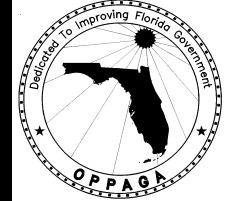




Office of Program Policy Analysis And Government Accountability



John W. Turcotte, Director

January 3, 1997

Review of the Collection and Disbursement Processes of the Florida Child Support Enforcement Program

Report Abstract

- Florida's current system for collecting and disbursing child support payments will not meet new federal requirements and is facing a serious funding shortfall in many counties.
- We evaluated four options for addressing these problems. Two of these options may be desirable. Privatizing the collections and disbursement process would meet federal requirements and would save an estimated \$2 million to \$4.3 million annually. The option of privatizing collections but retaining the role of the Clerks of the Circuit Court in disbursing payments would produce the least disruption to the current system and may produce undetermined savings. However, this option may not meet the federal requirement for a single statewide computer system.
- The Legislature could take no action to resolve the Clerks' funding shortfall. However, this could be interpreted as an unfunded local mandate. Feasible options for addressing this shortfall include: changing delinquency notice requirements, which would save \$500,000 annually, and raising payment handling fees charged to parents.

Purpose

Chapter 96-305, Laws of Florida, directed OPPAGA to review the state's process for collecting and disbursing child support payments. Our purpose was to determine whether the state will be in compliance with federal requirements and to identify strategies to increase efficiency in processing child support payments.

Background

Parents are responsible for the financial support of their minor children. However, when parents separate and the non-custodial parent fails to fulfill this responsibility, the minor children may require public assistance such as Aid to Families with Dependent Children or Medicaid. To reduce or avoid these costs, federal and state governments have established child support enforcement programs. The federal program, established in 1975, set standards and provided funding for state child support enforcement programs. In 1996, Congress enacted the Personal Responsibility and Work Opportunity Reconciliation Act, also known as the Federal Welfare Reform Act, which mandates additional program requirements, including establishing a state disbursement unit and one location for receiving support payments made through income withholding orders.

The Department of Revenue (DOR) administers the Florida Child Support Enforcement Program, which includes collection, disbursement, and enforcement

activities. DOR is responsible for taking a variety of enforcement actions when parents fail to pay child support, including court actions and intercepting government payments to these parents. DOR shares some program functions with the Clerks of the Circuit Court, who operate child support payment depositories in their counties.¹ Clerks maintain specified child support case data and receive and disburse child support payments. These payments may be made by cash or check, or may be withheld from the wages of parents and sent to Clerks by employers. Clerks also must send delinquency notices and file judgements when parents fail to pay support; these judgements create a lien against property owned by these parents.

The Program serves two types of cases, IV-D and private. Families who receive public assistance or request state assistance with child support collections and enforcement are referred to as IV-D cases. Clerks transmit payments received for IV-D cases to DOR by check or electronic fund transfer. Clerks also transmit payment information via the Florida Association of Court Clerks' Child Support Enforcement (CSE) computer system to the state's FLORIDA computer system.² The FLORIDA system calculates the amount of each payment to be distributed to the custodial parent and the amount of payment to be retained by the state to offset public assistance payments. Payments are then disbursed by the Comptroller to IV-D families. Total processing time from the date the payment is received to check disbursement is about three to four days.³

Families who do not receive public assistance are not required to use state child support enforcement services; they may establish and enforce support

¹ Child support payments are submitted to the Clerk in the county in which the custodial parent resides. In 66 counties, depositories are administered by the Clerk of the Circuit Court, while in Broward County this function is administered by the Support Enforcement Division within the County Finance Office.

² The FLORIDA system is operated by the Department of Health and Rehabilitative Services, which will become the Department of Children and Families on January 1, 1997.

³ Public assistance payments, which take longer to disburse than other IV-D payments, are disbursed the month after they are collected. According to DOR data, payments made during July through September 1996 were disbursed five to eight days after the end of the month collected, which can be more than 30 days from payment to disbursement. This time period meets federal requirements.

orders through private attorneys. These cases are referred to as private cases. Clerks disburse support payments for private cases directly to the custodial parent. Processing time for private cases is about one to two days.

