank deposit receipts be maintained by the Business Office as part of their deposit package and that all deposit packages be stored in Laserfiche.

Management Response: Management agrees with this finding. As part of our supporting documentation the Business Office will copy the validated bank ticket. **Proposed Completion Date:** October 31, 2022

Child Support Policies and Procedures

The Child Support Handbook does not contain policies and procedures relating to the areas below:

- Training and Certifications,
- Telephone/interview scripts,
- Client identification/acceptable identification,
- Timing and frequency of administrative reports,
- Acronym and court document appendices, and
- System Screen Shots.

Not having these items in the handbook increases the risk of non-compliance with laws and regulations and is a missed opportunity to refresh staff on compliance requirements for this highly sensitive program.

Recommendation: We recommend that CSS management update the Child Support Handbook to include procedures for the areas mentioned above. And, as appropriate, procedures should refer to related requirements of the North Carolina Child Support Services Policy Manual. In addition, we recommend that management make any needed adjustments, review, and formally approve the handbook annually. Management must initial and date the revised handbook.

Management Response: Management agrees with finding. Have adopted updates completed by Auditors and will review and update as a living document annually. **Proposed Completion Date:** December 6, 2022, ongoing updates as needed.

Quality Assurance and Training

Quality Assurance & Training (QAT) does not have formal operating policies and procedures. Further, QAT is not effectively using the QAT tool. The QAT tool's corrective action due date and date of corrective action selections are not used by CSS staff or QAT reviewers. Without this information, QAT's management report is unreliable, and staff does not make corrective action a priority. As a result, errors identified by QAT can go uncorrected for long periods of time.

Recommendation: We recommend that QAT formally develop detailed policies and procedures. In addition, we recommend that management review this document annually and make any needed adjustments. Management must initial and date the revised policies and procedures.

We also recommend that QAT utilize corrective action due dates and document the final date of corrective actions within the QAT tool.

Management Response: Management agrees with the finding. QAT record review practices will be developed and approved by the CATD Assistant Director by December 7, 2022. Entering correction due dates on quality assurance record reviews was re-established on October 1, 2022. **Proposed Completion Date:** QAT practices to be approved by December 6, 2022. Correction due dates were re-

Child Support Case Files

The following exceptions were noted during our CSS case file review:

- One out of 25 (4%) cases had only four of the six required Laserfiche folders
- One out of 25 (4%) cases did not have a signed MOU regarding the inclusion of address in the Laserfiche file
- One out of 25 (4%) cases did not have a signed MOU between the client and Durham County in the Laserfiche file
- Four out of 25 (16%) cases did not have birth certificates in the Laserfiche file
- One out of 25 (4%) cases did not have a signed affidavit of parentage in the Laserfiche file
- One out of 25 (4%) cases did not have a supplemental data sheet in the Laserfiche file
- Five out of 25 (20%) cases did not have all of the required photo IDs in the Laserfiche file
- Two out of 25 (8%) cases did not appropriately document payment of the application fee
- One out of 25 (4%) cases have an incorrect EIS number in ACTS
- Two out of 25 (8%) cases have an incorrect AFDC Worker number in ACTS
- Three out of 25 (12%) cases have an incorrect Medicaid status for the client in ACTS
- Eight out of 25 (32%) cases did not have all case files scanned into Laserfiche
- In three out of 25 (12%) cases, the IV-D status in ACTS did not agree with NCFAST
- Two out of 25 (8%) cases did not have a source for the verification of client address in ACTS
- Two out of 25 (8%) cases did not have a verification date for the client address in ACTS
- Two out of 25 (8%) cases did not have an appropriate ACTS event for verifying the client's address
- Two out of 25 (8%) cases did not properly document verification of NCP address
- Two out of 25 (8%) cases had a paternity indicator incorrect on screen C8A
- One out of 25 (4%) cases did not have a paternity event created when paternity was established by the Affidavit of Parentage
- One out of 25 (4%) cases did not have a signed genetic test waiver from the NCP
- Two out of 25 (8%) cases did not have notes entered on applicable events
- One out of 25 (4%) cases did not retain verification of income in the Laserfiche file
- One out of 25 (4%) cases did not begin enforcement action upon delinquency of one full month's obligation
- One out of 25 (4%) cases did not have notes on their closure event
- One out of 25 (4%) cases did not remove the barrier once it was placed
- One out of 25 (4%) cases did not document the results of a review

Management did not catch these errors during their review. Errors in the case file information could result in delayed child support court orders, misapplication of support payments, client not receiving the payment, or a payee not receiving credit for making a payment.

Recommendation: We recommend that management review cases regularly to ensure case files are complete and processed in accordance with applicable laws and regulations. Further, management must provide a date corrective action is due.

Management Response: Management agrees with findings and will continue to offer and encourage state and in-house training opportunities, and members of the supervision team will conduct 1 review per agent per month to ensure reduction in case error as is the expectation outlined in their individual work plans. Supervisors are entering due dates on the QC upon completion of a case review and will follow-up with system updates for outstanding reviews once the QC system has been updated. Case updates that can be completed have been as of October 26, 2022.

Proposed Completion Date: Effective immediately, October 26, 2022, and ongoing.

General Ledger

During our review of Child Support deposits, we noted that one out of 12 (8%) IV-D Fees deposits was incorrectly documented as a Food Stamp deposit on the deposit form. That deposit form was sent to Finance and subsequently posted to the incorrect general ledger account. The posting of IV-D fees into the incorrect general ledger account overstates the Miscellaneous Revenue account by \$200 and understates the IV-D Fees account by \$200.

