

Digest of A Performance Audit Of Utah's Office of Recovery Services

This audit was initiated in response to a Legislative Process Committee request for an in-depth budget review of the Office of Recovery Services (ORS). In addition to the in-depth review, we were asked to determine if appropriate collection methods were used by the Bureau of Child Support Services (BCSS). Also, we reviewed the Bureau of Investigations and Collection's (BIC) effectiveness at detecting and deterring welfare fraud. This audit identifies four areas of concern. First, there seem to be few consequences for those people who commit welfare fraud. Second, stronger judicial action is justified in some child support cases but is not taken by BCSS. Third, BCSS child support collections could increase by as much as \$2.9 million if more determined collection approaches were made. Fourth, AFDC collections need to be improved. Because of a greater focus by caseworkers on non-AFDC cases, as much as \$1.7 million in FY 1993 AFDC collections were lost.

The ORS was established in 1975 and is located within the Department of Human Services (DHS). ORS is charged with collecting assigned child support for welfare recipients, collecting child support for other custodial parents upon their request, providing payment transfers from the non-custodial parent to the custodial parent for all child support orders established or modified after January 1994 as required by federal mandate, and recovering other debts such as benefit overpayments for DHS. To accomplish their mission, ORS has established two bureaus: The Bureau of Child Support Services and the Bureau of Investigations and Collections.

Since its establishment, BCSS's collections have increased dramatically and staffing has increased moderately. In FY 1977, the BCSS had 73 line employees and collected approximately \$3.2 million. In FY 1993, the BCSS had 256 line employees and collected \$58.8 million. Thus, over a seventeen year period, the number of BCSS employees tripled while collections multiplied 18 times over. BIC's collections have also grown dramatically over time while staffing has grown moderately. In FY 1977, the BIC had 25 line employees and collected \$1.4 million. In FY 1993, the BIC had 101 line employees and collected \$14 million. Thus, over a seventeen year period, the number of BIC employees quadrupled while collections grew 10 times.

The following summaries identify the most significant findings and conclusions of the audit:

Little Consequence Exists For Those Committing Welfare Fraud. The occurrence of welfare fraud along Utah's Wasatch Front is often detected by the BIC but goes largely unpunished in any substantive measure. The result is that DHS lacks an aggressive effort in deterring fraud. We have concerns in four areas. First, welfare disqualifications are not properly enforced. The disqualification is the primary tool used by the state to control welfare violations. Serious violators (those defrauding the system) are denied benefits. Our test sample shows that the majority of program violators who were to be disqualified

were not denied any benefits or most likely will not be denied any benefits upon returning to the welfare system. Second, fraud referrals to rural Utah are often not investigated. In fact, our test sample found only 12 percent which were investigated. As a result, fraud in the rural areas goes largely undetected and unpunished. Both the problems with disqualifications and rural fraud investigations stem from poor communication and role confusion between BIC and the Office of Family Support (OFS) which is supposed to act on disqualifications and perform rural fraud investigations. Third, we noted that little effective action is taken to deter the incidence of public assistance check fraud. Penalties of criminal prosecution and disqualifications are for the most part not enforced. Furthermore, past actions to recover overpayments from recipients have taken excessive amounts of time which could contribute to the problem of repeat check fraud. Fourth, BIC should place greater emphasis on fraud deterrence through a more aggressive criminal prosecution effort. Currently, BIC prosecutes less than 1 percent of investigated cases, far less than what is done in other states. BIC could refer more cases for criminal prosecution if their prosecution criteria were changed.

Stronger Judicial Action Is Justified. BCSS needs to more aggressively pursue judicial enforcement when non-custodial parents do not pay child support. Our analysis indicates that 17 percent meet the criteria for judicial enforcement action; however, no judicial action has occurred. This is regrettable since judicial enforcement remedies can be effective in collecting child support from resistive non-custodial parents. It appears that many BCSS caseworkers do not use judicial enforcement because of perceptions of judicial remedies.

Child Support Collections Can Increase. BCSS collects 38 cents for every child support dollar owed. This overall rate could possibly be increased to 43 cents by improving regional collection rates. In FY 1993, an increase of 5 cents per dollar owed would have resulted in an additional \$2.9 million in collections. There are significant collection rate differences among the regions. Specifically, the Salt Lake region, which has 50 percent of the caseload, has the lowest regional collection rate. These collection rates have the potential to improve based on an analysis of regional income data. We believe collection rate improvement can result from a more determined approach to case management. Specifically, caseworkers need to actively monitor non-paying cases frequently for circumstantial changes. In addition, caseworkers need to show more initiative and less passive and reactive behavior.

AFDC Collections Need Improvement. Collection percentages for Aid-To-Families-With-Dependant-Children (AFDC) cases have fallen while collection percentages for non-AFDC cases have risen. AFDC collections are an important revenue source to the state because the state keeps 25 percent of all AFDC money collected. The federal government gets the remaining 75 percent. Because AFDC collection percentages have fallen, we estimate the state lost as much as \$1.7 million in AFDC collections in FY 1993. Caseworkers maintain that this shift

from AFDC to non-AFDC collections has occurred because non-AFDC custodial parents demand their time whereas AFDC custodial parents do not. Other child support collection agencies are trying to manage the impact of non-AFDC clients.