The total statewide cost of Florida's child support collection and disbursement processes in fiscal year 1994-95 was \$24.6 million. DOR cost was approximately \$4.8 million. The remaining \$19.8 million were costs incurred by Clerks and the Clerks' Association. Historically, state program costs have been funded by state general revenue and federal reimbursement and incentive funds. Clerks' costs are funded primarily by handling fees charged to parents making support payments. This fee is 4% of each payment, with a \$1.25 minimum fee and a \$5.25 maximum. (Clerks retain about 80% of these fees and the balance, about 20%, is deposited in the Child Support Enforcement Collection System Trust Fund and used to fund the CSE computer system.)

The Program processed over \$700 million in child support payments in fiscal year 1994-95; about half the funds were for IV-D cases, and half for private cases.

Findings

Florida's system for collecting and disbursing child support payments will not meet new federal requirements and must address a funding shortfall.

Florida's Child Support Enforcement Program is facing two problems. First, the 1996 Federal Welfare Reform Act establishes new requirements for state child support programs that Florida's current program will not meet. Second, the child support program has been operating at a deficit in many counties. These deficits are likely to increase because a law passed by the 1996 Legislature will reduce Clerks' fee revenues for processing support payments by about \$4.9 million annually. This funding shortfall needs to be resolved.

To remain eligible for \$113 million per year in federal child support funding, Florida must comply with

provisions of the 1996 Federal Welfare Reform Act. The Act establishes several new requirements for state child support programs. Each state must establish a single location to which employers can send child support income withholding payments, and each state must establish and operate a unit that disburses child support payments. These operations must be in place by October 1, 1998. Federal law also requires states to have a single statewide computer system for their child support programs. This system must receive federal certification by October 1997.

Florida's current system does not meet these requirements. Presently, Clerks in each of the 67 counties receive income withholding payments. This process does not comply with the requirement for a single payment location. Also, each Clerk plus DOR currently disburse child support payments; this arrangement of linking the local depositories needs special federal approval to meet the state disbursement unit required by federal law. Finally, new state requirements may jeopardize Florida's ability to comply with the federal requirement to have a single statewide computer system. 1996 state legislation directs DOR to enter into cooperative agreements that will enable Clerks to receive federal funds for their IV-D activities. Federal officials indicate that if these agreements are signed, the federal government will consider the state to have two computer systems, CSE and FLORIDA. The state would have to apply for an alternative computer system waiver to meet federal requirements.

The second problem is that the Clerks' child support activities are operating at a deficit that is expected to worsen in coming years. Currently, the Clerks' activities are largely funded by a handling fee paid by parents making support payments. Based on information provided by 37 Clerks, these fees generated about \$15.4 million in fiscal year 1994-95.

⁴ However, 26 Clerks reported they did

⁴ To obtain cost data, we surveyed Clerks and reviewed a draft study of six Clerks offices conducted by David Griffith & Associates. This study examined Clerks' operations in Bay, Walton, Manatee, Highlands, Hillsborough, and Orange counties.

not collect sufficient fees to offset their processing costs. These Clerks reported a shortfall of \$3.6 million in fiscal year 1994-95, which was covered by other operations or local tax revenues. This deficit will worsen in the future.

Chapter 96-305, Laws of Florida, provides that as of July 1, 1997, Clerks may no longer deduct the handling fee from support payments unless the parent makes the full payment due, including the fee. The change is intended to allow more money to go to custodial parents. As a result, fee collections for Clerks will be reduced because Clerks will not be able to collect the fee if parents make only partial payments or if support orders do not include the fee. A recent study by the Clerks' Association projected that fee revenues will be reduced by approximately \$4.9 million statewide.⁵ This shortfall will need to be addressed.

Several options could resolve these problems with the child support collection and disbursement processes.

To assess options the Legislature may wish to consider in addressing the problems facing the Child Support Enforcement Program, we contacted other states and held discussions with DOR staff, Clerks, judges, business and bank representatives, and parent groups. We evaluated four options that should allow Florida to meet the new federal requirements.⁶ These are:

- Centralizing the collection and disbursement process within the Department of Revenue; or
- Privatizing the collection and disbursement process by contracting with a bank to collect and disburse all child support payments; or
- Privatizing the collection process by contracting with a bank to collect child support payments but continuing to use Clerks to disburse these funds; or
- Privatizing some of the collection process by contracting with a bank to collect income withholding payments but continuing to use

⁵ Letter report dated October 17, 1995, by the Florida Association of Court Clerks and Comptrollers to the House Committee on Judiciary.