Recommendation: We recommend that the erroneous entry be adjusted to correct the erroneous posting of IV-D fees into Miscellaneous Revenue. We also recommend the Business Office closely review deposit forms for accuracy before sending them over to Finance.

Management Response: Management agrees with this finding. This was a simple oversight, and we will educate staff on the importance of accuracy, and this will be included as part of our additional training for timeliness, process of completing the paperwork, and reconciliation. **Proposed Completion Date:** November 30, 2022.

Vault Inventory Policies and Procedures

Business Office policies and procedures do not include detailed instructions as to how to inventory all assets within the vault. Not having inventory procedures detailed could result in missing funds and/or inaccurate accounting and tracking of assets.

Recommendation: It is recommended that policies and procedures be updated to include, at minimum:

- The document used to conduct the inventory.
- Who reviews the document?
- Where the document is housed and for how long.
- How the total value of assets within the vault is documented and tracked.

Management Response: Management agrees with this finding, and we will update our policy to include the recommendations provided by Internal Audit. Business Office would also like to research with county IS&T if there is an application/program that would assist with inventory

tracking systems. Making it more of an automated process instead of manual process using massive spreadsheets. **Proposed Completion Date:** November 30, 2022.

Unnegotiated Checks and Employee Purchase Cards

As part of our inventory of the Business Office safe, we noted 17 unnegotiated checks payable to Durham County and four undistributed P-Cards maintained in the safe. The 17 unnegotiated checks totaled \$12,489 and the P-Cards with a spending limit of \$1,000 each. The risk of mishandling unnegotiated checks and P-Cards increases when held for more than 30 days. Checks become stale-dated and could become nonnegotiable as a deposit. Further, P-Cards are subject to fraudulent charges.

Recommendation: Checks that don't belong to DSS should be turned over to the correct owner within 5 business days. If DSS is unable to determine who the owner is, the check(s) should be deposited or forwarded to Finance for disposition.

P-cards should be picked up by, or distributed to, the cardholder within one week.

Management Response: Management agrees with this finding. To address the unnegotiated checks we are going to change our policy to not hold checks while waiting on information from program. Instead, we will go ahead and deposit. When the Business Office receives replacement P-Cards we will notify the recipient and now impose a deadline for them to come pick up their card. **Proposed Completion Date:** November 30, 2022.

Business Office Vault Inventory

We inventoried the contents of the Business Office vault. The following items were listed on the Master Log, but were missing from the vault:

- One hundred 1-day Go Durham bus passes valued at \$2 each
- Six 7-day Go Durham bus passes valued at \$12 each
- One hundred 31-day Go Durham bus passes valued at \$36 each
- Forty-one 1-day Triangle Transit bus passes valued at \$4 each
- Ten 31-day Triangle Transit bus passes valued at \$64 each

These missing bus passes total \$4,676.

The following items were counted in the vault, but were not included on supporting Master Logs:

- One 31- day Go Durham bus pass valued at \$36
- Twenty-five McDonald's food cards valued at \$10 each
- Eighteen Initial Clothing Vouchers valued at \$250 each
- Twenty-nine Initial Clothing Vouchers valued at \$350 each

These items total \$14,936.

Business Office policy requires quarterly audits of the safe. Per management, the contents are audited on a rotational basis. The quarterly audits performed did not catch the variances between the actual inventory in the safe and the inventory recorded on the master log.

Recommendation: Management must investigate the \$4,676 of missing bus passes to determine whether they were improperly or fraudulently removed, or if the tracking spreadsheet was not properly updated. In addition, management should review policies surrounding the tracking of these assets. After review, the policy should be updated and/or additional training should occur to ensure accurate tracking of assets within the vault.

Management Response: Upon research it was found that the missing items found in the amount of \$4,676 were in the vault or signed out. We do recognize that Business Office staff did not update the master log to show the items listed below were signed to identified Departmental staff members, with the exception of the 1-day bus passes which were in the safe.

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Item Type	Cost	Beg. Card #	End. Card #	Count Missing	Total Cost
7-day bus pass	\$ 12.00	3305764	3305769	6	\$ 72.00 *issued to pn 11/15/19 (see attached Excel spreadsheet
31-day Triangle Transit	\$ 64.00	1670756	1670765	10	\$ 640.00 *issued to on 12/18/19 (see signed Food Card/Bus Pass Issuance Form)
1-day TT bus pass	\$ 4.00	1670665	1670705	41	\$ 164.00 *issued to on 12/18/19 (see signed Food Card/Bus Pass Issuance Form)
31-day bus pass	\$ 36.00	2116682	2116781	100	\$ 3,600.00 *issued to (Medicaid Transportation) on 12/21/18 (see signed Food Card/Bus Pass Issuance Form)
1-day bus pass	\$ 2.00	692250	692350	100	\$ 200.00 *cards are located in the safe* (see attached photo)



- Twenty-five McDonald's food cards were in the vault but was not added to the master log. The log has been updated.
- Eighteen Initial Clothing Vouchers valued at \$250 each and the twenty-nine Initial Clothing Vouchers valued at \$350 each. After researching these were on the master log but there appears to have been a discrepancy between the card number listed and what Internal Audit was referencing.

Business Office would also like to research with county IS&T if there is an application/program that would assist with inventory tracking systems. Making it more of an automated process instead of a manual process using a Master Log (massive spreadsheets). We will continue to educate staff on the importance of accuracy and timeliness.

Proposed Completion Date: November 30, 2022.