⁶ The U.S. Department of Health and Human Services would need to certify compliance under each of the options.

Clerks to collect other types of payments and to disburse these funds.

In evaluating these options we considered several criteria: cost, timeliness of payment processing, streamlining the process, and accountability to the federal government for administering the federal Child Support Enforcement Program.

A summary of the impacts of these options is shown in Exhibit 1. We determined that two of the options, privatizing the collection and disbursement process, or privatizing the collection process but retaining the Clerks' role in disbursing funds, are preferred and offer several advantages over the current system.

All options would retain the Clerks' responsibility to keep court records and DOR's role in monitoring compliance with federal requirements. Each of the options would also continue using the CSE and FLORIDA computer systems to link child support and welfare payment information; the CSE computer system would need to be upgraded to allow sharing of "real time" payment and case information. According

to the Clerks' Association, this upgrade is estimated to cost \$750,000.

Option 1: Centralize the Collection and Disbursement Process Within the Department of Revenue

In this option, DOR would collect and disburse all private and IV-D child support payments. Parents would send all support payments and employers would send all income withholdings to DOR. DOR, through the Comptroller, would disburse these payments to custodial parents.

A single entity would process all payments, which may improve timeliness as the need to transfer funds

Exhibit 1

Summary of Option Impacts

Criteria	Option 1 Centralize the Collection Process Within DOR	Option 2 Privatize Collection and Disbursement	Option 3 Privatize Collection Process	Option 4 Privatize Some of the Collection Process
Potential cost savings	Unknown ¹	\$2 million to \$4.3 million ²	Unknown	Unknown
Timeliness of IV-D non-public assistance payments	2 days	2 days	2-3 days	2-3 days - Income Withholding 3-4 days - Other Payments
Simplifies process	YES	YES	YES	NO
State able to enforce federal requirements	YES	YES	NO	NO

All Four Options Could Comply With Federal Requirements				
A state disbursement unit	YES	YES	Requires special federal approval ³	Requires special federal approval ³
One location for income withholdings	YES	YES	YES	YES
Single statewide computer system requirement	Uncertain ⁴	Uncertain ⁴	Uncertain ^{4,5}	Uncertain ^{4,5}

¹ The Department of Revenue could not provide cost estimates for this option.

² If Florida contracts for \$1 per transaction.

³ Special federal government approval needed to link Clerks offices to establish the State Disbursement Unit.

⁴ It is unknown at this time whether the federal government will certify the FLORIDA computer system.

⁵ If cooperative agreements are extended to the Clerks a federal waiver will be needed to meet the single statewide computer system requirement.

Source: Florida Legislature, Office of Program Policy Analysis and Government Accountability summary analysis.

and data between Clerks and DOR would be eliminated. DOR's activities would be funded through existing general revenue, available federal funds, and processing fees set to recover costs. Cooperative agreements between DOR and the Clerks would not be needed because the Clerks' role would be limited to their court record-keeping functions; this would facilitate Florida's compliance with the federal requirement for a single statewide computer system. Finally, this option would streamline the process and improve accountability as a single entity would perform all program functions, which are now divided between DOR and the 67 Clerks.

However, this option is not practical for several reasons and is opposed by DOR. This option would significantly increase DOR's workload, as the Department would have to assume the responsibilities that Clerks currently perform in collecting and disbursing support payments. Further, according to DOR staff, the current FLORIDA computer system could not process the increased caseload created if DOR processed payments from the private support cases that Clerks currently process. Clerks report they process approximately 1.8 million payments from private cases and approximately 3.7 million payments from IV-D cases per year. DOR staff were unable to estimate the fiscal impact of this option, but asserted it would significantly increase program costs and require additional staff and funding. DOR managers opposed this option, asserting that it would be more efficient to use a bank rather than a state agency to process payments.

Option 2: Privatize the Collection and Disbursement Processes

Under this option, DOR would contract with a central collections processing center (e.g., a bank) to collect all child support payments, including income withholdings from employers and payments from parents. The bank would disburse these payments to custodial parents. Thus, the Clerks' role in the child support program would be minimized to court record-keeping, and DOR would perform contract monitoring in addition to its child support enforcement functions.

This option is proposed by DOR. Under DOR's proposal, all payment data would be processed by the FLORIDA computer system. However, it is questionable whether the FLORIDA computer system could process the increased caseload. DOR could not estimate the costs of upgrading FLORIDA to process these payments. To avoid this cost, the bank's computer database of accounts for child support payments could have an identifier in each account that would indicate whether the account was IV-D or private. Such an identifier is currently generated by DOR and used by the 67 County Clerks to distinguish between IV-D and private cases. The CSE system administered by the Clerks should be used to transmit payment data between the bank and DOR. The CSE system would send only data on IV-D payments to the FLORIDA system so that it would not be overloaded.

This option offers several advantages over the current system. It streamlines the collection and disbursement system because a single entity would process all payments. This could speed up disbursement, enabling parents to receive support payments faster. In Connecticut and Colorado, where this option is used, processing time for IV-D non-public assistance payments is two days; in Florida it is currently about three to four days. Using a bank that has branch offices in each county would make it more convenient for parents to make support payments. The option would also improve accountability to the federal government, as the bank would be directly responsible for program activities through an enforceable contract. By reducing the Clerks responsibilities in child support to keeping records for the court, this option would also comply with the federal requirement for a single statewide computer system by eliminating the need for cooperative agreements.

Finally, the option would likely produce savings through the economies of scale offered by a statewide system and because banks use advanced technologies to reduce their collection and disbursement costs. The actual cost of this option cannot be determined until a Request for Proposals is issued. Program staff in Connecticut, which uses this option, estimated that they pay a bank fee of slightly more than \$1 per payment. In contrast, we estimated that in Florida the

Clerks' statewide cost for processing child support payments ranged from \$1.36 to \$1.77 per payment received.⁷ About 5.6 million child support payments are handled by Clerks annually. Therefore, if Florida contracts with a bank that has a \$1 transaction fee, we estimate full privatization should save between \$2 million and \$4.3 million per year in Florida.

This option has several disadvantages. Currently the Department does not supervise the Clerks' child support activities. However, under this option DOR would need to monitor the bank's performance. DOR has not estimated the additional cost for monitoring the bank's performance. Clerks assert that requiring parents to send payments to county courthouses, where most Clerks have offices, induces some parents to comply with their payment obligations. Also, Clerks assert that having payment records maintained at a county level is convenient for judges, who need current data on payment status when holding child support enforcement hearings. However, judges told us that if they could get timely, accurate data they did not care if it was from a bank or a Clerk. Clerks also expressed concern that they would have to lay off staff under this option because their role in processing support payments would be eliminated, although staff reduction could lower Clerk costs.

Finally, eliminating the Clerk's role in processing payments may require the state to fulfill contractual obligations to pay for the CSE computer system. The Clerks developed the CSE system at the state's direction to process payments within the current system. The CSE system is currently funded through a .75% handling fee assessed against child support payments. The remaining obligation of \$1.9 million for the CSE system should be paid off by 1997.

Option 3: Privatize the Collection Process

In this option, the state or the Clerks' Association would contract with a central collections processing center (e.g., a bank) to collect child support payments but Clerks would disburse all funds. As in Option 2, all support payments would be sent to a bank, but these funds would then be disbursed by the Clerk of the county in which the custodial parent resides. The

⁷ Individual counties reported cost per payment ranging from \$.19

Clerks would be linked together through a computer system to qualify as the state disbursement unit with special federal approval.

This option also offers several advantages over the current system. As in Option 2, using a centralized bank to receive payments would streamline the process. It could enable parents to receive payments faster, although probably not as fast as Option 2 due to the added step of transferring funds to Clerks for disbursement. Multiple bank branches could make it more convenient for parents to make payments. This option retains Clerks' operation of the CSE computer system as well as use of the FLORIDA system. Accountability for collecting payments would be improved as a single entity would perform this function; however, accountability for disbursing funds would be split among the 67 Clerks. Clerks also report that this option would reduce the need for layoffs in their offices, as they would continue to be responsible for disbursing support payments.

This option may produce cost savings, but the fiscal impact is uncertain. A recent draft study of Clerks' operations in six counties found that Clerks spend between \$0.59 and \$2.69 to collect each support payment; this variation reflects differences in staff salaries and in the way Clerks define and assign costs. In Massachusetts, which has privatized the collections process, a bank charges approximately \$1.20 to collect each support payment. In Connecticut, which also has privatized collections, program staff estimated that a bank charges slightly over \$1 to collect and disburse each support payment. Given the range in reported Clerk collection costs, the fiscal impact of this option cannot be accurately determined.

However, this option may not satisfy the federal requirement for a single statewide computer system for the child support program. If cooperative agreements to provide federal reimbursement funds are signed with the Clerks, the federal government would likely recognize both the FLORIDA and the CSE system and the state may not satisfy the federal requirement for a single computer system. This problem is compounded because some Clerks have indicated that they do not plan to fully use the CSE

to \$4.03.

system to process payments and will instead use their own county systems.⁸ This option also does not improve accountability to the federal government for disbursing funds, as responsibility for processing most payments would remain with 67 Clerks.

Option 4: Privatize Some of the Collection Process

The Clerks' Association has proposed an option very similar to this one. In this option, the Clerks' Association would contract with a bank to collect child support payments made through income withholding orders, but Clerks would continue to collect other forms of payment such as cash and checks. The bank would transfer funds it collects to the Clerks, who would disburse all payments. The Clerks would be linked together through a computer system to qualify as the state disbursement unit with special federal approval.

In the long term, Option 4 would have much the same result as Option 3, fully privatizing the collection process. Federal law requires that all new or modified child support orders are to be paid by income withholdings. As a result, the Clerks could be gradually phased out of the collection process as the number of cases making direct payments declines over time. The Clerks' Association has suggested that over time, Clerks may decide mailed-in payments should be shifted to the bank for collection as well.

This option does offer advantages compared to the current system. Using a bank to process income withholdings could expedite processing for these payments. The option allows greatest use of the current child support collections and disbursement system, including the CSE computer system. Clerks report that the option would minimize the need for layoffs as much of their collections workload would be retained.

This option may produce limited cost savings, but the fiscal impact is uncertain. Potential savings would be lower than in full privatization of collections because Clerks would collect about half of all support

⁸ The Clerks who are not planning to fully participate in the CSE system are those in Calhoun, Collier, DeSoto, Flagler, Hardee, Holmes, Lee, Seminole, and Suwannee counties.

payments. Thus, the cost savings benefits of privatization are limited. Again, given the range in reported Clerk costs and associated staff salaries, the fiscal impact of this option cannot be accurately determined.

However, as in the third option, partial privatization may not satisfy the federal requirement for a single statewide computer system. This option also does not improve accountability to the federal government, as responsibility for processing most payments would remain with 67 Clerks.

Summary of how options address the federal requirements and the Clerks' funding shortfall.

Federal Requirements. All four options should satisfy the federal requirements for a single location to which employers can send support income withholding payments and a state disbursement unit. However, meeting the federal requirement for a single statewide computer system is less certain under the third and fourth options if DOR enters into cooperative agreements to share federal funds with the Clerks as currently required by state law. Federal officials indicate that if the agreements are signed, the federal government will consider the state to have two computer systems, CSE and FLORIDA. The state would then need to apply for an alternative computer system waiver and may not meet the October 1997 deadline for federal certification.

Funding Shortfall. Regardless of which option the Legislature chooses, additional actions will be required to eliminate the Clerks' funding shortfall. Clerks will continue to have an estimated funding shortfall of \$3.6 million annually. When the 1996 law limiting fee collections becomes effective in fiscal year 1997-98, this shortfall will likely increase to about \$8.5 million per year.

The Legislature could resolve this problem in several ways, including amending delinquency actions required by Florida Statutes, increasing payment handling fees, applying for federal reimbursement for Clerks' IV-D expenses, or taking no action, thereby requiring the Clerks to address this problem locally.

Amending Florida Statutes. First, s. 61.14, F.S., could be amended to revise enforcement responsibilities. Currently, Florida statutes require Clerks to take two enforcement actions when parents fail to make support payments. Clerks must send delinquency notices by certified mail to parents who miss scheduled payments. Also, Clerks are required to file judgements against these parents to create a lien against any property the parents may have in the county where the payment is owed. Delinquency notices are sent by certified mail because the law requires parents be notified of the property lien.

These enforcement actions are expensive to perform and are not considered to be cost-effective. Clerks report that while they spend between \$6 million and \$7.6 million annually to send delinquency notices and file liens, these actions typically do not result in child support collections. Clerks indicated that most parents do not respond to delinquency notices, and only about 10% of the liens result in collections. Clerks said that enforcement actions taken by DOR, such as suspending driver licenses and intercepting tax refunds, are generally more effective in collecting child support.

We conservatively estimate that changing delinquency notice requirements to allow the Clerks to notify delinquent parents by regular mail instead of certified mailed would save \$500,000 annually. DOR legal counsel indicate that such a change may be permissible because the parent has had due process at the original child support hearing and a lien does not deny the parent the use of their property.

Raising Handling Fees. The Clerks' funding shortfall could also be covered by raising the handling fees charged to parents making support payments and providing a portion of these fees to Clerks under all options. According to the draft study of Clerks' operations, the average fee collected in six counties was \$2.39; the maximum fee allowed by law is \$5.25. However, a fee increase may be burdensome to some parents who have difficulty meeting their current child support obligations.

Applying for Federal Reimbursement. Another way the Legislature could relieve the Clerks' funding shortfall is applying for federal reimbursement funds. To relieve Clerk funding shortfall, the 1996 Legislature directed DOR to extend to Clerks' federal

reimbursement for their IV-D costs. However, there are several drawbacks to this alternative. Federal reimbursement would not cover the entire shortfall because it applies only to IV-D cases and then returns only 66% of the costs in excess of fee income related to those cases. Applying for federal reimbursement for the Clerks' operations could have a negative impact on the state's ability to obtain federal incentive funds. Incentive funds are awarded to the states based on the efficiency of the amount of child support payments collected compared to program costs. Currently, the Clerks' IV-D expenses are not included in the formula because there are no cooperative agreements between the Department of Revenue and the Clerks. If cooperative agreements are executed as required by statute Clerks' IV-D expenses would be included in the federal formula, which would tend to limit Florida's incentive funds. Finally, federal reimbursement requires cooperative agreements between the Department of Revenue and the Clerks. If these agreements are executed, the state probably would not be in compliance with the federal requirement for a single computer system.

Requiring Clerks to Resolve Shortfall. The Legislature could take no action to resolve the Clerks' funding shortfall, thus requiring those Clerks who are operating at a deficit to either reduce their operating costs or cover the deficit with other local revenues and taxes. However, this could be interpreted as an unfunded local mandate to finance the Child Support Enforcement Program.

Conclusions and Recommendations

Florida's current system for collecting and disbursing child support payments will not meet new federal requirements and is facing a serious funding shortfall.

We identified two options that can best address these problems. Privatizing the collections and disbursement process (Option 2) would meet federal requirements and would save an estimated \$2 million to \$4.3 million annually. The option of privatizing collections but retaining the role of the Clerks of the Circuit Court in disbursing payments (Option 3) would produce the least disruption to the current

system and may produce undetermined savings. However, this option may not meet the federal requirement for a single statewide computer system.

The Legislature could take no action to resolve the Clerks' funding shortfall. However, this could be interpreted as an unfunded local mandate. Feasible options for addressing this shortfall include changing delinquency notice requirements, which would save \$500,000 annually, and raising payment handling fees charged to parents. Extending federal reimbursement funds to the Clerks is not feasible because it may jeopardize Florida's ability to comply with the federal requirement to have a single statewide computer system and could negatively impact the state's ability to obtain federal incentive funds.

Recommendations

- The Legislature should consider either fully privatizing the collection and disbursement of child support payments (Option 2) or privatizing the collection process but retaining the Clerks' role in disbursing these funds (Option 3). If the Clerks' role is retained, we believe that full privatization of the collections process, rather than splitting this function between a bank and Clerks, offers the greatest potential cost savings.
- If the Legislature chooses to privatize only the collections function (Option 3), responsibility for managing the bank contract should be assigned to DOR rather than the Clerks' Association. We believe it is more appropriate for DOR to oversee the collection of over \$700 million in child support payments annually, and to ensure state compliance with federal regulations so that Florida remains eligible for federal child support enforcement funds.
- The Legislature should change statutory requirements to allow the use of regular mail, rather than certified mail, to send child support delinquency notices to parents who fail to pay child support. Another option for addressing the funding shortfall is to raise the child support payment handling fees charged to parents.
- The Legislature should amend s. 61.181, F.S., to remove the requirement that the Department of Revenue extend cooperative agreements to the Clerks to allow the Department to pay some Clerk

costs from federal reimbursement funds. Eliminating the requirement for cooperative agreements should also enhance Florida's compliance with other federal requirements. According to federal officials, the cooperative agreement requirements may jeopardize federal certification of the FLORIDA system.

- The Legislature should upgrade the CSE computer system to provide accurate and timely sharing of information among the Department, the FLORIDA system, the Clerks and the bank. To fund the necessary system upgrades and operating costs, the Legislature should amend Ch. 61, F.S., to continue the computer fee that is deposited in the Child Support Enforcement Collection System Trust Fund. The need for this fund should then be reviewed every five years, consistent with sunset provisions.
- If the Legislature adopts any of these options, Ch. 61, F.S., should be reviewed and amended as necessary to accurately reflect new program responsibilities.

Agency Response

Florida Association of Court Clerks & Comptrollers

December 31, 1996

Mr. John Turcotte, Director
Office of Program Policy Analysis and
Government Accountability
111 W. Madison, Room 312
Tallahassee, Florida 32301

Re: OPPAGA Report/File No. E02-001-961231-01

Dear Mr. Turcotte:

Listed below are our detailed comments concerning the preliminary and tentative report entitled: "Florida's Child Support Collection and Disbursement Process". Although the attached comments deal with a wide range of issues in the report in detail, I wanted to take this opportunity to summarize what we consider the major difficulties:

I. Comparison Between Options.

The most glaring shortfall of the report lies in the lack of comparison between the recommended options. There is insufficient detail provided for the legislature to proceed with a logical, side-by-side evaluation of the cost savings and pros and cons of Option 2 versus Option 3.

II. Federal Welfare Reform Legislation.

The report refers to the Federal Welfare Reform Act mandating a "single statewide collection and disbursement unit". This is factually inaccurate; the Act specifically allows for states to operate "Linked local units if the system will not cost more or take more time to establish or operate". In fact that is precisely what was created when the Clerk's Child Support Enforcement Processing System was created 4 years ago. This means it is not an exception to what the Act calls for, but an acceptable alternative as already provided for in law.

III. Clerks Child Support Payment Recordkeeping and the Clerks Payment Processing System.

Although the report reiterates several times that the Clerks role as child support court file recorder and the Clerks payment computer system is retained in all options to be considered, the report does not present a clear solution for funding those operations. All of the reports' options assume the use of the Clerk's Child Support Processing System which was developed by Act of the Legislature with funds from a user-based fee (no federal or state general revenue funds were involved). If the assumption of using this system in a privatized option is removed, the State will need to consider capital costs for replacing this central part

of all options which would be at least as much as the original system: \$10 million.

IV. Cashiering and Disbursement.

The report persists in focusing on the cashiering and disbursement function in the Clerks operations, although extensive information was provided to show that these activities are a relatively small part of a whole range of services provided locally on child support cases. The comparison to hypothetical banking arrangements further compounds this problem because it leaves the impression that a bank would perform all associated child support tasks currently performed by the Clerk, which it cannot.

V. Clerk Operating Costs/Funding.

The report makes a recommendation to privatize all payment and disbursement processing for the state based upon a single contact with a commercial bank with the answers being taken out of context. This was in spite of the independent cost analysis that was provided by the Clerks. The analysis shows clearly that the majority of costs relating to child support payment processing was not in the areas of cashiering and payment disbursement, but in the areas of case maintenance, adjustments, research, etc. The report consistently concludes that DOR or a banking contract would be more effective or cost efficient when DOR was unable to provide anything but anecdotal data on their current costs of operation. Although the Clerks participated actively in providing extensive costs, budget, and management data both at the county level and at the statewide system level, the report recommends centralized control by an agency that was unable or unwilling to provide basic management data so that an objective comparison could be made. Also, one of the prime reasons for the OPPAGA study was to determine a clear course concerning the Clerk's cost of operation shortfall created by last legislature's elimination of withholding the processing fee from a partial payment. The report fails to give a clear solution to that problem.

In closing, we appreciate the opportunity to respond to your draft report and look forward to working with you and your staff in the future.

Sincerely,

/s/ Roger H. Alderman
Executive Director

RHA/bn
Enclosure (Detailed Response)

OPPAGA Note: The detailed response mentioned above is not reproduced herein but is available by request.

OPPAGA Director's Comment

As requested by the Legislature, our report focused on child support collection and disbursement functions. Our report presents a variety of options for addressing the Clerks' funding shortfall, including changing delinquency notification requirements to save \$500,000 annually; privatizing the collection and disbursement of child support payments, which could save up to \$4.3 million annually; and raising the child support payment handling fee charged to parents. We modified the report text to clarify federal welfare reform requirements relating to "linked local units" (Clerks) for a state disbursement unit. As noted in the report, special federal approval would be necessary for this arrangement.

Department of Revenue

December 24, 1996

Mr. John W. Turcotte, Director
Office of Program Policy Analysis
and Government Accountability
Pepper Building, 3rd Floor
Tallahassee, Florida 32399

Dear Mr. Turcotte:

Attached is the Department's response to the preliminary and tentative findings and recommendations for the review of the CSE Collection and Disbursement Process.

We appreciate the professionalism displayed by your audit staff. If further information is needed, please contact Tom Berger, our Inspector General, at 488-4328.

Sincerely,

/s/ L.H. Fuchs

LHF/TGB/bso

Attachment

Department of Revenue

December 24, 1996

John W. Turcotte
Director
Office of Program Policy Analysis
and Government Accountability
Post Office Box 1735
Tallahassee, Florida 32302
Pepper Building, 3rd Floor

Dear Mr. Turcotte:

We greatly appreciate the time and effort that OPPAGA has expended in the preparation of the **Review of the Collection and Disbursement Processes of the Florida Child Support Enforcement Program.**

Thank you for the opportunity to offer our comments to your draft. Because of the short time frames under which we all are working, we have requested a meeting with your office to discuss other issues that need further analysis on our part and to answer questions that we have.

The Department of Revenue concurs with OPPAGA's principal conclusion that the current system for collecting and disbursing child support payments will not meet new federal requirements. Specific comments relative to each summary recommendation at the conclusion of the report are as follows:

- 1. We concur with Option 2 with modification. We believe that Option will best serve the citizens of Florida by establishing a comprehensive and cohesive process that will provide a streamlined method for the collection and disbursement of child support payments. Placing this important function with a private entity who already has a proven automated system in place will (1) substantially reduce the cost attendant to this activity and (2) will eliminate or greatly reduce the reconciliation that is now required to be performed as a result of conflicting CSE System (CLERC) and FLORIDA

system data. Additionally, Option 2 would negate the need for a federal waiver.

- 2. We concur with the recommendation that IF the legislature chooses to privatize only the collection function (Option 3), the responsibility for managing the contract should be assigned to DOR. Should the responsibility be assigned to the Clerks of Court who are elected constitutional officers, oversight and monitoring by DOR would be difficult because of the Clerks' constitutional officer status.
- 3. We agree with the recommendation to remove the requirement that the Department of Revenue extend cooperative agreements to the Clerks for the reasons stated.
- 4. We agree that IF the legislature chooses to retain the CSE system (CLERC), that funding should be provided to upgrade the CSE system (CLERC) to provide accurate and timely sharing of information. Federal welfare reform requires the establishment of a State Case Registry in which certain data will be required to be maintained for all court orders issued in the state. Modifications to the current system will be needed to meet the requirements of this registry.
- 5. We agree with the recommendation that, if the Legislature adopts any of these options, appropriate Florida Statutes must be amended to reflect the new program responsibilities.

Should you have any questions or require additional information, please contact me at 488-8726.

Sincerely,

/s/ Barry A. Gladden
Director
Child Support Enforcement Program

cc: Thomas Berger
Bebe Blount
Tony Kirk

This project was conducted in accordance with applicable evaluation standards. Copies of this report may be obtained by telephone (904/488-1023 or 800/531-2477), by FAX (904/487-3804), in person (Claude Pepper Building, Room 312, 111 W. Madison St.), or by mail (OPPAGA Report Production, P.O. Box 1735, Tallahassee, FL 32302). Web site: <http://www.state.fl.us/oppaga/>

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